



8th Fiscal Midterm Business Report

April 1, 2010 ▶ September 30, 2010

SAXA Holdings, Inc.

Ticker code: 6675



Masao Koshikawa
President & C.E.O.

The general business performance of SAXA Group are outlined in the 8th Fiscal Midterm Business Report (from April 1, 2010 to September 30, 2010) presented herein.

While corporate earnings are on the road to recovery during the fiscal midterm under review thanks to such factors as the recovery of exports (especially to Asia), the outlook for the Japanese economy still remains uncertain as the pace of economic recovery has slowed, and there are concerns over fluctuations in exchange rates and the stock markets.

In the information and telecommunications network-related market, which constitutes a core market of SAXA Group, we are seeing major changes in the market as various businesses are emerging, utilizing communication networks that have evolved and diversified, as a result of the increased use of broadband technologies, including optical networks.

With these market changes in mind, SAXA Group has been committed to strengthening its management structure and expanding business fields in order to quickly recover its performance and return to a growth trajectory.

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.

As for “strengthening our management structure,” the Group has been aiming at lowering total costs and increasing added value by continuously working toward management improvement measures including the reorganization of internal functions and optimization of workforce in order to build a stable revenue structure.

As for “expanding business fields,” in its Network Solutions and Security Solutions businesses, we worked to develop new products that integrate voice and data with image technologies, and to offer customer-oriented solutions that meet our customers scale, performance, and functionality needs. As part of these efforts, we began offering network security equipment for small to medium-sized companies and a range of sensors with image recognition technology, in addition to our IP television interphone systems, which combine voice and image.

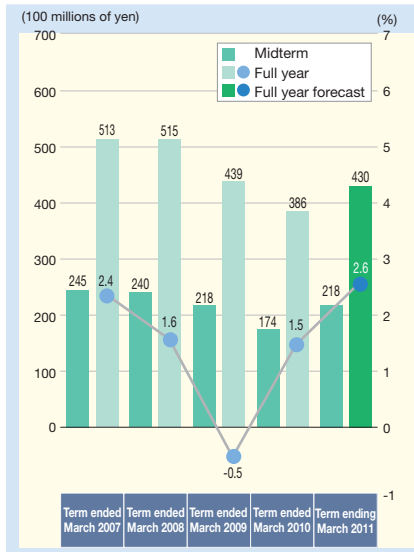
The consolidated sales for the midterm period under review increased 24.9% year over year to ¥21,764 million. On the profit front, although our ordinary income improved to ¥410 million, compared with an ordinary loss of ¥54 million during the same period of the previous fiscal year, we had a net loss of ¥143 million, compared with a net loss of ¥206 million during the same period of the previous fiscal year due to a loss on valuation of investment securities caused by a decline in the market value.

SAXA Group intends to strive even harder to meet the expectations of its shareholders, and we truly appreciate your continuing support and cooperation for SAXA Group.

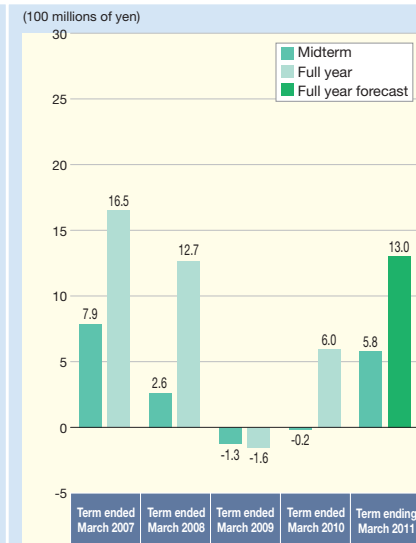
Consolidated Financial Highlight

Net sales (left)

