

FY2022 Q1
Consolidated Business Results



Presentation Materials for FY2022 Q1

Ubicom Holdings, Inc.

TSE Prime: 3937

August 10, 2022

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

In addition to the establishment of highly profitable model, the investment from the second half of the previous fiscal year exerted effects, and we invested in recruitment of new graduates securing the growth of sales and profit. Profit hit a record high for the first quarter.

Net
Sales

1,312 million yen
(117.5% year-on-year)

Ordinary
Income

266 million yen
(120.4% year-on-year)

Operating
Income

291 million yen
(141.9% year-on-year)

Net
Income

192 million yen
(118.0% year-on-year)

To meet the strong demand for development and solutions, which became full-blown in the second half of the previous fiscal year, we enhanced strategic investment for cutting-edge personnel and recruitment of new graduates. The investment turned out to be effective and operating income grew more than 40% year on year.

[unit: million yen]	FY2021 Q1		FY2022 Q1		Year-on-Year
	Amount	% to sales	Amount	% to sales	
Net Sales	1,117	100.0%	1,312	100.0%	117.5%
Operating Income	205	18.4%	291	22.2%	141.9%
Ordinary Income	221	19.8%	266	20.3%	120.4%
Net Income Attributable to Owners of Parent	163	14.6%	192	14.7%	118.0%

Situation of investment in human resources, including recruitment

- Continued the investment in human resources. In the Philippines, where our foothold for development is located, we started active recruitment of new graduates and the new graduate training program “ACTION” from 1Q, according to the plan of recruiting over 200 people, mainly new graduates, this term.
- In response to the intensification of competition for personnel as a global trend, we enhanced measures for attracting and retaining excellent personnel, including mid-career workers, from 2Q onward.

Measures on the effects of exchange rates

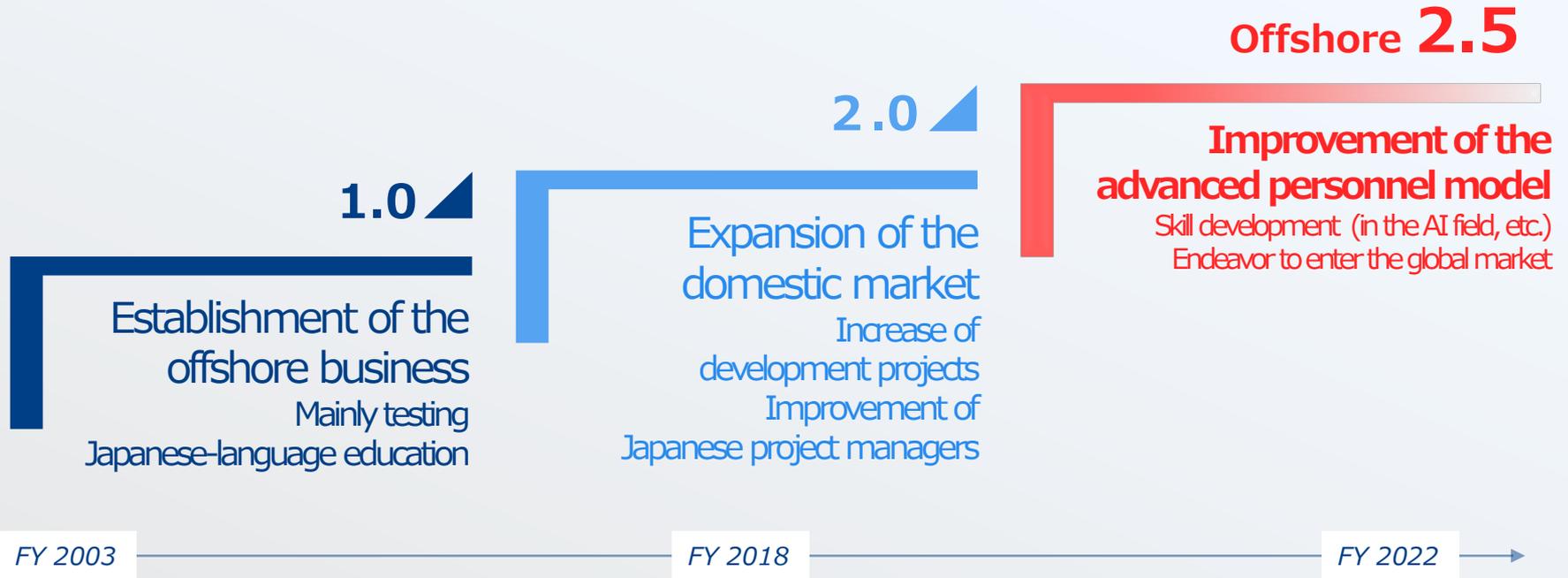
- To offset the augmentation of costs caused by the yen depreciation, we proceeded with the pricing measure taking into account the effects of exchange rates, in addition to raising prices.
- In addition, we revised the portfolio of settlement currencies, and implemented measures for levelling off the medium-term impact of exchange rates.

Secured a significant year on year growth trend in sales and profit without fail

Global Business (unit: million yen)	FY2021 Q1		FY2022 Q1		Year-on- Year
	Amount	% to sales	Amount	% to sales	
Net Sales	750	100.0%	942	100.0%	125.6%
Operating Income	102	13.6%	155	16.5%	151.9%

- **The strategic investment conducted in the previous term paid off. In 1Q (Apr. to Jun.), sales grew 25% year on year.** We kept earning sales from pillar clients and receiving orders for solutions. From 1Q, we started **active recruitment of new graduates and the new graduate training, ACTION**, to develop DX personnel and enhance measures for increasing sub-pillar clients.
- To further upgrade the alliance-based lab development model, we fostered **Ubicom Development Partnership** in Japan. The Enterprise Business Department **pursued projects other than IBM**, and a good start was made **for leading real estate tech businesses**. In addition, we are expected to steadily increase projects in which **Japanese project managers of our company will upgrade, operate, and maintain decrepit legacy systems in the financial field**.
- Recognizing the digital transformation (DX) in the coronavirus pandemic as a chance, **we continued ordinary investment**, which are expected to receive new orders, to further expand our business. In addition to new clients, **prospective pillar clients increased steadily**. As the orders continue to increase in line with the global strategy of clients and their new future product development as well as **AI development**, **we started consideration of overseas investment including expansion of bases and recruitment**, besides the Philippines.

