



Results for the 3rd Quarter of 32nd business period

(Fiscal Year Ending March 31st, 2016)

TechMatrix Corporation
February 15th, 2016

- 1. Business Highlights for the Nine Months of 32nd Business Period**
- 2. Progress of the Medium-Term Management Plan “TMX 3.0” and Outlook for 32nd Business Period**
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Business Highlights for the Nine Months of 32nd Business Period

Business Highlights for the Nine Months of 32nd Business Period (Consolidated) **TechMatrix**

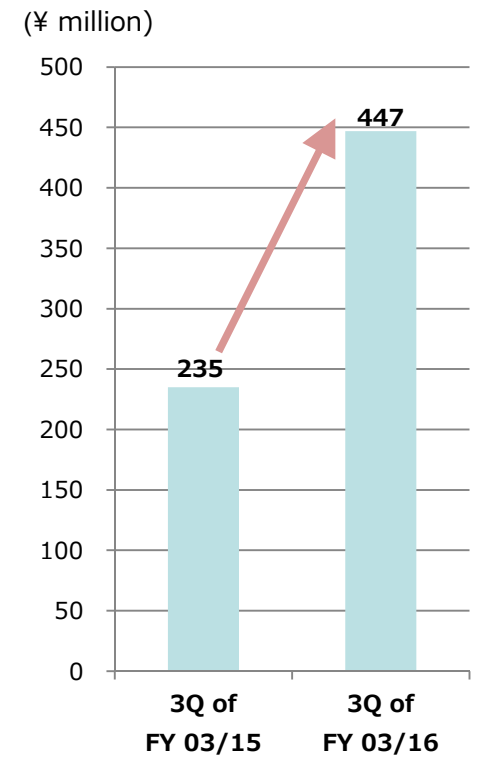
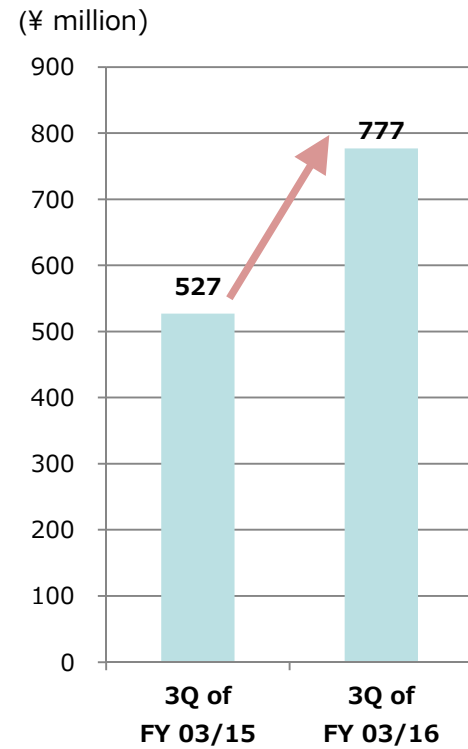
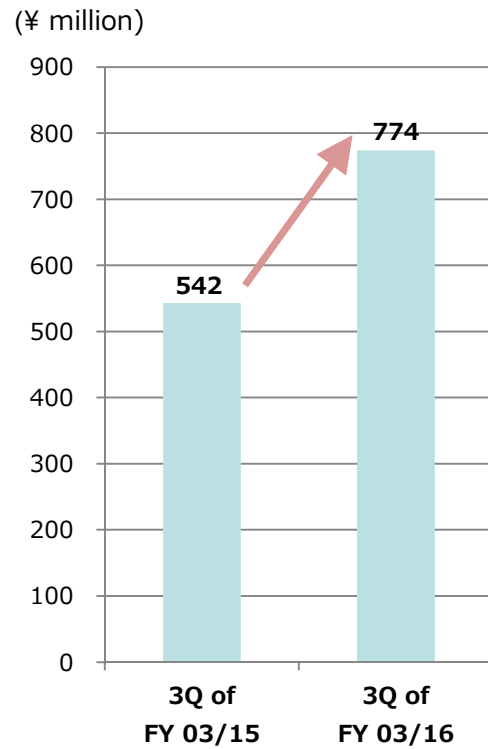
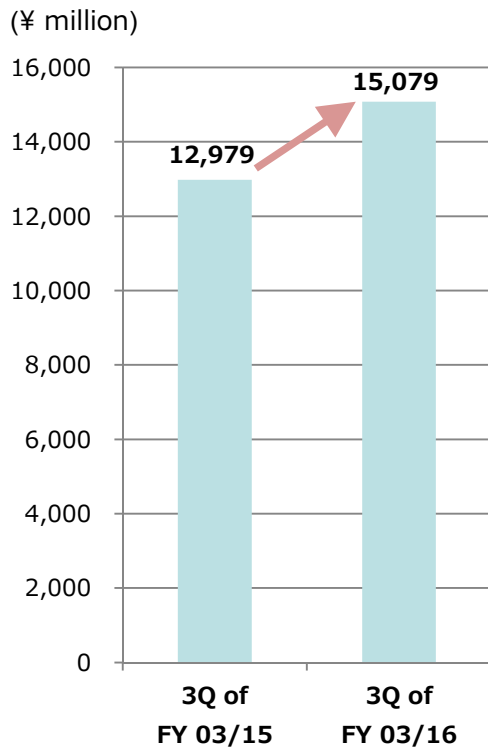
- ◆ The consolidated net sales during the nine months recorded high
- ◆ Earnings growth by progress of cloud business

Net sales ¥15,079M
Year on year up
16.2%

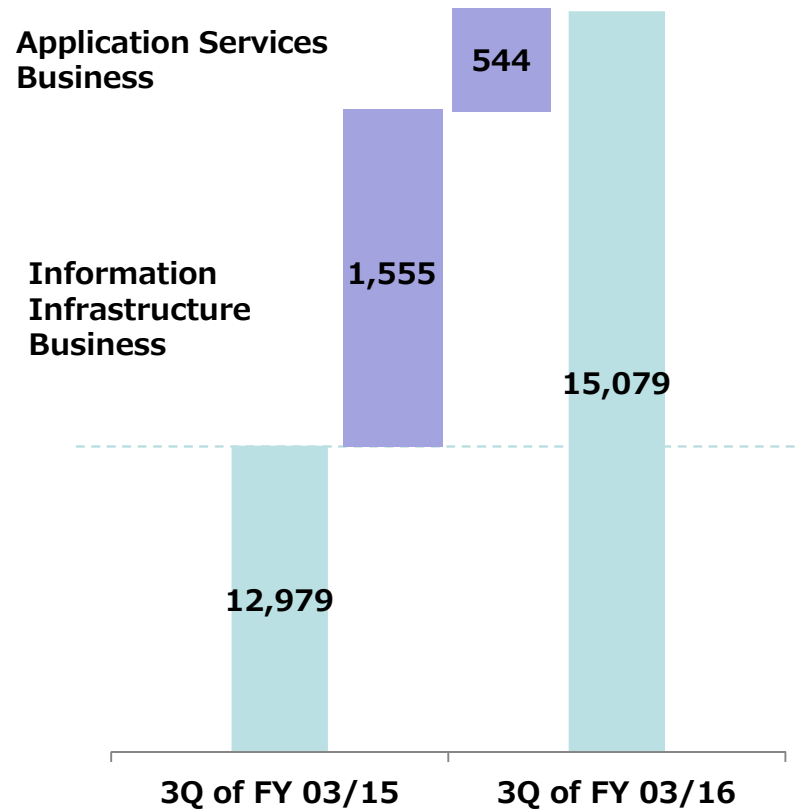
Operating income ¥774M
Year on year up
42.6%

Ordinary income ¥777M
Year on year up
47.2%

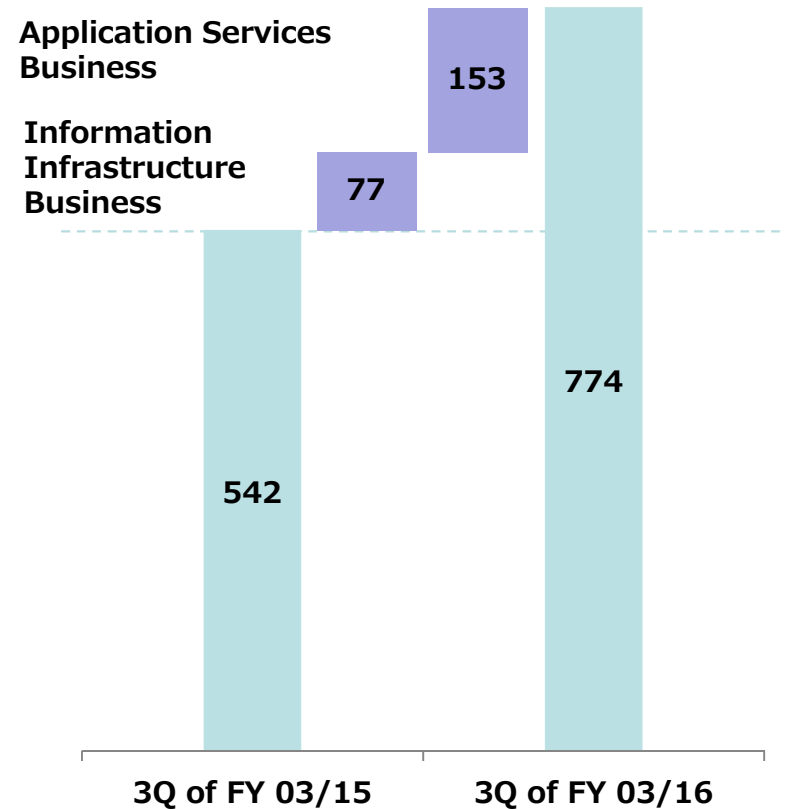
Profit attributable to owners of parent ¥447M
Year on year up 90.0%



Net Sales (¥Million)



Operating income (¥Million)

