



Results for the 3rd Quarter of 36th business period (Fiscal Year Ending March 31, 2020)

TECHMATRIX CORPORATION

- 1. Business Highlights for the 3rd Quarter of 36th business period (Consolidated)**
- 2. Topics of Business activities**
- 3. Medium-Term Management Plan "GO BEYOND 3.0"**
- 4. Business Models**
- 5. Market Conditions for our business**

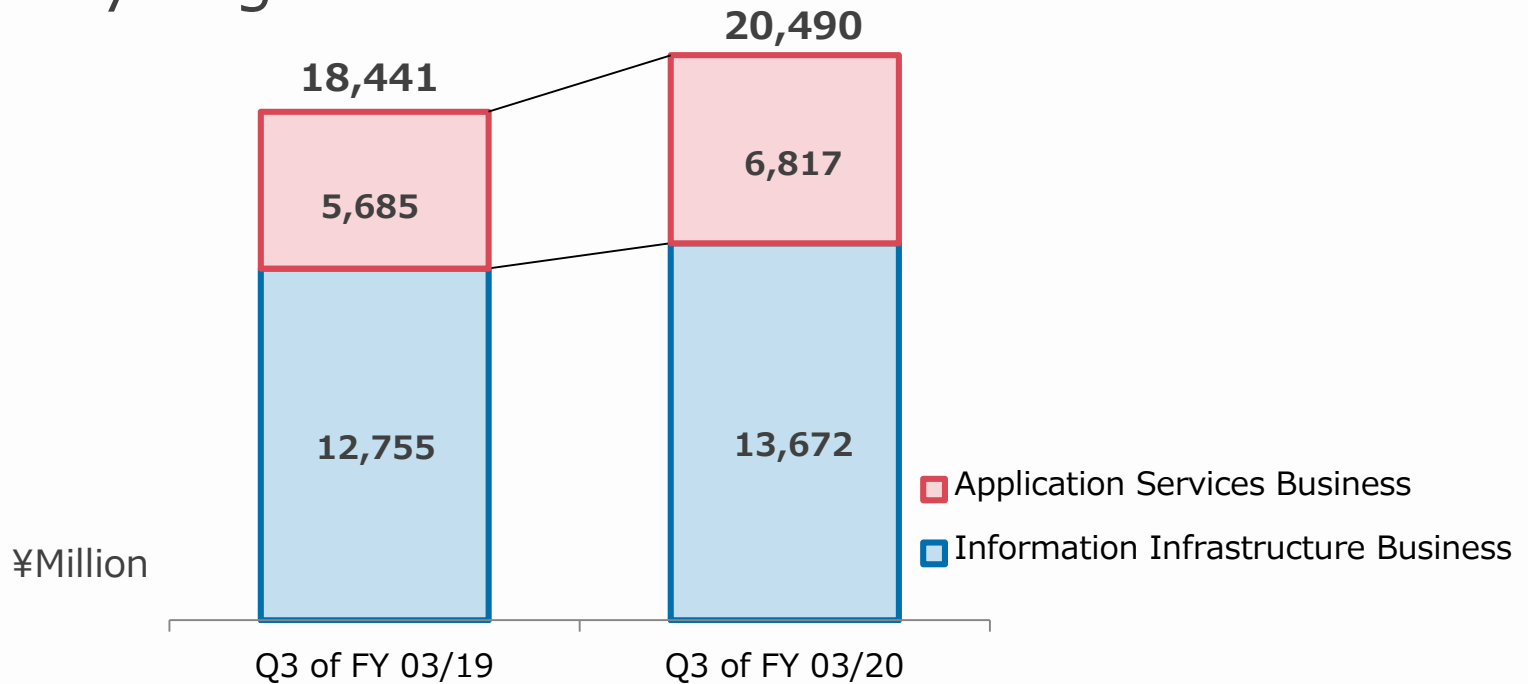
1. Business Highlights for the 3rd Quarter of 36th business period (Consolidated)

Business Highlights (Consolidated)

- ◆ The highest consolidated net sales, operating income, ordinary income and profit attributable to owners of the parent.

	Q3 of FY 03/19 (¥Million)	Q3 of FY 03/20 (¥Million)	Change in amount (¥Million)	Rate of Change (%)
Net sales	18,441	20,490	+2,049	+11.1%
Operating income	1,548	2,101	+552	+35.7%
Ordinary income	1,493	2,094	+601	+40.3%
Profit attributable to owners of the parent	955	1,358	+402	+42.1%

Net sales by Segment

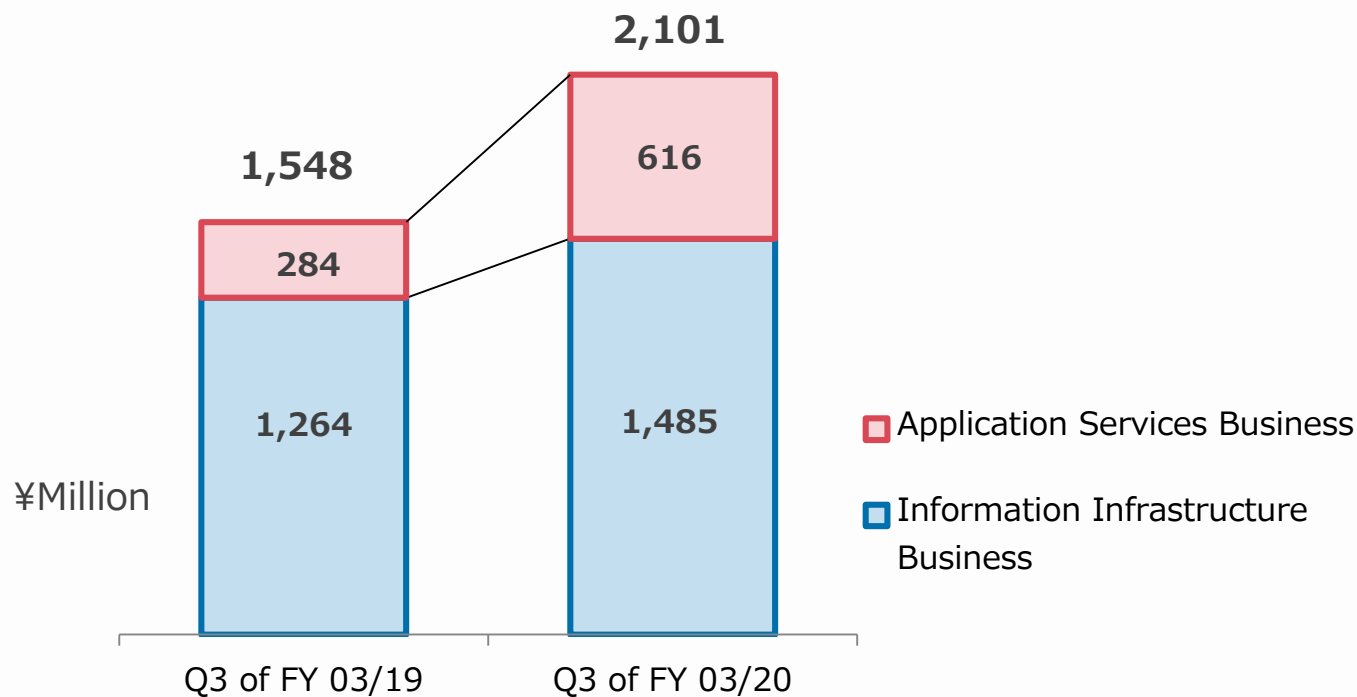


	Q3 of FY 03/19 (¥Million)	Q3 of FY 03/20 (¥Million)	Change in amount (¥Million)	Rate of Change (%)
Information Infrastructure Business	12,755百万	13,672百万	+917百万	+7.2%
Application Services Business	5,685百万	6,817百万	+1,131百万	+19.9%

◆ Information Infrastructure Business: The highest consolidated 9months total net sales. Strong performance in next-generation firewalls, intrusion prevention appliances, web security products and next-generation mail security products.

◆ Application Services Business: The highest consolidated 9months total net sales due to solid businesses for Medical, CRM and Software Quality Assurance field. Received orders for large projects in the CRM field.

Operating income by Segment



	Q1 of FY 03/19 (¥Million)	Q1 of FY 03/20 (¥Million)	Change in amount (¥Million)	Rate of Change (%)
Information Infrastructure Business	1,264	1,485	+220	+17.4%
Application Services Business	284	616	+332	+116.9%

◆ Information Infrastructure Business and Application Services Business: The highest consolidated 9 months total operating income.

Weather chart by Segment

◆ Information Infrastructure Business	Year on year
Load balancers (BIG-IP, EDGE)	
Next-Generation Firewalls (PaloAlto, Traps)	
Antivirus / Intrusion prevention Appliances / Security Information and Event Management(SIEM) / Web security	
Personal authentication systems / Forensic products / Storage products	
Security-related operation and monitoring services	
AI-driven threat protection/Endpoint detection and response/others	
CROSS HEAD & Okinawa Cross Head	
◆ Application Services Business	Year on year
Business Solution field (Including CASAREAL)	
Software Quality Assurance field	
Medical field (Including Ichigo)	
CRM field	



+10% and over



+5% ~ +10%



within ±5%



within Δ10%

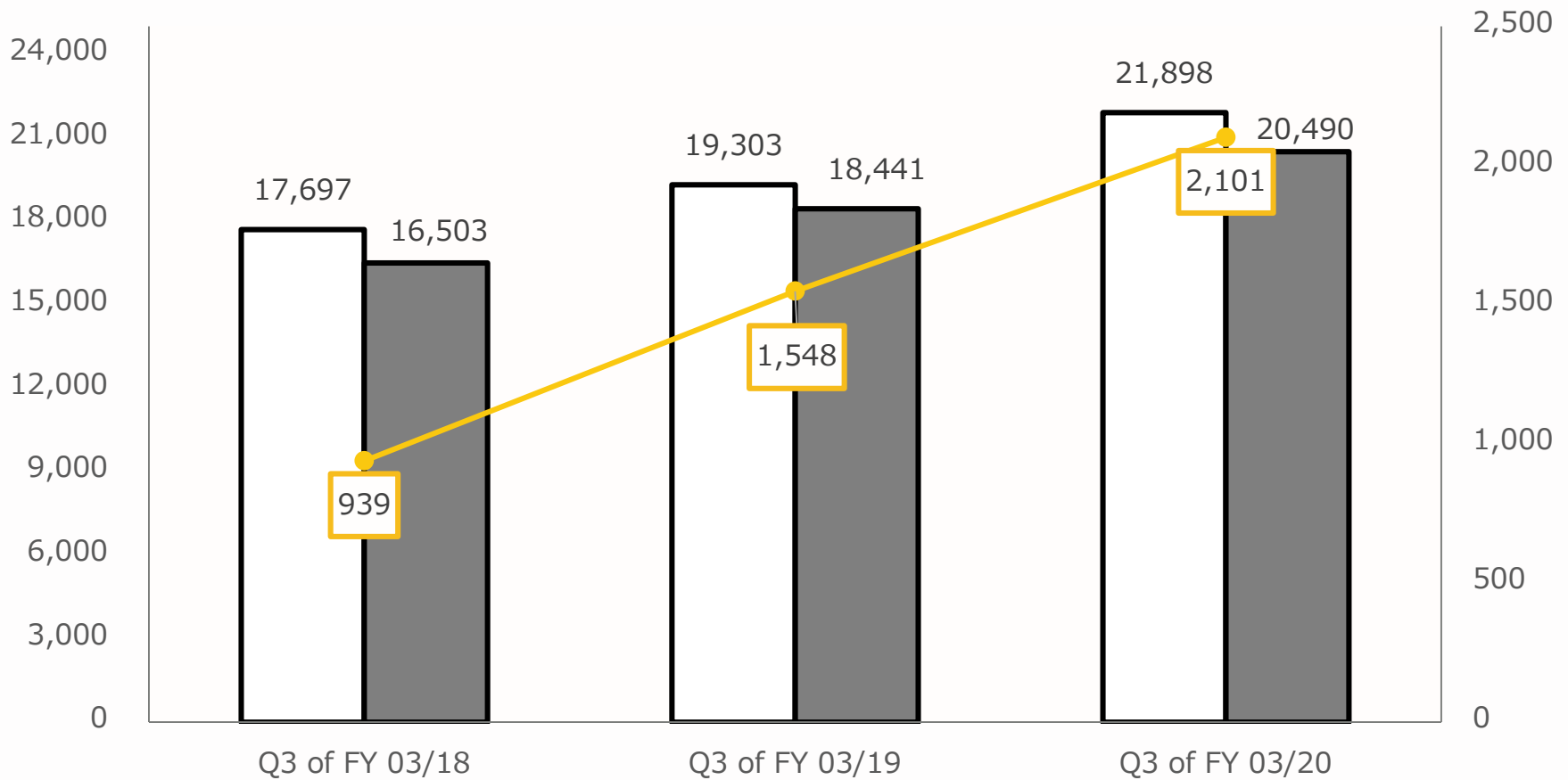


under Δ10%

Booking and Net sales / Operating income

Booking and Net sales
(¥Million)

Operating income
(¥Million)

