



# Results for the 3<sup>rd</sup> Quarter of 33<sup>rd</sup> business period

(Fiscal Year Ending March 31<sup>st</sup>, 2017)

TechMatrix Corporation  
February 17<sup>th</sup>, 2017

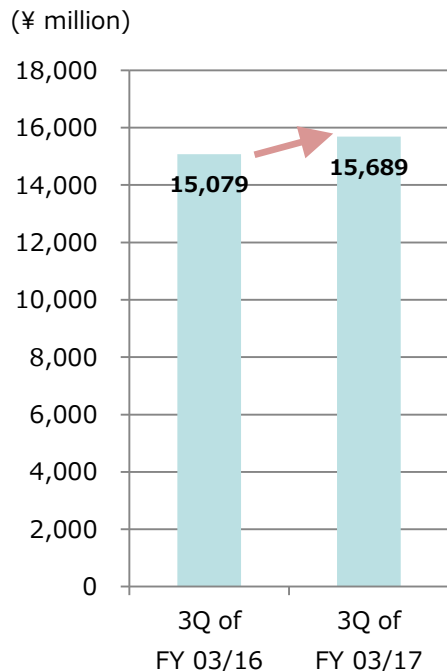
- 1. Business Highlights for the nine Months of 33<sup>rd</sup> Business Period**
- 2. Progress of the Medium-Term Management Plan "TMX 3.0" and Outlook for 33<sup>rd</sup> Business Period**
- 3. Topics of Business activities**
- 4. Business Model**
- 5. Market Conditions for our business**

# Business Highlights for the nine Months of 33<sup>rd</sup> Business Period

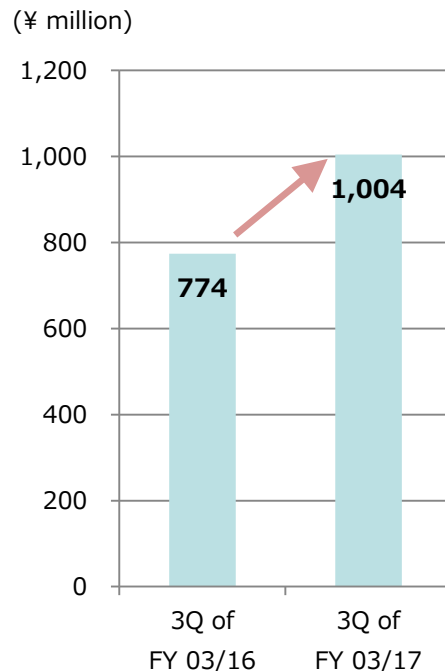
# Business Highlights for the nine Months of 33<sup>rd</sup> Business Period (Consolidated)

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

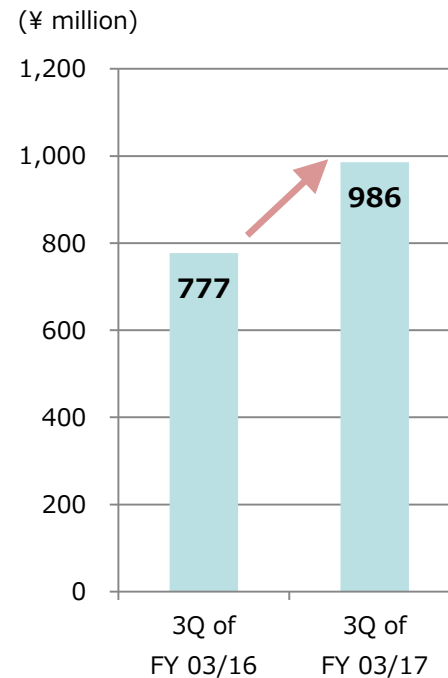
**Net sales ¥15,689M**  
Year on year up  
4.0%



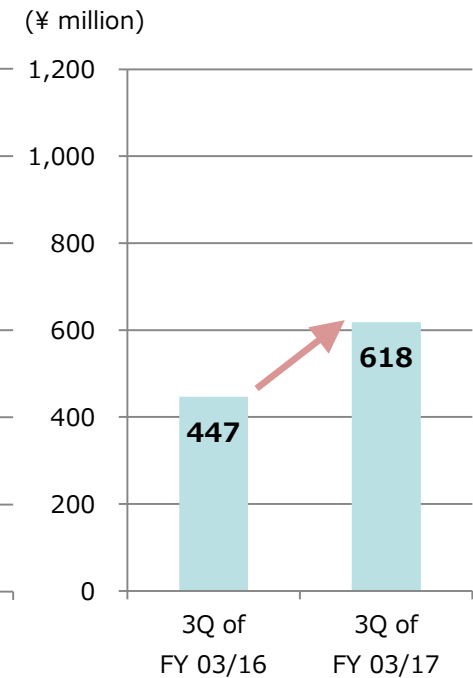
**Operating income ¥1,004M**  
Year on year up  
29.7%



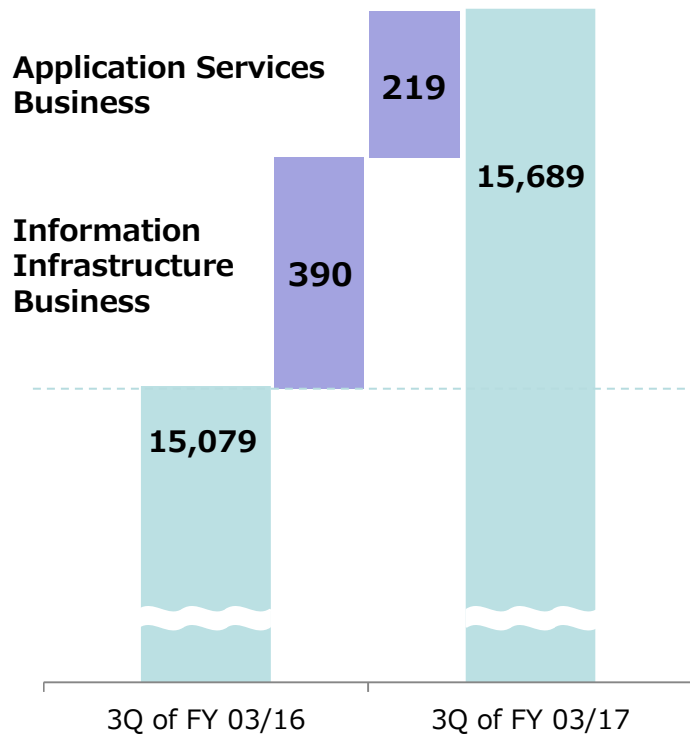
**Ordinary income ¥986M**  
Year on year up  
26.9%



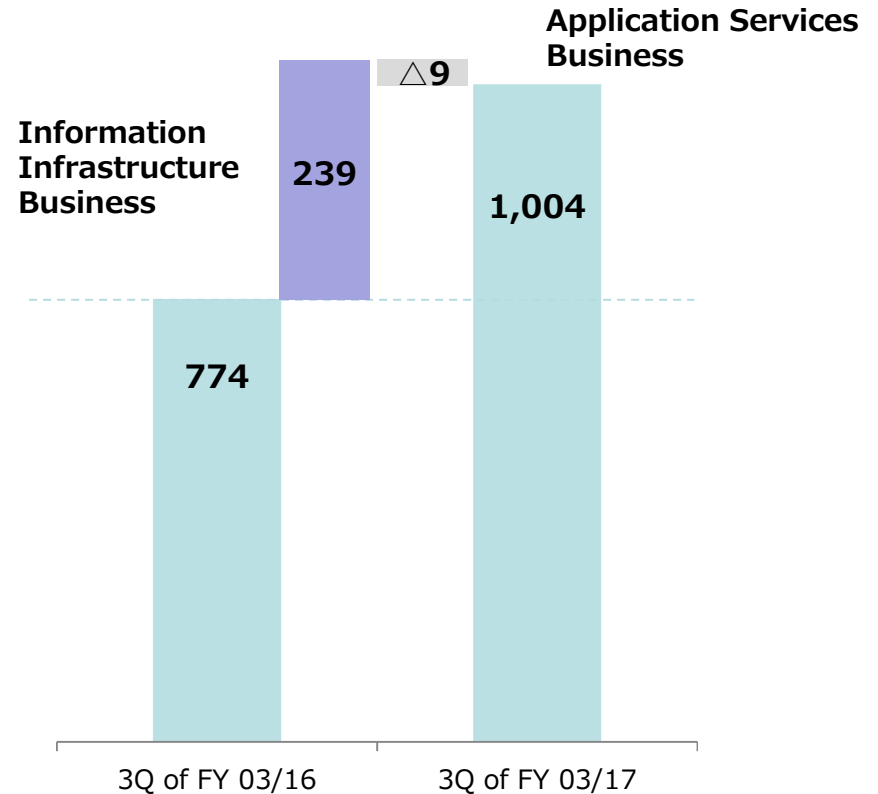
**Profit attributable to owners of parent ¥618M**  
Year on year up  
38.2%



## 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%



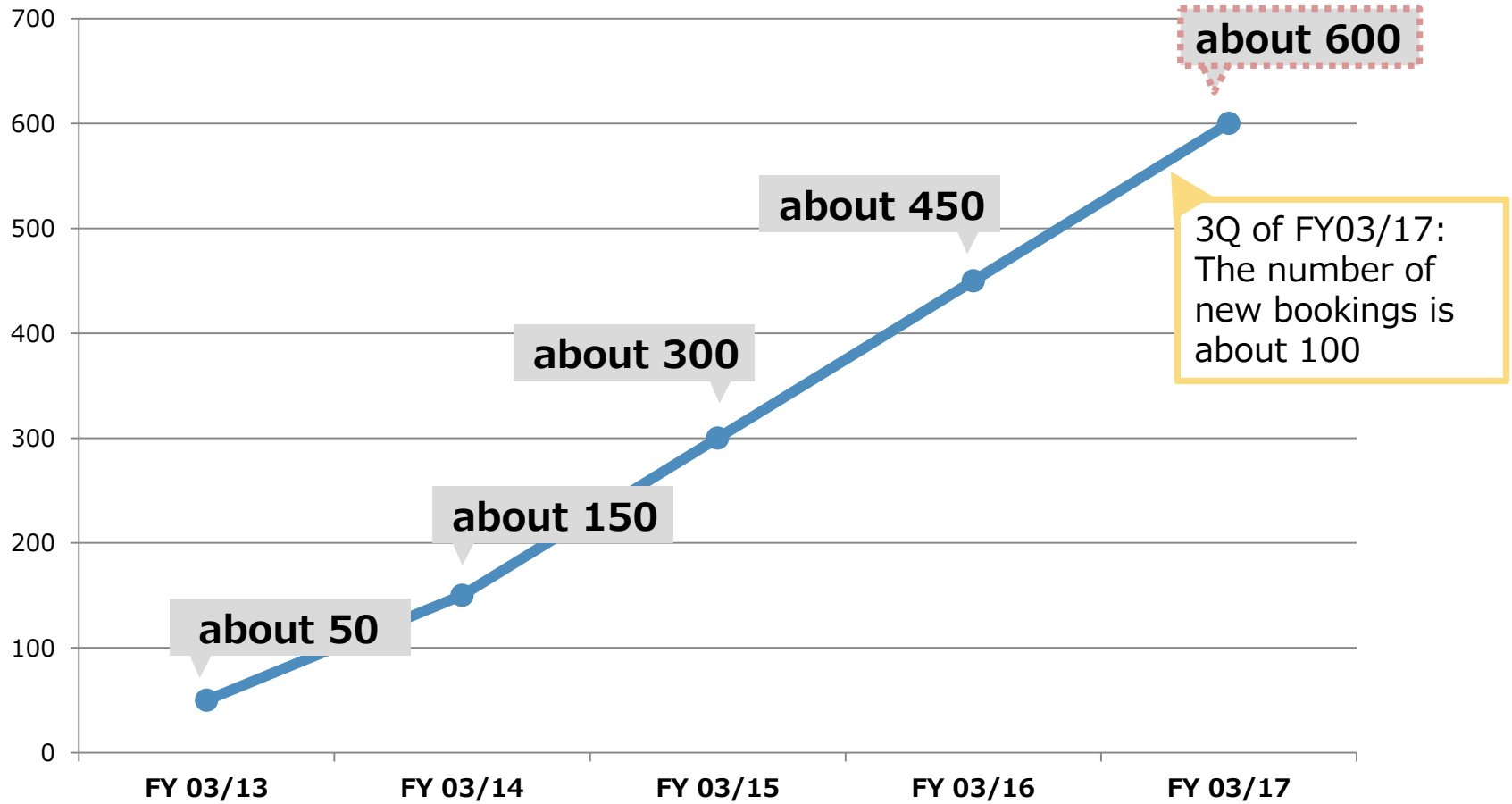
within  $\Delta$ 10%



under  $\Delta$ 10%

## Progress of the number of medical facilities contracting NOBORI


(facility)