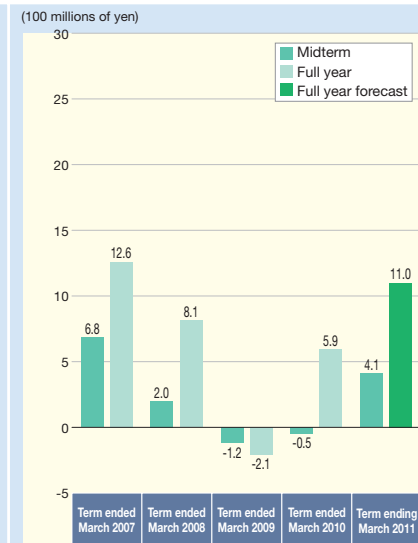
Ratio of ordinary income to net sales (right)



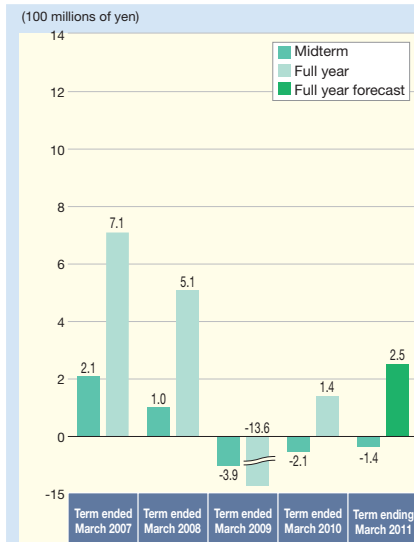
Operating income



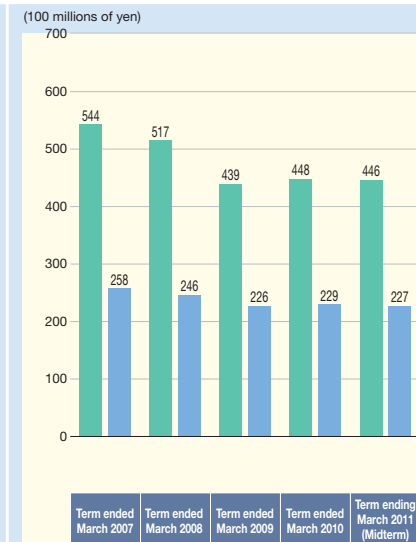
Ordinary income



Net income

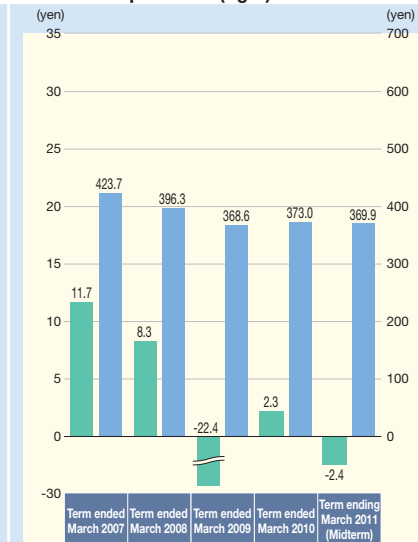


Total assets



Net income per share (left)

Net assets per share (right)



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

RT3000 All-in-one Mobile Payment Terminal Now on Sale For Customers Considering Payment, Gift, or Point Services

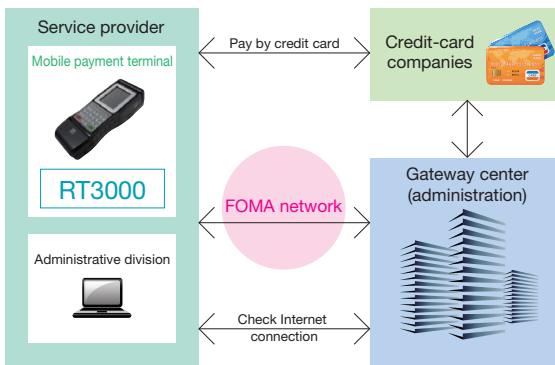
In July 2010, SAXA, Inc. launched sales of a newly developed RT3000, an all-in-one mobile payment terminal.

In addition to reading magnetic cards, RT3000 also supports contact and non-contact IC cards. It can be used for credit-card and prepaid-card payments, as well as a wide range of applications including the management of various point-card and gift-card services. RT3000 also has a built-in printer, making it possible to complete the entire payment with a single terminal.

