



5th Fiscal Midterm Business Report

April 1, 2007 ▶ September 30, 2007

SAXA Holdings, Inc.

Ticker code: 6675



Message from the President

To address the rapidly changing and highly competitive information and telecommunications network-related market, 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
Representative Director and President

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Change of the Company Name

We were established as a holding company of Tamura Electric Works, Ltd. and Taiko Electric Works, Ltd. as of February 2, 2004. In addition, we integrated Tamura Electric Works, Ltd. and Taiko Electric Works, Ltd. into SAXA, inc. as of April, 2004, and have conducted business as the Tamura-Taiko SAXA Group.

With our management philosophy to "Contribute to the development of a rich and active society by creating new value around a core of original technologies," we have taken various measures to expand business fields and strengthen its management structure. We combine the technologies, sales and manufacturing capabilities in the information communications, IC card and security-related fields to establish business foundations that can cope with rapid changes and intensifying competition in the stringent market environment, aiming to obtain top market shares in its strongest markets.

We changed the name of the Company to SAXA Holdings, Inc. effective October 1, 2007, to aim at further growth in the future by heightening recognition of the "SAXA" corporate brand and making it more appealing to our customers.

● Overview of Operations for the Fiscal Midterm

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.

To address such a drastically changing business environment, the SAXA Group has taken various measures to expand business fields and strengthen its management structure, pursuing innovation based on its capabilities in engineering and product development.

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 and business 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 acquired the majority of shares of 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 reform and restructure the company, addressing a rapidly changing market environment toward early business transformation and business expansion.

Consolidated sales for the midterm period under review were ¥24,004 million, a decrease of 1.9% year over year. The decline was primarily due to a decrease in Network Solutions sales, whereas sales in Security Solutions increased.

Operating income, ordinary income and net income respectively decreased compared with the same period a year earlier. Operating income decreased 66.8% to ¥263 million, and ordinary income decreased 69.9% to ¥204 million, and net income decreased 51.4% to ¥101 million. These declines reflected the decrease in net sales and increase in selling, general and administrative expenses including depreciation.

Review of the Fiscal Midterm

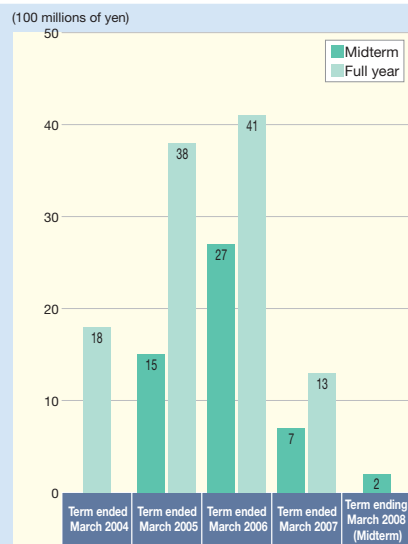
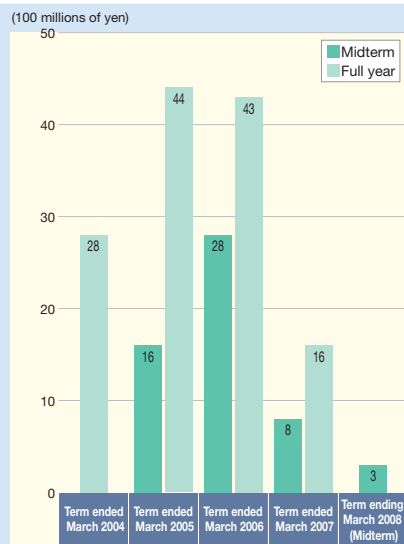
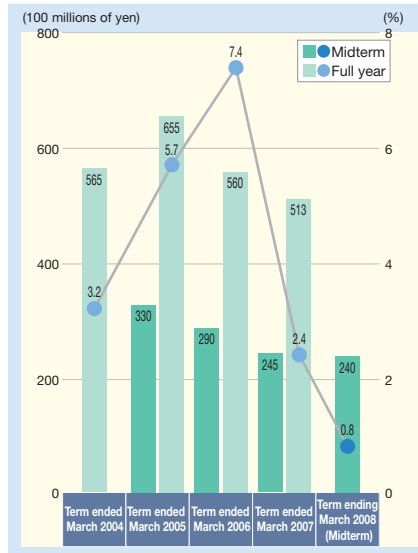
● Consolidated Financial Highlight

