



6th Fiscal Midterm Business Report

April 1, 2008 ▶ September 30, 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 cope with 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, while taking various measures to expand business fields and strengthen its management structure.

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.

Review of the Fiscal Midterm

●Overview of Operations for the Fiscal Midterm (From April 1, 2008 to September 30, 2008) ———

The information and telecommunications network-related market, in which the SAXA Group principally provides service, has been adopting new approaches to accommodate the expanding optical network.

To cope with such a rapidly changing business environment, the SAXA Group has been pursuing innovation based on its capabilities in engineering and product development, and therefore has taken various measure to expand business fields and strengthen its management structure.

As for “expanding business fields,” in its core businesses, Network Solutions and Security Solutions, the SAXA Group has been promoting initiatives to promptly develop and market amalgamated products to accommodate NGN and other such products.

As for “strengthening our management structure,” the Group has taken measures to improve organizational structures and develop human resources in line with the future development and marketing of amalgamated products. As part of this endeavor, on July 1, 2008, it reorganized the sales structure to strengthen its sales force, by unifying the sales organization and taking a more community-based approach.

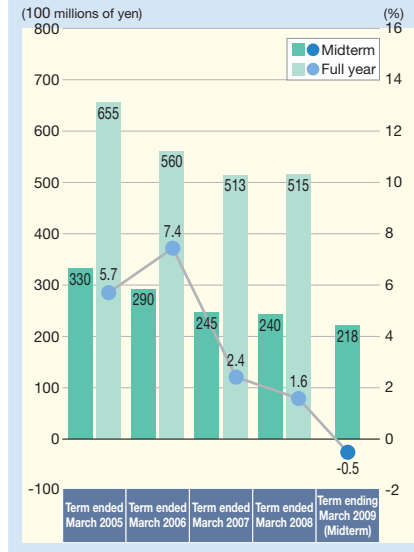
The consolidated net sales for the midterm period under review decreased 9.3% year over year to ¥21,775 million. On the profit front, although it strived to reduce total costs, due to the reduced revenue resulting from decrease in net sales, the SAXA Group recorded an ordinary loss of ¥118 million, while it posted ordinary income of ¥204 million during the same period of the previous year. The Group posted net loss of ¥386 million due to the posting of losses on devaluation of investment securities and other factors, while it posted net income of ¥101 million during the same period of the previous fiscal year.

Review of the Fiscal Midterm

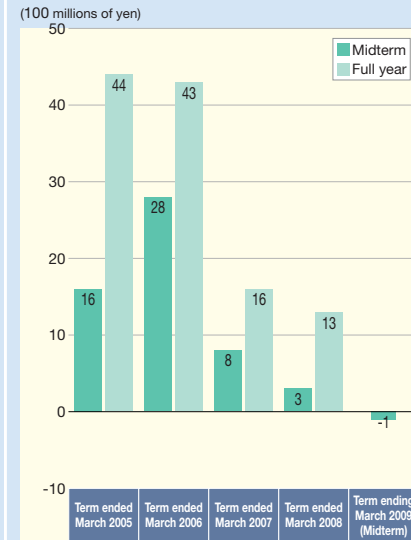
Consolidated Financial Highlight

Net sales (left)

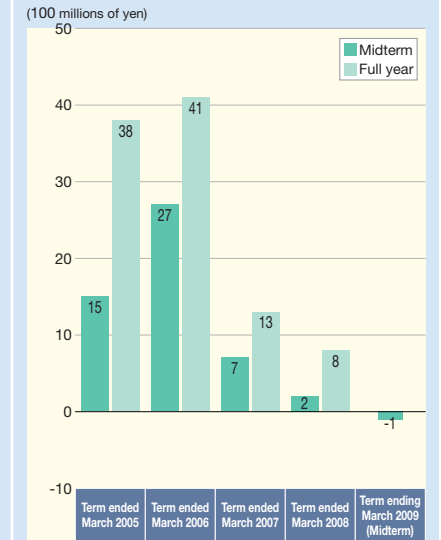
Ratio of ordinary income to net sales (right)