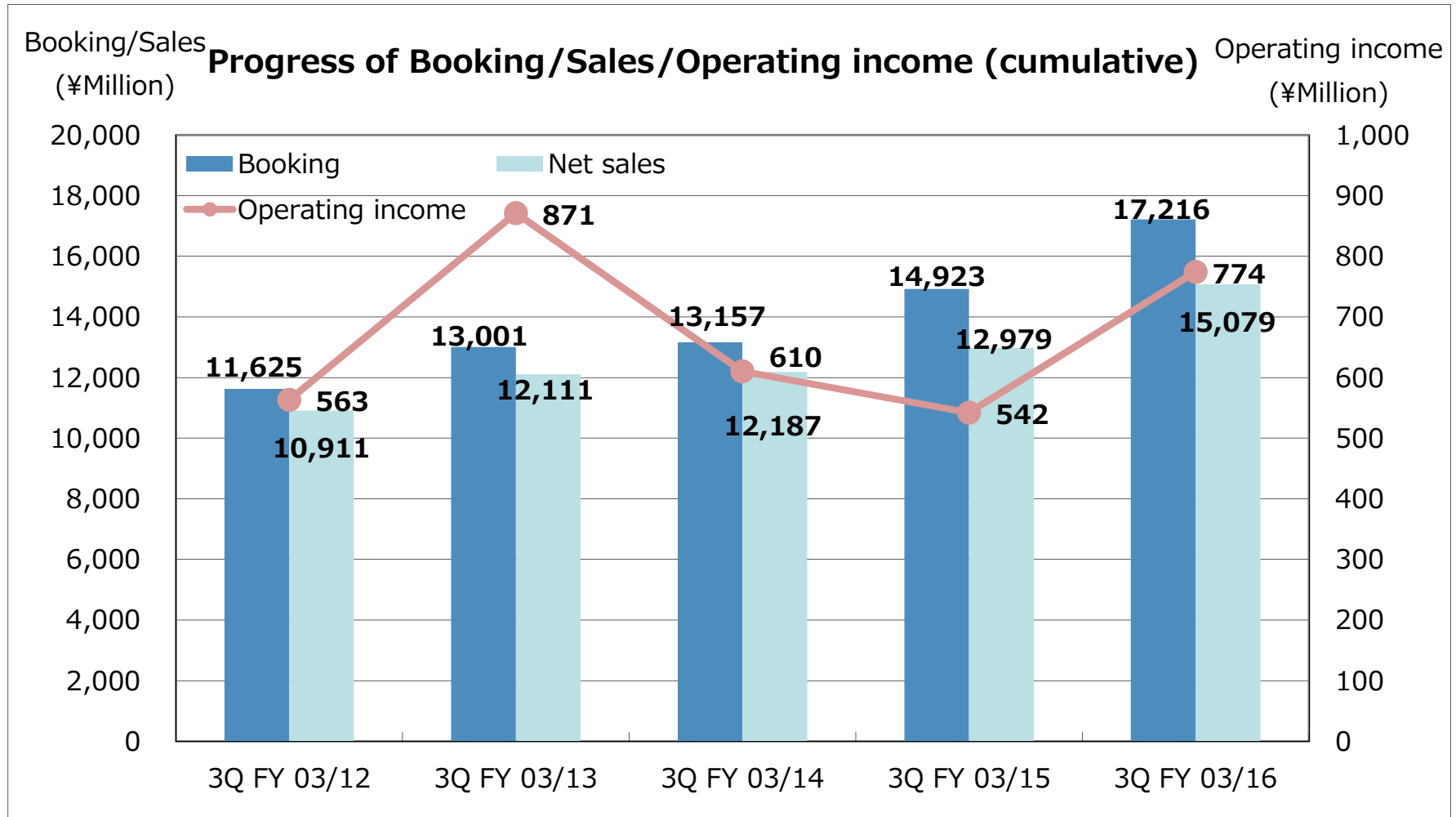


Net Sales

◆ Information Infrastructure Business		Year on year
	Load balancers	
	Security-related products	
	Business for governments and public agencies	
	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	

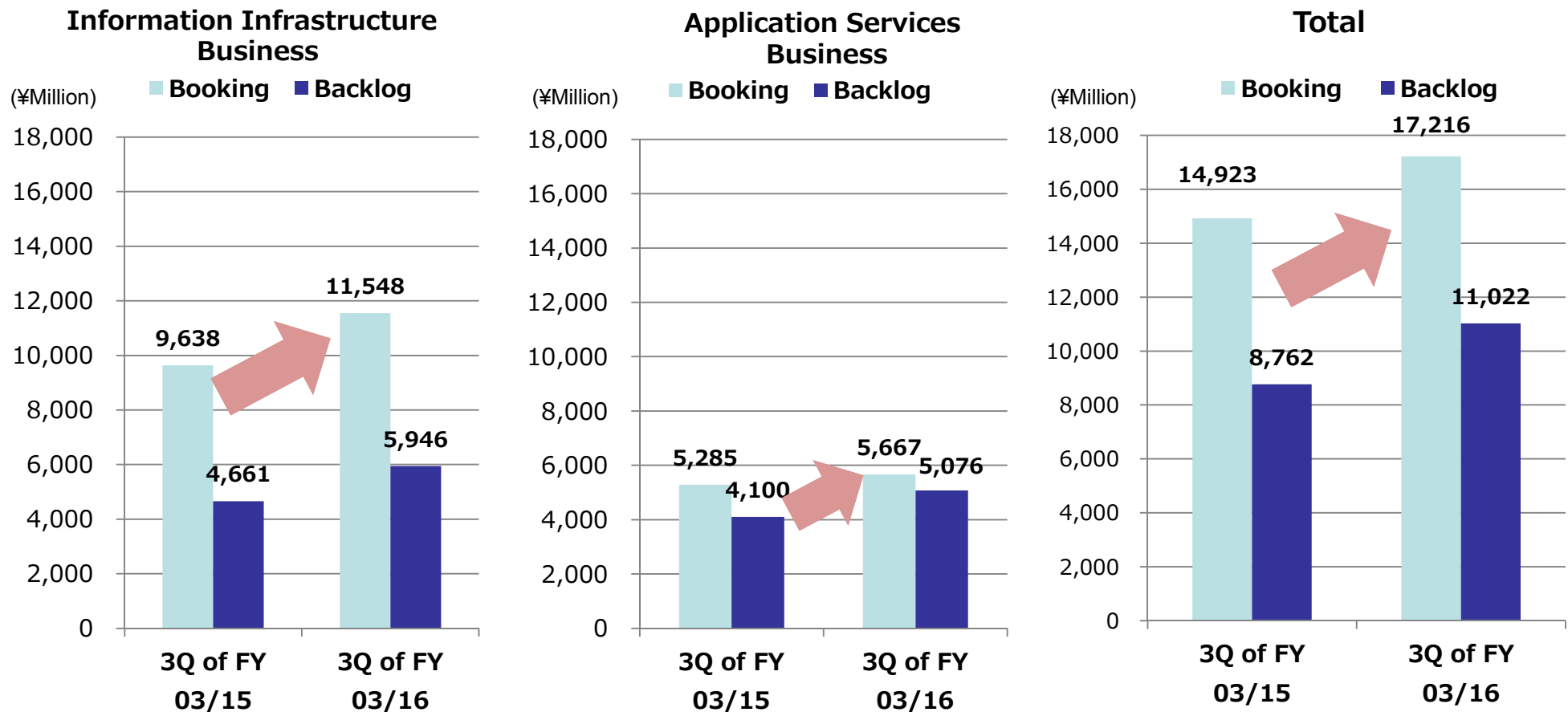
+10% and over	+5% ~ +10%	within +5%	within Δ 10%	under Δ 10%
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- ◆ Booking and sales in good shape in 3Q FY 03/16
- ◆ Recovery trend of Operating income by earnings recovery in the Healthcare field



Business Highlights for the Nine Months of 32nd Business Period (Consolidated)

- ◆ **Information Infrastructure Business: Booking and Backlog have significantly increased by good performance of Security-related products and operation / monitoring services(19.8%/27.6%)**
- ◆ **Application Services Business: Backlog increased by progress of cloud businesses(23.8%)**



• **Stock repurchase**

Repurchased shares of common stock, a majority of the Company's common stock held by Rakuten, Inc., on August 21, 2015.

	As of 1Q end of FY 03/16	As of 3Q end of FY 03/16	Remarks
Treasury stock	216,356	3,694,391	Repurchased 3,478,000
Equity ratio	43.5%	24.8%	

	As of publication date of business forecasts for FY 03/16	2016年3月期 期末予測	Remarks
Net earnings per share (Forecast of FY03/16)	¥69.33	¥83.71*	
ROE	12.2%	15.8%	Estimated based on business forecast

* Estimated based on forecasting average number of shares during period as of March 31, 2016

Business Highlights for the Nine Months of 32nd Business Period (Consolidated)

Balance sheet

(¥Million)

	FY03/2015	3Q of FY03/2016		FY03/2015	3Q of FY03/2016
Current assets	10,791	11,142	Current liabilities	6,738	7,446
Cash and deposits	4,291	4,184	Accounts payable-trade	1,116	1,015
Notes and accounts receivable-trade	3,489	3,100	Short-term loans payable	350	350
Other	3,010	3,857	Current portion of long-term loans payable	–	300
			Other	5,271	5,780
Noncurrent assets	3,435	3,427	Noncurrent liabilities	1,037	3,495
Property, plant and equipment	472	783	Long-term loans payable	–	2,125
Goodwill	344	255	Other	1,037	1,370
Other	830	880	Total liabilities	7,776	10,941
Investments and other assets	1,787	1,507	Shareholders' equity	6,422	3,623
			Total accumulated other comprehensive income	26	△5
Total assets	14,227	14,569	Total net assets	6,451	3,628
			Total liabilities and net assets	14,227	14,569

※ Decline of net assets was attributed to the purchase of treasury stock conducted on August 21, 2015.