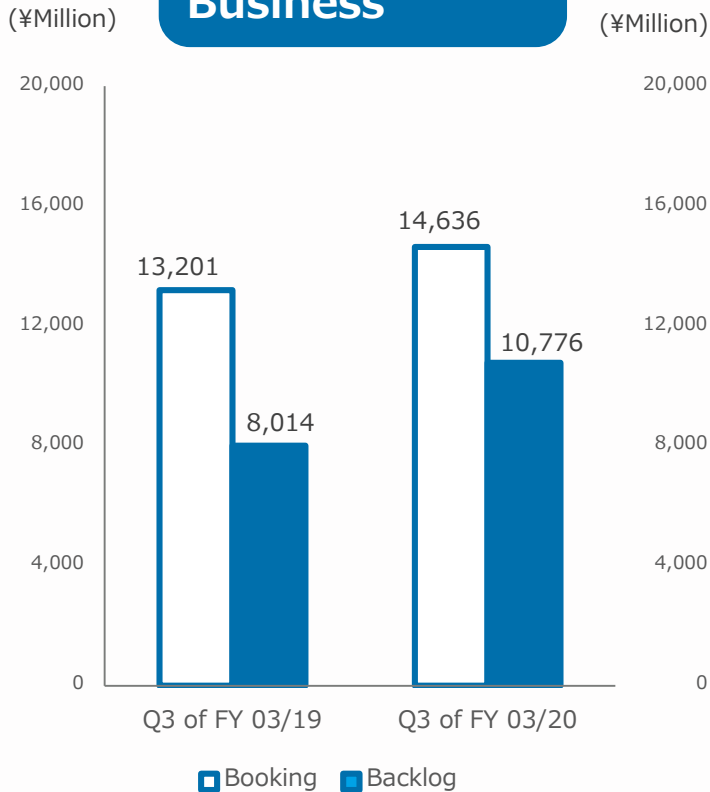


Booking Net sales Operating income

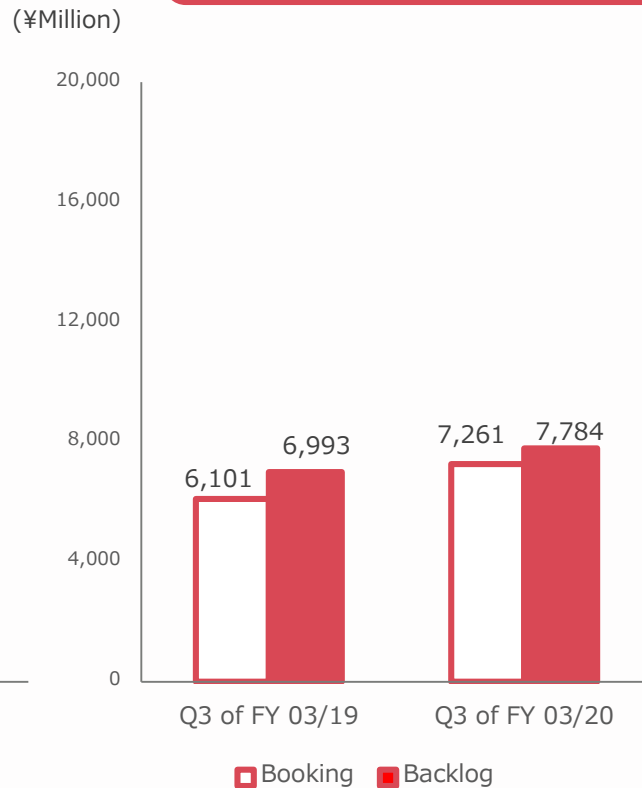
Booking and Backlog

- ◆ Information Infrastructure Business: Booking were in good shape (10.9%UP) . Backlog increased (34.5%UP).
- ◆ Application Services Business: Booking were in good shape (19.0%UP).Backlog increased (11.3%UP).

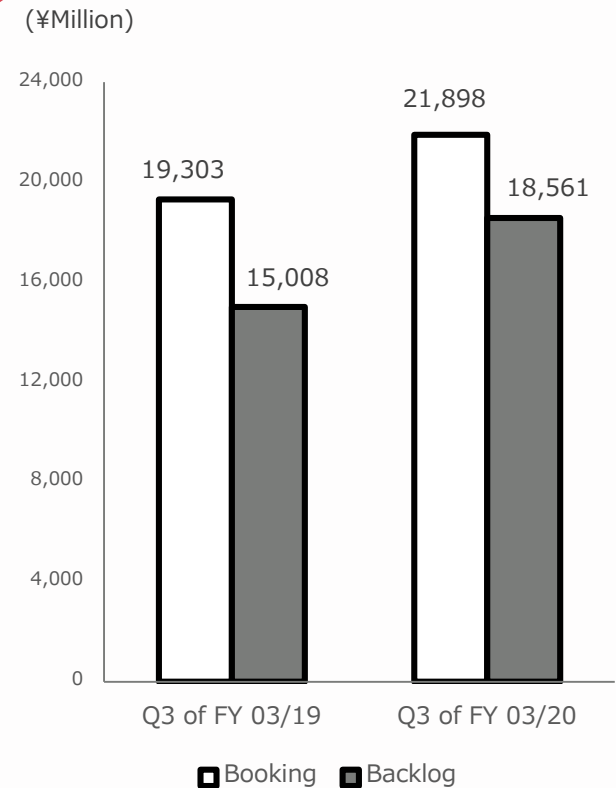
Information Infrastructure Business



Application Services Business

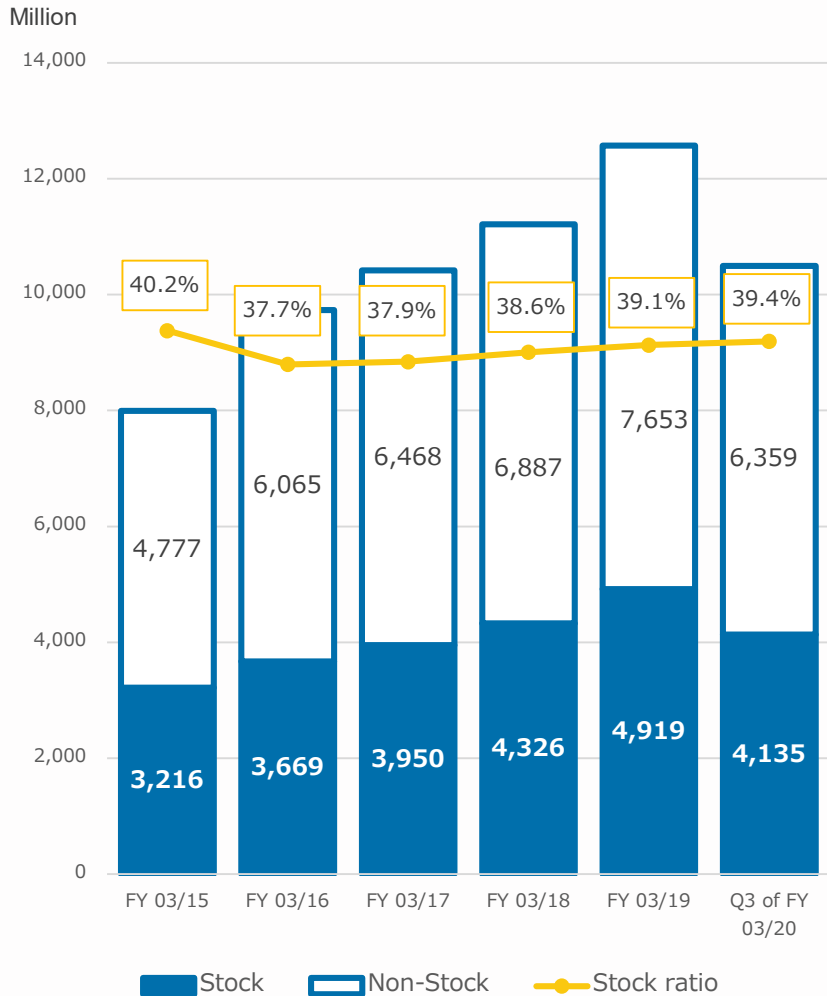


total



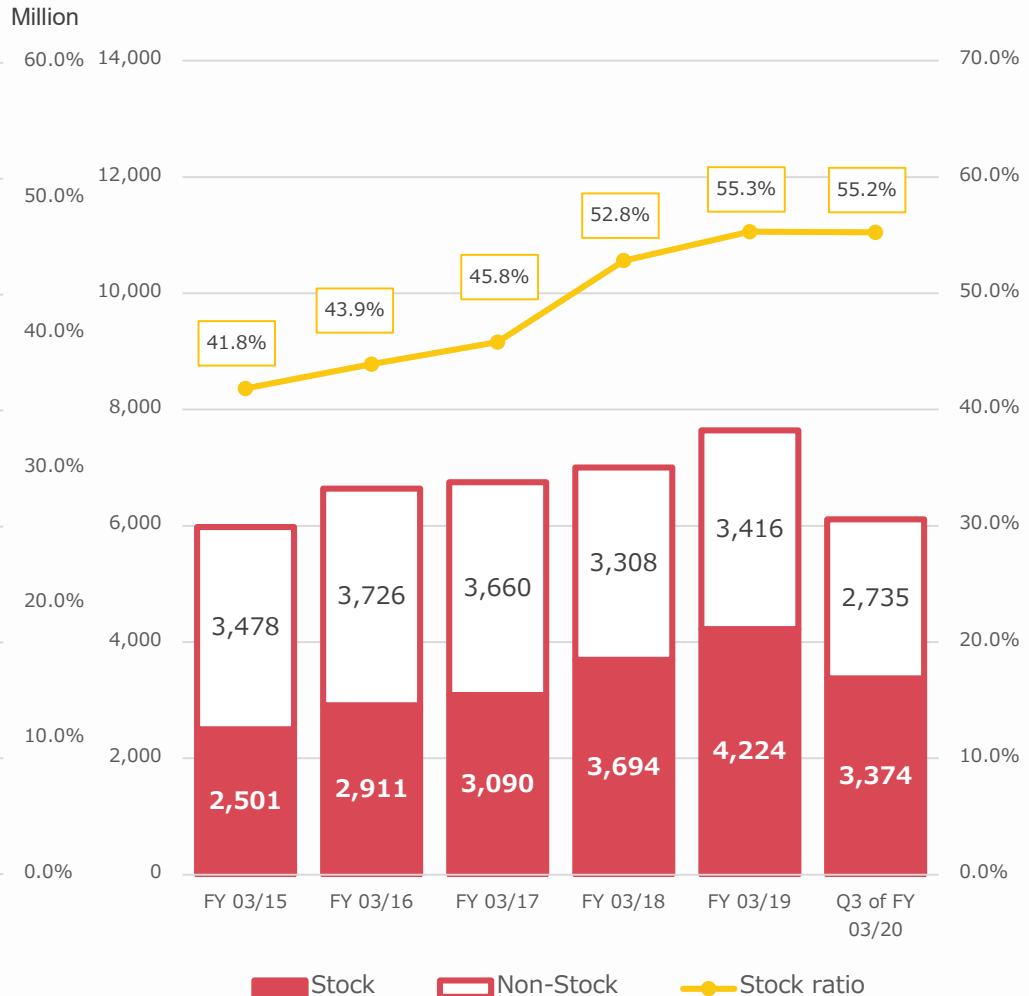
Stock type sales (Recurring revenue) ratio of TECHMATRIX and NOBORI

Information Infrastructure Business



* Information Infrastructure Business: Stock ratio was healthy

Application Services Business



* Application Services Business: Stock ratio went up due to the growth of cloud businesses

Balance sheet

- ◆ Cash and deposits increased due to issuance of stock acquisition rights with exercise price amendment provision to a third party clause issued in July 2018 (100% of the number of allotment was completed in June 2019). (¥Million)