■ Evolution of our global business strategy



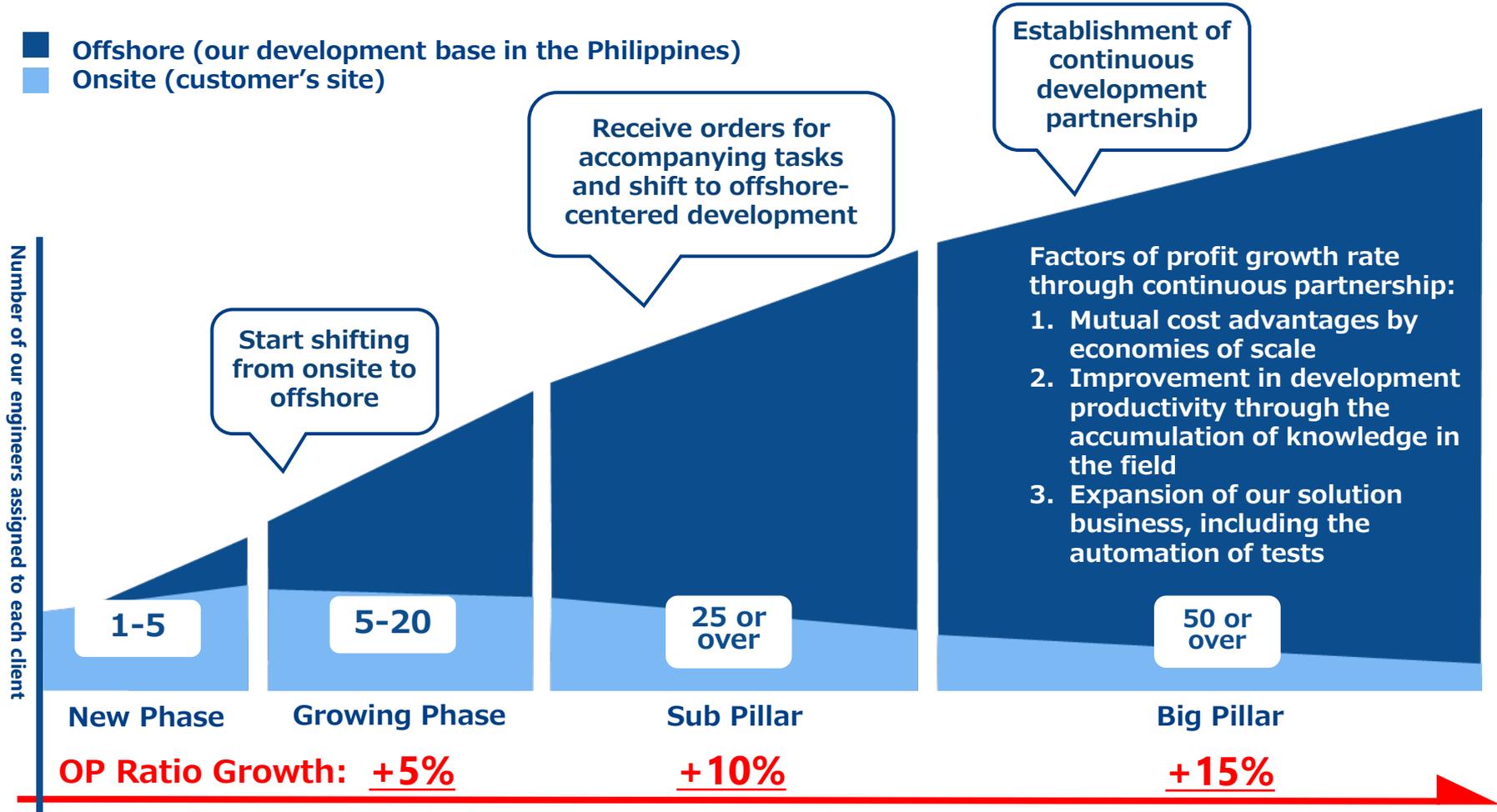
■ Changes in the external environment as a background

- Worsening of shortage of IT personnel in Japan
- Amid the coronavirus pandemic, remote and multi-point development styles became common.
- Steep increase in wages due to the intensification of global competition for IT personnel
- Introduction of the above evolution to offshore development countries, including the Philippines
- Changes in recognition of offshore utilization in offshore user enterprises

Generate pillar clients and high profitability through flexible offshore/onsite development

Definition of pillar clients: Constant clients that are market leaders in each field with sales scale of several 100 million yen

- Offshore (our development base in the Philippines)
- Onsite (customer's site)



Expecting the growth of global demand for IT personnel, mainly advanced AI personnel, we have been shifting to the high unit price model from this term.

Measure ① Application of new unit price

To raise the unit price for all engineers by over 10%, and proceed with the pricing measure taking into account the effects of exchange rates

Measure ② Enhancement of advanced personnel

Reinforcement of advanced engineers mainly in the AI field through skill development of existing personnel + recruitment of mid-career workers