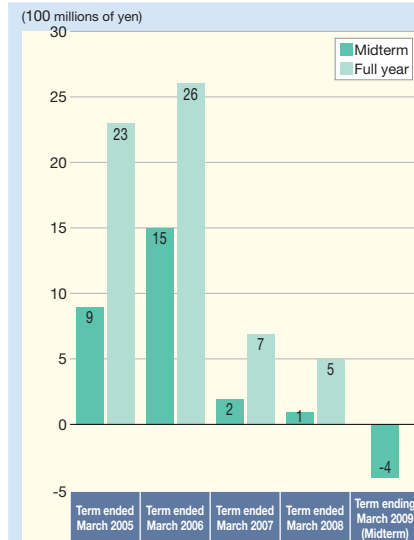
Operating income



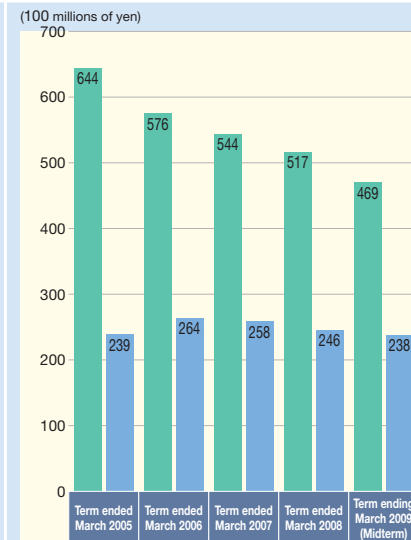
Ordinary income



Net income

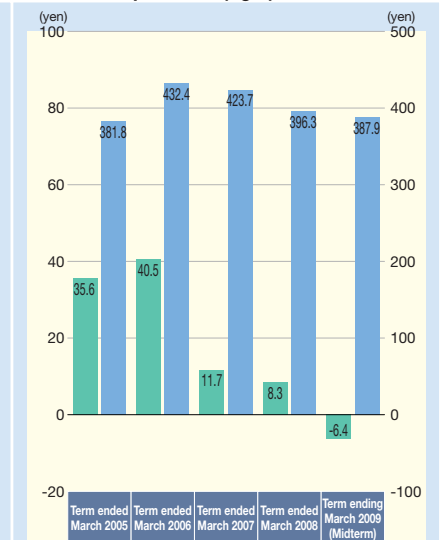


Total assets Net assets



Net income per share (left)

Net assets per share (right)



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

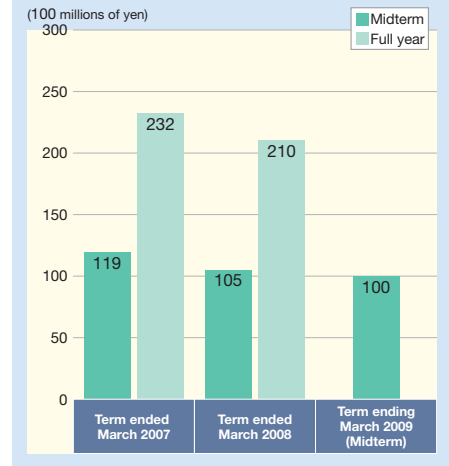
●Results of Operations by Business Segment

Network Solutions Business

Net sales decreased 4.9% year over year to ¥10,031 million. Although sales of optical equipment and devices increased, it could not offset the decline in sales of key telephone systems for small to medium-sized companies.

