Results for the 33rd business period

(Fiscal Year Ending March 31, 2017)

TechMatrix Corporation

June 2, 2017

2017.6.2a

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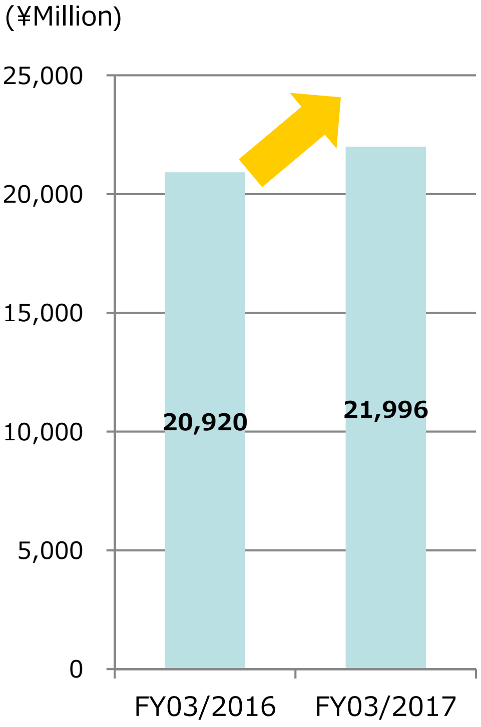
Business Highlights for the 33rd Business Period (Consolidated)

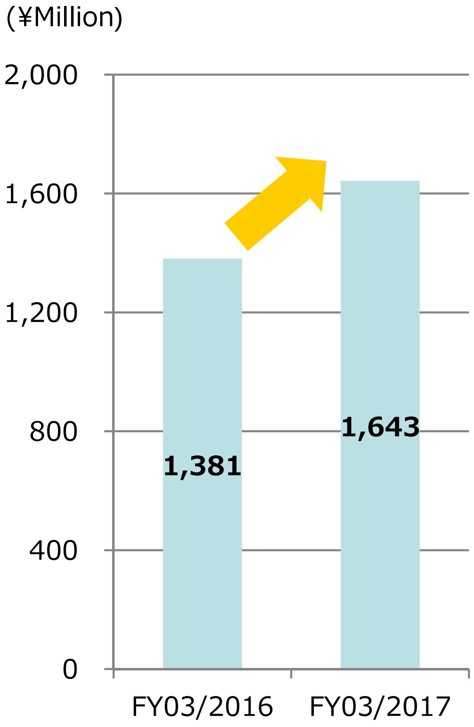
Business Highlights for the 33rd Business Period (Consolidated)

- The highest consolidated net sales, and profits
- Increased revenue and profit by solid sales of security-related businesses and positive turnaround of Healthcare field
- In Internet Service field, investment on cloud service placed a burden

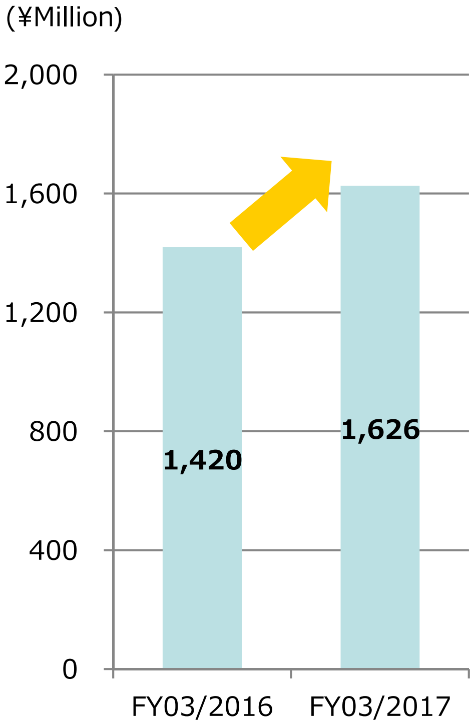
Net sales
¥21,996M
Year on year up 5.1%



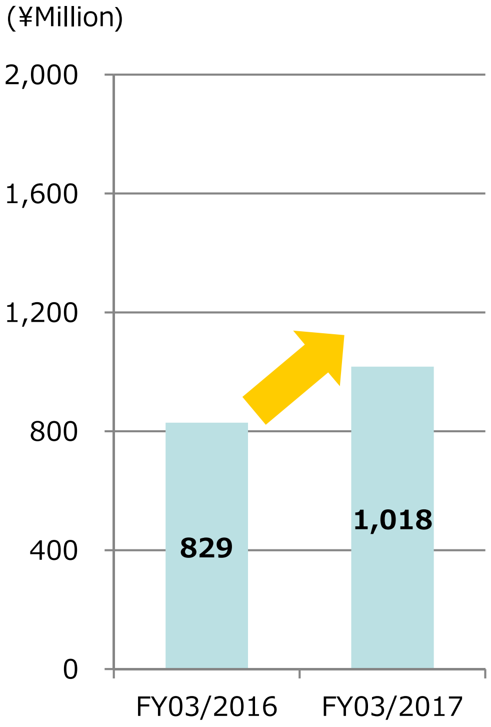
Operating income
¥1,643M
Year on year up 19.0%



Ordinary income
¥1,626M
Year on year up 14.5%

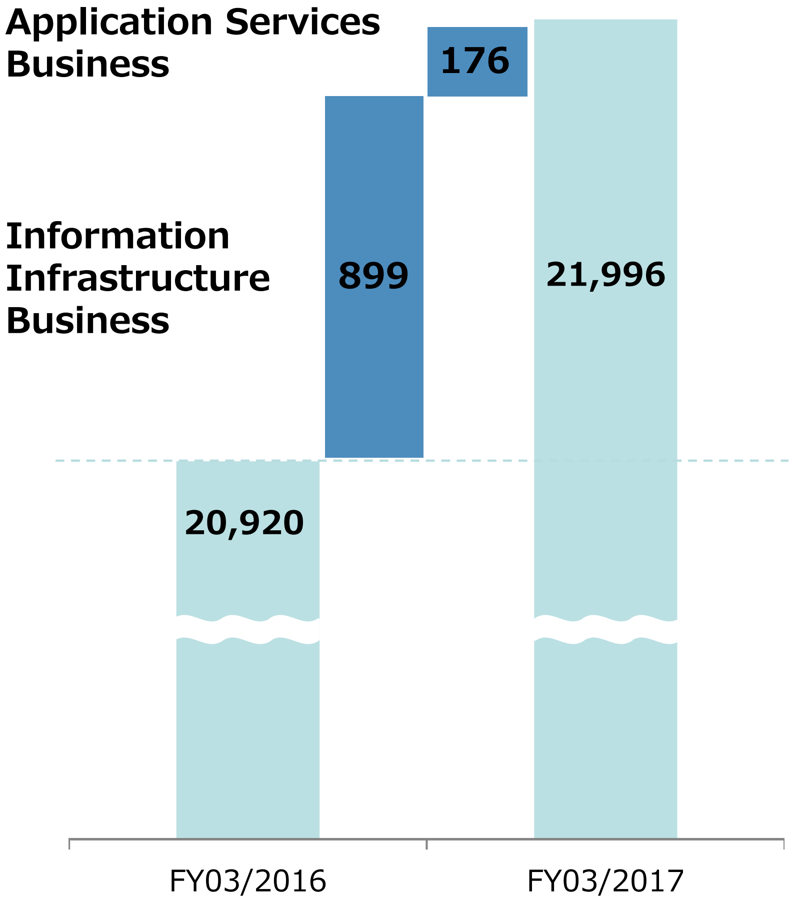


Profit attributable to owners of the parent
¥1,018M
Year on year up 22.8%

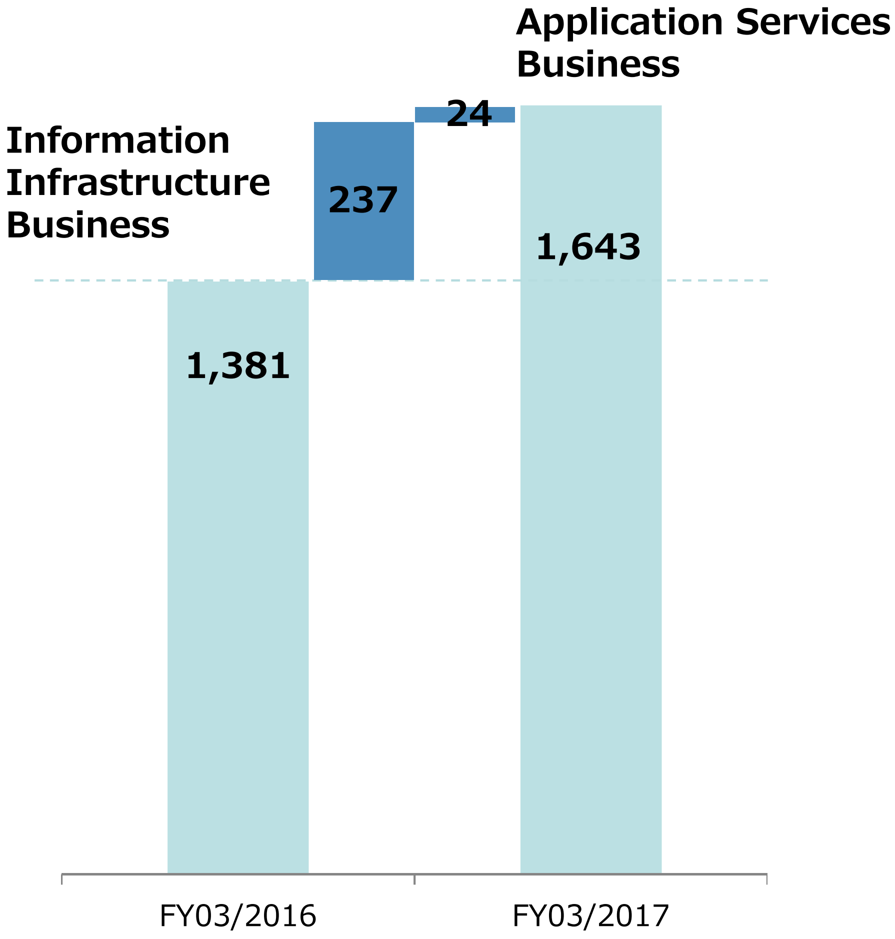


Business Highlights for the 33rd Business Period (Consolidated)

Net sales (¥Million)



Operating income (¥Million)



Business Highlights for the 33rd Business Period (Consolidated)

Net sales

◆**Information Infrastructure Business**	**Year on year**
Load balancers	🌧
Security-related products	☀☀
Business for governments and public agencies	🌧
Operation and monitoring services	☀☀
Storage products	☀☀
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 △10%	🌧	under △10%

Business Highlights for the 33rd Business Period (Consolidated)

TechM@trix

Figures explaining growth of Healthcare field

650
March 31, 2017

The number of medical facilities using NOBORI

15,015,746
March 31, 2017

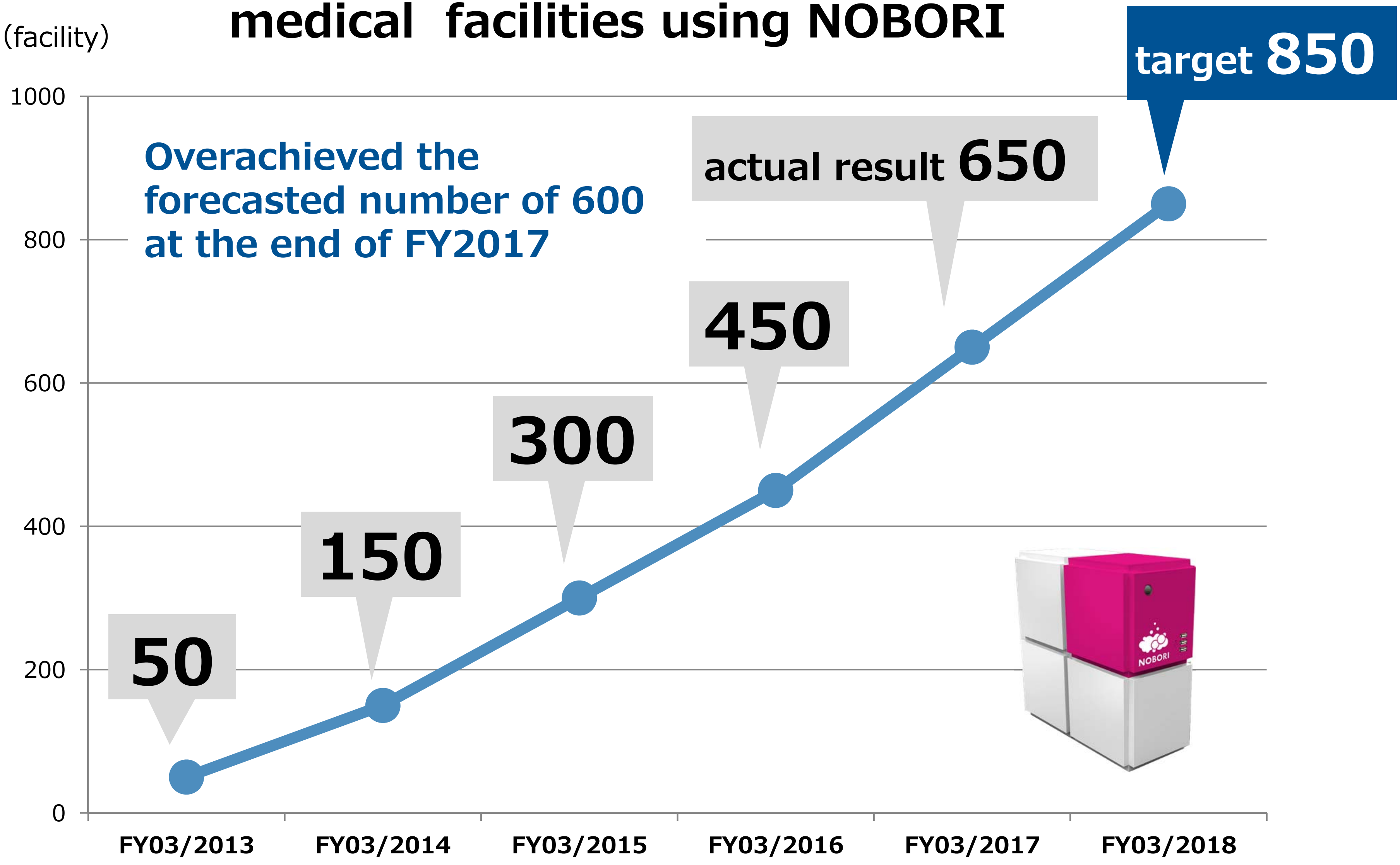
The number of patients who stored medical images in NOBORI