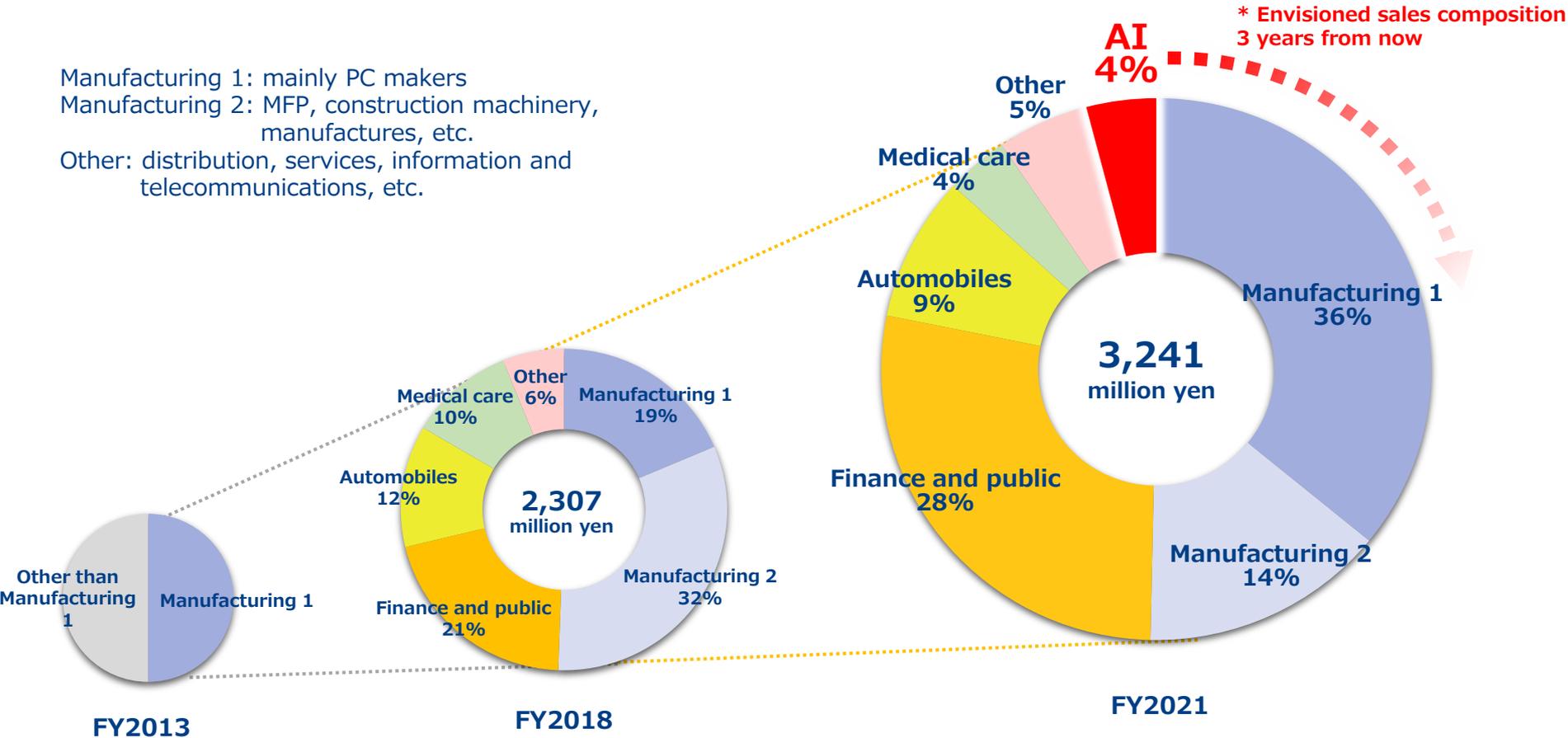
<Engineers unit prices image>



We aim to expand the AI-related business by developing cutting-edge personnel.

- Since the outbreak of the coronavirus pandemic, the PC area has expanded steeply, due to the demand caused by the reform of workstyles, etc.
- **We will concentrate on the increase of orders received in the AI field toward FY2024, three years from now.**

Manufacturing 1: mainly PC makers
 Manufacturing 2: MFP, construction machinery, manufactures, etc.
 Other: distribution, services, information and telecommunications, etc.



Promote business strategies targeted at the global market

■ Concrete examples of FY2022 Go Global Strategy

- ① Promotion of global M&A
- ② Business alliances with global investees
 - *The technological alliances with cutting-edge personnel and project managers of investees will make a breakthrough
- ③ Establishment of a high unit price business model
- ④ AI education based on the alliances with enterprises in countries with advanced digital technologies
- ⑤ Increase of onsite personnel
- ⑥ Overseas markets (the U.S. and Israel)
- ⑦ Leverage strengths of the Philippines to maximum effect

*English ability, a large number of college graduates and scientific personnel, locational advantage to offer services to Europe and the U.S.

*Surveyed by our company

Domestic potential offshore rate: about 10% (about 1 trillion yen)*

Current domestic offshore rate: about 2% (about 200 billion yen)*

The scale of the global market is about 10 times or higher that of the domestic market.
(Surveyed by our company)

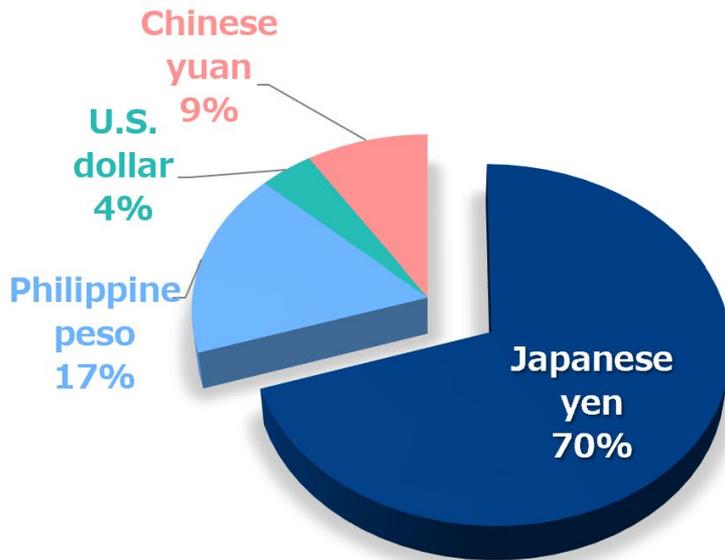
Size of the potential market of software development in Japan
About 10 trillion yen
(surveyed by our company)

