Results for the 1ˢᵗ Quarter of 36ᵗʰ business period
(Fiscal Year Ending March 31, 2020)

TECHMATRIX CORPORATION

2019.08

Contents

1. **Business Highlights for the 1st 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 1st 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.

	Q1 of FY 03/19 (¥Million)	Q1 of FY 03/20 (¥Million)	Change in amount (¥Million)	Rate of Change (%)
Net sales	5,658	6,362	+703	+12.4%
Operating income	353	559	+205	+58.2%
Ordinary income	320	558	+238	+74.6%
Profit attributable to owners of the parent	213	369	+155	+73.1%

Net sales by Segment
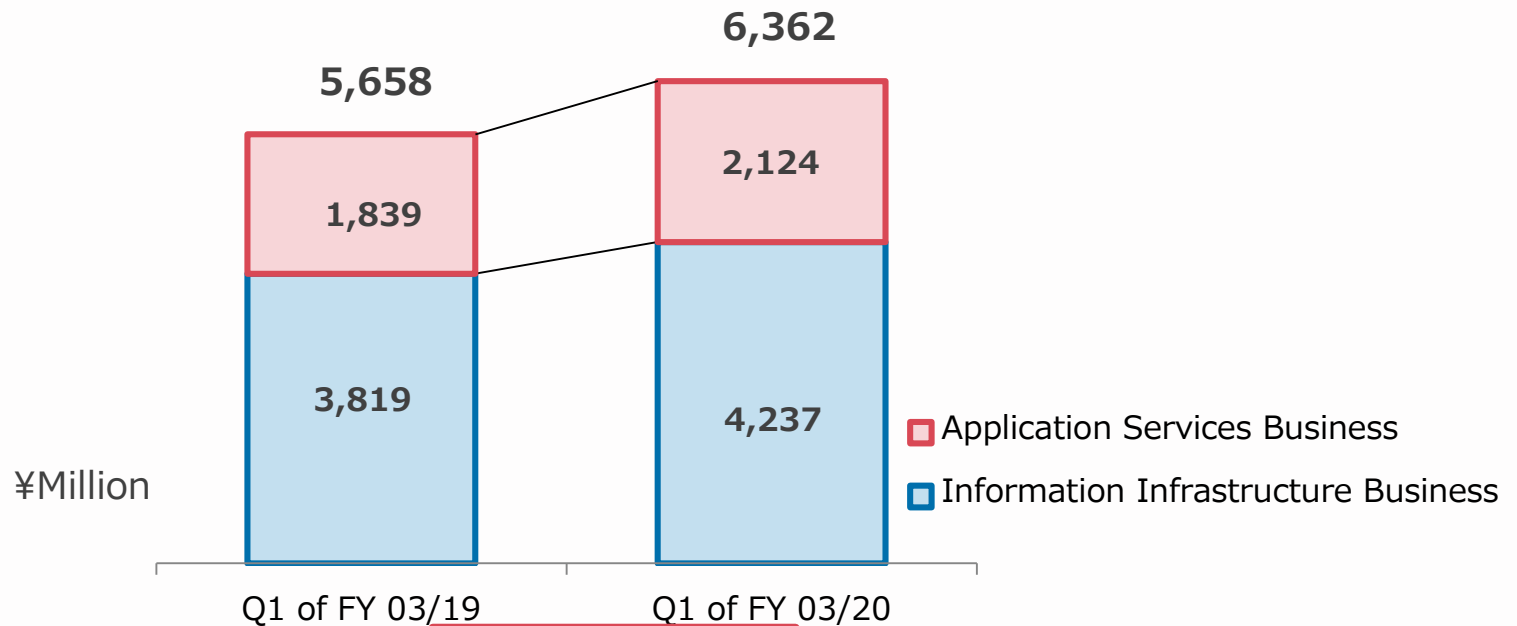
	Q1 of FY 03/19 (¥Million)	Q1 of FY 03/20 (¥Million)	Change in amount (¥Million)	Rate of Change (%)
Information Infrastructure Business	3,819	4,237	+417	+10.9%
Application Services Business	1,839	2,124	+285	+15.5%

◆Information Infrastructure Business: The highest consolidated net sales in Q1.Strong performance in load balancers, next-generation firewalls, and storage.
◆Application Services Business: The highest consolidated net sales in Q1 due to solid businesses for Medical, CRM and Software Quality Assurance field. Received orders for large projects in the CRM field.

4

Operating income by Segment
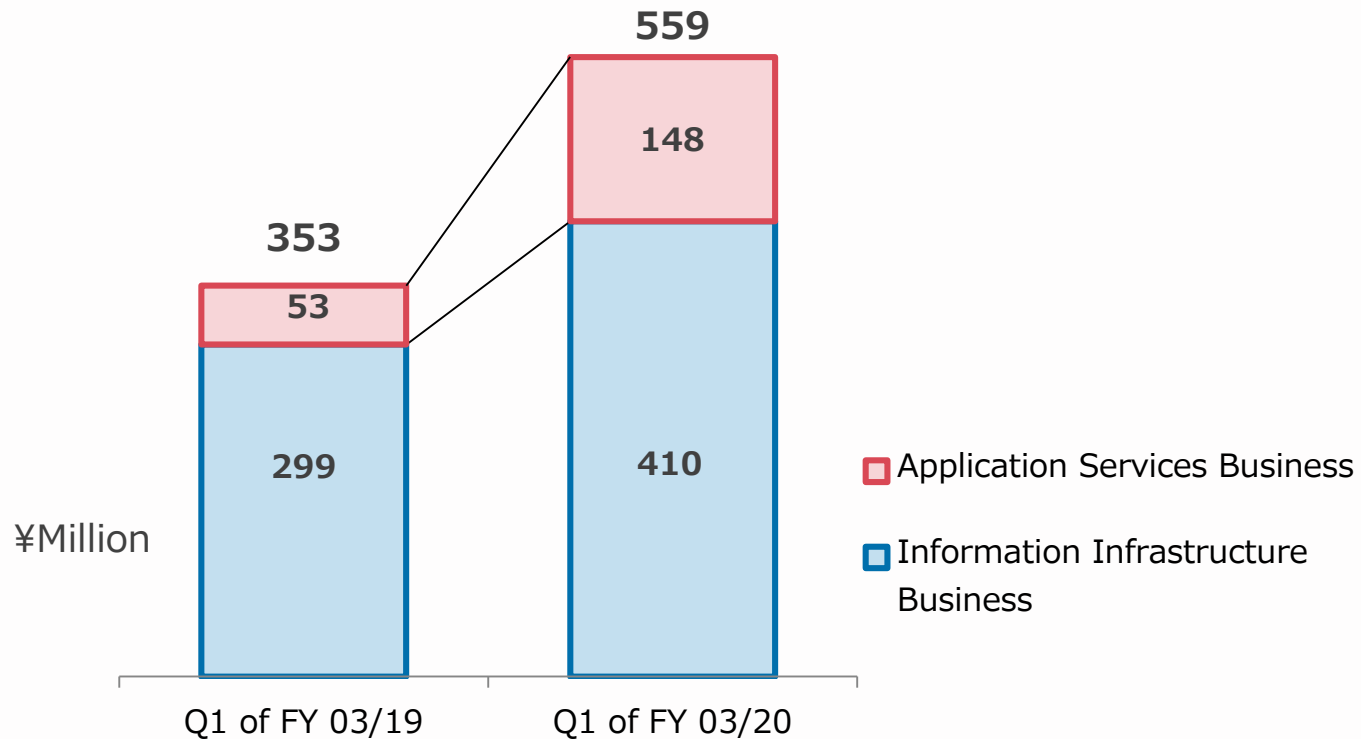
559

148

353

53

299

¥Million

410

□ Application Services Business

□ Information Infrastructure Business

Q1 of FY 03/19   Q1 of FY 03/20

	Q1 of FY 03/19 (¥Million)	Q1 of FY 03/20 (¥Million)	Change in amount (¥Million)	Rate of Change (%)
Information Infrastructure Business	299	410	+110	+36.8%
Application Services Business	53	148	+95	+177.1%