1,300
May 15, 2017

The number of teleradiologist using Ichigo service (platform of teleradiology)

Business Highlights for the 33rd Business Period (Consolidated)

Progress of the number of medical facilities using NOBORI



Overachieved the forecasted number of 600 at the end of FY2017

Business Highlights for the 33rd Business Period (Consolidated)

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

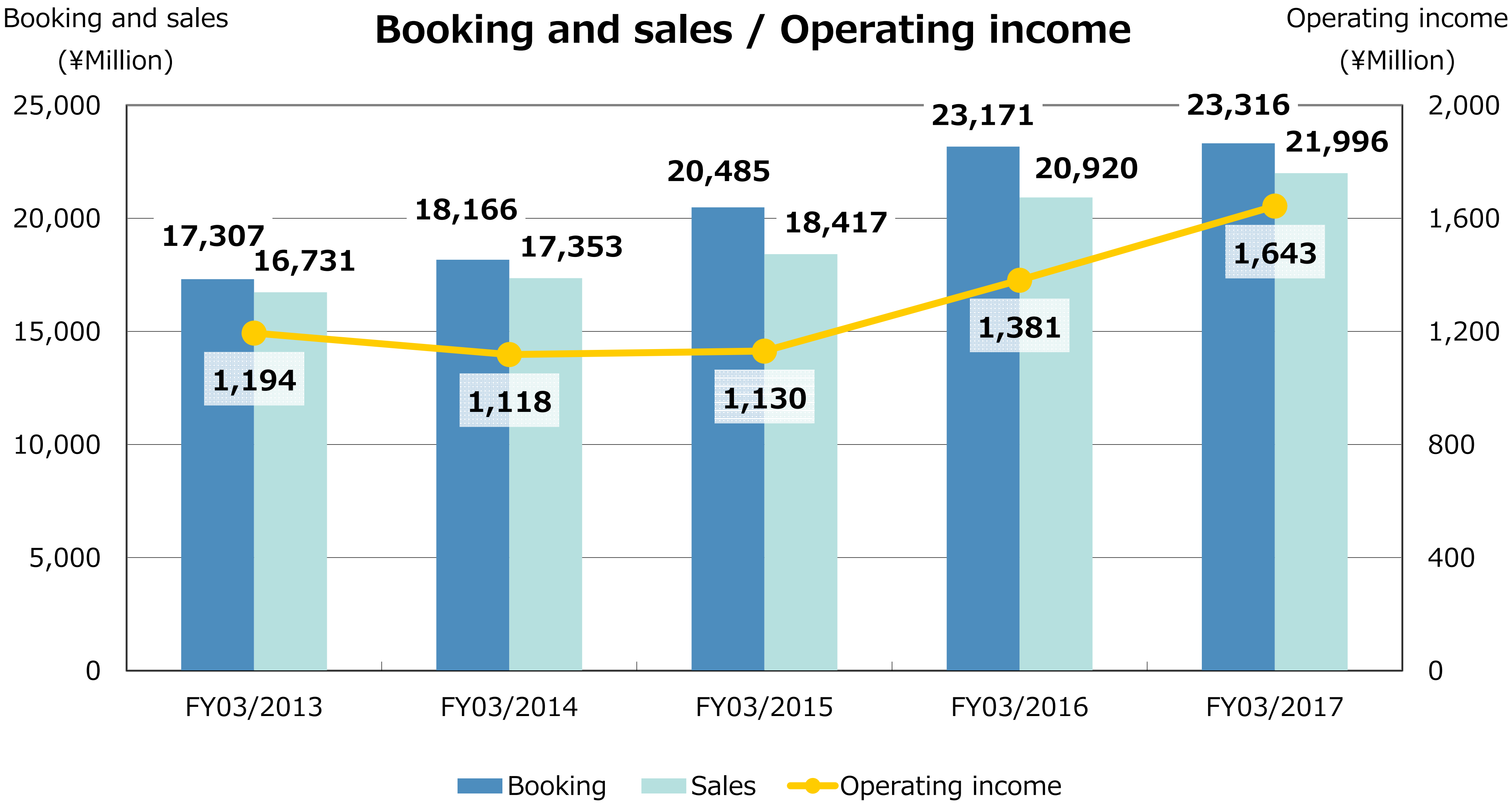
Targeted mails

Ransomware

Phishing

Business Highlights for the 33rd Business Period (Consolidated)

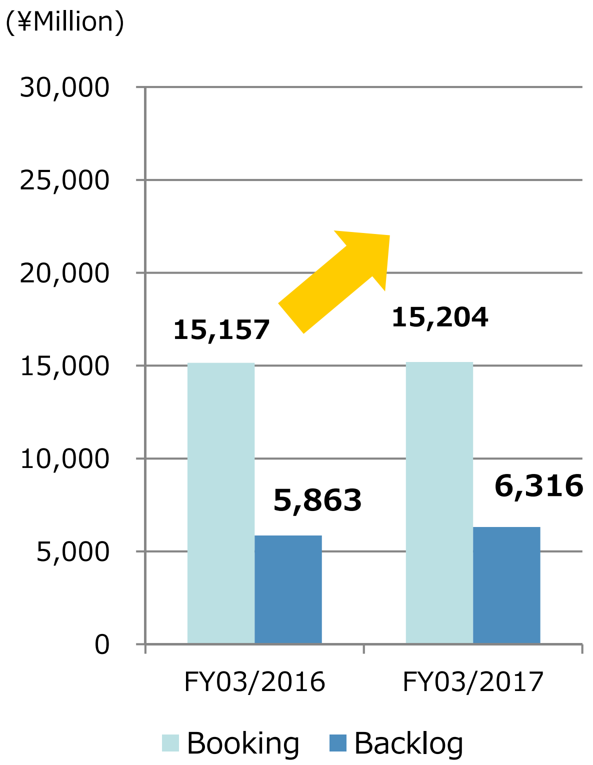
- ◆ **The amount of bookings excessed the previous year's result despite the non-existence of large-scale projects**
- ◆ **Operating income on sales improved (7.5%)**



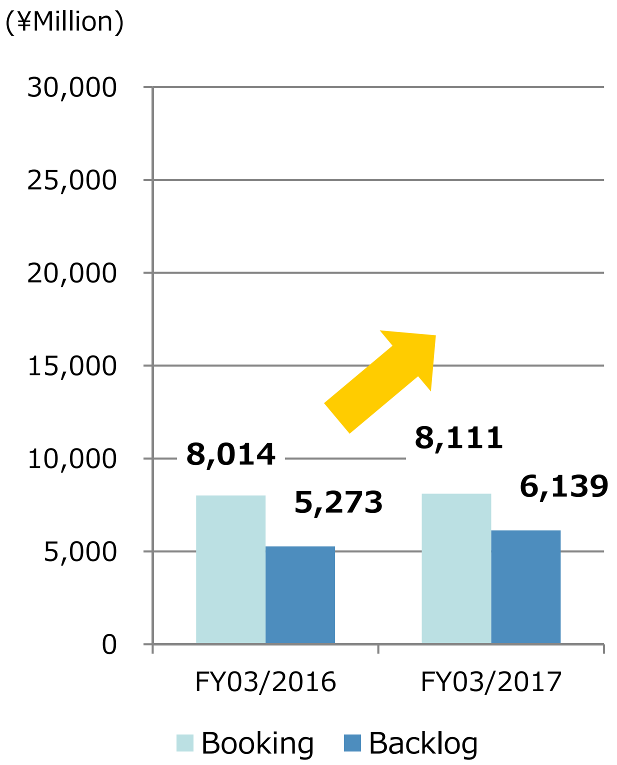
Business Highlights for the 33rd Business Period (Consolidated)

TechMatrix

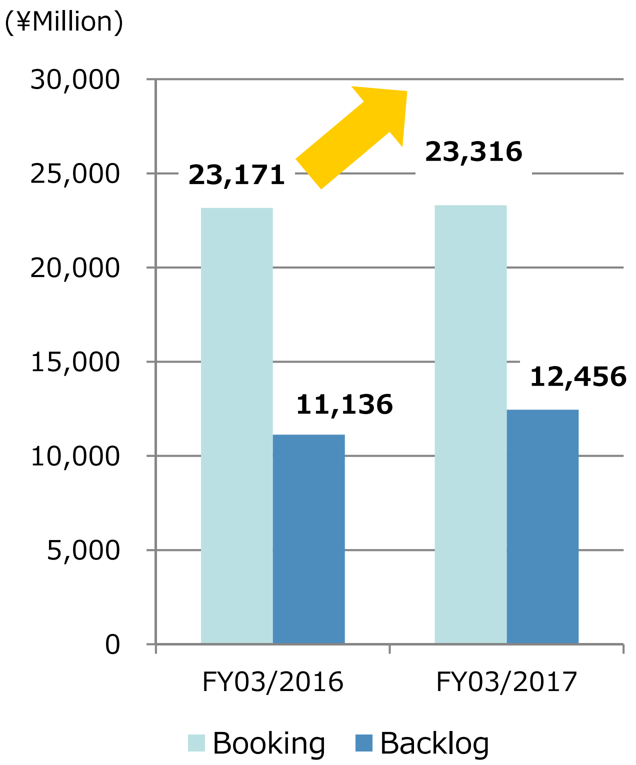
- ◆ **Information Infrastructure Business: security-related businesses were solid. Bookings excessed the previous year’s result despite the non-existence of large-scale projects(0.3%UP), Backlog has increased(7.7%UP)**
- ◆ **Application Services Business: Bookings excessed the previous year’s result (1.2%UP), Backlog increased by progress of cloud businesses(16.4%UP)**



