

For the Six Months ended September 30, 2012

Annual Select[®] 2013

**1st
half**

TechMatrix Corporation

Keikyu No.7 Building,

10-8, Takanawa 4-chome, Minato-ku, Tokyo 108-8588

(Securities Code: 3762)

+81-3-5792-8600

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 28th term Six months ended September 30, 2011 | First half of 29th term Six months ended September 30, 2012 | 28th term Fiscal year ended March 31, 2012 |
|--|--|--|--|
| Net sales (Thousands of yen) | 7,517,070 | 7,859,050 | 15,279,772 |
| Ordinary income (Thousands of yen) | 496,110 | 549,226 | 1,012,573 |
| Net income (Thousands of yen) | 223,412 | 289,801 | 431,377 |
| Comprehensive income (Thousands of yen) | 241,350 | 293,257 | 493,603 |
| Net assets (Thousands of yen) | 5,251,583 | 5,639,915 | 5,503,755 |
| Total assets (Thousands of yen) | 11,279,315 | 11,450,528 | 11,469,555 |
| Net income per share (Yen) | 3,699.00 | 4,798.20 | 7,142.25 |
| Diluted net income per share (Yen) | — | — | — |
| Equity ratio (%) | 42.9 | 45.4 | 44.2 |
| Net cash provided by (used in) operating activities (Thousands of yen) | 526,833 | 428,999 | 1,311,000 |
| Net cash provided by (used in) investing activities (Thousands of yen) | (99,494) | (226,129) | (307,696) |
| Net cash provided by (used in) financing activities (Thousands of yen) | (192,422) | (204,471) | (280,701) |
| Cash and cash equivalents at end of period (Thousands of yen) | 3,136,744 | 3,622,829 | 3,624,431 |

| | Second quarter of 28th term Three months ended September 30, 2011 | Second quarter of 29th term Three months ended September 30, 2012 |
|-------------------------------|--|--|
| Net income per share (Yen) | 3,330.95 | 3,952.71 |

- Notes: 1. Net sales do not include consumption taxes.
2. 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 29th term (FY2012; April 1, 2012 to March 31, 2013).

During the first six months of the fiscal year ending March 31, 2013 (April 1, 2012 to September 30, 2012), the yen's appreciation and low stock prices continued to burden the Japanese economy. Meanwhile, central banks and governments around the world tried unsuccessfully to ease monetary policies and enact economic stimulus amid growing concerns that the global economy was about to stagnate for both the advanced and emerging nations. These and other external factors hindered a full-fledged recovery in corporate IT investments. IT investments during the first six months of last fiscal year that appeared to be driven by special demand, such as the need to reinforce IT infrastructure in the aftermath of the Great East Japan Earthquake, and growing demand for cloud computing, have now waned. Some corporations have begun to revive the IT investments that they had postponed, with a view to enhancing their competitive standing internationally, but the external economic conditions remain challenging all the same. Under this business environment, the TechMatrix Group implemented the following initiatives.