◆ Information Infrastructure Business: The highest consolidated operating income in Q1.
◆ Application Services Business: The highest consolidated operating income in Q1.Medical, CRM , and software quality assurance field were steady. In particular, the CRM field contributed to operating income by receiving orders for large projects.
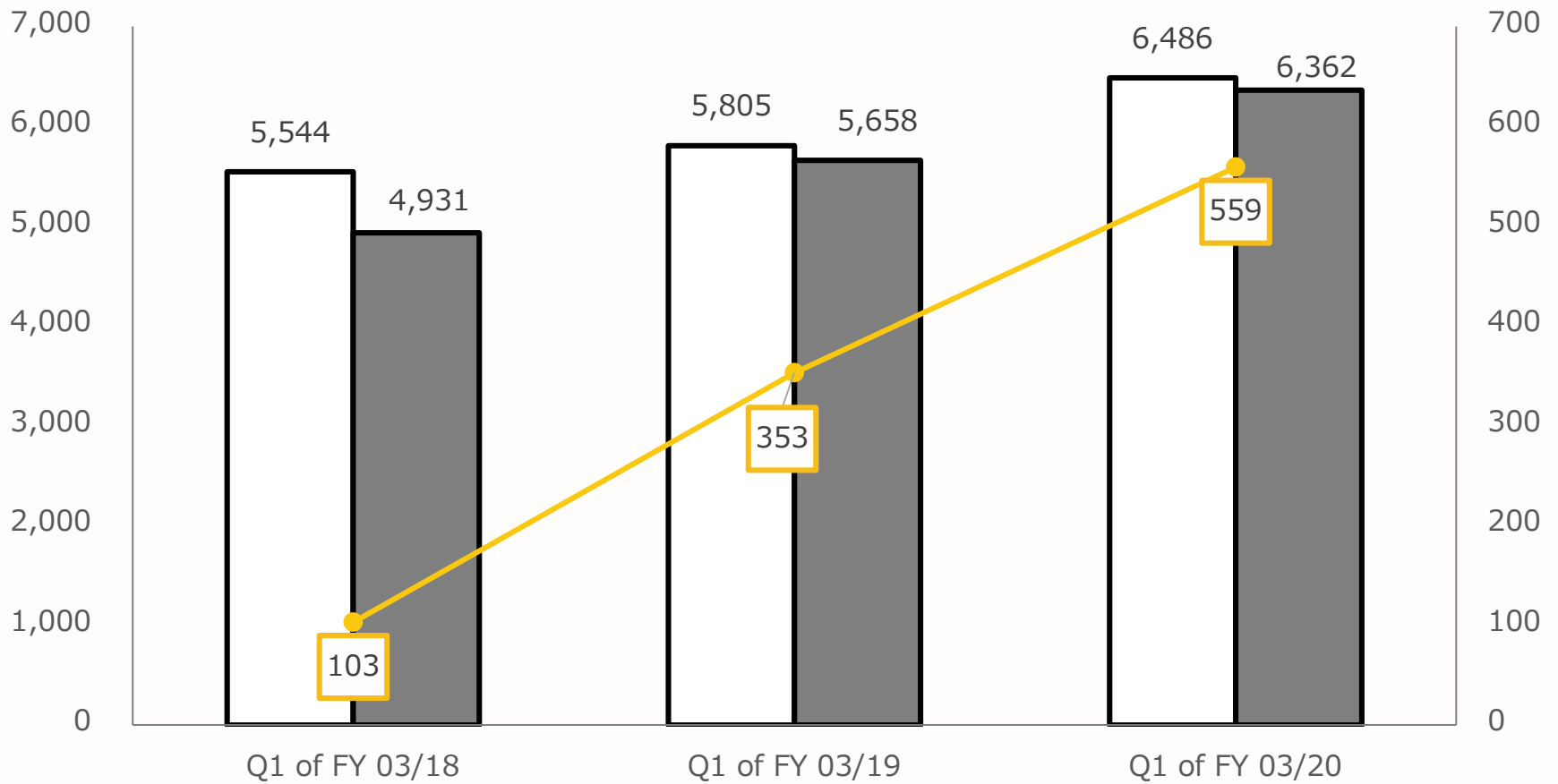
Weather chart by Segment

◆Information Infrastructure Business	Year on year
Load balancers (BIG-IP, EDGE)	☀☀ (+10% and over)
Next-Generation Firewalls (PaloAlto, Traps)	☀☀ (+10% and over)
Antivirus / Intrusion prevention Appliances / Security Information and Event Management(SIEM) / Web security	⛅ (within ±5%)
Personal authentication systems / Forensic products / Storage products	☀☀ (+10% and over)
Security-related operation and monitoring services	☀☀ (+10% and over)
AI-driven threat protection/Endpoint detection and response/others	☀☀ (+10% and over)
CROSS HEAD & Okinawa Cross Head	⛅ (within ±5%)

◆Application Services Business	Year on year
Business Solution field (Including CASAREAL)	☁ (within △10%)
Software Quality Assurance field	☀ (+5% ~ +10%)
Medical field (Including Ichigo)	☀ (+5% ~ +10%)
CRM field	☀☀ (+10% and over)

Legend:
- ☀☀ +10% and over
- ☀ +5% ~ +10%
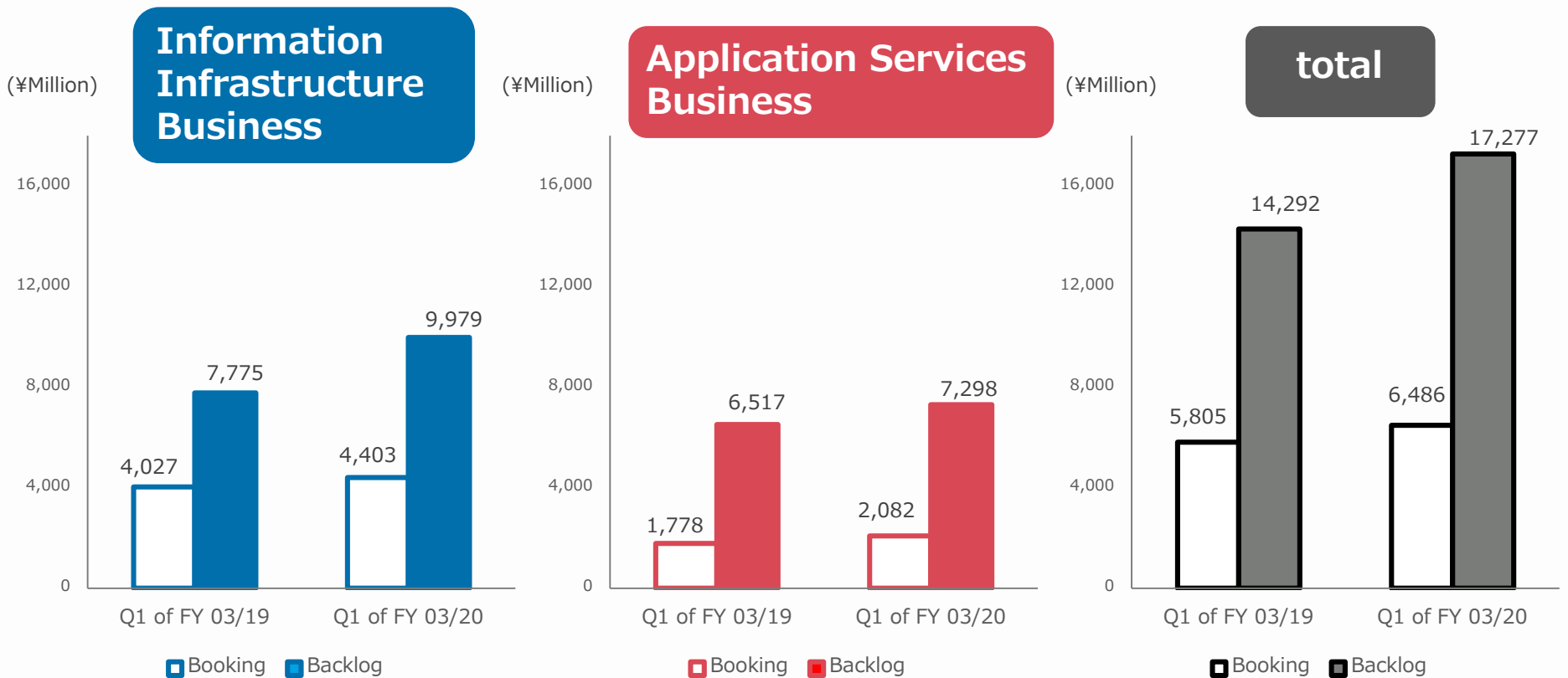- ⛅ within ±5%
- ☁ within △10%
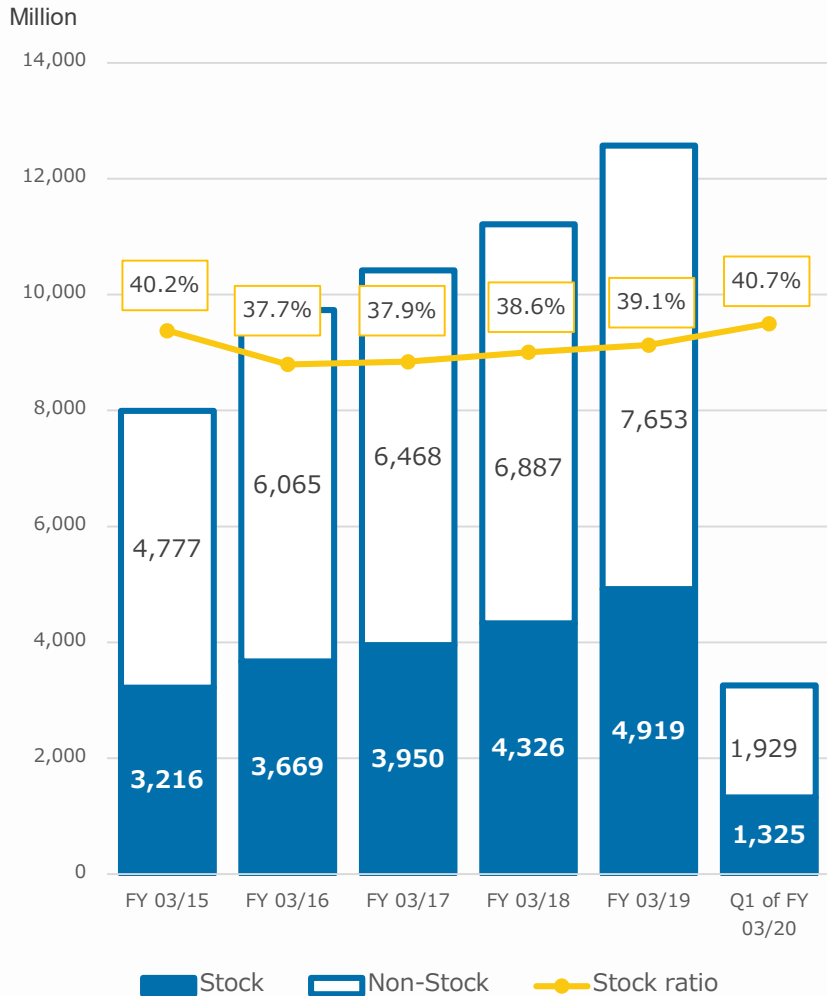- 🌧 under △10%

