



Results for the 1st Quarter of 34th Business Period

(Fiscal Year Ending March 31, 2018)

TechMatrix Corporation
August 14, 2017

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- 1. Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)**
 - 2. Progress of the Medium-Term Management Plan “TMX 3.0”**
 - 3. Topics of Business activities**
 - 4. Business Models**
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Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

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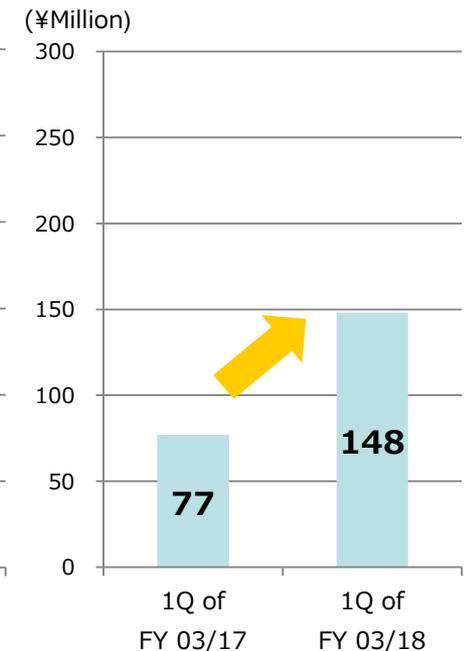
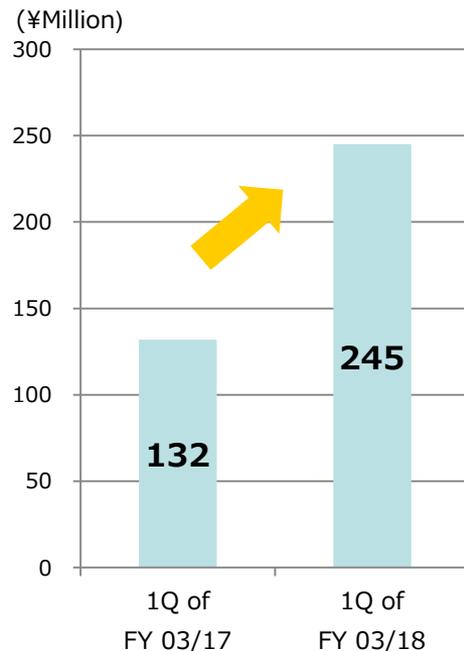
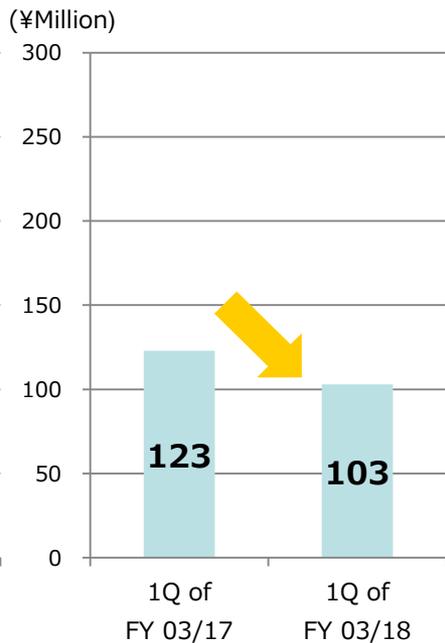
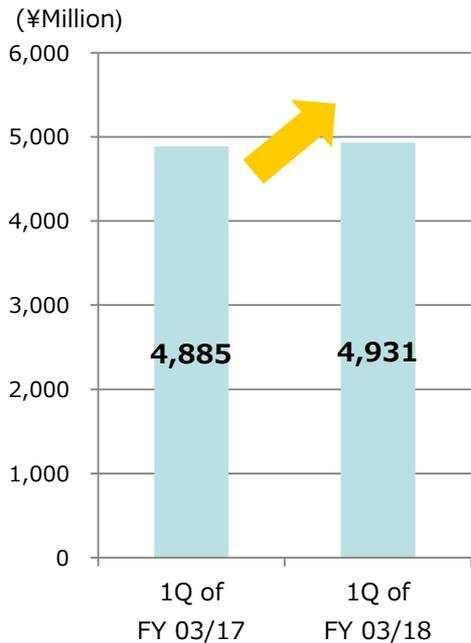
- ◆ Net sales growth steady.
- ◆ Operating income was decreased due to the non-existence of large-scale projects in Information Infrastructure Business.
- ◆ Ordinary income and Profit attributable to owners of the parent were increased due to gains from the investments partnership at CROSS HEAD,.

Net sales
¥4,931M
 Year on year up
 0.9%

Operating income
¥103M
 Year on year down
 16.3%

Ordinary income
¥245M
 Year on year up
 85.5%

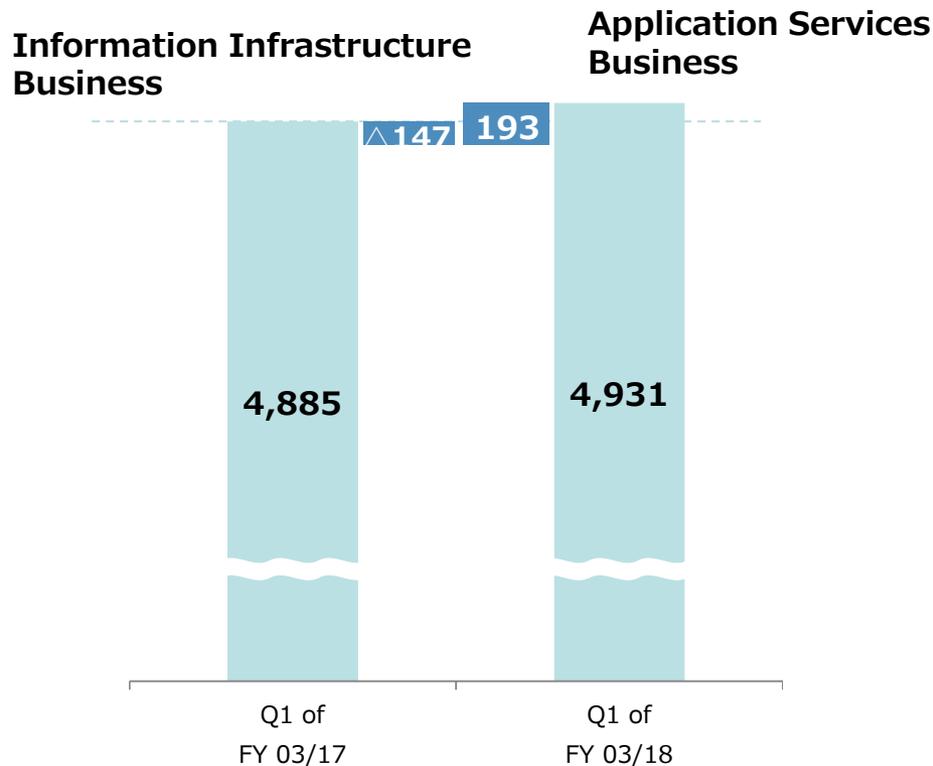
Profit attributable to owners of the parent
¥148M
 Year on year up
 90.9%



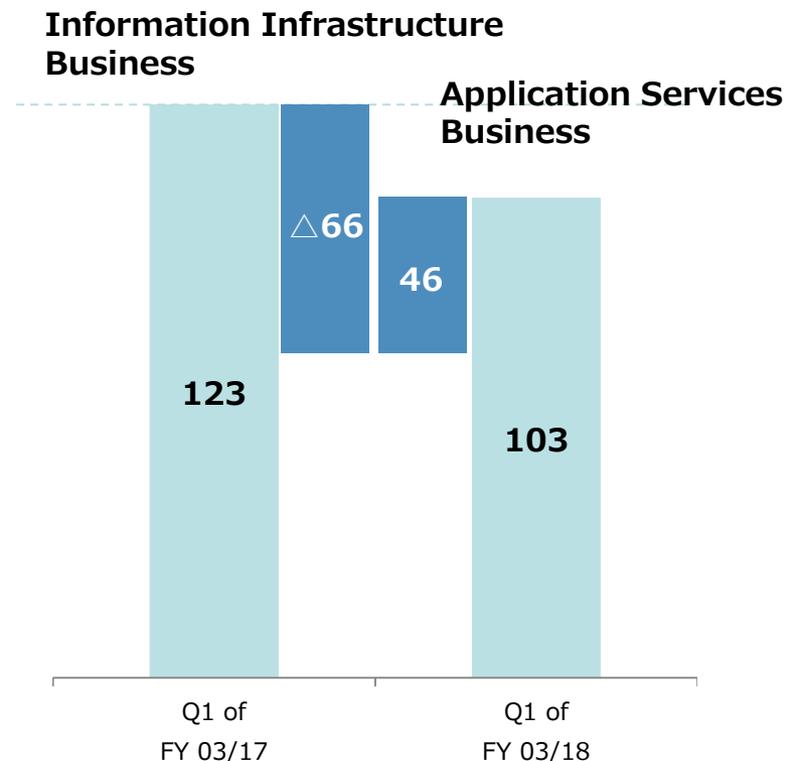
Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

- ◆ **Information Infrastructure Business:** Sales and profits were decreased due to the non-existence of large-scale projects.
- ◆ **Application Services Business:** Strong net sales in Healthcare and CRM field. Positive turnaround in Healthcare field. Profit was steady in Software Quality Assurance field.

