

**For the Six Months ended September 30, 2010**

---

**Annual Select 2011<sup>®</sup>**

**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 construction, 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 of client companies.

TechMatrix constantly follows 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)

Annual Select is an English-language disclosure format developed by General Solutions, Inc. and ZAIHON, INC. to increase the level of convenience of investors outside Japan based on Japanese-language statutory disclosure material, timely disclosure material prescribed by securities exchanges and voluntarily disclosed IR material.

Annual Select is a registered trademark of ZAIHON, INC. Reproduction or copying without prior permission is prohibited.

Every reasonable effort was made to assure a professional translation, however, accuracy cannot be fully guaranteed. Therefore, please verify the original Japanese text for any final judgments made based on this information.

## I. Summary of Selected Financial Data (Consolidated)

	First half of 26th term Six months ended September 30, 2009	First half of 27th term Six months ended September 30, 2010	Second quarter of 26th term Three months ended September 30, 2009	Second quarter of 27th term Three months ended September 30, 2010	26th term Fiscal year ended March 31, 2010
Net sales (Thousands of yen)	6,586,416	6,605,055	3,527,285	3,555,330	14,248,410
Ordinary income (Thousands of yen)	208,074	184,813	220,622	209,660	786,488
Net income (Thousands of yen)	72,200	33,558	106,811	91,184	336,064
Net assets (Thousands of yen)	–	–	4,815,483	4,965,189	5,084,815
Total assets (Thousands of yen)	–	–	10,199,558	10,900,179	11,675,123
Net assets per share (Yen)	–	–	74,498.83	76,584.59	78,900.96
Net income per share (Yen)	1,195.41	555.62	1,748.46	1,509.72	5,564.17
Diluted net income per share (Yen)	–	–	–	–	–
Equity ratio (%)	–	–	44.1	42.4	40.8
Net cash provided by (used in) operating activities (Thousands of yen)	385,271	686,418	–	–	912,920
Net cash provided by (used in) investing activities (Thousands of yen)	(221,263)	(246,181)	–	–	(393,573)
Net cash provided by (used in) financing activities (Thousands of yen)	(167,741)	(212,019)	–	–	(93,696)
Cash and cash equivalents at end of period (Thousands of yen)	–	–	2,392,341	3,049,944	2,821,726
Number of employees (Persons)	–	–	773	761	752

- 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

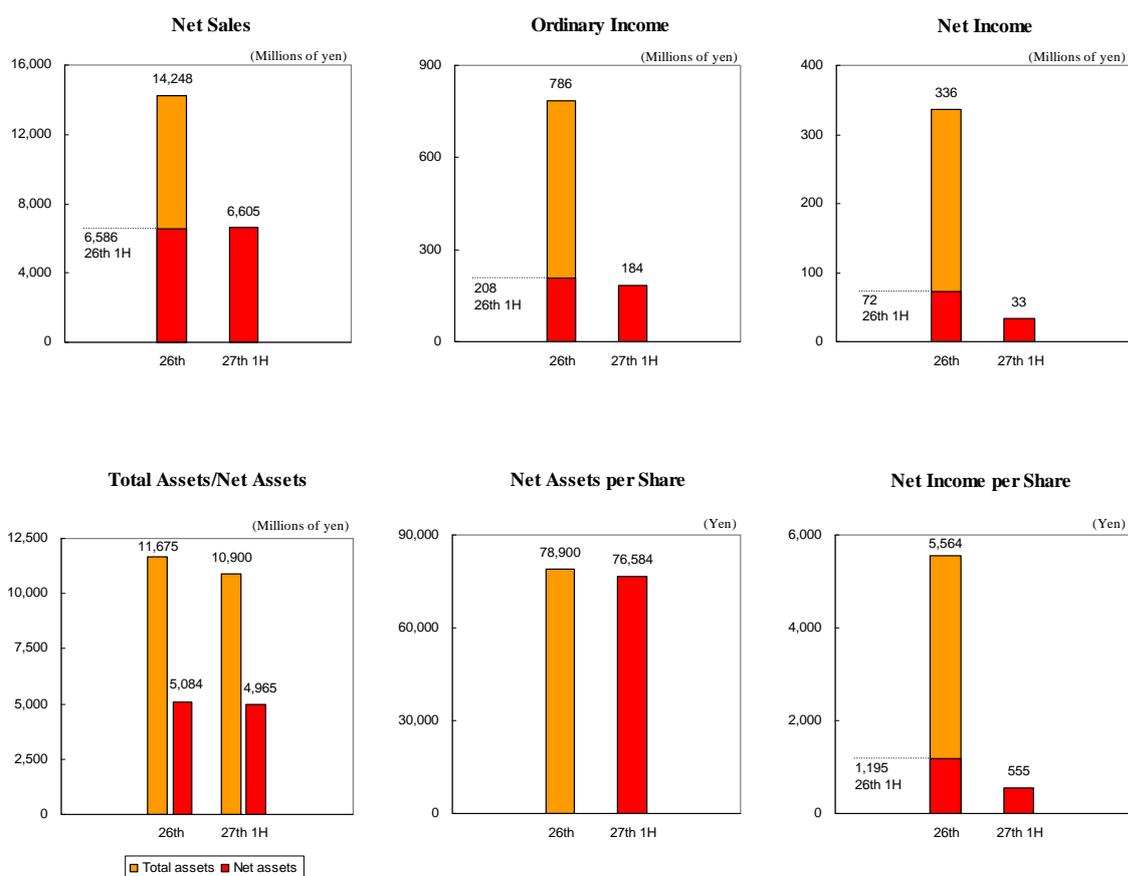
We are honored to present this report on the company's operating performance – overview and achievements – for the first half of our 27th term (FY2010; April 1, 2010 to March 31, 2011).

