

For the Six Months ended September 30, 2011

Annual Select[®] 2012

**1st
half**

TechMatrix Corporation

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(Securities Code: 3762)

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Corporate Profile

TechMatrix is a specialist IT corporate group that helps to transform the business models and strengthen the competitiveness of client companies using state-of-the-art IT technology. As a solutions provider that understands the needs and resolves the issues of client companies, we are striving to continue our role as IT technology professionals that aim to create high value-added and enhance customer satisfaction.

Providing total services that encompass the whole process of analysis, design, development and integration, testing, operation and maintenance in order to install applications, network infrastructure and security infrastructure at client companies, our goal is to become a key partner that supports the management challenges in client companies.

TechMatrix is always exploring new trends in the IT field, where technological innovations occur on a daily basis, to deliver pioneering, state-of-the-art, best-of-breed technologies and solutions.

(Source: Correspondence to Shareholders)

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I. Summary of Selected Financial Data (Consolidated)

	First half of 27th term Six months ended September 30, 2010	First half of 28th term Six months ended September 30, 2011	27th term Fiscal year ended March 31, 2011
Net sales (Thousands of yen)	6,605,055	7,517,070	15,202,909
Ordinary income (Thousands of yen)	184,813	496,110	679,093
Net income (Thousands of yen)	33,558	223,412	186,189
Comprehensive income (Thousands of yen)	31,450	241,350	227,731
Net assets (Thousands of yen)	4,965,189	5,251,583	5,161,389
Total assets (Thousands of yen)	10,900,179	11,279,315	10,934,569
Net income per share (Yen)	555.62	3,699.00	3,082.70
Diluted net income per share (Yen)	—	—	—
Equity ratio (%)	42.4	42.9	43.7
Net cash provided by (used in) operating activities (Thousands of yen)	686,418	526,833	760,663
Net cash provided by (used in) investing activities (Thousands of yen)	(246,181)	(99,494)	(345,415)
Net cash provided by (used in) financing activities (Thousands of yen)	(212,019)	(192,422)	(335,145)
Cash and cash equivalents at end of period (Thousands of yen)	3,049,944	3,136,744	2,901,828

	Second quarter of 27th term Three months ended September 30, 2010	Second quarter of 28th term Three months ended September 30, 2011
Net income per share (Yen)	1,509.72	3,330.95

- Notes:
1. Net sales do not include consumption taxes.
 2. In the calculation of comprehensive income for the first half of the 27th term, TechMatrix applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010) and accounted for it retrospectively.
 3. Diluted net income per share is not presented because there were no potentially dilutive shares.

II. Message From Management



Takashi Yuri
President and CEO

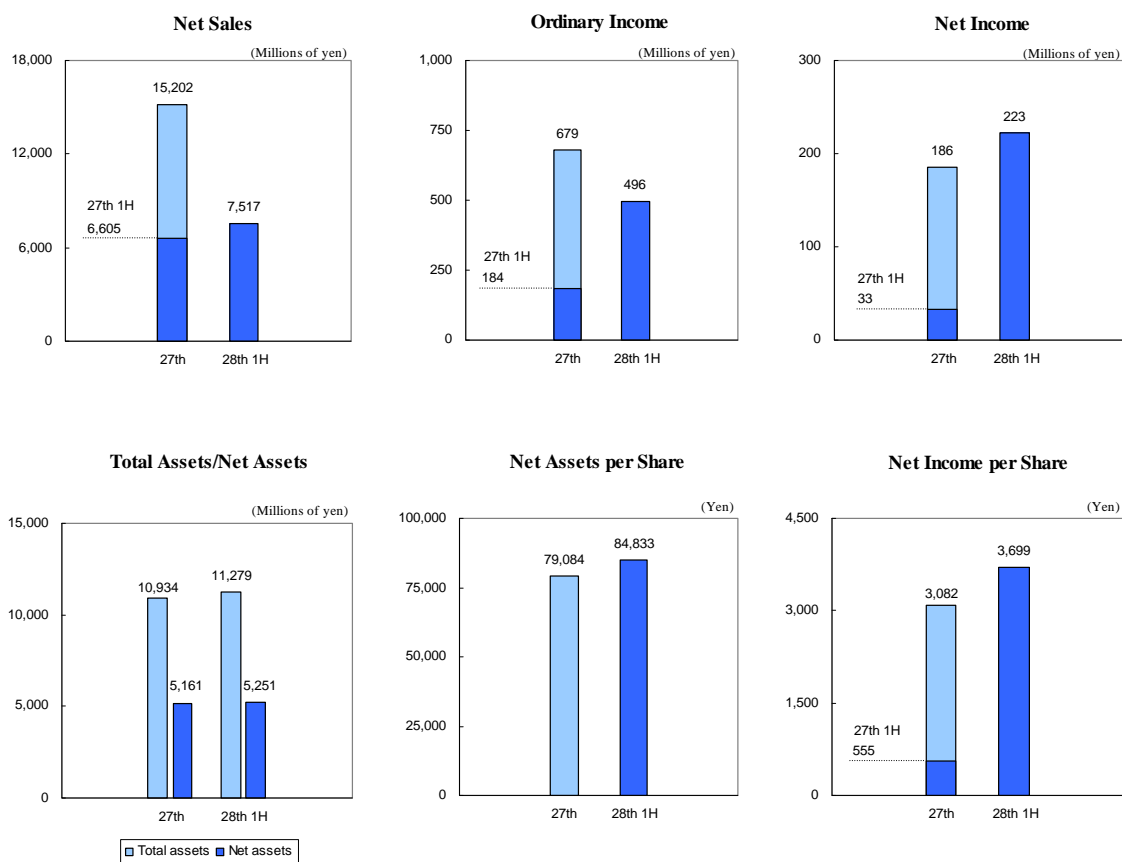
We are honored to present this report on the company's operating performance – overview and achievements – for the first half of our 28th term (FY2011; April 1, 2011 to March 31, 2012).