■ Net sales (left)

● Ratio of ordinary income to net sales (right)

■ Operating income

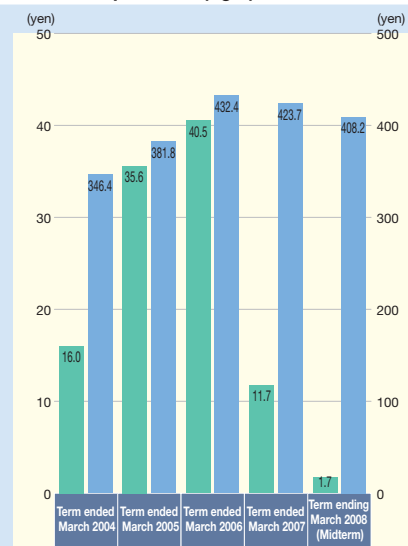
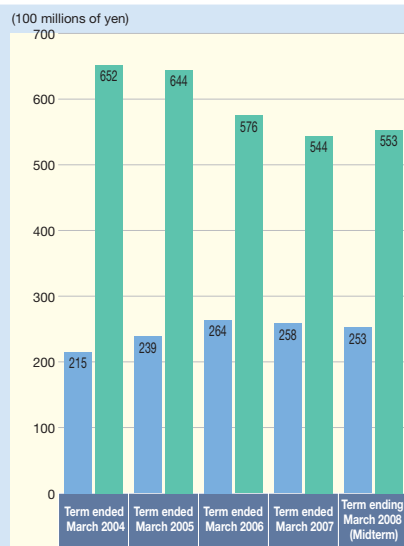
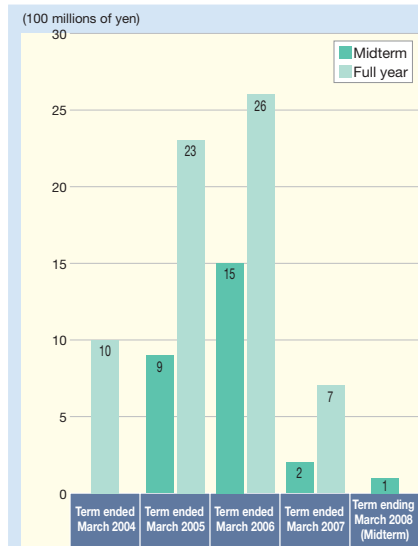
■ Ordinary income



■ Net income

■ Total assets ■ Net assets

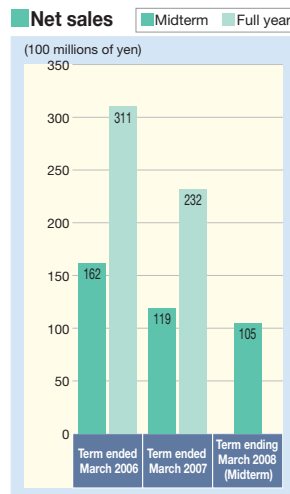
■ Net income per share (left)
■ Net assets per share (right)



●Results of Operations by Business Segment

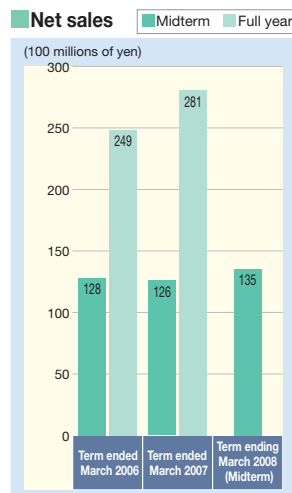
Network Solutions Business

Net sales decreased 11.2% year over year to ¥10,549 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. The adverse impact of such factors was not offset by expanding orders for key telephone systems with higher capacity.



Security Solutions Business

Net sales increased 6.9% year over year to ¥13,455 million. The increase was mainly due to increases in demand for card-related devices for the transportation industry and printers for a particular use despite a decrease in orders for reader/writers for the amusement industry.