The Japanese economy during the first half (six months ended September 30, 2010) experienced a pickup in external demand thanks to the expanding economies of the emerging countries. However, in an environment of strengthening yen and weakening stock prices, the Japanese economy ended up with even greater uncertainty towards the future. Negative attitudes towards investment in IT by companies showed no signs of significant improvement. This trend remained unchanged even in September, which is typically a busy period for orders because it is the period when many Japanese companies close their accounts for the first six months. Under these conditions, it continued to be a difficult environment for receiving orders. Furthermore, the economic recession has increased pressures for cost reduction in companies, which has led to a trend towards removing IT assets from the balance sheet. Consequently, there is an expansion in cloud computing based services which is creating a paradigm shift in the industry.

During the first half, to avoid any downsizing, the TechMatrix Group anticipated this paradigm shift and actively launched new products and developed new services. Specifically, we started to sell solutions to protect against information leakage and prevent data loss, we announced “Raku-Raku Back Office,” a SaaS service to streamline the operations for online retailers, and our consolidated subsidiary Okinawa Cross Head Co., Ltd. signed a contract with Feedpath Inc. to take over a SaaS business. In our information infrastructure business, we worked to expand sales of new technology such as next-generation firewalls to suit the cloud computing age. Moreover, in our application services business, we received strong orders from the financial sector and the software quality assurance sector.

TechMatrix will continue to boost corporate value as our contribution to shareholders, and I beseech all shareholders to continue your valued support and guidance.

### III. Financial Highlights



For the first half, net sales was ¥6,605 million, up 0.3% from the corresponding period of the previous fiscal year, and gross profit was ¥2,217 million, an increase of 3.1%. Selling, general and administrative expenses rose 4.1% to ¥2,039 million reflecting a rise in personnel expenses due to an increase in employees in the TechMatrix Group. As a result, operating income dropped 7.2% to ¥178 million.

Ordinary income was 11.2% lower at ¥184 million. As a result, net income was down 53.5% to ¥33 million.

Current assets were ¥7,736 million, 10.3% down from the end of the previous fiscal year. Noncurrent assets were ¥3,164 million, up 3.6% as a result of an increase in other intangible assets resulting from the development of in-house package products. Consequently, total assets fell 6.6% to ¥10,900 million.

Current liabilities were ¥5,116 million, 11.8% down from the end of the previous fiscal year. Noncurrent liabilities were ¥818 million, up 4.0% as a result of an increase in provision for retirement benefits. Consequently, total liabilities fell 9.9% to ¥5,934 million.

Net assets were ¥4,965 million, down 2.4% from the end of the previous fiscal year. This lifted the equity ratio from 40.8% at the end of the previous fiscal year to 42.4%.

## IV. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2010	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	3,049,944	2,821,726
Notes and accounts receivable-trade	2,748,950	3,927,227
Inventories	221,733	242,978
Advance payment-cost of maintenance service	1,352,801	1,246,916
Other	363,479	383,051
Allowance for doubtful accounts	(868)	(1,388)
Total current assets	7,736,040	8,620,512
Noncurrent assets		
Property, plant and equipment	354,968	297,135
Intangible assets		
Goodwill	801,295	853,239
Other	758,652	687,085
Total intangible assets	1,559,947	1,540,325
Investments and other assets	1,249,222	1,217,149
Total noncurrent assets	3,164,138	3,054,610
Total assets	10,900,179	11,675,123

(Source: Quarterly Securities Report)

(Thousands of yen)