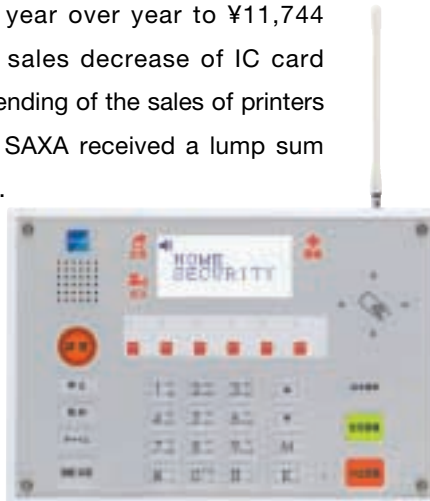


Net sales

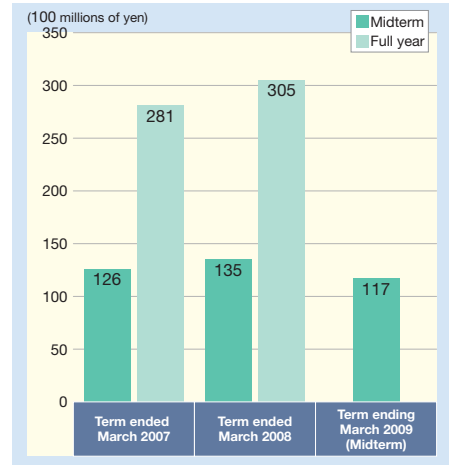


Security Solutions Business

Net sales decreased 12.7% year over year to ¥11,744 million. This was due to the sales decrease of IC card readers/writers, as well as the ending of the sales of printers for a particular use for which SAXA received a lump sum order in the previous fiscal year.



Net sales



Industry's first — SAXA's new model multifunctional telephone system equipped with an occupant sensor as a standard feature Introducing the new IP-compatible key telephone system Agrea HM700 for small to medium-sized companies

SAXA, Inc. introduced the Agrea HM700Std and HM700Pro in September 2008 as the enhanced models of the IP-compatible key telephone systems Regalis II for small to medium-sized companies.

Small and mid-sized offices must improve operational efficiency and convenience, and reduce costs while dealing with issues such as those related to the Private Information Protection Law, information leakage and security measures, and pressing network environment needs such as point to point communications, mobile communications and IP networks.

To meet such needs, the Agrea HM700 achieved the enhancement of IP network functions through implementation of inter-system connections for point to point communications and installation of wireless LAN dual terminals which enables FMC.

While there has been an increased need for security measures, small to medium-sized companies are facing the issues of increasingly complex office security systems and expensive introduction costs. The Agrea HM700, which is the industry's first multifunctional telephone system with occupant sensors as a standard feature, could meet such companies' needs, enabling users to create a security system with sensors on all phones. Furthermore, security functions of the products are strengthened compared to the conventional models, through enhanced connections to such SAXA systems as the security transmitter TS-MT0802C and entrance control system IcGate.

The Agrea HM700 is characterized by its improved usability with consideration for universal design and smaller size achieved at the same time, with replaceable sheets to customize not only the buttons area but also the display area. To prepare for power failures, a special power failure unit can be integrated onto the Agrea HM700, whereas past models required a separate phone. Also featured are the reception phone line-ups with 3PCC* technology, and the newest functions including reception of Earthquake Early Warnings, links to web phonebook server and "Desk de RSS" (RSS reader function).



Agrea HM700



*3PCC = 3rd Party Call Control

Introducing the VR100, a flashlight featuring a digital video recorder — Equipped with infra-red LED enabling taping in the dark

SAXA, Inc. developed and introduced in September 2008, the VR100, a high-intensity LED flashlight equipped with a digital video recorder.

Due to increasing crimes and incidents, there is a pressing need to videotape situations on the spot, in order to confirm the scene. Such recordings have been made via fixed security cameras; however, since such cameras do not always cover the entire area, there is a need for a portable device which can be carried around and enables taping both in the daytime and night. The VR100 is not only equipped with a high-intensity LED and infra-red LED, but enables users to videotape or take photos by the push of just one button, in any types of environment — day or night, indoor or outdoor, under all kinds of weather conditions. Users can perform the picture taking or recording as they check the image displayed on the LCD monitor. This product is especially suitable for use in security guard companies; security guards coming across a crime or an accident will be able to record the incident immediately at the scene and later review the footage and sound. This will eliminate memory lapse and vagueness, and ensure proper evaluation of the incident.