Net sales (¥Million)



Operating income (¥Million)



Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

Net sales

◆ 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	
	Business for governments and public agencies(Direct)	
	Others	
	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%以上
 +10%未満
 ±5%未満
 △10%未満
 △10%以上

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

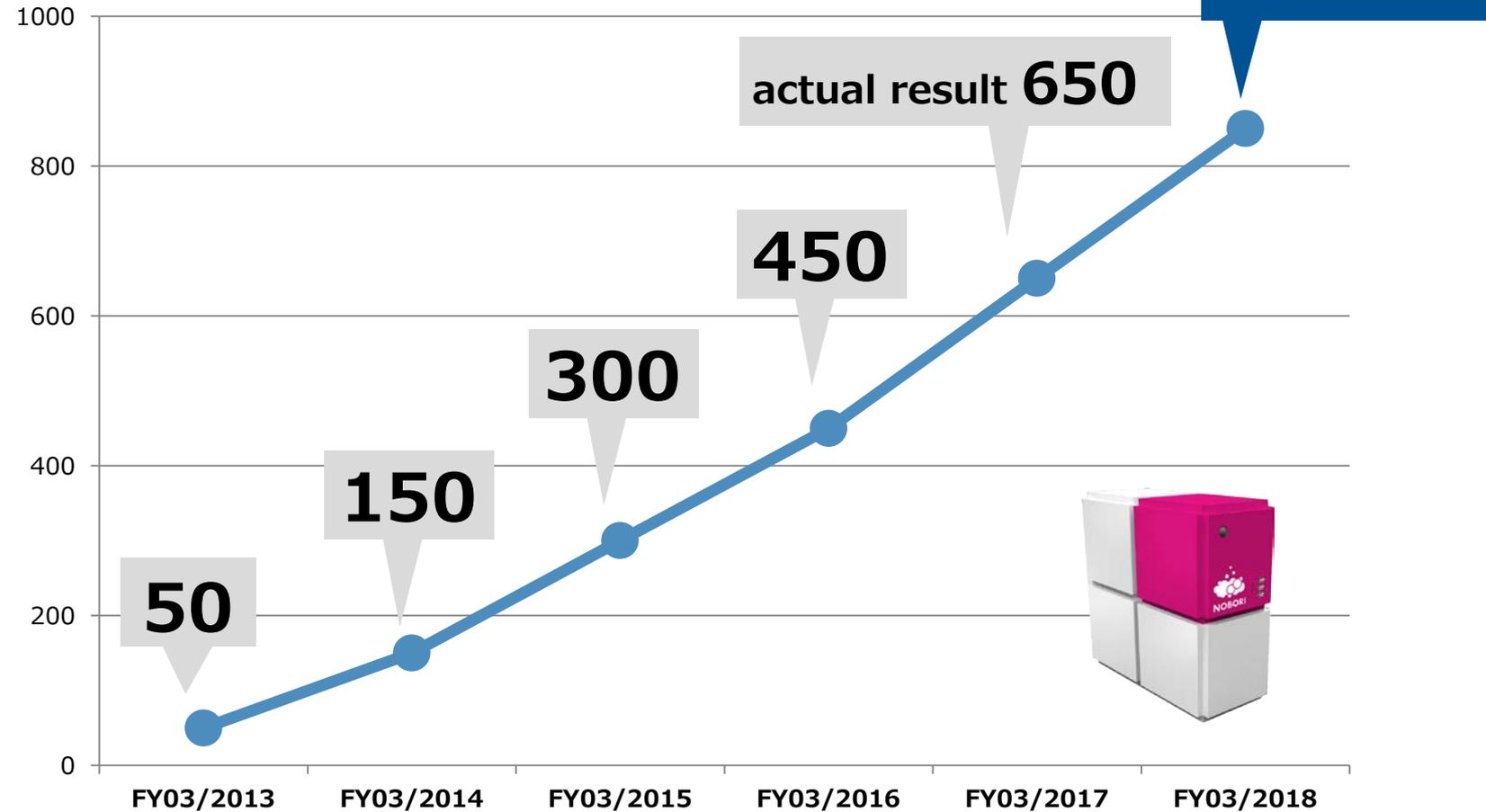
May 15, 2017

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

Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

Progress of the number of medical facilities using NOBORI

(facility)



Recent developments in cyber security



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



▶ March 2015
MIC:
Security guideline

▶ December 2015
METI:
Cybersecurity Management Guidelines

▶ March 2016
METI:
Information Security Management Standards (2016 Revised Version)

▶ April 2016
Basic Law for Cyber Security (2016 Revised Version)

DDoS attacks

Ransomware

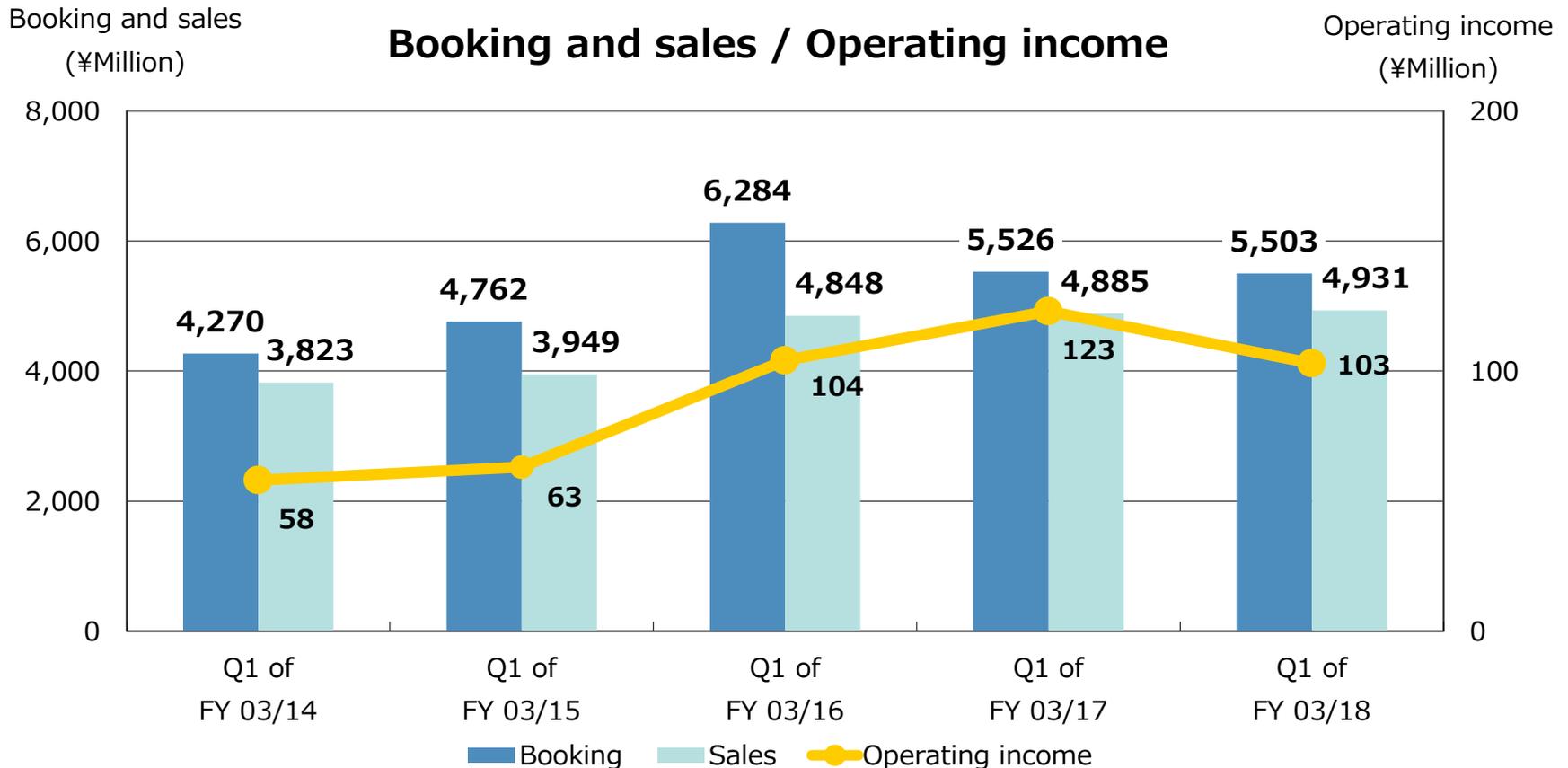


Targeted mails

Phishing

Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

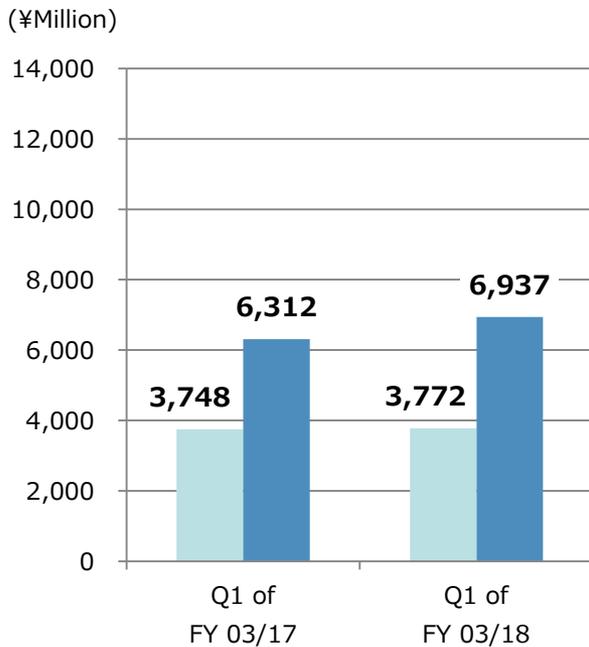
- ◆ The amount of bookings remain unchanged from the previous year by booking the large-scale projects.
- ◆ Operating income was decreased due to the non-existence of large-scale projects in Information Infrastructure Business.