6

Booking and Net sales / Operating income

Booking and Backlog

◆ Information Infrastructure Business: Business for load balancers was steady. In both government sector and private sector, businesses for network security such as next-generation firewalls and storage products were in good shape（9.4%UP）. Backlog increased (28.3%UP).

◆ Application Services Business: Booking exceeded the previous year's results due to solid sales performance for Medical, CRM, and Software Quality Assurance field (17.1%UP).Backlog increased (12.0%UP).

Information Infrastructure Business

(¥Million)

	Q1 of FY 03/19	Q1 of FY 03/20
Booking	4,027	4,403
Backlog	7,775	9,979

Application Services Business

(¥Million)

	Q1 of FY 03/19	Q1 of FY 03/20
Booking	1,778	2,082
Backlog	6,517	7,298

total

(¥Million)

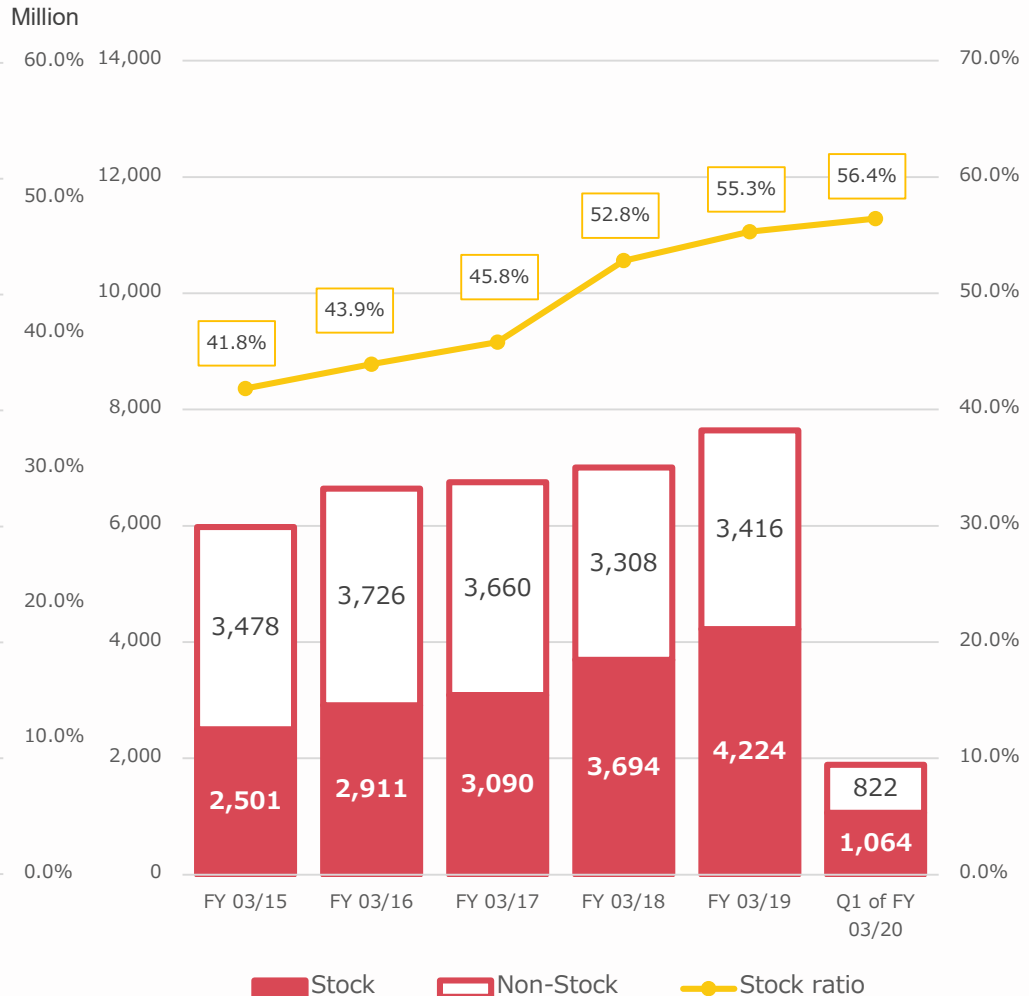|	Q1 of FY 03/19	Q1 of FY 03/20
Booking	5,805	6,486
Backlog	14,292	17,277

8

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

Information Infrastructure Business

Million

	FY 03/15	FY 03/16	FY 03/17	FY 03/18	FY 03/19	Q1 of FY 03/20
Stock ratio	40.2%	37.7%	37.9%	38.6%	39.1%	40.7%
Non-Stock	4,777	6,065	6,468	6,887	7,653	1,929
Stock	3,216	3,669	3,950	4,326	4,919	1,325

Legend: Stock ■ Non-Stock □ Stock ratio

Application Services Business

Million

	FY 03/15	FY 03/16	FY 03/17	FY 03/18	FY 03/19	Q1 of FY 03/20
Stock ratio	41.8%	43.9%	45.8%	52.8%	55.3%	56.4%
Non-Stock	3,478	3,726	3,660	3,308	3,416	822
Stock	2,501	2,911	3,090	3,694	4,224	1,064

Legend: Stock ■ Non-Stock □ Stock ratio

＊Information Infrastructure Business: Stock ratio was healthy

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

9

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	Q1 of FY 03/20
Current assets	*21,194*	*22,331*
Cash and deposits	*11,802*	*13,282*
Notes and accounts receivable-trade	*4,787*	*3,937*
Other	*4,603*	*5,111*
Noncurrent assets	*4,539*	*4,633*
Property, plant and equipment	*1,194*	*1,186*
Goodwill	*3*	*1*
Other	*1,225*	*1,235*
Investments and other assets	*2,116*	*2,208*
Current assets	**25,733**	**26,965**

	FY 03/19	Q1 of FY 03/20
Current liabilities	*10,410*	*10,448*
Accounts payable-trade	*1,214*	*1,037*
Short-term loans payable	*450*	*450*
Current portion of long-term loans payable	*300*	*300*
Other	*8,445*	*8,660*
Noncurrent liabilities	*2,948*	*2,851*
Long-term loans payable	*1,150*	*1,075*
Other	*1,798*	*1,776*
Total liabilities	*13,358*	*13,299*
Shareholders' equity	*11,128*	*12,396*
Total accumulated other comprehensive income	△*3*	*15*
Total net assets	*12,374*	*13,665*
Total liabilities and net assets	**25,733**	**26,965**