<Envisioned market scale>

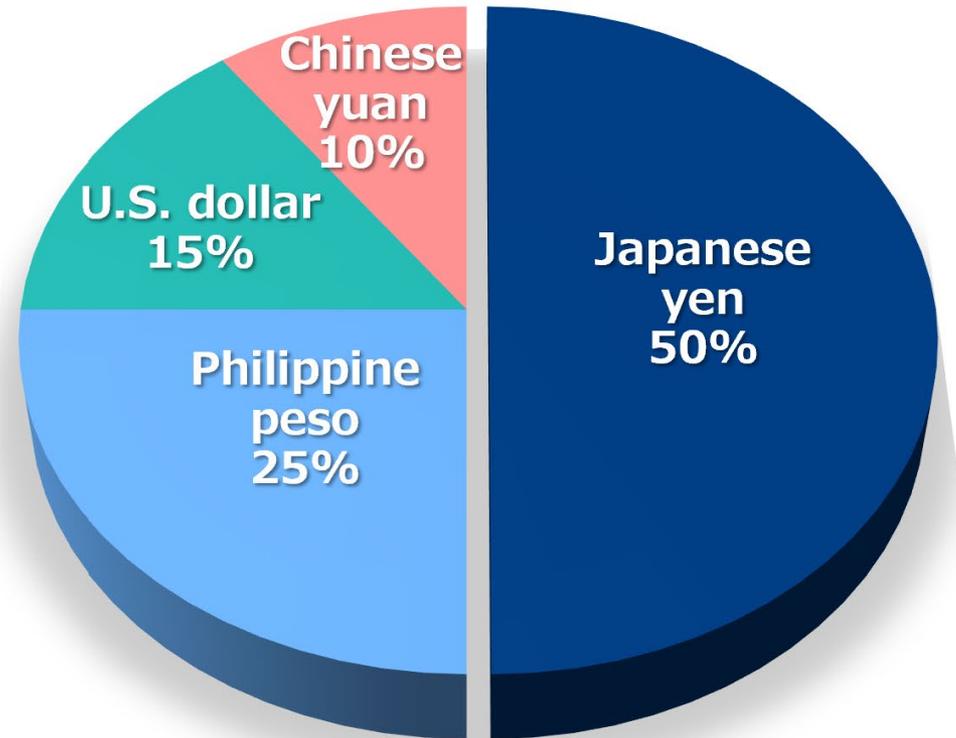
Diversification of the portfolio of currencies for sales to cope with the risk of exchange rates

Through the organizational reform on July 1, 2022, the financial function was transferred from the accounting department to the corporate planning division directly reporting to the representative director. By diversifying the currencies for sales, we aim to strengthen financial risk management and resilience management.

(*The graphs below show the portfolio of currencies of Global business)



Results for FY2021
(previous fiscal year)



Goals for FY2024

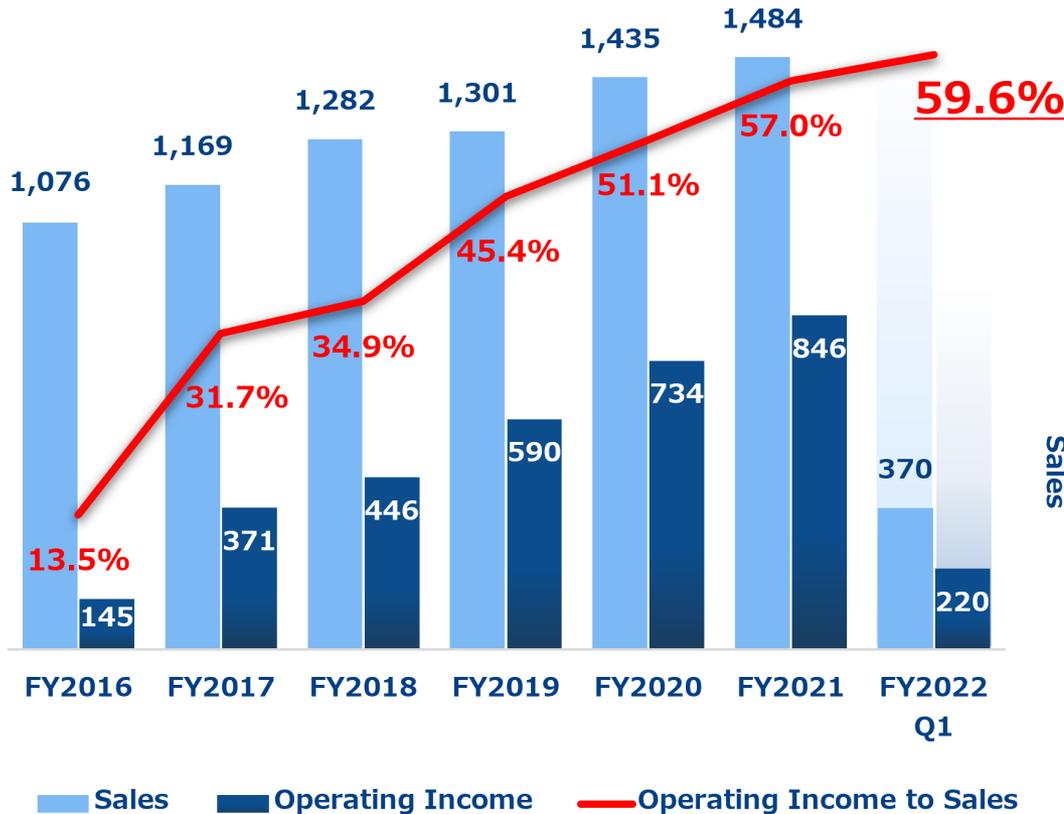
Maintained a high profitability and steady growth trend in profit

Medical Business (unit: million yen)	FY2021 Q1		FY2022 Q1		Year-on- Year
	Amount	% to sales	Amount	% to sales	
Net Sales	367	100.0%	370	100.0%	101.0%
Operating Income	191	52.2%	220	59.6%	115.3%

- In the first quarter (Apr.-Jun.), operating income achieved 115.3% year on year. Recurring revenues (the number of medical institutions that have adopted our product) increased, through the sale of packaged products of the Mighty Series, as the new product Mighty Checker EX contributed.
- Kept decreasing less profitable projects, established a highly profitable subscription model, implemented pricing policies, and sold more solutions, etc. As a result, profit in this segment grew considerably, and operating income margin reached 59.6%, a record high level of profitability.
- We received many inquiries about “Mighty Checker EX,” which is a next-generation health insurance claim check system, and “MC Cloud.” As these products were adopted by leading healthcare groups, they performed well.
- In addition, we started receiving advance orders for the new MQ (provisional name), which was introduced at the exhibition in July 2022 and would contribute to the reform of doctors’ workstyles, and further growth is expected through direct accounts (direct sale).
- The monetization of “Insurance Knowledge Platform,” a new solution targeted at insurance companies, and demonstration experiments with multiple insurance companies continued, we received orders, and expanded the business in a cross-sectoral manner. The company conducted active investment, including intellectual property strategies, for securing “new subscription-type revenue sources” following the Mighty Series.