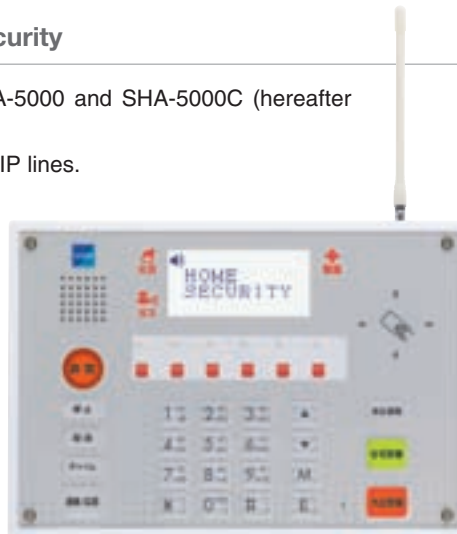
Home Security Transmitter SHA-5000 released Meeting diverse needs ranging from substantial to simple security

SAXA, Inc. has developed two models of home security transmitters, SHA-5000 and SHA-5000C (hereafter SHA-5000 Home Security Transmitters) and released them in October 2007.

SHA-5000 Home Security Transmitters are compatible with both analog and IP lines.

These transmitters can reduce transmission cost when they are connected to an IP line. In addition, they have the functionality to send e-mail messages to the user's mobile phone etc. when an abnormal situation occurs. With these transmitters, we can establish a security system to suit our customers' needs, ranging from a full-fledged "at home/away from home security mode" in which security is subcontracted to security firms, etc. to a simplified security system utilizing e-mails and voice alert.

SHA-5000C (card-reader embedded type) features its compatibility with non-contact IC cards (FeliCa and TypeA used as Osaifu-Keitai etc.) which can be used to start and cancel a security mode, and has "Okaeri-Mail" function that informs the user when his/her children (or anyone else) return home.



SHA-5000C

New IP Network Products for small to medium-sized companies released Regalis II key telephone system can now accommodate directly the Hikari Denwa Office Type

SAXA, Inc. and SAXA Business Systems, Inc. developed a dedicated unit IPHO710 for Regalis II, our IP-compatible key telephone system for small to medium-sized companies, and released it in October 2007. IPHO710 supports the Hikari Denwa Office Type service offered by NTT East and NTT West. IPHO710 can incorporate the Hikari Denwa Office Type without installing a compatible adaptor. It supports 8-channel 32 numbers of the Hikari Denwa Office Type and streamlines the power supply and cables for the main unit. When the user calls a number not supported by the Hikari Denwa Office Type, IPHO710 will automatically select the analog and ISDN lines and dispatch messages smoothly.



Regalis II

Capital and Business Tie-up with Kobishi Electric Co., Ltd.

SAXA, Inc. concluded a stock transfer agreement with Kobishi Electric Co., Ltd. and acquired 76% of its shares to make the company a subsidiary on April 2, 2007.

Our efforts behind the conclusion aim to reinforce our security solutions business by expanding the SAXA Group's product lines and bringing about sales channels synergy, and to work on the creation of new businesses by mobilizing key components technologies of both companies.

Trade Name: Kobishi Electric Co., Ltd.

Representative: Kuniyoshi Wanikawa, Representative Director and President

Head Office: 1805-1, Kamiya, Kounosu-shi, Saitama, Japan

Established: August 25, 1952

Main business: Manufacture and sales of security equipment, disaster-prevention equipment (bells, buzzers, etc.), power supplies (transformers)

Capital Stock: ¥45 million

Entering into IP Network Camera System Business Capital and Business Tie-up with System K Corporation

The SAXA Group has decided to enter into IP network camera system business, which is essential for network solution business and security solution business and expected to spread in coming years. This business allows the SAXA Group to contribute to the creation of a safe and secure “ubiquitous society” and to provide new solutions (products and services) based on voice, video, and data for new infrastructure (NGN) service. We will be aiming to release product series and boost our business areas.

To this end, SAXA, Inc. undertook the new shares to a third party allocated by System K Corporation on September 28, 2007, and acquired 54% of its shares, making the company a subsidiary. System K Corporation has the advantage of sophisticated technologies for controlling IP network camera systems, and offers development technologies for Internet video conference systems, IP-PBX etc., products and ASP service through its data center.

