



Results for the 2nd Quarter of 33rd business period

(Fiscal Year Ending March 31st, 2017)

TechMatrix Corporation
November 18th, 2016

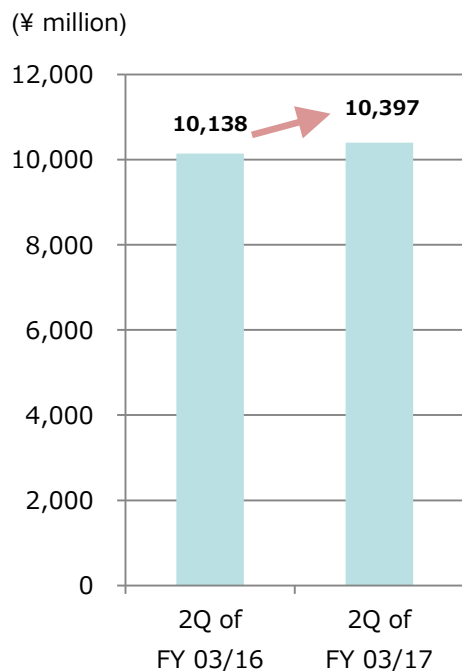
- 1. Business Highlights for the six Months of 33rd Business Period**
- 2. Progress of the Medium-Term Management Plan “TMX 3.0” and Outlook for 33rd Business Period**
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Business Highlights for the six Months of 33rd Business Period

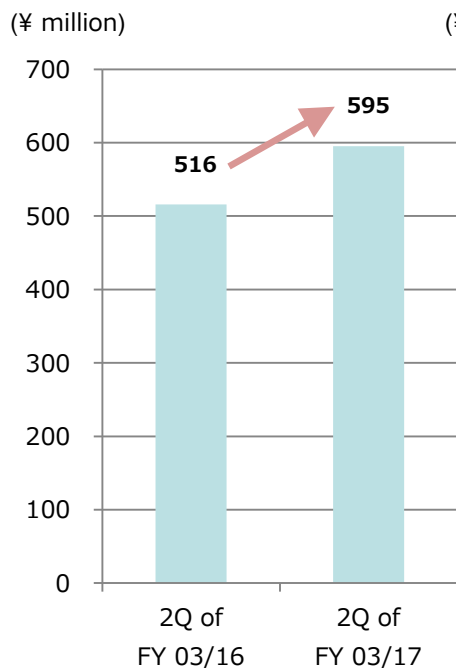
Business Highlights for the six Months of 33rd Business Period (Consolidated)

- ◆ The highest consolidated net sales, operating income and ordinary income ever recorded in the six months
- ◆ Increased revenue and profit by solid sales of security-related businesses and contribution of subsidiary companies' business performance

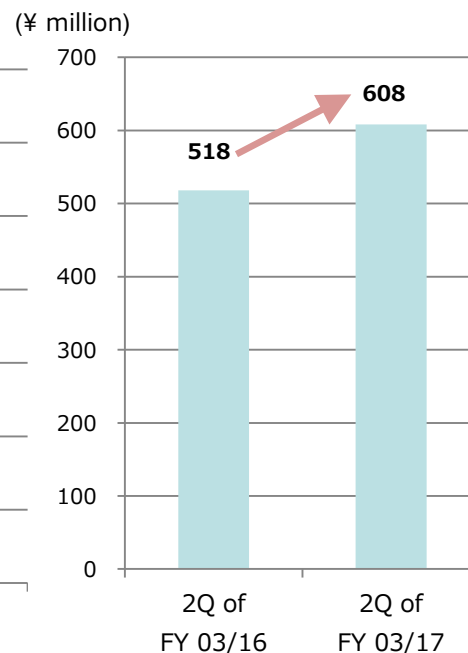
Net sales ¥10,397M
Year on year up
2.6%



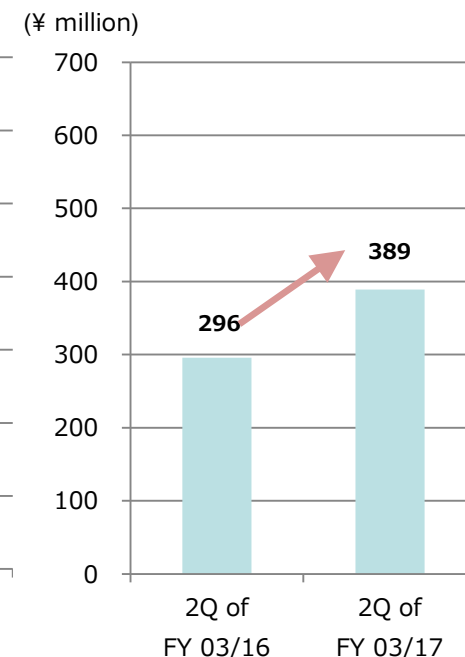
Operating income ¥595M
Year on year up
15.3%



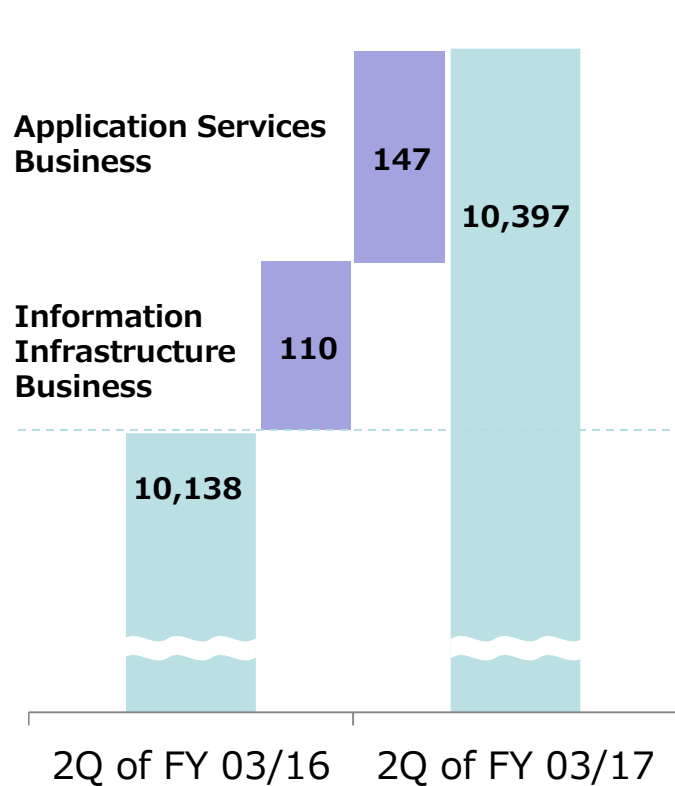
Ordinary income ¥608M
Year on year up
17.3%



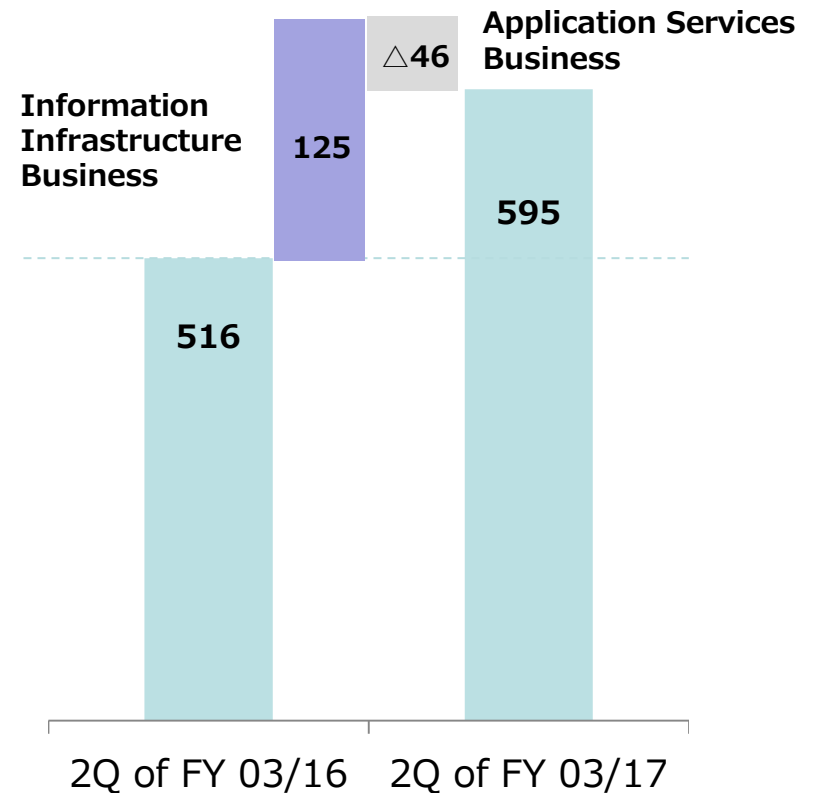
Profit attributable to owners of parent ¥389M
Year on year up
31.3%



Net Sales (¥Million)



Operating income (¥Million)



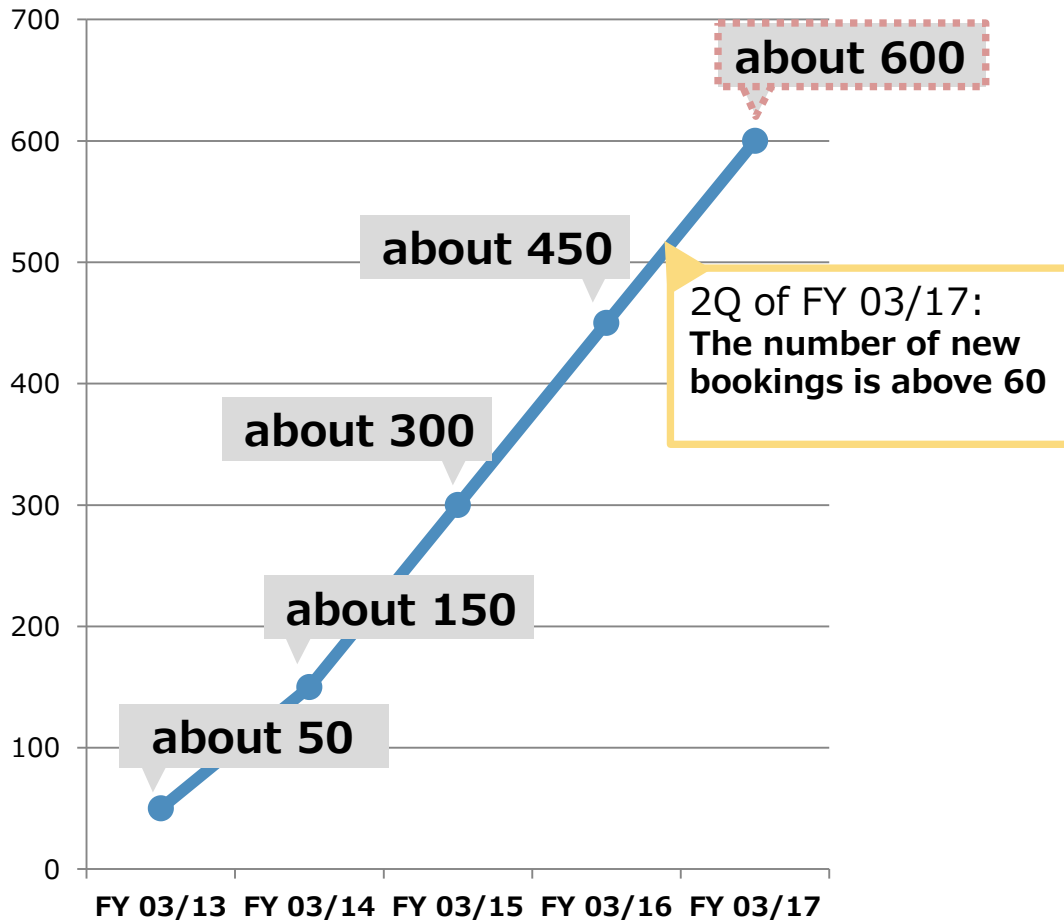
Net Sales

◆Information Infrastructure Business		Year on year
	Load balancers	
	Security-related products	
	Business for governments and public agencies (Direct)	
	Managed Security Service (MSSP)	
	Storage solutions	
	CROSS HEAD & Okinawa Cross Head	
Application Services Business		Year on year
	Internet Service field (Including CASAREAL)	
	Software Quality Assurance field	
	Healthcare field (Including Ichigo)	
	CRM field	