＊ Equity ratio
FY 03/19   43.2%
Q1 of FY 03/20   46.0%

10

2. Topics of Business activities

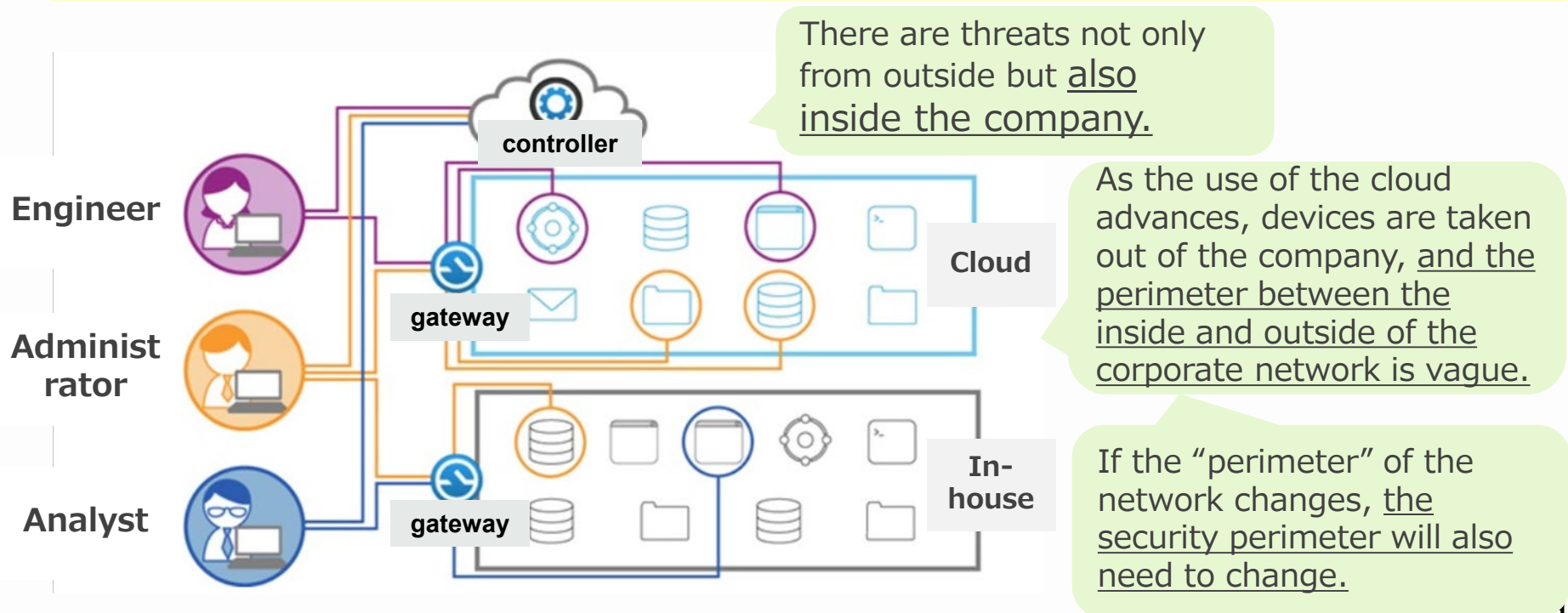# Products and services in Information Infrastructure Business

Security field

The next-generation secure access solution product "AppGate SDP" made by Cyxtera Technologies Inc, based on the 「**zero trust model**」 was released for the first time in Japan.

※SDP is a new framework that allows secure access to information assets.
(SDP = Software-Defined Perimeter)

「**zero trust model**」　:
"do not trust the user, the device, or the network"
（Approach based on the ethical doctrine that human nature is fundamentally evil）

Engineer

Administ rator

Analyst

controller

gateway

Cloud

gateway

In-house

There are threats not only from outside but <u>also inside the company.</u>

As the use of the cloud advances, devices are taken out of the company, <u>and the perimeter between the inside and outside of the corporate network is vague.</u>

If the "perimeter" of the network changes, <u>the security perimeter will also need to change.</u>

13

Security field

> The next-generation secure access solution product "AppGate SDP" made by Cyxtera Technologies Inc, based on the 「**zero trust model**」 was released for the first time in Japan.

Resolves "security concerns" and "location issues" arising out the use of SSL-VPN (Virtual Private Network).
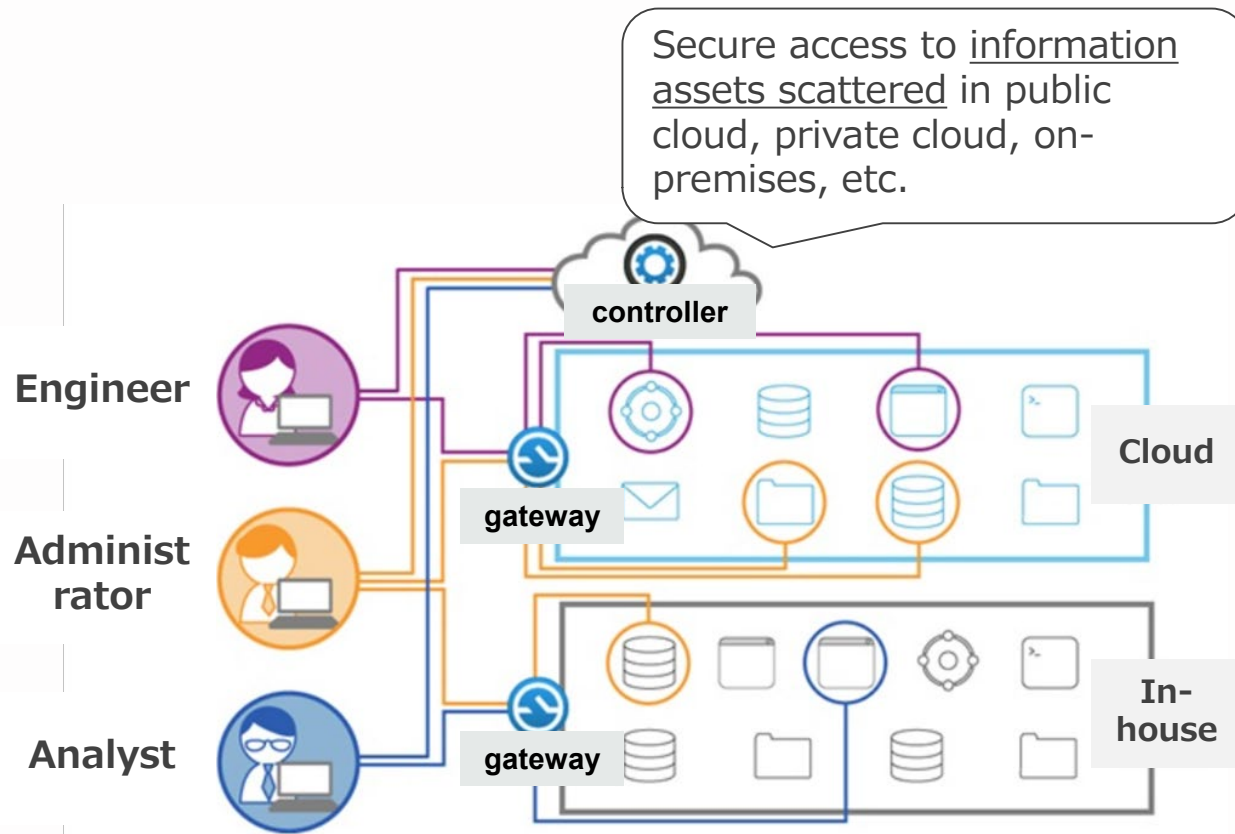
Perform device and user authentication <u>before granting access</u>

After being authenticated, <u>allow access with the minimum access rights</u>

Allow connection.
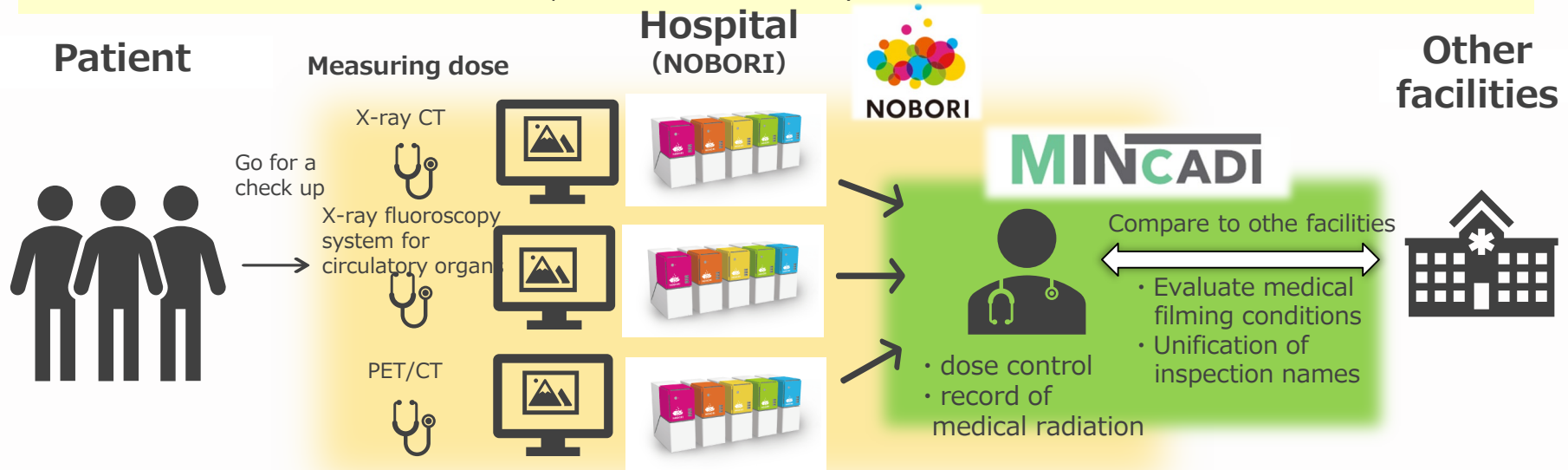<u>And continuous monitoring and control </u>after connection is permitted