Information Infrastructure Business



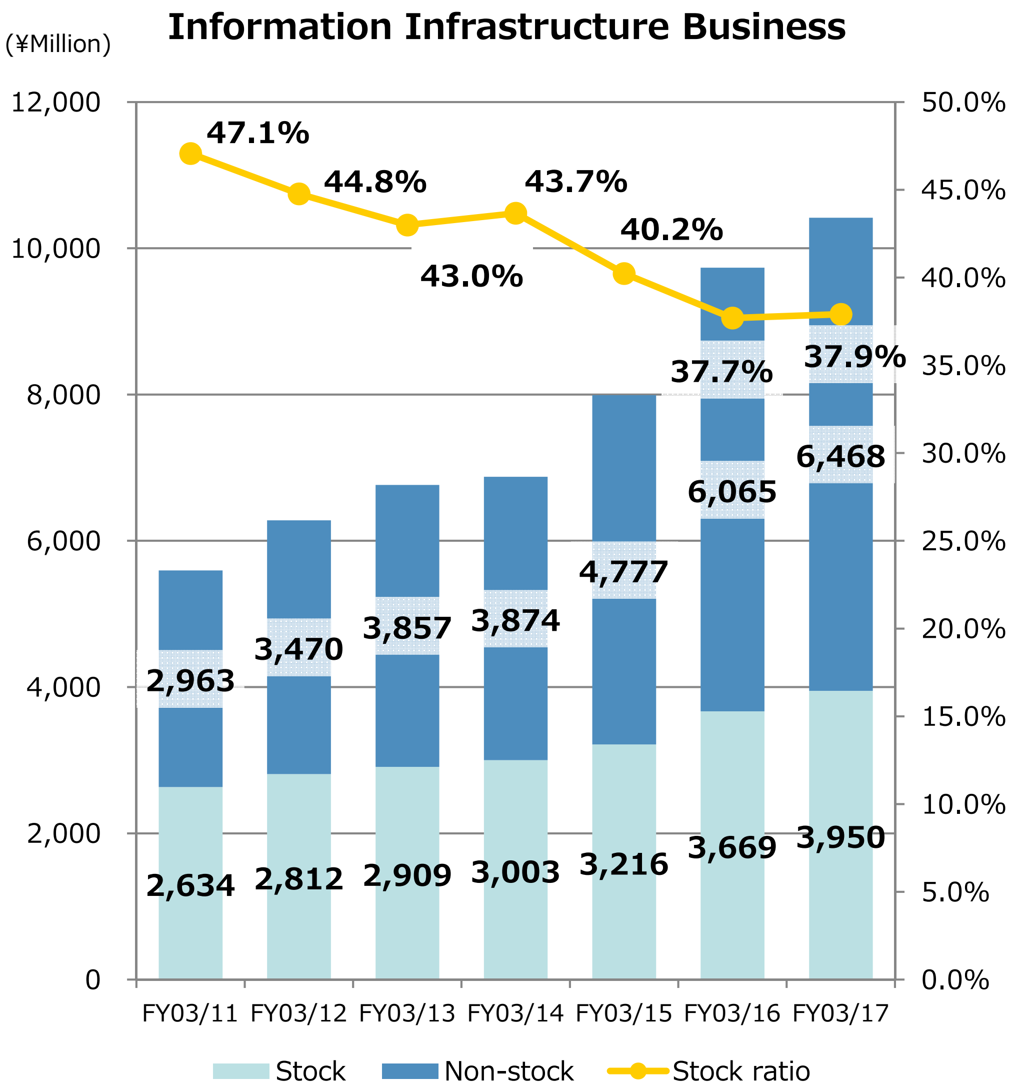
Application Services Business



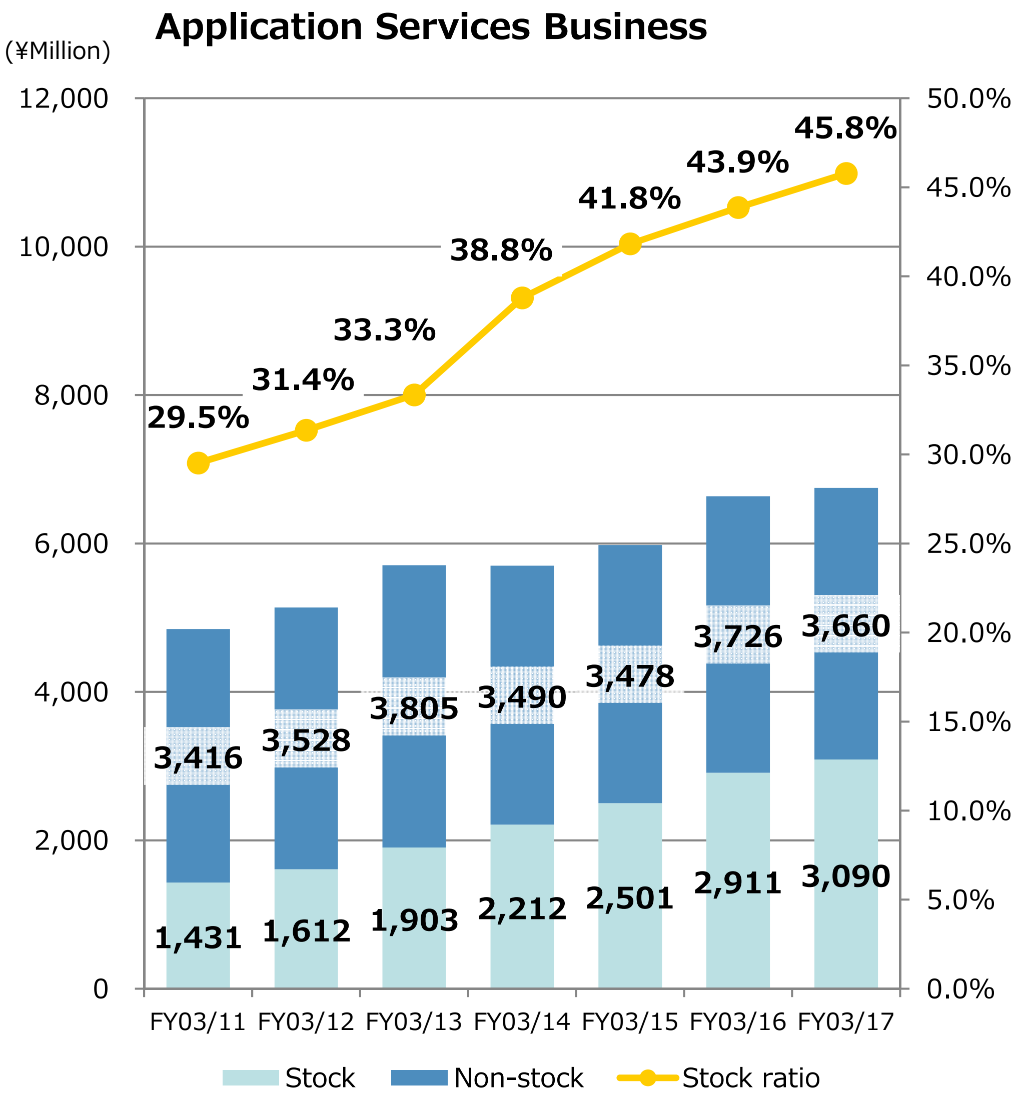
total

Business Highlights for the 33rd Business Period (Consolidated)

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



＊ The stock ratio of Information Infrastructure Business was healthy



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

Business Highlights for the 33rd Business Period (Consolidated)

Balance sheet

(¥Million)

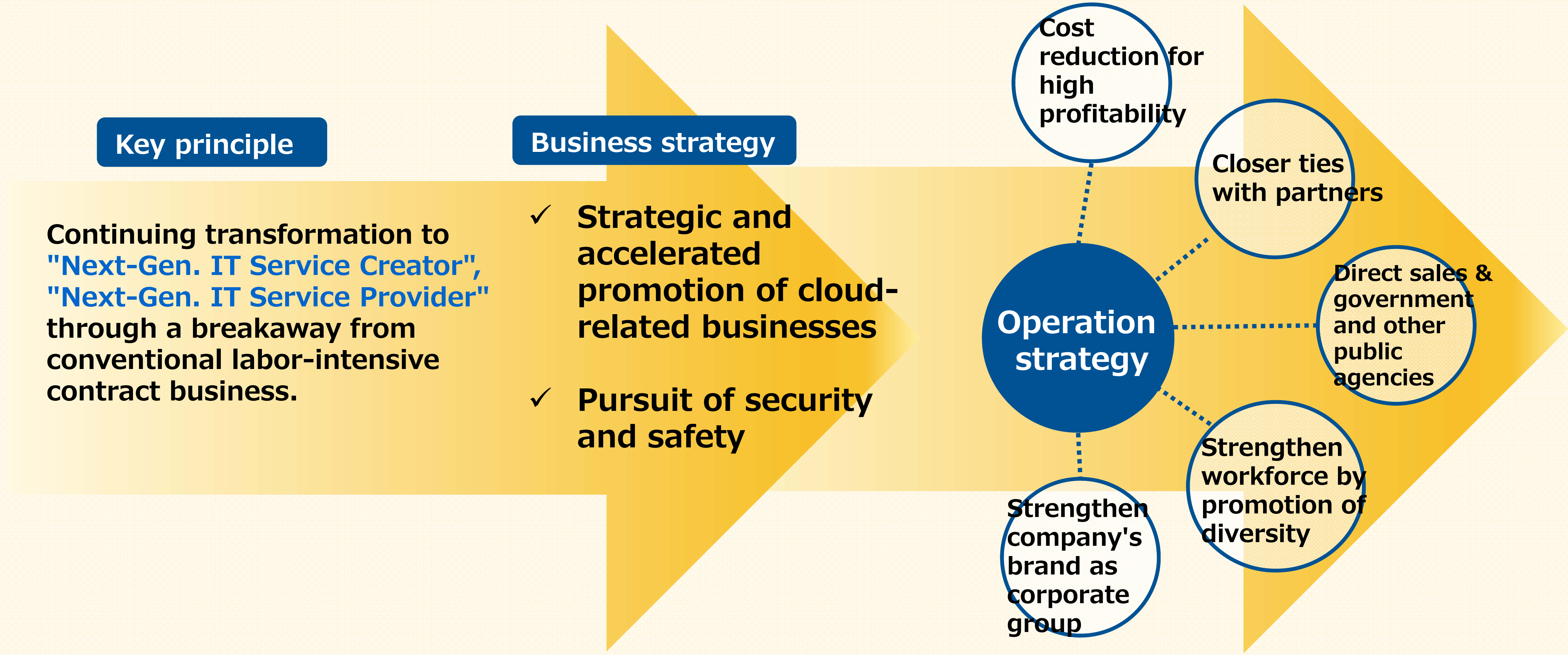
	FY03/2016	FY03/2017
Current assets	**12,091**	***13,343***
Cash and deposits	4,698	*5,458*
Notes and accounts receivable-trade	3,491	*3,991*
Other	3,901	*3,893*
Noncurrent assets	**3,627**	***3,937***
Property, plant and equipment	1,028	*1,205*
Goodwill	229	*126*
Other	904	*1,085*
Investments and other assets	1,464	*1,519*
Total assets	**15,718**	***17,280***

	FY03/2016	FY03/2017
Current liabilities	**8,064**	***8,886***
Accounts payable-trade	1,063	*1,081*
Short-term loans payable	350	*450*
Current portion of long-term loans payable	300	*300*
Other	6,351	*7,055*
Noncurrent liabilities	**3,687**	***3,540***
Long-term loans payable	2,050	*1,750*
Other	1,637	*1,790*
Total liabilities	**11,751**	***12,427***
Shareholders' equity	4,005	*4,849*
Total accumulated other comprehensive income	△53	*△36*
Total net assets	**3,967**	***4,853***
Total liabilities and net assets	**15,718**	***17,280***

＊Equity ratio
FY03/2016 25.1%　　FY03/2017 27.9%

Progress of the Medium-Term Management Plan “TMX 3.0”

Progress of the Medium-Term Management Plan “TMX 3.0”



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

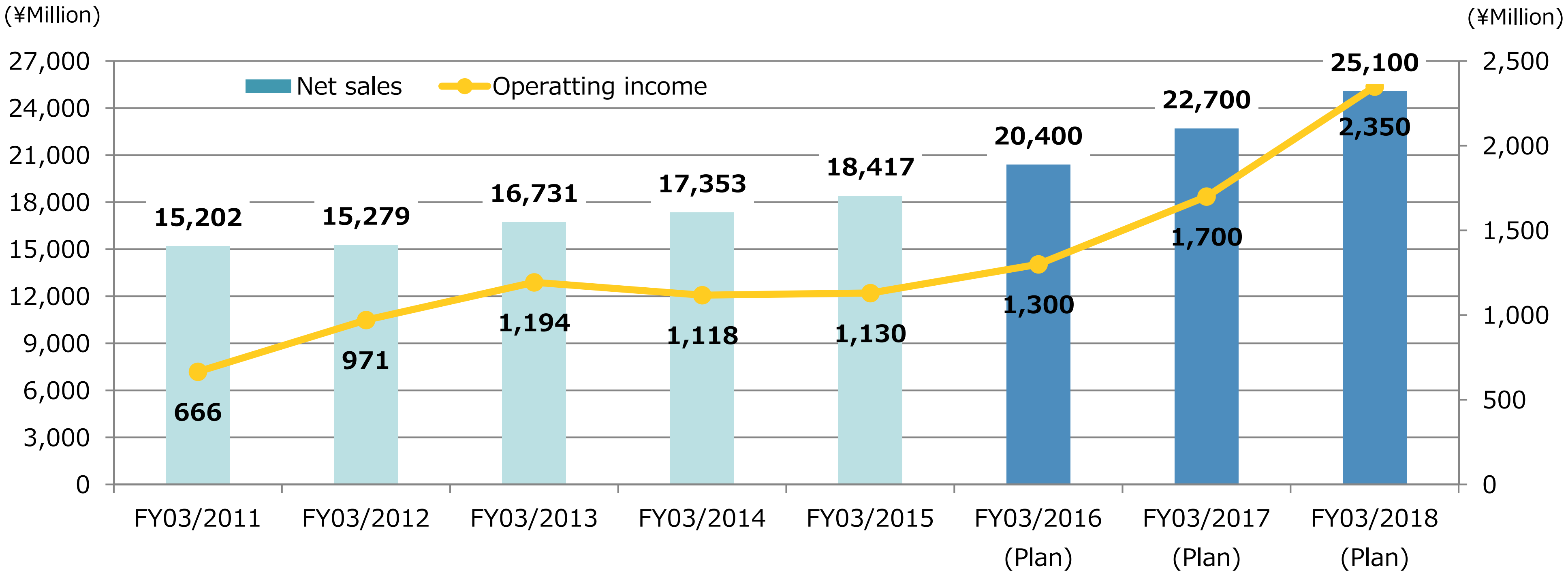
Operation strategy

- Cost reduction for high profitability
- Closer ties with partners
- Direct sales & government and other public agencies
- Strengthen workforce by promotion of diversity
- Strengthen company's brand as corporate group

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"