## <Recent developments in cyber security>

- ▶ Security cloud for Local government
- ▶ Resilience and sanitization for security (The social security and tax number system, LGWAN, Internet)
- ▶ National center of Incident readiness and Strategy for Cybersecurity (NISC)
- ▶ Teleworking



▶ 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)**

**DDoS attacks**

**Ransomware**



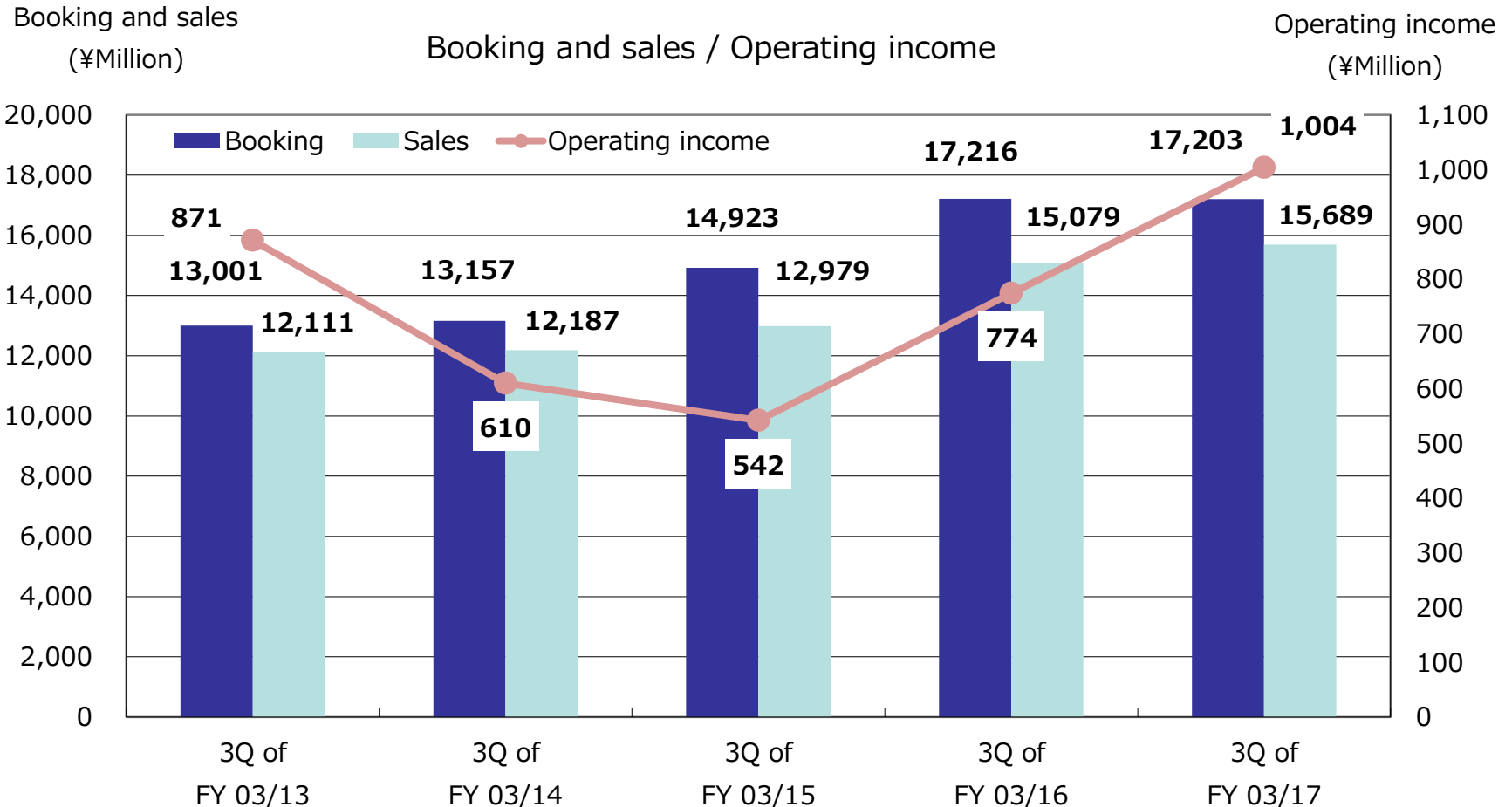
**Targeted mails**

**Phishing**



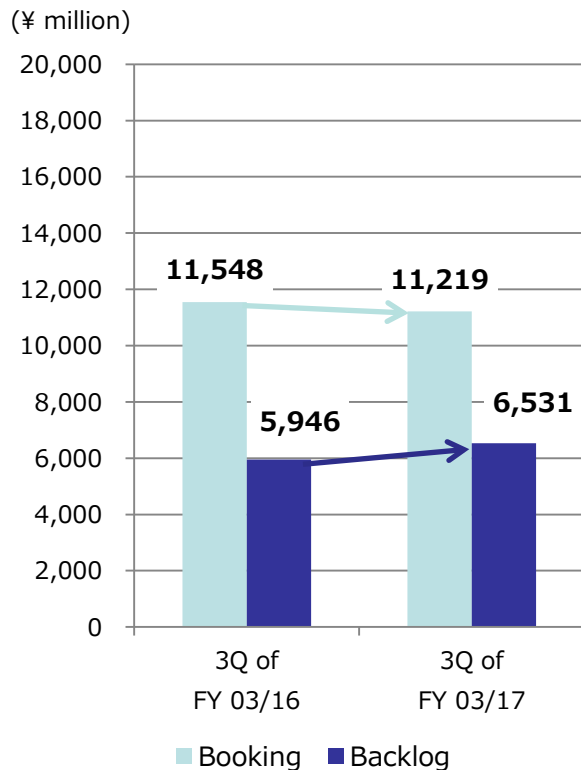
# Business Highlights for the nine Months of 33<sup>rd</sup> Business Period (Consolidated)

- ◆ The amount of bookings remain unchanged from the previous year despite the non-existence of large-scale projects
- ◆ Stock businesses have steadily grown

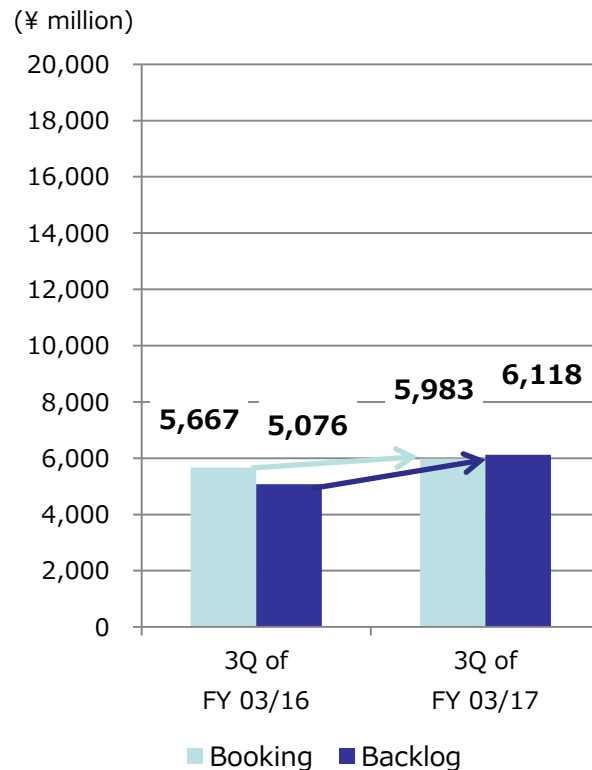


- ◆ **Information Infrastructure Business: Booking slightly decreased by the non-existence of large-scale projects although security-related businesses were solid. Backlog has increased(9.9%UP)**
- ◆ **Application Services Business: Booking and Backlog increased by progress of cloud businesses (5.6%UP /20.5%UP)**