RT3000 is handheld, and can be used to process the payment on the spot without taking the customer's card, even in environments where a stationary terminal would be difficult to use, such as in-store sales booths, tables, and outdoors. It eliminates customers' worry about skimming and other crimes.

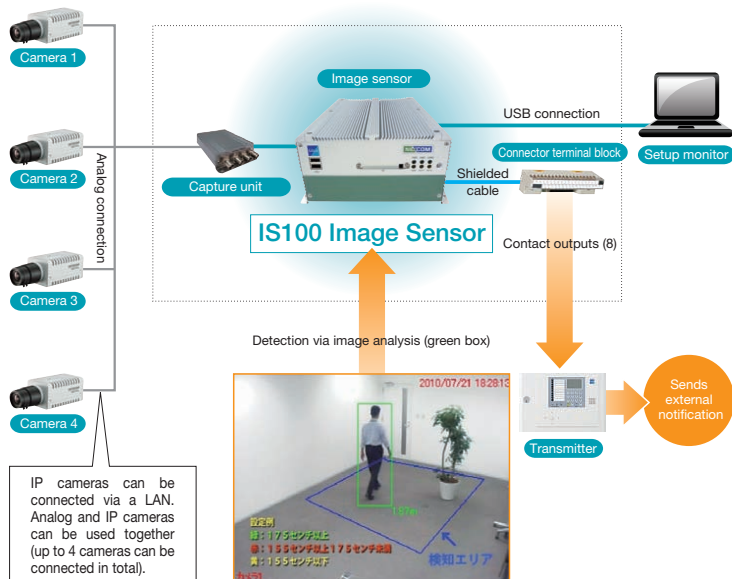
* FOMA is a registered trademark of NTT DOCOMO, INC.

Sample Scheme



IS100 Image Sensor with Image Recognition Technology Now on Sale Greatly Reduced False Positive Rate for Detection of Intruders and Suspicious Individuals

System Outline



In September 2010, SAXA, Inc. launched sales of a newly developed IS100 image sensor, a contact-output sensor using an image recognition algorithm developed by SAXA. IS100 image sensor analyzes images acquired from analog and network cameras, detecting intruders and suspicious individuals, and outputting anomaly alerts to security transmitters and other devices via a contact signal.

Although security companies use passive and infrared sensors to detect intruders, suspicious individuals, and the like, there are many false positives due to the detection of a small animal or other innocuous subject not originally targeted for detection because the subject cannot be identified, and security personnel are dispatched to the scene for each false positive.

IS100 image sensor is configured beforehand with the area and subject height to be monitored. It recognizes subjects from captured images, and detects intruders and suspicious individuals. This greatly reduces the cost of dispatching security personnel and communication fees.

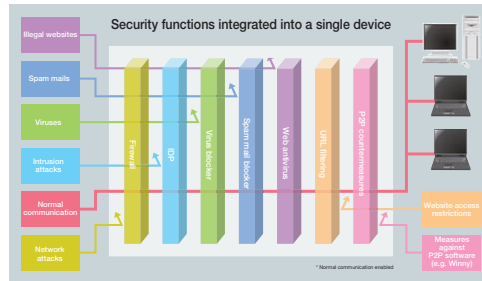
The area to monitor can also be configured freely, enabling areas with complex shapes to be set. This was not feasible with conventional configurations, and expands the scope of possible uses.

SS1000 Unified Threat Management (UTM) Appliance Now on Sale Network Security Equipment Specialized for Small to Medium-Sized Companies

In September 2010, SAXA, Inc. launched sales of a newly developed SS1000, a unified threat management (UTM) appliance for small to medium-sized companies that combines multiple security functions into a single device.

In recent years, there has been increased demand on companies to strengthen their network security, but it is difficult to assign dedicated network administrators to small to medium-sized companies, and the installation and operation of dedicated security equipment entails major costs. As a result, routers and antivirus software are actually the only security measures used at such sites. SS1000 greatly reduces the work required for configuration, operation, and administration, because it combines multiple security functions – including measures against internal-network intrusion attacks and antivirus – into a single device. SS1000 is easy to install and operate, making it the optimum product for boosting the network security at small to medium-sized companies without a dedicated security administrator.