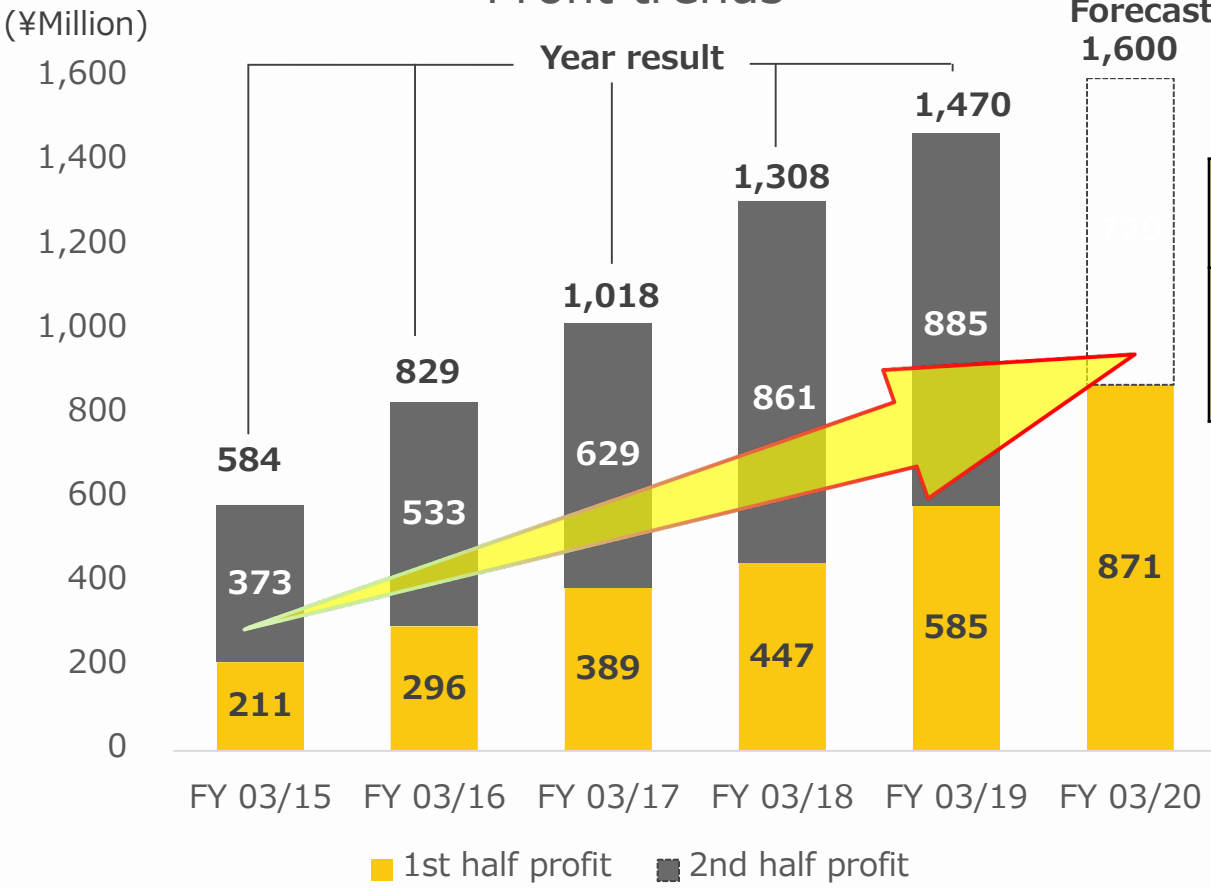
	FY 03/19	Q3 of FY 03/20		FY 03/19	Q2 of FY 03/20
Current assets	21,194	22,702	Current liabilities	10,410	10,534
Cash and deposits	11,802	12,578	Accounts payable-trade	1,214	1,164
Notes and accounts receivable-trade	4,787	4,817	Short-term loans payable	450	450
Other	4,603	5,306	Current portion of long-term loans payable	300	275
Noncurrent assets	4,539	4,986	Other	8,445	8,644
Property, plant and equipment	1,194	1,210	Noncurrent liabilities	2,948	2,666
Goodwill	3	-	Long-term loans payable	1,150	950
Other	1,225	1,315	Other	1,798	1,716
Investments and other assets	2,116	2,460	Total liabilities	13,358	13,200
Current assets	25,733	27,689	Shareholders' equity	11,128	13,135
			Total accumulated other comprehensive income	△3	43
			Total net assets	12,374	14,488
			Total liabilities and net assets	25,733	27,689

* Equity ratio
 FY 03/19 43.2%
 Q3 of FY 03/20 47.6%

Pay out interim dividend (Revised forecast of dividend)

◆ Sales seasonality was leveled, due to the growth of cloud businesses as an integral part of the company's efforts to aggressively change its business model. As a result, we decided to pay out an interim dividend for the first time because the percentage of net profit recorded in the 1st half increased, compared with the projected full-year net profit.

Profit trends



FY 03/20 dividend (plan) (¥yen)

	Interim dividend	a term-end dividend
Forecast (05/19)	—	27.0
Revised Forecast (10/19)	12.0	15.0

* Depending on the year-end results, the amount of the currently planned year-end dividend is subject to change.

<Dividend Policy>

- Consider balance with internal reserve.
- The company's guideline for dividend payout ratio (on a full-year basis) is more than 20%.

※Profit attributable to owners of the parent

2. Topics of Business activities

Products and services in Information Infrastructure Business



Products and services in Information Infrastructure Business



a Hewlett Packard
Enterprise company



Hyper-converged secondary storage **"Cohesity"** can transparently manage storage volume between on-premises and public cloud.

Cost reduction can be achieved by integrated management of various back-up environments. **Effective data utilization can be realized** by data aggregation and a proper positioning of increasing amounts of data used for AI and generated by IoT.

Secondary storage

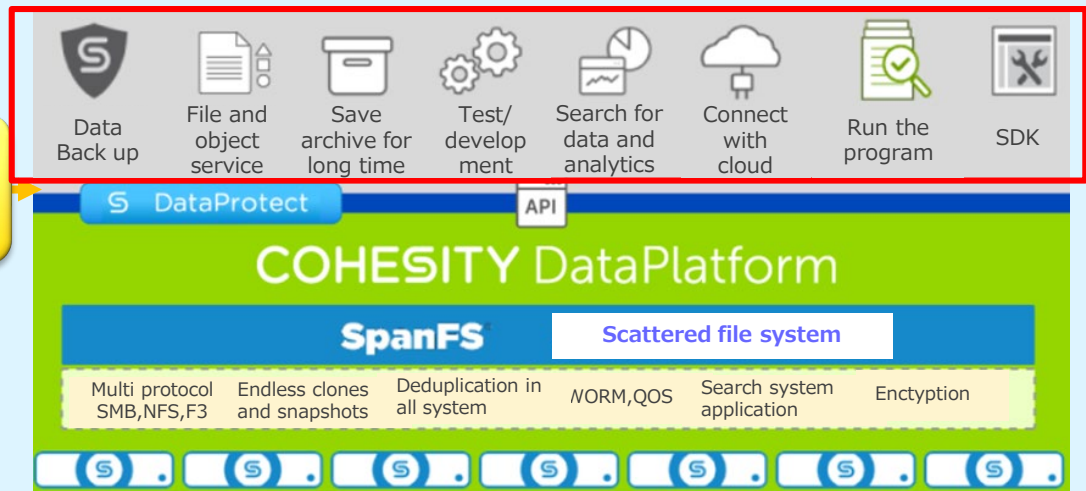
All-in-one platform applicable to various use cases.

Disaster recovery environment can be configured in public cloud.



Integrated management with cloud

Economical public cloud can be used.



Primary storage

Fast backup

Forescout Technologies, Inc. Forescout Platform visualizes / secures IT, IoT and OT devices without any Software Agents*.

* Software Agent : A Software Agent is a computer program embedded in the end-devices that reacts to its environment and runs without continuous direct supervision to perform some functions on behalf of an end user or another program.

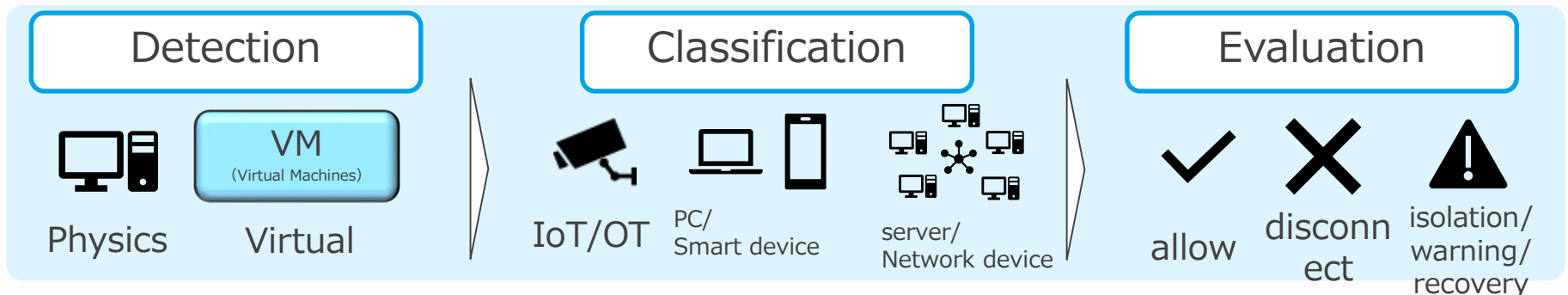
NOW: Multi Devices including IoT/OT devices are interconnected.

⇒ Headache: Cyber attacks targeting to IoT/OT devices increased.

Point ! 🖱️ Required to grasp all connected devices correctly and limit the targets for cyber attacks.



- Visualization of devices and the status without any Software Agents
- Check the collected data with security policy



Automatically and forcibly disconnect from network when non-conforming device is detected

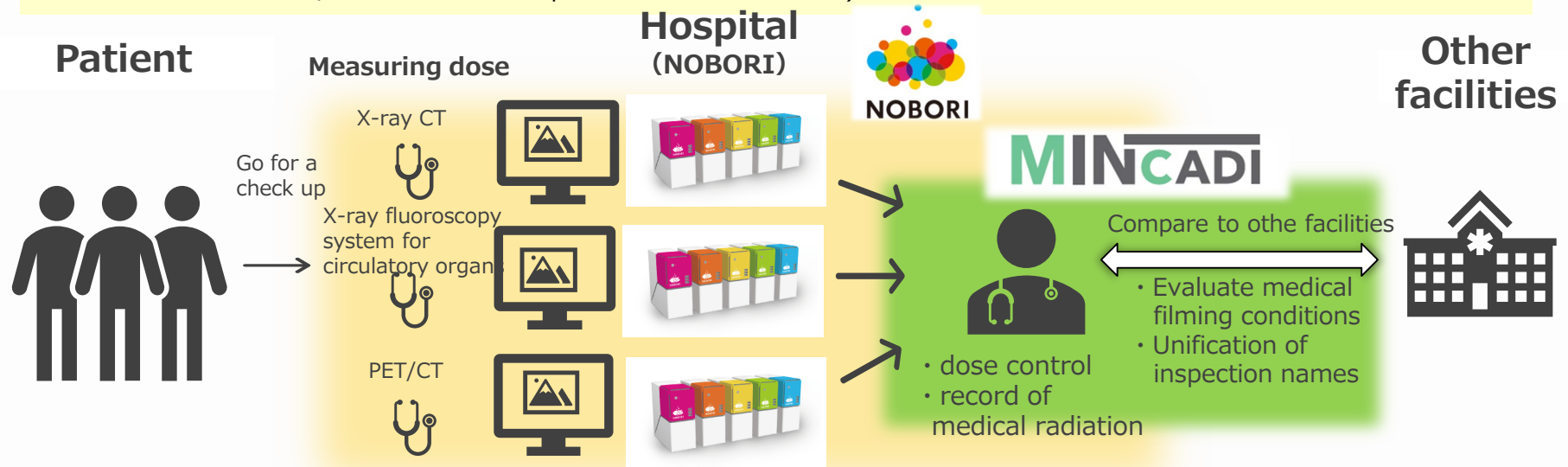
NOBORI

“MINCADI” added to “NOBORI PAL”

*MINCADI : Provided by A-Line Co., Ltd. It is solution to optimize and control medical radiation dose per patient, medical filming conditions for each inspection by automatically getting information from medical images and inspection equipment such as CT.

<Medical radiation dose control in medical field>

Point ! Being obligated to record and manage medical radiation dose from next April. (Target; X-ray CT, X-ray fluoroscopy system for circulatory organs, PET/CT, SPECT/CT and Radioisotope for medical treatment)



■ Merit of “NOBORI” users

Can easily start using this solution by paying only a monthly fee without any new equipment or any additional installation fee

29,960,000

The number of patients who stored medical images in NOBORI

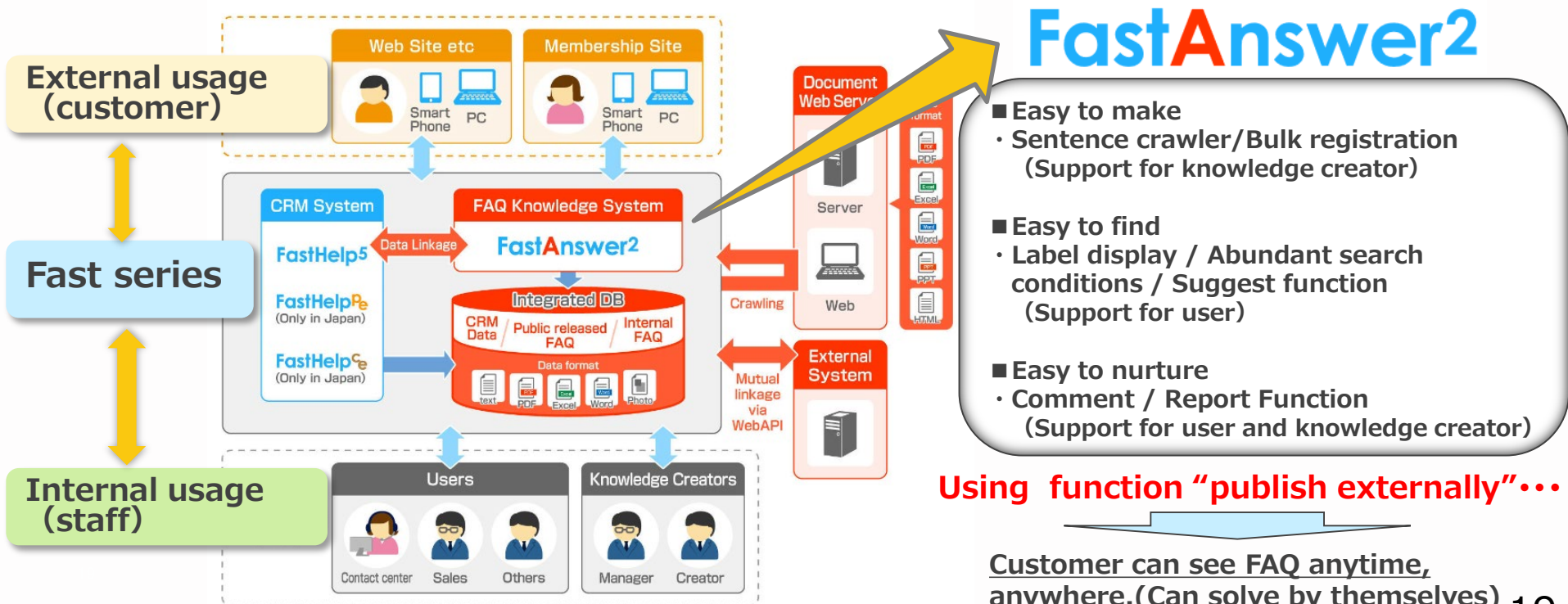
170,230,000

The number of inspections stored in NOBORI

(December 31 , 2019)

Bookings were increased for “FastAnswer2” (FAQ knowledge-system to be used in contact centers)

- **FAQ** is a collection of frequently asked questions / expected questions and answers to those questions.
- ⇒ “FastAnswer2” is applicable to both external FAQ (Customer FAQ) and internal FAQ (Internal operators can refer to FAQ as well as knowledge such as product information and various internal documents when dealing with questions from customers.).