	As of September 30, 2010	As of March 31, 2010
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	835,418	1,335,738
Short-term loans payable	390,000	390,000
Income taxes payable	102,042	310,974
Advance received-sales of maintenance service	2,964,768	2,872,756
Provision for bonuses	190,176	181,883
Other	634,131	712,090
Total current liabilities	5,116,537	5,803,443
Noncurrent liabilities		
Bonds payable	170,000	210,000
Long-term loans payable	87,520	109,982
Provision for retirement benefits	437,873	405,772
Provision for directors' retirement benefits	47,114	39,160
Other	75,944	21,949
Total noncurrent liabilities	818,452	786,864
<b>Total liabilities</b>	<b>5,934,989</b>	<b>6,590,308</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,298,120	1,298,120
Capital surplus	1,405,350	1,405,350
Retained earnings	1,986,060	2,103,497
Treasury stock	(46,145)	(46,145)
Total shareholders' equity	4,643,384	4,760,821
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(17,828)	4,638
Total valuation and translation adjustments	(17,828)	4,638
Subscription rights to shares	12,113	12,194
Minority interests	327,519	307,160
Total net assets	4,965,189	5,084,815
<b>Total liabilities and net assets</b>	<b>10,900,179</b>	<b>11,675,123</b>

(Source: Quarterly Securities Report)

## (2) Consolidated Statements of Income (Cumulative)

(Thousands of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010
Net sales	6,586,416	6,605,055
Cost of sales	4,434,874	4,387,178
Gross profit	2,151,542	2,217,877
Selling, general and administrative expenses	1,958,915	2,039,164
Operating income	192,626	178,713
Non-operating income		
Interest income	1,375	751
Dividends income	629	392
Foreign exchange gains	21,009	16,760
Subsidy income	–	5,631
Other	1,840	2,990
Total non-operating income	24,854	26,525
Non-operating expenses		
Interest expenses	3,603	3,975
Interest on bonds	2,096	1,619
Going public expenses	–	13,092
Other	3,705	1,737
Total non-operating expenses	9,405	20,424
Ordinary income	208,074	184,813
Extraordinary income		
Gain on sales of investment securities	13,248	–
Reversal of allowance for doubtful accounts	593	528
Other	80	80
Total extraordinary income	13,922	609
Extraordinary loss		
Loss on retirement of noncurrent assets	8,968	182
Loss on valuation of investment securities	–	6,958
Office transfer expenses	–	10,573
Other	–	583
Total extraordinary losses	8,968	18,299
Income before income taxes and minority interests	213,029	167,123
Income taxes-current	65,667	88,304
Income taxes-deferred	44,059	24,901
Total income taxes	109,727	113,206
Income before minority interests	–	53,917
Minority interests in income	31,101	20,359
Net income	72,200	33,558

(Source: Quarterly Securities Report)

## Consolidated Statements of Income

(Thousands of yen)

	Three months ended September 30, 2009	Three months ended September 30, 2010
Net sales	3,527,285	3,555,330
Cost of sales	2,371,625	2,325,352
Gross profit	1,155,660	1,229,978
Selling, general and administrative expenses	950,800	1,028,967
Operating income	204,860	201,010
Non-operating income		
Interest income	697	397
Foreign exchange gains	20,494	9,936
Other	726	2,519
Total non-operating income	21,918	12,854
Non-operating expenses		
Interest expenses	1,719	1,893
Loss on investments in partnership	1,723	–
Other	2,713	2,311
Total non-operating expenses	6,156	4,204
Ordinary income	220,622	209,660
Extraordinary income		
Gain on sales of investment securities	13,248	–
Reversal of allowance for doubtful accounts	510	834
Other	80	–
Total extraordinary income	13,840	834
Extraordinary loss		
Loss on retirement of noncurrent assets	8,968	139
Loss on valuation of investment securities	–	6,958
Office transfer expenses	–	10,573
Other	–	583
Total extraordinary losses	8,968	18,256
Income before income taxes and minority interests	225,494	192,238
Income taxes-current	63,357	72,179
Income taxes-deferred	62,918	25,665
Total income taxes	126,276	97,845
Income before minority interests	–	94,393
Minority interests in income (loss)	(7,593)	3,208
Net income	106,811	91,184

(Source: Quarterly Securities Report)