Secure access to <u>information assets scattered</u> in public cloud, private cloud, on-premises, etc.

controller

Engineer

Administrator

Analyst

gateway

gateway

Cloud

In-house

14

NOBORI

"MINCADI※" added to "NOBORI　PAL"

＊MINCADI： Provided by A-Line Co., Ltd. It is solution to optimize to 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)

Patient | **Measuring dose** | **Hospital (NOBORI)** | | **Other facilities**

Go for a check up

X-ray CT

X-ray fluoroscopy system for circulatory organs

PET/CT

Compare to othe facilities

· dose control
· record of medical radiation

· Evaluate medical filming conditions
· Unification of inspection names

■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

15

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 Co., Ltd. signed training partner agreement with JetBrains

16

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

Continuous business strategy

We continue business strategy of TMX 3.0

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

18

New business strategy

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	Unilization 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 unilization 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 besed on corporate philosophy)
7	M&A (including usage of treasury stocks)

Medical field

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

20
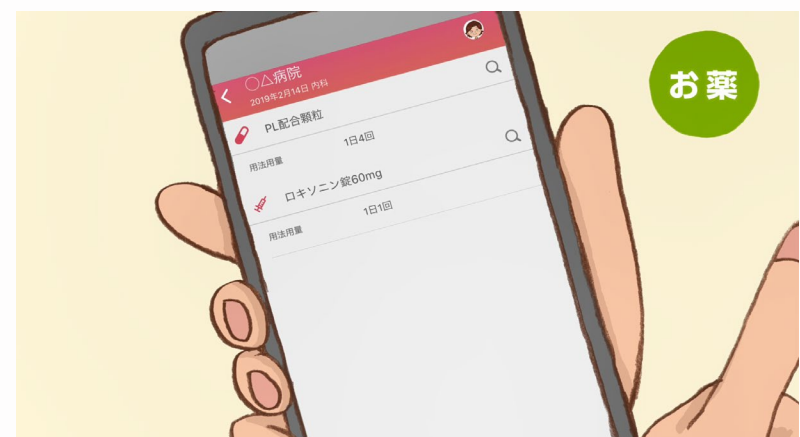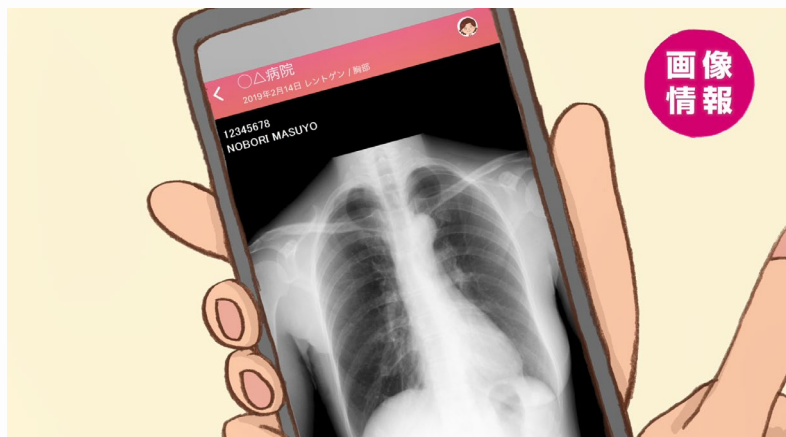
TechMatrix Premium Support powered by TRINITY

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"**

Correlation analysis

Gateway

NWflow
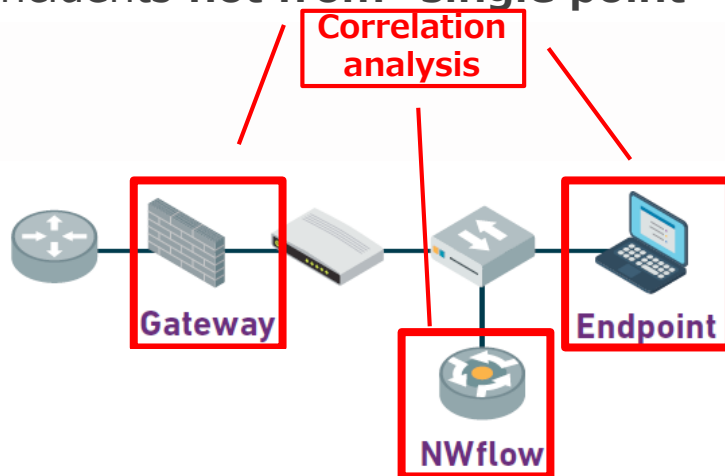
Endpoint

「**T**echMatrix **P**remium **S**upport 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.

21

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.

Cloud

on-premises

Gateway
Endpoint

Perimeter defense monitoring

End point monitoring

NWflow

Behavior analysis inside the network

Security Alert

Log

Network flow

VPN connection

Security Analyst

TechMatrix Premium Support powered by *TRINITY*

Security monitoring

· Correlation analysis of multiple products
· Threat and abnormality detection from network flow
· Utilize AI and machine learning

Maintenance support

· One-stop integrated equipment operation
· Technical support

Security research

Provides incident handling using correlation analytic rules created based on hundreds of threat scenario patterns originally developed by Techmatrix

22

Planned value of GO BEYOND 3.0

Increased net sales and operating income continuously

(¥Million)

■ Net sales ☐ Operating income

25,418（+918）
24,500

**26,800
（+800）**
26,000

28,000

**2,418
（+218）**
2,200

**2,480
（+80）**
2,400

2,700

	FY 03/19	FY 03/20	FY 03/21
	(Forecast) (Result)	(Forecast) (Expected)	(Forecast)

(¥Million)

23

Planned value of GO BEYOND 3.0

Net sales
(¥Million)

■ Information Infrastructure Business
■ Application Services Business

	FY19/03 (Forecast)	FY19/03 (Result)	FY20/03 (Forecast)	FY20/03 (Expected)	FY21/03 (Forecast)
Total	24,500	25,418	26,000	26,800	28,000
Application Services Business	8,200	8,460	8,800	8,800	9,500
Information Infrastructure Business	16,300	16,957	17,200	18,000	18,500

Operating income
(¥Million)

□ Information Infrastructure Business
□ Application Services Business

	FY19/03 (Forecast)	FY19/03 (Result)	FY20/03 (Forecast)	FY20/03 (Expected)	FY21/03 (Forecast)
Total	2,200	2,418	2,400	2,460	2,700
Application Services Business	650	640	800	660	950
Information Infrastructure Business	1,550	1,777	1,600	1,800	1,750

24

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(%) FY 03/18(result) FY 03/19(result)	9.5 (10.5) (9.8)

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

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(%) FY 03/18(result) FY 03/19(result)	10.0 (7.6) (4.5)

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

Net sales

FY 03/18 (result)

Application Services Business

33%
¥23,512 million
67%

Information Infrastructure Business

FY 03/21 (forecast)

34%
¥28,000 million
66%
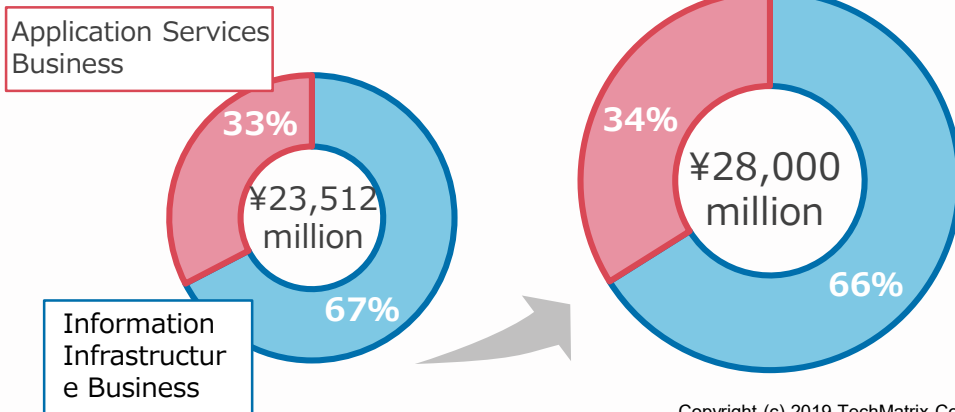
Operating income

FY 03/18 (result)

18%
¥1,902 million
82%

FY 03/21 (forecast)

35%
¥2,700 million
65%
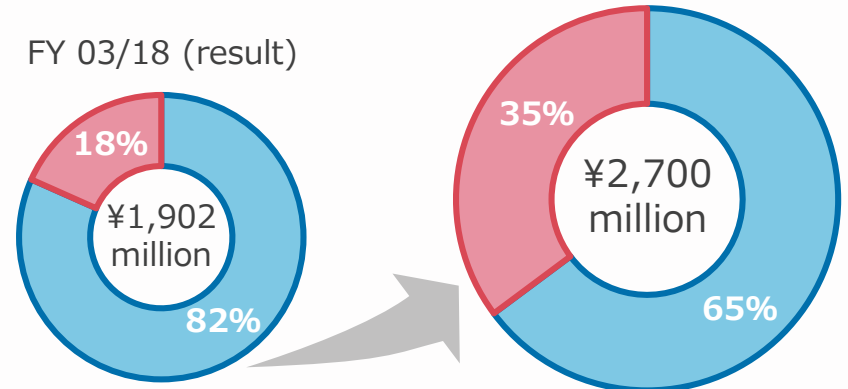
The IT professional group who creates a better future

4. Business Models

Medical field

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 !