Bookings were increased for “Parasoft C++test”, an automated software testing tool used for static analysis and unit test for source code of embedded software.

(Double-digit sales growth)

Point ! **Automotive industry encountered a drastic change that only occurs once every 100 years.**

⇒Software became huge and too complicated to respond to the needs for CASE※.

⇒The key point for each automotive company is how to improve the efficiency of embedded software development and software defects are fatal.

※CASE : Coined word configured by initial of Connected, Autonomous, Shared & Services, Electric.

C++test : By using an automated software testing tool in the early stage of software development processes, unnecessary rework can be eliminated.

⇒Incorporating static analysis and unit test in the early stage of software development processes to improve the quality.

: Functional safety solution to meet the quality requirements defined in coding standards such as “AUTOSAR※” and “MISRA※” .

※AUTOSAR : Auto industry global development partnership to develop and establish a standard E/E architecture common.

※MISRA : Organization that collaborates with automobile/prats manufactures and engineering consultants. Creating guideline for embedded software.

<Image of analytics screen>



<static and dynamic test>

Static test	Flow Analytics	● Detect bugs
	Check of coding rule	● Detect error of coding rules
	Metrics measurement	● Measure software quality
Dynamic test	Support for unit test	● Creating a test case and stub ● Measure of coverage
	Application monitoring	● Visualization integration/functional test ● Detect error of memory-related

**Bookings were increased for "Ranorex",
an automated UI-testing tool(Double-digit sales growth.)**

< Ranorex >

Can create a test scenario by capturing user operations on UI*.

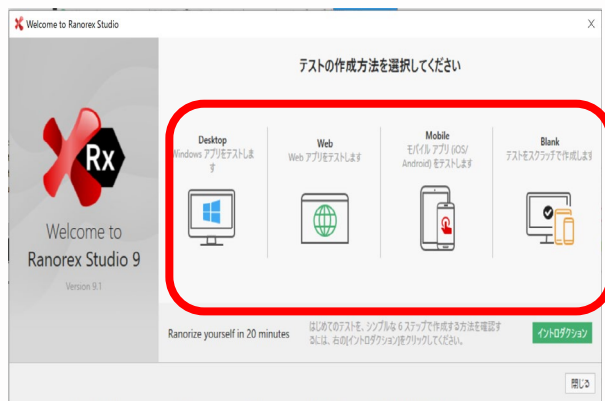
⇒It is useful even for programming beginners to create a complex test scenario such as data-driven test cases because "Ranorex" is easy to use and has a powerful UI object recognition capabilities.

*UI : User Interface. Mechanism for exchanging information between devices/software and their users. It is whole information presentation from system to user, information on how to display information from the system to the user, the means and methods for user operation and information input, equipment, ease of use and more.

<Image of screen to create a test by Ranorex>

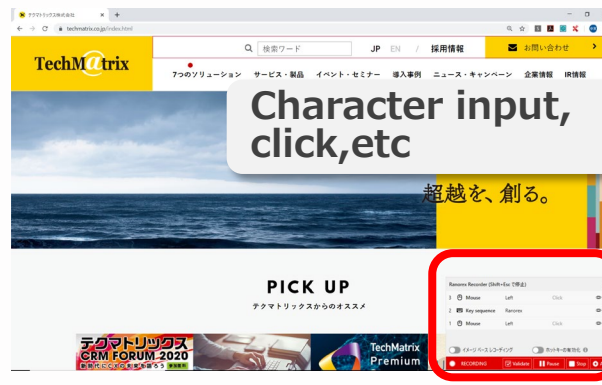
① Start recording

Start recording easily by using wizard



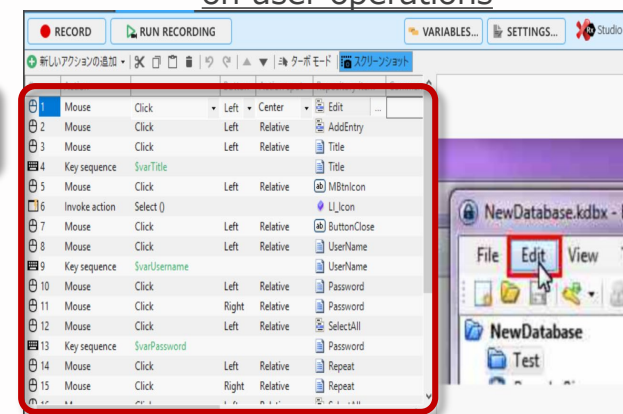
② Screen of recording

Recording user operations



③ Information of recording

Creating a test scenario based on user operations



- Desktop (Coping with latest OS and various technology)
- Web (Cross browser test at IE/Chrome/Firefox/Edge)
- Mobile (Test on real device by Android/iOS)

- Recording operation of mouse and keyboard on screen of application
- Can confirm recorded contents in real time

- Easy-to-use editing screen to realize great maintainability

CASAREAL, inc. commenced the provision of a new service “Apple Professional Learning Basic Instructor Service” for teachers.

What is “Apple Professional Learning Basic Instructor Service” ?

⇒ Providing knowledge about Apple products and training for teachers to bring such knowledge into school curriculums. (only provided by organizations certified by Apple)

Point ! Japanese new education guideline requires teachers to teach programming skills at elementary school, junior high school and high school.

CASAREAL, inc. can support ...

- ◆ Acquisition of Apple device and application skills for teachers
- ◆ Learning, teaching, implementation and management goals

Supporting the creation of an environment where children can learn about the fun of programming.

For inexperienced people



Lecture by instructor dispatch · Hands-on training

For experienced people

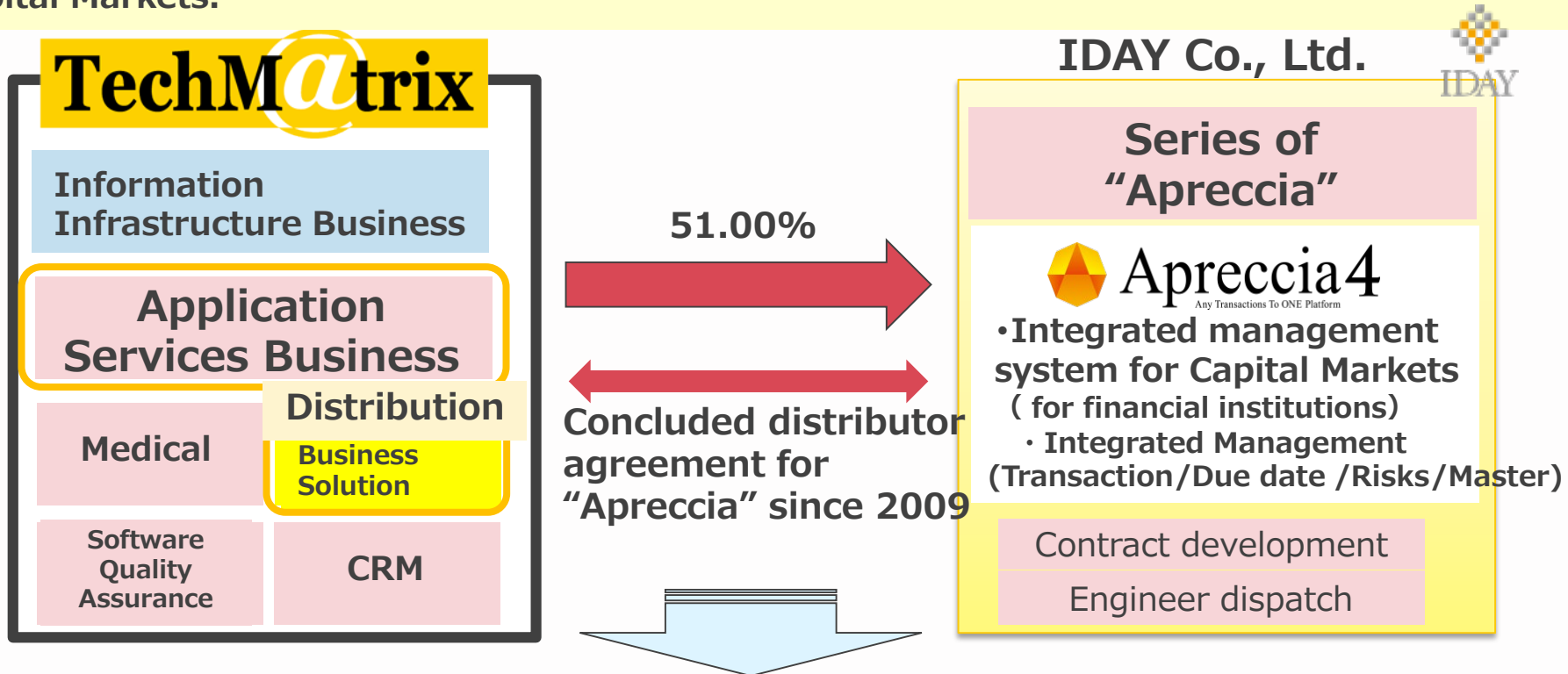


Lecture to develop iOS applications for experienced teachers

Business and capital alliance with Information Design Architecture Yamazaki Co., Ltd. in the field of Capital markets for financial institutions.

Information Design Architecture Yamazaki Co., Ltd. :

Strong in system planning and design in areas where financial engineering and information technology overlap. Main business is "Apreccia" which is integrated management system for Capital Markets.



Enhancing service promotion in financial field(Business Solution field)

Topics of Business activities

Date	Contents
April	Business alliance between NOBORI Ltd. and Nihon Medi-Physics Co., Ltd.
	Capital and business alliance between NOBORI Ltd. and A-Line Co., Ltd.
	Okinawa Cross Head Co.,Ltd. started a new cloud solution service that realizes Internet isolation that allows safe use of the Internet.
	Started offering integrated support & security services 『TechMatrix Premium Support powered by TRINITY』 from July 2019.
	Conducted demonstration experiments to improve accuracy of RM credit rating using AI with Risk Monster.com .
	Acquired exclusive distributorship rights for the test management tool "TestRail".
	Selected as the Noteworthy IT Strategy Companies2019 (2 consecutive years) .
May	Cross Head Co.Ltd. Acquired APN Advanced Consulting Partner certification.
	Started providing solutions to improve contact center productivity with AI. (Integration of voice recognition / automatic summarization with CRM system)
June	Okinawa Cross Head Co.,Ltd started joint verification of the possibility of inter-regional data center collaboration with JR Kyushu System Solutions Co., Ltd.
	CASAREAL, inc. signed training partner agreement with JetBrains.

Date	Contents
July	Commenced the provision of series of "Cohesity C4000" (Enterprise secondary storage) .
	Cross Head Co.,Ltd. started a new total support service for utilizing RPA.
	Commenced the provision of series of "Votiro Disarmer" (Sanitization solutions) .
	Expanded integrated support & security services 『TechMatrix Premium Support powered by TRINITY』 by adding incident response support services.
August	CASAREAL, inc. commenced the provision of a new service "Apple Professional Learning Basic Instructor Service" for teachers.
	Cross Head Co.,Ltd. commenced the provision of a new plug in product, which can connect "Amazon Connect" with "kintone" for improving productivity and satisfaction of customer service.
September	Commenced the provision of "Jtest 10.4.2" for Java test automation tool.
October	Commenced the provision of "RTPatch", which is binary diff update tool.
	Okinawa Cross Head Co.,Ltd. started IT service for incubation facilities("Naha City IT Souzoukan") with OCC Co., Ltd.

Date	Contents
October	Commenced the provision of "Ranorex 9.1.2"(Japanese Ver.) for automation UI test tool.
	Cross Head Co.,Ltd. commenced the provision of integration service between "CYBERCHAT" (a product of CyberSolutions Inc.) and "Garoon" and "kintone" (products of Cybozu, Inc.) .
November	TECHMATRIX CORPORATION collaborated with McAfee, LLC at EDR field.
	Okinawa Cross Head Co.,Ltd. started providing "nas2cloud Combo" for "DocuWorks 9" (a product of Fuji Xerox Co., Ltd.) .
	Okinawa Cross Head Co.,Ltd. commenced the provision of new model of file server product "nas2cloud Combo" accompanied by damage insurance.
	Business and capital alliance with Information Design Architecture Yamazaki Co., Ltd. in the field of Capital markets for financial institutions.
December	Commenced the provision of "Forescout Platform" ,which is product of Forescout Technologies, Inc.