Trade Name: System K Corporation

Representative: Takahiro Narumi, Representative Director and President

Head Office: 1-2-24, Higashi, Kita15, Higashi-ku, Sapporo, Hokkaido, Japan

Established: February 25, 1991

Business: Development of contracting systems for computer software, development and sales of IP network camera systems, and Internet-related packaged products

Capital Stock: ¥655 million (after new shares to a third party were allocated)

Consolidated Financial Statements (Condensed)

● Consolidated Balance Sheets

(Millions of yen)

Account item	4th fiscal term (as of March 31, 2007)	5th fiscal midterm (as of September 30, 2007)
Assets		
Current assets	29,215	29,185
Cash and cash equivalents	6,988	5,472
Notes and accounts receivable	13,745	14,283
Inventories	6,299	7,346
Deferred tax assets	1,297	1,349
Other current assets	928	770
Allowance for doubtful accounts	(44)	(37)
Fixed assets	25,142	26,024
Property, plant and equipment	12,761	13,344
Buildings and structures	2,216	2,304
Machinery and transportation equipment	558	563
Tools, furniture and fixtures	1,411	1,379
Land	8,574	9,097
Intangible fixed assets	5,006	5,691
Software	4,951	5,047
Goodwill	—	589
Other intangible fixed assets	54	53
Investments and other assets	7,373	6,988
Investment securities	6,258	5,551
Long-term prepayments	375	390
Deferred tax assets	278	331
Other investments	698	1,014
Allowance for doubtful accounts	(237)	(300)
Deferred assets	60	52
Expenses for issuing bonds	60	52
Total assets	54,418	55,262

Account item	4th fiscal term (as of March 31, 2007)	5th fiscal midterm (as of September 30, 2007)
Liabilities		
Current liabilities	16,716	17,950
Notes and accounts payable	7,274	7,417
Short-term borrowings	5,189	6,435
Bonds due redeemable within one year	564	634
Accrued amount payable	1,108	837
Accrued expenses	1,380	1,398
Accrued income taxes	165	173
Accrued consumption taxes	136	208
Allowance for product warranties	288	284
Reserve for bonuses to directors and auditors	64	20
Other current liabilities	544	540
Long-term liabilities	11,947	11,996
Bonds	2,226	2,264
Long-term loans payable	745	931
Deferred tax liabilities	2,350	2,074
Reserve for retirement benefits	3,949	4,166
Reserve for retirement benefits for directors and auditors	—	70
Loss on merger	1,907	1,771
Other long-term liabilities	767	717
Total liabilities	28,664	29,946
Net assets		
Shareholders' equity	24,403	23,953
Common stock	10,836	10,836
Capital surplus	6,331	6,331
Retained earnings	8,313	7,868
Treasury stock	(1,078)	(1,082)
Valuation, translation adjustments and others	1,350	848
Net unrealized gains or losses on available-for-sale securities	1,321	814
Equity adjustment from foreign currency translation	29	33
Minority interests	—	513
Total net assets	25,753	25,315
Total liabilities and net assets	54,418	55,262

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 midterm	5th fiscal midterm
	<small>(as of September 30, 2006)</small>	<small>(as of September 30, 2007)</small>
Net sales	24,464	24,004
Cost of goods sold	18,162	17,722
Gross profit	6,301	6,281
Selling, general and administrative expenses	5,508	6,018
Operating income	793	263
Nonoperating income	320	349
Nonoperating expenses	435	408
Ordinary income	678	204
Special profits	3	37
Special losses	69	143
Income before income taxes	613	99
Income taxes-current	248	145
Income taxes-deferred	155	(139)
Minority interest in loss	—	8
Net income	208	101

● Consolidated Statements of Cash Flows (Millions of yen)