(1) Strategic and accelerated promotion of cloud computing businesses

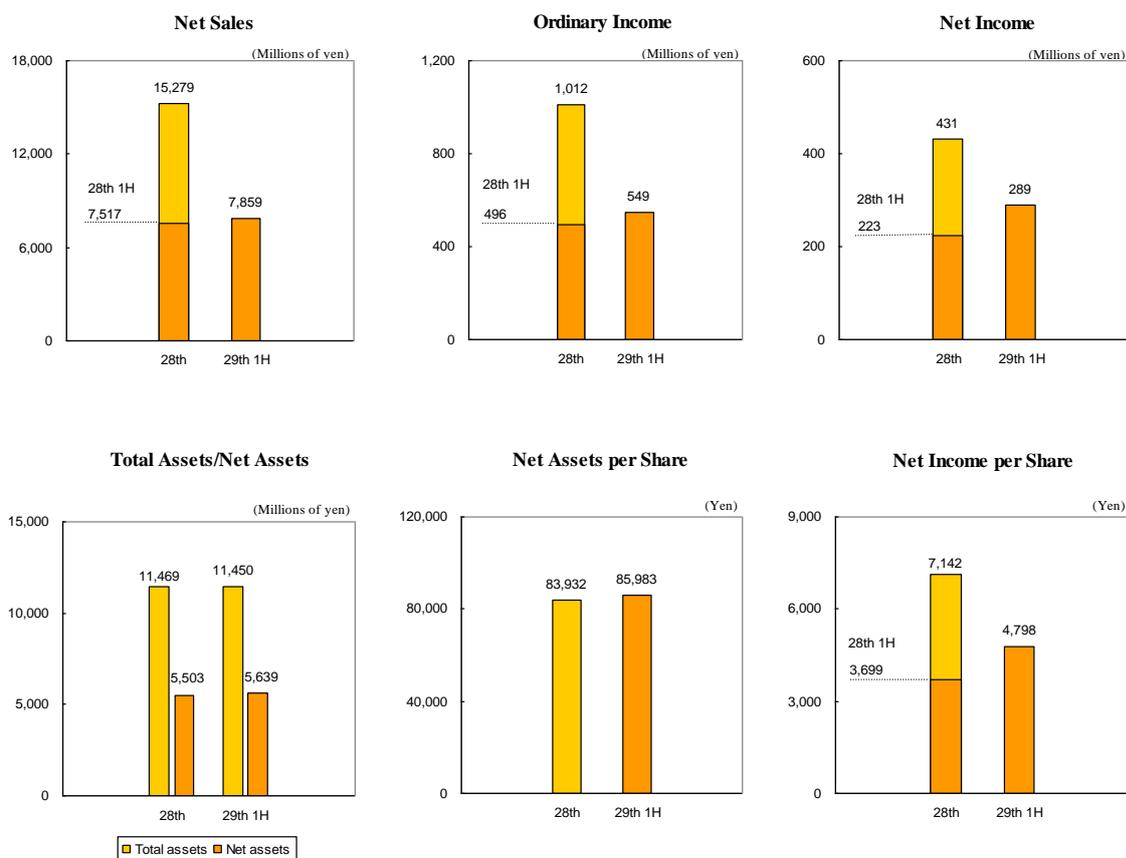
The Group actively promoted cloud services developed in-house in the medical, CRM (customer relationship management) and e-commerce fields. Moreover, we worked in the Information Infrastructure business to market network virtualization technologies that enable flexible configuration of cloud computing environments.

(2) Pursuit of security and safety

Cyber-attacks have become increasingly sophisticated. These include attacks targeting certain corporations and government institutions, deft phishing attempts to defraud consumers, and the proliferation of malware for infiltrating PCs to leak information or other illegal activities. At the same time, embedded software has found application in all manners of products ranging from automobiles, home appliances and smartphones, to medical devices and railway equipment. Ensuring the high-quality operation of these products in collateral with security and safety has also become a very important social priority. To these ends, the TechMatrix Group has actively developed various products and services that realize security and safety in a network society.

Economic conditions remain challenging, and the structure of the IT industry surrounding TechMatrix continues to transform at an accelerating pace. Going forward, we will continually endeavor 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 ¥7,859 million, up 4.5% year on year, while operating income was ¥525 million and ordinary income was ¥549 million. Net income increased 29.7% year on year to ¥289 million.

Total assets were ¥11,450 million, down 0.2% from March 31, 2012, the end of the previous fiscal year, while net assets were ¥5,639 million, up 2.5%. The equity ratio was 45.4%, up from 44.2%.

IV. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

| | As of March 31, 2012 | As of September 30, 2012 |
|---|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,624,431 | 3,522,855 |
| Notes and accounts receivable-trade | 3,017,467 | 2,589,234 |
| Inventories | 219,294 | 279,940 |
| Advance payment-cost of maintenance service | 1,180,486 | 1,570,513 |
| Other | 442,878 | 531,632 |
| Allowance for doubtful accounts | (2,855) | (6,887) |
| Total current assets | 8,481,703 | 8,487,288 |
| Noncurrent assets | | |
| Property, plant and equipment | 367,072 | 388,673 |
| Intangible assets | | |
| Goodwill | 713,544 | 652,100 |
| Other | 762,660 | 745,299 |
| Total intangible assets | 1,476,205 | 1,397,399 |
| Investments and other assets | 1,144,573 | 1,177,167 |
| Total noncurrent assets | 2,987,851 | 2,963,239 |
| Total assets | 11,469,555 | 11,450,528 |