10%

Growth rate of net sales

To ¥30Billion

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

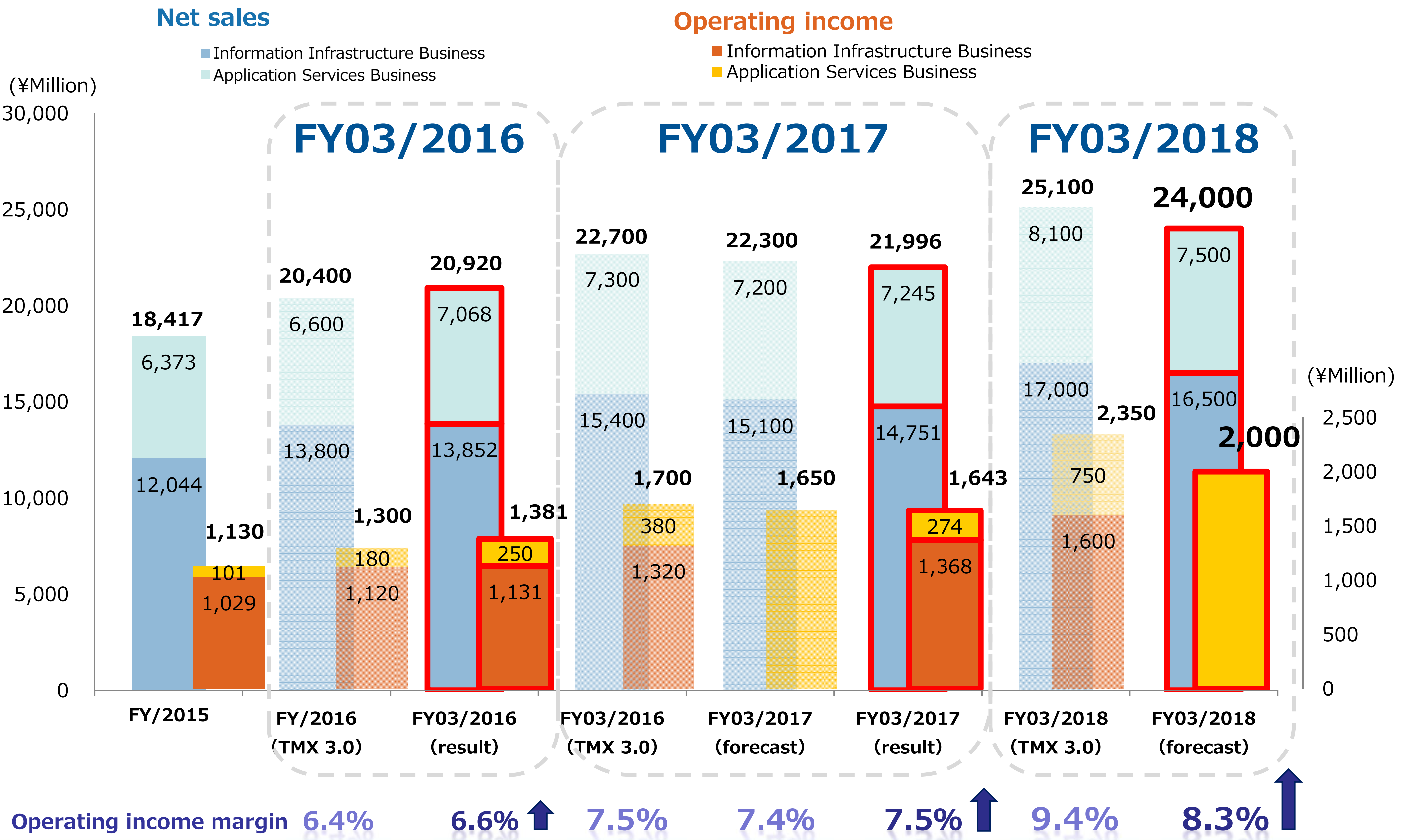
50%

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

10%

Challenge to operating income margin of 10%

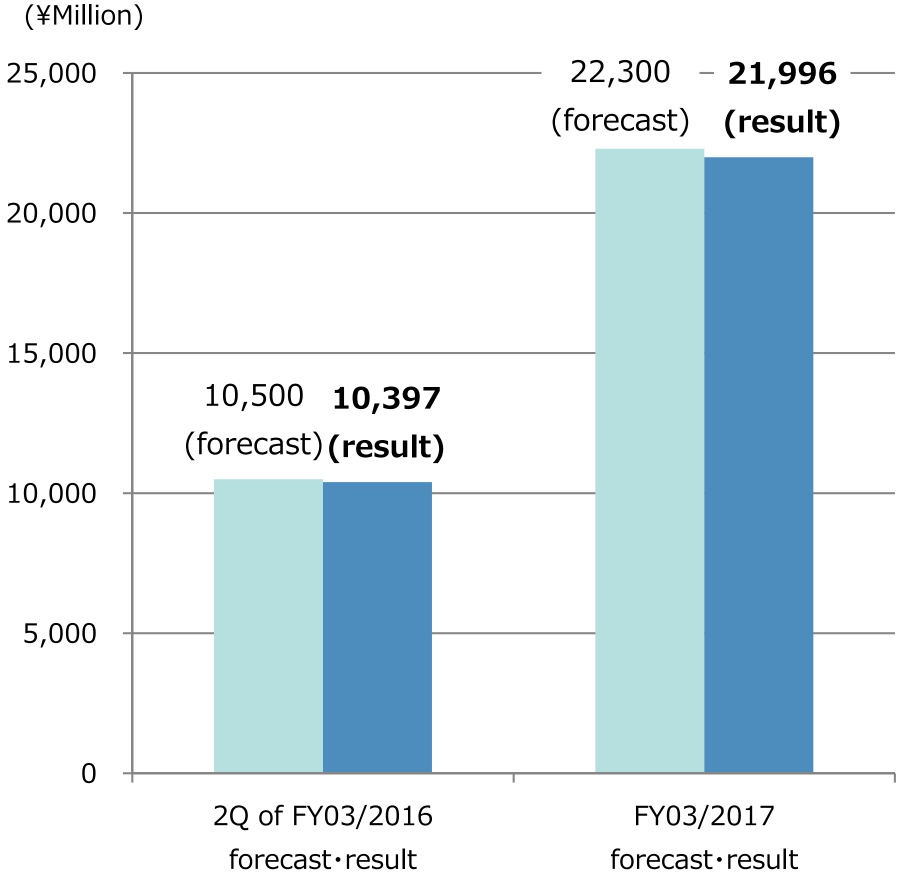
Progress of the Medium-Term Management Plan "TMX 3.0"



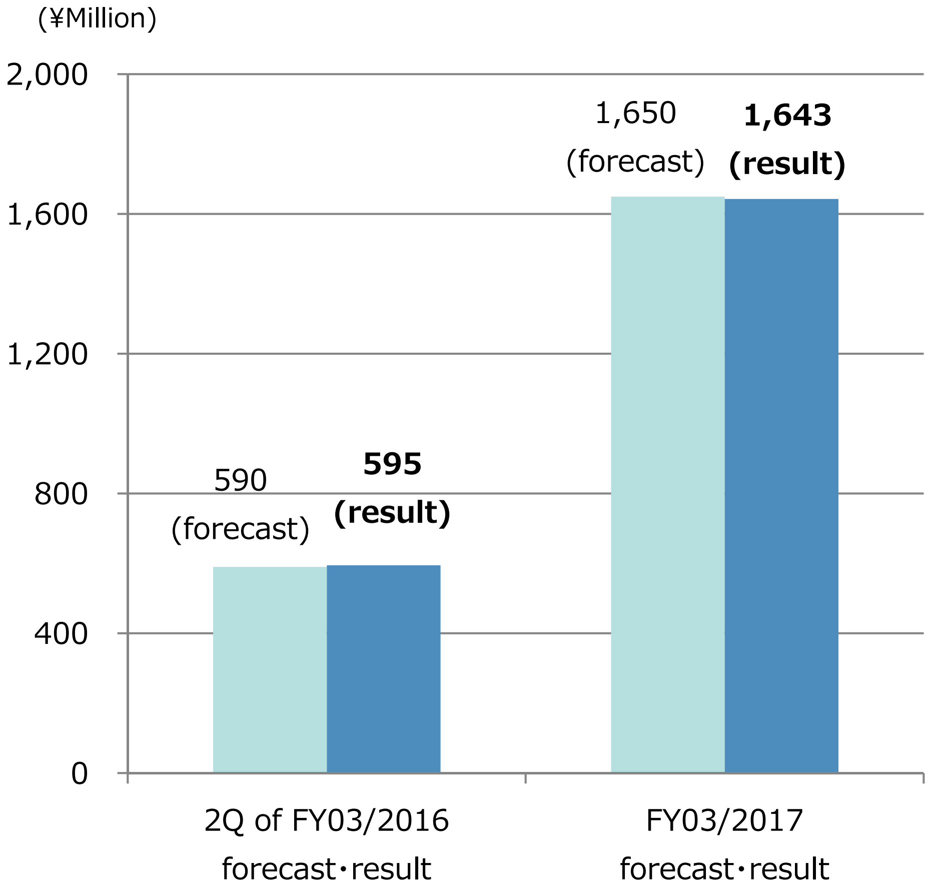
Progress of the Medium-Term Management Plan "TMX 3.0"

- ◆ **Net sales and operating income almost achieved the forecast**
- ◆ **Net Sales 98.6%, Operating Income 99.6%**

Net Sales(Consolidated)



Operating Income(Consolidated)



Progress of the Medium-Term Management Plan “TMX 3.0”

◆ Core business strategy

Item	FY03/17 Valuation	Description
Strategic and accelerated promotion of cloud-related businesses		
Profit contribution by the cloud business (Realize profitability of the healthcare cloud business)	◎	･Positive turnaround of healthcare cloud ･Launched the "RAKURAKU-Item Manager" ･FastCloud (CRM) in good shape ･Techma Cloud (o365 traffic control)
Turn our cloud service into a platform (diversification)	◎	･"NOBORI-PAL" (expanded the services) ･ICHIGO LLC concluded business alliance with SoftBank Corp in the pathology sector
Establish cloud business in overseas (Asian) market (At first, the success of the joint venture in China)	△	･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)	○	･Driven by PMO section, stabilized operation, continuing facility investment
Strategic application of virtualization technologies (Cloud first)	○	･Hyper converged solution "VCE VxRail" ･Okinawa Cross Head Co., Ltd.: nas2cloud Plus ･CROSS HEAD：Train many engineers for AWS
Analysis of Big data gathered by the cloud (Secondary use of the data)	○	･Pharmacy BI, Development of Budget management field

Progress of the Medium-Term Management Plan “TMX 3.0”

◆ Core business strategy

Item	FY03/17 Valuation	Description
Pursuit of security and safety		
Enhancement of defenses against cyber-attacks and provide as one-stop service	◎	･Swivel PINsafe, ProofPoint, Tanium Endpoint Platform, Votiro Auto Suite for FileZen, CylancePROTECT
Design, construction, maintenance, operation and monitoring services Realize value chain of automatization	◎	･Expanded product sales and the maintenance, operation and monitoring services ･NOC/SOC (∴TRINITY)
Realize functional safety of embedded software for IoT (Internet of Things)	○	･Signs of improvement of the investment appetite due to the recent low-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)	○	･Service virtualization and API testing by SOAtest/Virtualize of Parasoft (IoT filed including automotive)

Progress of the Medium-Term Management Plan “TMX 3.0”

◆ Operation strategy

Item	FY03/17 Valuation	Description
Operation strategy		
Cost reduction for high profitability		
‣ Promote the active utilization of offshore development	◎	・Offshore development in Vietnamese and China
‣ Improve operation efficiency by integrating the office space of Head Office	◎	・Additional relocation of offices
‣ Transform business model without monotonic increase of human resources	◎	・Stock ratio increased
Closer ties with partners	◎	・Healthcare field : SoftBank Corp , Peking University ・CRM field : Nihon Unisys, Ltd., Transcosmos (Thailand) Co., Ltd., NEC, LINE and BEDORE
Strengthen direct sales. Penetrate deeply into the market for the government and other public agencies	○	・Security Cloud projects for local governments were active ・Direct Sales decreased ・Development and sales of Votiro Auto Agent for FileZen
Strengthen workforce by promotion of diversity	○	・Grown diversity on hiring of new graduates
Strengthen company's brand as a corporate group	○	・Renewed our Web site ・Corporate video ・Advertisement at a subway station

Progress of the Medium-Term Management Plan “TMX 3.0”

Activities for AI

1960’s

First generation

1980’s

Second generation

Expert system

Neural network

※The roots of Application Services Business

(TechMatrix formerly known as Nichimen Data Systems Co., Ltd.)

2017

Big data analysis

Cloud

Sophisticated image recognition technology

High speed data processing

Third generation

Integration of "FastHelp5" with AI chat engine "BEDORE"

Provision of AI driven security products "CylancePROTECT"

Coming soon:
New services using AI technique

Topics of Business activities

Topics of Business activities

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 Co., Ltd. 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
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 Co., Ltd. participated in establishing the Asia, Okinawa, and a media cloud council

Topics of Business activities

Date	Contents
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 Co., Ltd. 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 Suite 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"
	Ayaka Shimookawa won a victory in women's epee at All Japan Fencing Championships
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

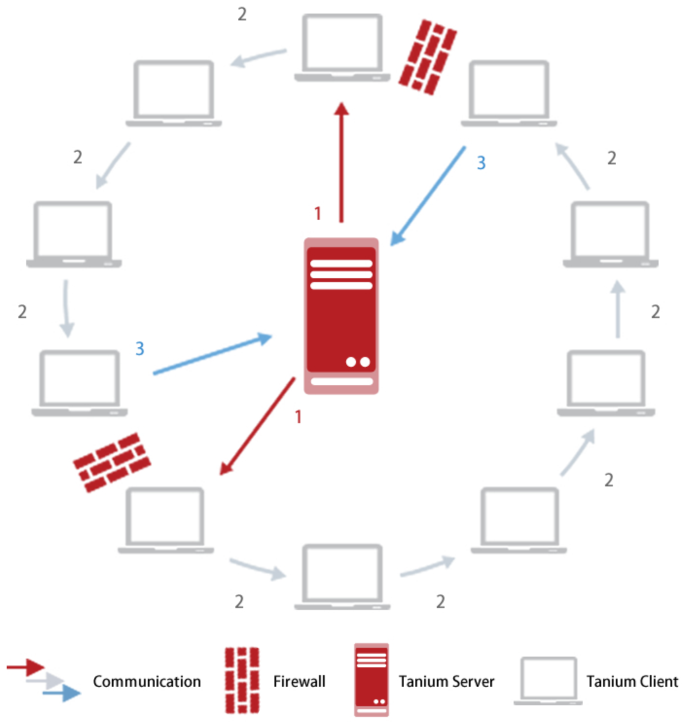
Topics of Business activities

日付	内容
February	Integration of "FastHelp5" with AI chat engine "BEDORE"
	Commenced the provision of AI driven security product "Cylance PROTECT"
	Commenced the provision of "FINCAD Analytics Suite ver.2017"
March	A two-for-one stock split on March 1
	CASAREAL,inc commenced the provision of a first Apple certified training under the agreement with LearnQuest in Japan.
	CROSS HEAD, commenced the provision of a first cloud service for operating data security software "Digital Guardian" in Japan
	Commenced the provision of "CloudBees Jenkins Enterprise" supporting large scale developments of software
	Ayaka Shimookawa won a bronze medal in women’s epee at World Cup Hungary
April	CROSS HEAD, commenced the provision of construction service for virtual edition of Palo Alto’s next generation firewall
	Concluded distributorship agreement for "LINE Customer Connect" with LINE
	CROSS HEAD, commenced the provision of vulnerability assessment service for enterprise server computers
	Commenced the provision of "Lychee Redmine" for project management
	Commenced the provision of "Votiro Auto Mail Link with matriXgate" for auto sanitization

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

Point!