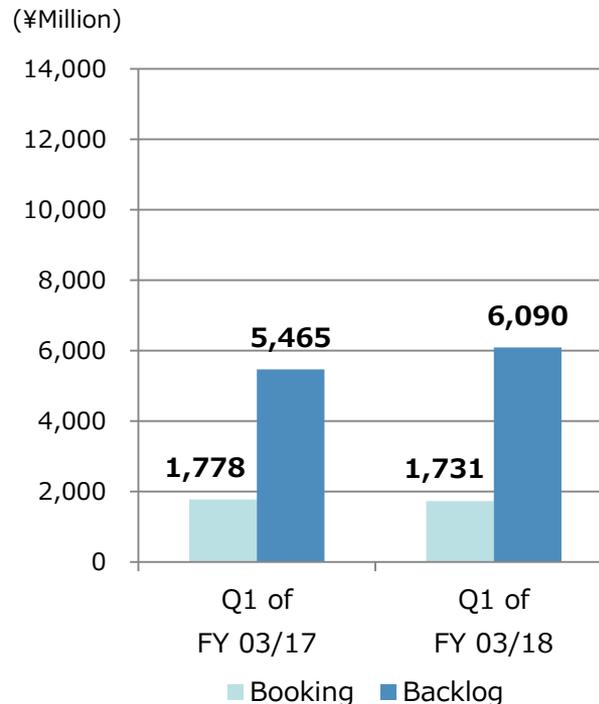
Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

- ◆ **Information Infrastructure Business: Security-related businesses were solid. Bookings exceeded the previous year's result due to the existence of large-scale projects(0.6%UP). Backlog has increased(9.9%UP).**
- ◆ **Application Services Business: Bookings was lower than the previous year's result(2.7%DOWN). Backlog increased by progress of cloud businesses(11.4%UP)**

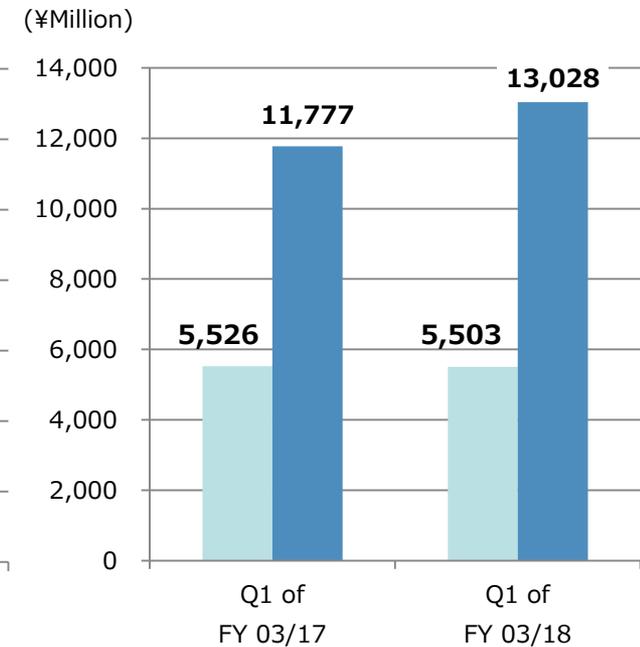
Information Infrastructure Business



Application Services Business



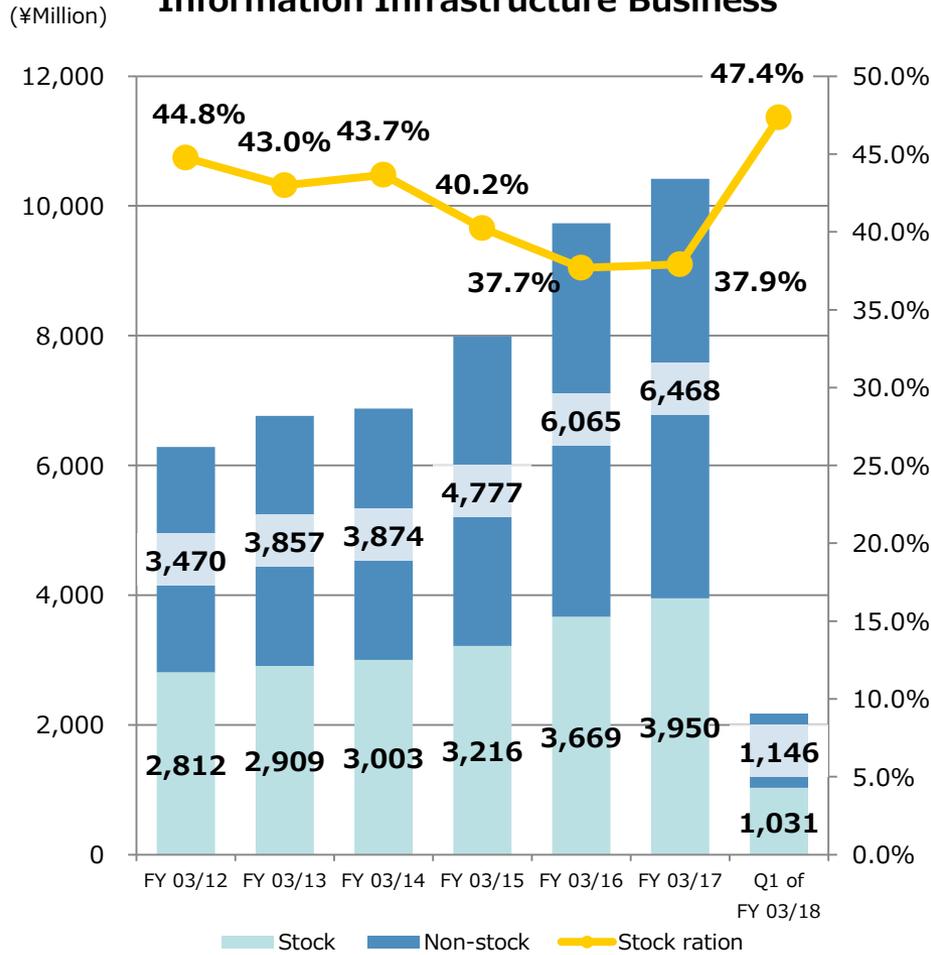
total



Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

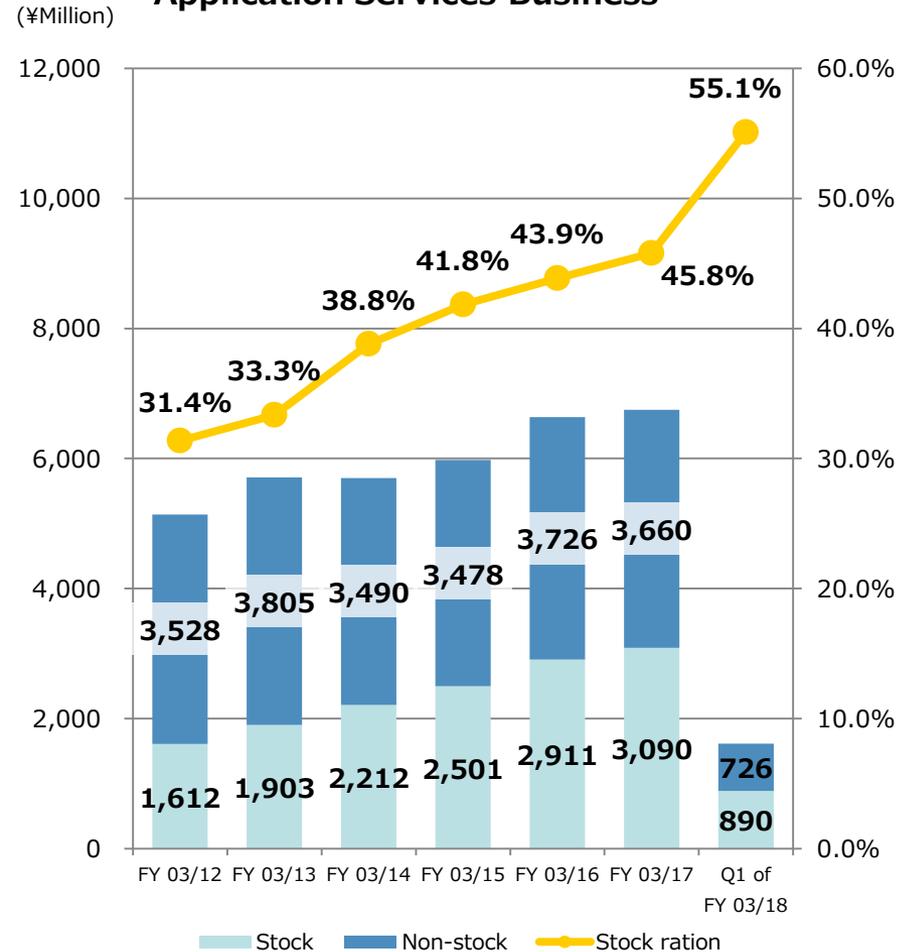
◆ Stock type sales (Recurring revenue) ratio (non-consolidated)

Information Infrastructure Business



* Information Infrastructure Business: Stock ratio went up due to the slightly weak product sales

Application Services Business



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

Business Highlights for the 1st Quarter of 34th Business Period (Consolidated)

Balance sheet

(¥Million)

	FY 03/17	Q1 of FY 03/18		FY 03/17	Q1 of FY 03/18
Current assets	13,343	12,881	Current liabilities	8,886	8,591
Cash and deposits	5,458	6,049	Accounts payable-trade	1,081	770
Notes and accounts receivable-trade	3,991	2,840	Short-term loans payable	450	450
Other	3,893	3,991	Current portion of long-term loans payable	300	300
			Other	7,055	7,070
Noncurrent assets	3,937	3,920	Noncurrent liabilities	3,540	3,442
Property, plant and equipment	1,205	1,172	Long-term loans payable	1,750	1,675
Goodwill	126	100	Other	1,790	1,767
Other	1,085	1,164	Total liabilities	12,427	12,034
Investments and other assets	1,519	1,483	Shareholders' equity	4,849	4,737
Total assets	17,280	16,801	Total accumulated other comprehensive income	△36	△19
			Total net assets	4,853	4,767
			Total liabilities and net assets	17,280	16,801