(Thousands of yen)

| | As of March 31, 2012 | As of September 30, 2012 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 915,918 | 766,565 |
| Short-term loans payable | 350,000 | 350,000 |
| Income taxes payable | 422,772 | 204,557 |
| Advance received-sales of maintenance service | 2,336,649 | 2,647,232 |
| Provision for bonuses | 344,134 | 362,146 |
| Provision for loss on construction contracts | 9,296 | 1,002 |
| Other | 842,057 | 756,767 |
| Total current liabilities | 5,220,829 | 5,088,272 |
| Noncurrent liabilities | | |
| Bonds payable | 60,000 | 30,000 |
| Long-term loans payable | 44,670 | 32,190 |
| Provision for retirement benefits | 528,923 | 555,048 |
| Provision for directors' retirement benefits | 73,072 | 75,731 |
| Other | 38,304 | 29,370 |
| Total noncurrent liabilities | 744,970 | 722,340 |
| Total liabilities | 5,965,799 | 5,810,612 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,298,120 | 1,298,120 |
| Capital surplus | 1,405,350 | 1,405,350 |
| Retained earnings | 2,419,074 | 2,557,880 |
| Treasury stock | (46,145) | (46,145) |
| Total shareholders' equity | 5,076,398 | 5,215,204 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (7,016) | (21,982) |
| Total accumulated other comprehensive income | (7,016) | (21,982) |
| Subscription rights to shares | 11,789 | 5,687 |
| Minority interests | 422,584 | 441,005 |
| Total net assets | 5,503,755 | 5,639,915 |
| Total liabilities and net assets | 11,469,555 | 11,450,528 |

(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, 2011 | Six months ended September 30, 2012 |
|---|--|--|
| Net sales | 7,517,070 | 7,859,050 |
| Cost of sales | 4,980,494 | 5,143,162 |
| Gross profit | 2,536,576 | 2,715,887 |
| Selling, general and administrative expenses | 2,069,698 | 2,190,366 |
| Operating income | 466,878 | 525,520 |
| Non-operating income | | |
| Interest income | 494 | 723 |
| Dividends income | 832 | 1,015 |
| Foreign exchange gains | 35,437 | 20,465 |
| Other | 3,426 | 7,280 |
| Total non-operating income | 40,190 | 29,483 |
| Non-operating expenses | | |
| Interest expenses | 4,775 | 3,800 |
| Loss on investments in partnership | 1,946 | 1,197 |
| Other | 4,236 | 780 |
| Total non-operating expenses | 10,958 | 5,778 |
| Ordinary income | 496,110 | 549,226 |
| Extraordinary income | | |
| Gain on sales of investment securities | 2,098 | – |
| Gain on reversal of subscription rights to shares | 161 | 6,102 |
| Total extraordinary income | 2,260 | 6,102 |
| Extraordinary loss | | |
| Loss on valuation of investment securities | – | 10,019 |
| Special payment for disaster | 494 | – |
| Other | 363 | 209 |
| Total extraordinary losses | 857 | 10,229 |
| Income before income taxes and minority interests | 497,513 | 545,099 |
| Income taxes-current | 263,931 | 185,224 |
| Income taxes-deferred | (13,465) | 51,651 |
| Total income taxes | 250,466 | 236,875 |
| Income before minority interests | 247,047 | 308,223 |
| Minority interests in income | 23,635 | 18,421 |
| Net income | 223,412 | 289,801 |

(Source: Quarterly Securities Report)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

| | Six months ended September 30, 2011 | Six months ended September 30, 2012 |
|---|--|--|
| Income before minority interests | 247,047 | 308,223 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (5,696) | (14,966) |
| Total other comprehensive income | (5,696) | (14,966) |
| Comprehensive income | 241,350 | 293,257 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 217,715 | 274,835 |
| Comprehensive income attributable to minority interests | 23,635 | 18,421 |

(Source: Quarterly Securities Report)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