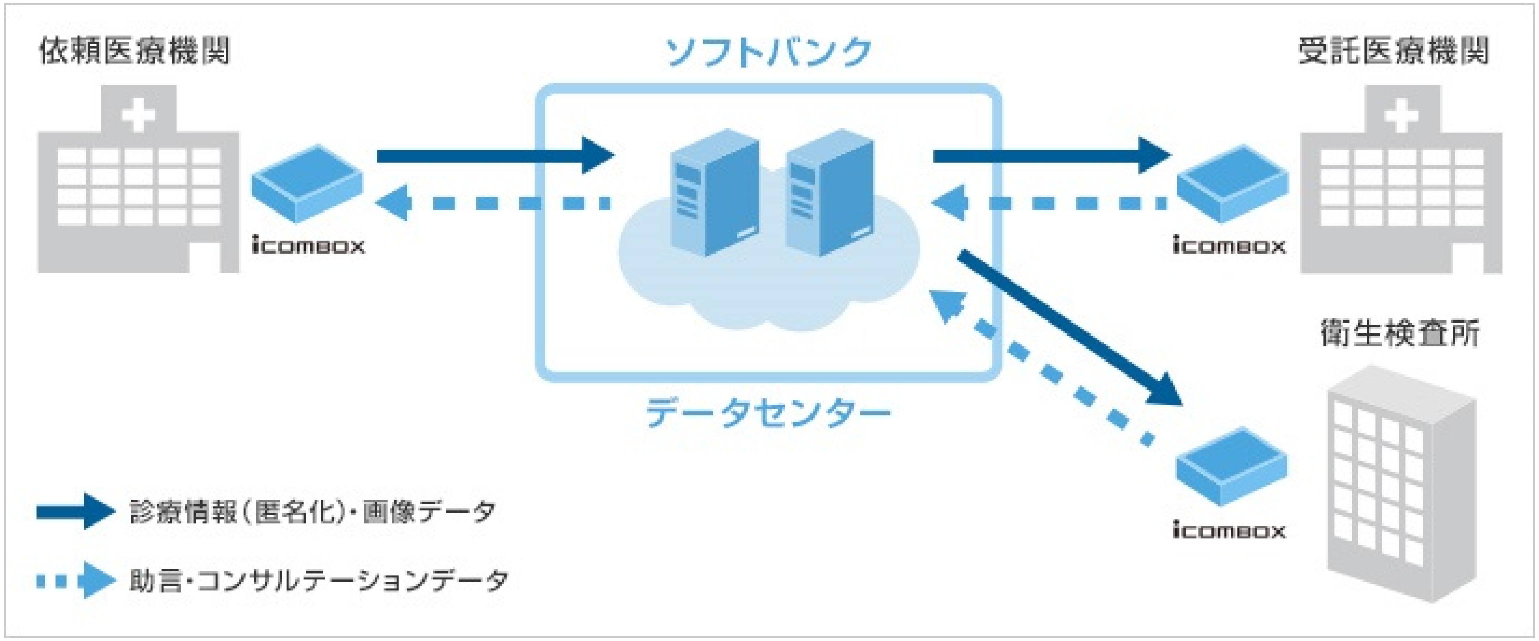
Commenced the provision of the cybersecurity platform for Endpoint "Tanium Endpoint Platform" from U.S.-based Tanium Inc. Security inspection and isolation of infected endpoint for large-scale network such as tens thousands of endpoints in high performance


2
2
3
2
1
2
2
3
1
2
2
2
Communication
Firewall
Tanium Server
Tanium Client

In October, Commenced the provision of platform service for telepathology under the business alliance with SoftBank Corp

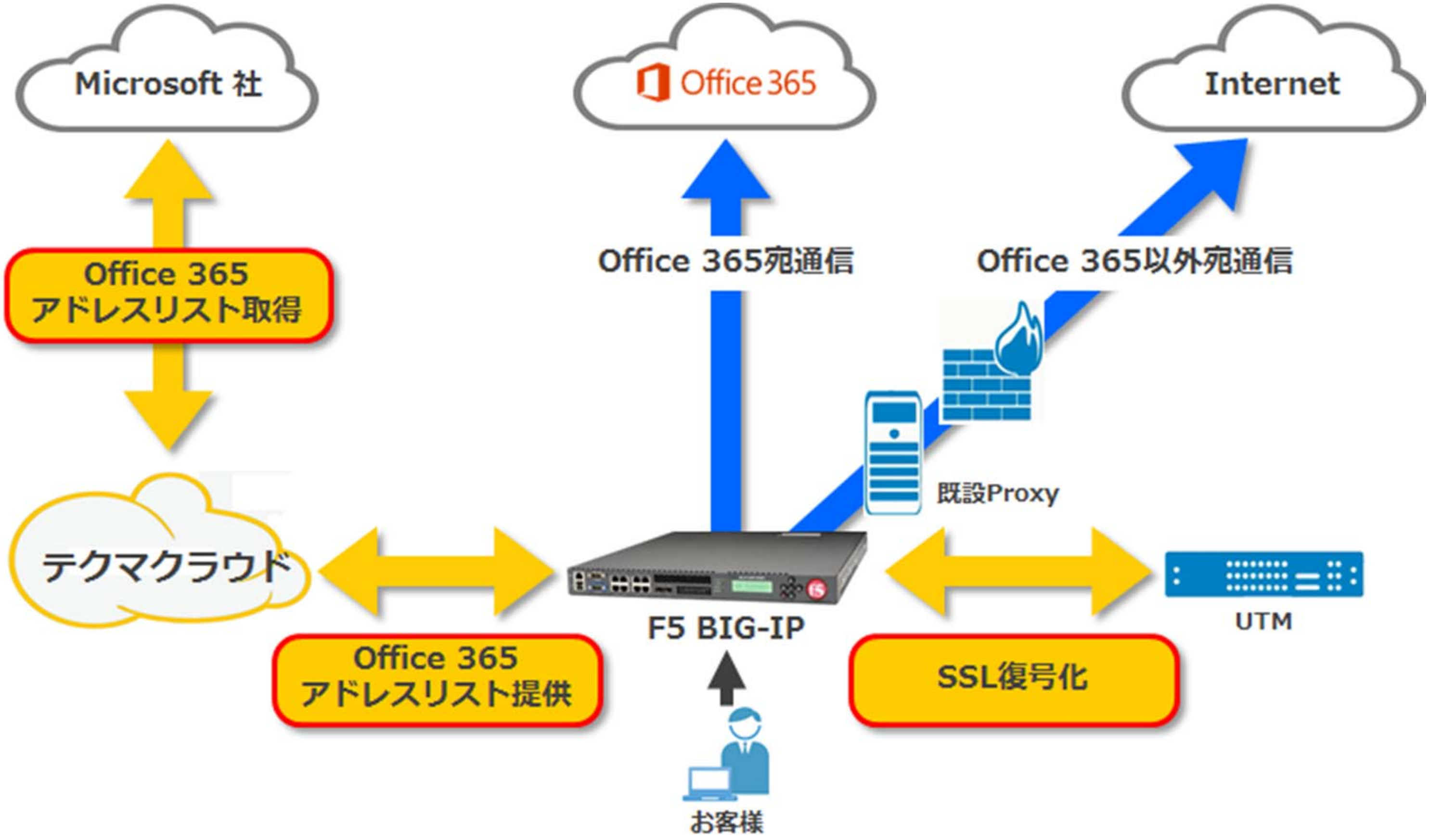
Point!

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


依頼医療機関
ソフトバンク
受託医療機関
iCOMBOX
iCOMBOX
衛生検査所
データセンター
iCOMBOX
診療情報（匿名化）・画像データ
助言・コンサルテーションデータ

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

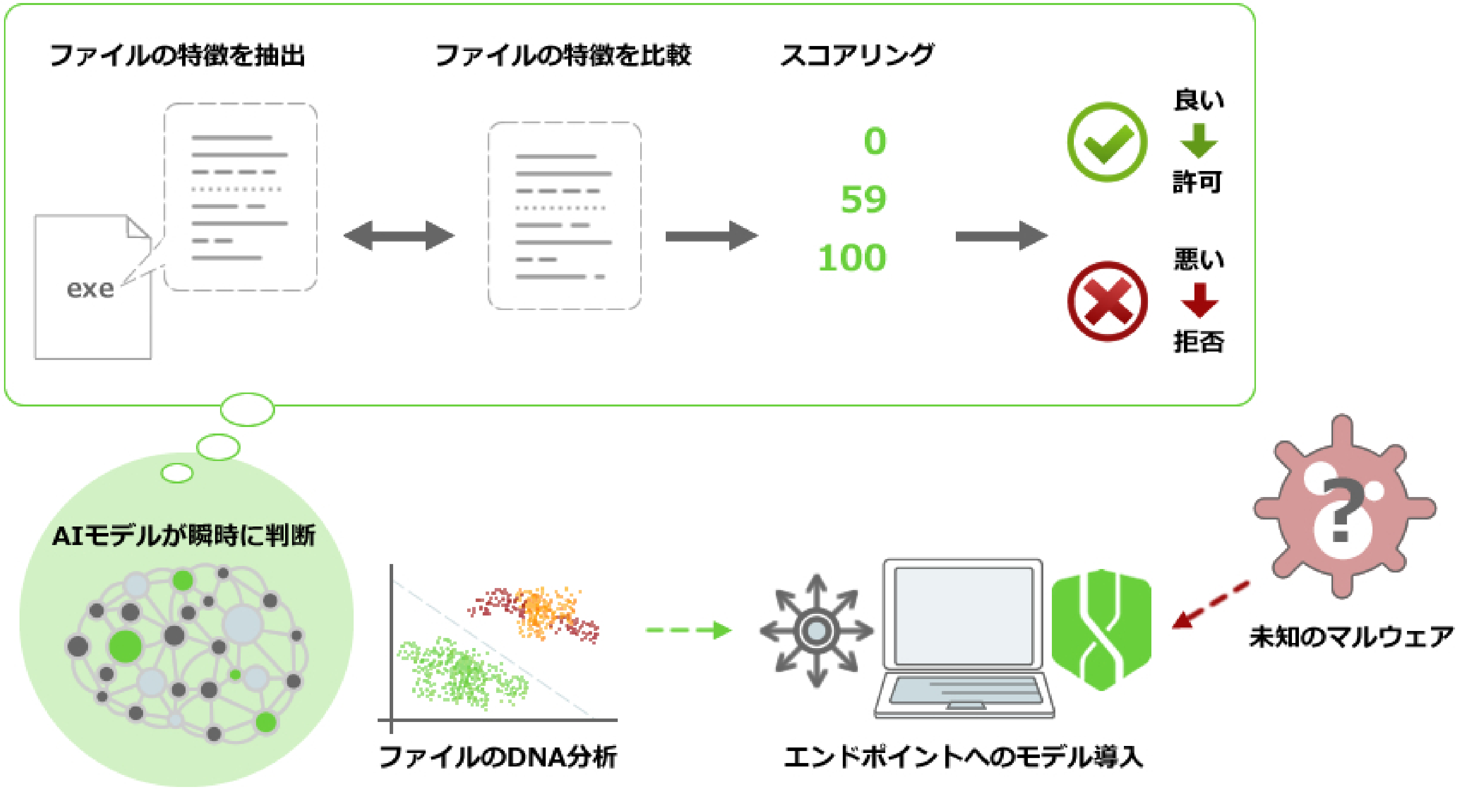
Point! Commenced the provision of the new service for Office 365 using F5 BIG-IP


Microsoft 社
Office 365
Internet
Office 365 アドレスリスト取得
Office 365宛通信
Office 365以外宛通信
既設Proxy
テクマクラウド
F5 BIG-IP
UTM
Office 365 アドレスリスト提供
SSL復号化
お客様

In February, Commenced the provision of AI driven security product "Cylance PROTECT"

Point!

Commenced the provision of AI driven security product "Cylance PROTECT" from Cylance®, Inc.
For cyber attack, this product detects and protects not only known malware but also unknown malware by using deep learning


ファイルの特徴を抽出
ファイルの特徴を比較
スコアリング
exe
0
59
100
良い
許可
悪い
拒否
AIモデルが瞬時に判断
ファイルのDNA分析
エンドポイントへのモデル導入
未知のマルウェア

In February, March
Held Techmatrix CRM FORUM 2017

Point!

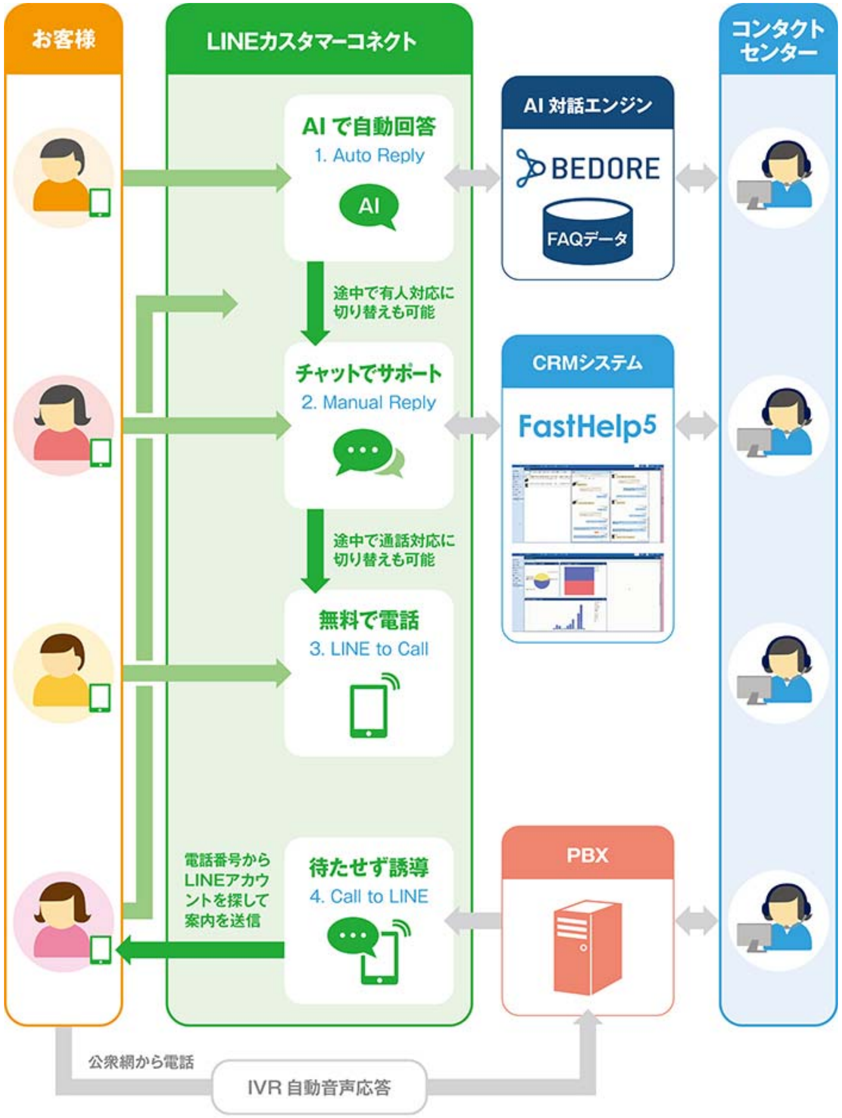
Held Techmatrix CRM FORUM 2017, one of the biggest events in the Japanese contact center marketplace, held on February 24 in Tokyo, March 3 in Ooska
Approximately 2,400 visitors

TechMatrix
テクマトリックス
CRM FORUM 2017
デジタル時代へ、コンタクトセンターの挑戦
AcrossWay
Genesys
UNISYS
テクマトリックス
CRM FORUM 2017

In April, Concluded distributorship agreement of "LINE Customer Connect" with LINE

Point!