Expansion of highly profitable foundation with the subscription model

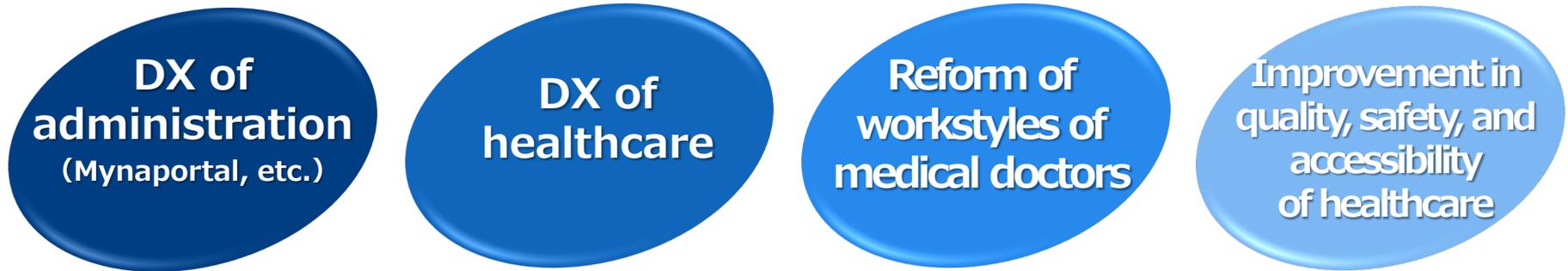
Trend of Medical Business Performance
(unit: million yen)



Sales Composition Trend of Medical Business
*recurring ratio: continuous sales ratio



■ External environment surrounding the medical business:



■ Medical business strategy for the external environment

1. To strengthen the intellectual property strategy
2. To enhance the development of medical engineers utilizing the foothold in the Philippines
3. To improve solutions for reforming medical doctors' workstyles and cloud services
4. To proceed with the marketing strategy for the post-pandemic period and the reform of medical doctors' workstyles
 - ⇒ To reinforce marketing through web-seminars
 - ⇒ To enhance direct sale (direct accounts) and the community of users by changing the marketing division into a consulting division and **the customer support division into a profit center**
 - ⇒ To cross sell medical solutions and create a new market

At the International Modern Hospital Show 2022 in July 2022, we announced a next-generation solution for helping reform the workstyles of medical doctors, and started receiving advance orders.

(New)

新 Mighty QUBE

(Provisional name)

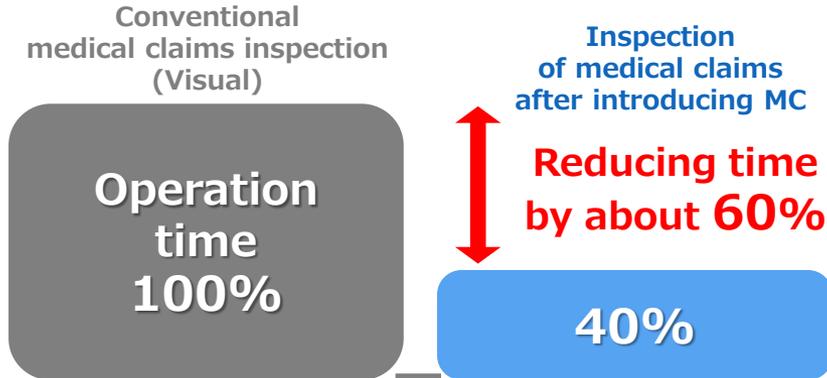


Features of the new Mighty QUBE

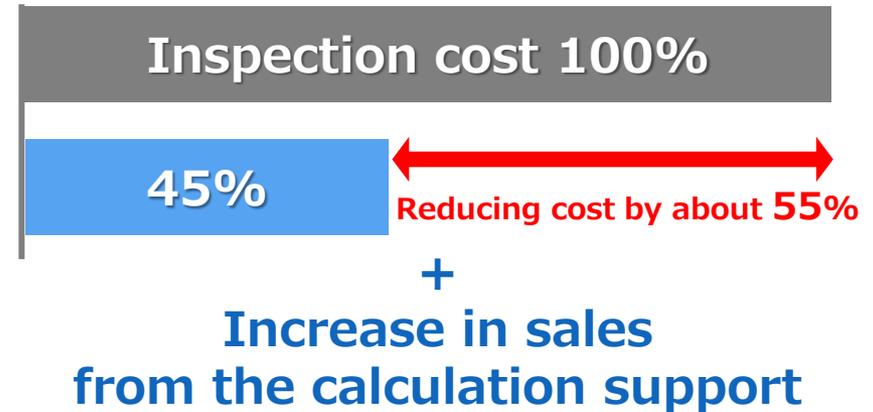
- ✓ In line with Doctors' Workstyle Reform 2024.
- ✓ Hybrid model compatible with cloud and on-premise services.
- ✓ Equipped with the real-time calculation support function.
(To add more value to electronic health records systems)
- ✓ Commercialization through lab-type development by medical engineers in the Philippines .
- ✓ Negotiating with several makers of cloud electronic health records for the embedment of the new MQ.
- ✓ Received advance orders from multiple major medical institutions, and many inquiries.
- ✓ We plan to set the direct sale price at over about 1.2 times the price of the old model (MQ PRO).

■ Effects of Mighty Checker (MC) for Medical Affairs *1

(1) Reduction of operation time



(2) Cost reduction and profit improvement



■ Effects of Mighty QUBE (MQ) for doctors *1

Reform of workstyles of doctors

Cost reduction and profit improvement

Safety and quality of medical care

- Reduce the working hours of outpatient doctors by approximately 28 hours per month (per doctor)
- Reduce excessive stress
- Reduction of overtime for doctors and other related costs.
- Increased revenue by reducing assessments *2 due to omission of disease names, etc.
- Prevention of input errors and assistance in typing disease names through the electronic medical record input assistance features
- Support for streamlining of non-clinical work so that doctors can focus on patients

} A Profit improvement of 66 million yen per year

*1: Notations regarding the results of this verification are based on the assumption of [a medium-sized hospital with approximately 200 beds](#) and under the conditions we have set.

*2: Assessment (Downward assessment): A reduction in the amount of the fee when it is judged to be inappropriate during the review of the medical claim.