病院
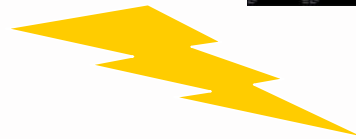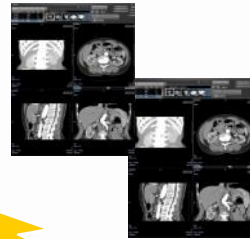
NOBORI CUBE

TechM@trix

NOBORI

High security

- 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".

28

CRM field

Point! **Enhancing the competitiveness of customers' businesses by CRM system.**

- Contacts about products
- Contacts after purchase

FastHelp5

Quick search !

Multi-channel

FAX

電話

LINE

E-Mail

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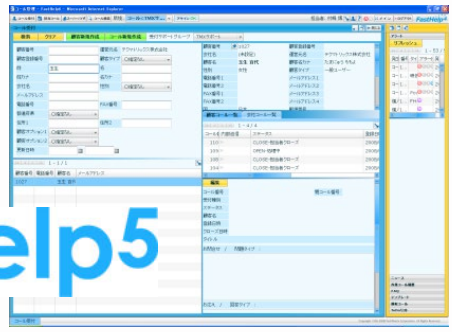
Unified management of purchase histories and the past Q&A's

Quick response to the customers' Inquiries !

Products

Improvement of customer satisfaction !

29

Network & Security field

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

Customer

**Techmatrix　SOC
"Security Operation Center"**

Monitoring Center

Security monitoring service

paloalto
NETWORKS®

24/365
Security Monitoring
Network Monitoring
First level support

❌ **Alart**
⚠️ **Warning**
✅ **No problem**

Operation team

Analyst team

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

Defense solutions

McAfee™
Together is power.

TRINITY

Knowledge base operation

NOC   SOC

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.

30

Software Quality Assurance field

Point! **Every internet-connected device can be a target for cyber-attacks in the IoT era.**
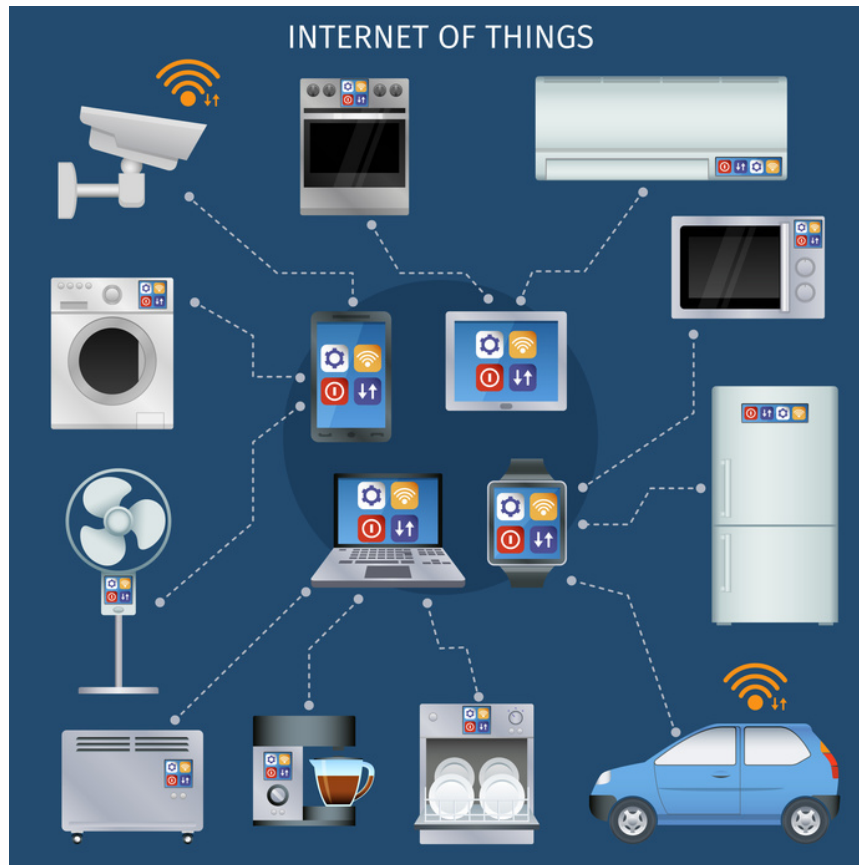
▶ Solution for test, systems design and version control system

▶ 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

31

Software Quality Assurance field

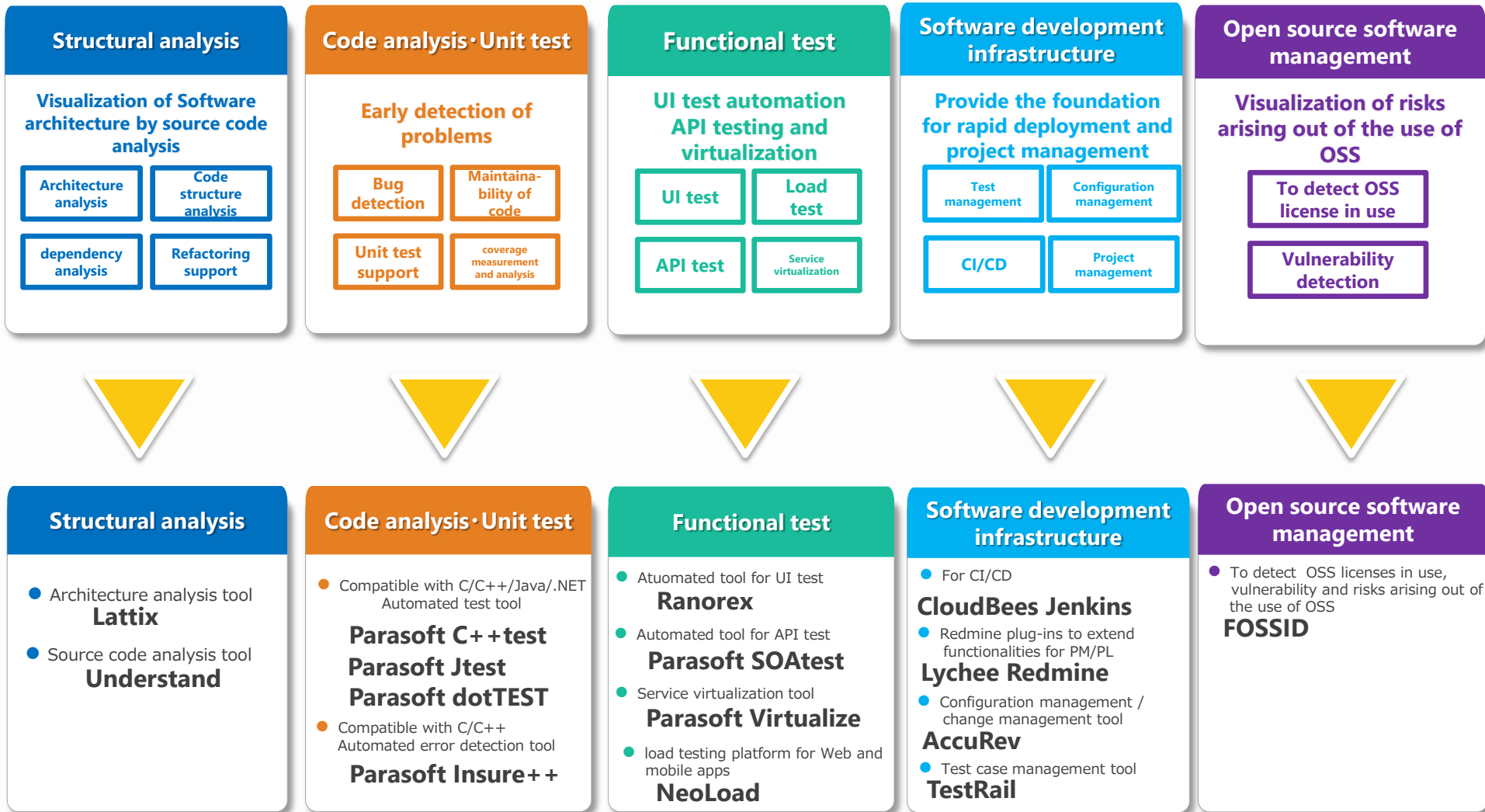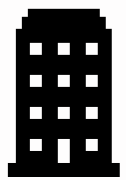| Structural analysis	Code analysis・Unit test	Functional test	Software development infrastructure	Open source software management
Visualization of Software architecture by source code analysis	**Early detection of problems**	**UI test automation API testing and virtualization**	**Provide the foundation for rapid deployment and project management**	**Visualization of risks arising out of the use of OSS**