Progress of the Medium-Term Management Plan “TMX 3.0” and Outlook for 32nd Business Period

Key principle

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

Business strategy

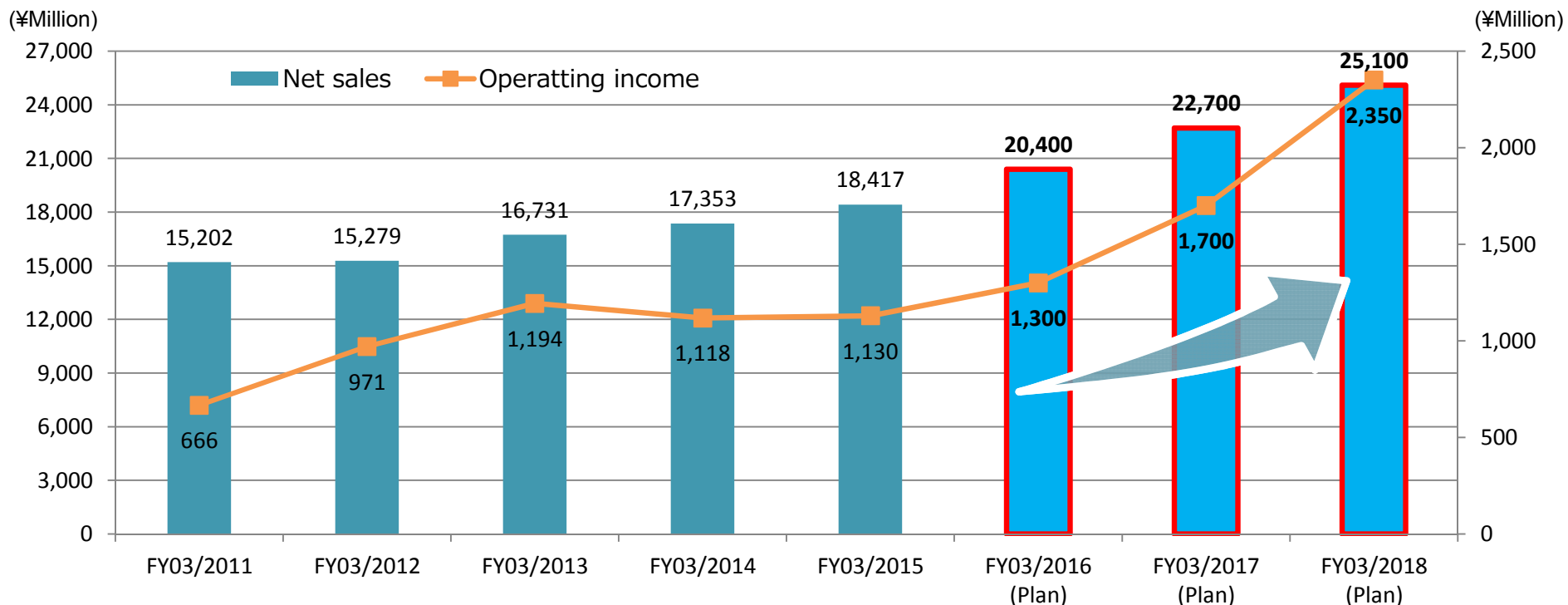
- ✓ Strategic and accelerated promotion of cloud-related businesses
- ✓ Pursuit of security and safety



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"



10%
Growth rate of net sales



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

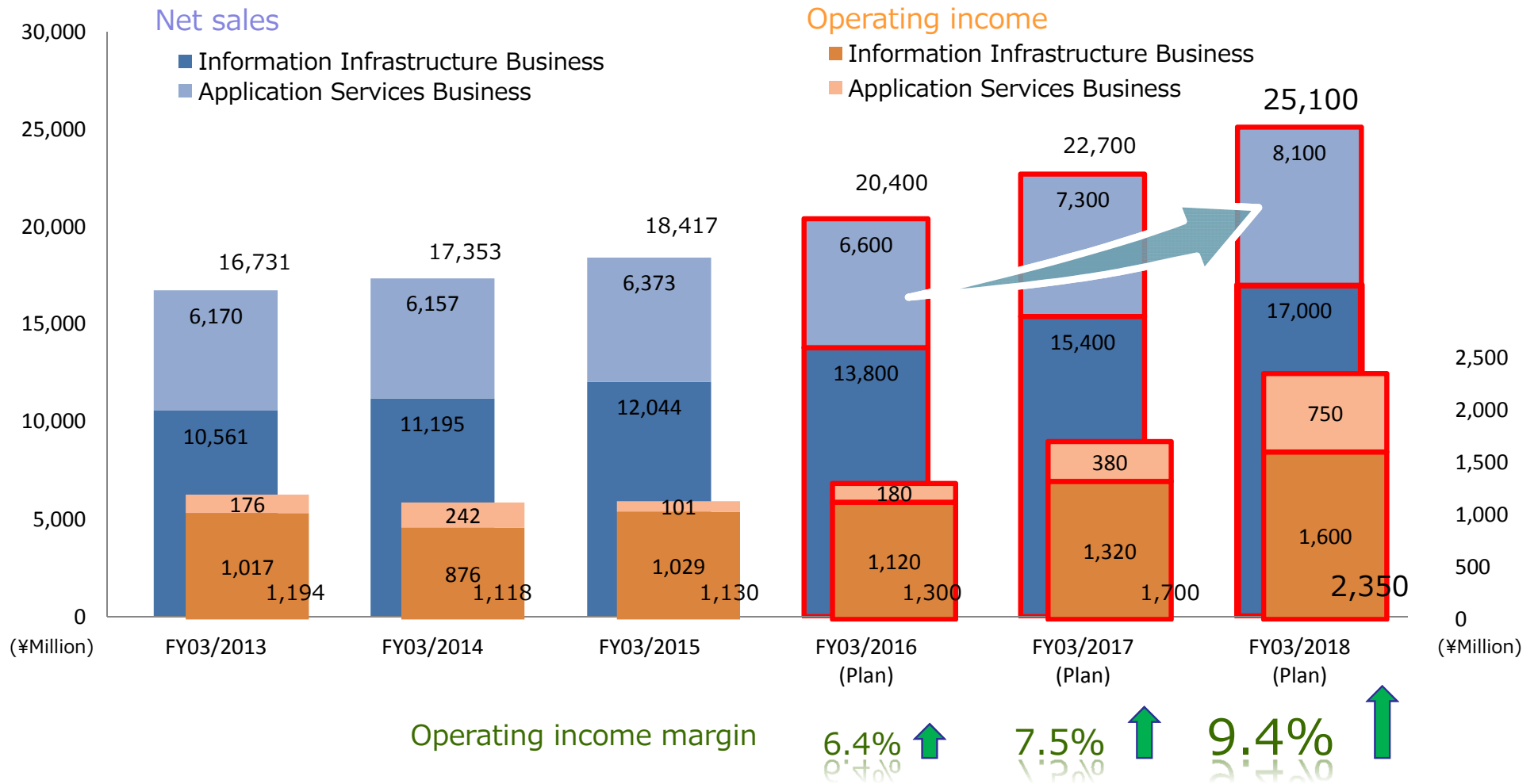


50%
Stock type sales ratio (Cloud, maintenance, operation and monitoring services)

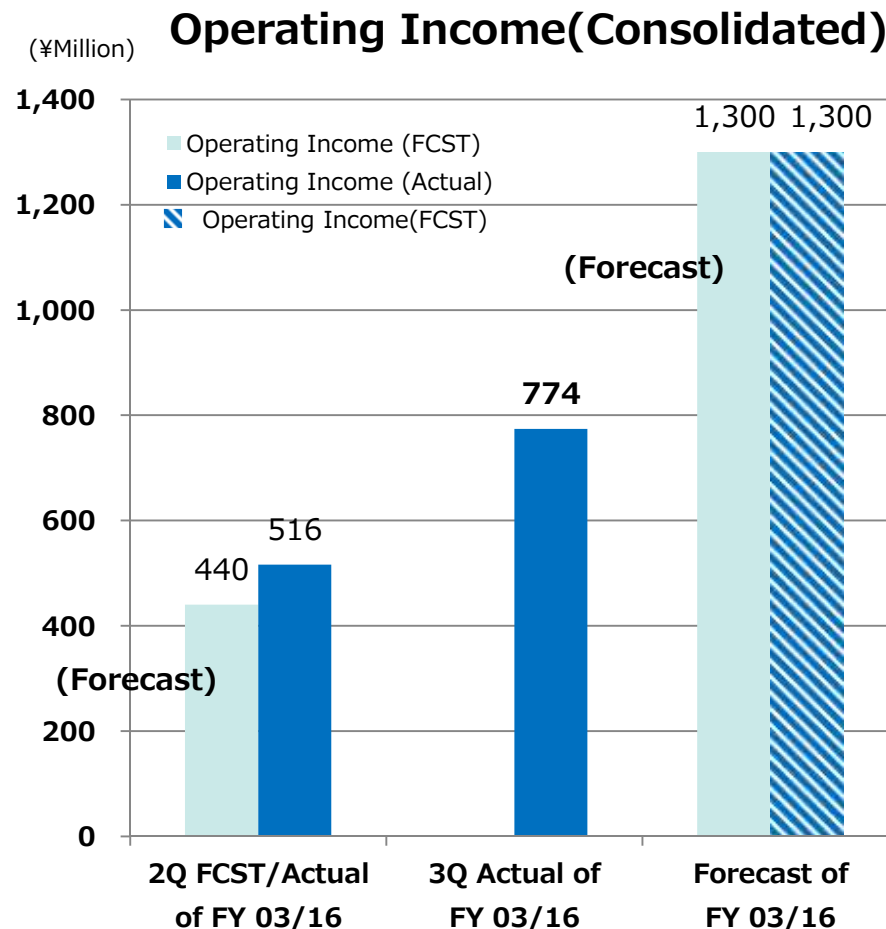
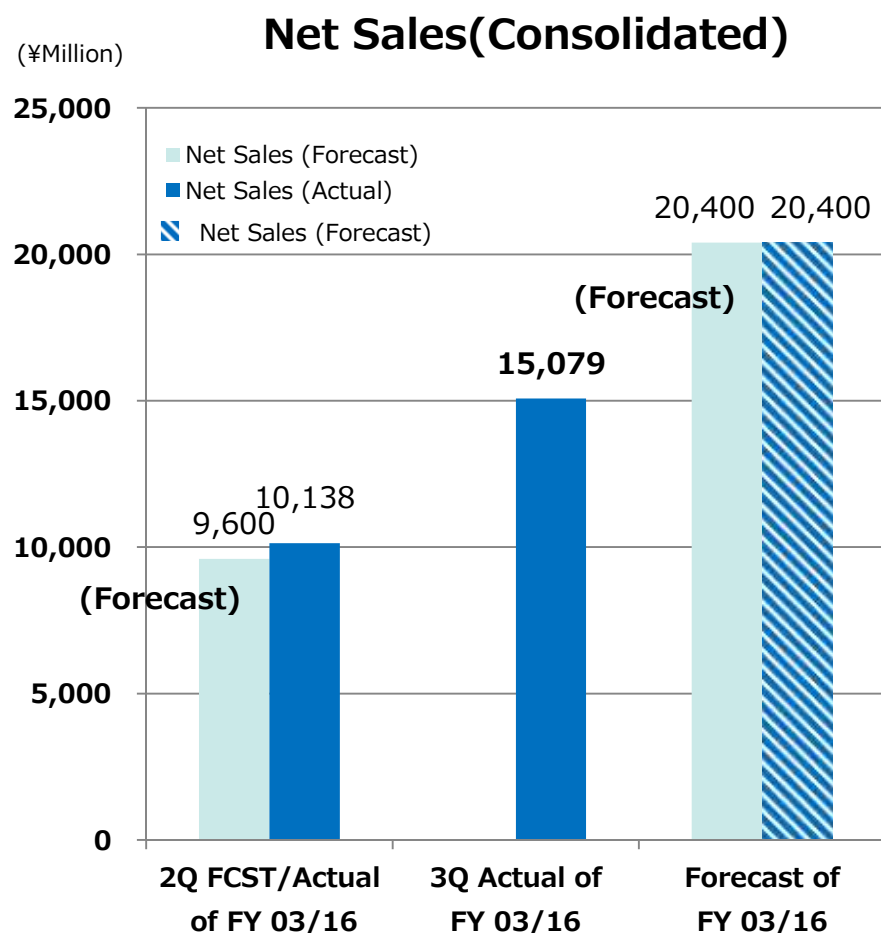