+10% and over
 +5% ~ +10%
 within +5%
 within Δ10%
 under Δ10%

Progress of the number of medical facilities contracting NOBORI

(facility)



< Legislation related to security >

March 2015
MIC:
Security guideline

December 2015
METI:
Cybersecurity Management Guidelines

March 2016
METI:
Information Security Management Standards (2016 Revised Version)

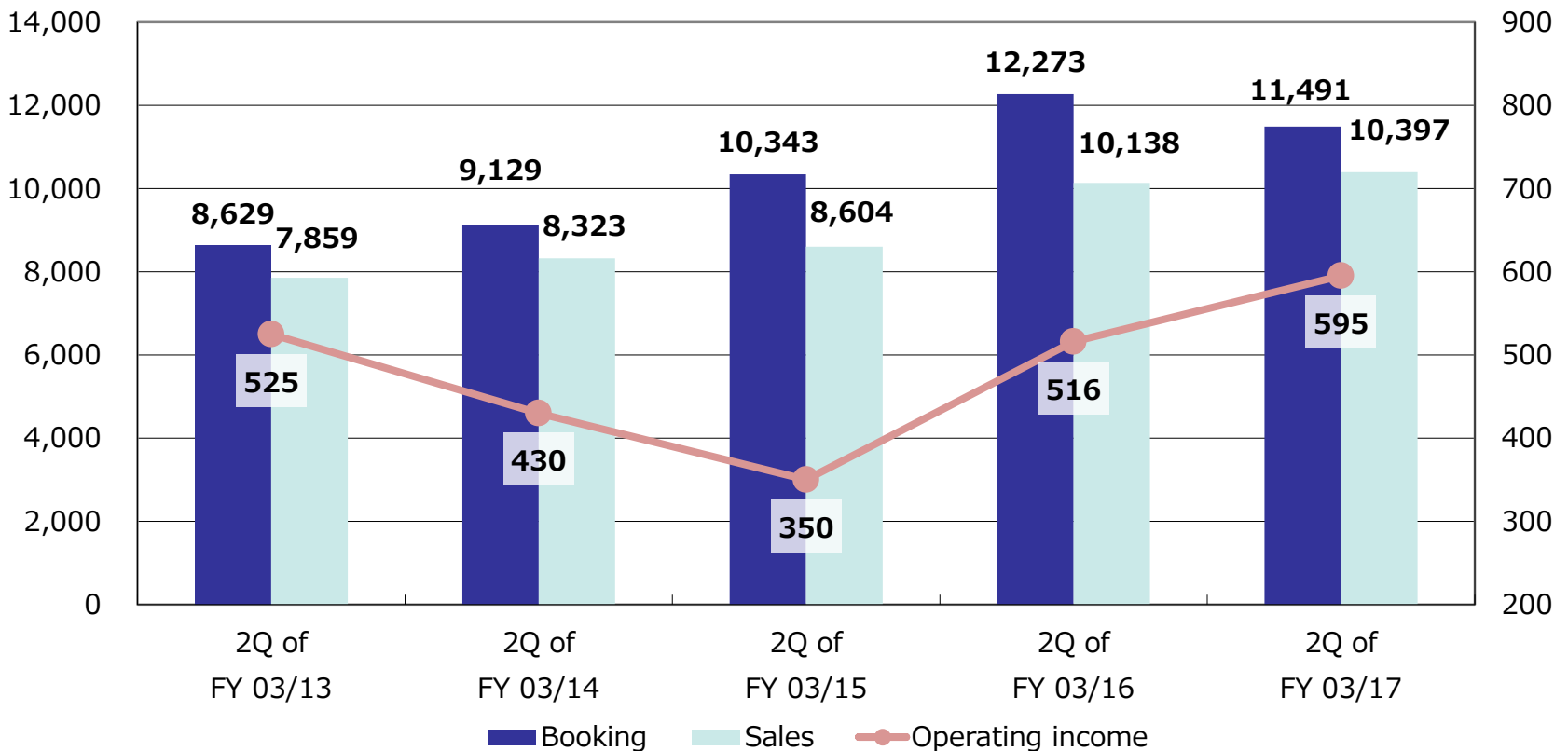
April 2016
Basic Law for Cyber Security (2016 Revised Version)

- ◆ Booking decreased by non-existence of large-scale projects
- ◆ Stock businesses have steadily grown

Booking and sales
(¥Million)

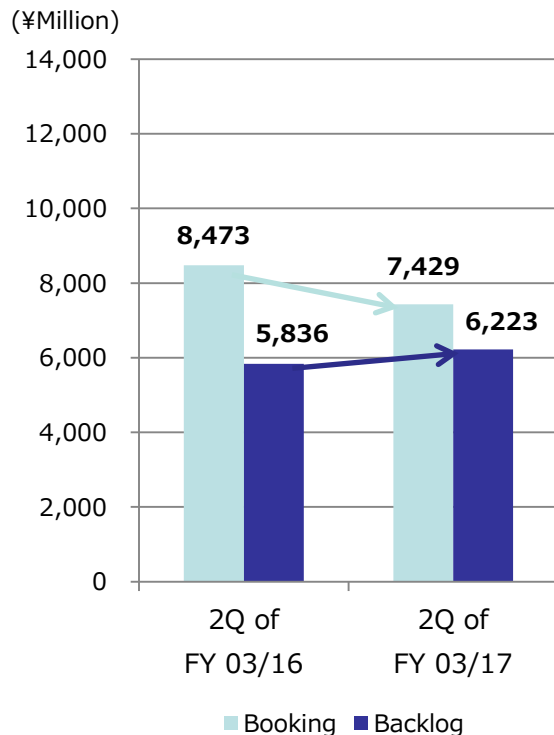
Operating income
(¥Million)

Booking and sales / Operating income

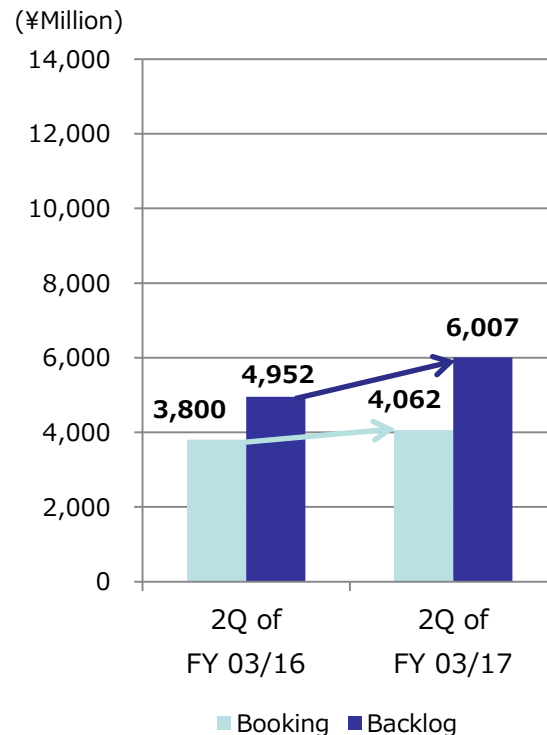


- ◆ Information Infrastructure Business: Booking slightly decreased although security-related business was solid. Backlog has increased(UP 6.6%)
- ◆ Application Services Business: Booking and Backlog increased by progress of cloud businesses