3. Medium-Term Management Plan "GO BEYOND 3.0"

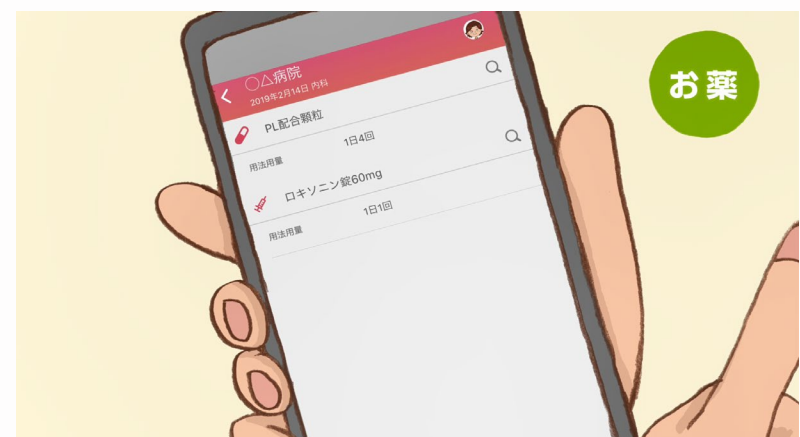
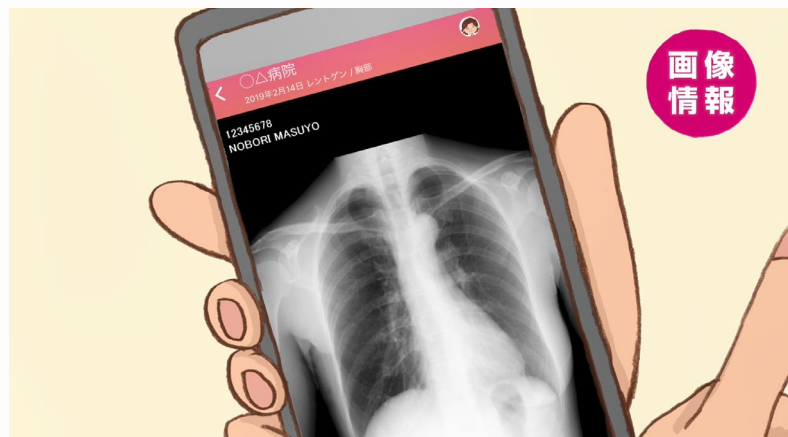
We continue business strategy of TMX 3.0

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

- 1 Diversification of business operating structure (conclusion of a business/capital alliance, cooperation with universities and research institutions, open innovation)
- 2 Accelerated servicization (in the whole areas)
- 3 Utilization of data (including usage of AI)
- 4 Enter B2C businesses
- 5 Rapid expansion of businesses in overseas markets (next step out of market research phase)
- 6 Strengthen business management foundation (cross-group/effective utilization of human resources and technology, new value created by combination of expertise accumulated in each filed, investment in human resources and development of next-generation management, Recruitment/human resource development/evaluation/retention based on corporate philosophy)
- 7 M&A (including usage of treasury stocks)

NOBORI

PHR (Personal Health Record) service for individuals (for patients)



TechMatrix Premium Support powered by TRINITY

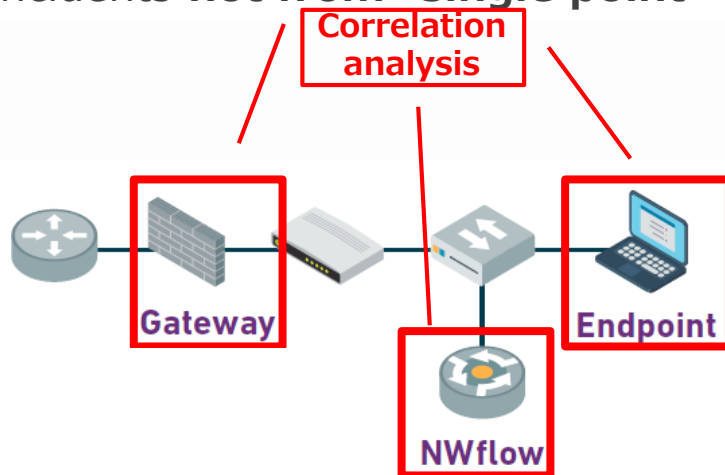
Integrated security monitoring service using correlation analysis rules created based on hundreds of threat scenario patterns originally developed by TechMatrix

※TRINITY is TechMatrix's original service to undertake operations and monitoring for ICT infrastructure.

■ Issues of conventional single device monitoring

- 1) Conventional single monitoring results in a **“point” analysis** of events.
- 2) If **the person in charge of operation** and **the monitoring vendor are different for each product**, the investigation, Information sharing, and **primary response are delayed**.
- 3) Because encrypted communication is increasing and sophisticated attack techniques are prevailing, **communication difficult to be monitored and analyzed is increasing**.

■ Our comprehensive integrated security monitoring service detects cyber security incidents **not from “single point” but from “multiple points”**

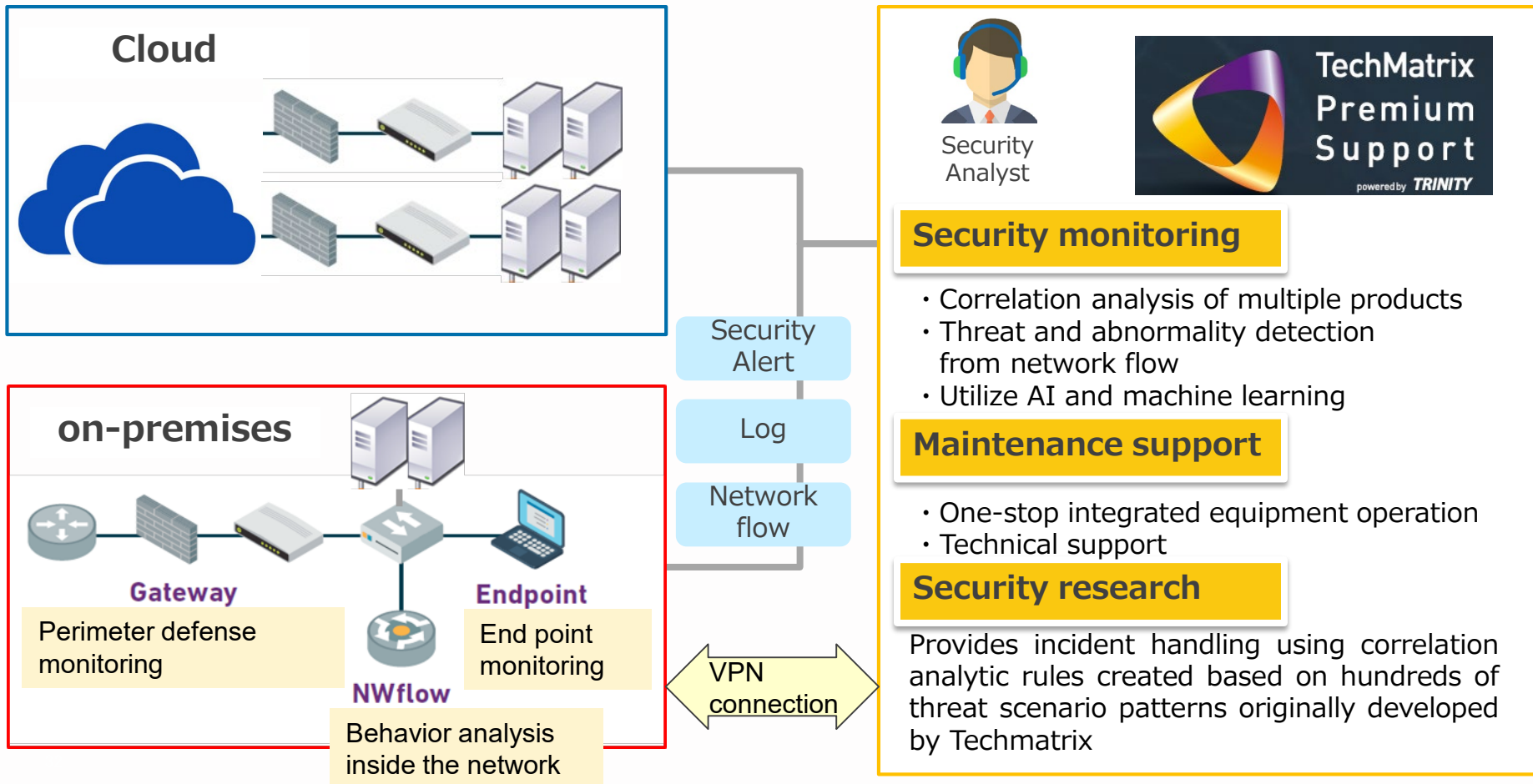


「TechMatrix Premium Support powered by TRINITY」, **our comprehensive integrated security monitoring service** analyzes correlation using data captured at the gateways, at the end-points and from network flows (not from “single point” but from “multiple points”) within the enterprise network, which can detect a variety of security incidents and strengthen the cyber security platform to be able to protect enterprises from unknown malware.

TechMatrix Premium Support powered by TRINITY

Provides "comprehensive threat detection and visualization" and "security operation efficiency". We will strengthen the cyber security platform to be able to protect enterprises from unknown malware.

※TRINITY is TechMatrix's original service to undertake operations and monitoring for ICT infrastructure.

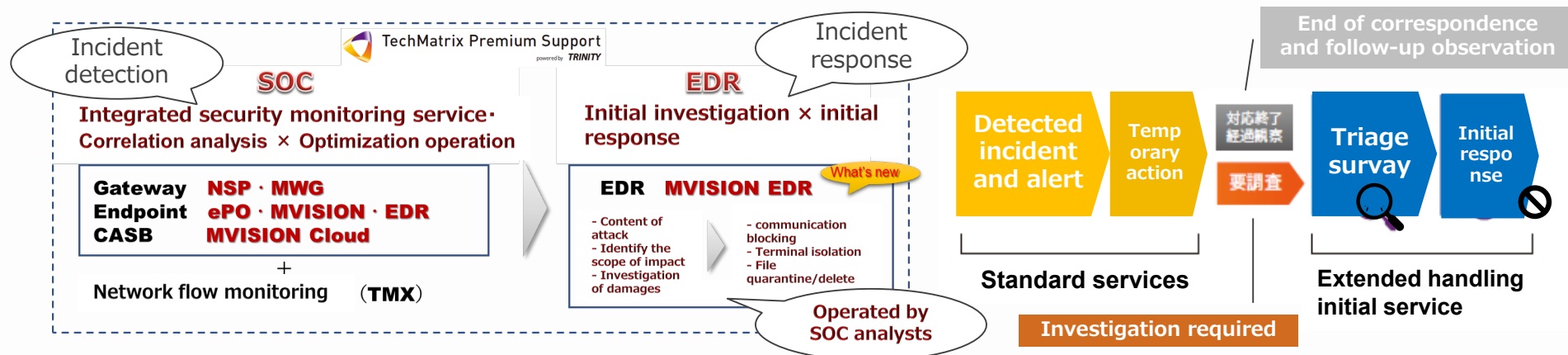


TechMatrix Premium Support powered by TRINITY

Collaborated with McAfee in area of EDR

~Expanded incident response service by adding the use of “McAfee MVISION EDR”

※TRINITY is TechMatrix’s original service to undertake the operations and monitoring for ICT infrastructure.