The Japanese economy during the first half (six months ended September 30, 2011) continued to be relatively firm, with the whole country full of positive energy as it rebounded from the tragedy of the Great East Japan Earthquake, although it didn't quite recover to pre-Lehman shock levels. On the other hand, for the second quarter and after, concerns have arisen about adverse effects from external factors on domestic demand. Such factors include declining profitability at exporting companies due to recent yen appreciation, sovereign debt problems in Europe, and concerns about slowdowns in the U.S. and European markets. Under this environment, our group implemented the following initiatives.

- (1) The Great East Japan Earthquake brought home the need for the creation of a more robust IT infrastructure. One of the results of this is that demand for cloud services has been increasing, and cloud service providers have been actively enhancing their facilities. At the same time, in response to cyber attacks against governmental organizations and major corporations, reviews of security countermeasures became more urgent. Against such a background, we more aggressively proposed information infrastructure solutions that meet these needs.
- (2) We worked to increase profits in the stock-based business through such initiatives as increasing sales of SaaS (Software as a Service) in the CRM field, the medical field, and the internet services field. In the CRM field, among others, our business alliances with major system integration (SI) companies boosted such initiatives.
- (3) We undertook initiatives including outsourced development and educational activities for applications that run on new types of mobile computing platforms such as smartphones. We also worked proactively to meet needs for action on functional safety standards for embedded software.

Also during the second quarter, our second-largest shareholder offered almost all of the stock in the company it held for sale on the market, significantly increasing the number of shareholders holding our stock. Going forward, we will also continue to aim to be of service to our shareholders by realizing further improvement in our corporate value.

III. Financial Highlights



Net sales during the first half was ¥7,517 million, up 13.8% year on year, while operating income was ¥466 million and ordinary income was ¥496 million. Net income was ¥223 million.

Total assets was ¥11,279 million, up 3.2% from the end of the previous fiscal year, while net assets was ¥5,251 million, up 1.7% from the end of the previous fiscal year. The equity ratio was 42.9%, changing from 43.7% at the end of the previous fiscal year.

IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2011	As of September 30, 2011
Assets		
Current assets		
Cash and deposits	2,901,828	3,036,755
Notes and accounts receivable-trade	3,228,810	3,149,503
Inventories	215,637	218,513
Advance payment-cost of maintenance service	1,092,804	1,322,946
Other	442,420	540,787
Allowance for doubtful accounts	(1,772)	(1,511)
Total current assets	7,879,728	8,266,994
Noncurrent assets		
Property, plant and equipment	352,729	385,133
Intangible assets		
Goodwill	836,433	774,989
Other	734,680	715,984
Total intangible assets	1,571,114	1,490,973
Investments and other assets	1,130,997	1,136,213
Total noncurrent assets	3,054,841	3,012,320
Total assets	10,934,569	11,279,315