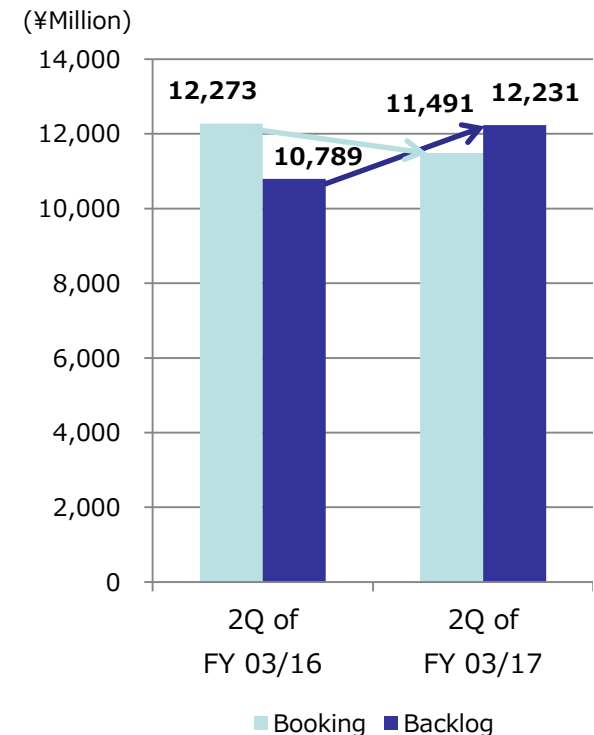
Information Infrastructure Business



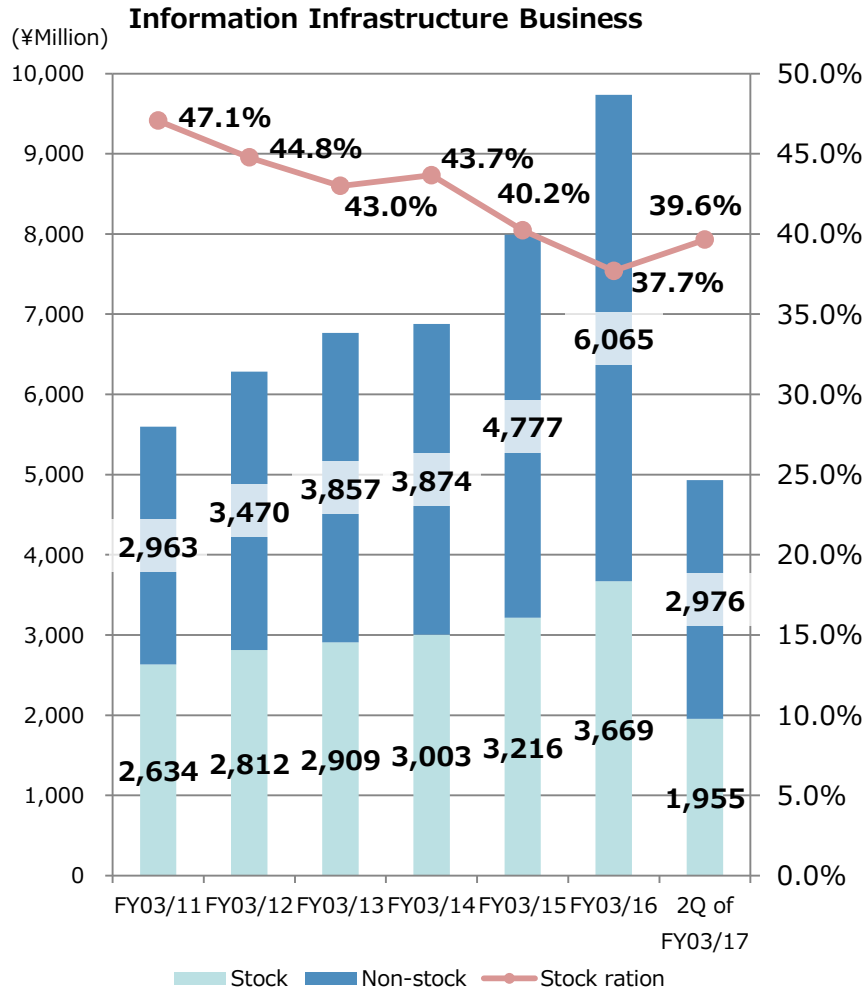
Application Services Business



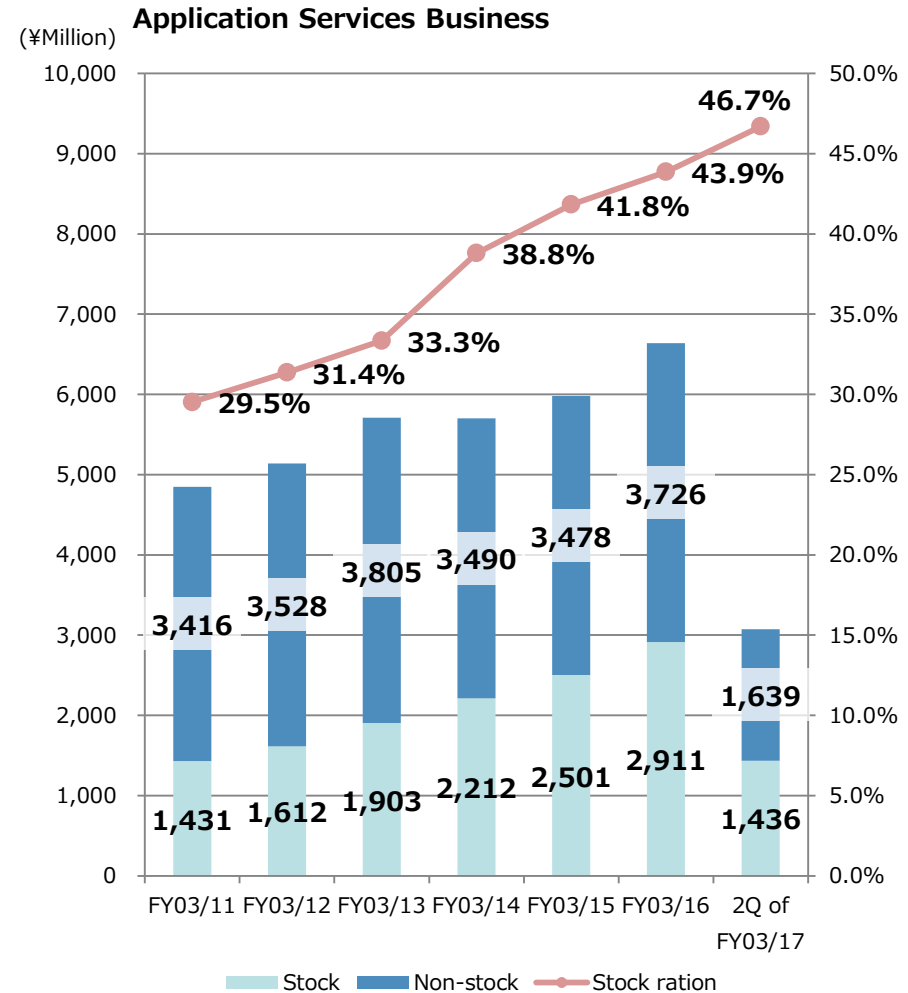
total



◆ Stock type sales (Recurring revenue) ratio (non-consolidated)



* In the Information Infrastructure Business, the stock ratio went up due to obtaining maintenance sales from large-scale projects in previous year



* Application Services Business, the stock ratio went up due to growth of cloud businesses

Business Highlights for the six Months of 33rd Business Period (Consolidated)

Balance sheet

(¥Million)

	FY03/2016	2Q of FY03/2017		FY03/2016	2Q of FY03/2017
Current assets	12,091	11,880	Current liabilities	8,064	7,892
Cash and deposits	4,698	4,808	Accounts payable-trade	1,063	912
Notes and accounts receivable-trade	3,491	3,178	Short-term loans payable	350	350
Other	3,901	3,894	Current portion of long-term loans payable	300	300
			Other	6,351	6,330
Noncurrent assets	3,627	3,711	Noncurrent liabilities	3,687	3,511
Property, plant and equipment	1,028	1,044	Long-term loans payable	2,050	1,900
Goodwill	229	177	Other	1,637	1,611
Other	904	1,009	Total liabilities	11,751	11,404
Investments and other assets	1,464	1,479	Shareholders' equity	4,005	4,221
			Total accumulated other comprehensive income	△53	△55
Total assets	15,718	15,592	Total net assets	3,967	4,187
			Total liabilities and net assets	15,718	15,592

Progress of the Medium-Term Management Plan “TMX 3.0” and Results for 33rd Business Period

Key principle

Continuing transformation to "Next-Gen. IT Service Creator", "Next-Gen. IT Service Provider" through a breakaway from conventional labor-intensive contract business.

Business strategy

- ✓ Strategic and accelerated promotion of cloud-related businesses
- ✓ Pursuit of security and safety



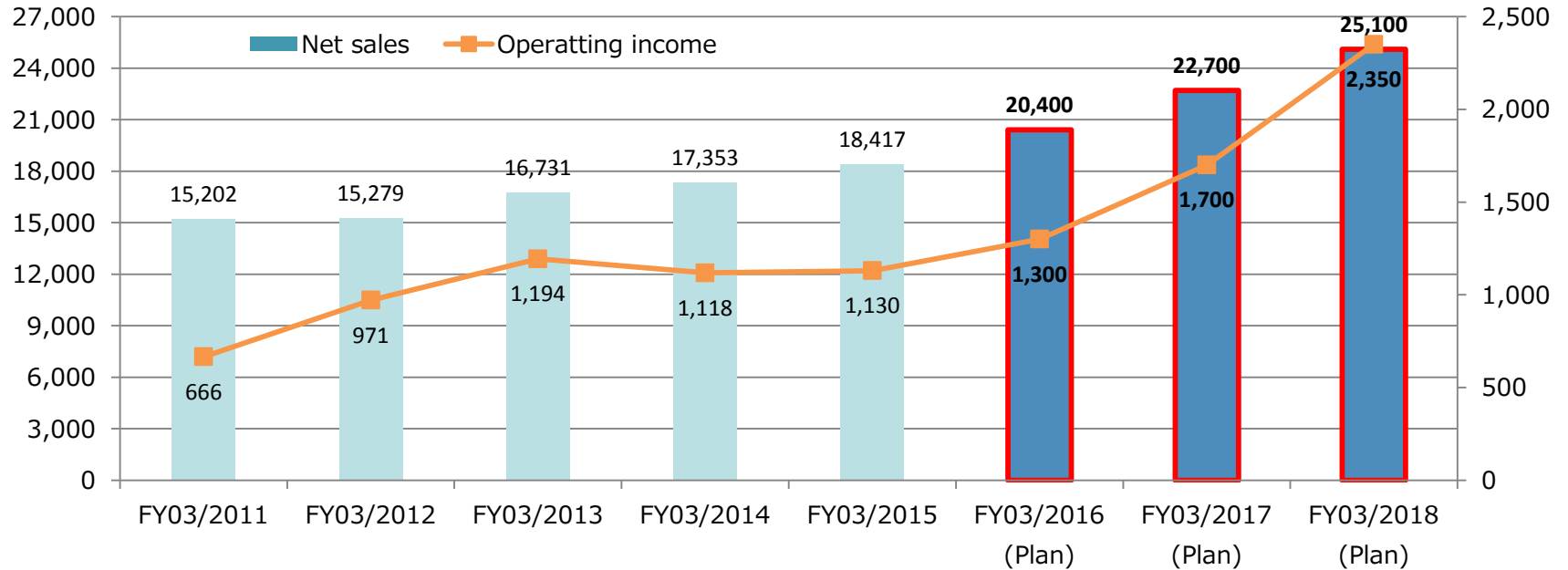
Shareholder returns

- ▶ Key principle : dividend payout ratio is more than 20% at the end of fiscal year
- ▶ Emphasize an increase in dividends based on profit level
- ▶ Improve the shareholder special benefit plan

Continuing transformation to "Next-Gen. IT Service Creator", "Next-Gen. IT Service Provider"

(¥Million)

(¥Million)



10%
Growth rate of net sales



To
¥30Billion
Business scale may reach ¥25B-30B through M&A and expanded Biz in overseas markets



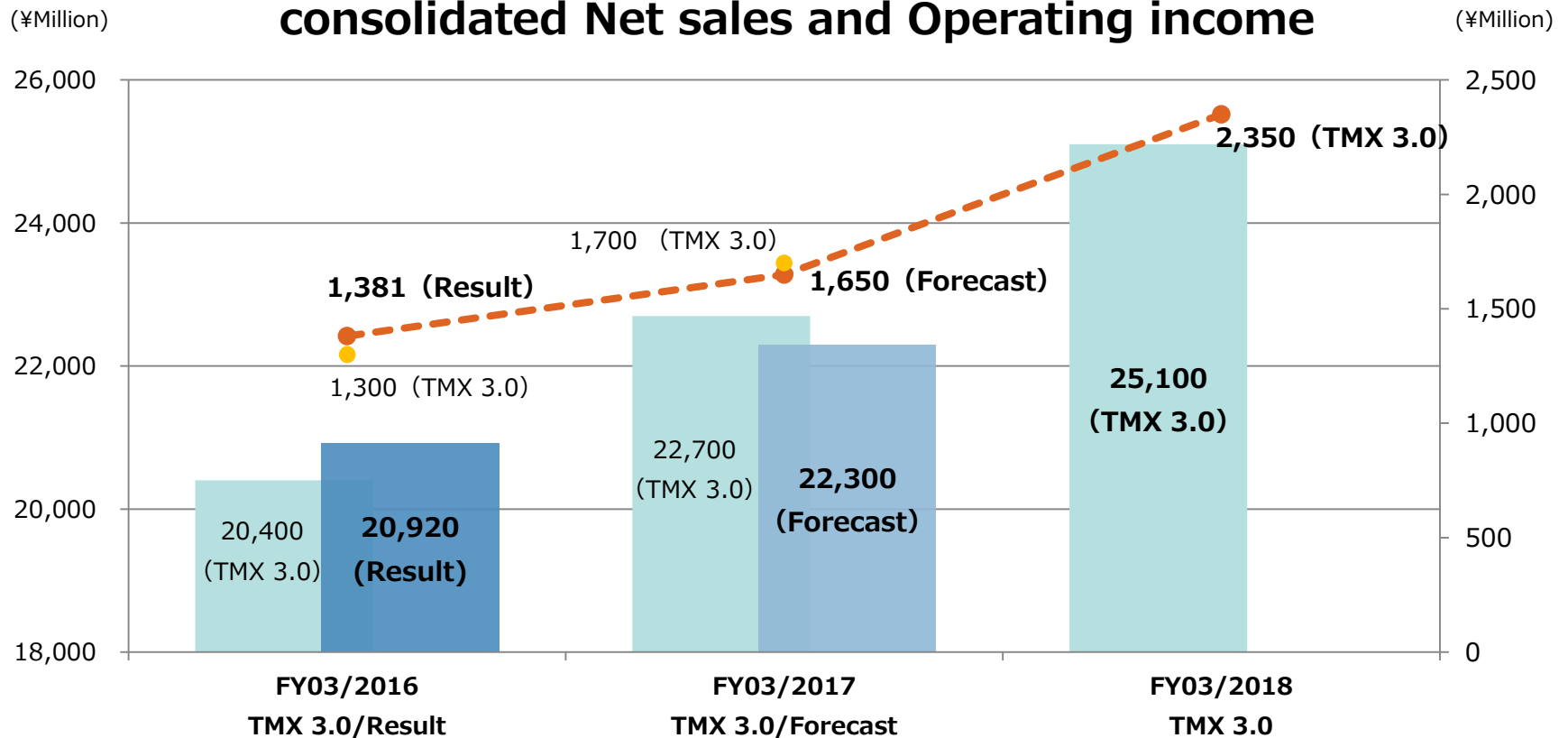
50%
Stock type sales ratio (Cloud, maintenance, operation and monitoring services)