10%
Challenge to operating income margin of 10%

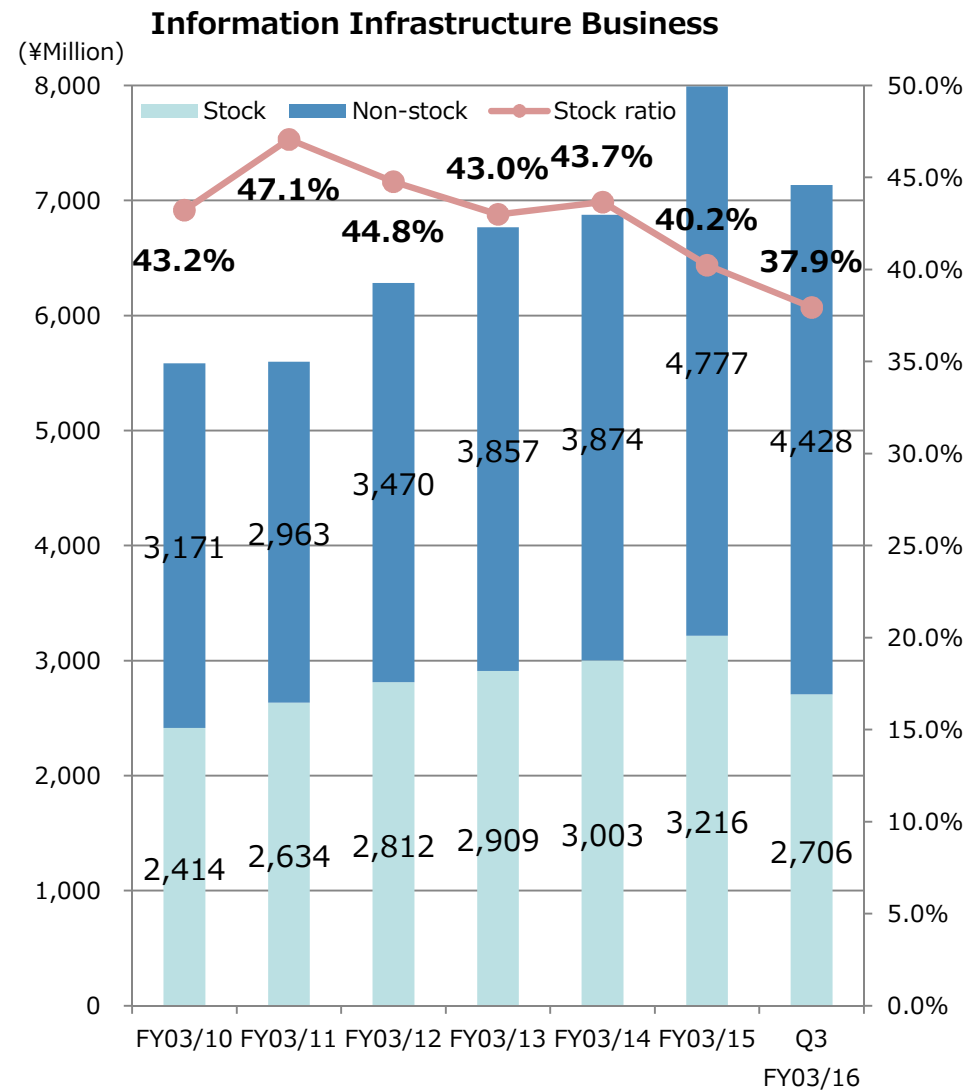
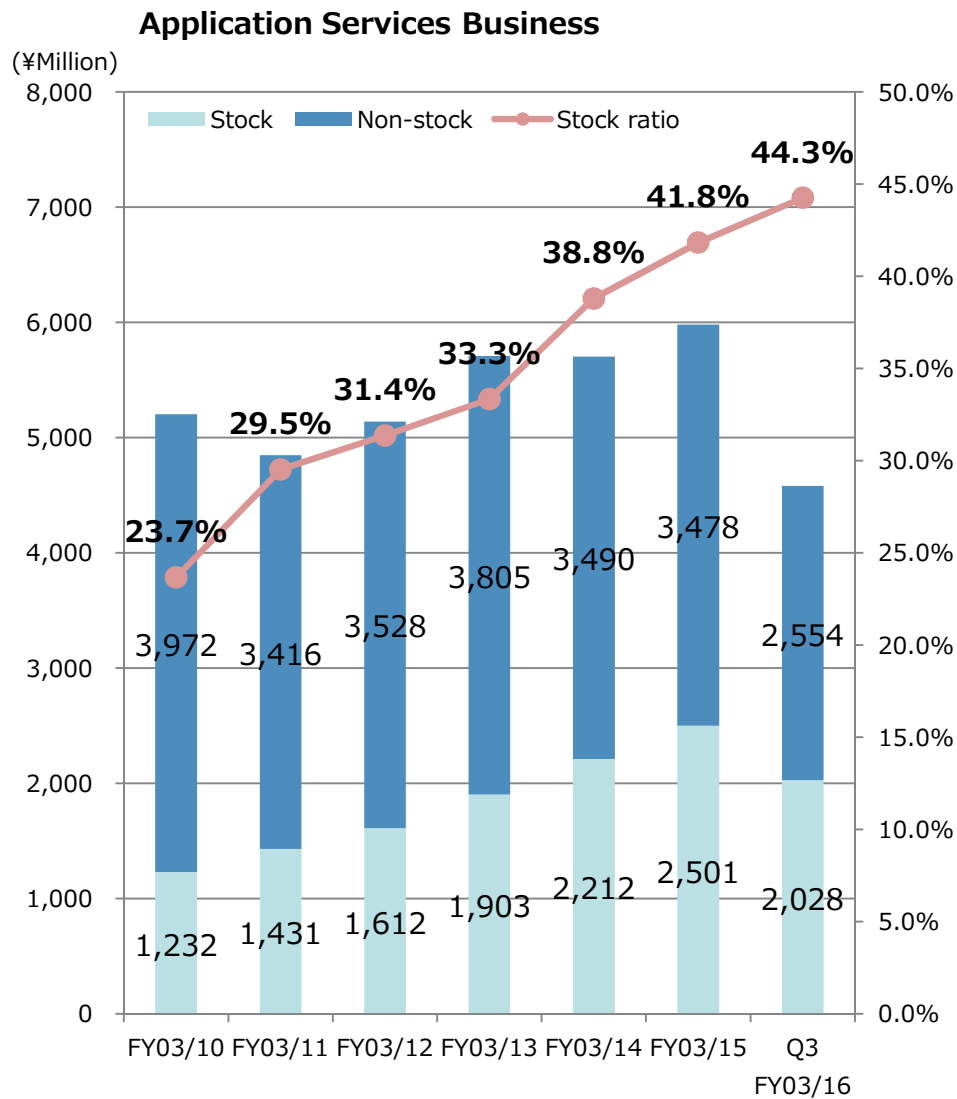
Evolution for a stronger company materializing sustainable growth



- ◆ Achieve the 2Q forecast of Net Sales (UP5.6%)
- ◆ Achieve the 2Q forecast of Operating Income (UP17.2%)
- ◆ Orders increased steadily in 3Q, thus it's become increasingly likely to achieve the forecast of FY03/16



◆ Stock type sales ratio (non-consolidated)



*In the Information Infrastructure Business, the stock ratio temporarily came down due to obtaining large-scale projects

◆ Core business strategy

Item	Valuation	Description
Strategic and accelerated promotion of cloud-related businesses		
Profit contribution by the cloud business (Realize profitability of the healthcare cloud business)	◎	Steadily increased bookings as planned
Turn our cloud service into a platform (diversification)	◎	Commenced new services on NOBORI platform
Establish cloud business in overseas (Asian) market (At first, the success of the joint venture in China)	○	Established joint venture company in China
Quality improvement for cloud operation (Exponential improvement of operational skills)	○	Progress continuously improvement
Strategic application of virtualization technologies (Cloud first)	○	Establish Solution Incubation Team(SIT)
Analysis of Big data gathered by the cloud (Secondary use of the data)	○	Increasing inquiries about BI
Pursuit of security and safety		
Enhancement of defenses against cyber-attacks and provide as one-stop service	◎	Enhanced security-related solution
Design, construction, maintenance, operation and monitoring services Realize value chain of automatization	◎	Expanded SOC services (Security Operation Center)
Realize functional safety of embedded software for IoT (Internet of Things)	○	Solution for IoT field
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)	○	Increased inquiries for consulting services on medical equipment

◆ Operation strategy

Item	Valuation	Description
Operation strategy		
Cost reduction for high profitability		
‣ Promote the active utilization of offshore development	○	Alliance with Vietnamese company progressed
‣ Improve operation efficiency by integrating the office space of Head Office	◎	Integrated and moved
‣ Transform business model without monotonic increase of human resources	○	Stock ratio increased
Closer ties with partners	○	Progress in each Business unit
Strengthen direct sales. Penetrate deeply into the market for the government and other public agencies	◎	Orders from governments and other public agencies in good shape
Strengthen workforce by promotion of diversity	△	Improved but slow
Strengthen company's brand as a corporate group	△	Scheduled Web page renewal

Business Topics

Business topics for the Nine Months

Date	Contents
May	Concluded joint-venture contract for healthcare information service in China.
	Concluded distributorship agreement with Aruba Networks.
	Commenced the provision of the new security product "Traps".
	Announced the Medium-term Management Plan "TMX3.0"
	CASAREAL joined Apple Consultants Network
June	Notice regarding transition to a Company with a Board with Audit Committee.
	CROSS HEAD made investment in Canada-based Inuvika, Inc.
	Commenced the provision of Understand 4.0 of the static code analysis tool.
August	Repurchase of treasury stock from Rakuten.
September	Commenced the provision of the FastHelp5.1 as a new version of CRM system for contact centers.
	Commenced the provision of "Parasoft DTP" from U.S.-based Parasoft Corp., a development testing platform for supporting large-scale and high-quality software development.
	Okinawa Cross Head launched "Reemo," a remote desktop service.
	Commenced the provision of high-performance Automated Testing Tools from Austria-based Ranorex GmbH.
October	Concluded distributorship agreement in Thailand with Transcosmos (Thailand) Co., Ltd. for "Fast Series"
November	Formulated basic policy for Japan's Corporate Governance Code

In August, Established joint-venture company for healthcare information service in China.