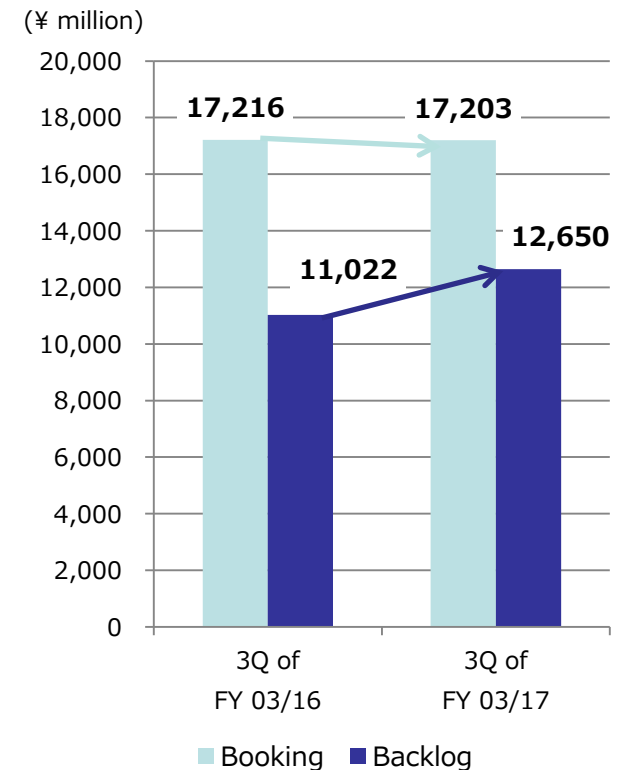
### Information Infrastructure Business



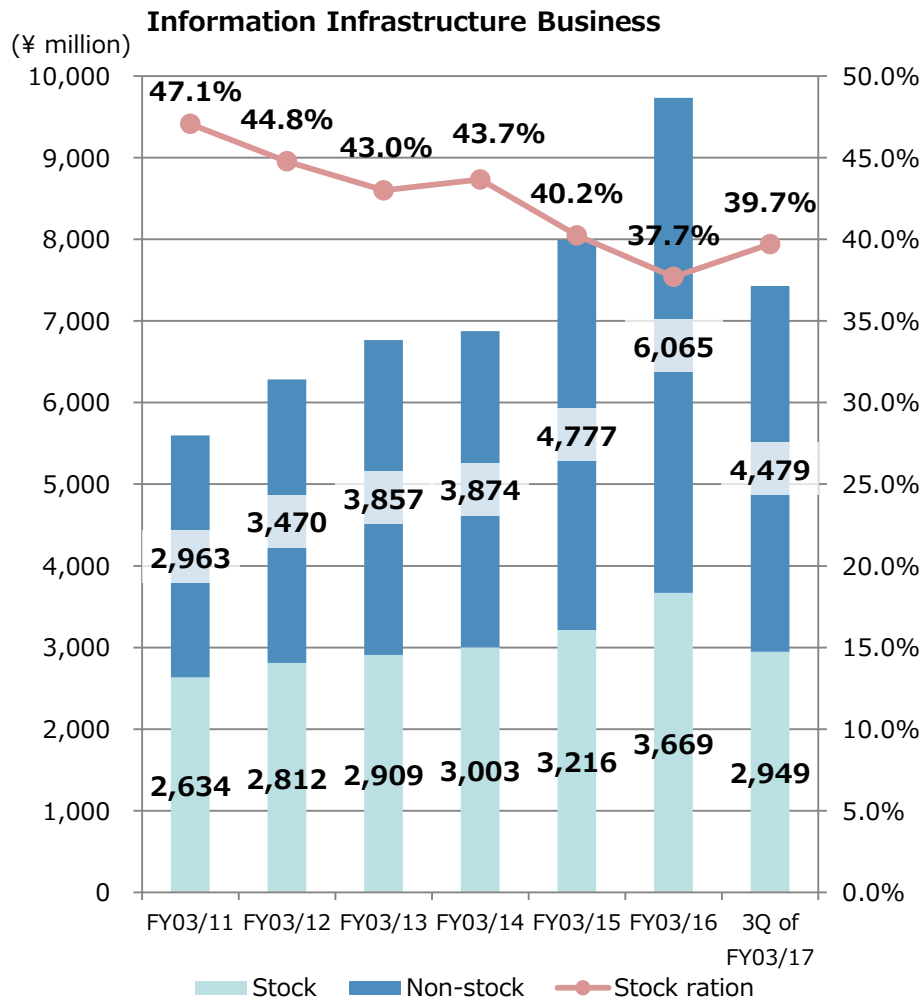
### Application Services Business



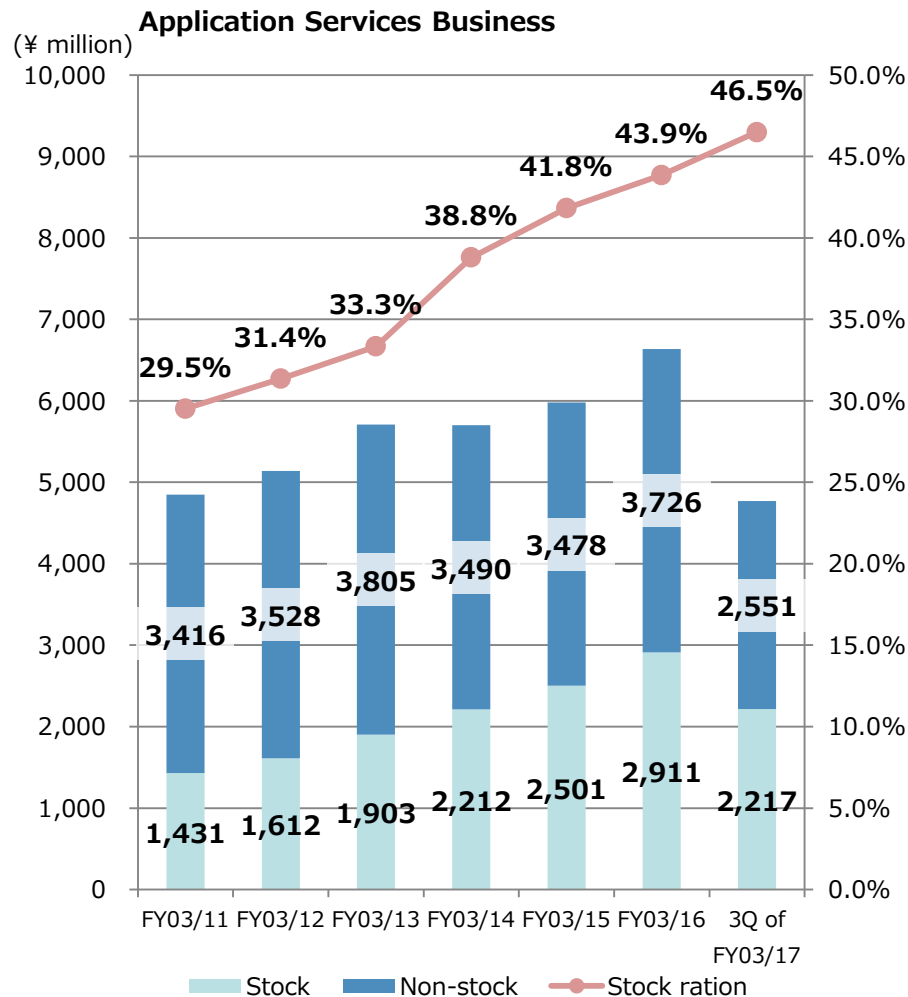
### total



## ◆ 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 nine Months of 33<sup>rd</sup> Business Period (Consolidated)

## Balance sheet

(¥Million)

	FY03/2016	3Q of FY03/2017		FY03/2016	3Q of FY03/2017
<b>Current assets</b>	<b>12,091</b>	<b>11,921</b>	<b>Current liabilities</b>	<b>8,064</b>	<b>7,837</b>
Cash and deposits	4,698	4,809	Accounts payable-trade	1,063	1,013
Notes and accounts receivable-trade	3,491	3,092	Short-term loans payable	350	350
Other	3,901	4,019	Current portion of long-term loans payable	300	300
			Other	6,351	6,173
<b>Noncurrent assets</b>	<b>3,627</b>	<b>3,904</b>	<b>Noncurrent liabilities</b>	<b>3,687</b>	<b>3,528</b>
Property, plant and equipment	1,028	1,126	Long-term loans payable	2,050	1,825
Goodwill	229	151	Other	1,637	1,703
Other	904	1,052	<b>Total liabilities</b>	<b>11,751</b>	<b>11,366</b>
Investments and other assets	1,464	1,572	Shareholders' equity	4,005	4,449
			Total accumulated other comprehensive income	△53	△21
<b>Total assets</b>	<b>15,718</b>	<b>15,825</b>	<b>Total net assets</b>	<b>3,967</b>	<b>4,459</b>
			<b>Total liabilities and net assets</b>	<b>15,718</b>	<b>15,825</b>

# Progress of the Medium-Term Management Plan "TMX 3.0" and Results for 33<sup>rd</sup> 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



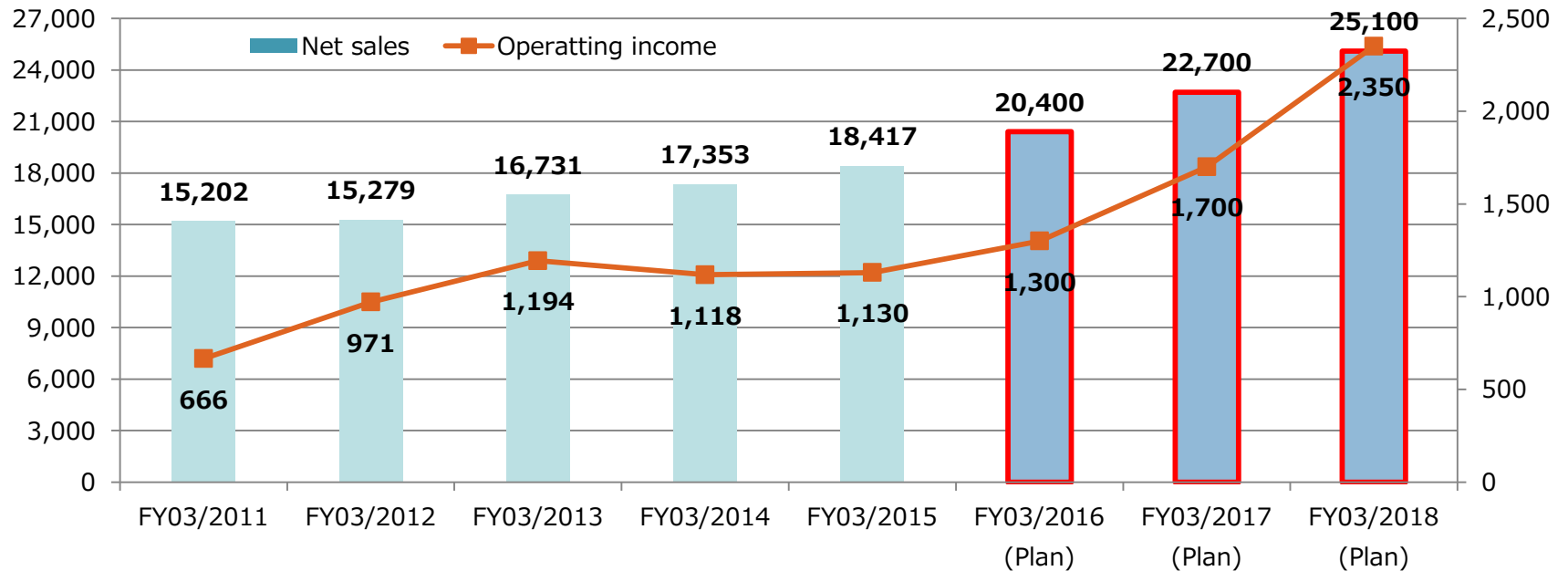
## Shareholder returns

- ▶ 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



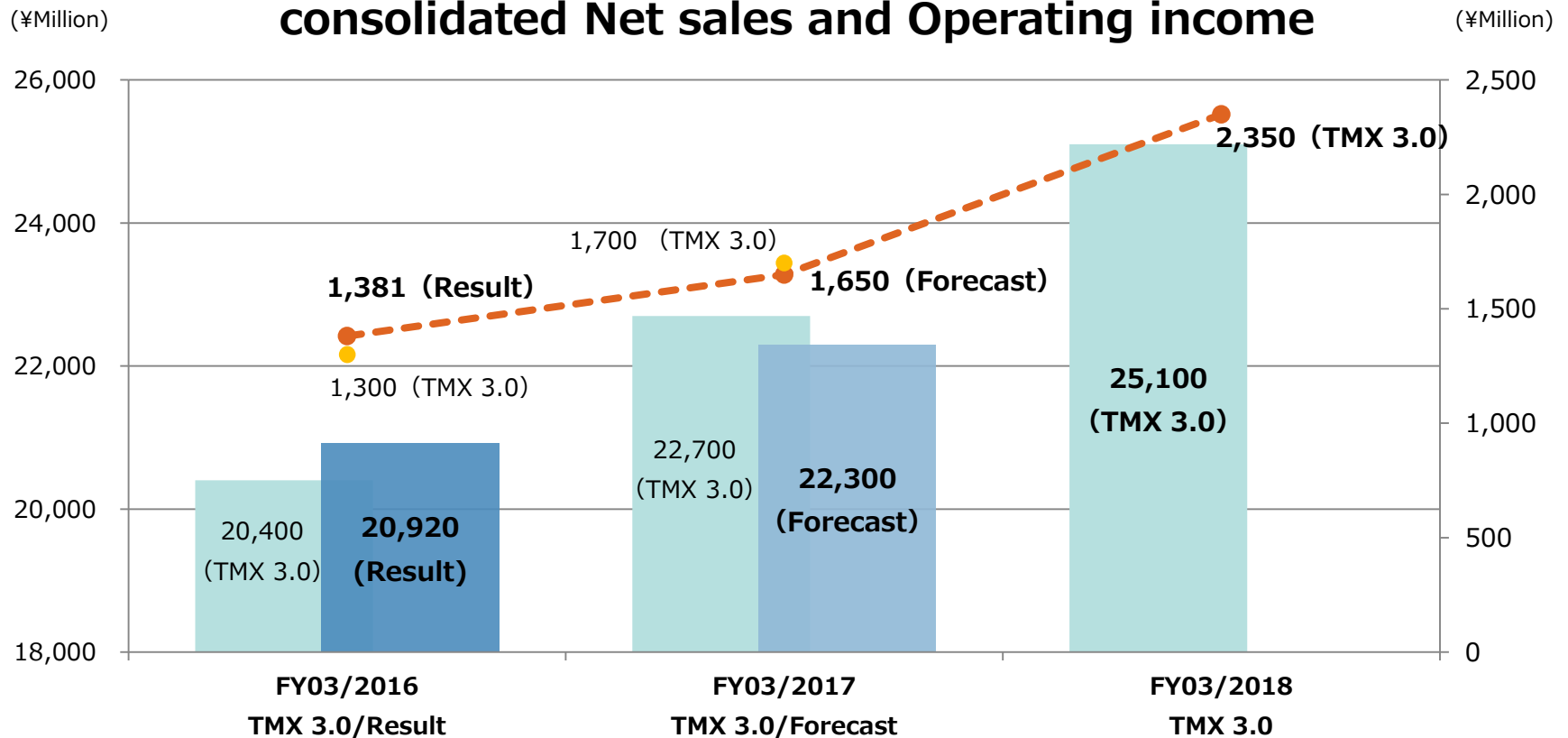
**50%**  
Stock type sales ratio (Cloud, maintenance, operation and monitoring services)