(Source: Quarterly Securities Report)

(Thousands of yen)

	As of March 31, 2011	As of September 30, 2011
Liabilities		
Current liabilities		
Accounts payable-trade	1,072,580	715,605
Short-term loans payable	350,000	374,800
Income taxes payable	240,051	280,002
Advance received-sales of maintenance service	2,452,173	2,904,455
Provision for bonuses	260,902	347,483
Other	606,213	642,019
Total current liabilities	4,981,921	5,264,365
Noncurrent liabilities		
Bonds payable	120,000	90,000
Long-term loans payable	68,800	56,320
Provision for retirement benefits	464,688	494,535
Provision for directors' retirement benefits	56,027	64,399
Other	81,741	58,112
Total noncurrent liabilities	791,257	763,366
Total liabilities	5,773,179	6,027,732
Net assets		
Shareholders' equity		
Capital stock	1,298,120	1,298,120
Capital surplus	1,405,350	1,405,350
Retained earnings	2,138,691	2,211,108
Treasury stock	(46,145)	(46,145)
Total shareholders' equity	4,796,015	4,868,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(19,467)	(25,164)
Total accumulated other comprehensive income	(19,467)	(25,164)
Subscription rights to shares	12,032	11,870
Minority interests	372,808	396,443
Total net assets	5,161,389	5,251,583
Total liabilities and net assets	10,934,569	11,279,315

(Source: Quarterly Securities Report)

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Cumulative)

Consolidated Statements of Income

(Thousands of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net sales	6,605,055	7,517,070
Cost of sales	4,387,178	4,980,494
Gross profit	2,217,877	2,536,576
Selling, general and administrative expenses	2,039,164	2,069,698
Operating income	178,713	466,878
Non-operating income		
Interest income	751	494
Dividends income	392	832
Foreign exchange gains	16,760	35,437
Other	8,621	3,426
Total non-operating income	26,525	40,190
Non-operating expenses		
Interest expenses	5,595	4,775
Stock issuance cost	–	3,507
Going public expenses	13,092	–
Other	1,737	2,675
Total non-operating expenses	20,424	10,958
Ordinary income	184,813	496,110
Extraordinary income		
Gain on sales of investment securities	–	2,098
Reversal of allowance for doubtful accounts	528	–
Other	80	161
Total extraordinary income	609	2,260
Extraordinary loss		
Loss on retirement of noncurrent assets	182	363
Loss on valuation of investment securities	6,958	–
Office transfer expenses	10,573	–
Special payment for disaster	–	494
Other	583	–
Total extraordinary losses	18,299	857
Income before income taxes and minority interests	167,123	497,513
Income taxes-current	88,304	263,931
Income taxes-deferred	24,901	(13,465)
Total income taxes	113,206	250,466
Income before minority interests	53,917	247,047
Minority interests in income	20,359	23,635
Net income	33,558	223,412

(Source: Quarterly Securities Report)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Income before minority interests	53,917	247,047
Other comprehensive income		
Valuation difference on available-for-sale securities	(22,467)	(5,696)
Total other comprehensive income	(22,467)	(5,696)
Comprehensive income	31,450	241,350
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,090	217,715
Comprehensive income attributable to minority interests	20,359	23,635

(Source: Quarterly Securities Report)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	167,123	497,513
Depreciation and amortization	227,240	252,370
Amortization of goodwill	51,944	61,444
Interest and dividends income	(1,143)	(1,326)
Interest expenses	3,975	4,775
Loss (gain) on valuation of investment securities	6,958	–
Decrease (increase) in notes and accounts receivable-trade	1,179,350	80,213
Decrease (increase) in inventories	14,161	(8,976)
Increase (decrease) in notes and accounts payable-trade	(501,452)	(357,022)
Increase (decrease) in advance received-sales of maintenance service	92,011	452,281
Decrease (increase) in advance payments-cost of maintenance service	(105,885)	(230,142)
Other, net	(152,944)	4,164
Subtotal	981,340	755,294
Interest and dividends income received	1,143	1,326
Interest expenses paid	(5,670)	(3,757)
Income taxes (paid) refund	(290,395)	(226,030)
Net cash provided by (used in) operating activities	686,418	526,833
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(103,058)	(75,231)
Purchase of investment securities	(30,500)	–
Proceeds from sales of investment securities	–	3,727
Purchase of intangible assets	(85,391)	(16,436)
Collection of long-term loans receivable	502	–
Other, net	(27,734)	(11,553)
Net cash provided by (used in) investing activities	(246,181)	(99,494)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	700,000	400,000
Decrease in short-term loans payable	(700,000)	(375,200)
Repayment of long-term loans payable	(16,130)	(15,794)
Redemption of bonds	(40,000)	(40,000)
Cash dividends paid	(150,811)	(150,519)
Other, net	(5,077)	(10,908)
Net cash provided by (used in) financing activities	(212,019)	(192,422)
Net increase (decrease) in cash and cash equivalents	228,218	234,916
Cash and cash equivalents at beginning of period	2,821,726	2,901,828
Cash and cash equivalents at end of period	3,049,944	3,136,744