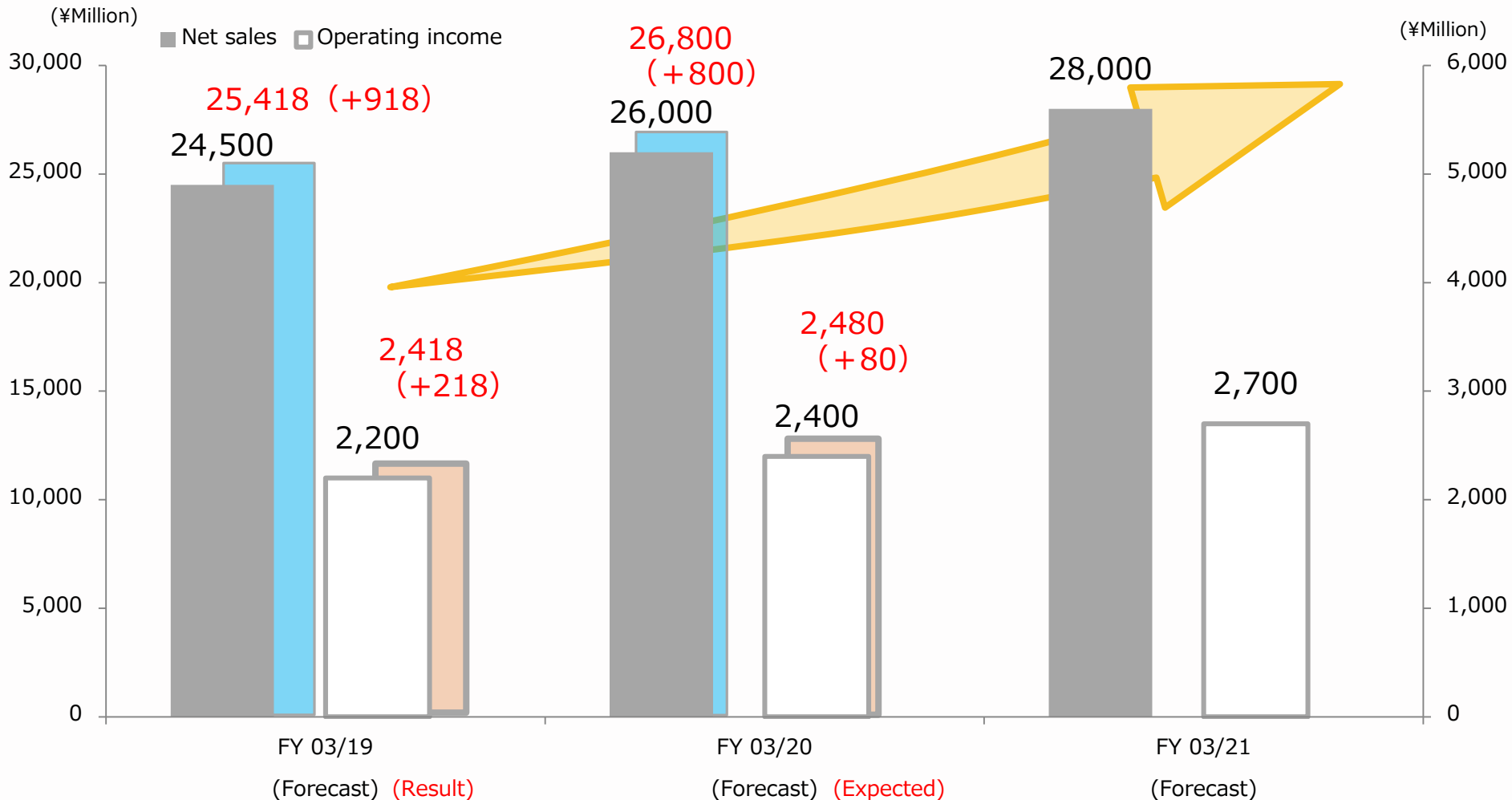
Point ! Security analysts proactively operate MVISION EDR from Security Operation Center(SOC) to conduct initial survey and initial response, which strengthens the foundation of security operations.

【Overview】

- Collecting each event alert through integrated security monitoring.
- Correlate each event alert detected by MVISION EDR.
- Based on analysis, security analysts proactively operate MVISION EDR from Security Operation Center(SOC) before notifying the clients of an incident.

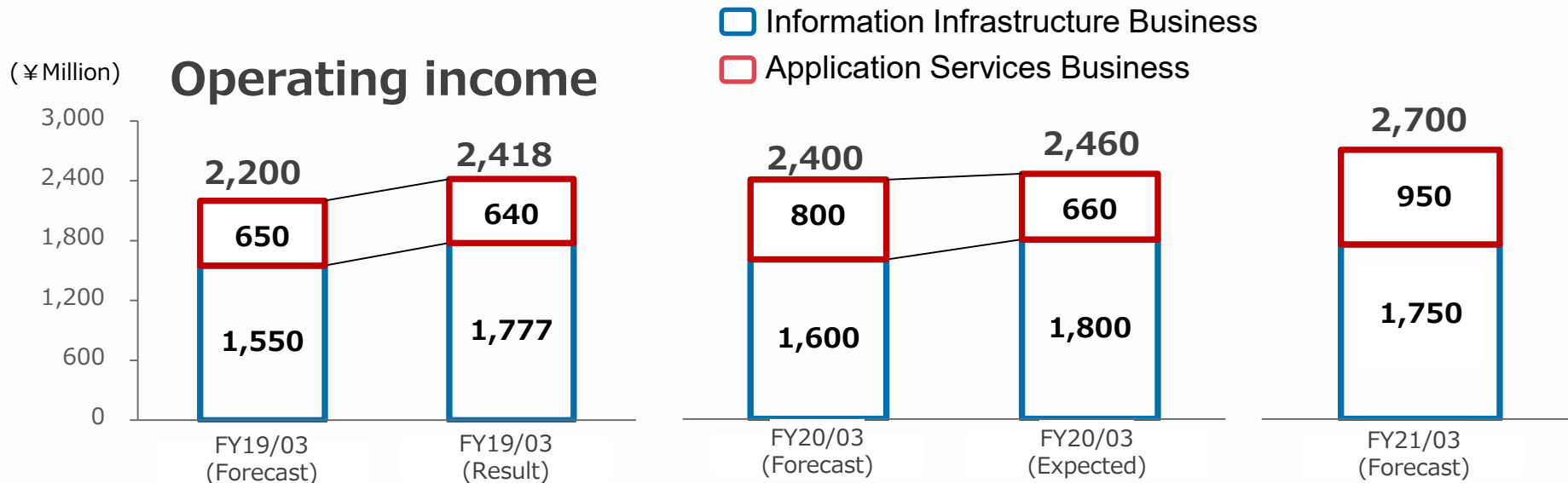
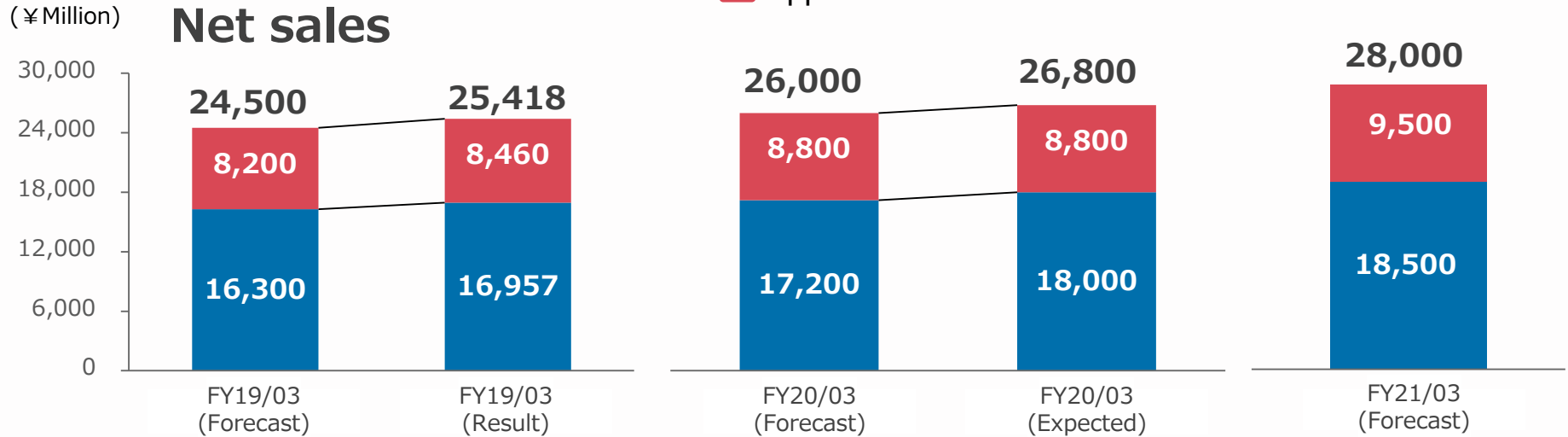
Planned value of GO BEYOND 3.0

Increased net sales and operating income continuously



Planned value of GO BEYOND 3.0

- Information Infrastructure Business
- Application Services Business



Change of well-balanced business

Information Infrastructure Business

	FY 03/19 – FY 03/21 (forecast)
Net sales CAGR(%)	5.3
Operating income CAGR(%)	4.1
FY 03/21(forecast)	
Operating income to net sales(%)	9.5
FY 03/18(result)	(10.5)
FY 03/19(result)	(9.8)

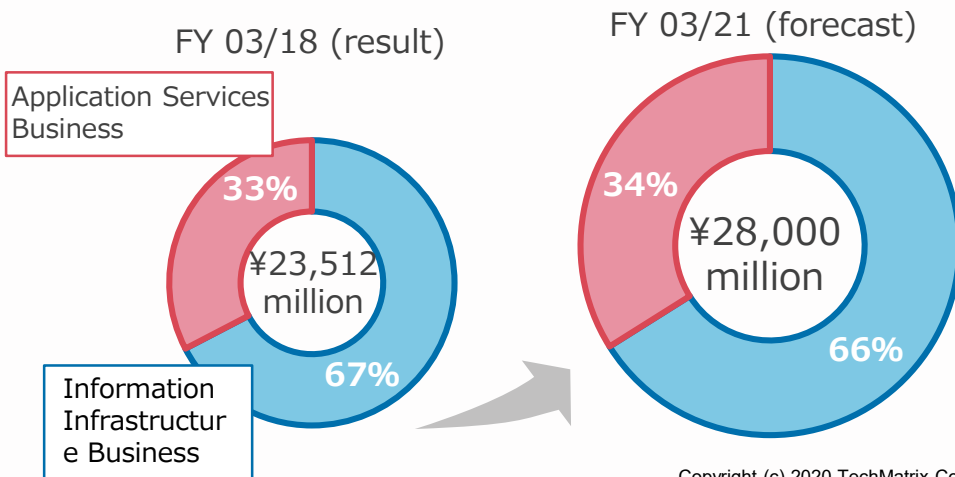
Application Services Business

	FY 03/19 – FY 03/21 (forecast)
Net sales CAGR(%)	7.4
Operating income CAGR(%)	39.6
FY 03/21(forecast)	
Operating income to net sales(%)	10.0
FY 03/18(result)	(7.6)
FY 03/19(result)	(4.5)

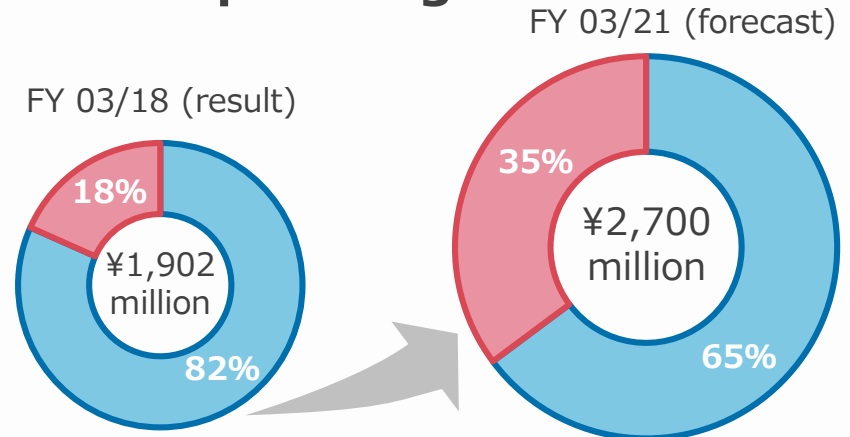
※We put more efforts to build high-value-added services by ourselves so that we can aggressively change business structure and differentiate our businesses.

※Profit will increase due to the growth of cloud businesses.

Net sales



Operating income





The IT professional group who creates a better future



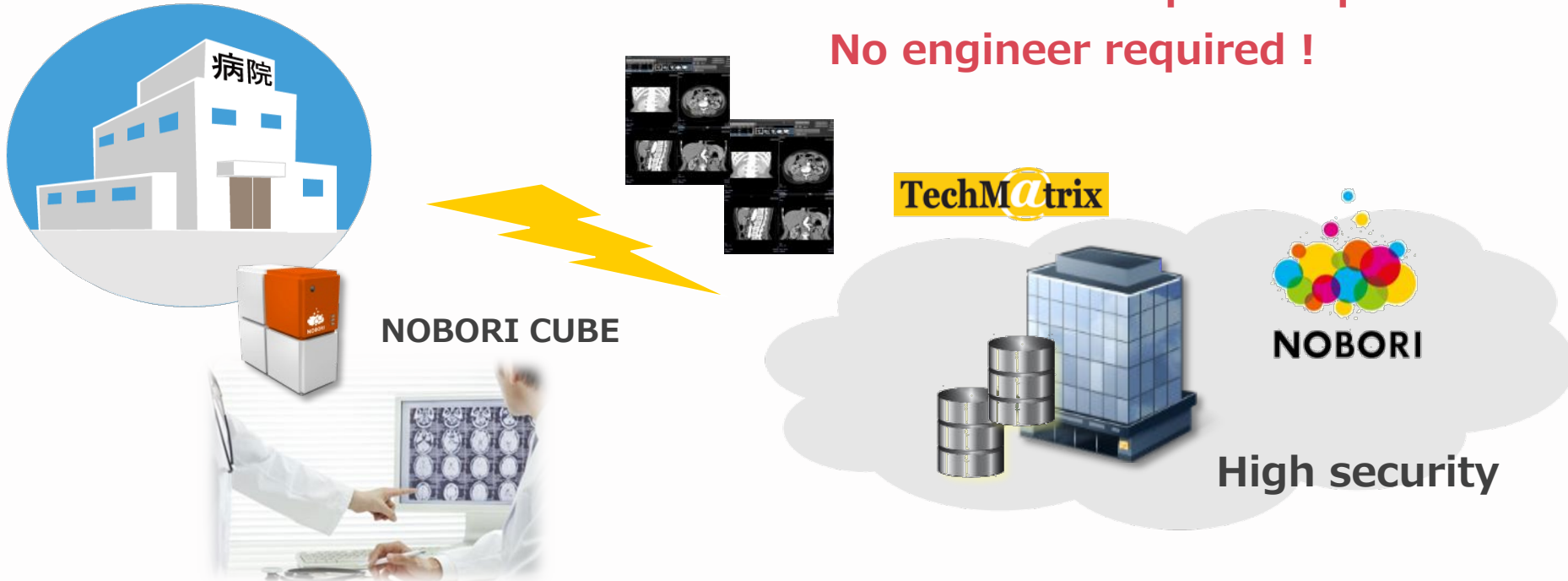
4. Business Models

Point! A cloud service for healthcare information "NOBORI". We store, share and utilize valuable medical information securely in a cloud environment.