(Concluded the contract in May)

Point!

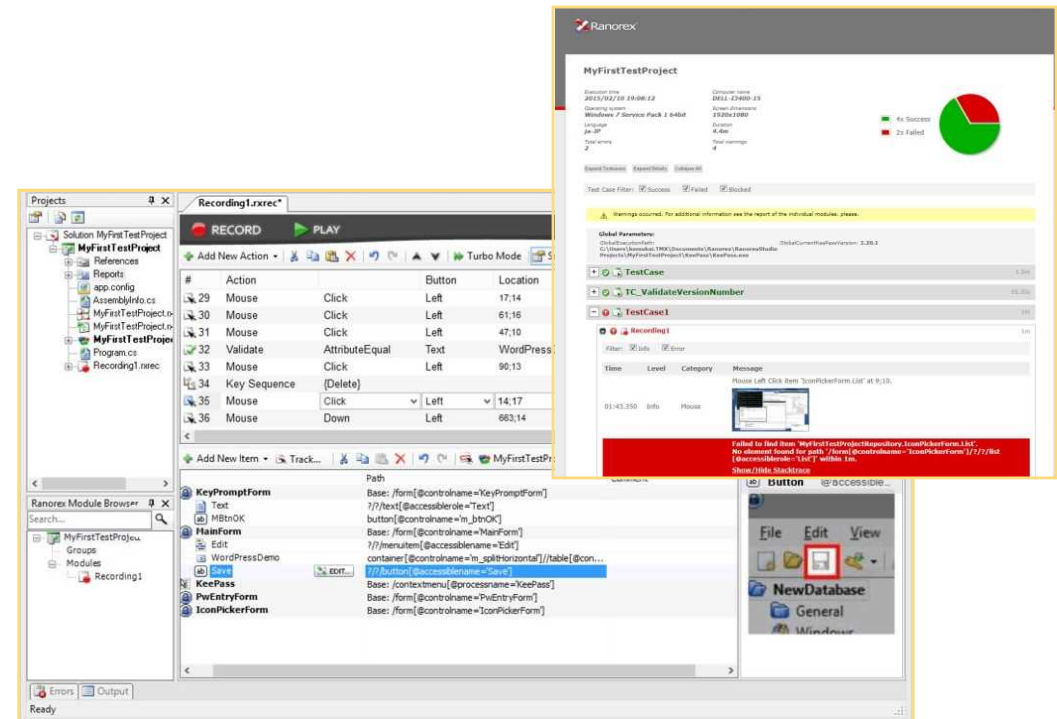
- ✓ Established Beijing HealthTech Medical Information Technology Co., Ltd. with a Chinese company
- ✓ Enter teleradiology business in China where people have a high expectation for state-of-the-art medical technology in Japan
- ✓ Remote diagnosis available from Japan for medical images taken in China



In September, commenced the provision of high-performance Automated Testing Tools of Ranorex

Point!

- ✓ Entered into exclusive distributorship agreement with Austria-based Ranorex GmbH.
- ✓ Breakthrough testing tool that can conduct effective testing process without professional knowledge
- ✓ Ranorex acquired a good reputation and the launch event had a full audience on October 30



In October, Concluded distributorship agreement in Thailand with Transcosmos (Thailand) Co., Ltd.

Point!

- ✓ Distributorship agreement in Thailand for “Fast Series,” CRM products for contact centers.
- ✓ Accelerate customer acquisition through the cooperation with Transcosmos as a leading service provider for contact centers.



In February, Held Techmatrix CRM FORUM 2016

Point!

- ✓ Held Techmatrix CRM FORUM 2016, one of the biggest events in the Japanese contact center marketplace, on February 10 in cooperation with 28 sponsor companies and received about 1,600 attendees



"Next 30 Years Project" for future Techmatrix

Point!

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



Corporate history in future

Came up with an original chronology based on their expectation for Techmatrix 3 decades later



News paper in future "30th Project Journal"

Articles on their activities and related information as an internal publication

And so on.....



“For Next Gen. Techmatrix”



Business Model

Point!

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

TMX : TONARI

みんなの明日へ、医療情報クラウド。

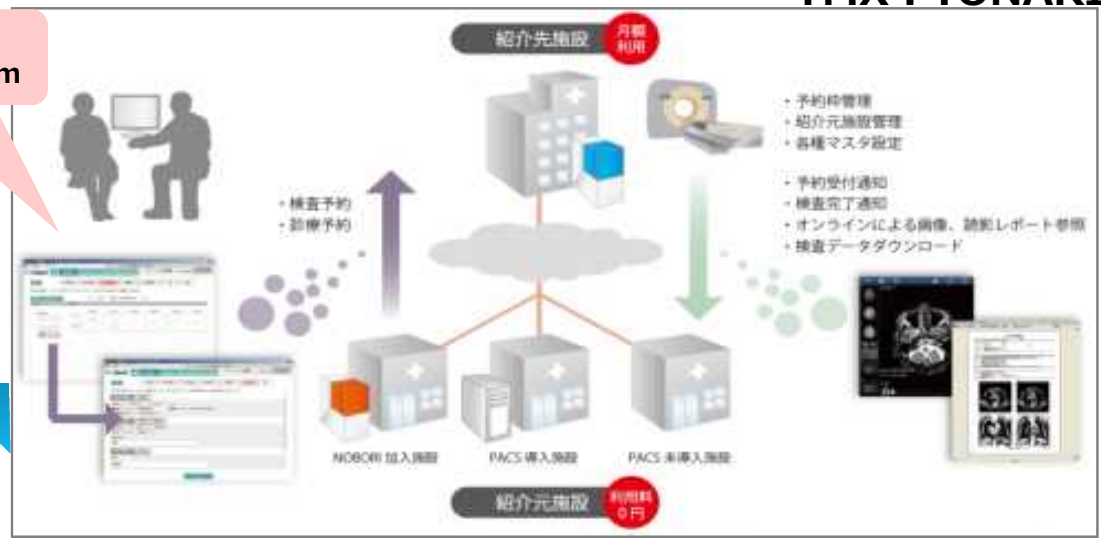


NOBORI :
Cloud service for healthcare information



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

Examination reservation system



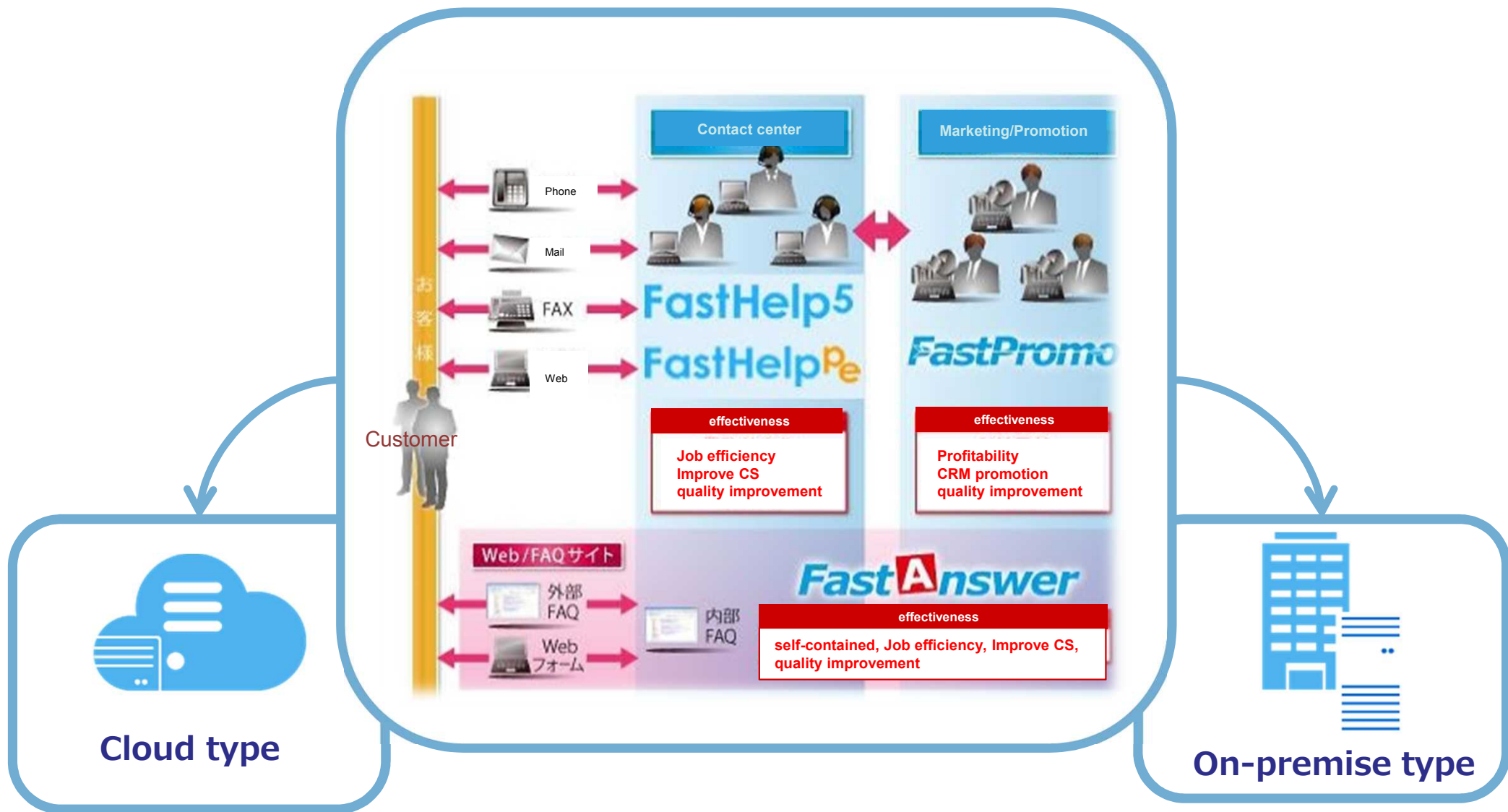
Healthcare information service for clinic