■ Progress of opportunities under negotiation

- Negotiations are underway with a total of 7 out of approx. 50 companies in the life insurance market
 - ➔out of which, 3 companies are in the process of PoC verification for installation in FY2022
 - ➔2 semi-major companies aim to introduce the system by the end of FY2023

PoC verification in progress

PoC: Verification of feasibility and effectiveness

- A major life insurance company (fluctuation correction)
- An internet-based life insurance company of a major group (search system, fluctuation correction)
- A major union insurance service (search system, fluctuation correction)

- In addition to the above, we are developing a new DX feature subsequent to the “Fluctuation Correction” and proceeding with **cross-selling**

■ Current state of the insurance industry and our initiatives

- Processing of documents for insurance claims

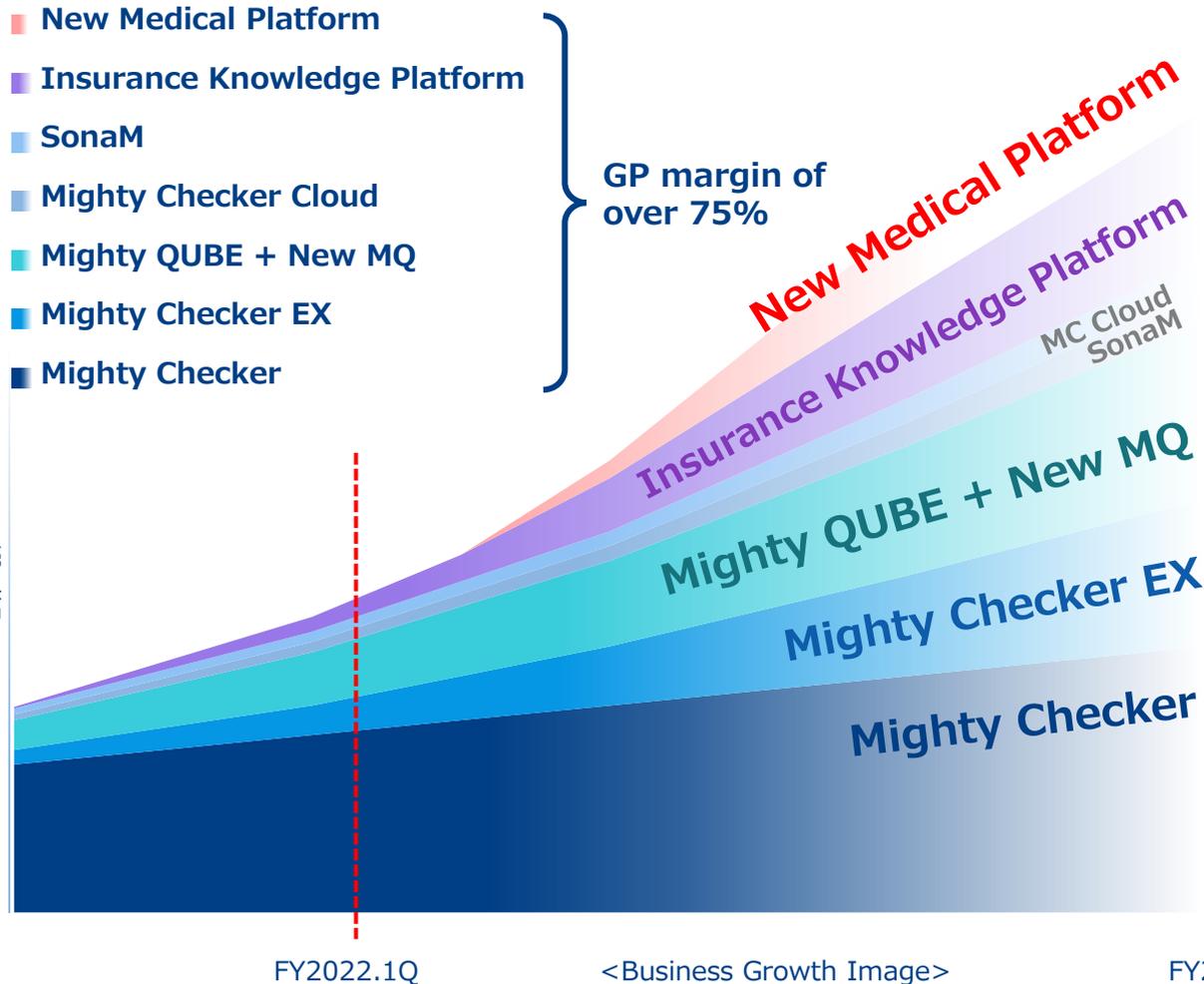
at major life insurance companies: approx. 300,000 documents per year*

Cost including labor cost for the processing: approx. 1 billion yen per year* *Our calculations

- ➔Improving efficiency of manual insurance payment operations by installing our “Medical Information Search System”
- ➔➔In addition, the adoption of our “Fluctuation Correction” supports partial automation of the insurance payment process
- ➔➔➔Promoting the spread of simplified claims, which is considered to be difficult due to cost and technical aspects

Medical Domain: Growth Potential of each Solution

To promote further improvement of average spending per customer and recurring revenue earning capability through up-selling, cross-selling, and direct sales



Mighty QUBE + New MQ

Identified nearly 1,000 new targets (mid-sized hospitals) towards Doctors' Workstyle Reform 2024.

We will strengthen our consulting and proposals to medical institutions by leveraging our strengths of "uniqueness in the market" and "high pricing".