VR100

Honored with Good Design Award

The Japan Industrial Design Promotion Organization awarded the VR100 with the 2008 Good Design Award. The judges highly praised its originality and practical design. They stated that the product is an absolutely new concept as a domestic product and that the design complements its originality. The two types of light, camera, microphone, recorder and LCD monitor are all neatly packaged, and functions easy to follow.

Good Design Award website introducing the VR100
<http://www.g-mark.org/search/Detail?id=34873&sheet=outline&lang=en>

Consolidated Financial Statements (Condensed)

● Consolidated Balance Sheets

(Millions of yen)

Account item	6th fiscal midterm (as of September 30, 2008)	5th fiscal term (as of March 31, 2008)
Assets		
Current assets	24,333	28,743
Cash and cash equivalents	5,559	4,958
Notes and accounts receivable	10,368	15,740
Inventories	6,379	6,003
Deferred tax assets	1,287	1,120
Other current assets	748	940
Allowance for doubtful accounts	(9)	(19)
Fixed assets	22,512	22,886
Property, plant and equipment	12,839	12,934
Land	9,096	9,097
Other property, plant and equipment	3,742	3,837
Intangible fixed assets	5,889	5,842
Software	5,007	4,985
Goodwill	610	559
Other intangible fixed assets	271	297
Investments and other assets	3,783	4,108
Deferred assets	43	41
Total assets	46,889	51,670

Account item	6th fiscal midterm (as of September 30, 2008)	5th fiscal term (as of March 31, 2008)
Liabilities		
Current liabilities	13,602	16,996
Notes and accounts payable	5,493	6,899
Short-term borrowings	4,019	5,862
Bonds due redeemable within one year	917	604
Accrued amount payable	698	833
Accrued expenses	1,367	1,372
Accrued income taxes	79	221
Accrued consumption taxes	163	384
Allowance for product warranties	354	276
Reserve for bonuses to directors and auditors	20	69
Other current liabilities	489	472
Long-term liabilities	9,503	10,112
Bonds	2,046	1,977
Long-term loans payable	974	1,326
Deferred tax liabilities	1,255	1,515
Reserve for retirement benefits	2,836	2,638
Reserve for retirement benefits for directors and auditors	81	92
Loss on merger	1,499	1,635
Other long-term liabilities	811	927
Total liabilities	23,106	27,108
Net assets		
Shareholders' equity	23,662	24,355
Common stock	10,836	10,836
Capital surplus	6,331	6,331
Retained earnings	7,581	8,272
Treasury stock	(1,087)	(1,085)
Valuation, translation adjustments and others	(102)	(278)
Net unrealized gains or losses on available-for-sale securities	(118)	(301)
Equity adjustment from foreign currency translation	16	22
Minority interests	223	485
Total net assets	23,783	24,562
Total liabilities and net assets	46,889	51,670

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

● Consolidated Statements of Income (Millions of yen)