Concluded distributorship agreement for
"LINE Customer Connect" with LINE
Combinatuion of AI-based auto chat and human responses


お客様
LINEカスタマーコネクト
AI で自動回答
1. Auto Reply
AI
途中で有人対応に
切り替えも可能
チャットでサポート
2. Manual Reply
途中で通話対応に
切り替えも可能
無料で電話
3. LINE to Call
電話番号から
LINEアカウ
ントを探して
案内を送信
待たせず誘導
4. Call to LINE
AI 対話エンジン
BEDORE
FAQデータ
CRMシステム
FastHelp5
PBX
コンタクト
センター
公衆網から電話
IVR 自動音声応答

In April,
Held ITEM2017

Point!

The International Technical Exhibition of Medical Imaging 2017
On April 14–16
Approximately 22,810 visitors

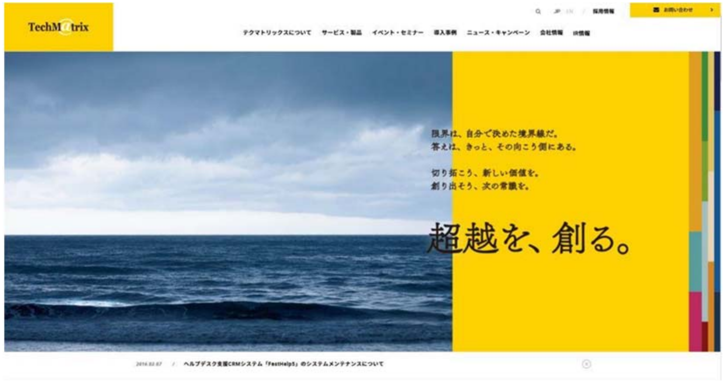
NOBORI
TechMatrix

NOBORI PAL
NOBORI
NOBORI

"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 menbers discuss and formurate many ideas and plans for Next Gen. Techmatrix on their own initiative


TechM@trix
JP EN
採用情報
お問い合わせ
テクマトリックスについて
サービス・製品
イベント・セミナー
導入事例
ニュース・キャンペーン
会社情報
IR情報

限界は、自分で決めた境界線だ。
答えは、きっと、その向こう側にある。

切り拓こう、新しい価値を。
創り出そう、次の常識を。

超越を、創る。

ヘルプデスク支援CRMシステム「FastHelp5」のシステムメンテナンスについて

- **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

自由に挑戦できる
チャレンジ!
厳しくも暖かい場所
上司との距離が近い!
なりたい姿がある場所
出発点
私を再発見
techcon

"For Next Gen. Techmatrix"

Business Models

Healthcare field

Point!

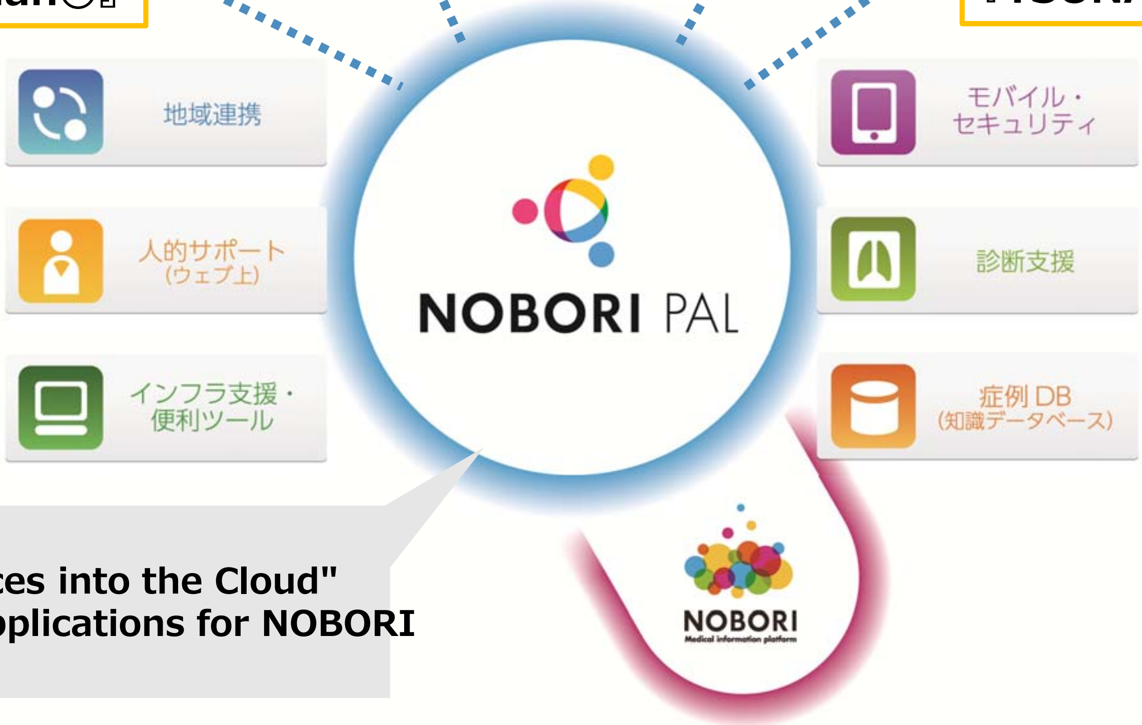
Turn NOBORI into a platform (diversification)
Increased a number of services from N-PAL partners

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

Techmatrix :
Examination reservation service『TONARI』

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

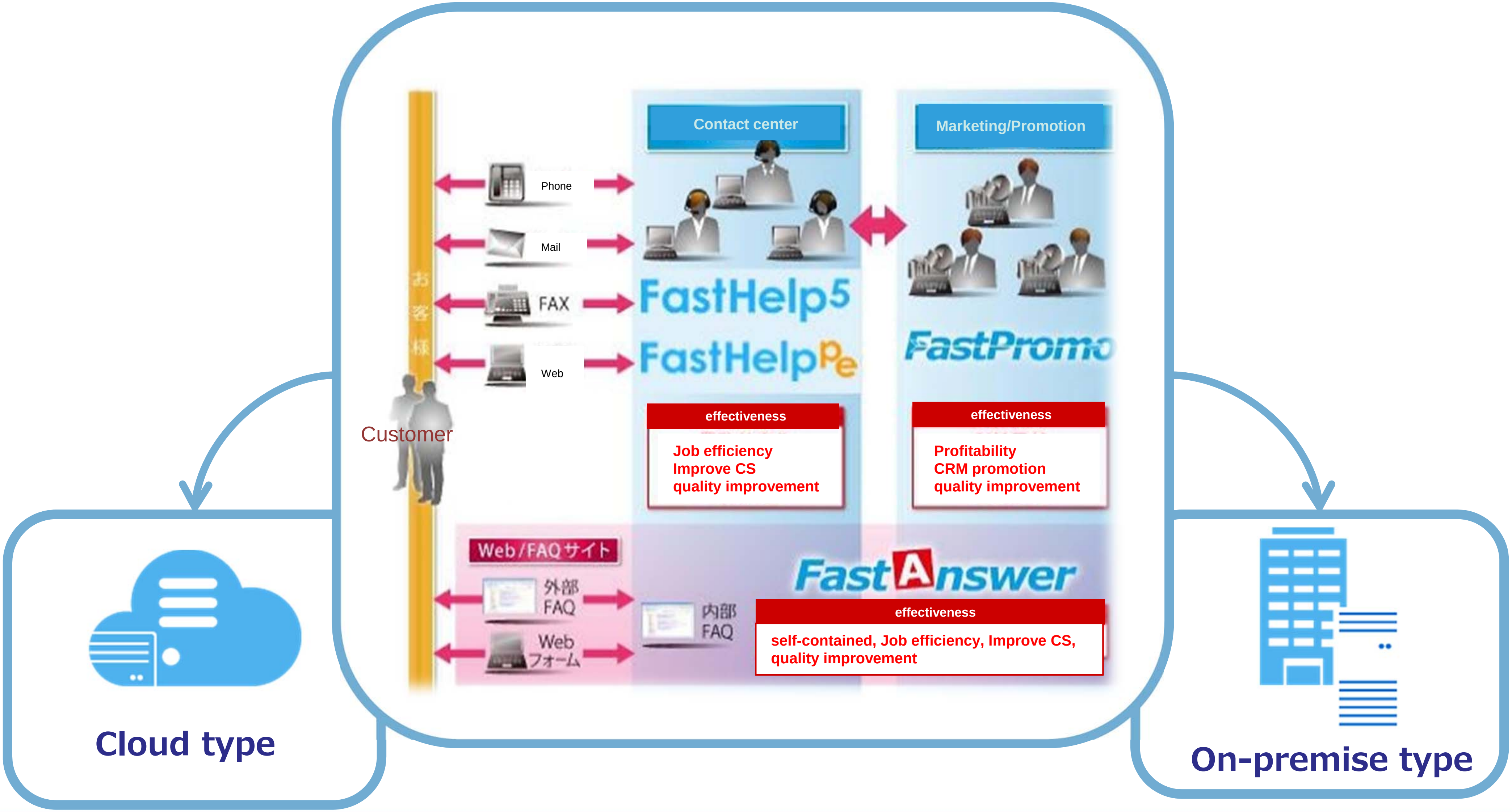
Techmatrix :
Remote image viewing in an emergency『TSUNAGU』


地域連携
人的サポート
(ウェブ上)
インフラ支援・
便利ツール
NOBORI PAL
モバイル・
セキュリティ
診断支援
症例 DB
(知識データベース)
NOBORI
Medical information platform

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

CRM field

Point! Enhancing the competitiveness of customers by CRM system for contact centers


Contact center
Marketing/Promotion
Phone
Mail
FAX
Web
お客様
Customer
FastHelp5
FastHelpPe
FastPromo
Web/FAQサイト
外部FAQ
Webフォーム
内部FAQ
FastAnswer
Cloud type
On-premise type

effectiveness

Job efficiency
Improve CS
quality improvement

effectiveness

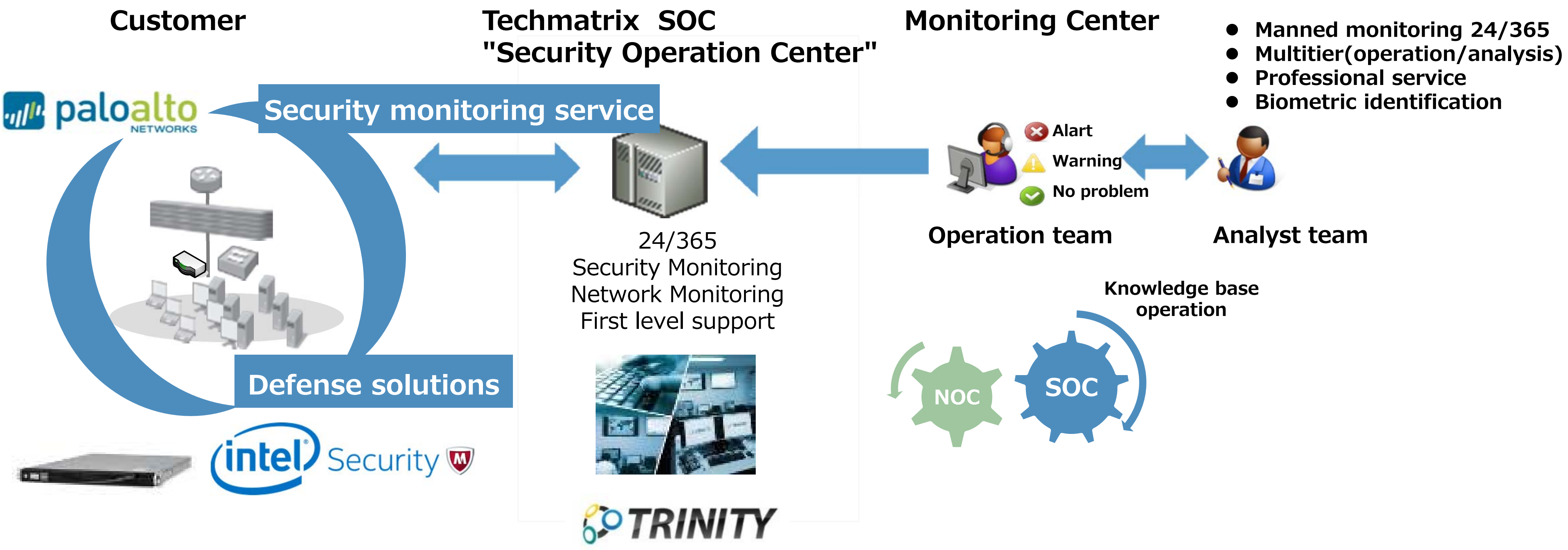
Profitability
CRM promotion
quality improvement

effectiveness

self-contained, Job efficiency, Improve CS, quality improvement

Network & Security field

Point! One-stop solution from Techmatrix



Customer

Techmatrix SOC
"Security Operation Center"