(Source: Quarterly Securities Report)

V. Topics

Palo Alto Networks' PA-5000 Series Won Network Security Products Grand Prix at Interop Tokyo 2011

At Interop Tokyo, one of Japan's largest annual network-related events, which was held in 2011 at Makuhari Messe from Wednesday, June 8 to Friday, June 10, 2011, Palo Alto Networks' PA-5000 Series, which TechMatrix exhibited, won Grand Prix in the network security products section of the exhibition's Best of Show Award. The PA-5000 Series is the top of the line of Palo Alto Networks' next-generation firewall products.



The Best of Show Award is a prize awarded at Interop Tokyo, by category, to the best products, solutions or services announced or scheduled for release during the year of the event and entered for the Award. In receiving this award for the 2011 product award section, Palo Alto Networks' PA-5000 Series, which TechMatrix exhibited, won praise for demonstrating a performance in stress tests that exceeded its catalog specifications.

Start of Sales of "safeAttach CUMO" Cloud Service for Prevention of Misdirected e-mails



In August 2011, TechMatrix's consolidated subsidiaries NCL Communications K.K. and Okinawa Cross Head Co., Ltd. formed a business alliance with Orangesoft Inc. to commence sales of "safeAttach CUMO," a cloud service for the prevention of misdirected e-mails.

"safeAttach CUMO" automatically encrypts all files attached to e-mails that are sent between companies. Not only can this service significantly reduce the time taken to compose e-mails, but it also prevents the leakage of confidential information contained in attached files through the misdirection of e-mails by controlling the notification of passwords. By virtue of being provided as a cloud service, it can also reduce capital investment and operational costs.

VI. Company Information / Stock Information

Company Information (as of September 30, 2011)

Trade name:	TechMatrix Corporation
Date of establishment:	August 30, 1984
Listing date:	February 18, 2005
Business year:	From April 1 to March 31 of the following year
Record date:	
Ordinary General Meeting of Shareholders:	June of each year
Year-end dividend:	March 31
Interim dividend:	September 30
Paid-in capital:	¥1,298.12 million
Number of employees:	857 (Consolidated)
Head office:	
Keikyu No.7 Building, 10-8, Takanawa 4-chome, Minato-ku, Tokyo 108-8588	
Telephone: +81-3-5792-8600 (Main)	
Group companies:	
Ichigo LLC	NCL Communications K.K.
CROSS HEAD	CASAREAL, inc.
Okinawa Cross Head Co., Ltd.	

Directors and Corporate Auditors

President and CEO	Takashi Yuri
Executive Officer and Director	Yoshihisa Yoda
Senior Executive Officer and Director	Yusei Nakashima
Executive Officer and Director	Takaharu Yai
Director	Akio Sugihara
Full-time Corporate Auditor	Muneoki Uchida
Corporate Auditor	Ken Takayama
Corporate Auditor	Ryota Miura

Stock Status

Total number of authorized shares:	207,360 shares
Total number of shares issued:	61,898 shares
Major shareholders (Top 10)	

Shareholder name	Number of shares held (Shares)	Share-holding ratio (%)
Rakuten, Inc.	19,200	31.01
Synergy Marketing, Inc.	2,638	4.26
TechMatrix Employees' Shareholding Association	2,624	4.23
TechMatrix Corporation	1,500	2.42
Fukuta Seisakusho LLC	1,000	1.61
Japan Securities Finance Co., Ltd.	969	1.56
Riskmonster.com	700	1.13
TIS Inc.	611	0.98
Masafumi Ichikawa	543	0.87
Daiwa Securities Co., Ltd.	526	0.84

(Source: Quarterly Securities Report)