Free initial investment !

No space required !

No engineer required !



- We started to provide NOBORI in Cloud PACS market so quickly. Medical Institutions can deploy NOBORI at a low price and in a short period of time.
- The number of medical facilities using NOBORI has been increasing by introduction to large-scale hospitals and through strong partnership.
- We provide a platform for other healthcare services "NOBORI PAL".

Point!

Enhancing the competitiveness of customers' businesses by CRM system.

- Contacts about products
- Contacts after purchase



Products



FastHelp5



Unified management of purchase histories and the past Q&A's

Quick search !

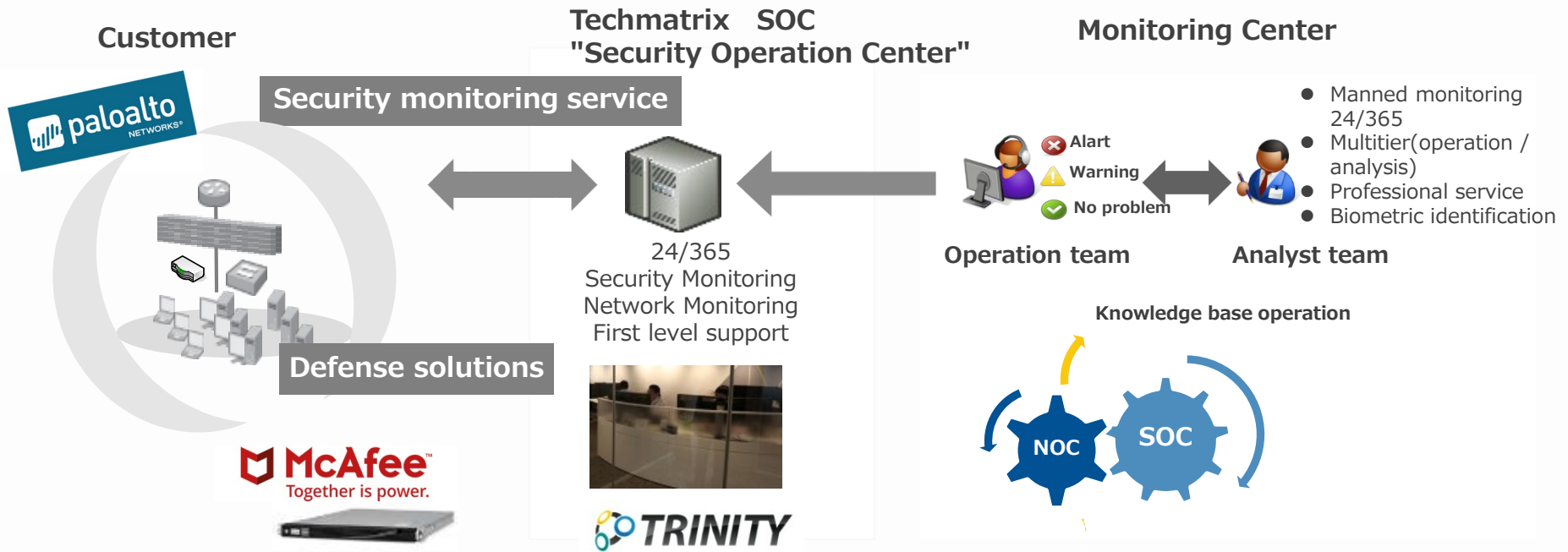


Quick response to the customers' Inquiries !



Improvement of customer satisfaction !

Point! One-stop solution from Techmatrix.



One-stop solution

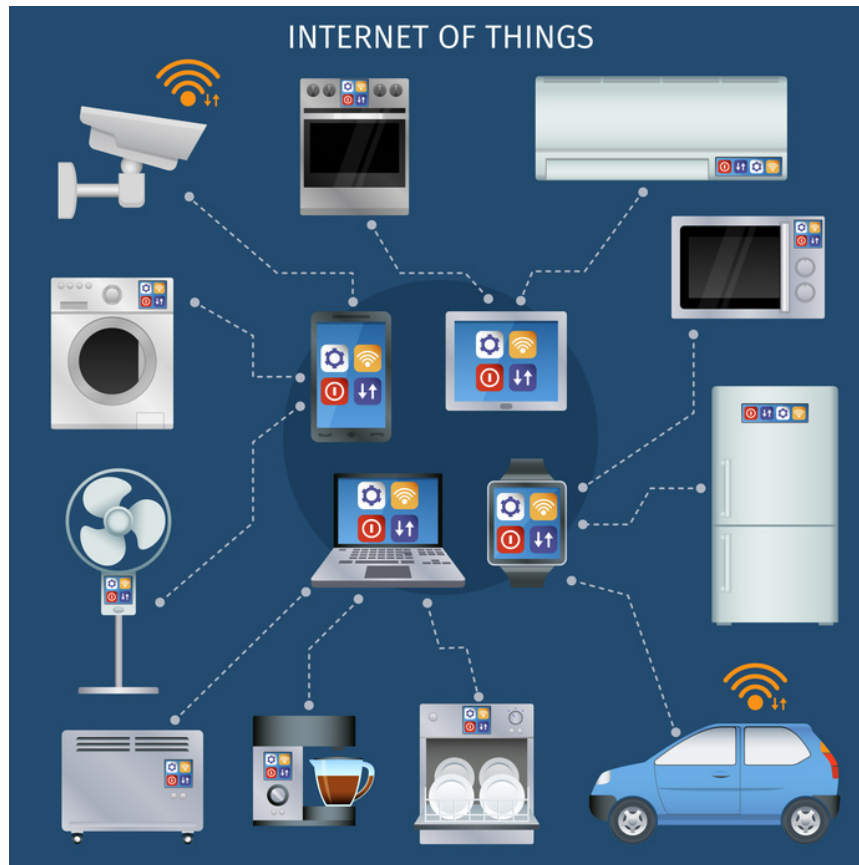
One-stop solution for system design, integration, maintenance, operation and monitoring services.

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!

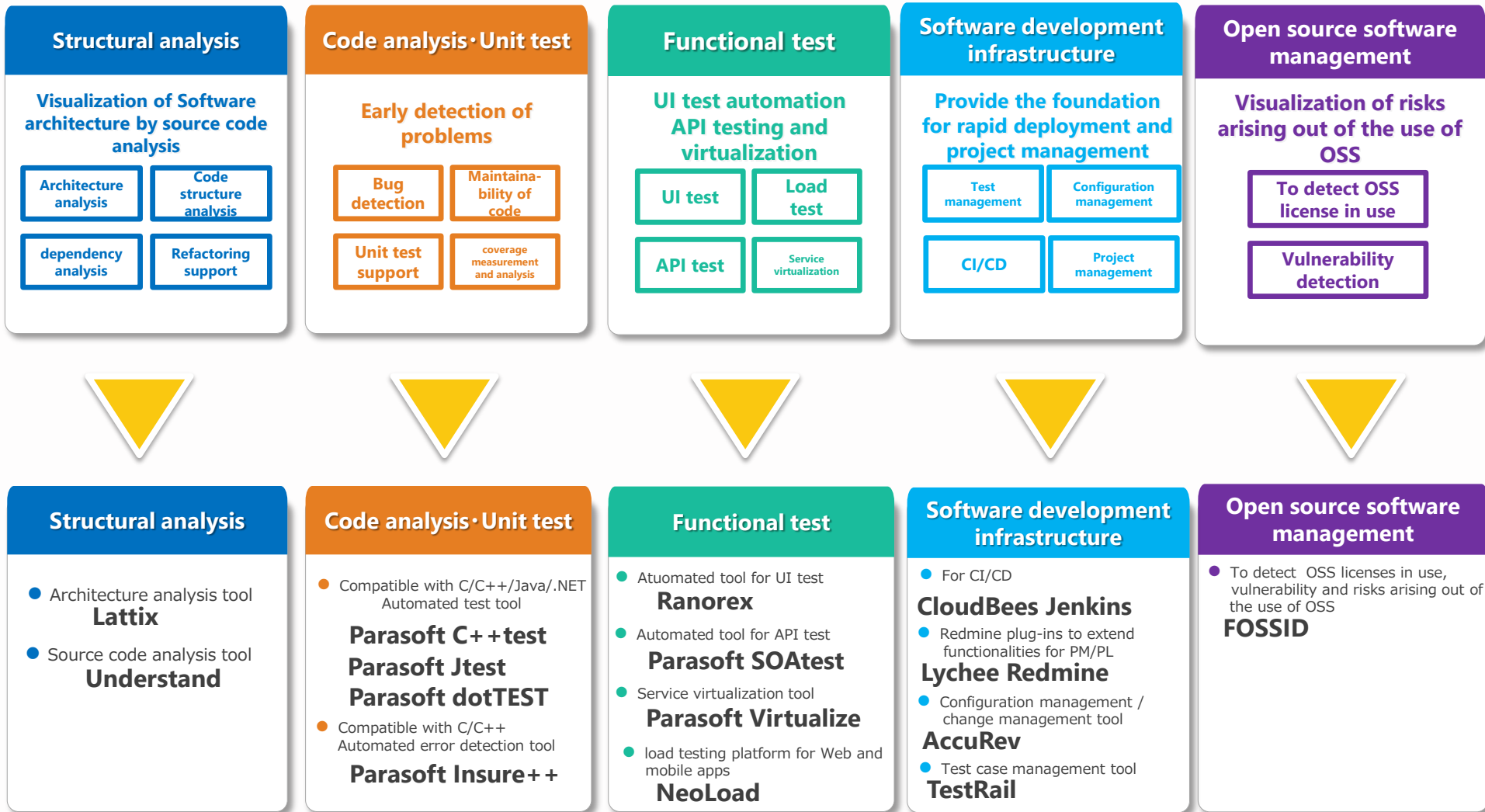
Every internet-connected device can be a target for cyber-attacks in the IoT era.



- ▶ 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

Software Quality Assurance field



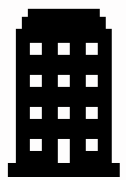
SOLUTION

Financial field

Point!

Provision of risk management systems for financial institutions who manage financial assets so that they can maintain financial strength.

Financial assets of individuals and companies



financial institutions
(institutional investors)

- Bank
- Trust Bank
- Shinkin bank
- Life insurance company
- Non-life insurance company
- Securities
- FX trading
- Mutual aid association
- . . .

Investment products

- Bond
- Stock
- Investment trust
- Forward exchange
- Derivatives
- Loan deposit . . .

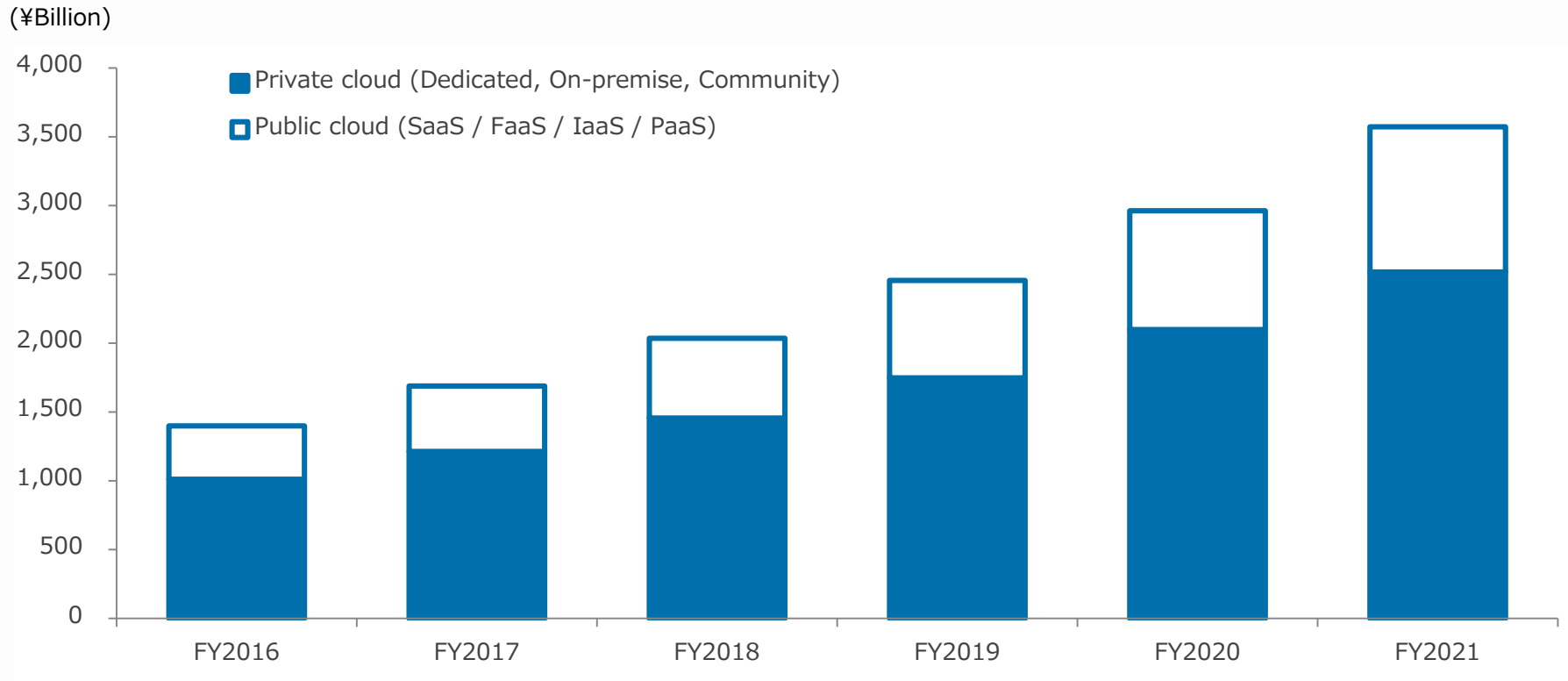
- Market risk
- Credit risk
- Price fluctuation risk
- Foreign currency risk



We measure various risks of financial assets (portfolio) using these systems.