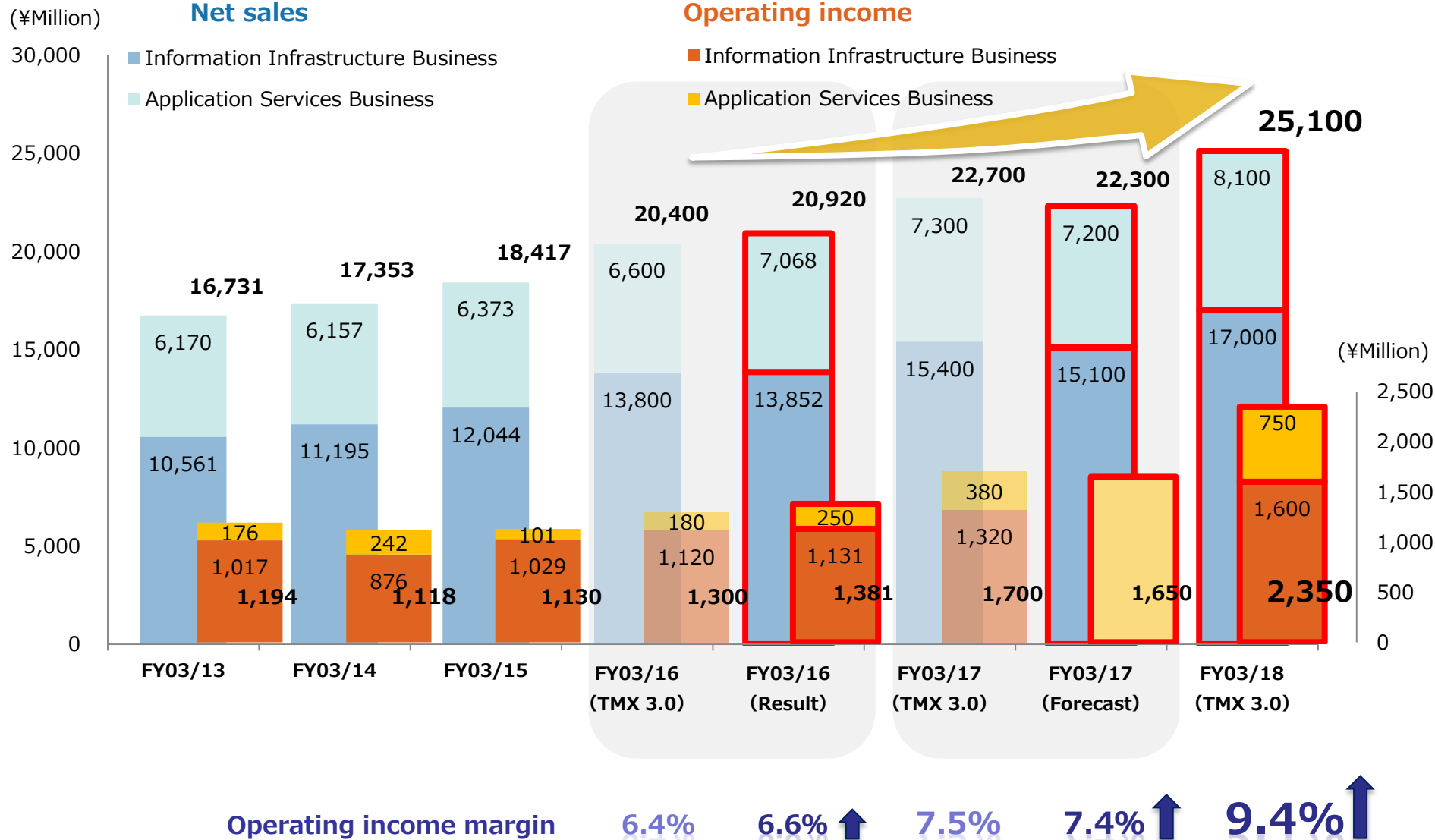
10%
Challenge to operating income margin of 10%

◆ Net sales for the first year of the TMX 3.0 exceeded the forecast (net sales UP2.5%, operating income UP6.2%)

Plan and Result of consolidated Net sales and Operating income

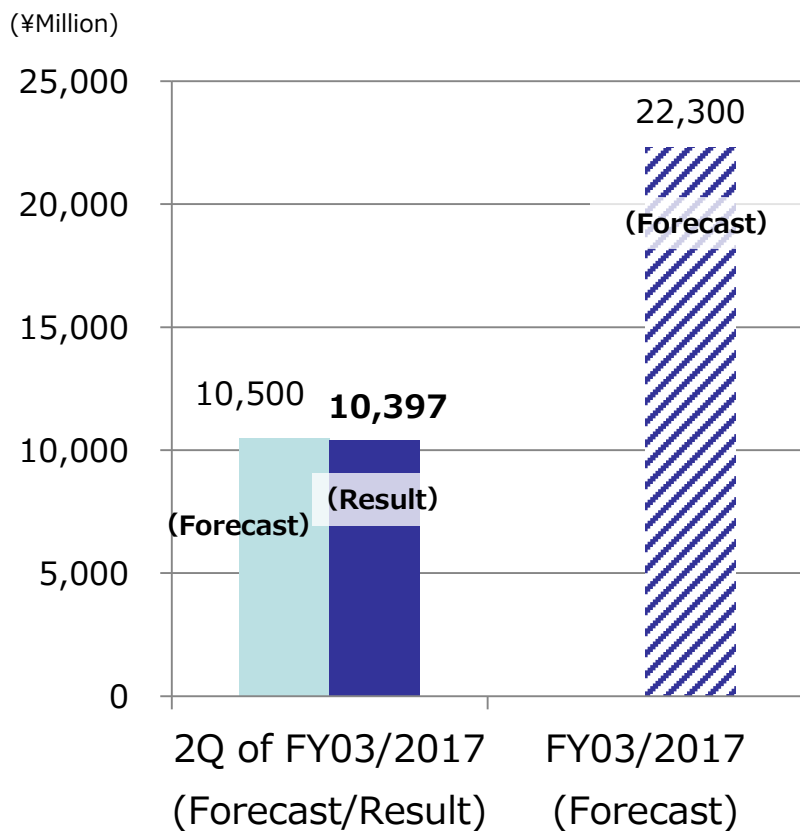


Progress of the "TMX 3.0" and Outlook for 33rd Business Period

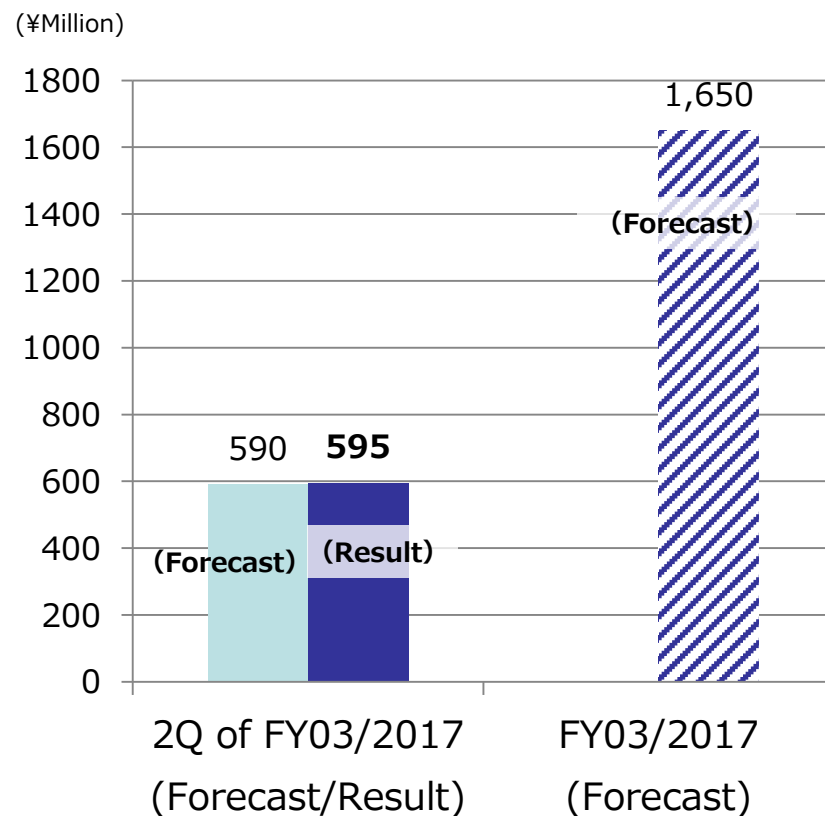


- ◆ Net sales for the six months slightly shortfall
- ◆ Operating income slightly exceeded
- ◆ The forecast of net sales and operating income for this fiscal year still remain unchanged

Net Sales(Consolidated)



Operating Income(Consolidated)



◆ Core business strategy

Item	FY03/17 First half Valuation	Description
Strategic and accelerated promotion of cloud-related businesses		
Profit contribution by the cloud business (Realize profitability of the healthcare cloud business)	△	<ul style="list-style-type: none"> • Profit margin was slightly lower than planned due to delayed timing of orders received in the first half • Launched the “RAKURAKU-Item Manager” • FastCloud (CRM) in good shape
Turn our cloud service into a platform (diversification)	○	<ul style="list-style-type: none"> • “NOBORI-PAL” expand the services for B2B2C
Establish cloud business in overseas (Asian) market (At first, the success of the joint venture in China)	△	<ul style="list-style-type: none"> • Healthcare field: Established joint venture company in China. Alliance with Peking University in the pathology sector • CRM field: Alliance with Transcosmos (Thailand) in ASEAN market
Quality improvement for cloud operation (Exponential improvement of operational skills)	○	<ul style="list-style-type: none"> • Driven by PMO section, stabilized operation, continuing facility investment
Strategic application of virtualization technologies (Cloud first)	○	<ul style="list-style-type: none"> • Hyper converged solution “VCE VxRail” • Okinawa Cross Head: nas2cloud Plus
Analysis of Big data gathered by the cloud (Secondary use of the data)	○	<ul style="list-style-type: none"> • Increased inquiries about BI

◆ Core business strategy

Item	FY03/17 First half Valuation	Description
Pursuit of security and safety		
Enhancement of defenses against cyber-attacks and provide as one-stop service	○	<ul style="list-style-type: none"> •Swivel PINsafe, ProofPoint, Tanium Endpoint Platform, .∴.TRINITY for BIG-IP managed service
Design, construction, maintenance, operation and monitoring services Realize value chain of automatization	○	<ul style="list-style-type: none"> •Expanded product sales and the maintenance, operation and monitoring services •NOC/SOC
Realize functional safety of embedded software for IoT (Internet of Things)	△	<ul style="list-style-type: none"> •Concern about a decline of the investment appetite due to the high-yen trend
Contribute to safety and security within Internet-based society (accumulation of knowledge as a professional group in the Technology for Information Security and Software Quality Assurance field)	○	

◆ Operation strategy

Item	FY03/17 First half Valuation	Description
Operation strategy		
Cost reduction for high profitability		
<ul style="list-style-type: none"> ▸ Promote the active utilization of offshore development 	○	<ul style="list-style-type: none"> •Offshore development in Vietnamese and China
<ul style="list-style-type: none"> ▸ Improve operation efficiency by integrating the office space of Head Office 	○	<ul style="list-style-type: none"> •Additional relocation of offices
<ul style="list-style-type: none"> ▸ Transform business model without monotonic increase of human resources 	○	<ul style="list-style-type: none"> •Stock ratio increased
Closer ties with partners	○	<ul style="list-style-type: none"> •Healthcare field : SoftBank Corp , Peking University •CRM field : Nihon Unisys, Ltd., Transcosmos (Thailand) Co., Ltd.
Strengthen direct sales. Penetrate deeply into the market for the government and other public agencies	△	<ul style="list-style-type: none"> •Security Cloud projects for local governments were active •Direct Sales decreased
Strengthen workforce by promotion of diversity	○	<ul style="list-style-type: none"> •Grown diversity on hiring of new graduates
Strengthen company's brand as a corporate group	○	<ul style="list-style-type: none"> •Renewed our Web site •Corporate video •Advertisement at a subway station

Business Topics

Date	Contents
April	Commenced the provision of "PINsafe" with two factor authentication
	Concluded distributorship agreement with Nihon Unisys, Ltd. for our contact center CRM solution "Fast Series"
	Commenced the provision of "NOBORI-PAL" as a new cloud platform service for healthcare information
	Commenced the provision of ".TRINITY" for BIG-IP managed service
May	Constructed FAQ system for Sasebo-city in Nagasaki pref.
	Okinawa Cross Head commenced "nas2cloud Plus" service
	Commenced the provision of "Proofpoint" as a next generation mail security solution
Jun	Commenced the provision of the new service "RAKURAKU-Item Manager"
	Commenced the provision of the cybersecurity platform for Endpoint "Tanium Endpoint Platform"
July	Commenced the provision of "Yellowfin" a BI tool

Date	Contents
September	Commenced the provision of dynamic data exchange function with the uncollectability-risk-guarantee type arrears payment services of Net Protections, Inc. on "Rakuraku-backoffice"
	Transcosmos (Thailand) Co., Ltd. adopted the solution of contact center CRM system "FastHelp5" combined with the "ACCS" from Avaya Japan Ltd.
	Okinawa Cross Head participated in establishing the Asia, Okinawa, and a media cloud council
October	Commenced the provision of a platform service for telepathology under the business alliance with SoftBank Corp
	Concluded business alliance with Peking University in the pathology sector
	Okinawa Cross Head commenced the provision of the next generation IoT center service with Hewlett-Packard Japan, Ltd.
	Hewlett-Packard Japan, Ltd. Introduced the service from Okinawa Cross Head as a case study of a cloud service infrastructure
November	Commenced the provision of the Hyper Converged Solution for system virtualization
	Commenced the provision of the automatic data exchange tool for Secure Data Sanitization, "Votiro Auto Agent for FileZen"
	Entered into a share subscription agreement with venture-backed DocsApp which provides online medical and healthcare services in India

Point!