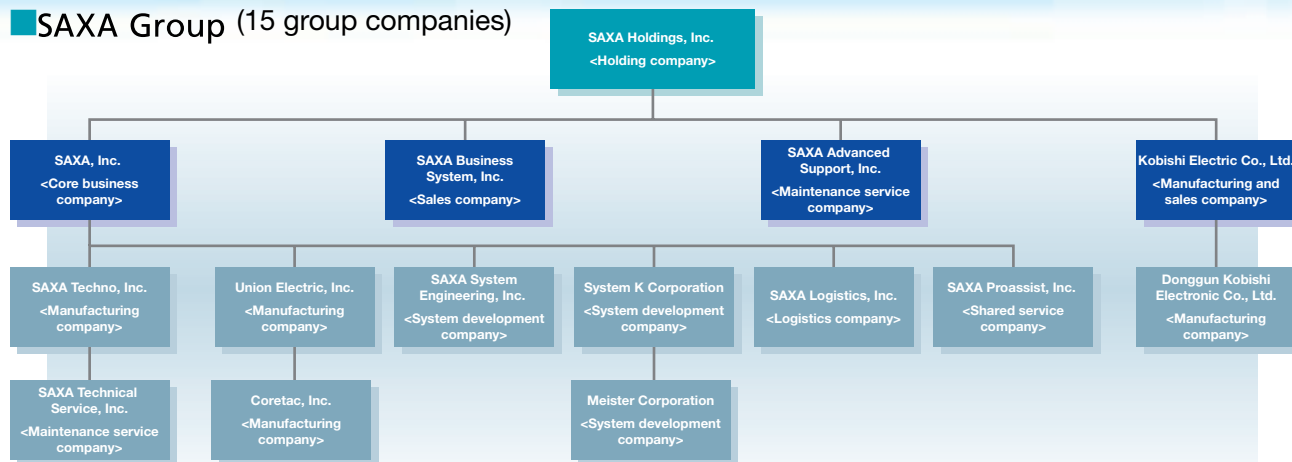
Account item	6th fiscal midterm <small>(as of September 30, 2008)</small>	5th fiscal midterm <small>(as of September 30, 2007) (Reference)</small>
Net sales	21,775	24,004
Cost of goods sold	15,768	17,722
Gross profit	6,007	6,281
Selling, general and administrative expenses	6,137	6,018
Operating income (loss)	(130)	263
Nonoperating income	289	349
Nonoperating expenses	277	408
Ordinary income (loss)	(118)	204
Special profits	8	37
Special losses	771	143
Income (Loss) before income taxes	(881)	99
Income taxes-current	49	145
Income taxes-deferred	(542)	(139)
Minority interest in income (loss)	(1)	(8)
Net income (loss)	(386)	101

● Consolidated Statements of Cash Flows (Millions of yen)

Account item	6th fiscal midterm <small>(as of September 30, 2008)</small>	5th fiscal midterm <small>(as of September 30, 2007) (Reference)</small>
Cash flows from operating activities	4,177	1,360
Cash flows from investing activities	(1,442)	(2,107)
Cash flows from financing activities	(2,130)	(891)
Effect of exchange rate changes on cash and cash equivalents	(4)	(0)
Net increase (decrease) in cash and cash equivalents	600	(1,637)
Cash and cash equivalents at the beginning of the term	4,856	6,988
Cash and cash equivalents at the end of the midterm	5,457	5,350

Group Companies (As of September 30, 2008)

SAXA Group (15 group companies)



SAXA Holdings, Inc.

Established	February 2, 2004
Capital Stock	¥10,836,678,400
Number of Employees	1,603 (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	Naomitsu Murata
Representative Director and Vice President	Masao Koshikawa	Director	Keiichi Fukumura
Managing Director	Shin Murakami	Director	Kiyoshi Nakanishi
Managing Director	Shuji Matsuyama	Standing Auditor	Masayuki Fukushima
Managing Director	Yuzuru Suzuki	Auditor	Masao Fujimaki
Managing Director	Masaki Ohuchi	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	677
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

Chairman & C.E.O.	Masanori Yoshioka	Director	Toshio Adachi
President & C.O.O.	Masao Koshikawa	Director	Naomitsu Murata
Director	Shin Murakami	Director	Toshio Yamada
Director	Shuji Matsuyama	Standing Auditor	Masao Fujimaki
Director	Yuzuru Suzuki	Auditor	Masayuki Fukushima
Director	Masaki Ohuchi	Auditor	Takashi Kouno

Note: Takashi Kouno is an outside auditor.