5. Market Conditions for our business

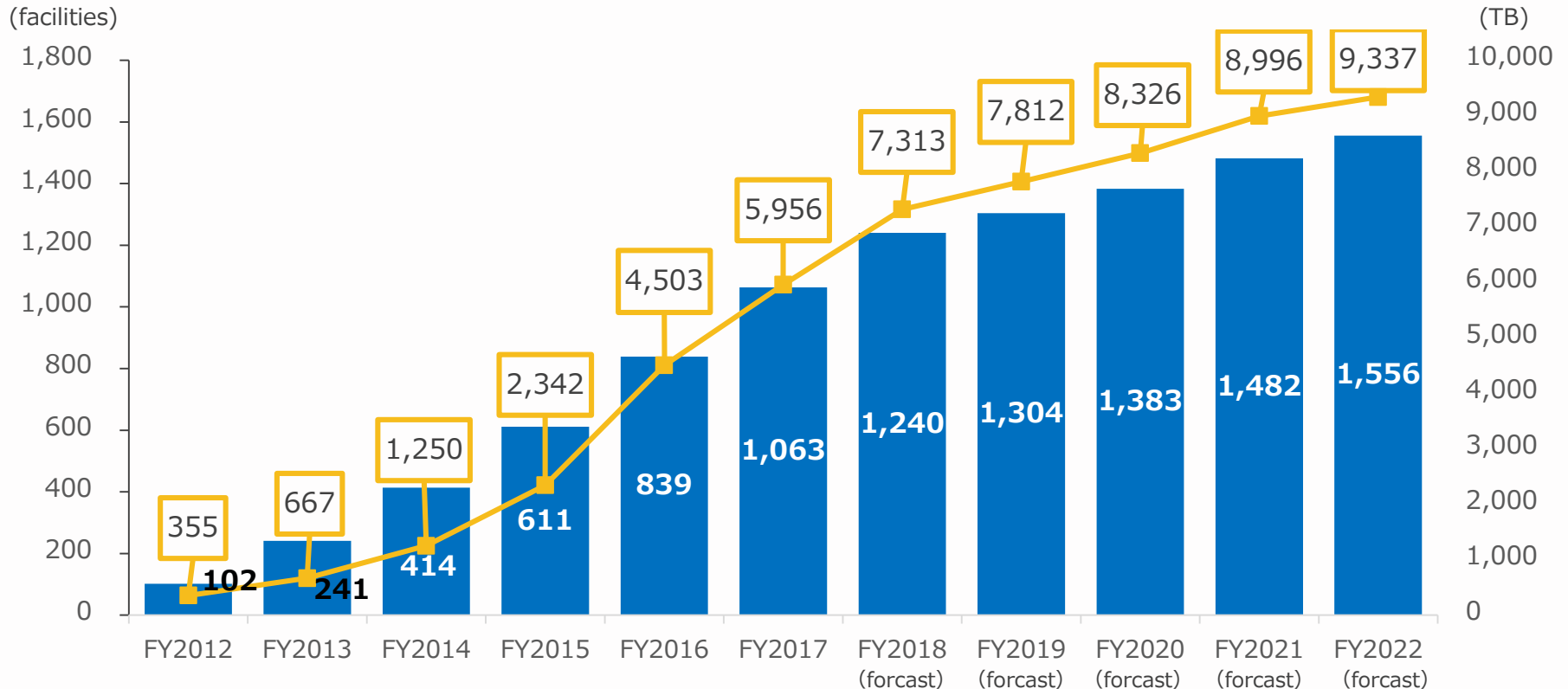
Market Conditions for our business



◆ Domestic cloud market size was ¥1,400.3 billion in 2016 (38.5% up year on year) and it expand to ¥3,571.3 billion in FY2021.

* Reference : Cloud business market report 2017 (27,Dec,2017) by MM Research Institute

Cloud PACS market size estimate (Japan)



* Estimate as of Jan, 2019

■ Number of contracted facilities

— Estimated capacity

- ◆ Number of contracted facilities using cloud PACS was forecasted to be 1,304 as of the end of FY2019 in Japan.
- ◆ NOBORI has successfully contracted with about 950 facilities as of the end of FY2018.

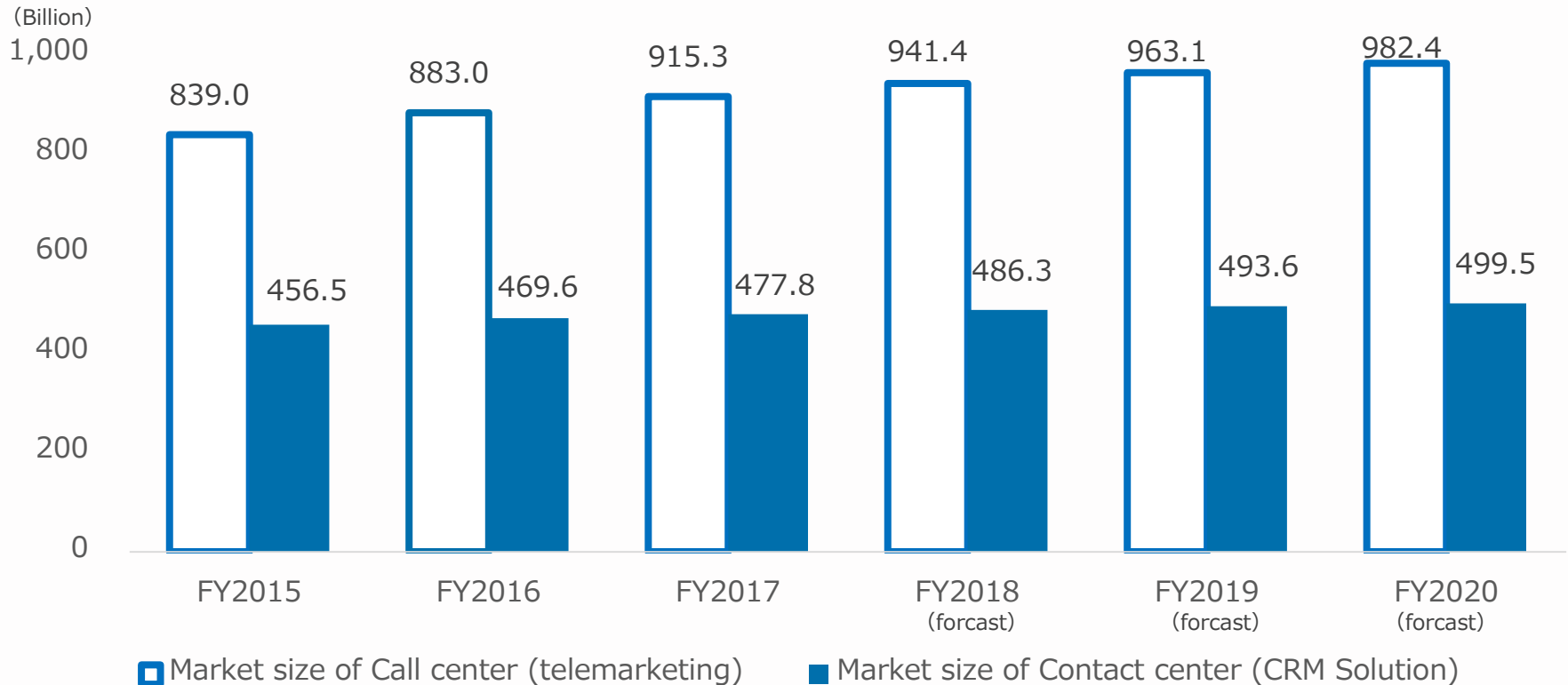
* Reference : 矢野経済研究所「2018年版医用画像システム (PACS) ・ 関連機器市場の展望と戦略」 (2019年1月)

Type of PACS Cloud

Cloud type	Brief summary	Feature	Configuration image	NOBOR I
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 in a data center Additional costs		—
TYPE 2	Store short term data in on-premise servers + long term data in a data center	Frequently used data in a hospital Additional costs		—
TYPE 3	All data in data center without in-house server (only cash in NOBORI appliance)	No additional costs 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)



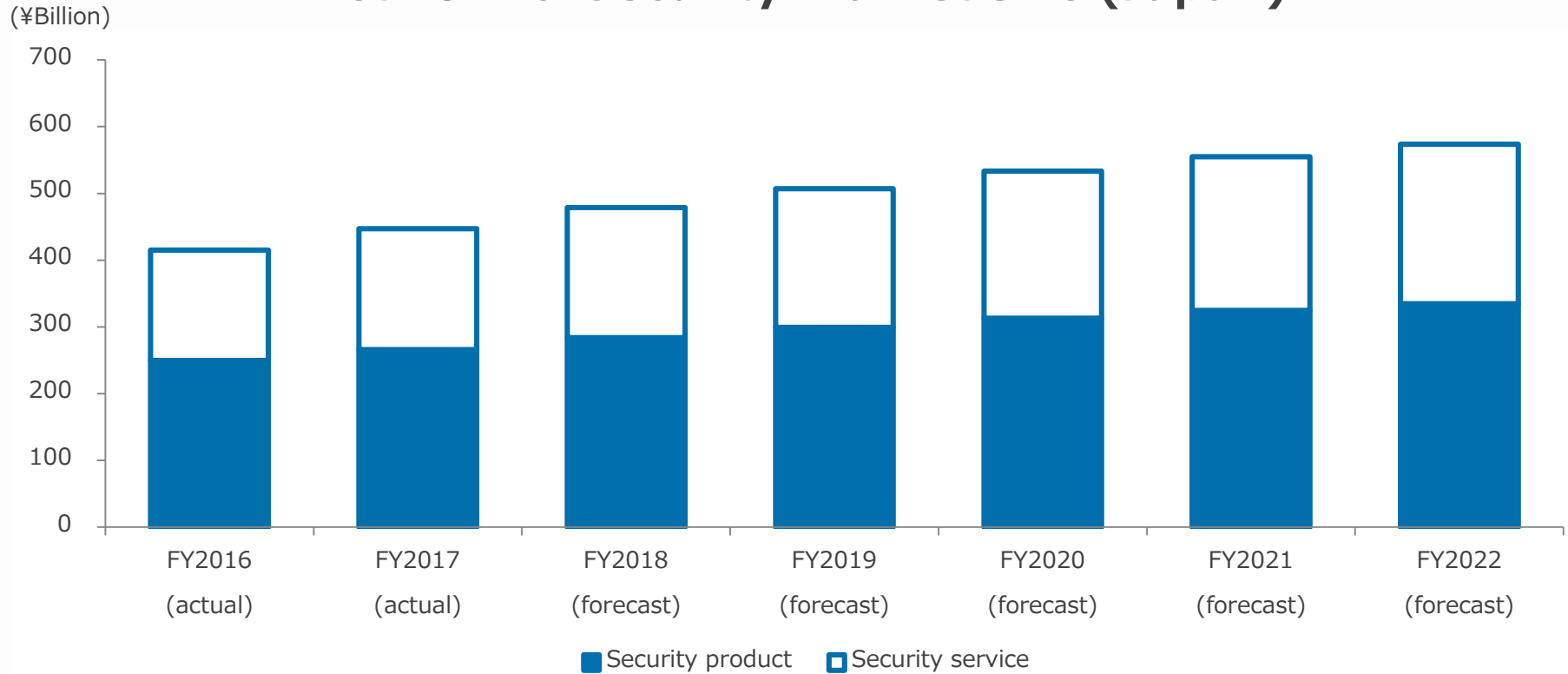
*Service provider's sales. Estimate as of Oct, 2018

◆Market size of Call center (telemarketing) is forecasted to grow at average rate of 3.2% each year form FY2015 to FY2020 and to ¥982.4 billion as of FY2020.

◆Market size of Contact center (CRM Solution) is forecasted to grow at average rate of 1.8% each year form FY2015 to FY2020 and to ¥499.5 billion as of FY2020.

* Reference : 矢野経済研究所「コールセンターサービス市場/コンタクトセンターソリューション市場の調査 (2018年)」

Network & Security market size (Japan)



- ◆ Forecasted Networks Security business market in Japan expanding from ¥447.1 billion in FY2017 to ¥573.5 billion in FY2022.
- ◆ High growth rate on average at 5.1% has been forecasted.

* Reference : Network Security business report 2018 by Fuji Chimera Research Institute

MEMO

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