**10%**  
Challenge to operating income margin of 10%

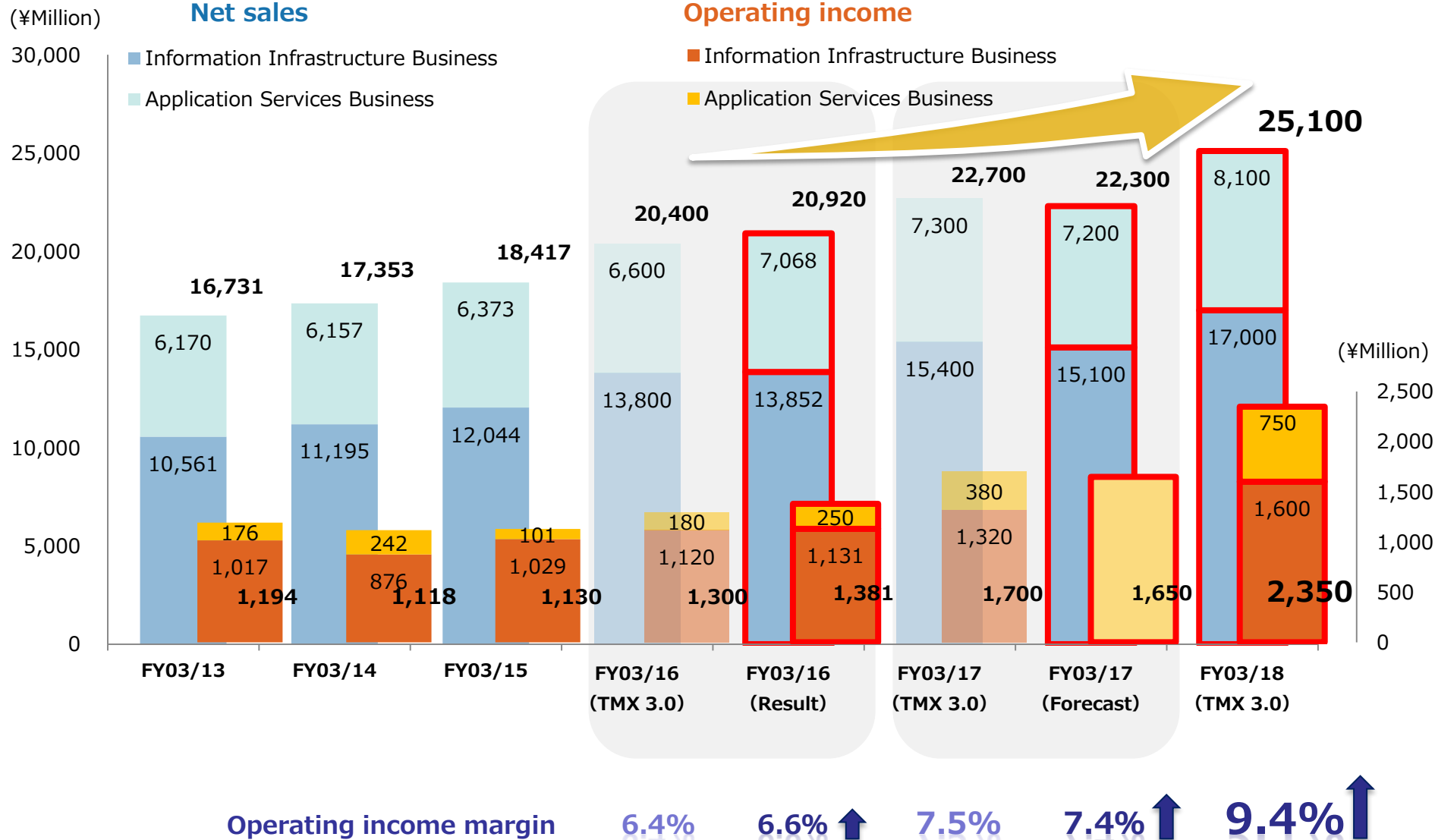
◆ Net sales for the first year of the TMX 3.0 exceeded the forecast (net sales UP2.5%, operating income UP6.2%)

Plan and Result of consolidated Net sales and Operating income



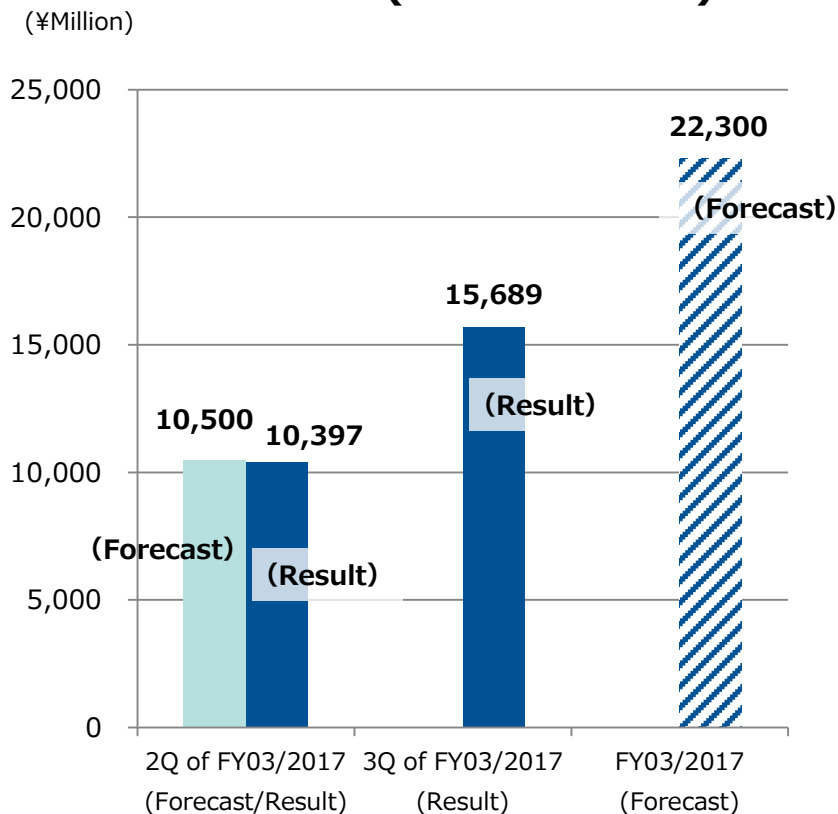


# Progress of the "TMX 3.0" and Outlook for 33<sup>rd</sup> Business Period

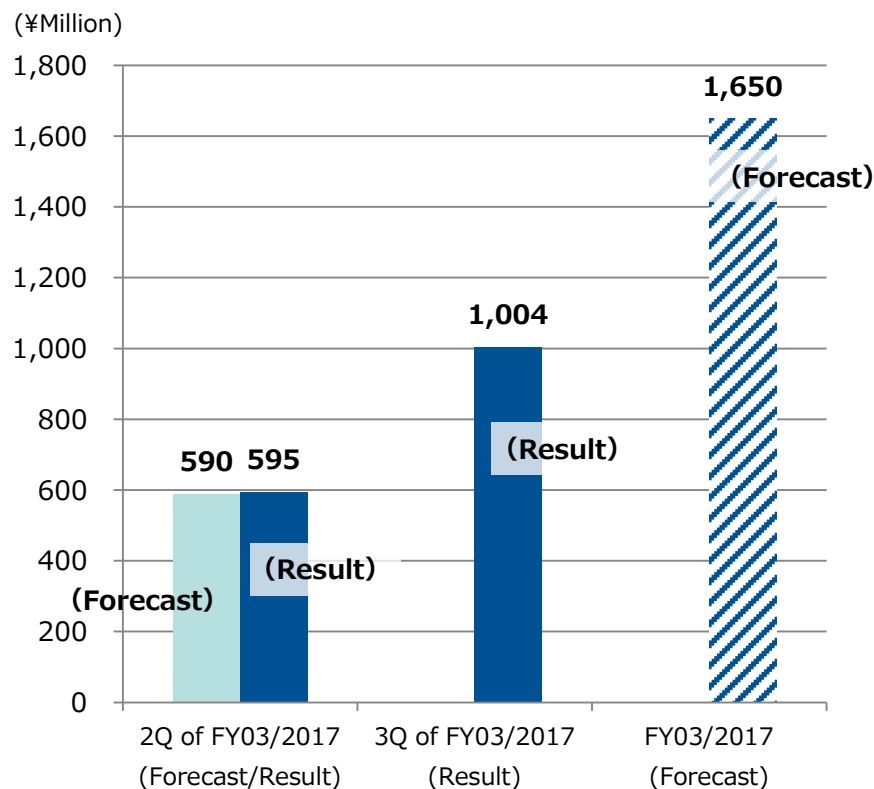


- ◆ Net sales for the nine months and operating income almost achieved the budget
- ◆ The forecast of net sales and operating income for this fiscal year still remain unchanged

Net Sales(Consolidated)



Operating Income(Consolidated)



## ◆ Core business strategy

Item	3Q FY03/17 Valuation	Description
<b>Strategic and accelerated promotion of cloud-related businesses</b>		
Profit contribution by the cloud business (Realize profitability of the healthcare cloud business)	○	<ul style="list-style-type: none"> <li>•NOBORI:Income for the nine months was maintained positively for the nine months but booking delayed timing of orders received in the first half</li> <li>•Launched the "RAKURAKU-Item Manager"</li> <li>•FastCloud (CRM) in good shape</li> </ul>
Turn our cloud service into a platform (diversification)	○	<ul style="list-style-type: none"> <li>•"NOBORI-PAL" expanded the services for B2B2C</li> <li>•ICHIGO LLC concluded business alliance with SoftBank Corp in the pathology sector</li> </ul>
Establish cloud business in overseas (Asian) market (At first, the success of the joint venture in China)	△	<ul style="list-style-type: none"> <li>•Healthcare field: Established joint venture company in China. Alliance with Peking University in the pathology sector</li> <li>•CRM field: Alliance with Transcosmos (Thailand) in ASEAN market</li> </ul>
Quality improvement for cloud operation (Exponential improvement of operational skills)	○	<ul style="list-style-type: none"> <li>•Driven by PMO section, stabilized operation, continuing facility investment</li> </ul>
Strategic application of virtualization technologies (Cloud first)	○	<ul style="list-style-type: none"> <li>•Hyper converged solution "VCE VxRail"</li> <li>•Okinawa Cross Head: nas2cloud Plus</li> </ul>
Analysis of Big data gathered by the cloud (Secondary use of the data)	○	<ul style="list-style-type: none"> <li>•Increased inquiries about BI</li> </ul>