* Equity ratio
 FY 03/2017 27.9% Q1 of FY 03/2017 28.1%

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

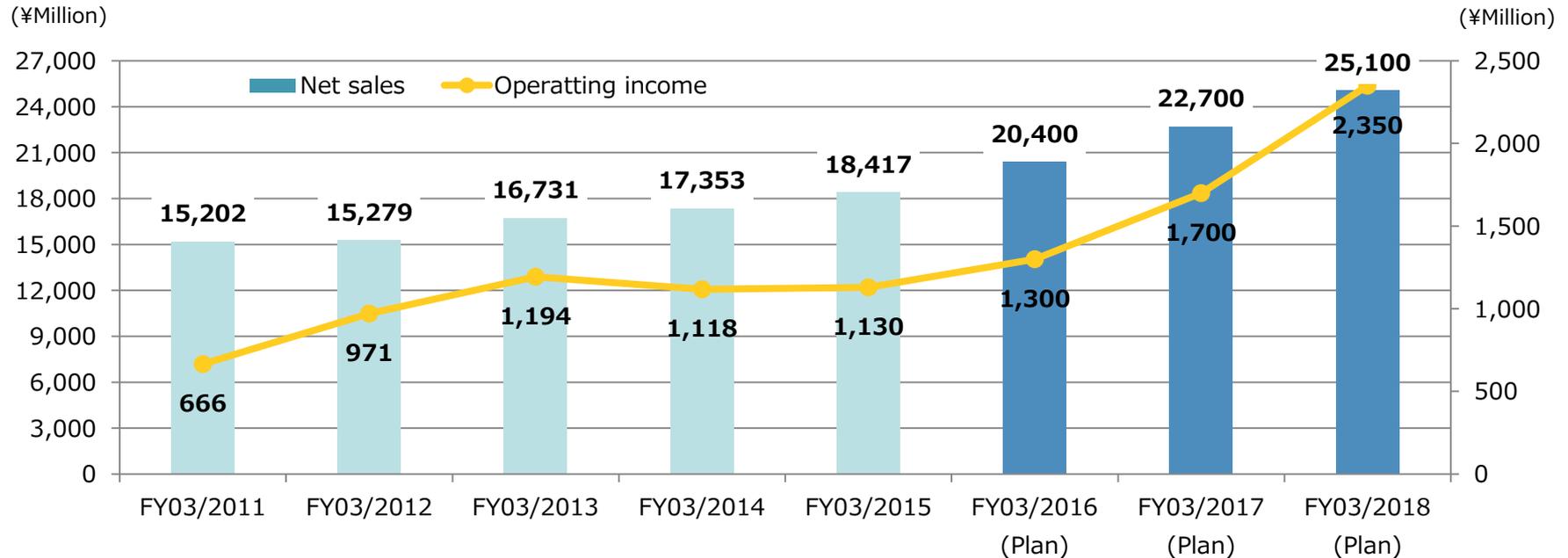


Shareholder returns

- ▶ 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

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

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%

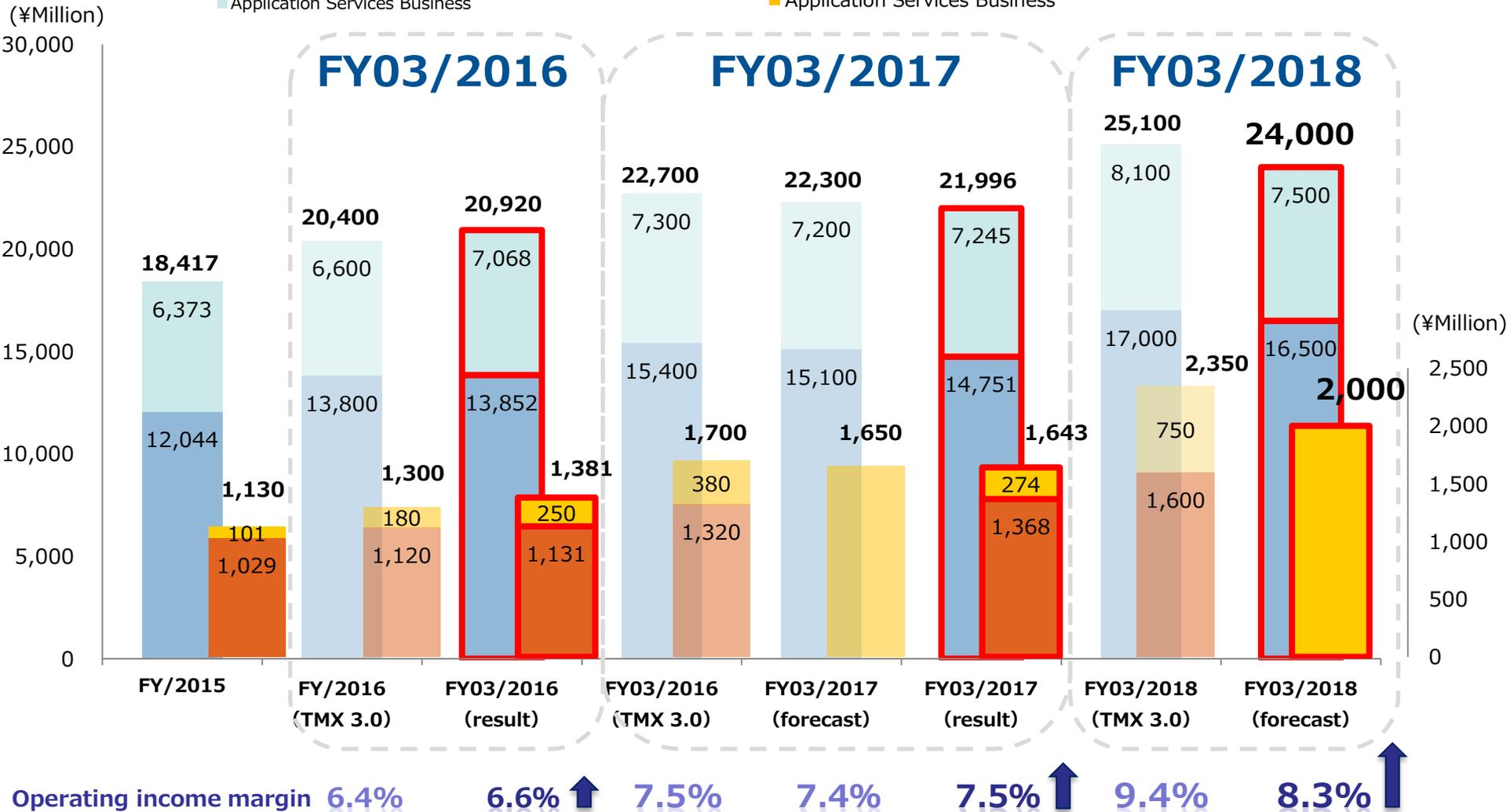
Progress of the Medium-Term Management Plan "TMX 3.0"

Net sales

- Information Infrastructure Business
- Application Services Business

Operating income

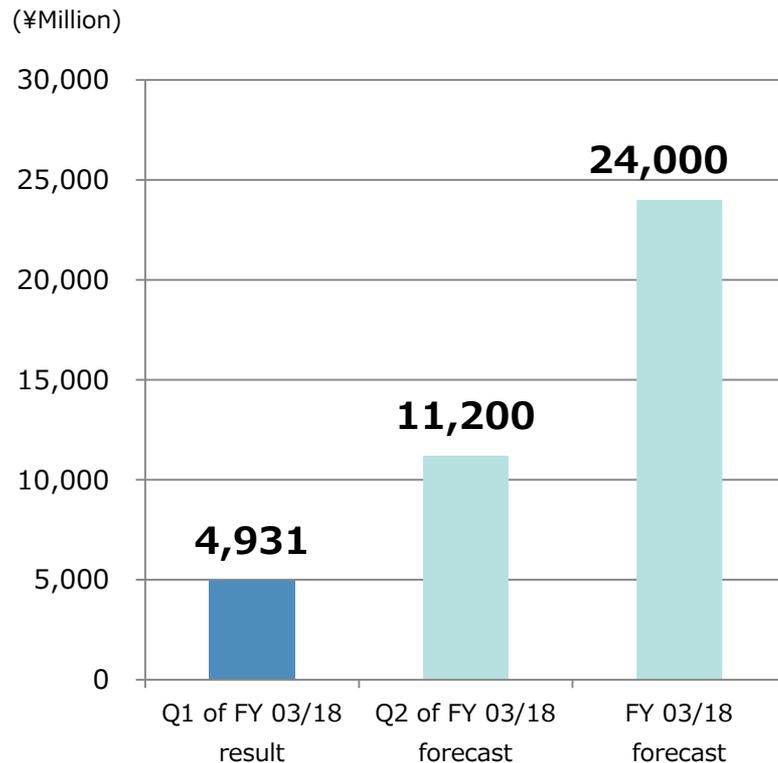
- Information Infrastructure Business
- Application Services Business