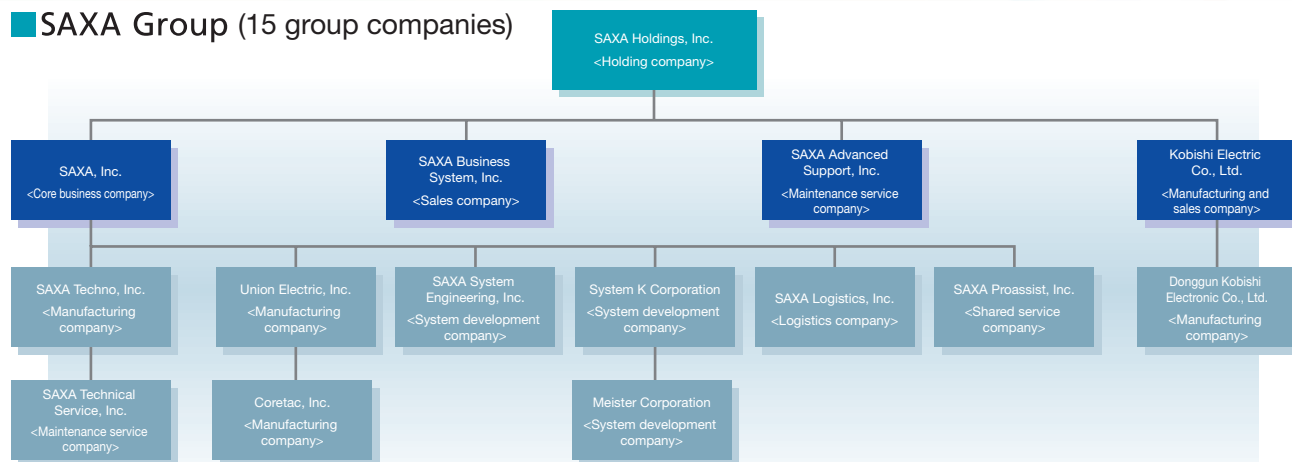
Account item	4th fiscal midterm	5th fiscal midterm
	<small>(as of September 30, 2006)</small>	<small>(as of September 30, 2007)</small>
Cash flows from operating activities	1,627	1,360
Cash flows from investing activities	(1,609)	(2,107)
Cash flows from financing activities	(1,745)	(891)
Effect of exchange rate changes on cash and cash equivalents	(3)	(0)
Net increase (decrease) in cash and cash equivalents	(1,731)	(1,637)
Cash and cash equivalents at the beginning of the term	9,583	6,988
Cash and cash equivalents at the end of the midterm	7,852	5,350

● Consolidated Midterm Statement of Changes in Shareholders' Equity, etc. (From April 1, 2007 to September 30, 2007) (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 first half of FY2007										
Cash dividends paid			(546)		(546)					(546)
Net income			101		101					101
Purchases of treasury stock				(4)	(4)					(4)
Net change in items other from those in shareholders' equity						(506)	4	(501)	513	11
Total of changes in first half of FY2007	—	—	(445)	(4)	(449)	(506)	4	(501)	513	(438)
Balance as of September 30, 2007	10,836	6,331	7,868	(1,082)	23,953	814	33	848	513	25,315

Group Companies (As of September 30, 2007)

SAXA Group (15 group companies)



SAXA Holdings, Inc.

Established	February 2, 2004
Capital Stock	¥10,836,678,400
Number of Employees	1,586 (Consolidated)
	20 (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

Representative Director and President	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	¥10.7 billion
Number of Employees	649
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

Representative Director and President	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 outside auditor.

●Executive Officers

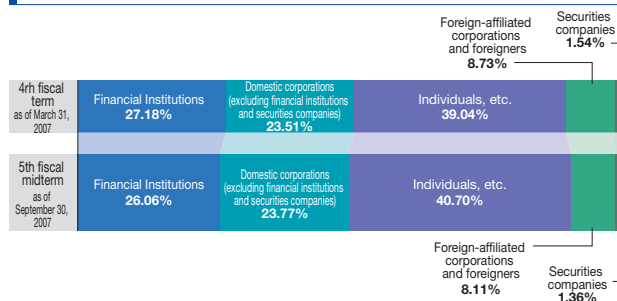
President and Executive Officer	Masanori Yoshioka	Managing Executive Officer	Naomitsu Murata
Managing Executive Officer	Shin Murakami	Managing Executive Officer	Masaki Ohuchi
Managing Executive Officer	Shuji Matsuyama	Executive Officer	Mutsuo Takematsu
Managing Executive Officer	Masayuki Fukushima	Executive 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 September 30, 2007)

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 9,061

Distribution of Shareholders by Category



Major Shareholders

Shareholder name	Investment in the Company by Shareholder	
	Number of shares held (thousand)	Equity position (%)
Okii Electric Industry Co., Ltd.	6,060	9.70
NEC Corporation	6,060	9.70
The Master Trust & Bank of Japan, Ltd. (trust account)	3,027	4.85
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 1,684,000 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 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.

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.saxa.co.jp>

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 *Nihon Keizai Shimbun* (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.