Structural analysis
- Architecture analysis
- Code structure analysis
- dependency analysis
- Refactoring support

Code analysis・Unit test
- Bug detection
- Maintaina-bility of code
- Unit test support
- coverage measurement and analysis

Functional test
- UI test
- Load test
- API test
- Service virtualization

Software development infrastructure
- Test management
- Configuration management
- CI/CD
- Project management

Open source software management
- To detect OSS license in use
- Vulnerability detection

Structural analysis
- Architecture analysis tool
  Lattix
- Source code analysis tool
  Understand

Code analysis・Unit test
- Compatible with C/C++/Java/.NET Automated test tool
  Parasoft C++test
  Parasoft Jtest
  Parasoft dotTEST
- Compatible with C/C++ Automated error detection tool
  Parasoft Insure++

Functional test
- Atuomated tool for UI test
  Ranorex
- Automated tool for API test
  Parasoft SOAtest
- Service virtualization tool
  Parasoft Virtualize
- load testing platform for Web and mobile apps
  NeoLoad

Software development infrastructure
- For CI/CD
  CloudBees Jenkins
- Redmine plug-ins to extend functionalities for PM/PL
  Lychee Redmine
- Configuration management / change management tool
  AccuRev
- Test case management tool
  TestRail

Open source software management
- To detect OSS licenses in use, vulnerability and risks arising out of the use of OSS
  FOSSID

SOLUTION

32

Financial field

TechM@trix

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

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

Financial assets of individuals and companies

finacial 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
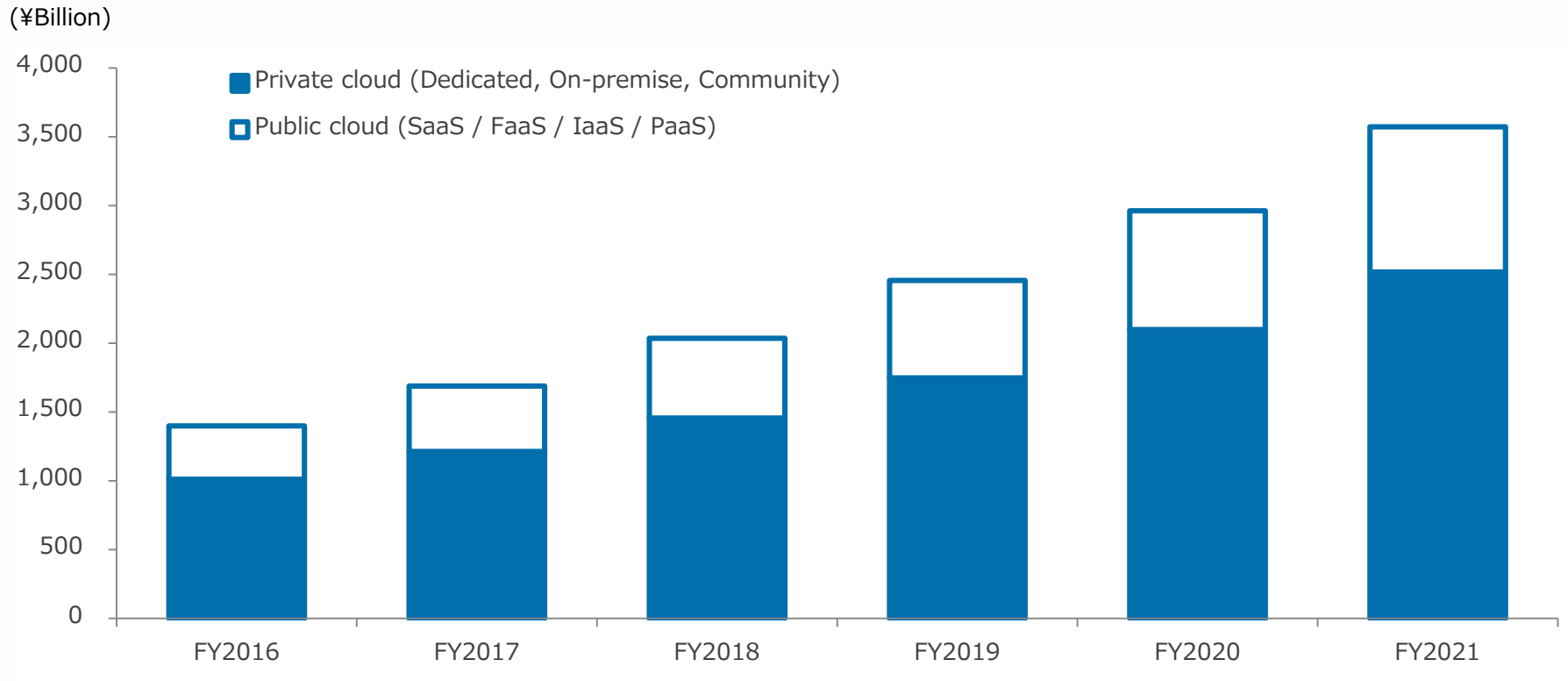- Investment trust
- Forward exchange
- Derivatives
- Loan deposit ・・・

FINCAD®

Trading VaR
Daily Market Risk Calculation System

ALARMS
Asset-Liability And Risk Management System

Apreccia4
Any Transactions To ONE Platform

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

33

5. Market Conditions for our business

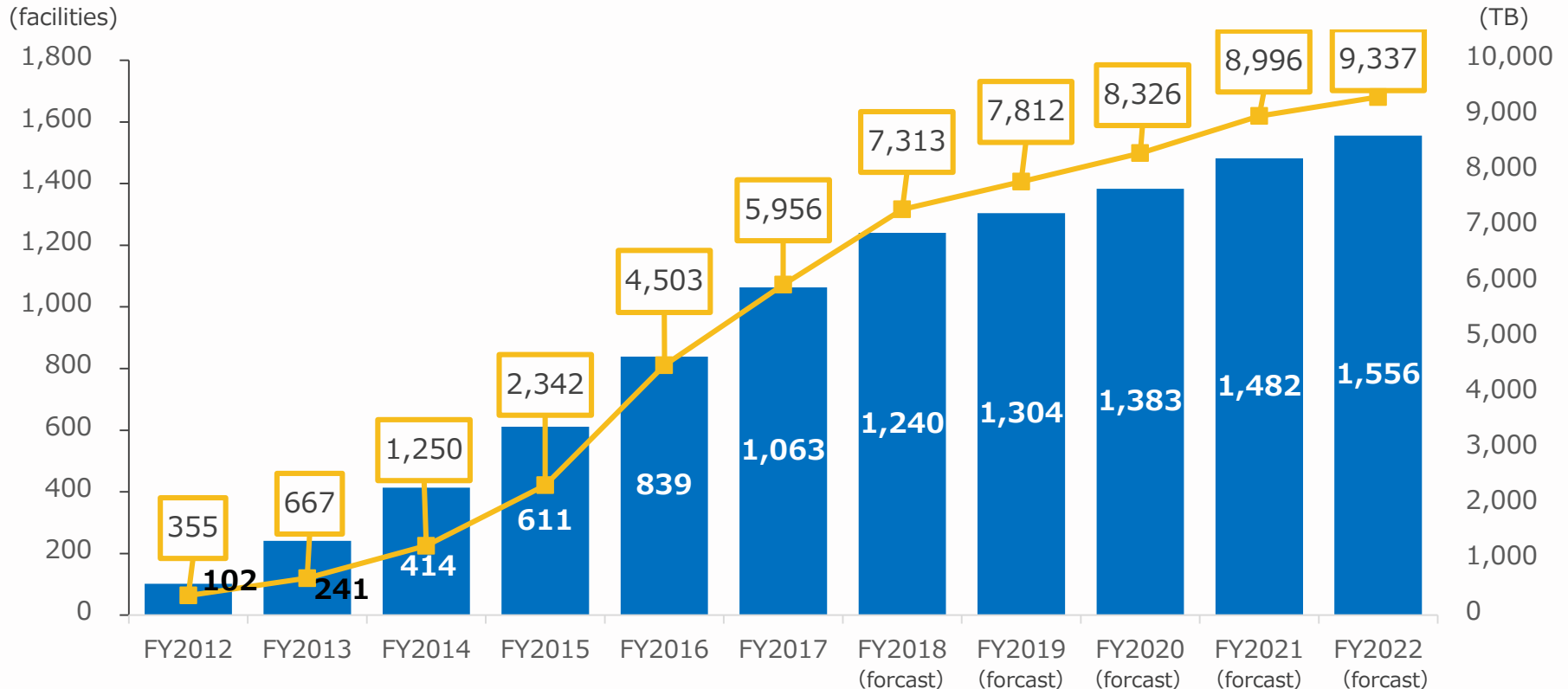# Market Conditions for our business

Market Conditions for our business

(¥Billion)