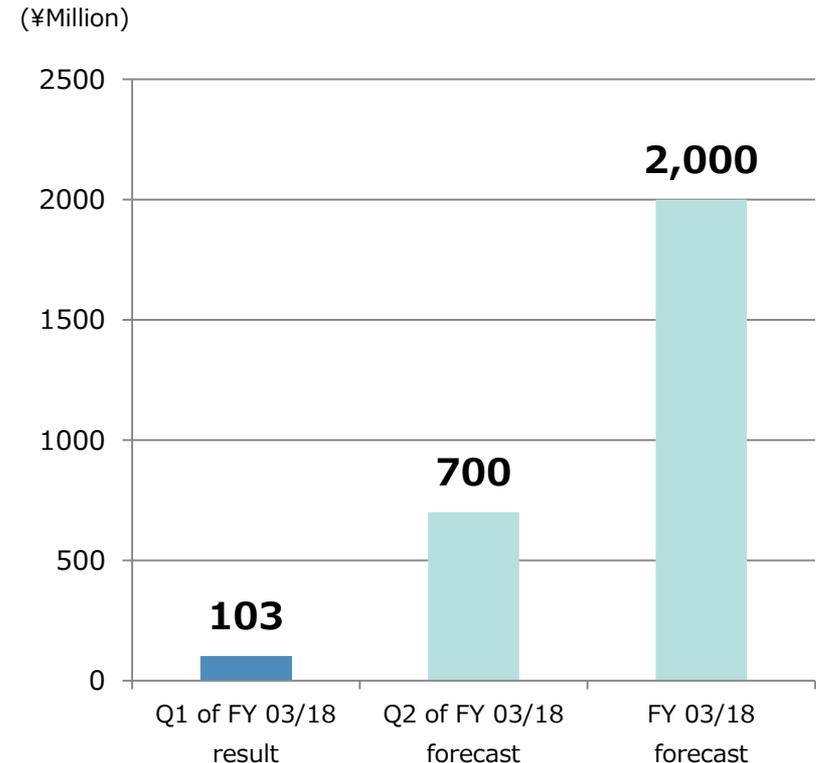
Progress of the Medium-Term Management Plan "TMX 3.0"

- ◆ Net sales went on as planned.
- ◆ Operating Income a little less than originally planned. The forecast for the Q2 and FY 03/2018 full business year still remain unchanged from the original plan due to the excessive booking and backlog.

Net Sales(Consolidated)



Operating Income(Consolidated)



◆ Core business strategy

Item	Q1 of FY 03/18 Valuation	Description
Strategic and accelerated promotion of cloud-related businesses		
Profit contribution by the cloud business (Realize profitability of the healthcare cloud business)	◎	<ul style="list-style-type: none"> •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)	◎	<ul style="list-style-type: none"> •"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)	△	<ul style="list-style-type: none"> •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)	○	<ul style="list-style-type: none"> •Driven by PMO section, stabilized operation, continuing facility investment
Strategic application of virtualization technologies (Cloud first)	○	<ul style="list-style-type: none"> •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)	○	<ul style="list-style-type: none"> •Pharmacy BI, Development of Budget management field

◆ Core business strategy

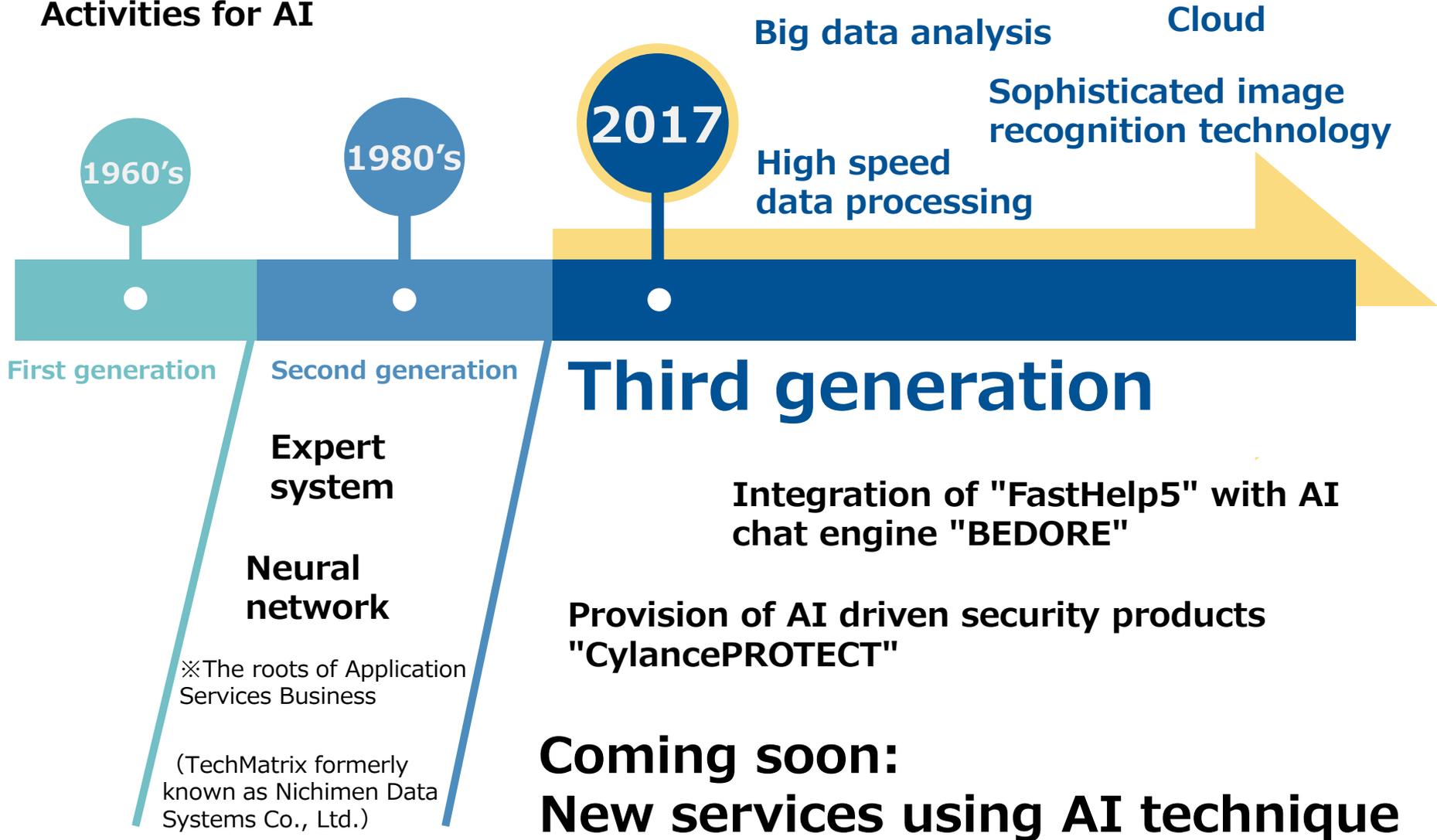
Item	Q1 of FY 03/18 Valuation	Description
Pursuit of security and safety		
Enhancement of defenses against cyber-attacks and provide as one-stop service	◎	<ul style="list-style-type: none"> •Swivel PINsafe, ProofPoint, Tanium Endpoint Platform, Votiro Auto Suite for FileZen, CylancePROTECT, Votiro Auto Mail Link with matrixgate
Design, construction, maintenance, operation and monitoring services Realize value chain of automatization	◎	<ul style="list-style-type: none"> •Expanded product sales and the maintenance, operation and monitoring services •NOC/SOC (. . . TRINITY)
Realize functional safety of embedded software for IoT (Internet of Things)	○	<ul style="list-style-type: none"> •Software Quality Assurance field : Booking is steady •Lychee Redmine
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)	○	<ul style="list-style-type: none"> •Service virtualization and API testing by SOAtest/Virtualize of Parasoft (IoT filed including automotive)

◆ Operation strategy

Item	Q1 of FY 03/18 Valuation	Description
Operation strategy		
Cost reduction for high profitability		
<ul style="list-style-type: none"> ▸ Promote the active utilization of offshore development 	◎	<ul style="list-style-type: none"> •Offshore development in Vietnamese and China
<ul style="list-style-type: none"> ▸ Improve operation efficiency by integrating the office space of Head Office 	◎	<ul style="list-style-type: none"> •Additional relocation of offices
<ul style="list-style-type: none"> ▸ Transform business model without monotonic increase of human resources 	◎	<ul style="list-style-type: none"> •Stock ratio increased
Closer ties with partners	◎	<ul style="list-style-type: none"> •Healthcare field : SoftBank Corp , Peking University •CRM field : Nihon Unisys, Ltd., Transcosmos (Thailand) Co., Ltd., NEC, LINE , BEDORE and Intercom
Strengthen direct sales. Penetrate deeply into the market for the government and other public agencies	○	<ul style="list-style-type: none"> •Automatic data exchange tool for Secure Data Sanitization “Votiro Auto Suite for FileZen” for local governments, Financial institutions and Educational institutions
Strengthen workforce by promotion of diversity	○	<ul style="list-style-type: none"> •Grown diversity on hiring of new graduates
Strengthen company's brand as a corporate group	○	<ul style="list-style-type: none"> •Renewed our Web site •Corporate video •Advertisement at a subway station