## ◆ Core business strategy

Item	3Q FY03/17 Valuation	Description
<b>Pursuit of security and safety</b>		
Enhancement of defenses against cyber-attacks and provide as one-stop service	○	<ul style="list-style-type: none"> <li>•Swivel PINsafe, ProofPoint, Tanium Endpoint Platform, . : TRINITY for BIG-IP managed service, Votiro Auto Agent for FileZen</li> </ul>
Design, construction, maintenance, operation and monitoring services Realize value chain of automatization	○	<ul style="list-style-type: none"> <li>•Expanded product sales and the maintenance, operation and monitoring services</li> <li>•NOC/SOC</li> </ul>
Realize functional safety of embedded software for IoT (Internet of Things)	△	<ul style="list-style-type: none"> <li>•Signs of improvement of the investment appetite due to the recent low-yen trend</li> </ul>
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)	○	

## ◆ Core business strategy

Item	3Q FY03/17 Valuation	Description
<b>Operation strategy</b>		
Cost reduction for high profitability		
<ul style="list-style-type: none"> <li>▸ Promote the active utilization of offshore development</li> </ul>	○	<ul style="list-style-type: none"> <li>•Offshore development in Vietnamese and China</li> </ul>
<ul style="list-style-type: none"> <li>▸ Improve operation efficiency by integrating the office space of Head Office</li> </ul>	○	<ul style="list-style-type: none"> <li>•Additional relocation of offices</li> </ul>
<ul style="list-style-type: none"> <li>▸ Transform business model without monotonic increase of human resources</li> </ul>	○	<ul style="list-style-type: none"> <li>•Stock ratio increased</li> </ul>
Closer ties with partners	○	<ul style="list-style-type: none"> <li>•Healthcare field : SoftBank Corp , Peking University</li> <li>•CRM field : Nihon Unisys, Ltd., Transcosmos (Thailand) Co., Ltd. \ NEC and LINE</li> </ul>
Strengthen direct sales. Penetrate deeply into the market for the government and other public agencies	△	<ul style="list-style-type: none"> <li>•Security Cloud projects for local governments were active</li> <li>•Direct Sales decreased</li> <li>•Votiro Auto Agent for FileZen</li> </ul>
Strengthen workforce by promotion of diversity	○	<ul style="list-style-type: none"> <li>•Grown diversity on hiring of new graduates</li> </ul>
Strengthen company's brand as a corporate group	○	<ul style="list-style-type: none"> <li>•Renewed our Web site</li> <li>•Corporate video</li> <li>•Advertisement at a subway station</li> </ul>

# 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



Date	Contents
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
	Integration of "FastHelp5" with "LINE Customer Connect"
December	Concluded distributorship agreement with NEC Corporation for our contact center CRM solution "Fast Series"
January	CASAREAL,inc concluded the first partner agreement with Pivotal in japan
	Commenced the provision of the new service for Office 365 using F5 BIG-IP
February	Resolution of stock split (effective on March 1, 2017)

Point!

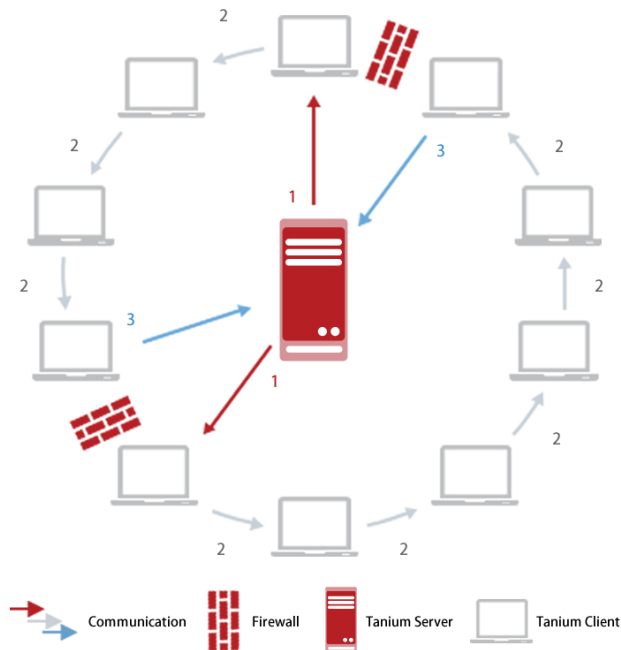
The International Technical Exhibition of Medical Imaging 2016  
On April 15–17  
Received 20,864 attendees



# In Jun, Commenced the provision of the cybersecurity platform for Endpoint "Tanium Endpoint Platform"

## Point!

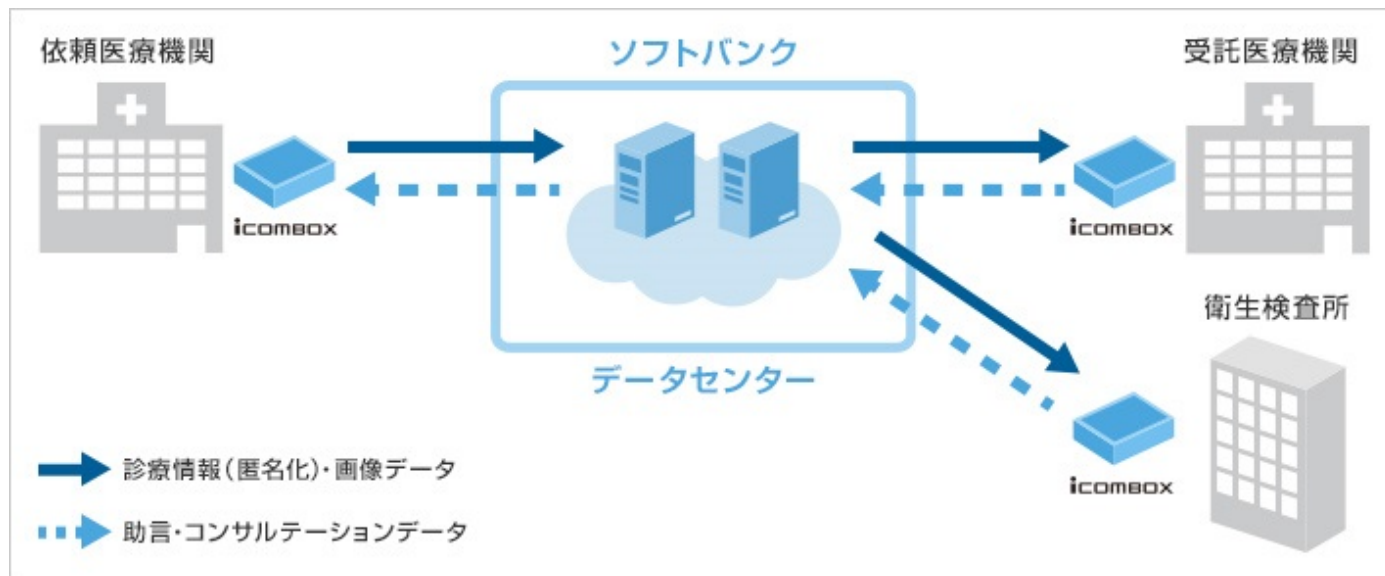
Commenced the provision of the cybersecurity platform for Endpoint "Tanium Endpoint Platform" from U.S.-based Tanium Inc. Security inspection and isolation of infected endpoint for large-scale network such as tens thousands of endpoints in high performance



**Point!**

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



# In November, Held ET/Iot Technology 2016

Point!

The ET/Iot Technology 2016  
On November 16-18  
Received 25,654 attendees

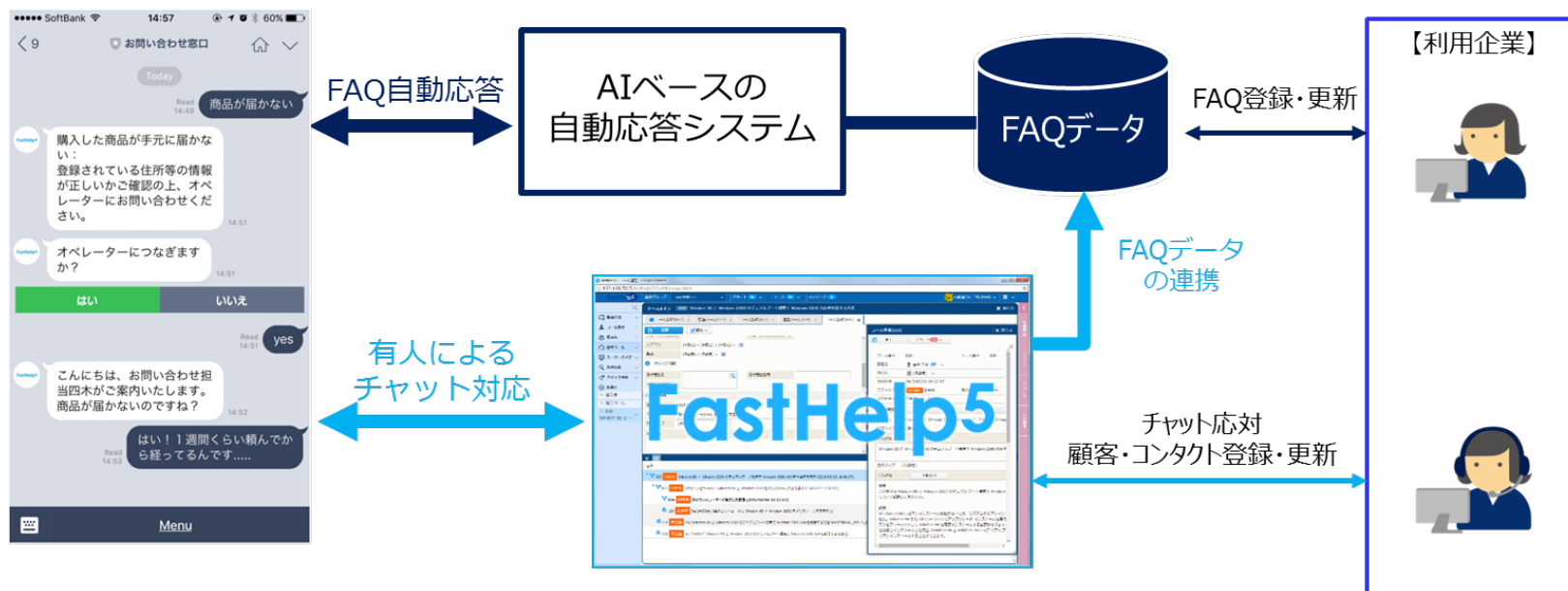




# In November, Integration of "FastHelp5" with "LINE Customer Connect"

**Point!**

Our contact center CRM system Fast "FastHelp5" started development of linkage function with "LINE Customer Connect" using communication app "LINE" of LINE Corporation