### (3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	213,029	167,123
Depreciation and amortization	206,470	227,240
Amortization of goodwill	48,926	51,944
Interest and dividends income	(2,004)	(1,143)
Interest expenses	3,603	3,975
Loss (gain) on valuation of investment securities	–	6,958
Decrease (increase) in notes and accounts receivable-trade	526,369	1,179,350
Decrease (increase) in inventories	(102,186)	14,161
Increase (decrease) in notes and accounts payable-trade	(270,567)	(501,452)
Increase (decrease) in advance received-sales of maintenance service	296,364	92,011
Decrease (increase) in advance payments-cost of maintenance service	(99,069)	(105,885)
Other, net	(237,791)	(152,944)
Subtotal	583,144	981,340
Interest and dividends income received	2,004	1,143
Interest expenses paid	(5,684)	(5,670)
Income taxes (paid) refund	(194,193)	(290,395)
Net cash provided by (used in) operating activities	385,271	686,418
<b>Net cash provided by (used in) investing activities</b>		
Purchase of property, plant and equipment	(65,880)	(103,058)
Purchase of investment securities	(2,128)	(30,500)
Proceeds from sales of investment securities	22,310	–
Purchase of intangible assets	(61,122)	(85,391)
Proceeds from withdrawal of time deposits	1,081	–
Payments of short-term loans receivable	(30,000)	–
Collection of short-term loans receivable	30,000	–
Payments of long-term loans receivable	(50,000)	–
Collection of long-term loans receivable	3,076	502
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(46,610)	–
Other, net	(21,988)	(27,734)
Net cash provided by (used in) investing activities	(221,263)	(246,181)
<b>Net cash provided by (used in) financing activities</b>		
Increase in short-term loans payable	780,000	700,000
Decrease in short-term loans payable	(774,000)	(700,000)
Repayment of long-term loans payable	(22,301)	(16,130)
Redemption of bonds	(40,000)	(40,000)
Cash dividends paid	(108,186)	(150,811)
Other, net	(3,254)	(5,077)
Net cash provided by (used in) financing activities	(167,741)	(212,019)
Net increase (decrease) in cash and cash equivalents	(3,734)	228,218
Cash and cash equivalents at beginning of period	2,396,075	2,821,726
Cash and cash equivalents at end of period	2,392,341	3,049,944

(Source: Quarterly Securities Report)

## V. Topics

### Exhibit at NIKKEI IR Fair 2010 STOCKWORLD

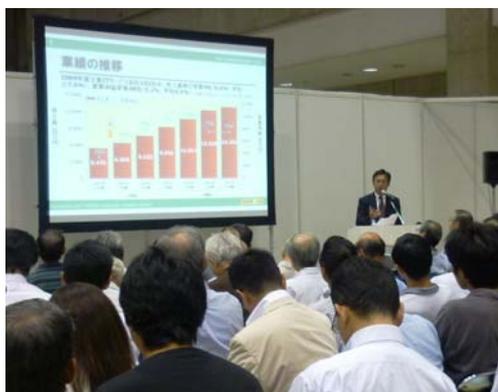
TechMatrix held an exhibit for two days, September 3–4, 2010 (Friday and Saturday), at NIKKEI IR Fair 2010, which was held at Tokyo Big Site.

Attracting a total of over 15,000 people over the two-day period, the event drew much attention from individual investors, and many people visited our exhibit booth and our company presentation.

We believe we were able to effectively convey the details of our business activities and our policy for return to shareholders to those people who visited our exhibit.

We look forward to the next opportunity to present information about TechMatrix to shareholders and investors.

We sincerely thank those of you who visited our exhibit.



### Start of sales of RSA Data Loss Prevention, a solution to protect against information leakage and prevent data loss

TechMatrix has started to sell RSA Data Loss Prevention (RSA DLP), a solution developed by RSA Security to protect against information leakage and prevent data loss.

For companies, loss of confidential data is a serious risk as it could have such consequences as loss of customers and weakening of brand power. RSA DLP is a solution offering protection against information leakage that covers the company's entire IT system. By introducing RSA DLP, companies can not only significantly reduce business risk related to loss of confidential data, but also realize an efficient compliance environment with regard to protection of intellectual property and brand value, and the like.



## VI. Company Information / Stock Information

### Company Information (as of September 30, 2010)

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:	861 (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
Director	Nobuyuki Nishimura
Full-time Corporate Auditor	Muneoki Uchida
Corporate Auditor	Ken Takayama
Corporate Auditor	Masayoshi Ito
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
NISSHO ELECTRONICS CORPORATION	18,473	29.84
Synergy Marketing, Inc.	2,638	4.26
TechMatrix Employees' Shareholding Association	2,245	3.62
TechMatrix Corporation	1,500	2.42
Japan Trustee Services Bank, Ltd. (Trust Account)	888	1.43
Riskmonster.com	700	1.13
TIS Inc.	611	0.98
Fukuta Seisakusho LLC	422	0.68
JAPAN SECURITIES FINANCE CO., LTD.	379	0.61

(Source: Quarterly Securities Report)