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

Activities for AI



Topics of Business activities

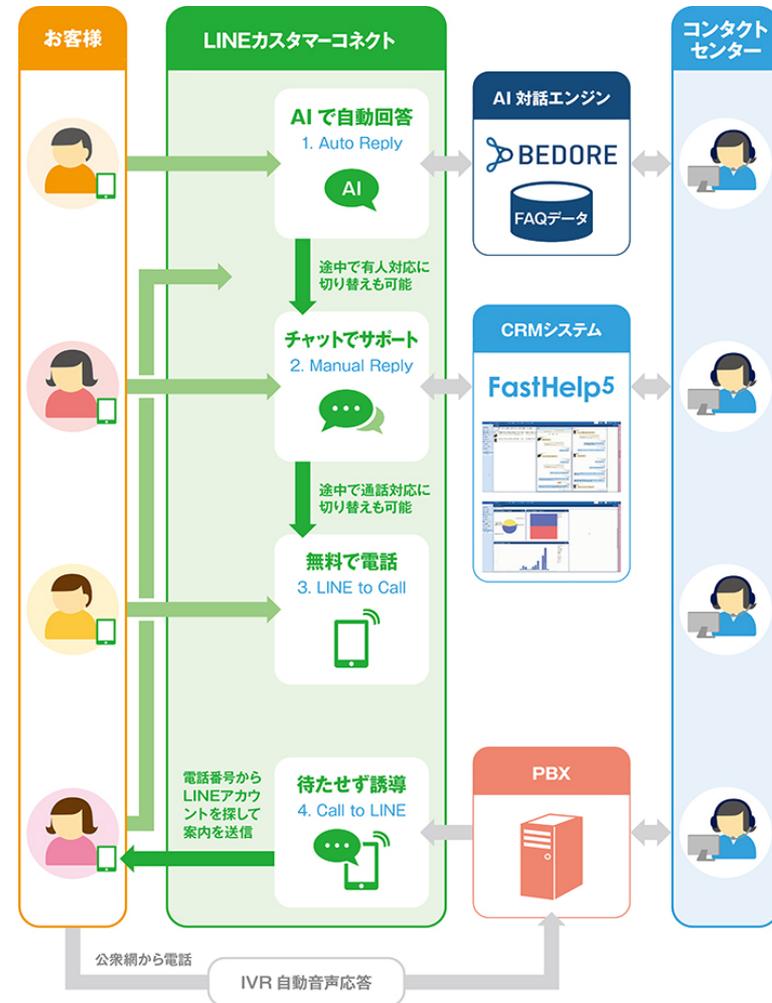
Date	Contents
April	CROSS HEAD, commenced the provision of the construction service for virtual edition of Palo Alto's next generation firewall
	Concluded a distributorship agreement for "LINE Customer Connect" with LINE
	CROSS HEAD, commenced the provision of the vulnerability assessment service for enterprise systems
	Commenced the provision of "Lychee Redmine" for project management
	Commenced the provision of "Votiro Auto Mail Link with matriXgate" as an automatic Sanitization Tool for files attached to e-mails
May	Commenced the provision of "Parasoft SOAtest/Virtualize" to improve efficiency for API development
	Commenced the provision of "Jtest 10.3.1" for Java testing
	Okinawa Cross Head Co, Ltd. concluded a business alliance agreement with JB Service Corporation
	CROSS HEAD, released the demonstration of "Kaigishitu-navi" at their head office

Date	Contents
Jun	CROSS HEAD, awarded the prize of Radar Partner of the Year from F-Secure
	CROSS HEAD, expanded sales of security products for local governments
July	Okinawa Cross Head Co, Ltd. concluded a business alliance agreement with JPIX for commencing the provision of "IX service"
	CROSS HEAD, commenced the provision of the IT course at the Yozemi license school
	Concluded a business alliance agreement with Intercom, Inc. to provide the integrated solution between FastHelp and My Talk for contact centers
	Okinawa Cross Head Co, Ltd. was named as the first "splashtop's exclusive technical support provider" in the world
	Held the "TechMatrix group Family Day"

In April, Concluded the 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 by "FastHelp".



Point!

The International Technical Exhibition of Medical Imaging 2017 on April 14–16.
Approximately 22,810 attendees.



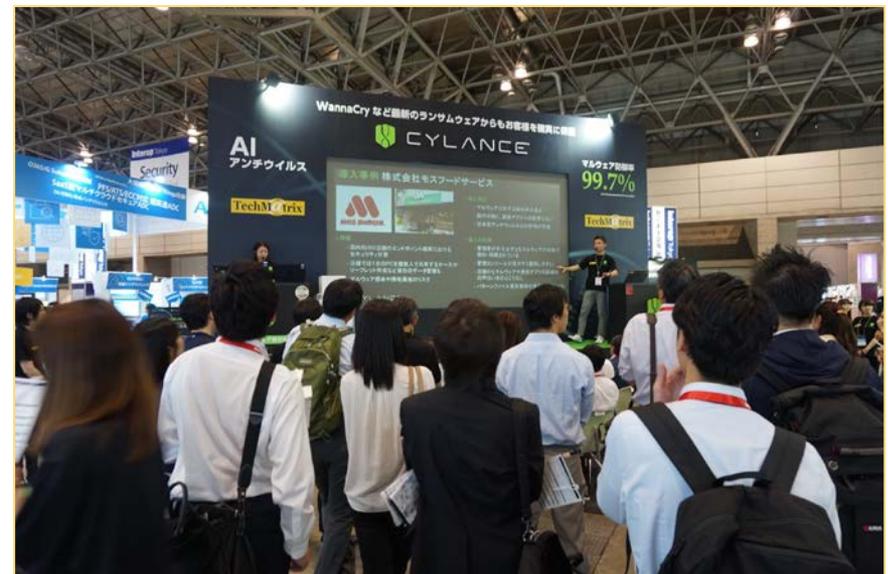
Point!

The Japan IT Week Spring 2017 on May 5-10.
Approximately 88,725 attendees.



Point!

The Interop Tokyo 2017 on June 7-9.
We promoted "CylancePROTECT®" as the Next Gen. antivirus product with AI.
Approximately 143,365 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.

● 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.

● "TechMatrix group Family Day"

The second "TechMatrix group Family Day" on July 28. About 50 families participated in the event at the head office.





"For Next Gen. Techmatrix"



Business Models

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

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

Techmatrix :
Examination
reservation
service 『TONARI』

Techmatrix :
Remote image viewing
in an emergency
『TSUNAGU』

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

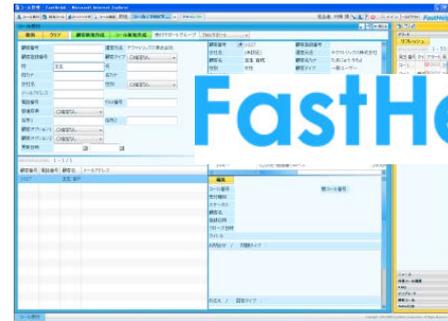


NOBORI-PAL :
"Gather useful services into the Cloud"
to provide various applications for NOBORI users.

Point!

Enhancing the competitiveness of customers' businesses by CRM system.

- Contacts about products
- Contacts after purchase



FastHelp5



Integrating the purchase histories and the past Q&A

Quick search !

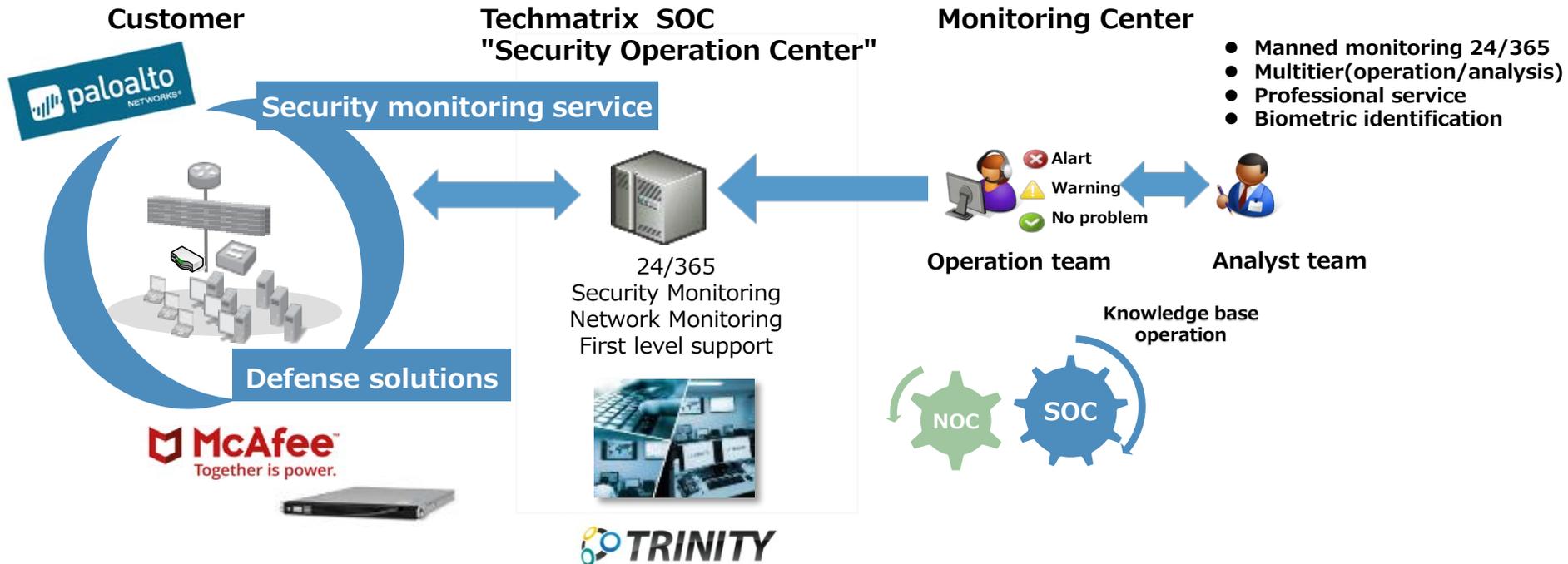


Quick response to the customers' inquiries



Improvement of customer satisfaction !

Point! One-stop solution from Techmatrix.