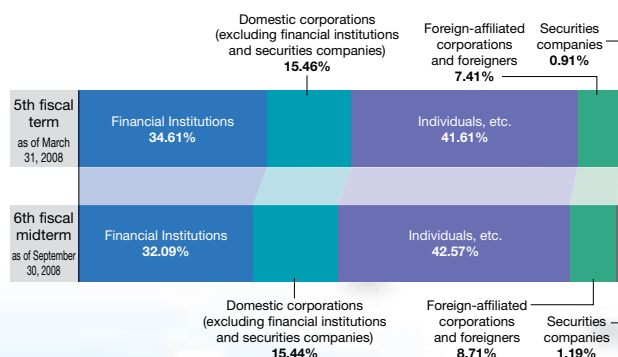
Executive Officers

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

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..... 8,718

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
Mizuho Bank, Ltd.	2,339	3.75
Sumitomo Mitsui Banking Corporation	1,767	2.83
Japan Trustee Services Bank, Ltd. (trust account 4G)	1,294	2.07
Bank of Tokyo-Mitsubishi UFJ, Ltd.	959	1.54
JP Morgan Chase Bank 385123	930	1.49
CBNY DFA International Cap Value Portfolio	919	1.47
Mizuho Trust & Banking Co., Ltd.	900	1.44
The Master Trust & Bank of Japan, Ltd. (trust account)	821	1.31

Notes:

1. Although the Company holds 1,707,502 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

Fiscal Year	April 1 to March 31
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.
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 <i>Nihon Keizai Shimbun</i> (daily newspaper).

<Changes in share-handling procedures due to the transition to the electronic share certificate system>

	Available until December 30, 2008	Available from January 5, 2009
Custodian of the Register of Shareholders	Mizuho Trust & Banking Co., Ltd. (no change) 2-1, Yaesu 1-chome, Chuo-ku, Tokyo	
Handling Office	Stock Transfer Agency Department, Head Office, Mizuho Trust & Banking Co., Ltd. (no change) 2-1, Yaesu 1-chome, Chuo-ku, Tokyo	
Special account handling organization	—	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Agencies	Agencies for the custodian of the register of shareholders Mizuho Trust & Banking Co., Ltd.: All branches nationwide Mizuho Investors Securities Co., Ltd.: Head office and all branches nationwide, as well as Planet Booths	Agencies for the special account handling organization Mizuho Trust & Banking Co., Ltd.: All branches nationwide Mizuho Investors Securities Co., Ltd.: Head office and all branches nationwide, as well as Planet Booths
Mailing Address	17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507
Telephone Referral and Dedicated Web Site	0120-288-324 (Toll-free call) (no change) http://www.mizuho-tb.co.jp/daikou/ (no change)	

○Notice

Please note that you may be required to go through a change in share-handling procedures due to the transition to the electronic share certificate system.

For more information please contact the “Telephone Referral” above or **the “call center for the electronic share certificate system at 0120-77-0915 (toll-free call).”**

<Request for repurchase of less-than-unit (“*tangen*”) shares during the period before and after the date of transition to the electronic share certificate system>

Repurchase of less-than-unit shares will be handled by the custodian of the register of shareholders listed above.

If the less-than-unit shares are deposited with the Japan Securities Depository Center (JASDEC), please contact your securities company, etc.

Please note that applications for the repurchase of less-than-unit shares will not be accepted during the following periods due to the transition to the electronic share certificate system.

	Shares that are deposited with JASDEC	Shares that are not deposited with JASDEC
Period when applications are not accepted	From December 22, 2008 to January 4, 2009	From January 5, 2009 to January 25, 2009

○Payment of proceeds

For repurchase requests made between December 25, 2008 and January 4, 2009, the Company will pay the proceeds to the requesting party on January 26 or January 30, 2009. Price of the day on which purchase application is made will apply. If the shares are not sold, they will be once returned to the shareholders.