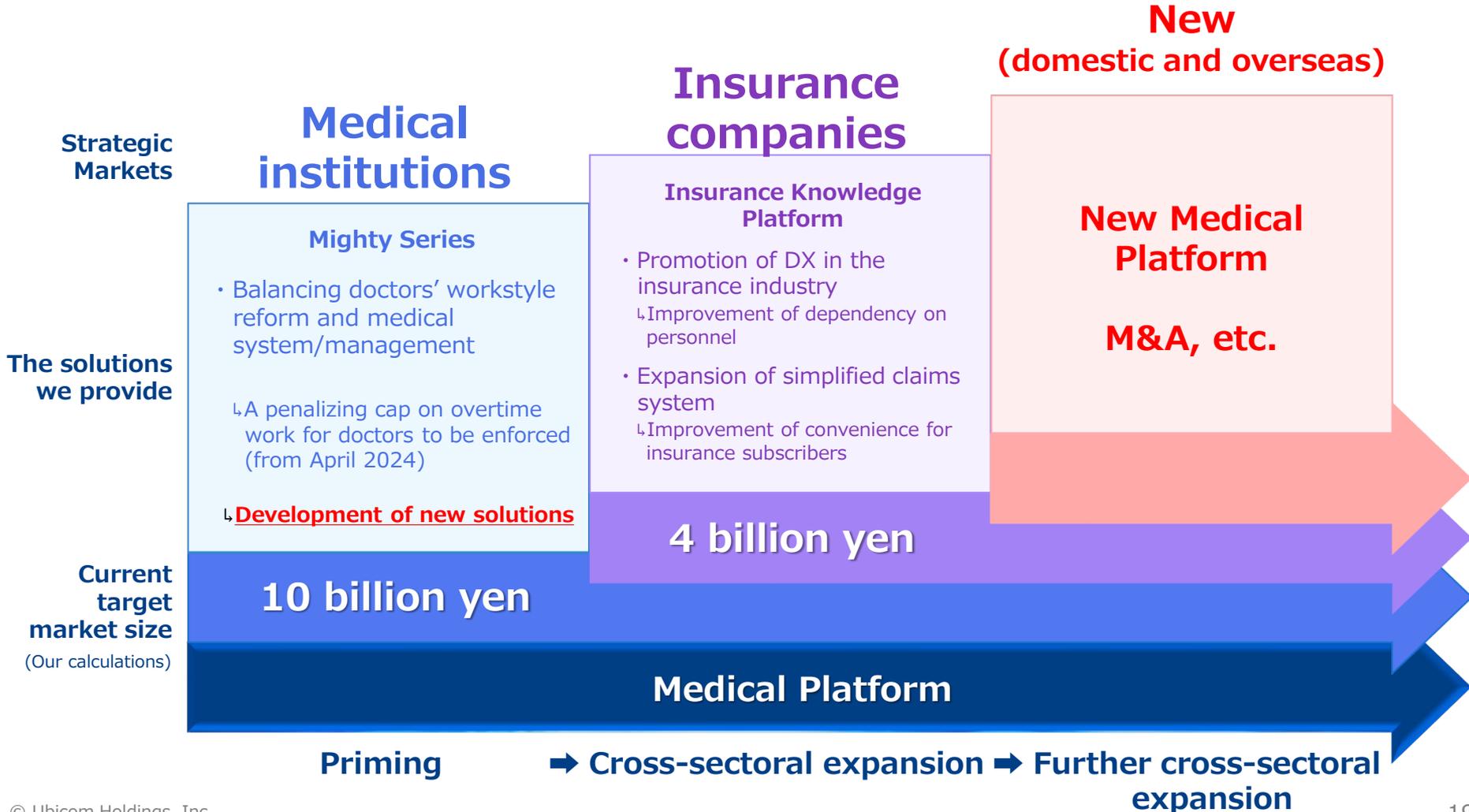
Mighty Checker EX

- Existing users switching from the standard product PRO to the top-end product EX (up-selling)
- Acquisition of new users through direct sales (price) → Direct accounts → Promote selling multiple services

Target Market Size for Medical Platforms



We aim to become the No. 1 platform in the niche medical field by leveraging our position as the market leader in DX solutions focused on medical institutions.



To create more new markets

through strategies to enclose the user community (potential market size: 300 billion yen*)

*surveyed by our company

**New market
Creation
measures**

- Conversion of sales staff to consultants
- Medical engineer training
- Strengthening of direct customer support
- Development of new intellectual property and information provision platforms



【Target】

Our unique user community



Ubicom

Second growth phase

- Creation of new markets
- Increasing the target market size

Current target market size

Insurance Knowledge
4 billion yen

MQ for Doctors
MC for Medical Affairs
10 billion yen

New Solutions

New Platform

MC: Mighty Checker, MQ: Mighty QUBE

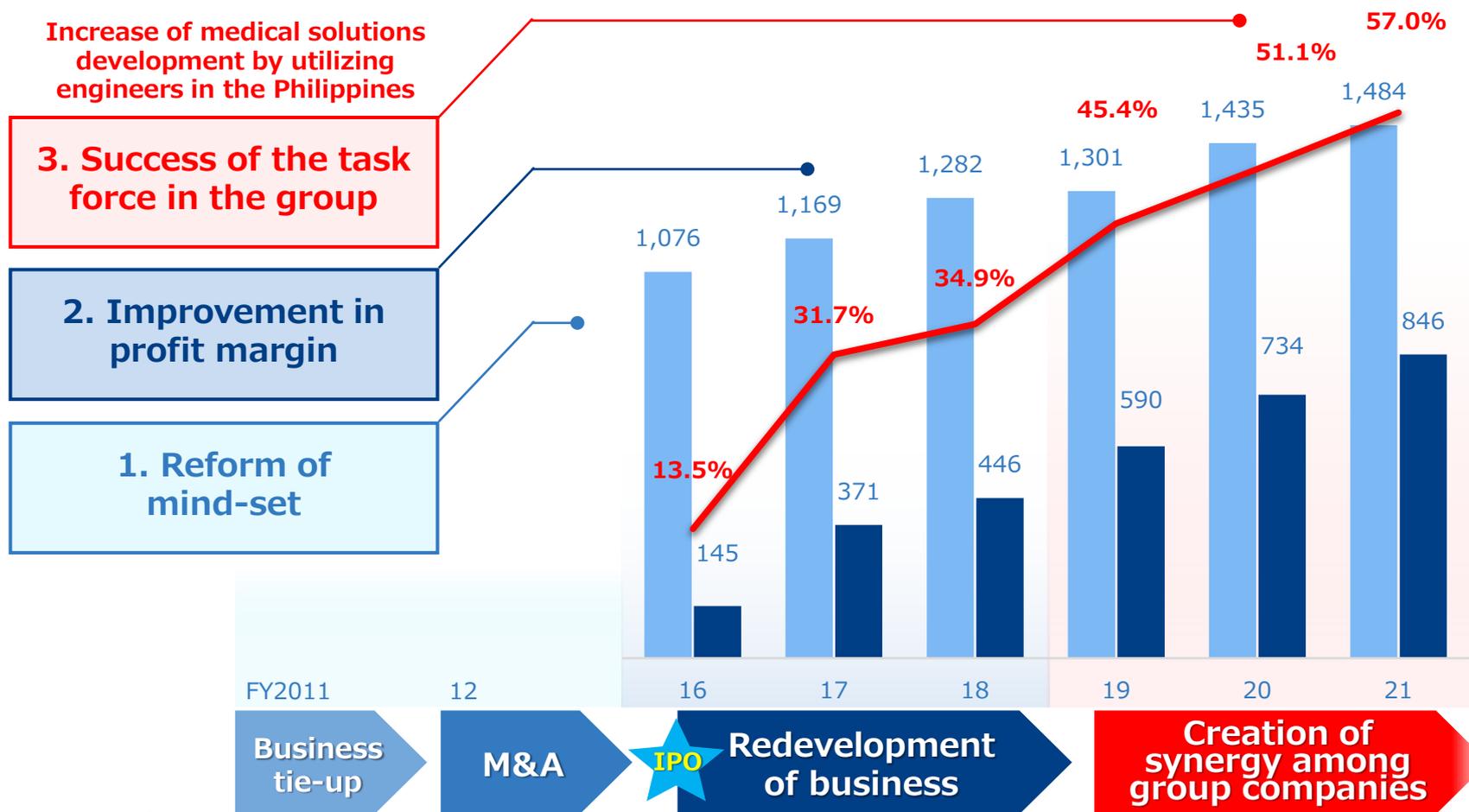
Promotion of M&A strategy based on the results of acquisition of subsidiaries