Function Overview

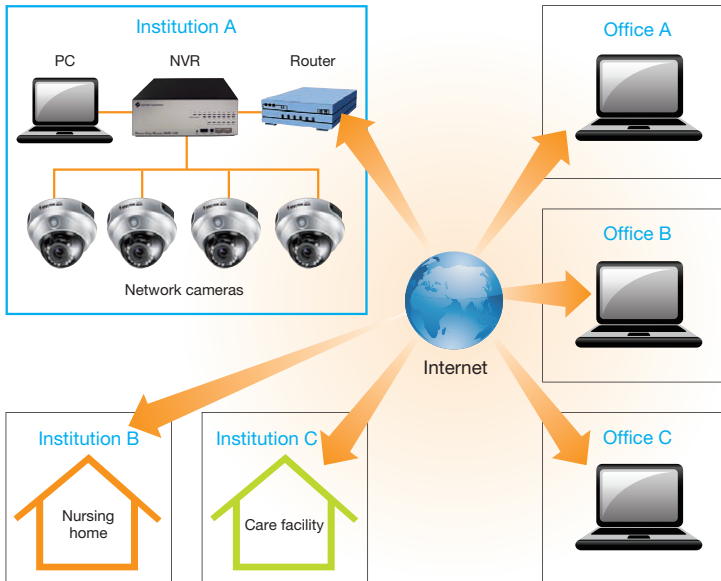


SS1000

* UTM: Unified Threat Management

Introduction to SAXA Network Camera System Case of the Introduction of the Monitoring System at Nursing Home

Basic System Architecture



SAXA System Engineering, Inc. has developed a monitoring system using the network camera system offered by the SAXA Group, and introduced it at a nursing home.

The nursing home was using a great deal of time and labor to check with families and explain the situation when problems occurred, such as when its users had misunderstandings or misplaced items. The introduction of the monitoring system has made it possible to check the video of when people enter the facility in the morning, and when they leave. The nursing is happy with the system, as it reduced the time and the workload on the nursing-home staff required to resolve problems with lost items and misunderstandings, as well as reducing the anxiety and distrust of the users and their families.

Additionally, when accidents occur, until now the staff would try to surmise the cause, such as by recreating the accident, but with multiple network cameras installed and monitoring, it is now possible to find out the detailed cause of the accident instantly, simply by checking the recorded video.

Consolidated Financial Statements (Condensed)

Consolidated Balance Sheets

(Millions of yen)

Account item	8th fiscal midterm (as of September 30, 2010)	7th fiscal term (as of March 31, 2010)
Assets		
Current assets	26,051	25,439
Fixed assets	18,525	19,324
Property, plant and equipment	11,635	11,764
Intangible fixed assets	4,210	4,402
Investments and other assets	2,678	3,156
Deferred assets	39	49
Total assets	44,615	44,813
Liabilities		
Current liabilities	12,115	11,663
Long-term liabilities	9,846	10,292
Total liabilities	21,961	21,956
Net assets		
Shareholders' equity	22,683	22,827
Common stock	10,836	10,836
Capital surplus	6,331	6,331
Retained earnings	6,605	6,749
Treasury stock	(1,090)	(1,089)
Valuation, translation adjustments and others	(224)	(175)
Minority interests	194	204
Total net assets	22,653	22,857
Total liabilities and net assets	44,615	44,813

Consolidated Statements of Income

(Millions of yen)

Account item	7th fiscal midterm (as of September 30, 2009)	8th fiscal midterm (as of September 30, 2010)
Net sales	17,423	21,764
Cost of goods sold	11,884	15,744
Gross profit	5,538	6,019
Selling, general and administrative expenses	5,558	5,436
Operating income (loss)	(20)	583
Nonoperating income	206	205
Nonoperating expenses	240	378
Ordinary income (loss)	(54)	410
Special profits	14	0
Special losses	248	445
Income (Loss) before income taxes	(287)	(34)
Income taxes	(76)	119
Income (Loss) before minority interests	—	(153)
Minority interest in income (loss)	(4)	(9)
Net income (loss)	(206)	(143)