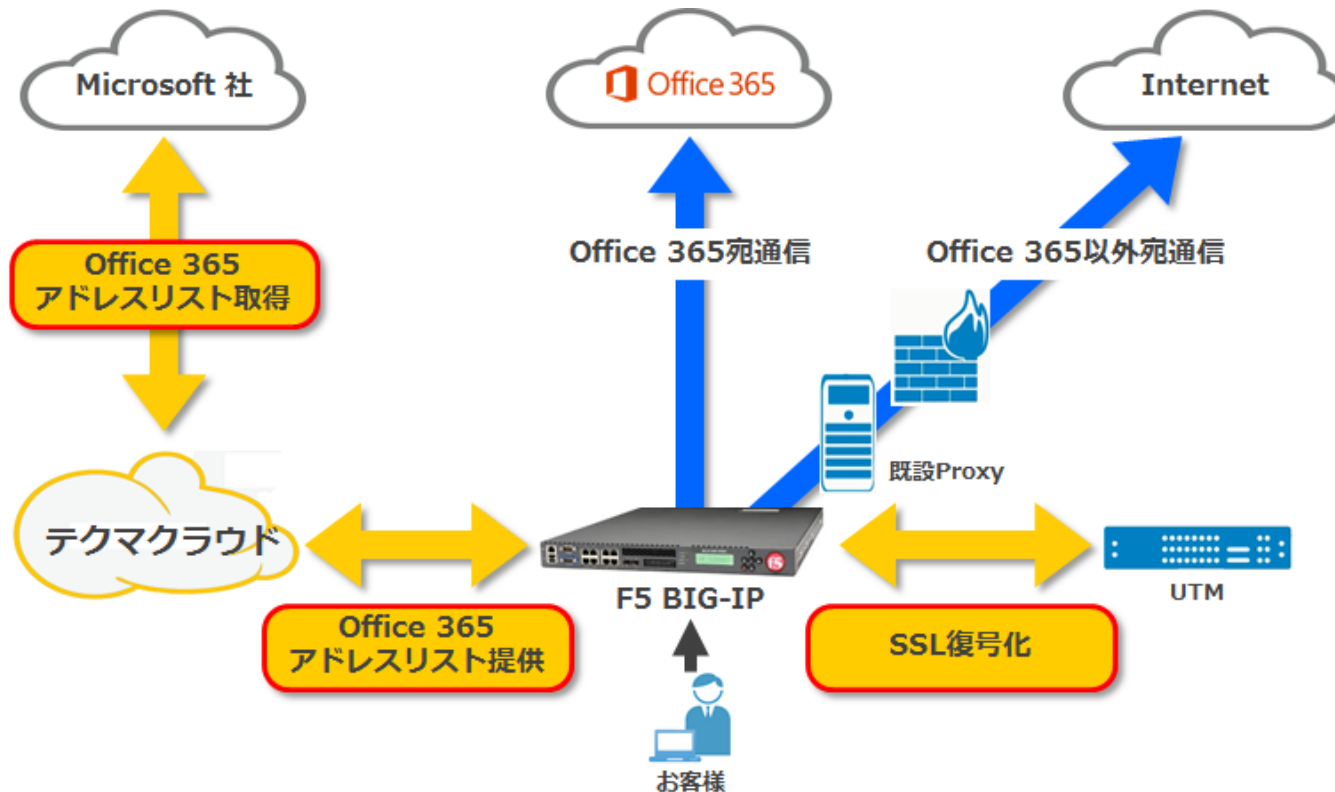


\* The screen of LINE above is as an Image

# In January, Commenced the provision of the new service for Office 365 using F5 BIG-IP

Point!

Commenced the provision of the new service for Office 365 using F5 BIG-IP



# 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 30<sup>th</sup> 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』

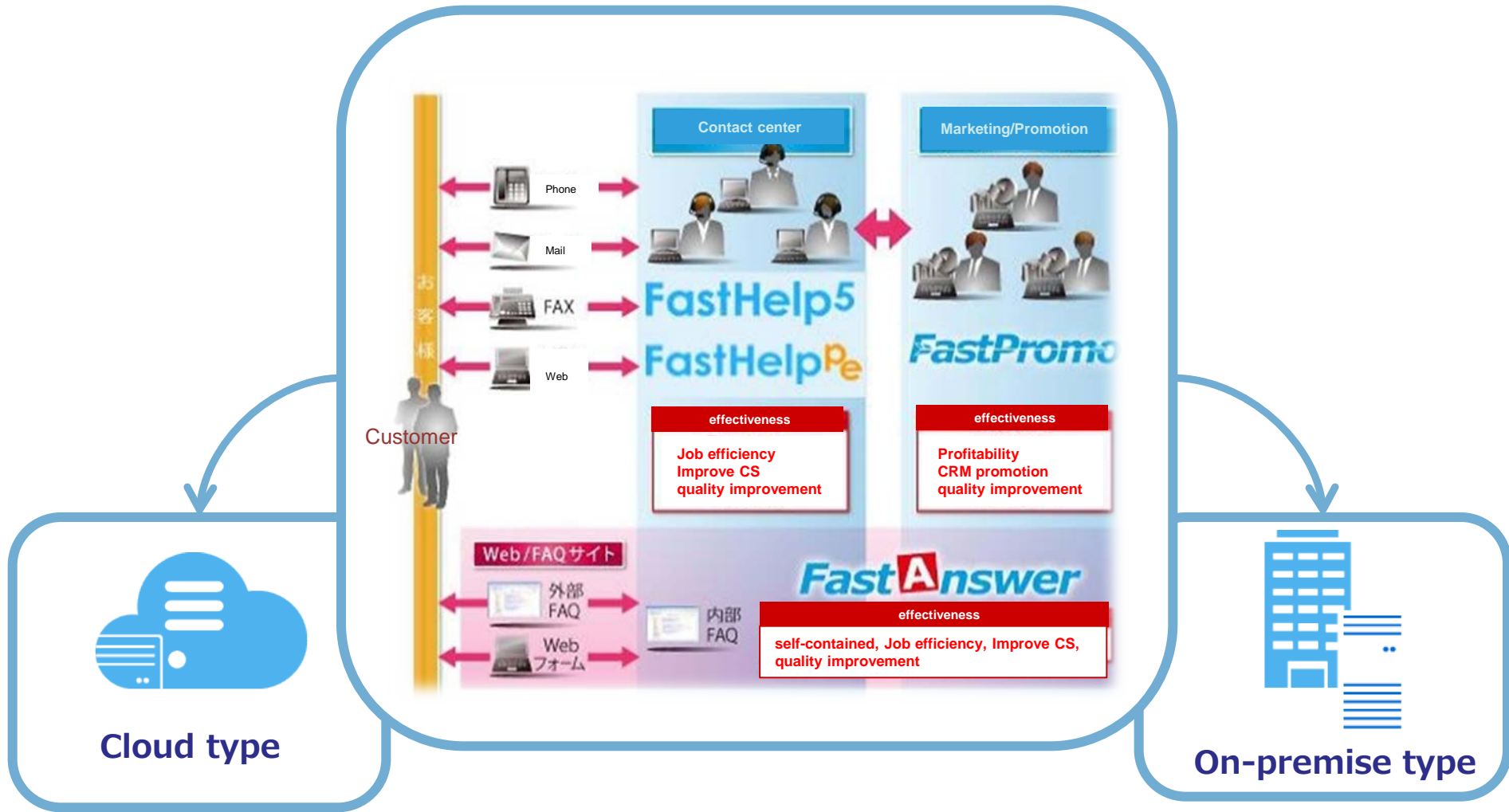


**NOBORI-PAL :**  
"Gather useful services into the Cloud"  
to provide various applications for NOBORI users



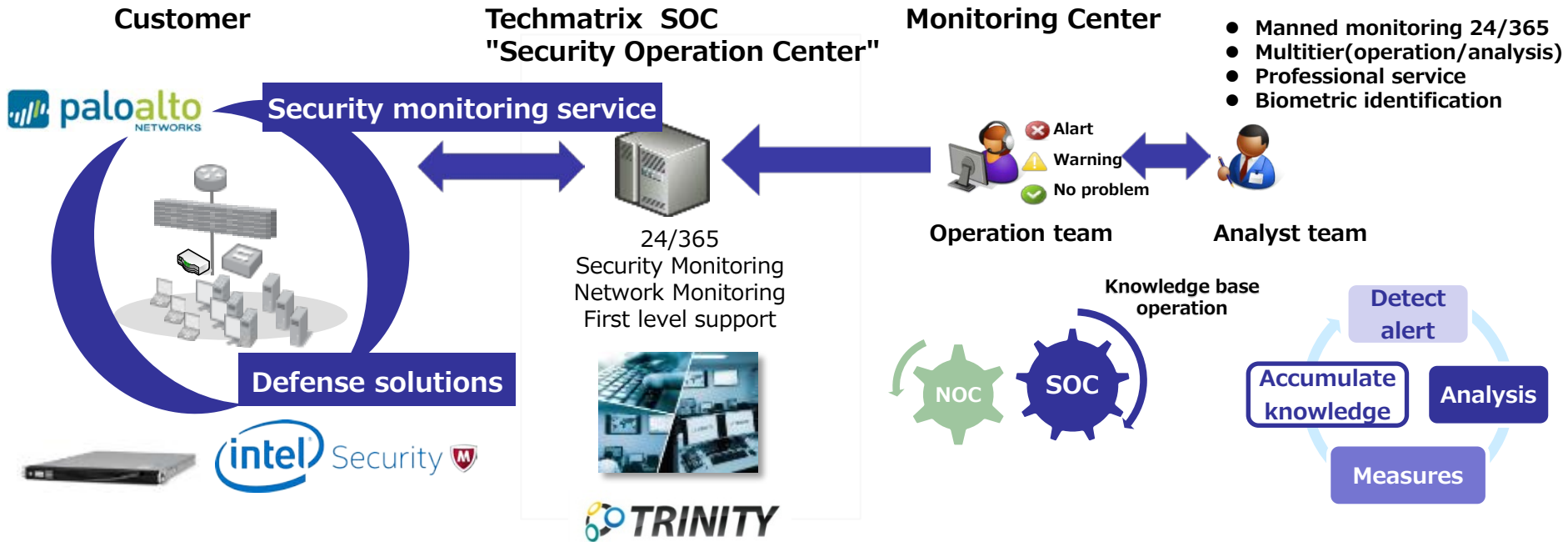
**Point!**

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





**Point!** ✓ One-stop solution from Techmatrix



## One-stop solution

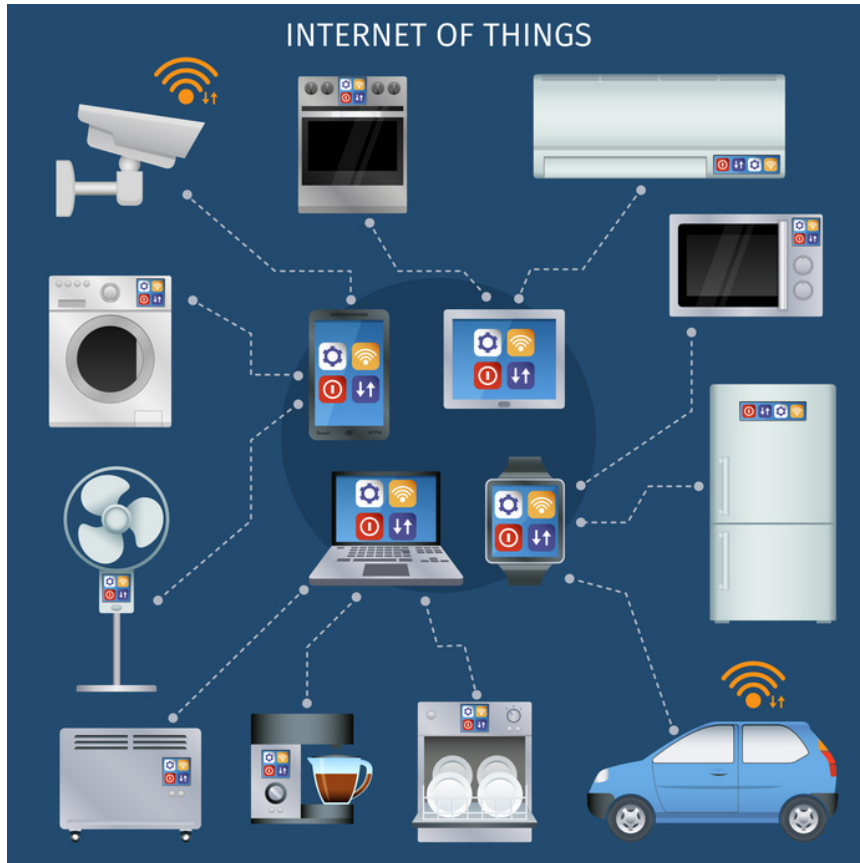
One-stop solution for system design, construction, maintenance, operation and monitoring services.