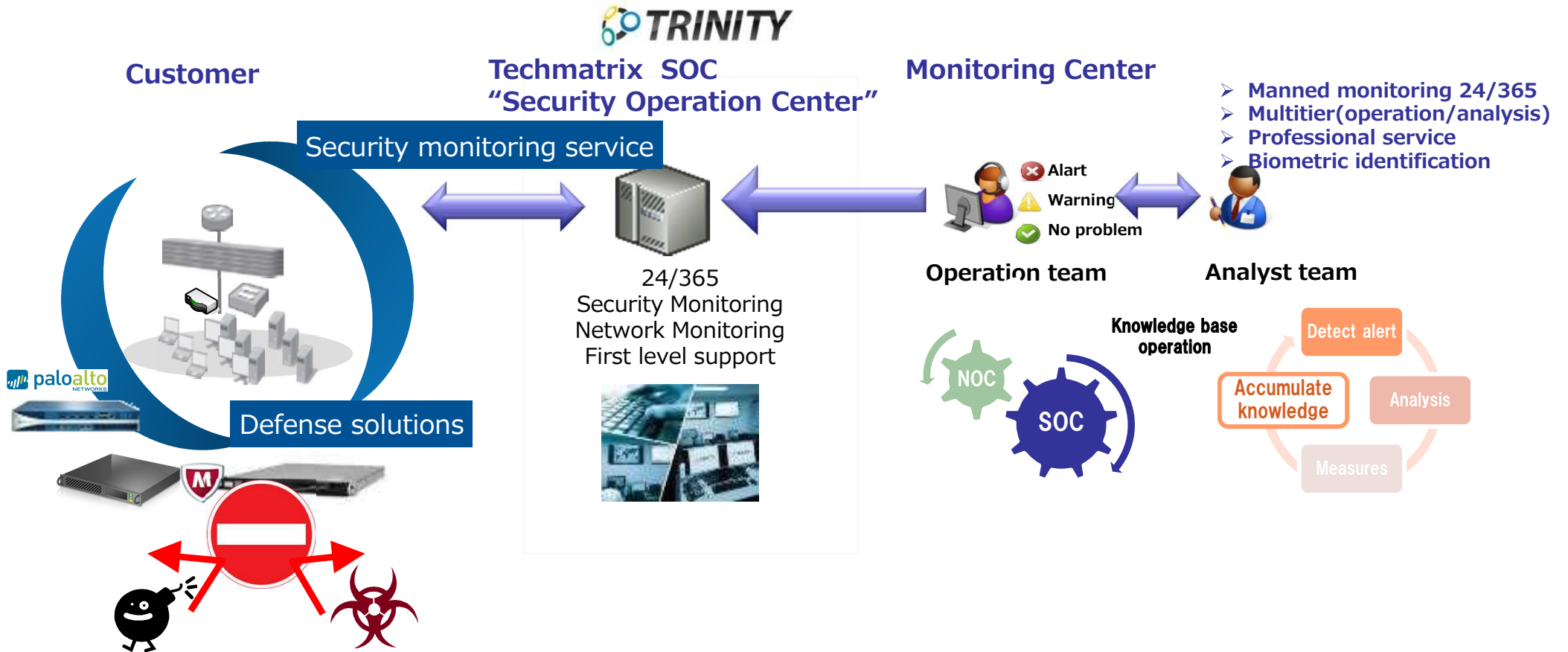
3z Corporation : WATARU

Point!

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



Point! ✓ One-stop solution from Techmatrix



One-stop solution

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

Professional service with expert knowledges

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

Point!

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

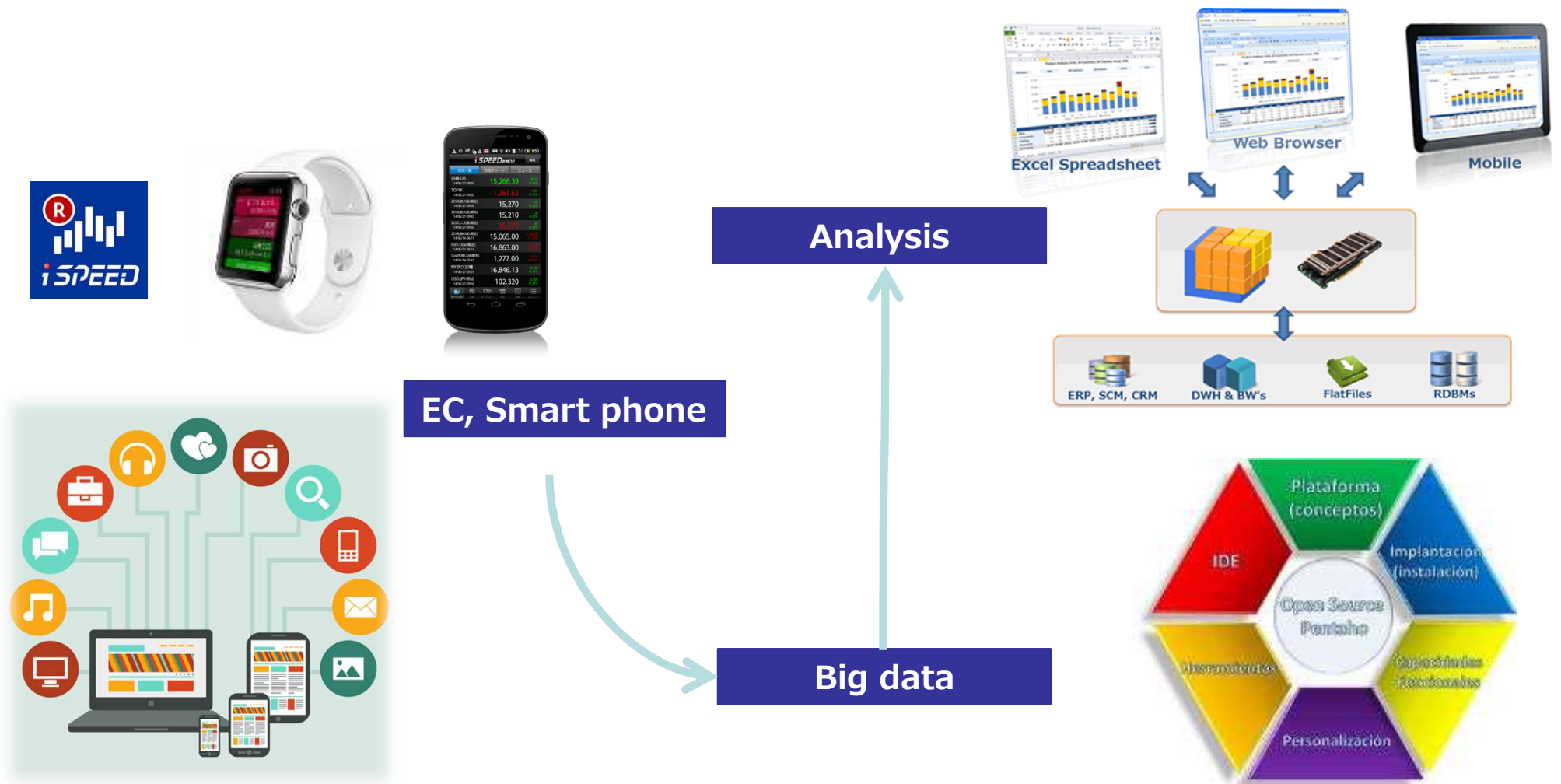


- ◆ Solution for test, systems design and version control system
- ◆ Integration of infrastructure, training and operation support for development process
- ◆ Support for substantive improvement of software quality and productivity enhancement

- Improve quality of embedded software
- Comply with functional safety standards

Point!

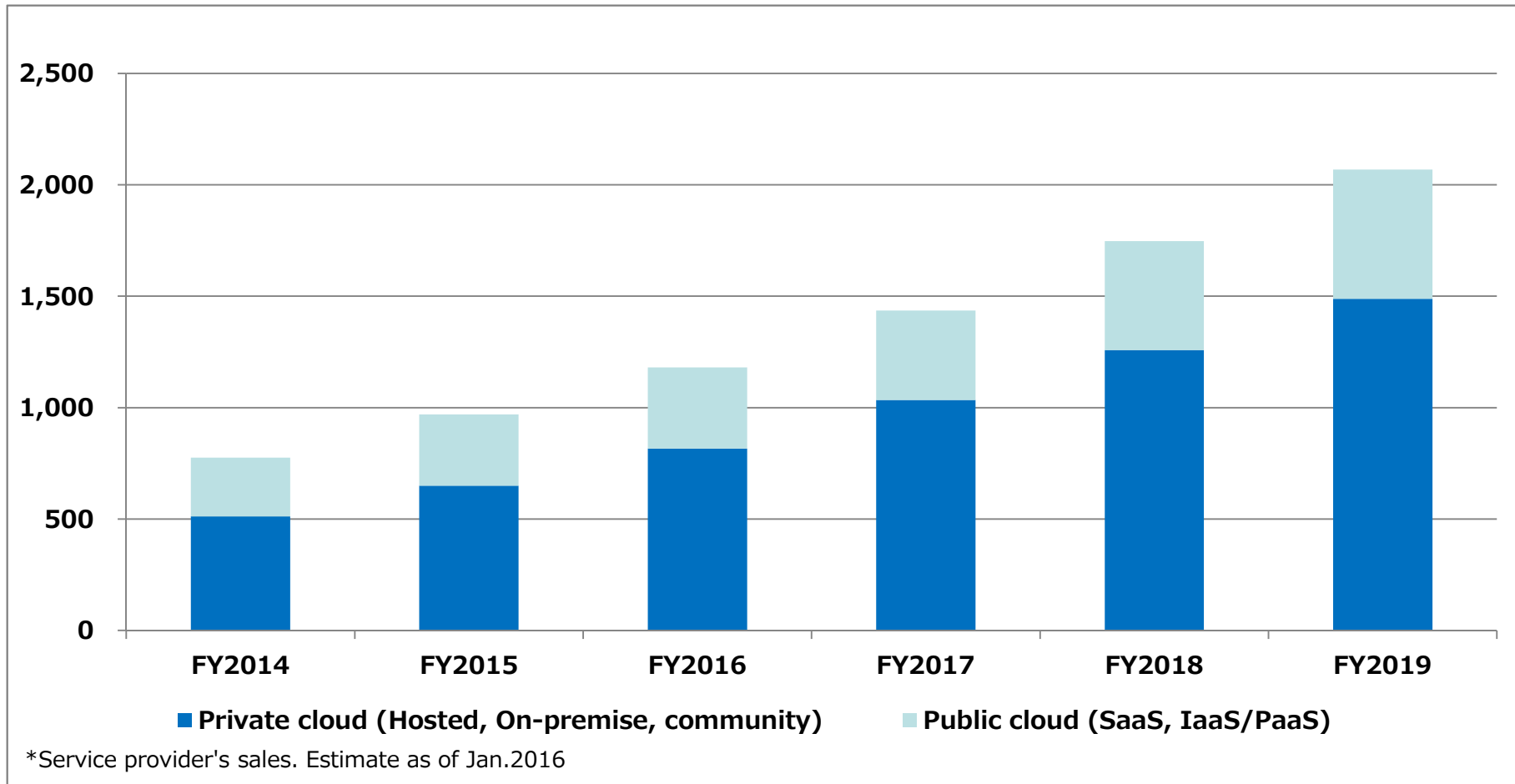
- ✓ Provision of cloud services based on open-source software
- ✓ Analysis for big data accumulated on the cloud
- ✓ Provision of risk management systems based-on financial engineering