One-stop solution

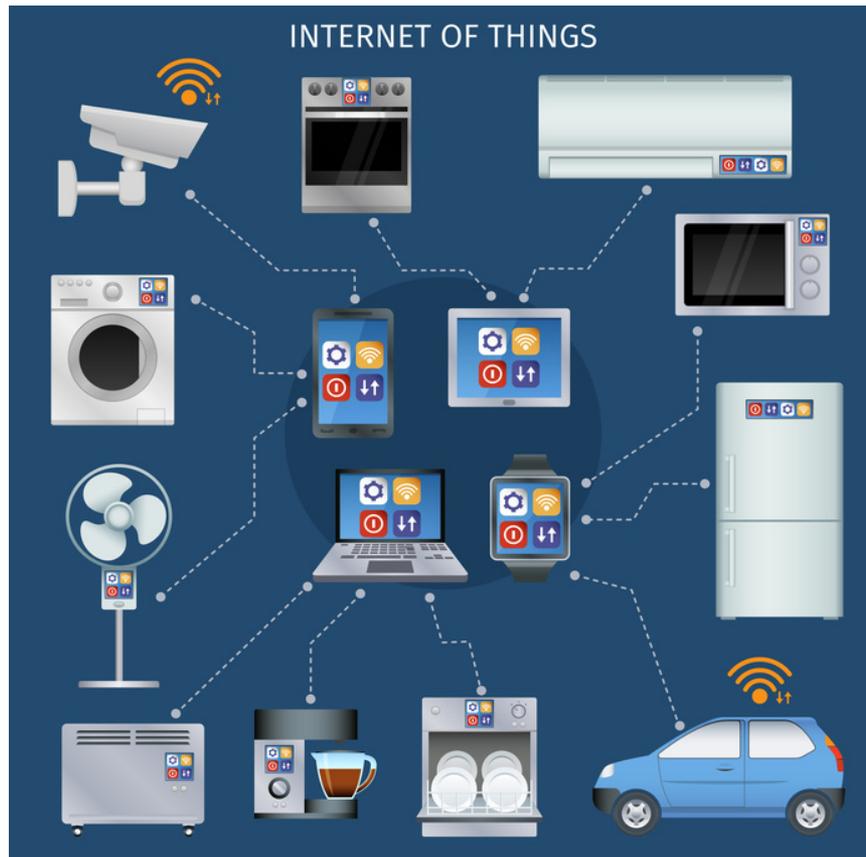
One-stop solution for system design, construction, maintenance, operation and monitoring services.

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



Analysis

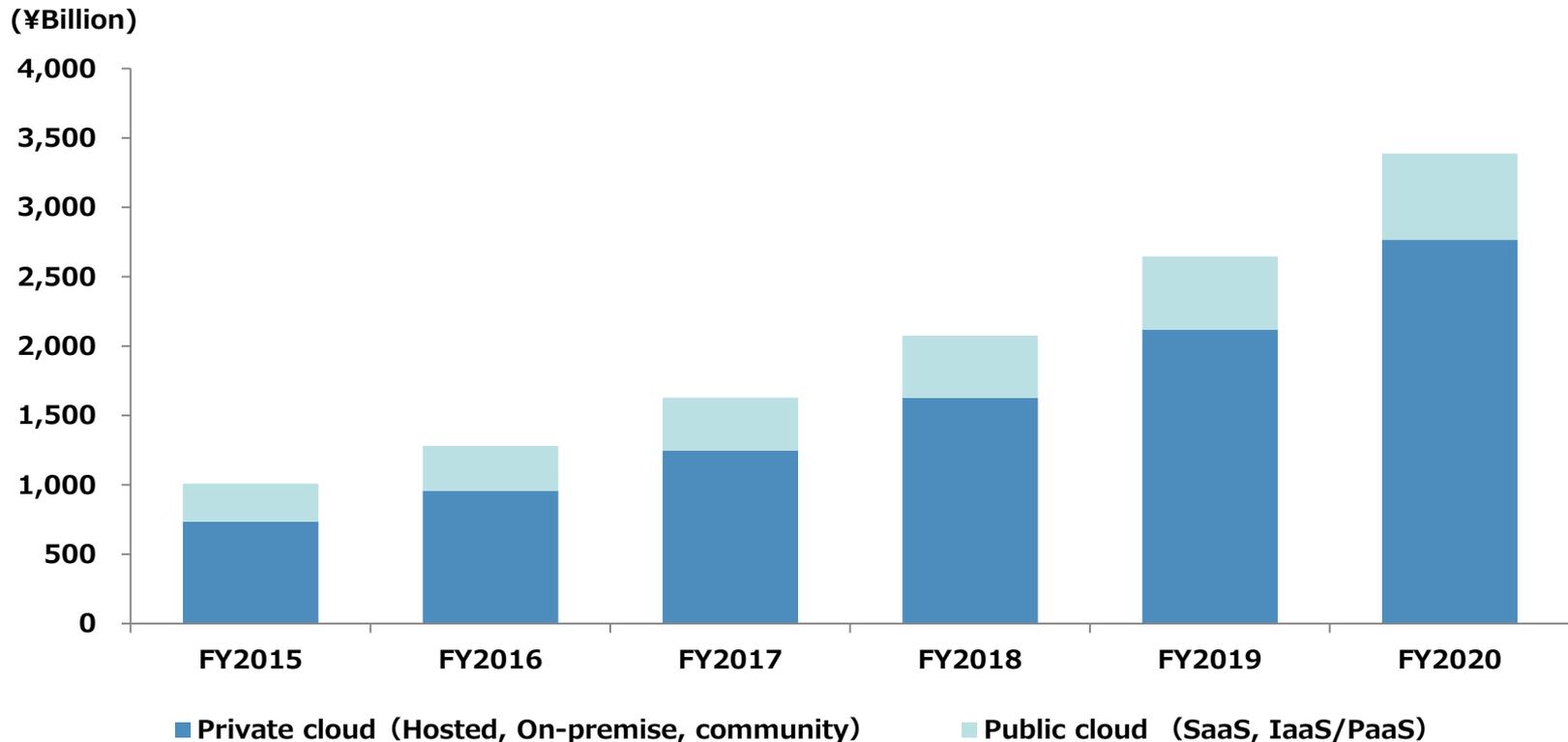
EC, Smart phone



Big data

Market Conditions for our business

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

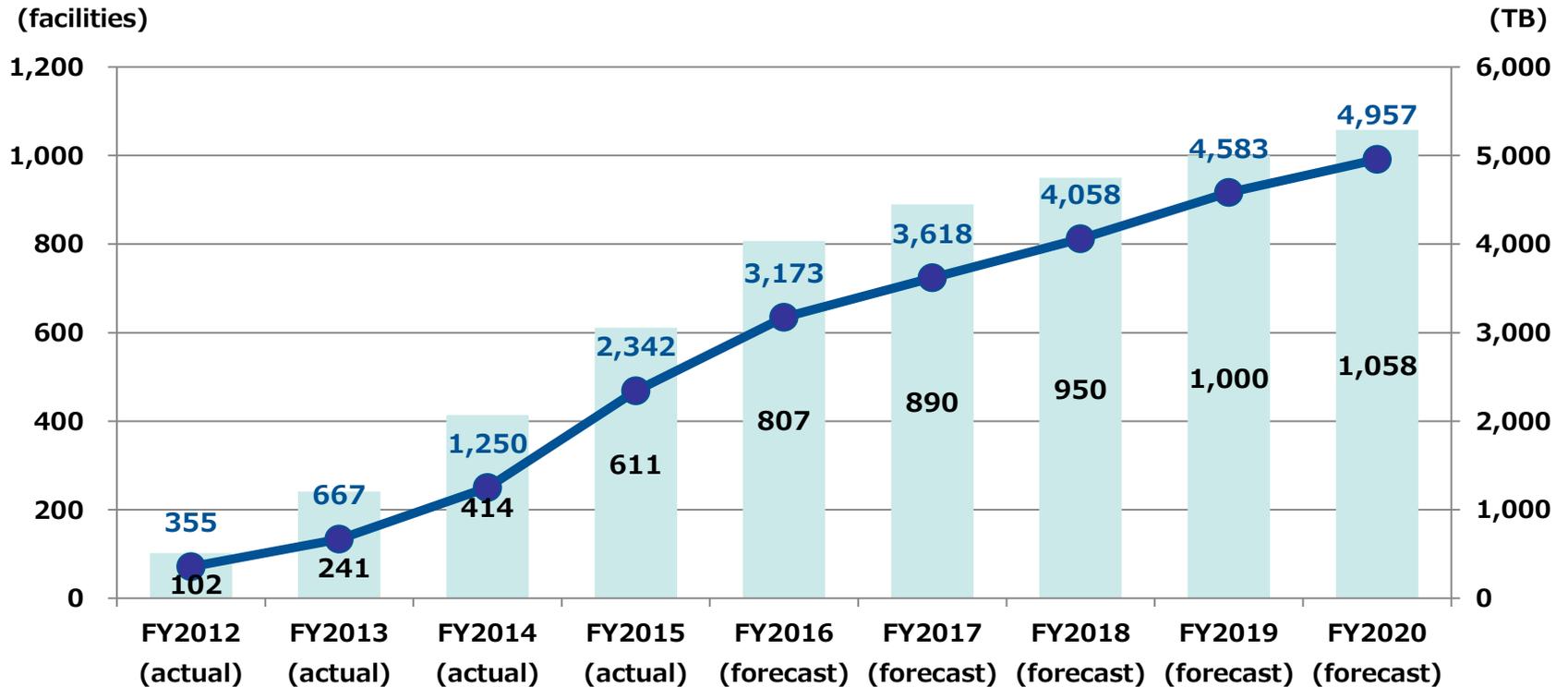


◆ Forecast ¥3,000 billion in FY2020 for cloud market.

◆ 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

<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.