## 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.

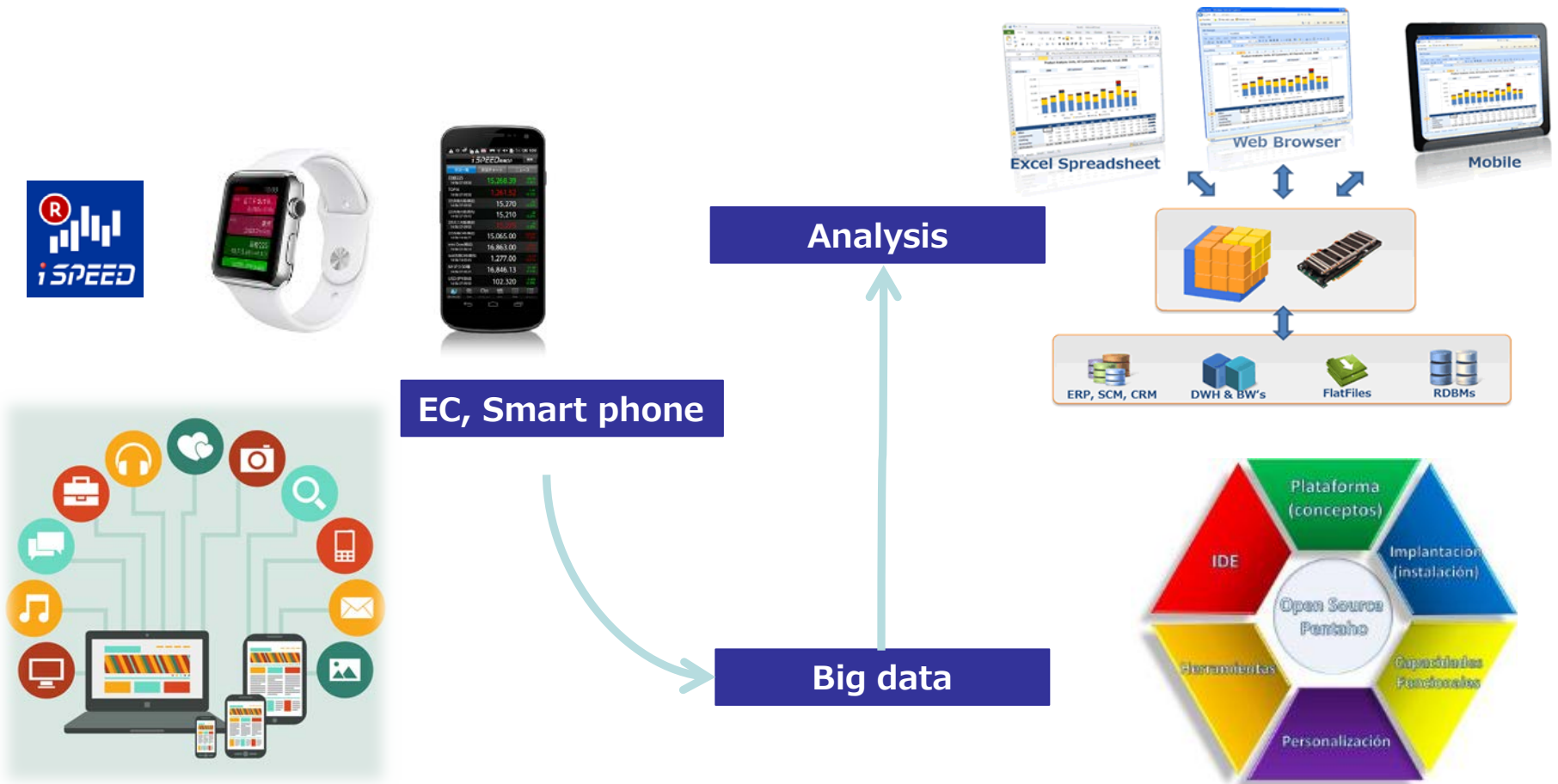


- ▶ Solution for test, systems design and version control system
- ▶ Integration of infrastructure, training and operation support for development process
- ▶ Support for substantive improvement of software quality and productivity enhancement

**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

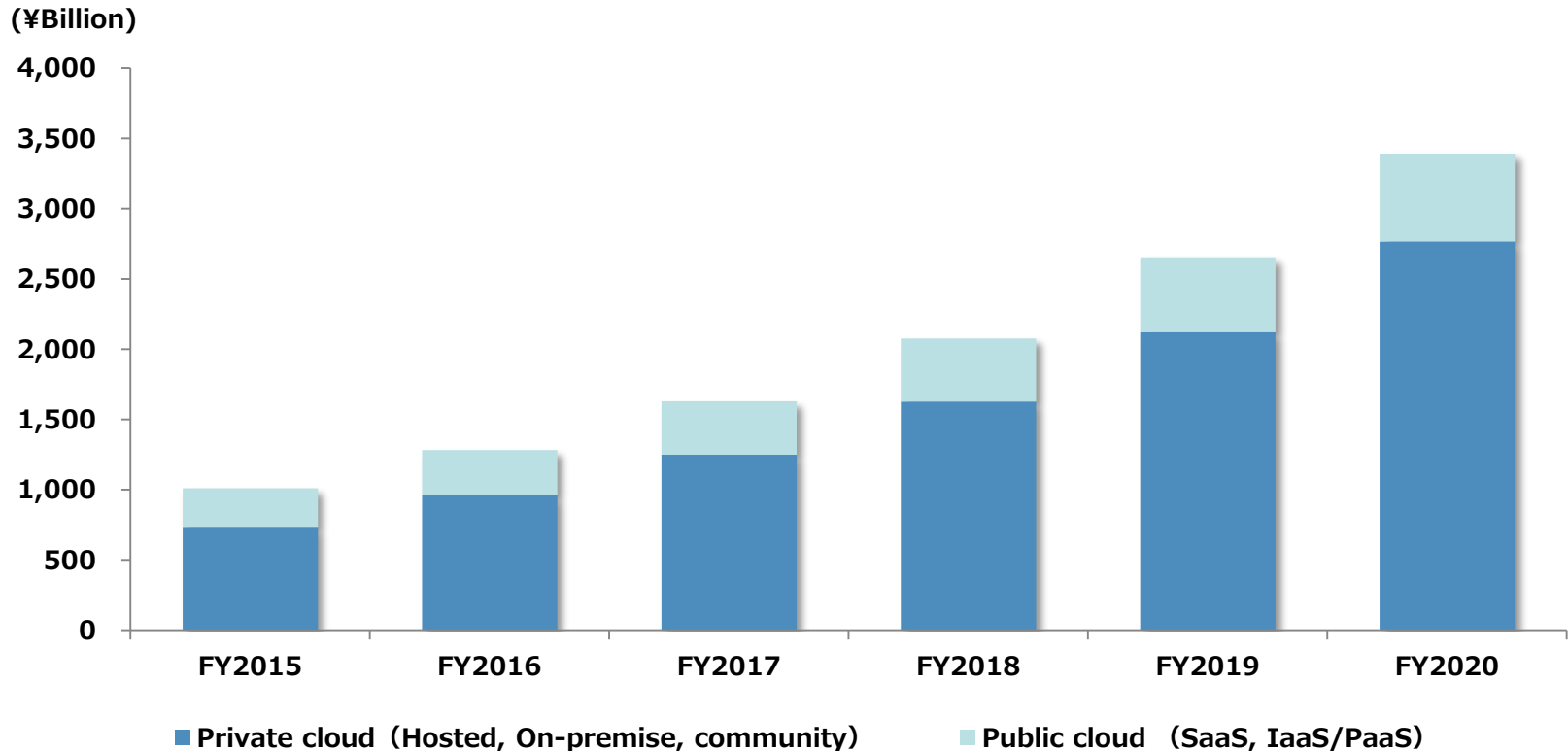




# Market Conditions for our business

## ◆ Forecast ¥3,000 billion in FY2020 for cloud market

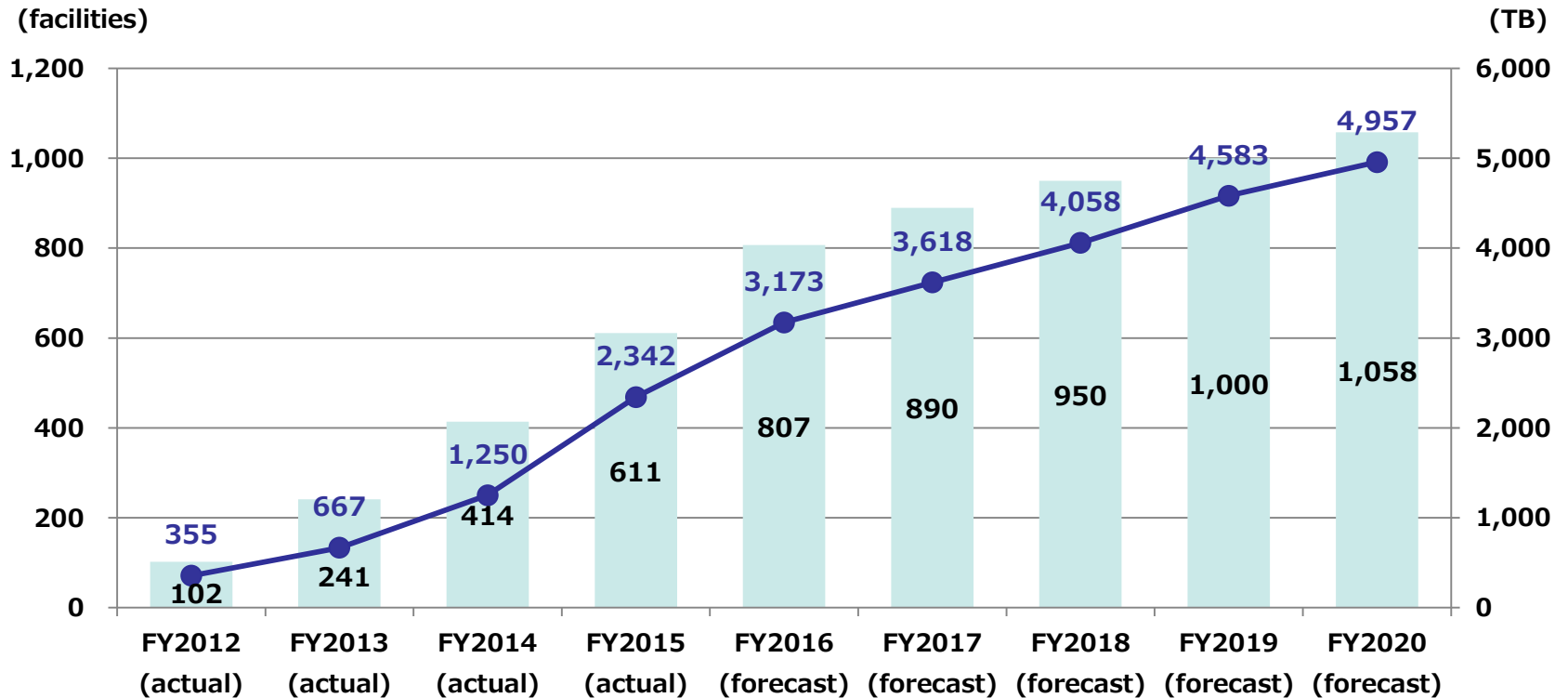
<Cloud business market size actual/forecast (Japan)>



◆ Domestic cloud market size was ¥1,010.8 billion (33.7% up year on year) and it expand to ¥3,388.2 billion in FY2020.

\* Reference : Cloud business market report 2016(13,Dec,2016) by MM Research Institute

## <Cloud PACS market size estimate (Japan)>



\*Estimate as of Jan, 2017

■ Number of contracted facilities    ● Estimated capacity

- ◆ Number of contracted facilities using cloud was 807 as of the end of FY2016 in Japan.
- ◆ Techmatrix has successfully contracted with about 450(accumulated) as of the end of FY2015.