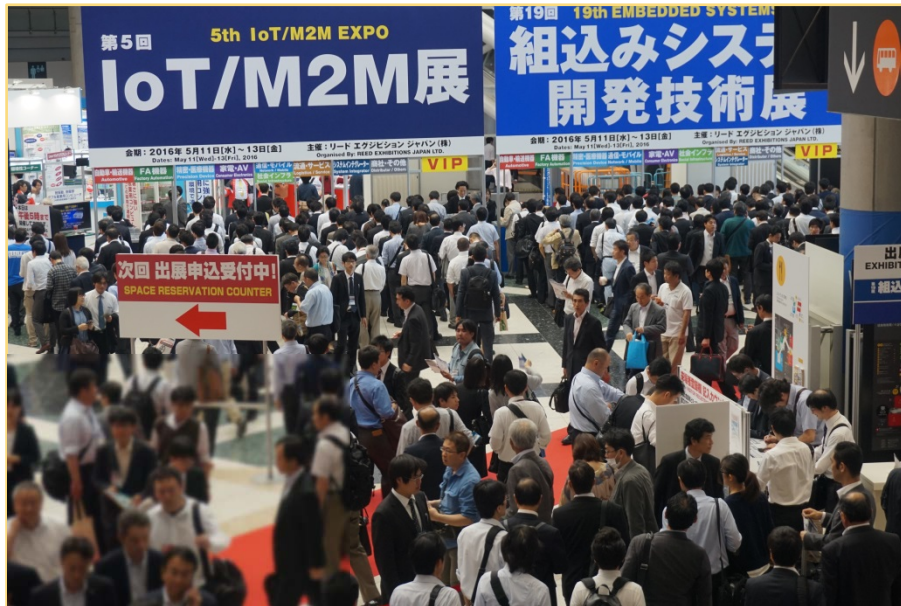
The International Technical Exhibition of Medical Imaging 2016
On April 15–17
Received 20,864 attendees



In May, Held Japan IT Week Spring 2016

Point!

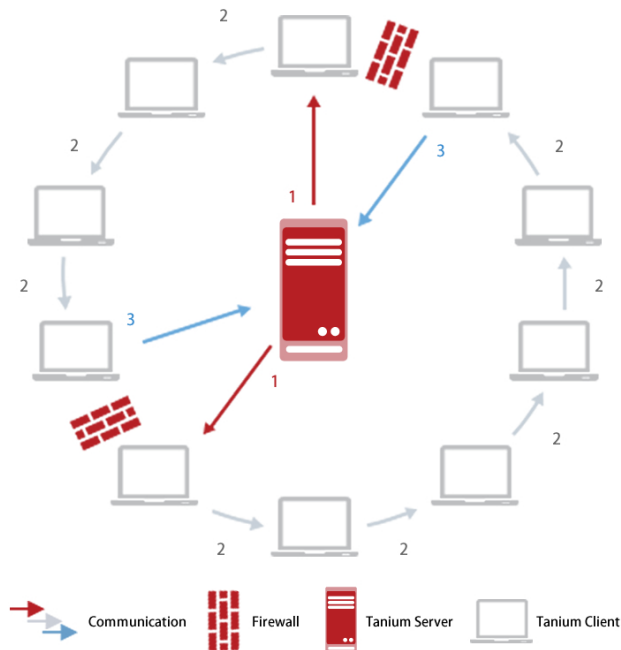
Held Japan IT Week Spring 2016 for security solution and software quality assurance solutions on May 11-13



In Jun, Commenced the provision of the cybersecurity platform for Endpoint “Tanium Endpoint Platform”

Point!

Commenced the provision of the cybersecurity platform for Endpoint “Tanium Endpoint Platform” from U.S.-based Tanium Inc. Security inspection and isolation of infected endpoint for large-scale network such as tens thousands of endpoints in high performance



Point!

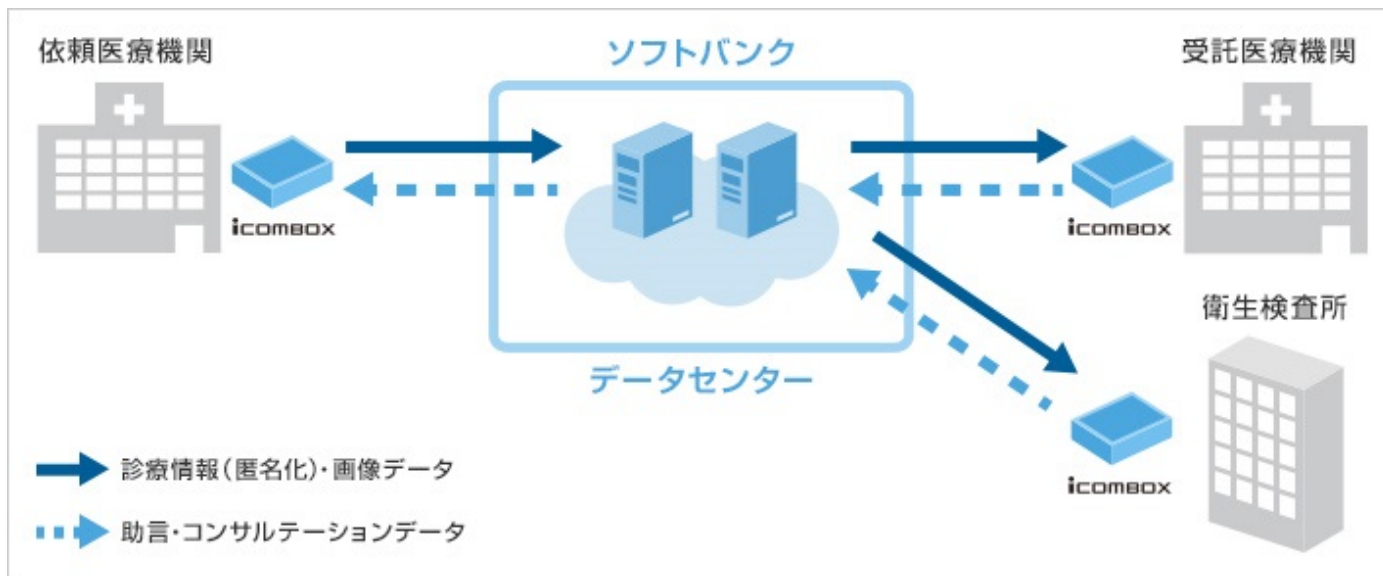
Held Techmatrix Pharma Forum 2016, the 2nd private event for pharmaceutical companies on September 8
“FastHelp Pe”, CRM system for customer service office for medication which is assisted by AI



Point!

A platform service that provides telepathology using the “iCOMBOX” which was developed by Ichigo LLC under the business alliance with SoftBank Corp.

To solve the serious shortage of pathologists through the data exchange between medical institutions and tele-pathologists



February and March in 2017, Scheduled Techmatrix CRM FORUM 2017

Point!

Scheduled Techmatrix CRM FORUM 2017, one of the biggest events in the Japanese contact center marketplace, for February 24 in Tokyo, and March 3 in Osaka



* Techmatrix CRM FORUM 2016

"Next 30 Years Project" for future Techmatrix

Point!

- ✓ We celebrated the 30th anniversary since our foundation
- ✓ We started a project consisting of diverse employees regardless of his/her profession, division, gender and generation
- ✓ The members discuss and formulate many ideas and plans for Next Gen. Techmatrix on their own initiative



● Renewed our Web site on September 28

● Teleworking has been under discussion

Expect decline of turnover due to childcare, nursing care or others
 Improve operational efficiency by embracing work-life balance and a change of work-style

Etc.....



“For Next Gen. Techmatrix”



Business Models

Point!

- ✓ Turn NOBORI into a platform (diversification)
- ✓ Increased a number of services from N-PAL partners

Advanced Media, Inc. :
Speech-recognition service for medical doctors 『AmiVoice CLx®』

Techmatrix :
Examination reservation service 『TONARI』

Intrasense SA :
3D medical imaging workstation 『myrian®』

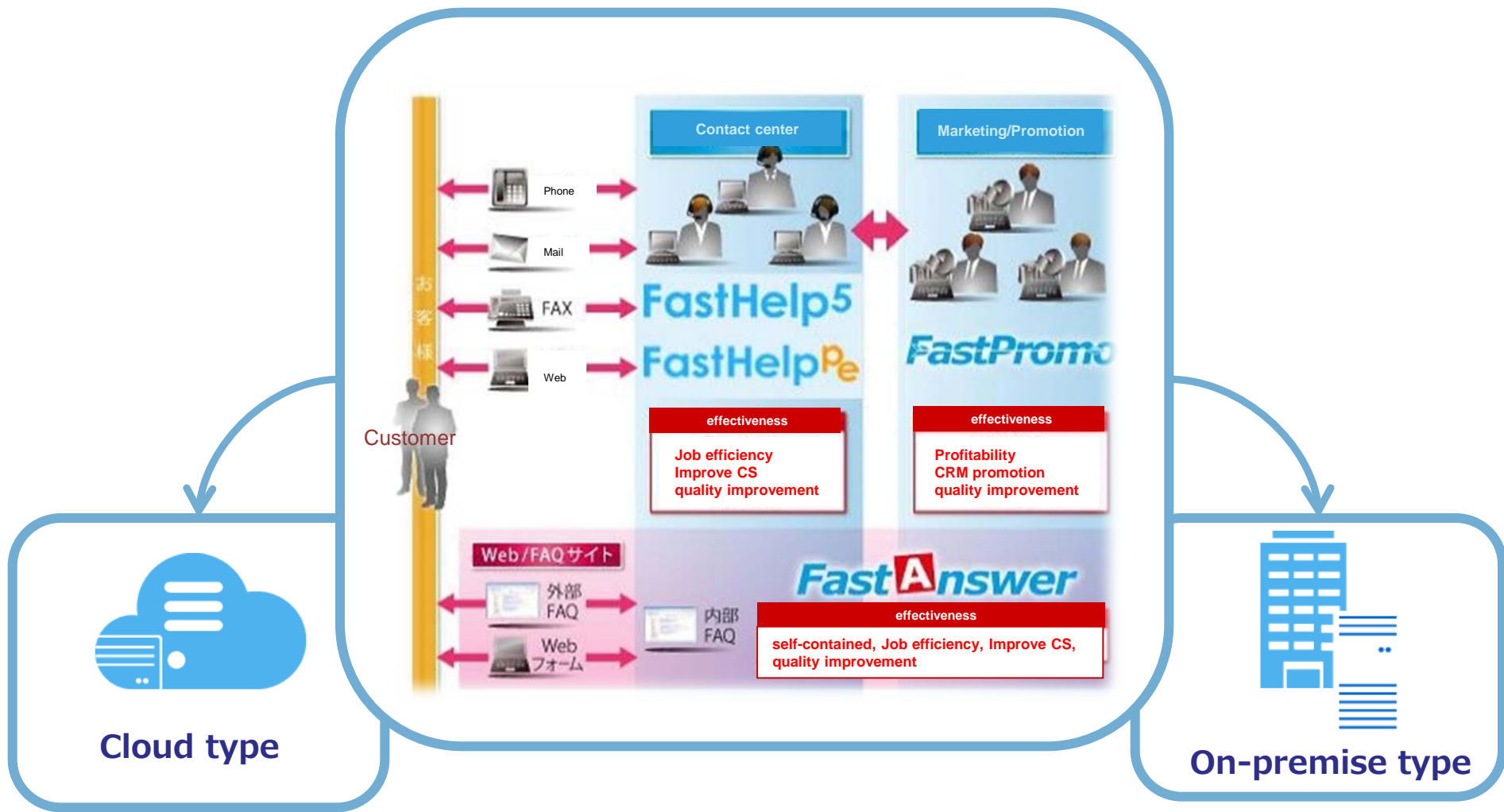
Techmatrix :
Remote image viewing in an emergency 『TSUNAGU』