Monitoring Center

- **Manned monitoring 24/365**
- **Multitier(operation/analysis)**
- **Professional service**
- **Biometric identification**

Security monitoring service

Defense solutions

24/365
Security Monitoring
Network Monitoring
First level support

Alart
Warning
No problem

Operation team

Analyst team

Knowledge base operation

NOC

SOC

One-stop solution

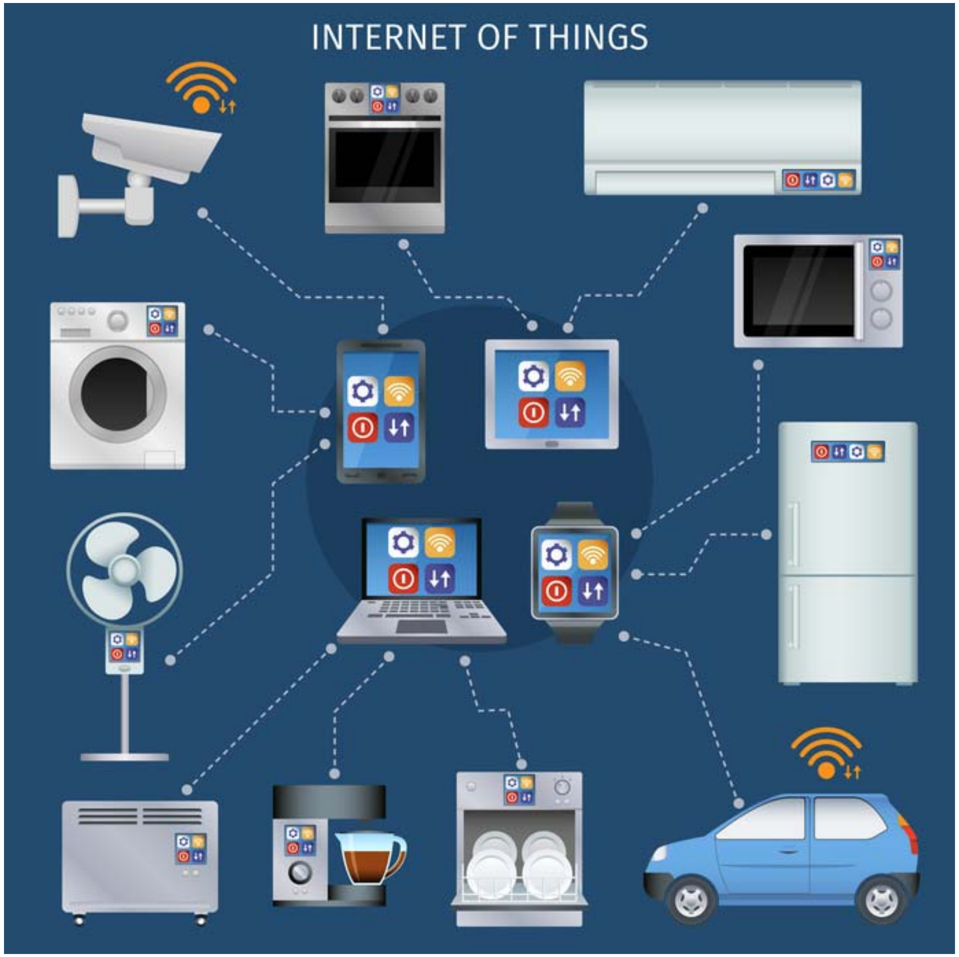
One-stop solution for system design, construction, maintenance, operation and monitoring services.

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.

Software Quality Assurance field

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

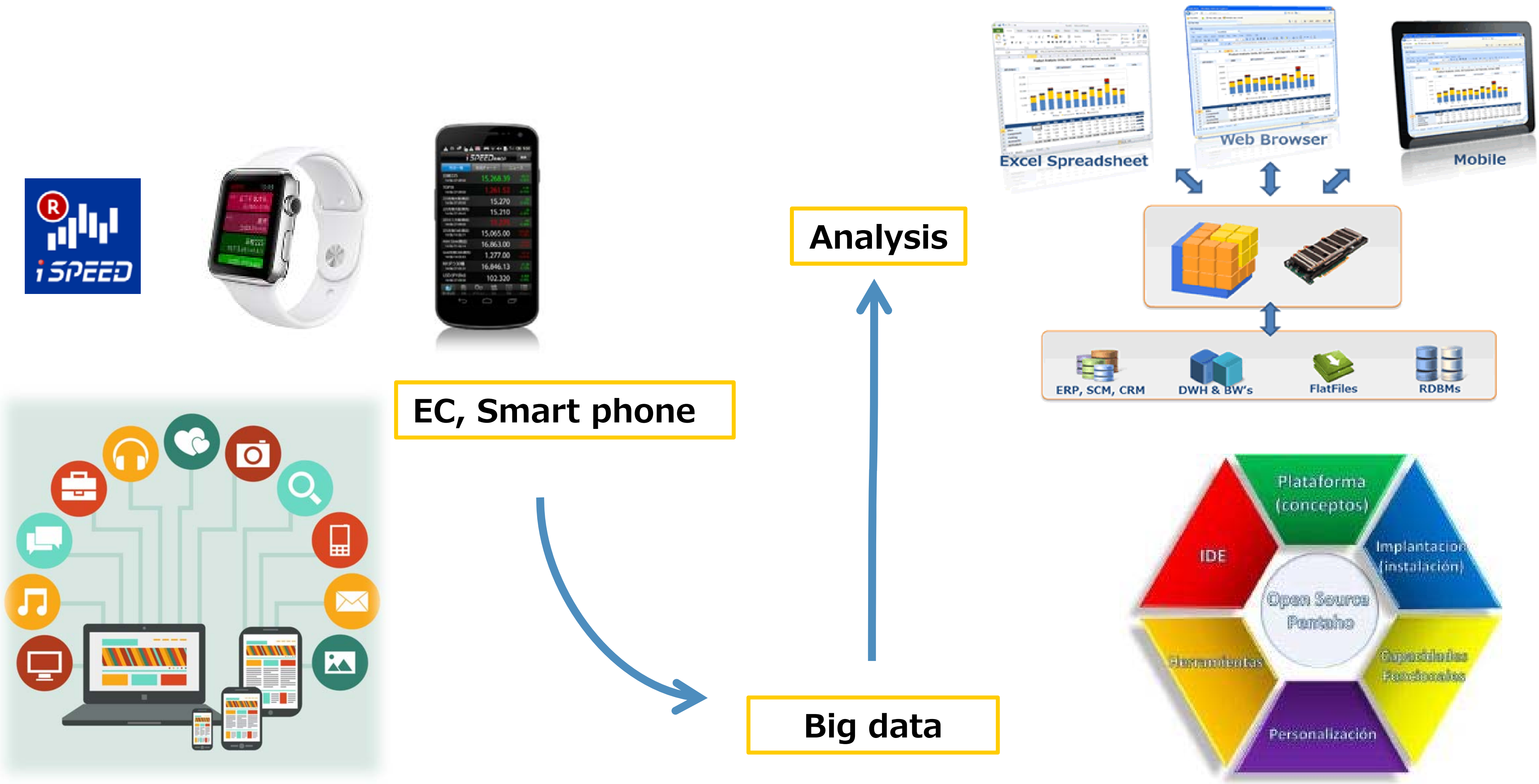
Improve quality of embedded software
Comply with functional safety standards

EC&BI field

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


iSPEED
Excel Spreadsheet
Web Browser
Mobile
ERP, SCM, CRM
DWH & BW's
FlatFiles
RDBMs
Plataforma (conceptos)
IDE
Implantación (instalación)
Open Source Pentaho
Herramientas
Capacidades Funcionales
Personalización

EC, Smart phone

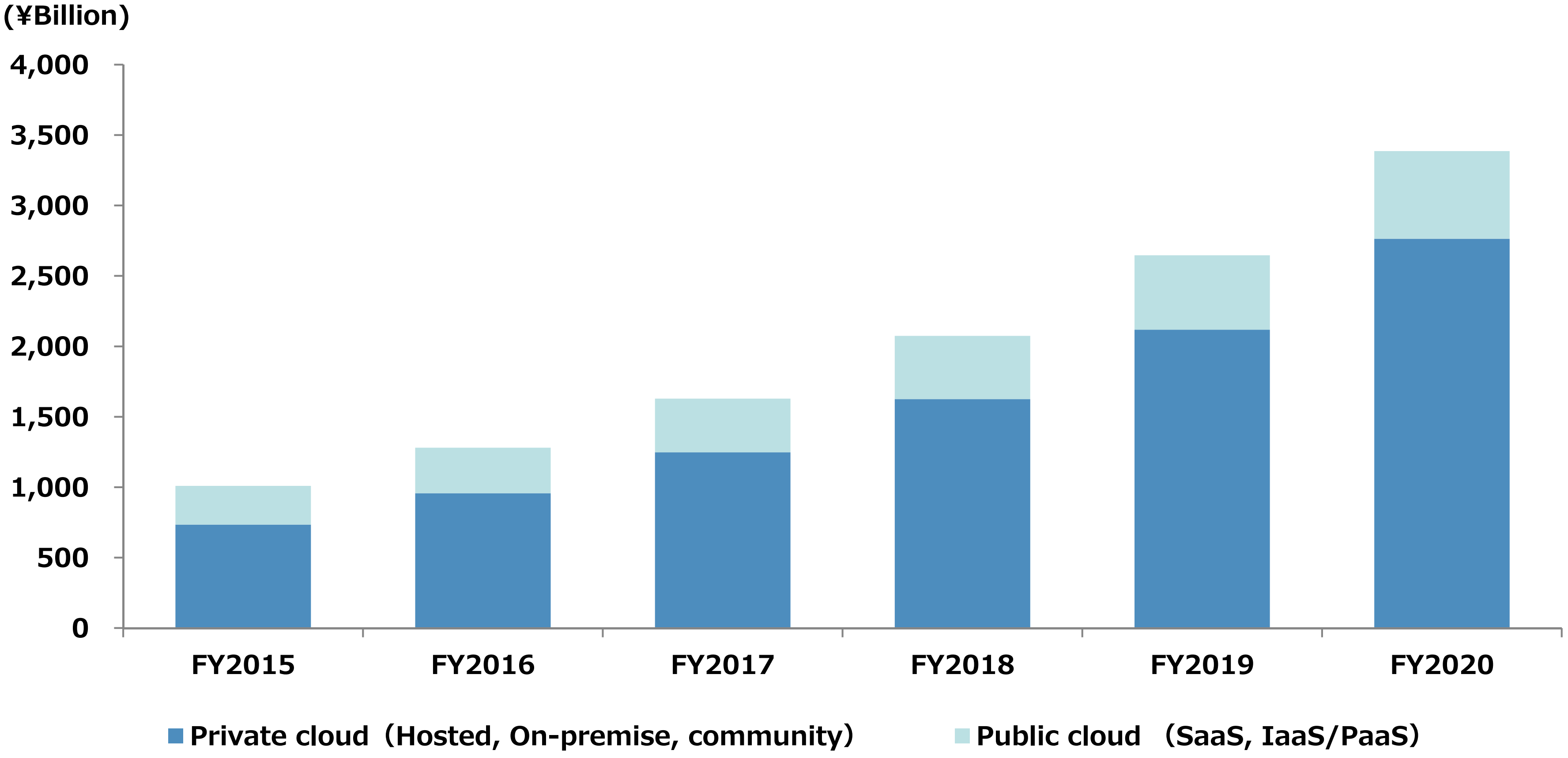
Big data

Analysis

Market Conditions for our business

Market Conditions for our business

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



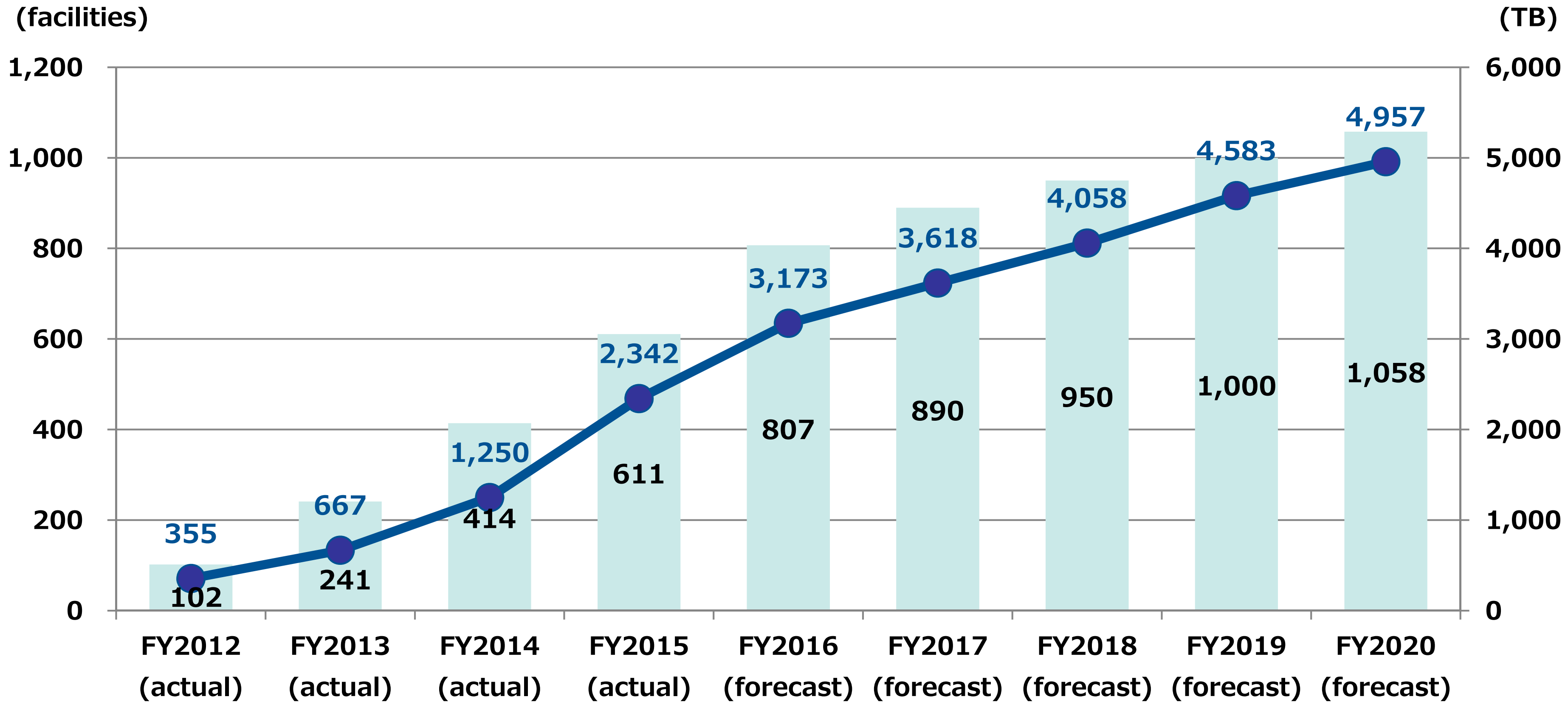
◆Forecast ¥3,000 billion in FY2020 for cloud market