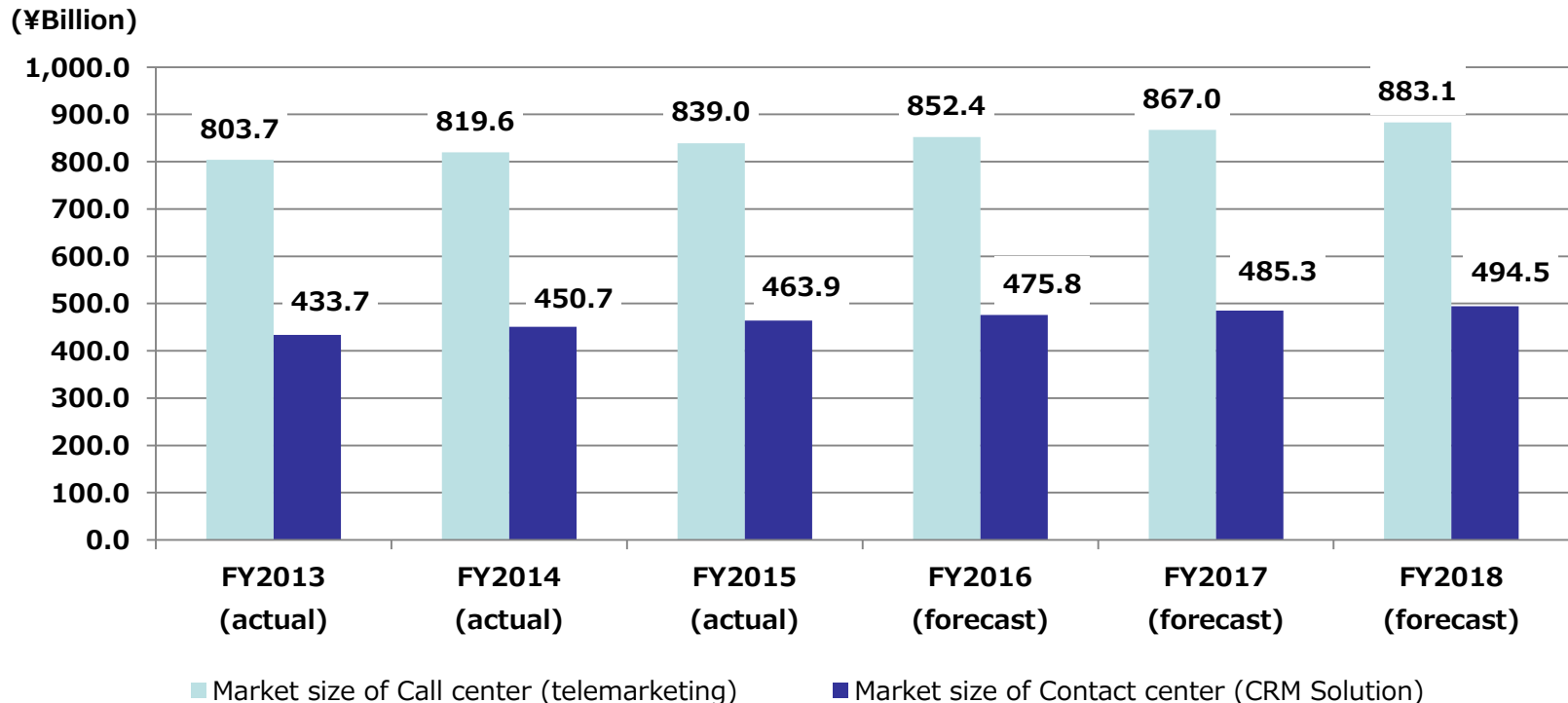
\* Reference : Medical Imaging Systems and PACS Markets 2016(Jan, 2017) by Yano Research Institute

## <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)>

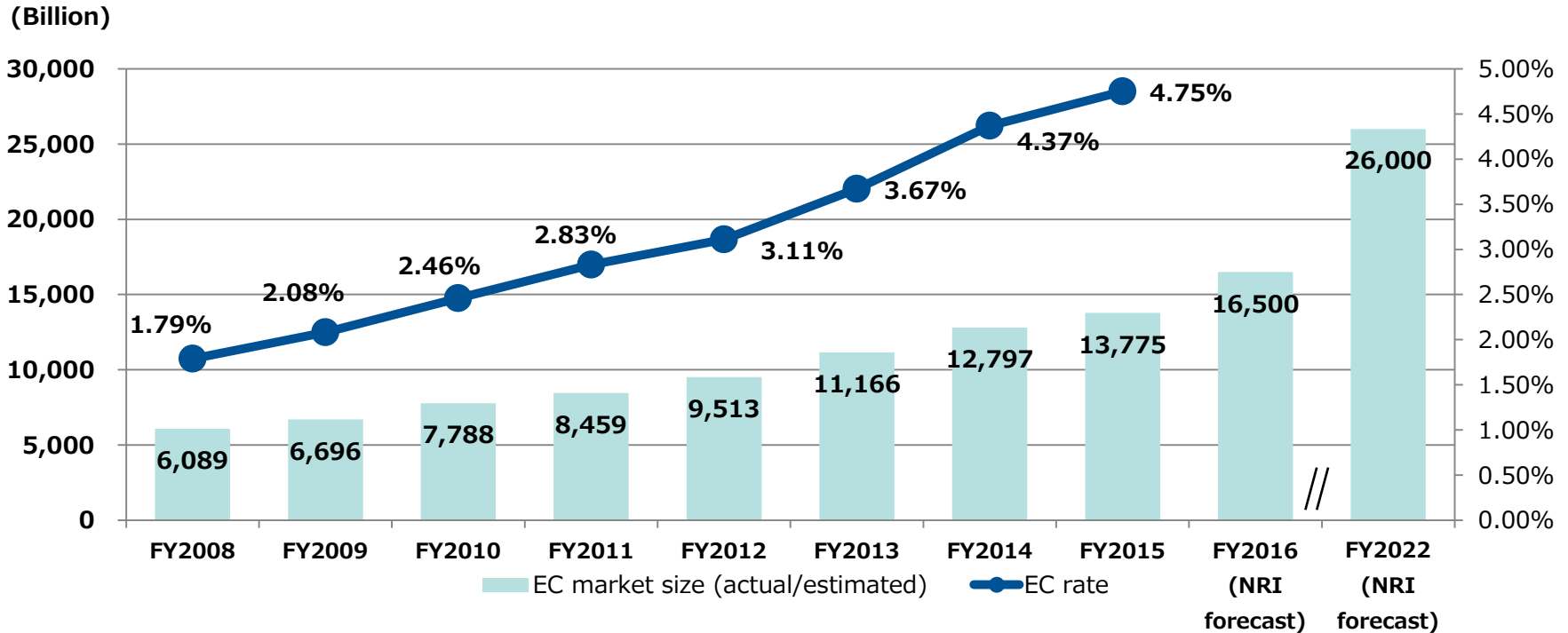


\*Service provider's sales. Estimate as of Nov, 2016

- ◆ Market size of Call center (telemarketing) is forecasted to grow at average rate of 1.9% each year from FY2013 to FY2018 and to ¥883.1 billion as of FY2018
- ◆ Market size of Contact center (CRM Solution) is forecasted to grow at average rate of 2.7% each year from FY2013 to FY2018 and to ¥494.5 billion as of FY2018

\* Reference : Call Center (Telemarketing)/Contact Center/CRM Solution Market in Japan: Key Research Findings 2016 by Yano Research Institute

## <EC(B2C) market size actual/forecast (Japan)>



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

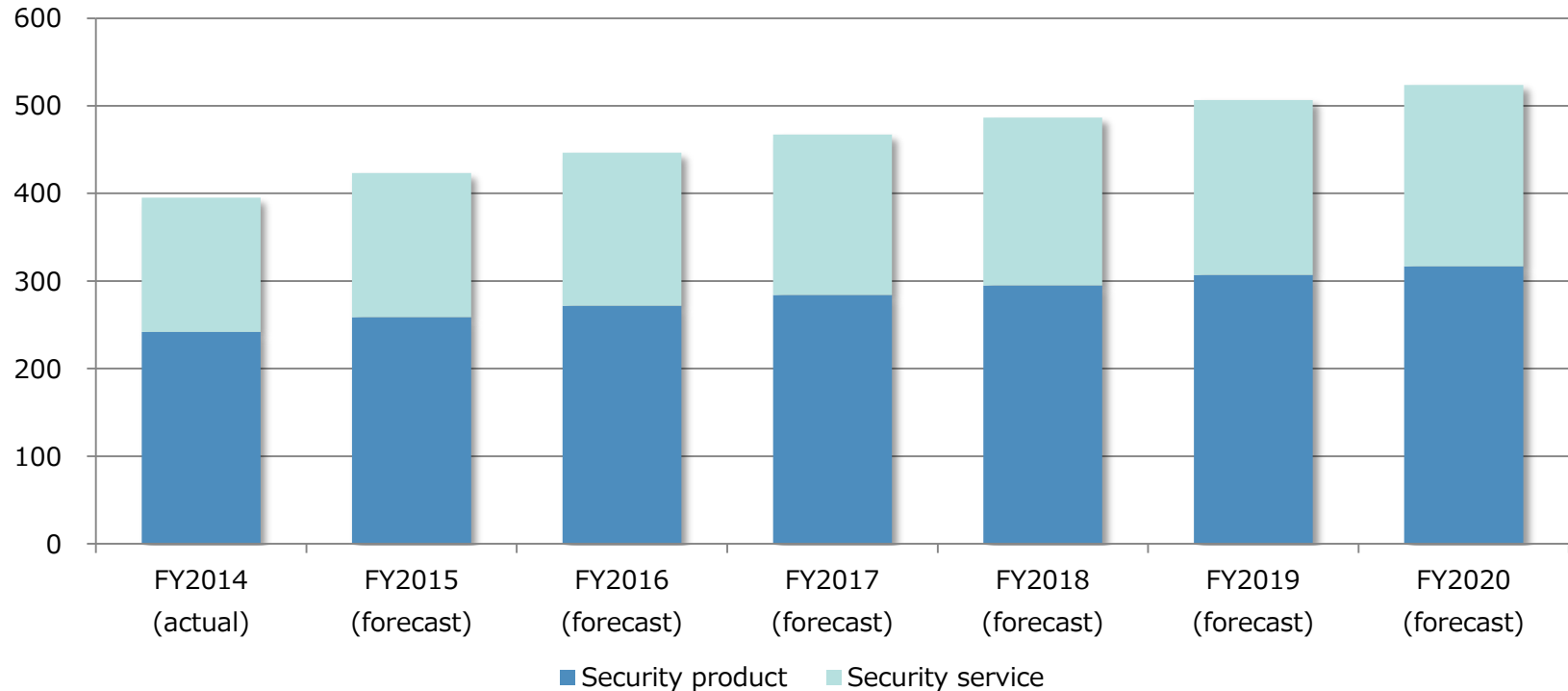
◆Market size related to EC was 7.6% up in 2015 year on year. Increased EC rate to 4.75% in 2015.

◆Market size will be 26,000 billion in 2022. (NRI)

\* Reference: "The E-Commerce Market Survey" by Ministry of Economy, Trade and Industry, "IT market trend survey to 2022" by Nomura Research Institute

## <Network & Security market size (Japan)>

(¥Billion)



◆ Forecasted Networks Security business market in Japan expanding from ¥386.5 billion in FY2015 to ¥487.1 billion in FY2020.

◆ High growth rate on average at 4.7% has been forecasted.

\* Reference : Network Security business report 2016 by Fuji Chimera Research Institute

**QUESTION**

## **TechMatrix Corporation**

**Planning and accounting division Corporate planning team**

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