| | Six months ended September 30, 2011 | Six months ended September 30, 2012 |
|--|--|--|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 497,513 | 545,099 |
| Depreciation and amortization | 252,370 | 243,912 |
| Amortization of goodwill | 61,444 | 61,444 |
| Interest and dividends income | (1,326) | (1,738) |
| Interest expenses | 4,775 | 3,800 |
| Loss (gain) on valuation of investment securities | – | 10,019 |
| Decrease (increase) in notes and accounts receivable-trade | 80,213 | 429,157 |
| Decrease (increase) in inventories | (8,976) | (60,645) |
| Increase (decrease) in notes and accounts payable-trade | (357,022) | (150,165) |
| Increase (decrease) in advance received-sales of maintenance service | 452,281 | 310,583 |
| Decrease (increase) in advance payment-cost of maintenance service | (230,142) | (390,027) |
| Other, net | 4,164 | (169,072) |
| Subtotal | 755,294 | 832,368 |
| Interest and dividends income received | 1,326 | 1,738 |
| Interest expenses paid | (3,757) | (2,942) |
| Income taxes paid | (226,030) | (402,165) |
| Net cash provided by (used in) operating activities | 526,833 | 428,999 |
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment | (75,231) | (112,728) |
| Purchase of investment securities | – | (51,993) |
| Proceeds from sales of investment securities | 3,727 | – |
| Purchase of intangible assets | (16,436) | (65,468) |
| Other, net | (11,553) | 4,061 |
| Net cash provided by (used in) investing activities | (99,494) | (226,129) |
| Net cash provided by (used in) financing activities | | |
| Increase in short-term loans payable | 400,000 | 700,000 |
| Decrease in short-term loans payable | (375,200) | (700,000) |
| Repayment of long-term loans payable | (15,794) | (12,480) |
| Redemption of bonds | (40,000) | (30,000) |
| Cash dividends paid | (150,519) | (150,708) |
| Other, net | (10,908) | (11,283) |
| Net cash provided by (used in) financing activities | (192,422) | (204,471) |
| Net increase (decrease) in cash and cash equivalents | 234,916 | (1,602) |
| Cash and cash equivalents at beginning of period | 2,901,828 | 3,624,431 |
| Cash and cash equivalents at end of period | 3,136,744 | 3,622,829 |

(Source: Quarterly Securities Report)

V. Topics

.∴ TRINITY Security Monitoring Service Launched

Media reports of more sophisticated and complex cases of cyber-attacks have increased. These include an incident in which four people were mistakenly arrested in Japan as a consequence of threatening e-mail sent from PCs hijacked by a computer virus. Consequently, corporations have had to focus more on security countermeasures for safeguarding IT infrastructures that underpin their businesses. On the other hand, a growing number of IT operation managers are challenged by the growing sophistication and complexity of such security solutions, and this has become a management issue for many companies.

To address this challenge, TechMatrix launched .∴ TRINITY; a proprietary, managed security service that integrates everything from the installation, maintenance and operation of corporate IT security solutions to the monitoring of IT security.

Through this service, TechMatrix's staff of security specialists monitor clients' IT security 24 hours a day, 365 days a year.

NCL Communications Strides toward Making Virtualized Network Solutions a Reality

Virtualization is one technology supporting cloud computing environments. In theory, the technology enables a single piece of computer hardware to be presented virtually as multiple pieces of hardware, and conversely multiple pieces of computer hardware to be presented virtually as one. Virtualization technology has been broadly applied in servers and storage devices, and is expected to spread among IT networks going forward. Virtualization of networks enables them to be configured and modified simply by switching settings, obviating the need for physical installation of additional equipment and cables.

Our consolidated subsidiary, NCL Communications K.K., has begun marketing network switching products using innovative software defined networking (SDN) technologies, after concluding a distributorship agreement with Pica8 Inc., a U.S. venture-capital-backed company in network virtualization technologies. Moreover, NCL Communications K.K. has invested capital in Pica8, with the aim of further strengthening its strategic alliance with this company. We are the only one of Pica8's business partners in whom it has taken this step.

VI. Company Information / Stock Information

Company Information (as of September 30, 2012)

| | |
|---|--|
| 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: | 880 (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 |
| Senior Executive Officer and Director | Yoshihisa Yoda |
| Senior Executive Officer and Director | Yusei Nakashima |
| Senior Executive Officer and Director | Takaharu Yai |
| Director | Akio Sugihara |
| Full-time Corporate Auditor | Hiroaki Ogawa |
| 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 |
| TechMatrix Employees' Shareholding Association | 2,723 | 4.39 |
| Synergy Marketing, Inc. | 2,638 | 4.26 |
| Fukuda Seisakusho LLC | 1,800 | 2.90 |
| TechMatrix Corporation | 1,500 | 2.42 |
| Emi Kumagai | 1,280 | 2.06 |
| Masashi Ichikawa | 1,001 | 1.61 |
| Riskmonster.com | 700 | 1.13 |
| TIS Inc. | 611 | 0.98 |
| Nomura Securities Co., Ltd. | 600 | 0.96 |

(Source: Quarterly Securities Report)