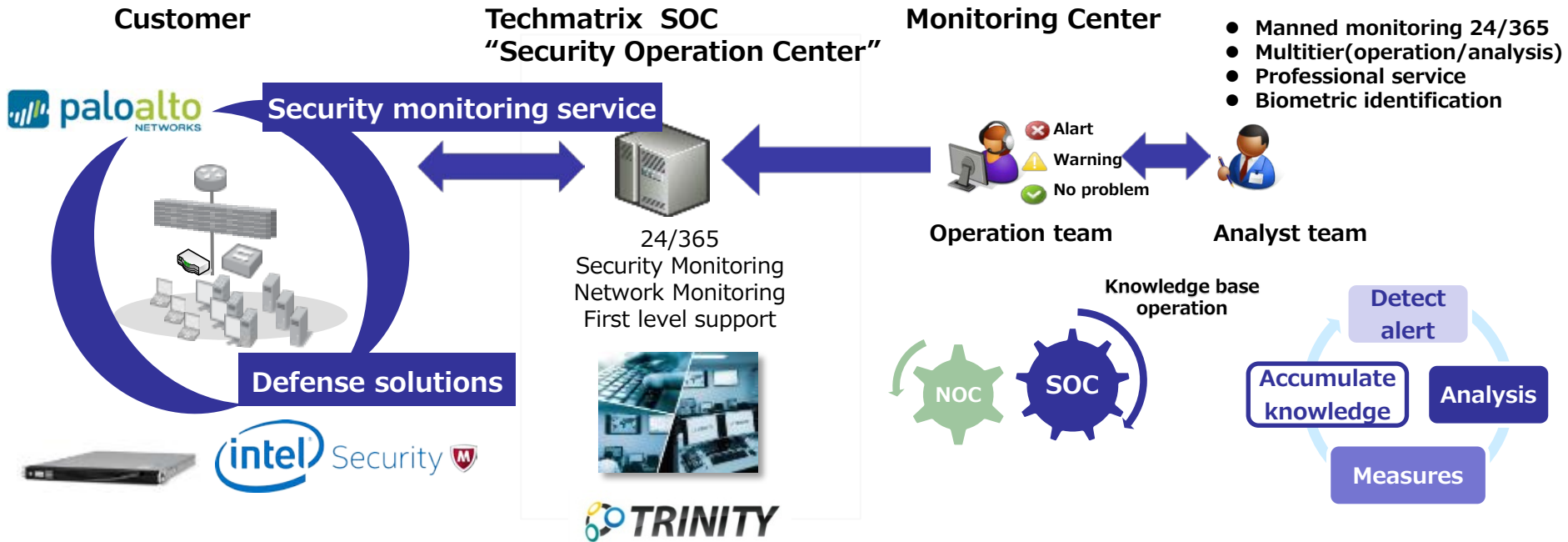
NOBORI-PAL :
“Gather useful services into the Cloud”
to provide various applications for NOBORI users

Point!

✓ Enhancing the competitiveness of customers by CRM system for contact centers



Point! ✓ One-stop solution from Techmatrix



One-stop solution

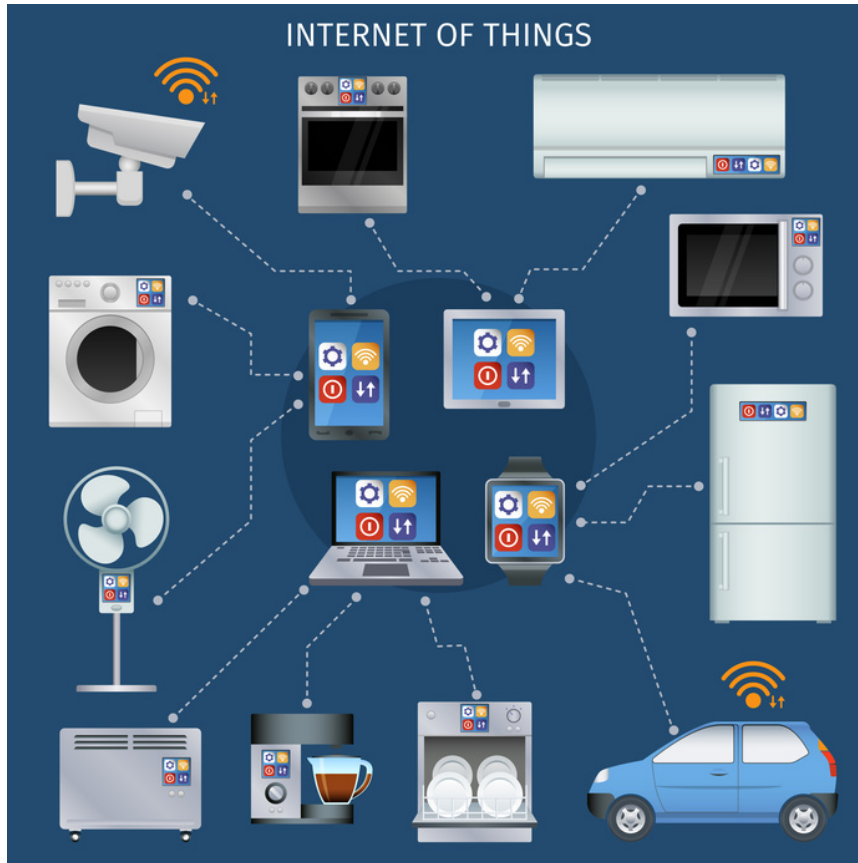
One-stop solution for system design, construction, maintenance, operation and monitoring services.

Professional service with expert knowledges

Techmatrix provides security monitoring services based on its in-depth knowledge on the products it delivers, although other security vendors provide basic services for a wide variety of products.

Point!

- ✓ Every internet-connected device can be a target for cyber-attacks in the IoT era.

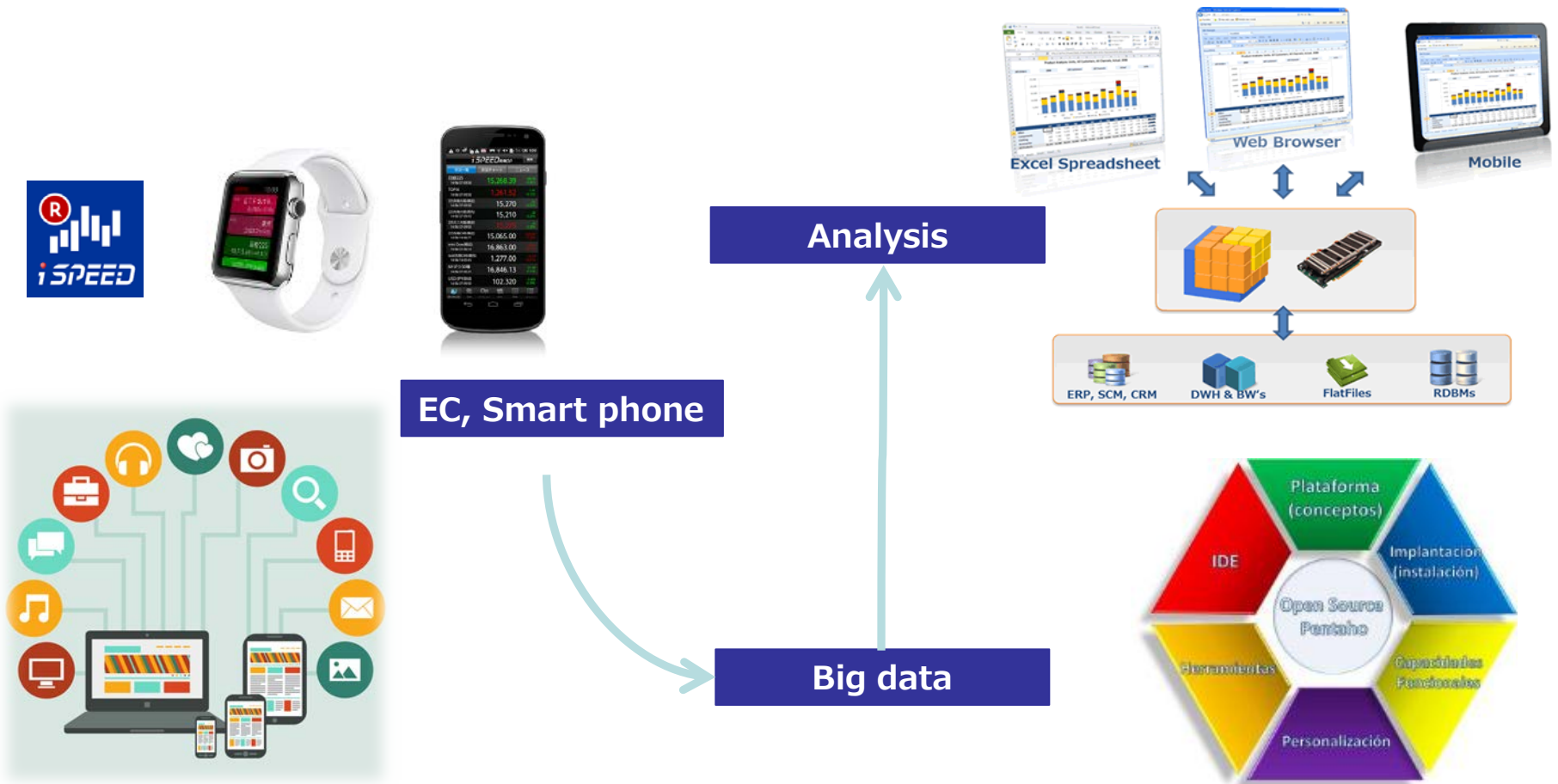


- ▶ Solution for test, systems design and version control system
- ▶ Integration of infrastructure, training and operation support for development process
- ▶ Support for substantive improvement of software quality and productivity enhancement

Improve quality of embedded software
Comply with functional safety standards

Point!