Market Conditions for our business

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

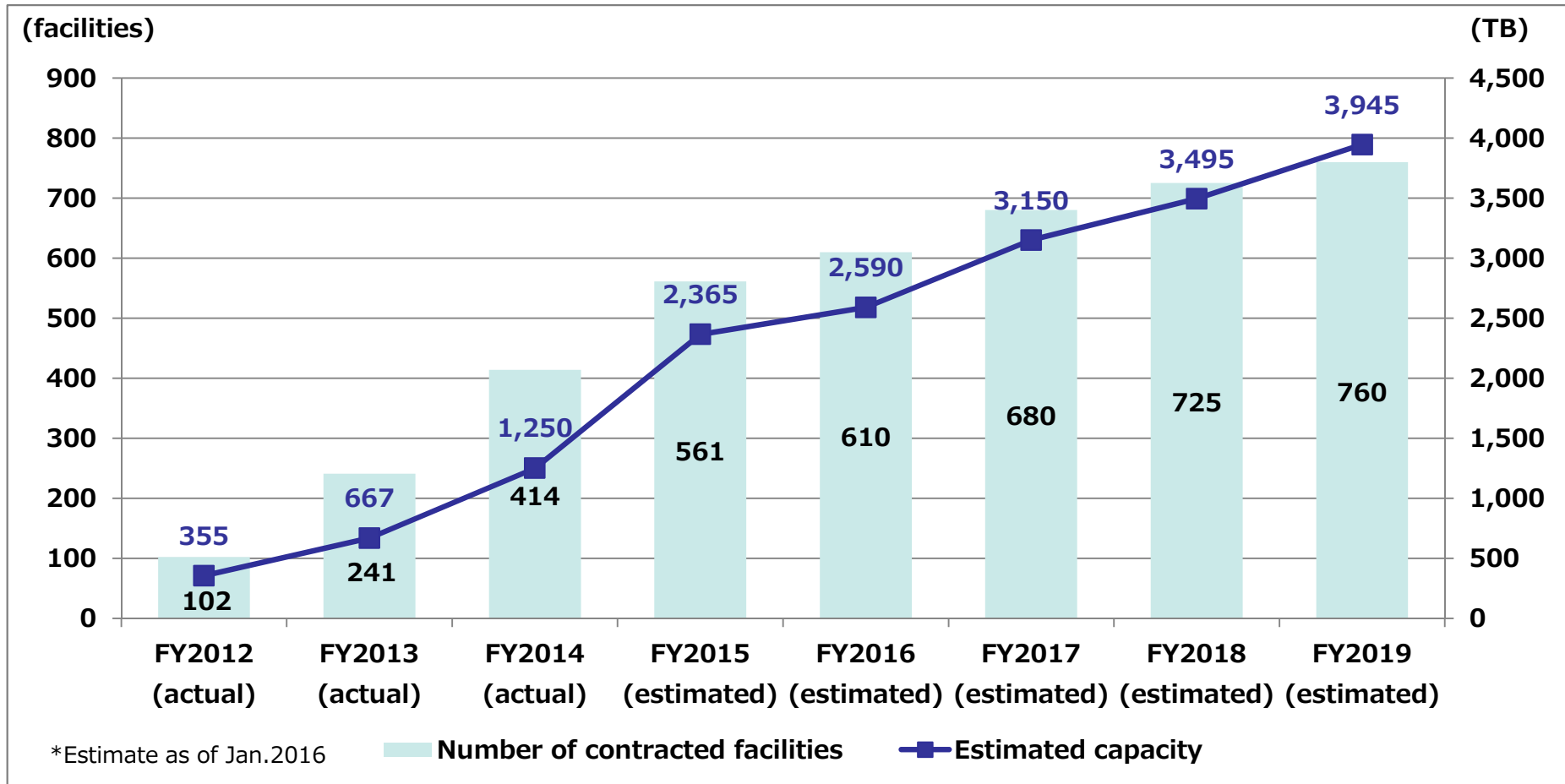
(¥Billion)



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

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

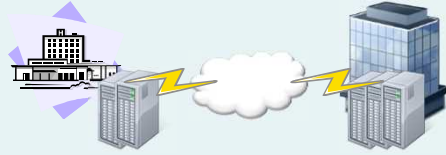



Cloud PACS market size estimate



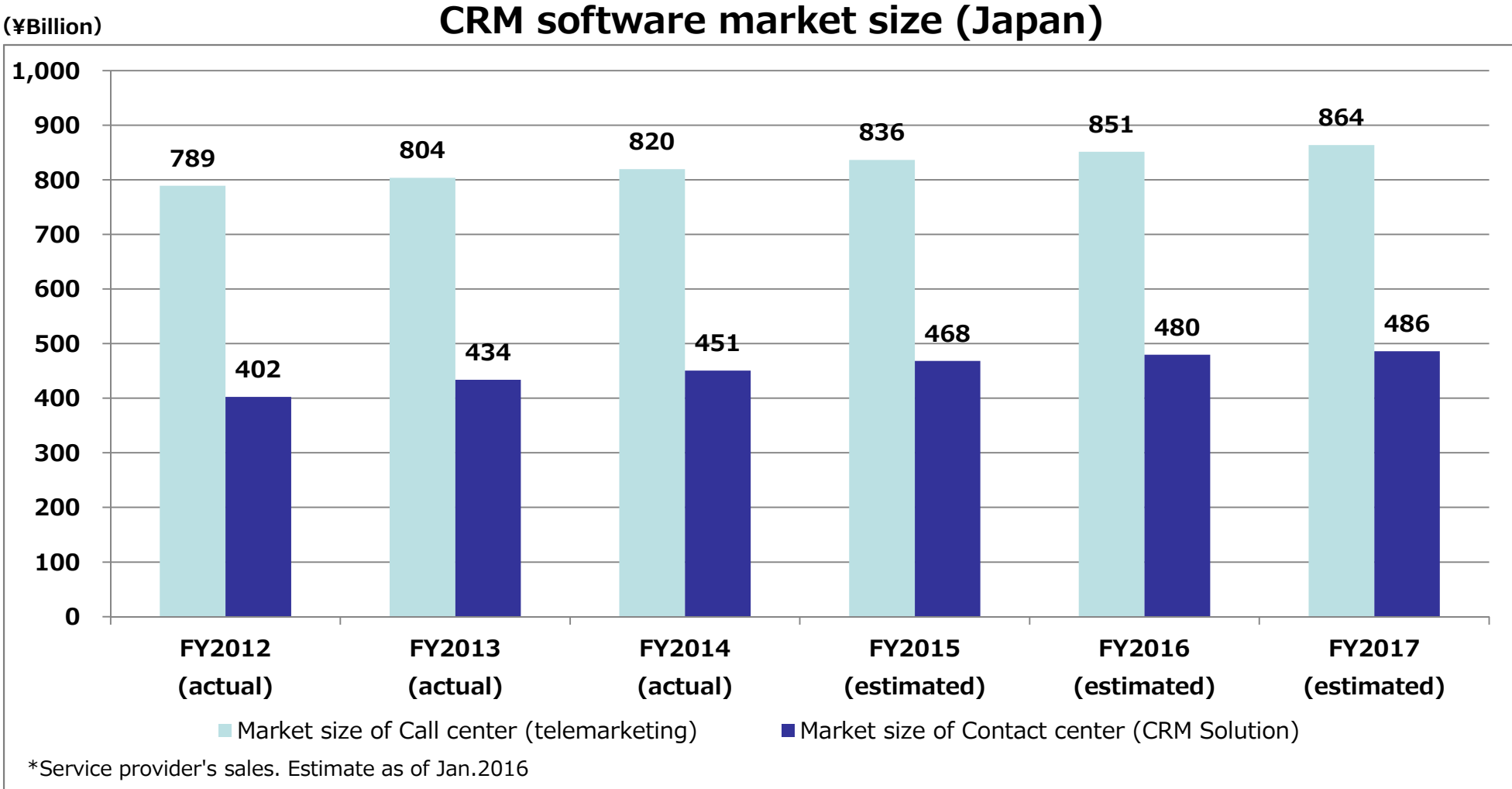
- ◆ Number of contracted facilities using cloud was 414 as of the end of FY2014 in Japan.
- ◆ Techmatrix has successfully contracted with 300 facilities(accumulated) as of the end of FY2014. Forecasted about 450(accumulated) as of the end of FY2015.