◆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

Market Conditions for our business

<Cloud PACS market size estimate (Japan)>



*Estimate as of Jan, 2017

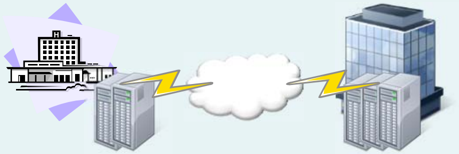
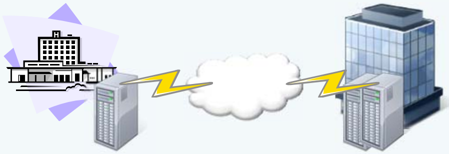
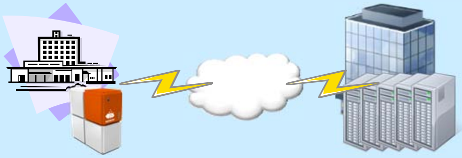
▨ Number of contracted facilities ● Estimated capacity

◆Number of contracted facilities using cloud was 807 as of the end of FY2016 in Japan.
◆Techmatrix has successfully contracted with about 650(accumulated) as of the end of FY2016.

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

Market Conditions for our business

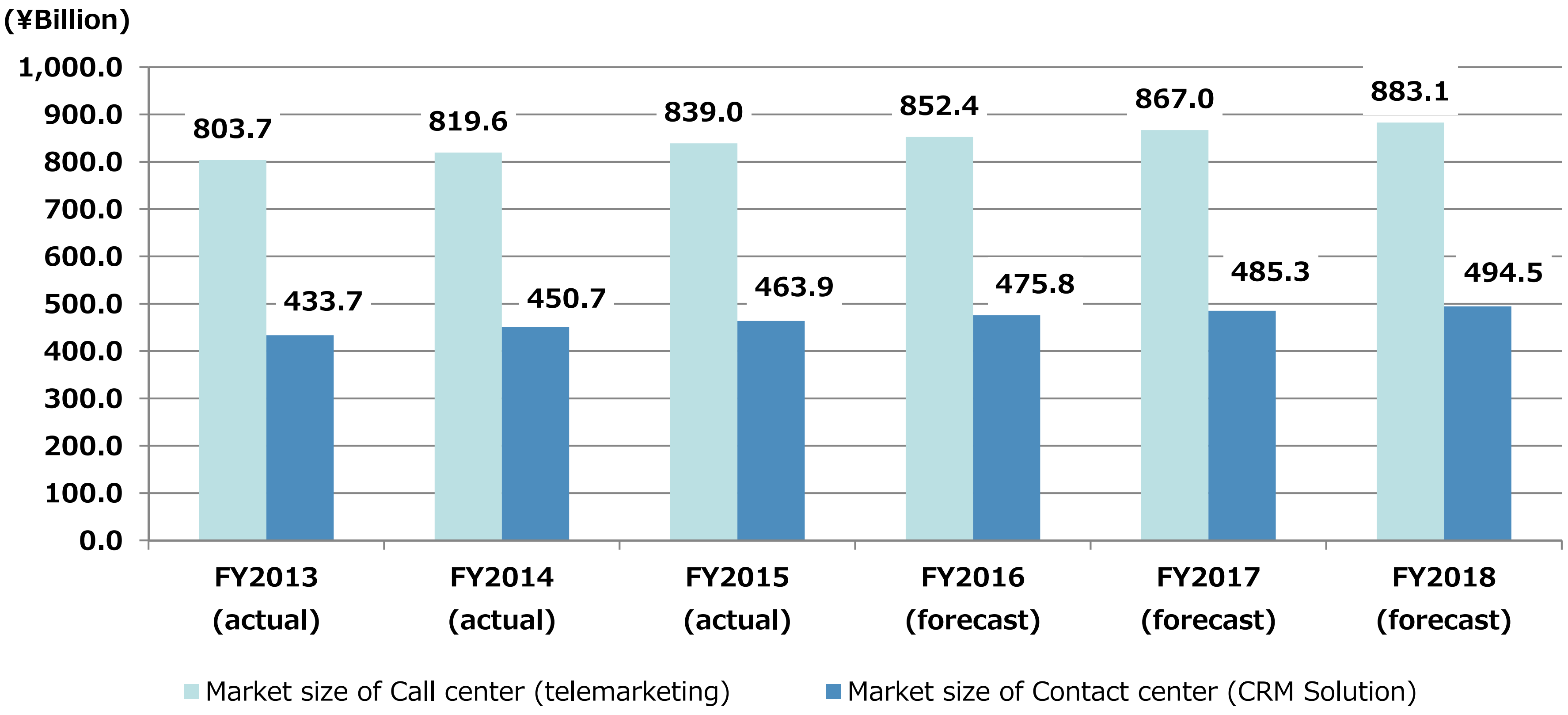
<Type of PACS Cloud>

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.**

Market Conditions for our business

<CRM software market size (Japan)>



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

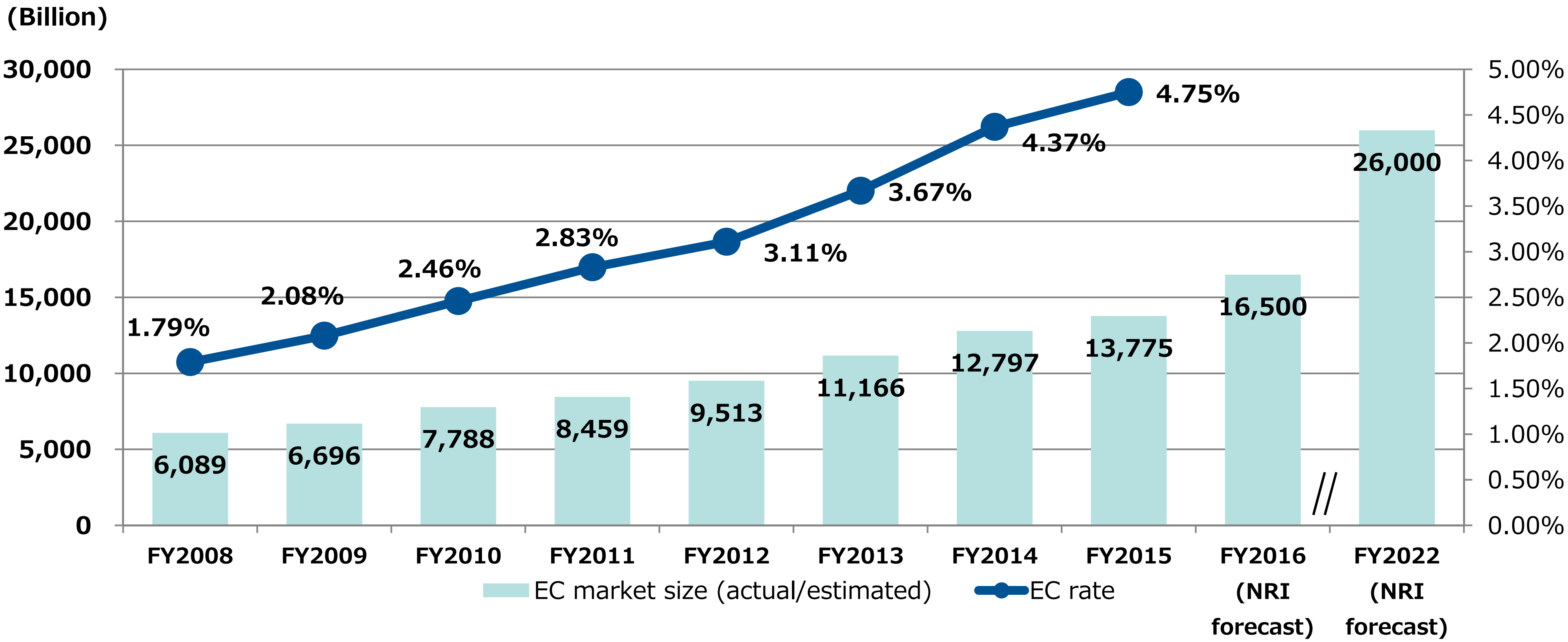
◆Market size of Call center (telemarketing) is forecasted to grow at average rate of 1.9% each year form FY2013 to FY2018 and to ¥883.1 billion as of FY2018

◆Market size of Contact center (CRM Solution) is forecasted to grow at average rate of 2.7% each year form 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

Market Conditions for our business

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



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

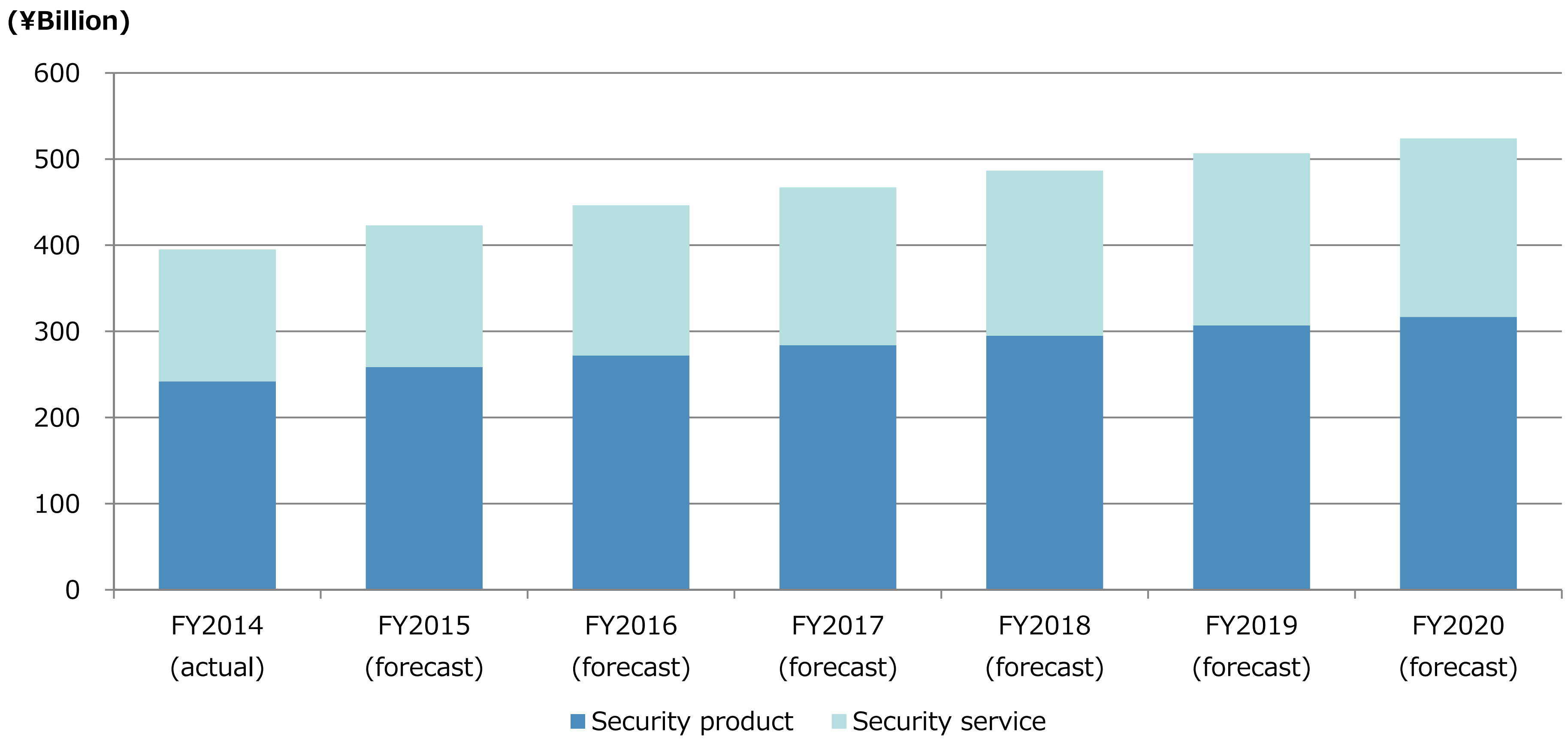
◆Market size related to EC was 7.6% up in 2015 year on year. Increased EC rate to 4.75% in 2015.

◆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

Market Conditions for our business

<Network & Security market size (Japan)>



◆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

TEL:03-4405-7802 ir@techmatrix.co.jp