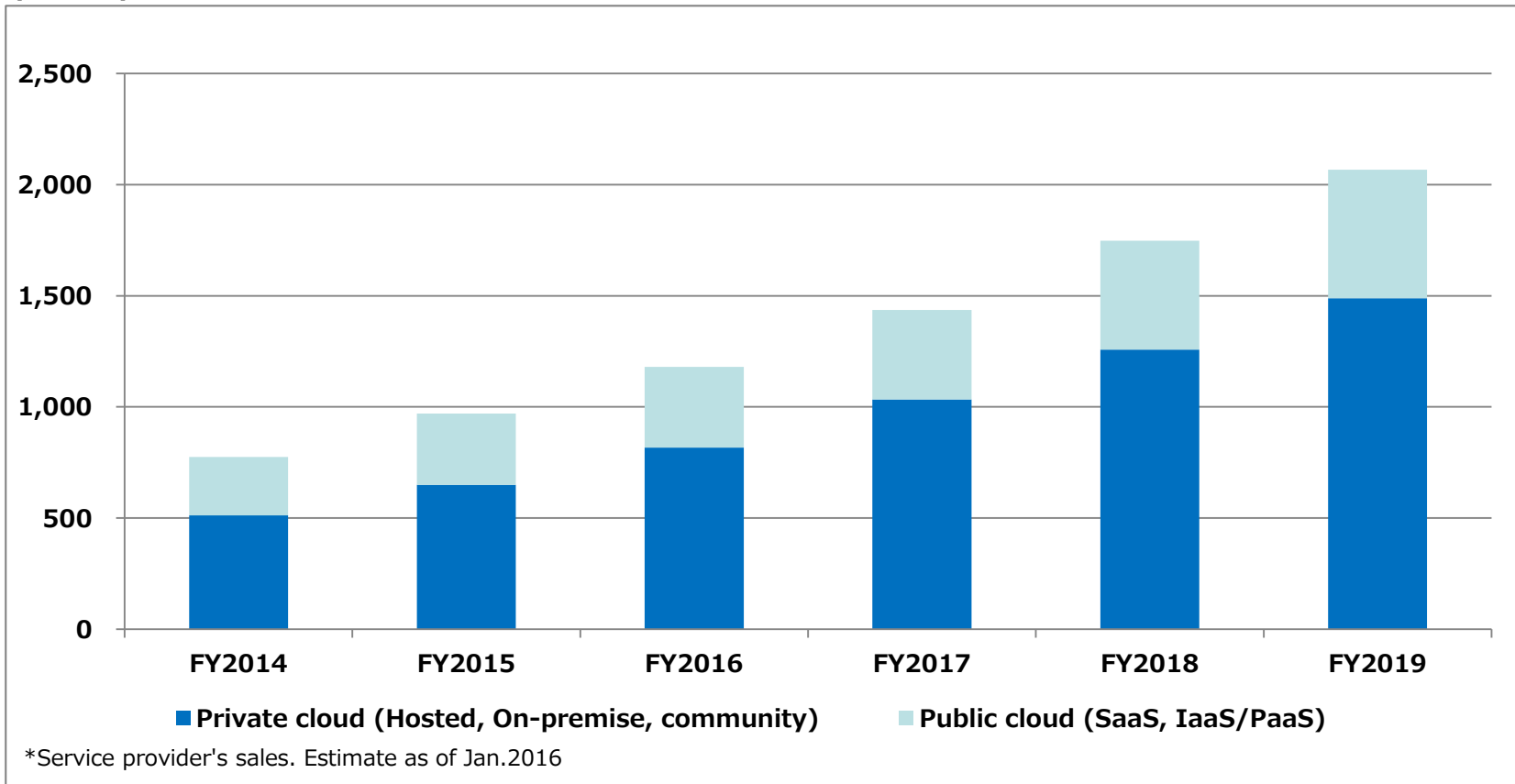
- ✓ Provision of cloud services based on open-source software
- ✓ Analysis for big data accumulated on the cloud
- ✓ Provision of risk management systems based-on financial engineering



Market Conditions for our business

◆ Forecast ¥2,000 billion in FY2019 for cloud market

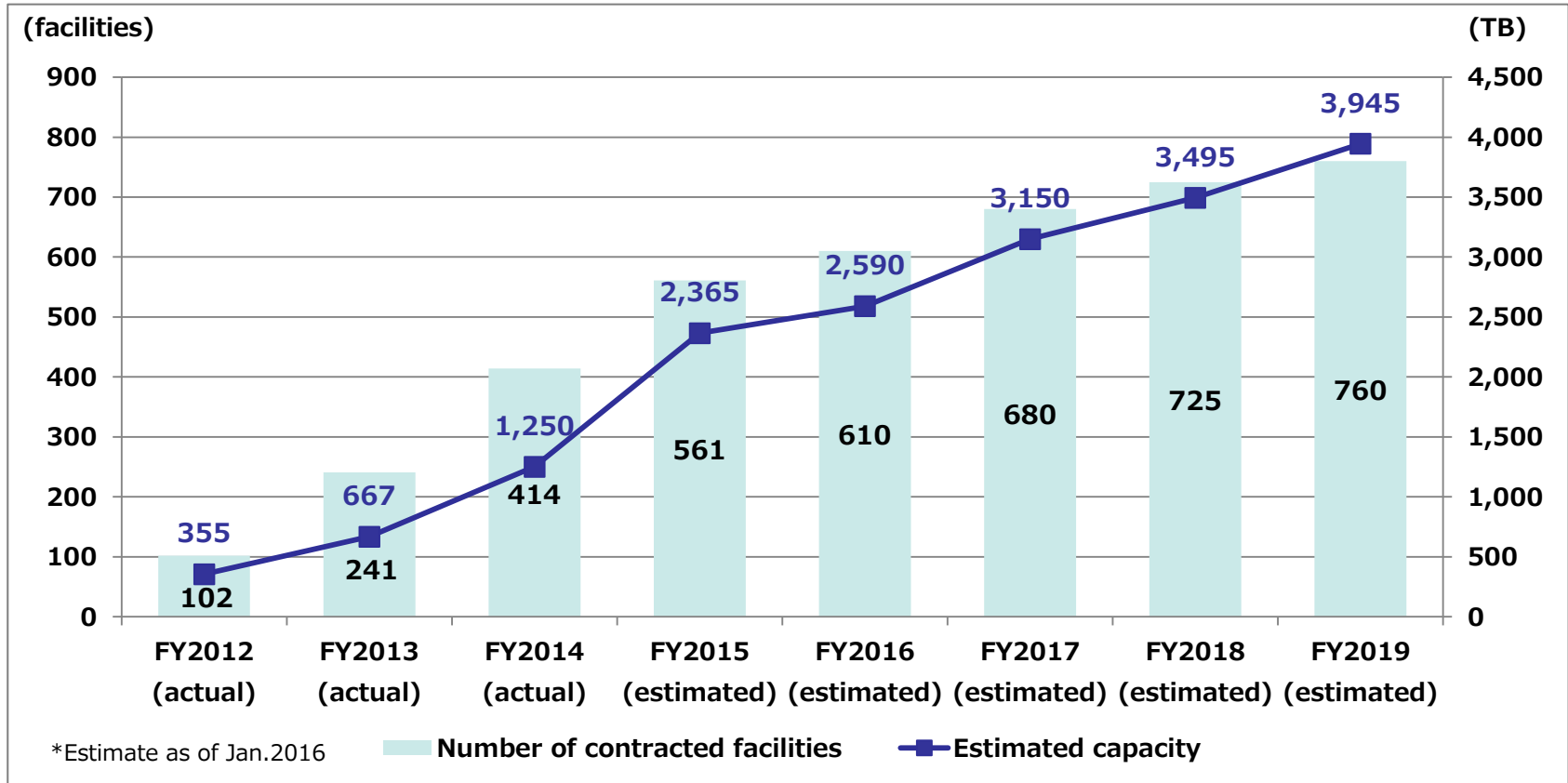
(¥Billion)



◆ Domestic cloud market size was ¥774.9 billion (23.8% up year on year). Forecast ¥969.6 billion in FY2015 and expand to ¥2,067.9 billion in FY2019.

Reference : Cloud business market report 2015(24.Sep.2015) by MM Research Institute

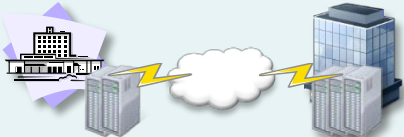



Cloud PACS market size estimate



- ◆ Number of contracted facilities using cloud was 561 as of the end of FY2015 in Japan.
- ◆ Techmatrix has successfully contracted with about 450(accumulated) as of the end of FY2015.

Reference : Medical Imaging Systems and PACS Markets 2015(Jan. 2016) by Yano Research Institute

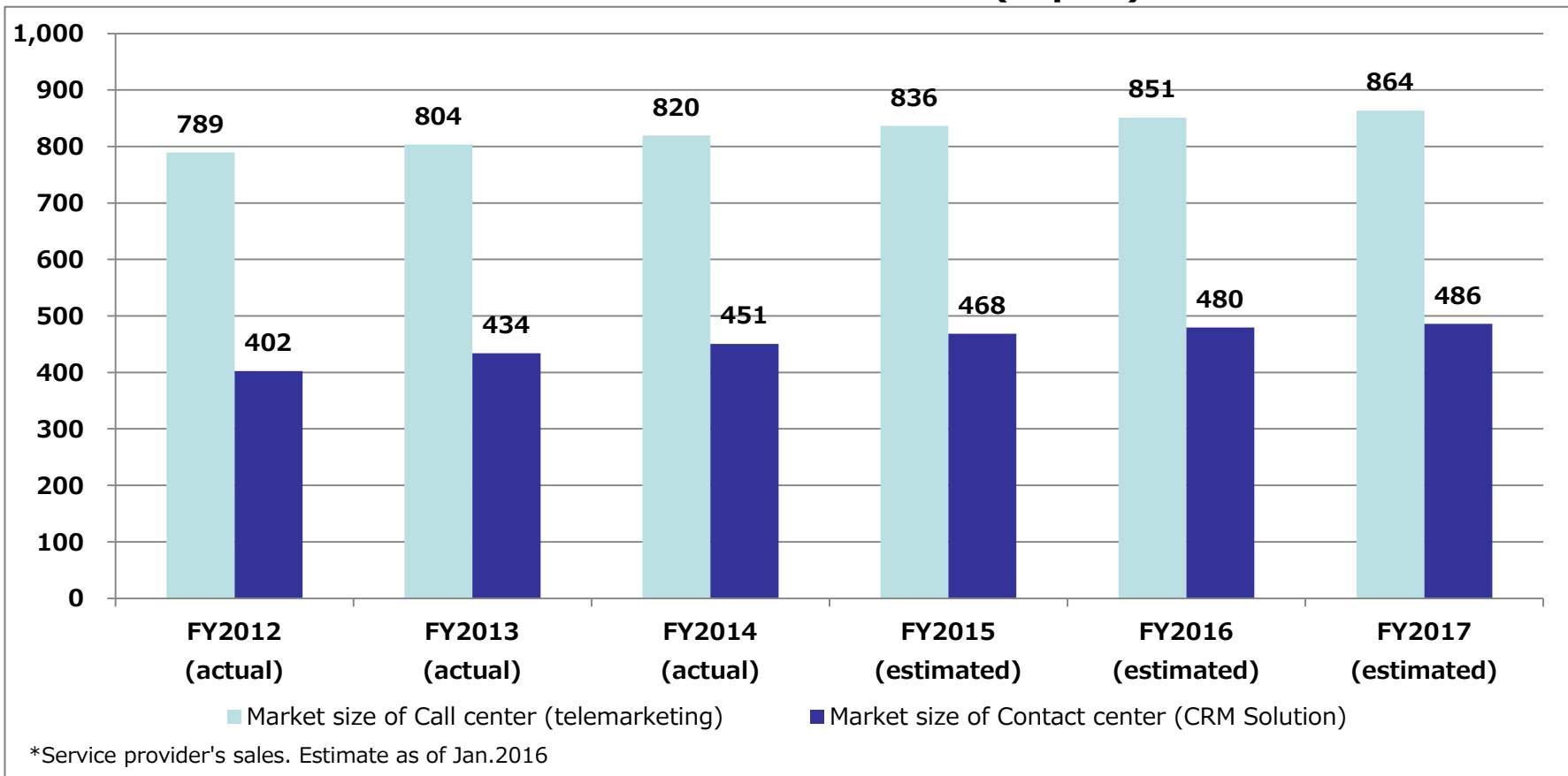
Type of PACS Cloud

Cloud type	Brief summary	Feature	Configuration image	"NOBORI"
TYPE 1	Store both short term and long term data in a in-house server + data center (dual storage for all data)	Data back up by data center Additional cost		—
TYPE 2	Store short term data in a in-house server + long term data in data center	High frequency use data in hospital Additional cost		—
TYPE 3	All data in data center without in-house server (only cash in NOBORI appliance)	No additional cost and lower price range		

◆Techmatrix is ahead in the healthcare cloud business with "NOBORI" which is installable at a low price and in short term.