Consolidated Statements of Cash Flows

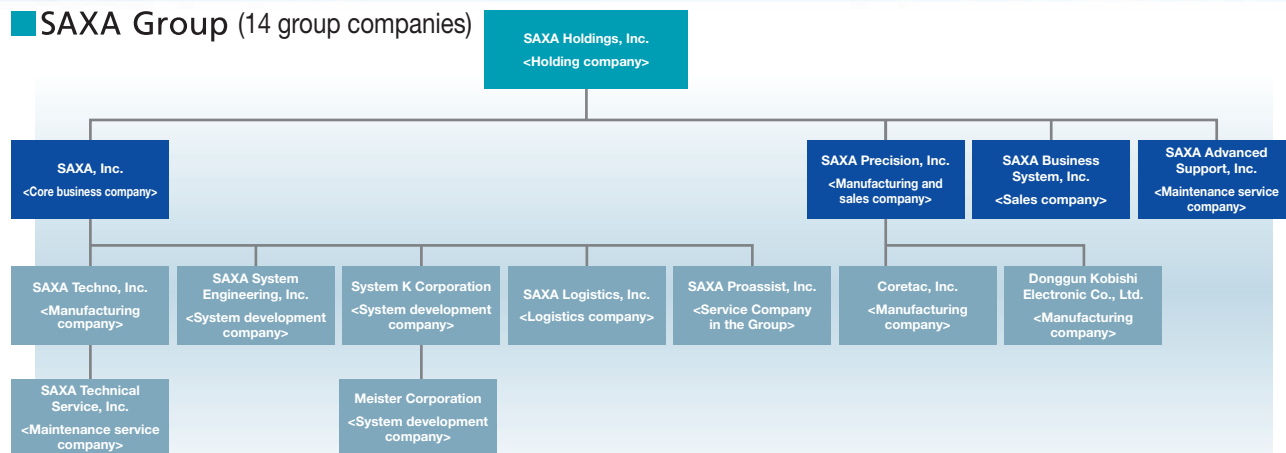
(Millions of yen)

Account item	7th fiscal midterm (as of September 30, 2009)	8th fiscal midterm (as of September 30, 2010)
Cash flows from operating activities	1,666	2,965
Cash flows from investing activities	(648)	(938)
Cash flows from financing activities	362	(657)
Effect of exchange rate changes on cash and cash equivalents	(1)	(5)
Net increase (decrease) in cash and cash equivalents	1,379	1,364
Cash and cash equivalents at the beginning of the term	5,116	8,626
Cash and cash equivalents at the end of the midterm	6,496	9,991

Note: The figures in page 5 are rounded down to the nearest million yen.

Group Companies (As of September 30, 2010)

SAXA Group (14 group companies)



SAXA Holdings, Inc.

Established	February 2, 2004
Capital Stock	¥10,836,678,400
Number of Employees	1,430 (Consolidated)
	19 (Non consolidated)
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.	Masao Koshikawa	Director	Mutsuo Takematsu
Managing Director	Naoki Matsuo	Director	Toshiya Hatakeyama
Managing Director	Yuzuru Suzuki	Director	Naoki Yoshimura
Managing Director	Masaki Ohuchi	Standing Auditor	Masayuki Fukushima
Director	Naomitsu Murata	Auditor	Toshiharu Shimada
Director	Hiroshi Kimura	Auditor	Takashi Kouno
Director	Tomoyuki Shimada	Auditor	Masahiko Inohana

Notes: 1. Toshiya Hatakeyama and Naoki Yoshimura 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	610
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.	Masao Koshikawa	Director	Tomoyuki Shimada
Director	Naoki Matsuo	Director	Mutsuo Takematsu
Director	Yuzuru Suzuki	Standing Auditor	Toshiharu Shimada
Director	Masaki Ohuchi	Auditor	Masayuki Fukushima
Director	Naomitsu Murata	Auditor	Takashi Kouno
Director	Hiroshi Kimura		

Note: Takashi Kouno is an outside auditor.

