

For the Six Months ended September 30, 2012

Annual Select[®] 2013

**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 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

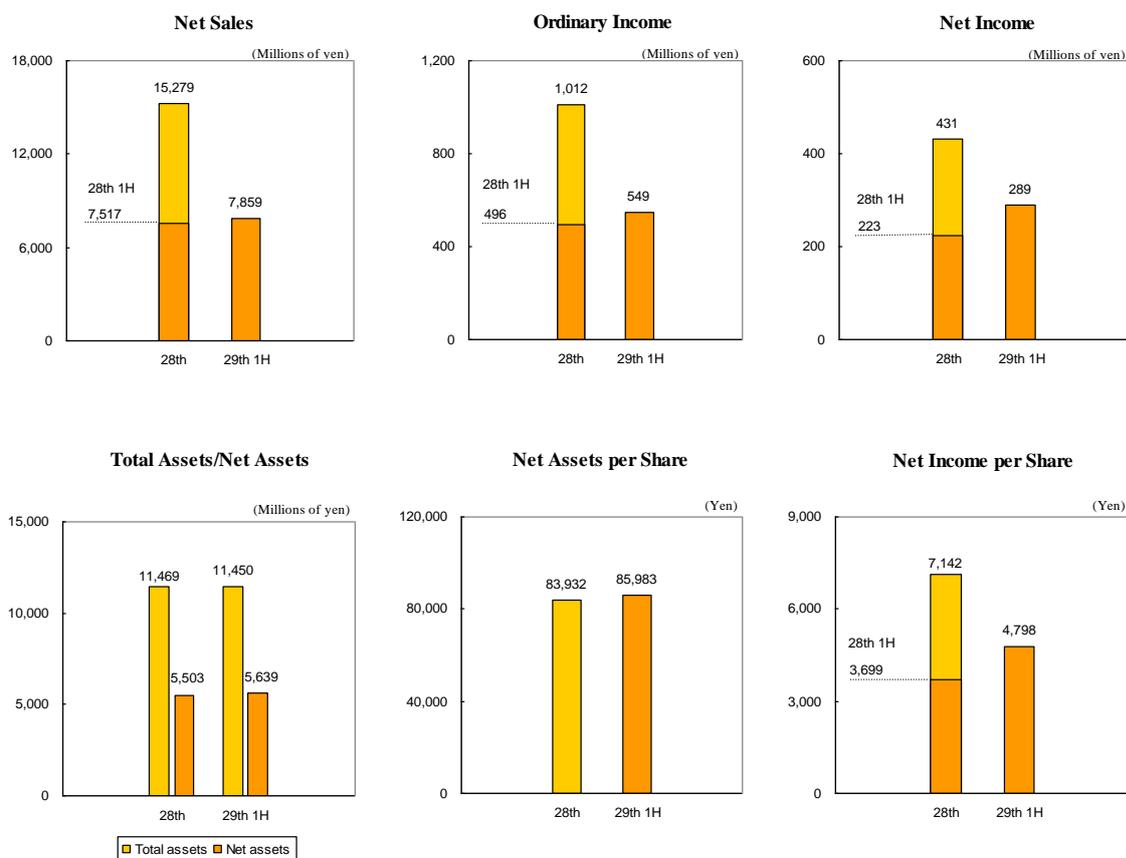
The Group actively promoted cloud services developed in-house in the medical, CRM (customer relationship management) and e-commerce fields. Moreover, we worked in the Information Infrastructure business to market network virtualization technologies that enable flexible configuration of cloud computing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