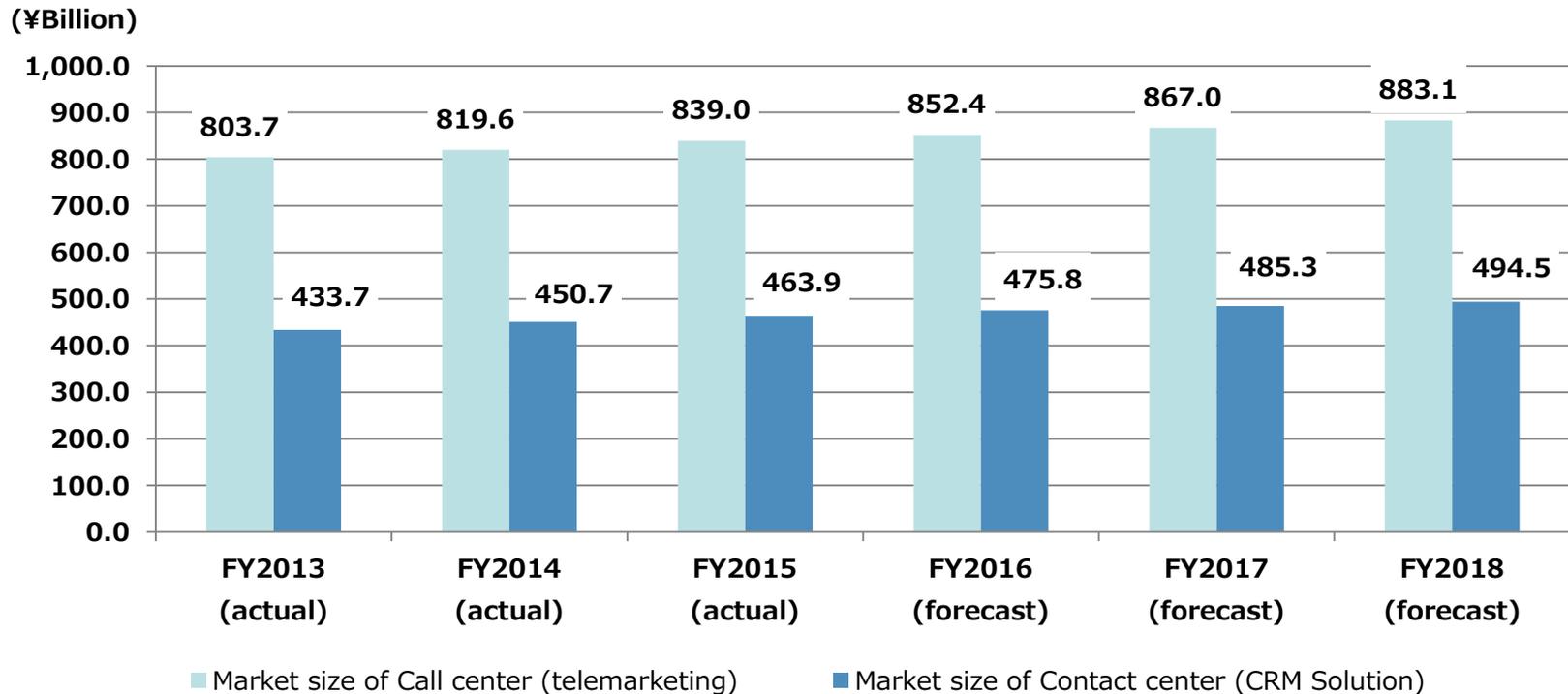
* Reference : Medical Imaging Systems and PACS Markets 2016(Jan, 2017) by Yano Research Institute

<Type of PACS Cloud>

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

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

<CRM software market size (Japan)>

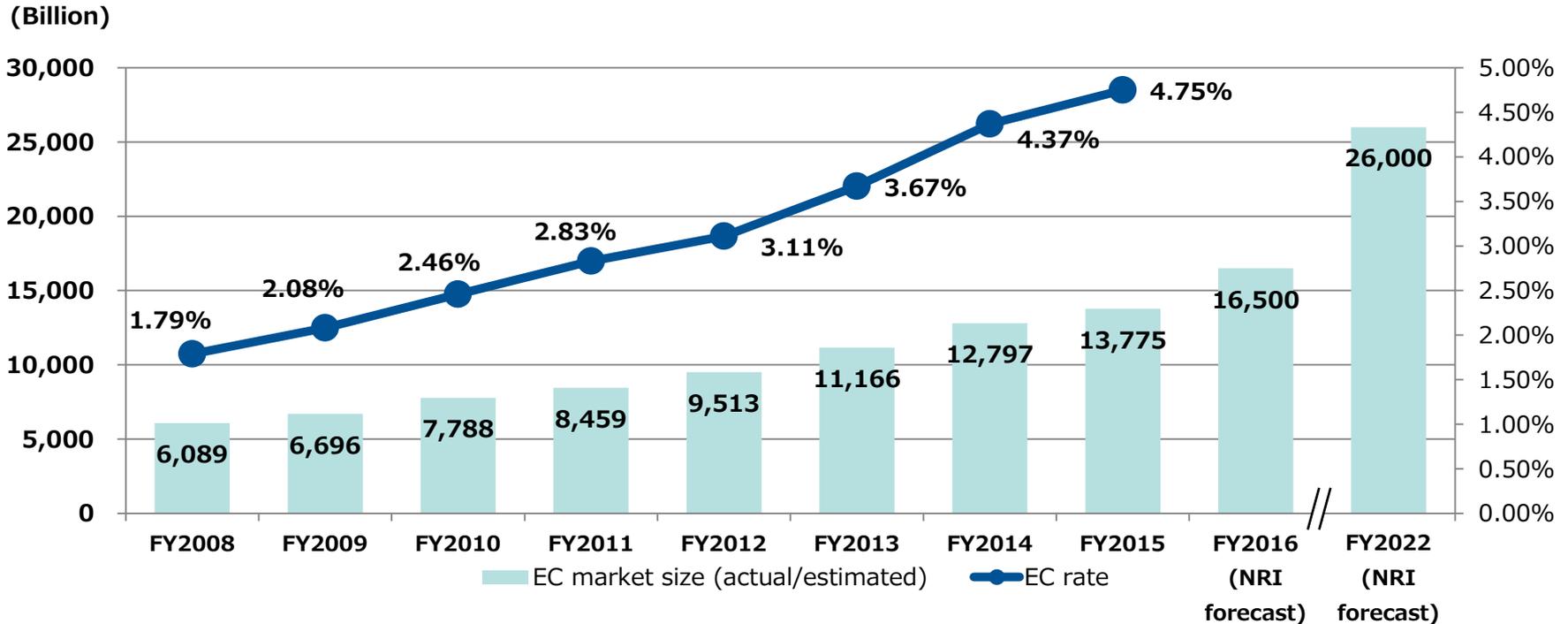


*Service provider's sales. Estimate as of Nov, 2016

- ◆ **Market size of Call center (telemarketing) is forecasted to grow at average rate of 1.9% each year 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

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



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

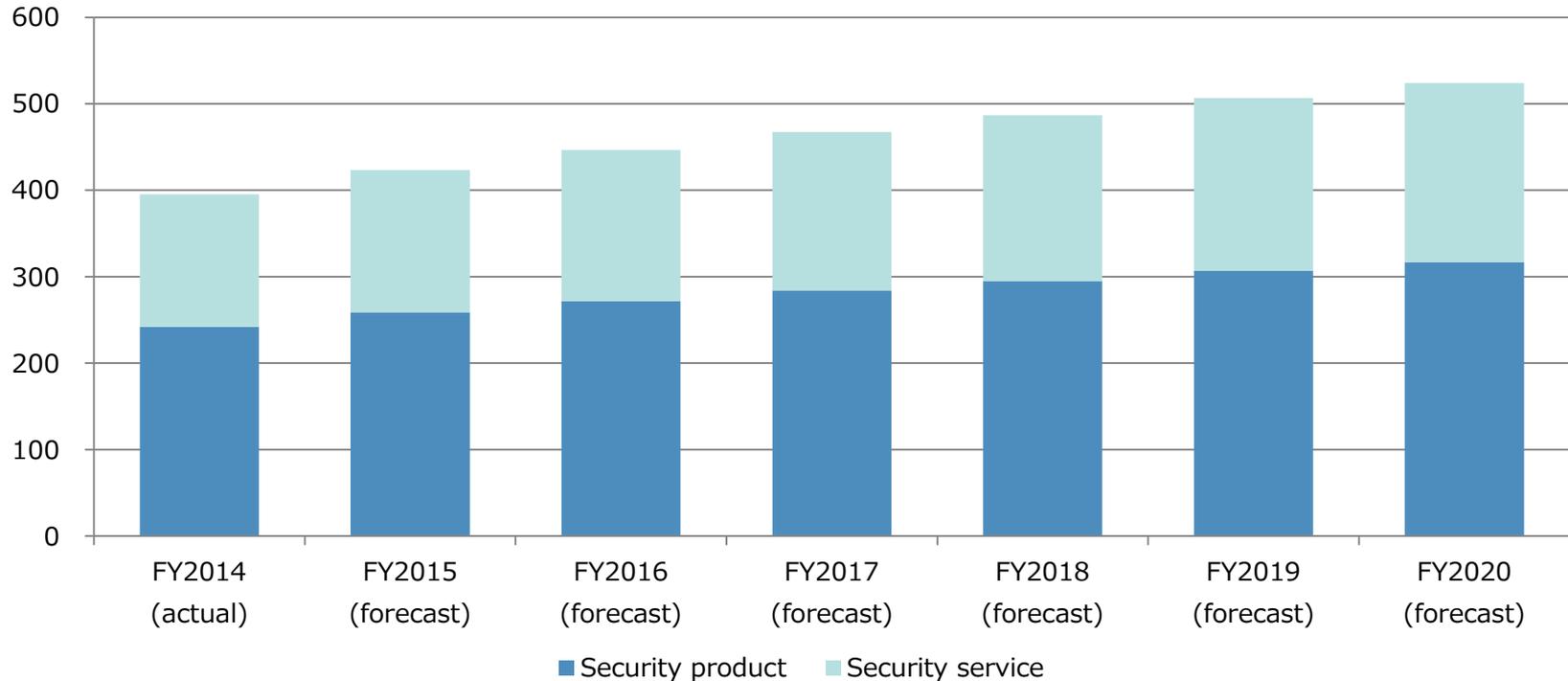
◆Market size related to EC was 7.6% up in 2015 year on year. Increased EC rate to 4.75% in 2015.

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

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

<Network & Security market size (Japan)>

(¥Billion)



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

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

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

QUESTION

TechMatrix Corporation

Planning and accounting division Corporate planning team

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