●Executive Officers

President & C.E.O.	Masao Koshikawa	Executive Officer	Katsuhiko Hatori
Senior Executive Officer	Naoki Matsuo	Executive Officer	Noriaki Itoh
Senior Executive Officer	Yuzuru Suzuki	Executive Officer	Jun Ishida
Senior Executive Officer	Naomitsu Murata	Executive Officer	Mitsugu Osaka
Senior Executive Officer	Hiroshi Kimura	Executive Officer	Koji Nakamura
Senior Executive Officer	Tomoyuki Shimada	Executive Officer	Yoichi Inoue
Senior Executive Officer	Mutsuo Takematsu	Executive Officer	Atsushi Sogabe
Senior Executive Officer	Tadashi Minagawa		

Stock Information (As of September 30, 2010)

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..... 7,949

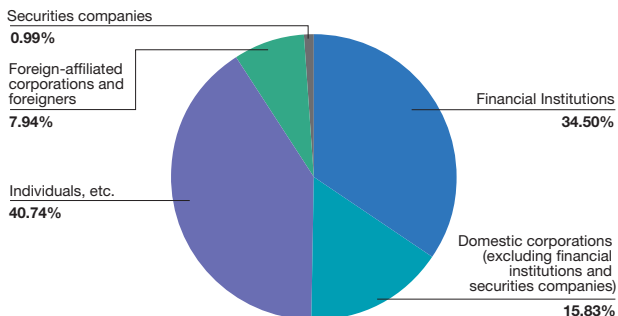
Major Shareholders

Shareholder name	Number of shares held (thousand)	Shareholding ratio (%)
Oki Electric Industry Co., Ltd.	6,060	9.9
NEC Corporation	6,060	9.9
Mizuho Bank, Ltd.	2,339	3.8
Sumitomo Mitsui Banking Corporation	1,767	2.9
Japan Trustee Services Bank, Ltd. (trust account)	1,578	2.5
The Master Trust & Bank of Japan, Ltd. (trust account)	1,077	1.7
CBNY DFA International Cap Value Portfolio	1,027	1.6
Bank of Tokyo-Mitsubishi UFJ, Ltd.	959	1.5
Mizuho Trust & Banking Co., Ltd.	900	1.4
Mitsui Sumitomo Insurance Co., Ltd.	773	1.2

Notes:

- Although the Company holds 1,726,540 shares of treasury stock, it is not listed in the Major Shareholders above.
- Shareholding ratio is calculated by deducting the number of shares of treasury stock from the total number of shares issued.
- The number of shares held by Oki Electric Industry Co., Ltd., includes the Company's 6,059,800 shares, 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.)
- The number of shares held by Mizuho Bank, Ltd., includes the Company's 1,778,000 shares, 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.)

Distribution of Shareholders by Category



Shareholder Information

Fiscal Year	April 1 to March 31
Payment of Dividends	March 31
Ordinary General Shareholders' Meeting	June
Record Date	March 31 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).
Custodian of the Register of Shareholders	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Handling Office	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Mailing Address	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507
Telephone Referral	0120-288-324 (Toll-free call)
Dedicated Web Site	http://www.mizuho-tb.co.jp/daikou/
Special account handling organization	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Agencies	Mizuho Trust & Banking Co., Ltd.: Head office and all branches nationwide Mizuho Investors Securities Co., Ltd.: Head office and all branches nationwide

Share-Related Procedures, Notification and Inquiries

Inquiries and notifications regarding share-related procedures (request for purchase of less-than-unit ("tangen") shares, change of address or name reported, etc.) should be directed to either of the following depending on whether or not an account is held with a securities company.

[Shareholders holding an account with a securities company]

.....To their securities company.

[Shareholders not holding an account with a securities company]

.....To Mizuho Trust & Banking Co., Ltd.