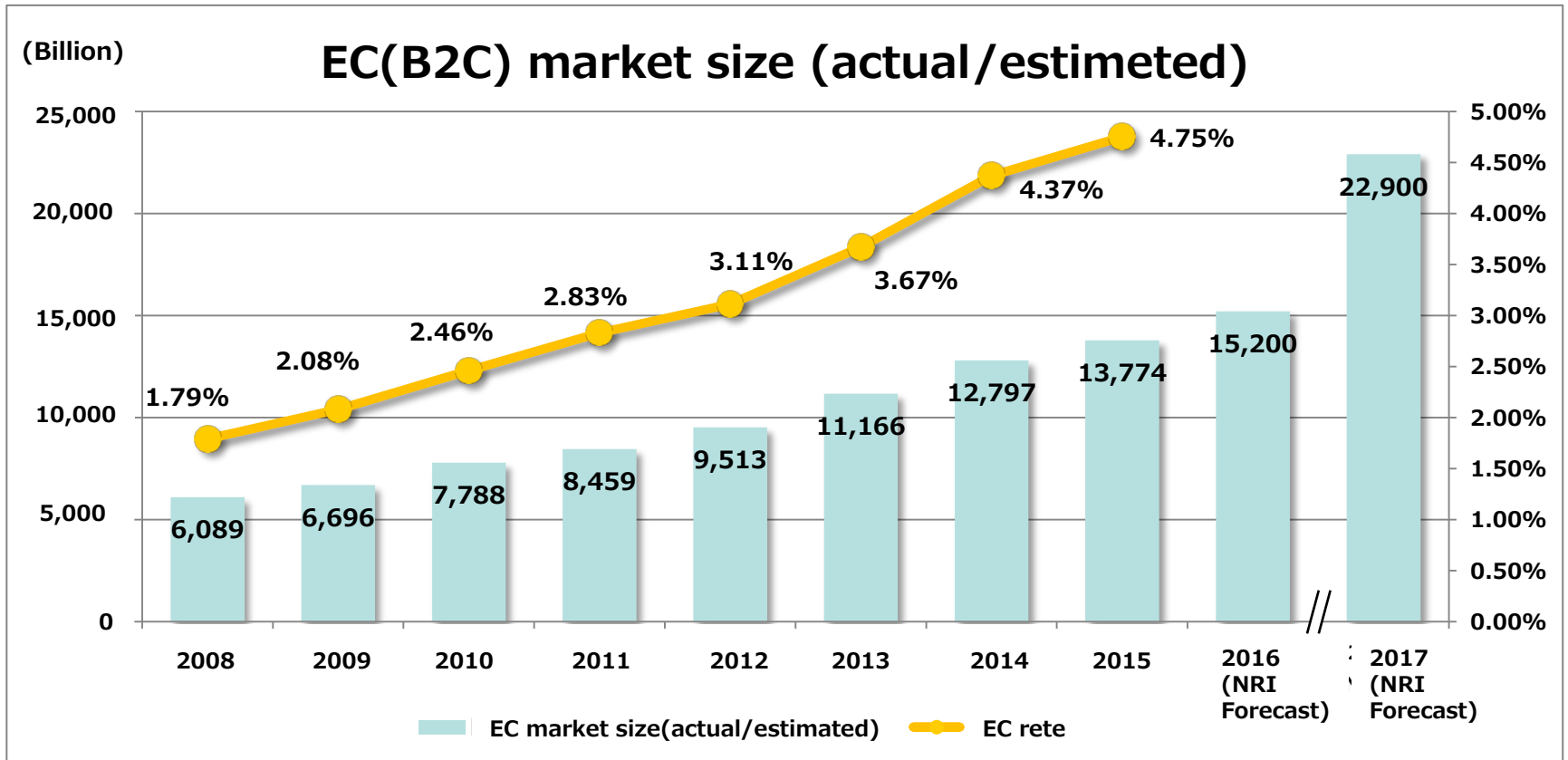
CRM software market size (Japan)

(¥Billion)



- ◆ Market size of Call center (telemarketing) is forecasted to grow at average rate of 1.8% each year form FY2012 to FY2017 and to ¥863.7 Billion as of FY2017
- ◆ Market size of Contact center (CRM Solution) is forecasted to grow at average rate of 3.9% each year form FY2012 to FY2017 and to ¥486 Billion as of FY2017

Reference : Call Center (Telemarketing)/Contact Center/CRM Solution Market in Japan: Key Research Findings 2015 by Yano Research Institute

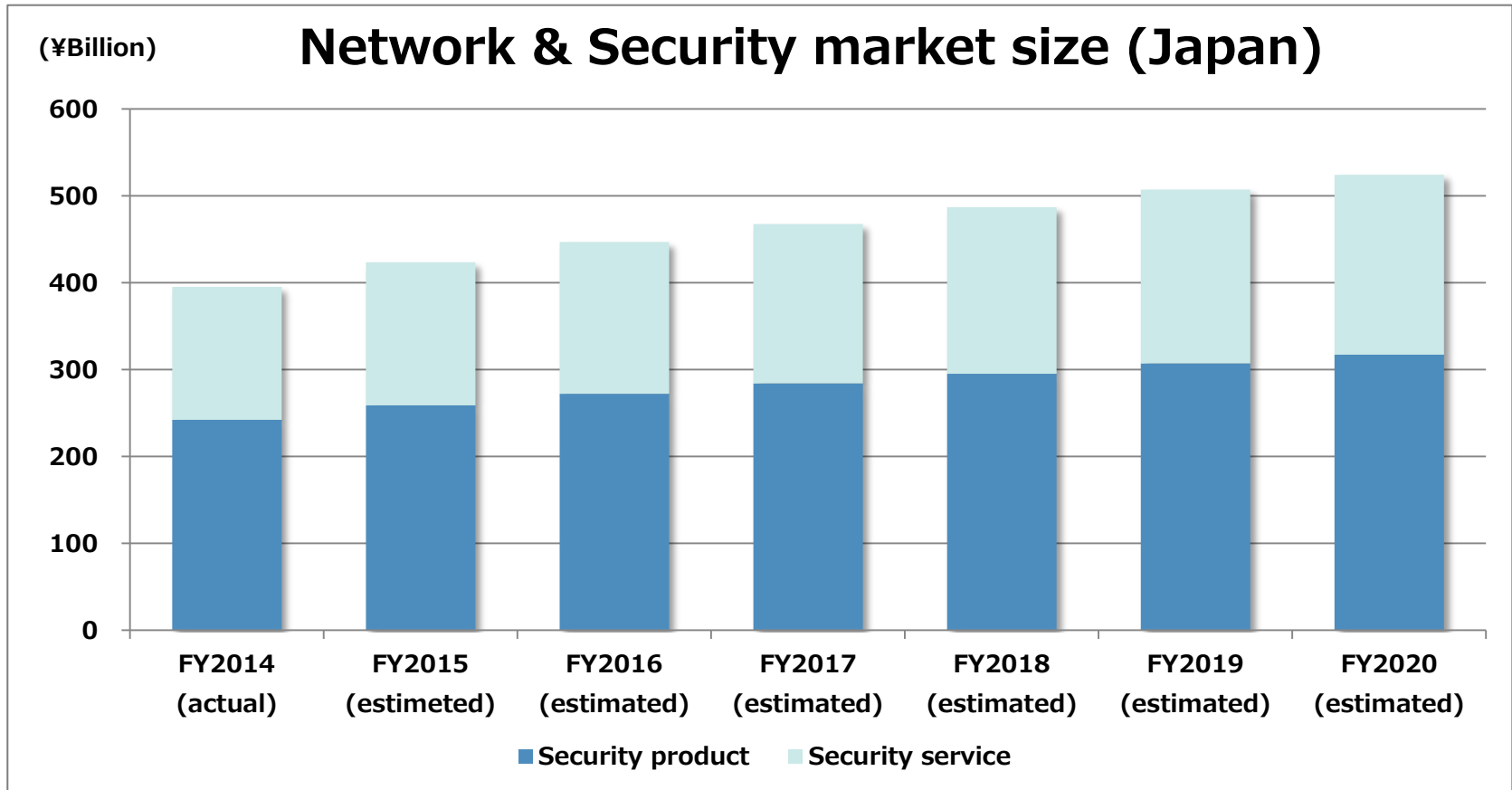


(~2015 : Ministry of Economy, Trade and Industry
2016~ : Nomura Research Institute)

◆Market size related to EC was 7.6% up in 2015 year on year. Increased EC rate to 4.75% in 2015.

◆Market size will be 23,000 billion in 2020 (NRI)

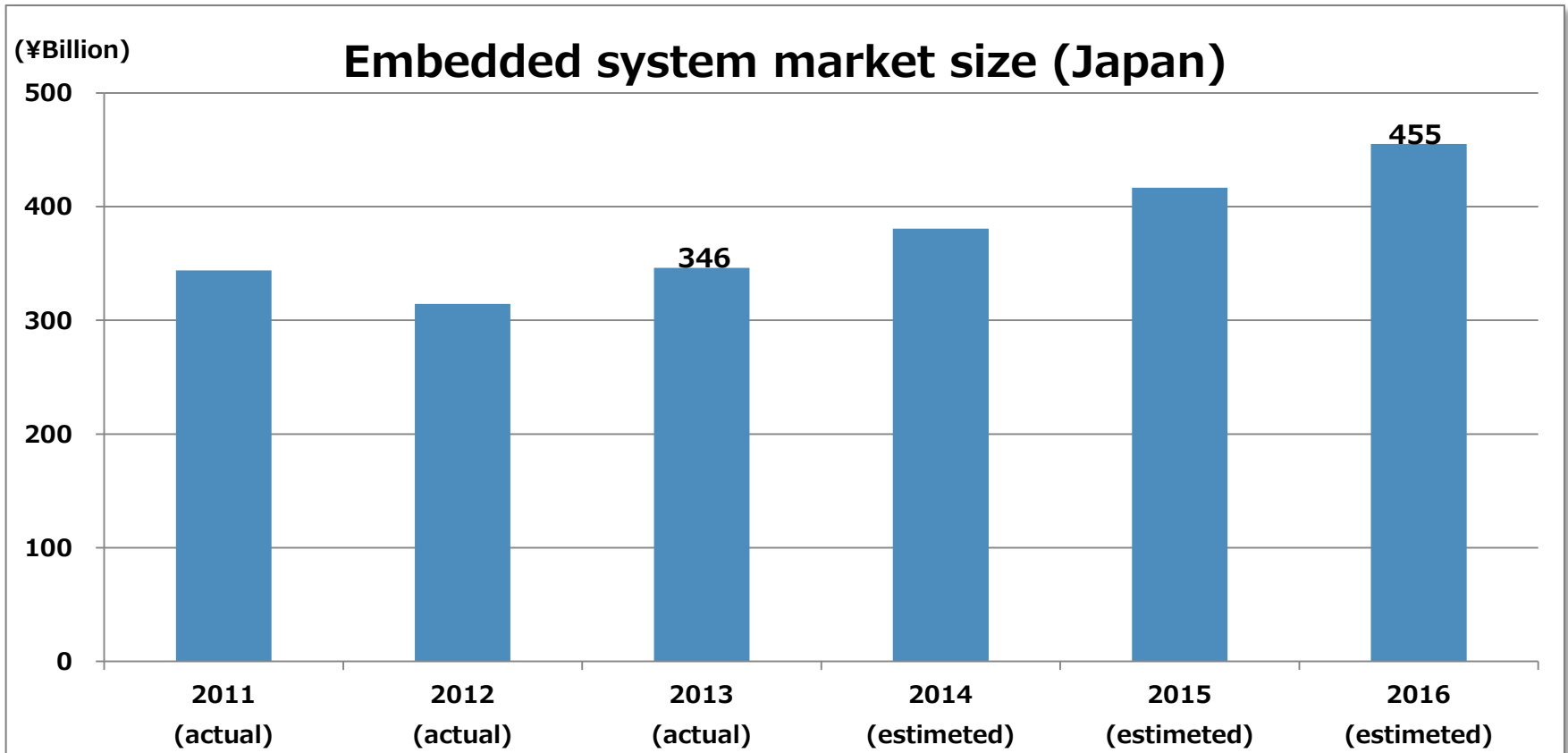
Reference: "The E-Commerce Market Survey" by Ministry of Economy, Trade and Industry,
"IT market trend survey to 2020" by Nomura Research Institute



◆ Forecasted Networks Security business market in Japan expanding from ¥395.1 billion in FY2014 to ¥524.1 billion in FY2020.

◆ High growth rate on average at 4.8% has been forecasted.

Reference : Network Security business report 2015 by Fuji Chimera Research Institute



◆As for the embedded system market, it is expected that an annual rate of over 10% of growth continues after FY2013.

◆It is expected that the market grows up steadily from 2013 in growth of system development for smartphone, digital appliance, and related in automobile, despite the embedded system market which was sluggish by recession after Lehman shock.

Reference : Embedded system market 2014 (Mar.2014) by FUJI KEIZAI CO., LTD.

QUESTION

TechMatrix Corporation

Planning and accounting division Corporate planning team

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