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

Type of PACS Cloud

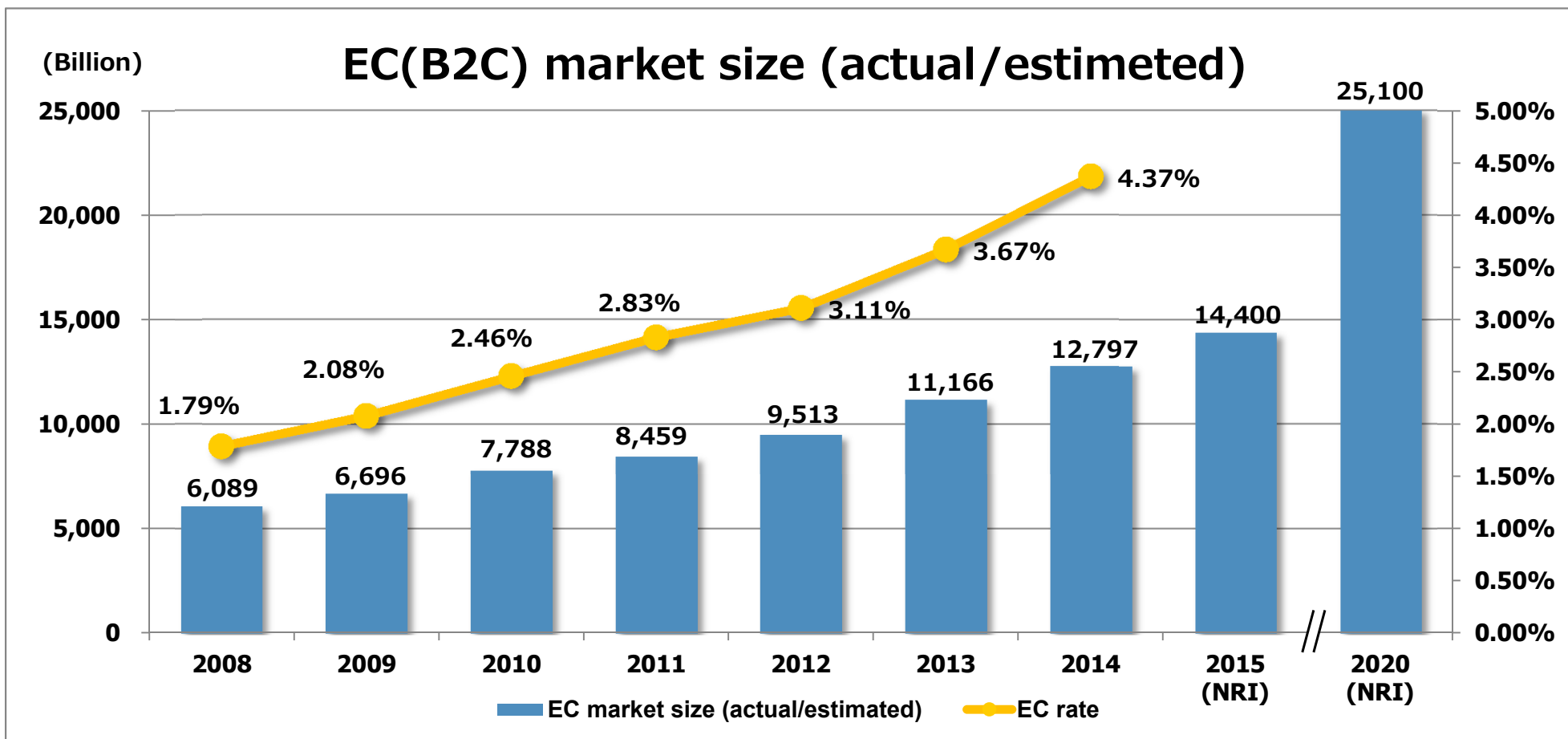
Cloud type	Brief summary	Feature	Configuration image	"NOBORI"
TYPE 1	Store both short term and long term data in a in-house server + data center (dual storage for all data)	Data back up by data center Additional cost		—
TYPE 2	Store short term data in a in-house server + long term data in data center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

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



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

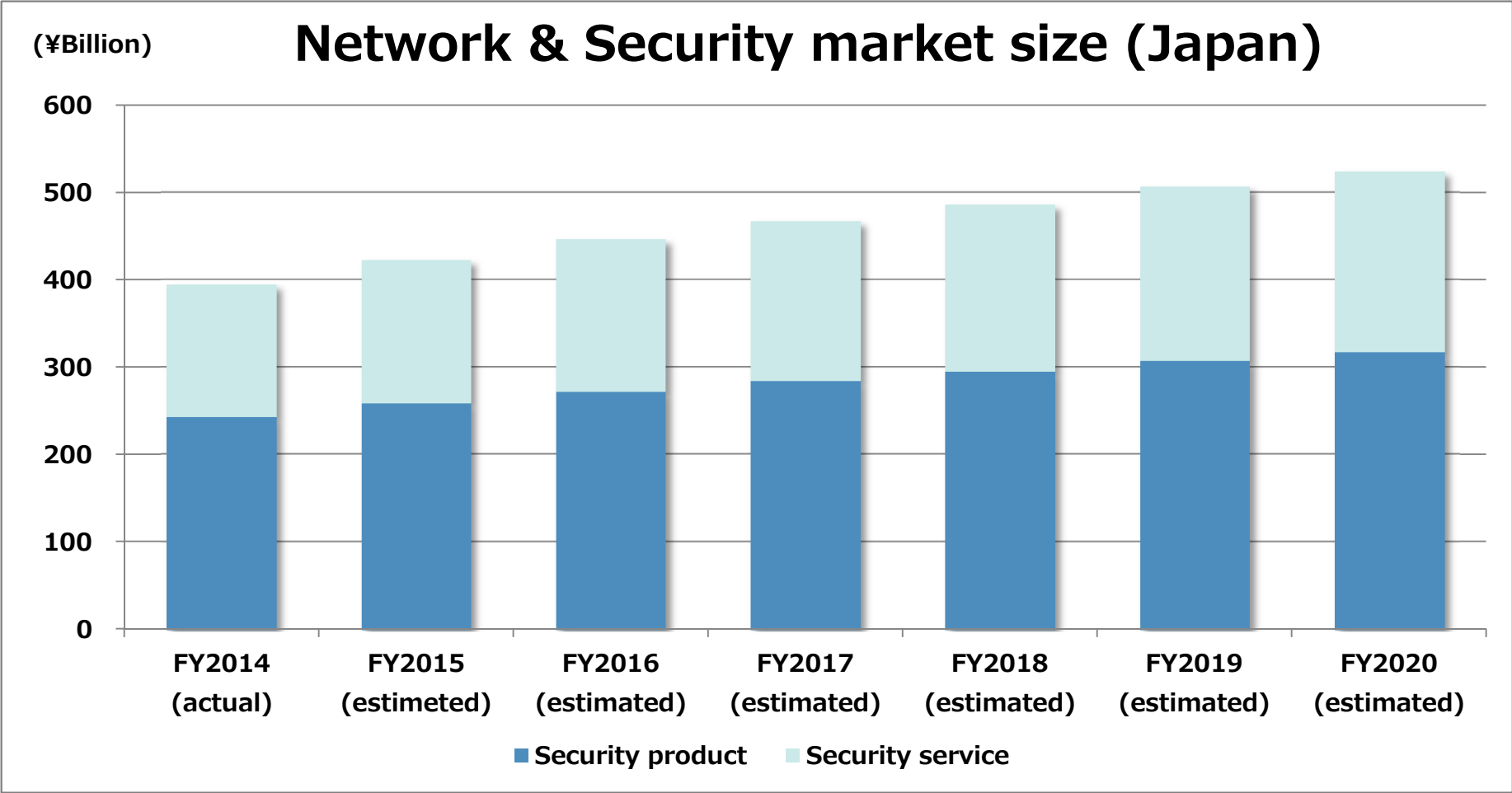
Reference : Call Center (Telemarketing)/Contact Center/CRM Solution Market in Japan: Key Research Findings 2015 by Yano Research Institute



◆Market size related to EC was 14.6% up in 2014 year on year. Increased EC rate to 4.37% in 2014.

◆Market size will be 25,000 billion in 2020 by growth rate on average beyond 2014 at 11.9% has been forecasted.(NRI)

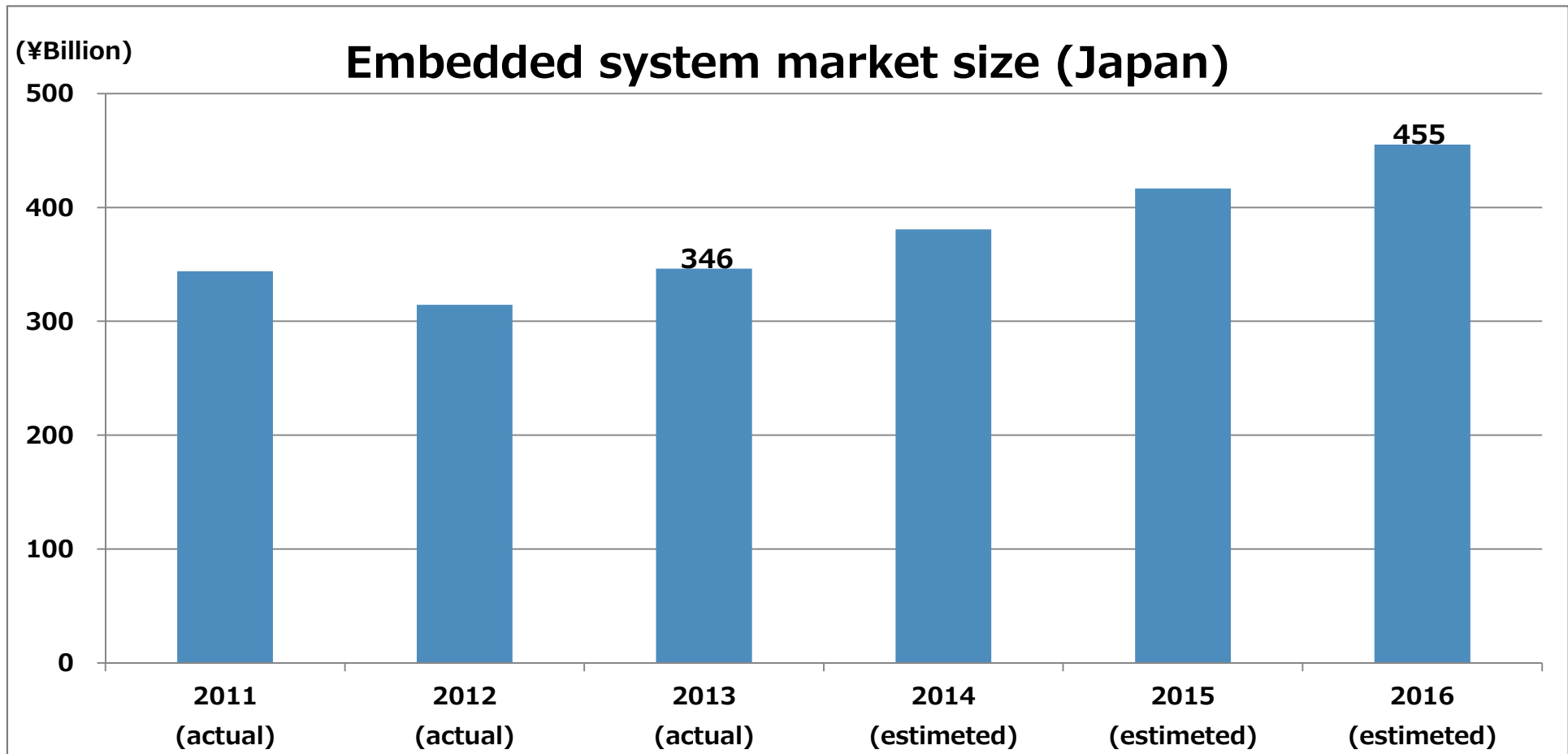
Reference: "The E-Commerce Market Survey" by Ministry of Economy, Trade and Industry, "IT market trend survey to 2020" by Nomura Research Institute



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

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

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



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

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

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

QUESTION

TechMatrix Corporation

Planning and accounting division Corporate planning team

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