- Private cloud (Dedicated, On-premise, Community)
- Public cloud (SaaS / FaaS / IaaS / PaaS)

◆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

Market Conditions for our business

Cloud PACS market size estimate (Japan)

(facilities) / (TB)

Data points:
- FY2012: 102 facilities, 355 TB
- FY2013: 241 facilities, 667 TB
- FY2014: 414 facilities, 1,250 TB
- FY2015: 611 facilities, 2,342 TB
- FY2016: 839 facilities, 4,503 TB
- FY2017: 1,063 facilities, 5,956 TB
- FY2018 (forcast): 1,240 facilities, 7,313 TB
- FY2019 (forcast): 1,304 facilities, 7,812 TB
- FY2020 (forcast): 1,383 facilities, 8,326 TB
- FY2021 (forcast): 1,482 facilities, 8,996 TB
- FY2022 (forcast): 1,556 facilities, 9,337 TB

* 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.
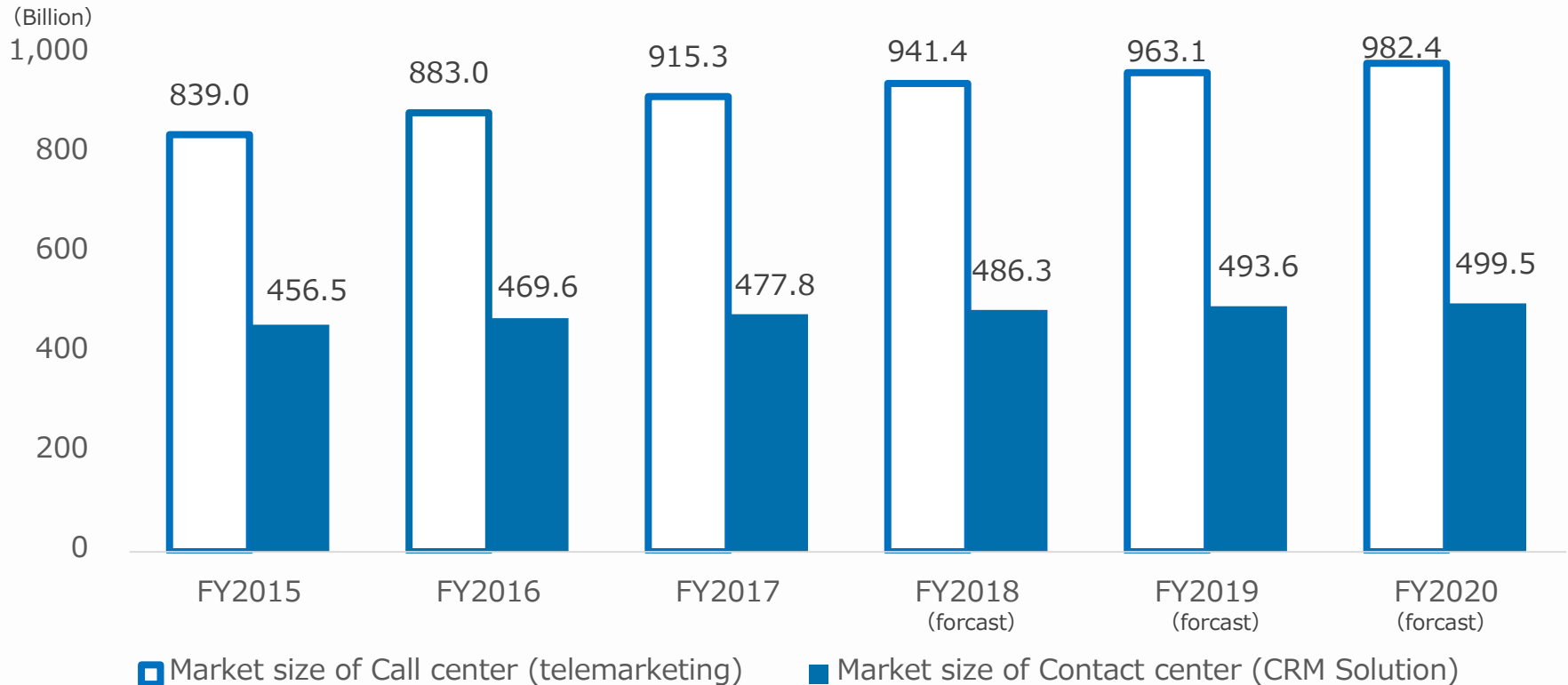◆NOBORI has successfully contracted with about 950 facilities as of the end of FY2018.

＊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）

36

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 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.

Market Conditions for our business

CRM software market size (Japan)

（Billion）

Bar chart showing CRM software market size (Japan):

	FY2015	FY2016	FY2017	FY2018 (forcast)	FY2019 (forcast)	FY2020 (forcast)
Market size of Call center (telemarketing)	839.0	883.0	915.3	941.4	963.1	982.4
Market size of Contact center (CRM Solution)	456.5	469.6	477.8	486.3	493.6	499.5

☐ Market size of Call center (telemarketing)　■ Market size of Contact center (CRM Solution)

*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）」

Market Conditions for our business

Network & Security market size (Japan)
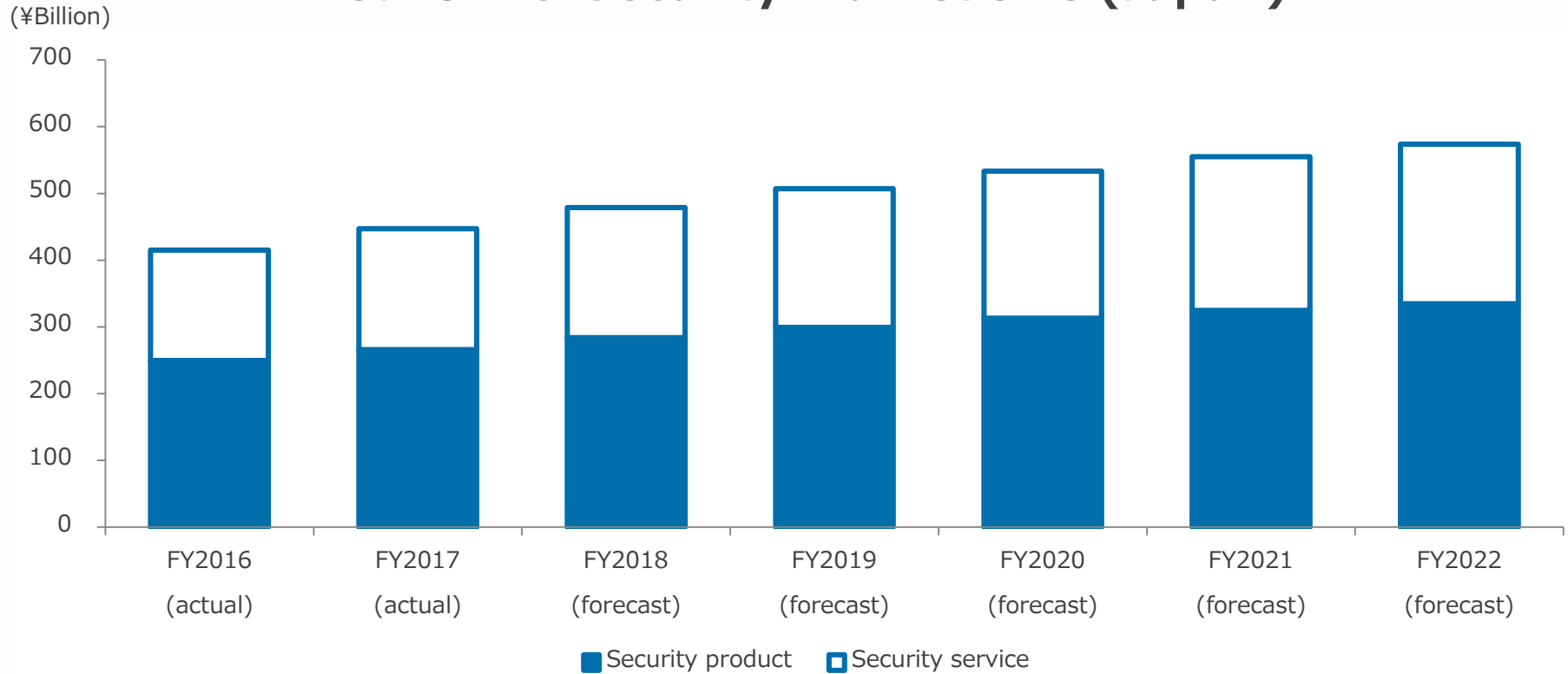
(¥Billion)

◆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

39

MEMO

TechMatrix Corporation

Planning and accounting division Corporate planning team
TEL:03-4405-7802　ir@techmatrix.co.jp