We aim to actualize new M&A that would contribute to our platformer strategy, by utilizing the know-how of post-merger integration (PMI) for medical business.

Successful cases of M&A: Variation in results of medical business

■ Sales ■ Operating income ■ Operating income margin



While paying attention to the profit balance, we will take measures for fortifying the base for the second growth phase.

1. To enrich expert resources that would contribute to “Go Global Strategy”

2. To enhance the recruitment and training of Filipino engineers

3. To beef up the medical investment strategy

4. To implement M&A

⇒ Enterprises that conduct business in our strategic fields and are expected to attract customers in Europe and the U.S. and see personnel synergy for nearshore and offshore businesses

⇒ Enterprises that are overwhelming competent in niche fields and offer packaged solutions, etc. so that they could become a platform provider

⇒ Enterprises that could contribute to our intellectual property strategy in the healthcare field and enterprises that could expect synergistic effects from collaborative businesses with our company so as to produce a social impact as our corporate group aims.

*The costs for the above 1 to 3 have been already taken into account in the earnings forecast for FY2022.

■ Global Business

- **DX Support** (Business process reforms for clients through advanced technology support such as AI/Analytics/Automation/Cloud)
- Improvement of Japan's global competitiveness through **globalization support** for domestic companies

■ Medical Business

- Pursue the **Three Way Satisfaction** (insurer/insured/medical institution) through the platformization of non-competitive areas as represented by the new business for the insurance sector
- **Work style reform for doctors / Medical & Healthcare DX** (improvement of healthcare safety and quality, management and operational improvement, paperless, cloud application, telemedicine support, and other diversification support for medical institutions)

■ Group as a whole

- **Resilient business management** (reinforced risk management and business continuity structure)
- Strategic alliances with socially influential enterprises that would help attain **SDGs**
- Provide **education** and opportunities to young talent in Asia
- **Diversity** in employees and management positions
- **Strengthening of incentives for employees**

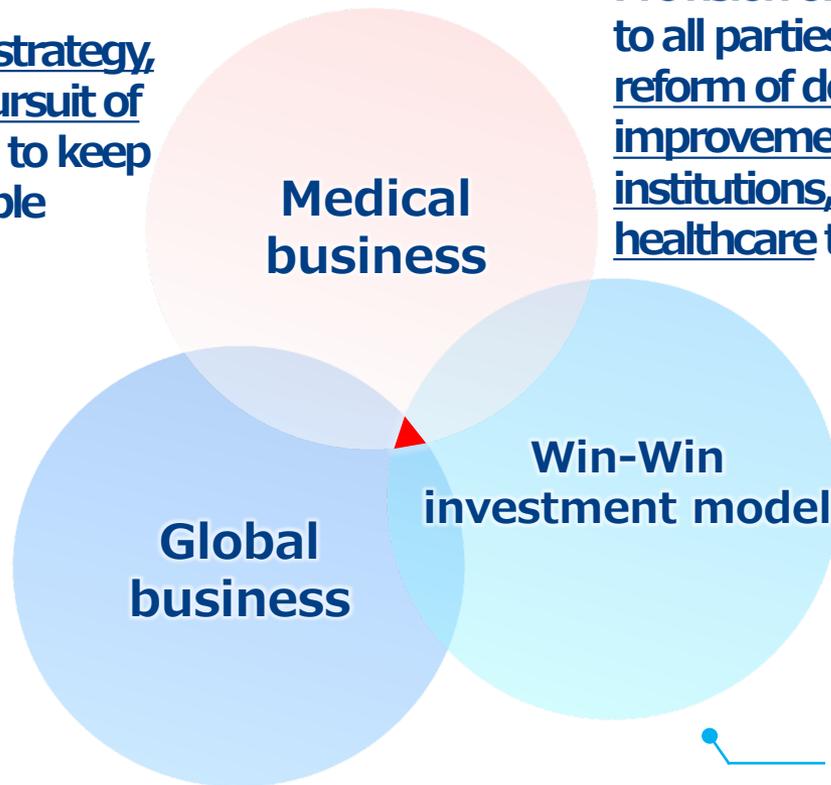


Entire group

Resilient management, personnel development strategy, business synergy, and pursuit of significance of existence, to keep growing amid the unstable situation

Medical business

Provision of solutions that are beneficial to all parties as they contribute to the reform of doctors' workstyles, the improvement in management of medical institutions, and DX for insurance and healthcare that are pressing.



Global business

Development of young Asian IT personnel and support for DX as a solution to the shortage of human resources in Japan (Japan will be 545,000 DX engineers short in 2030*)

Win-Win Investment model

Management with synergistic effects based on the strategic alliance and M&A with enterprises that have social impact and core competence that would help achieve SDGs

*Source: Created based on "Survey on the demand and supply of IT personnel" (Ministry of Economy, Trade and Industry of Japan) (https://www.meti.go.jp/policy/it_policy/jinzai/houkokusyo.pdf)

Promotion of the Leverage Strategy (the 2nd Growth Phase)



To maximize the synergy between the existing business and M&A, and promote the development of new recurring-revenue/SaaS model

Themes of the second growth phase

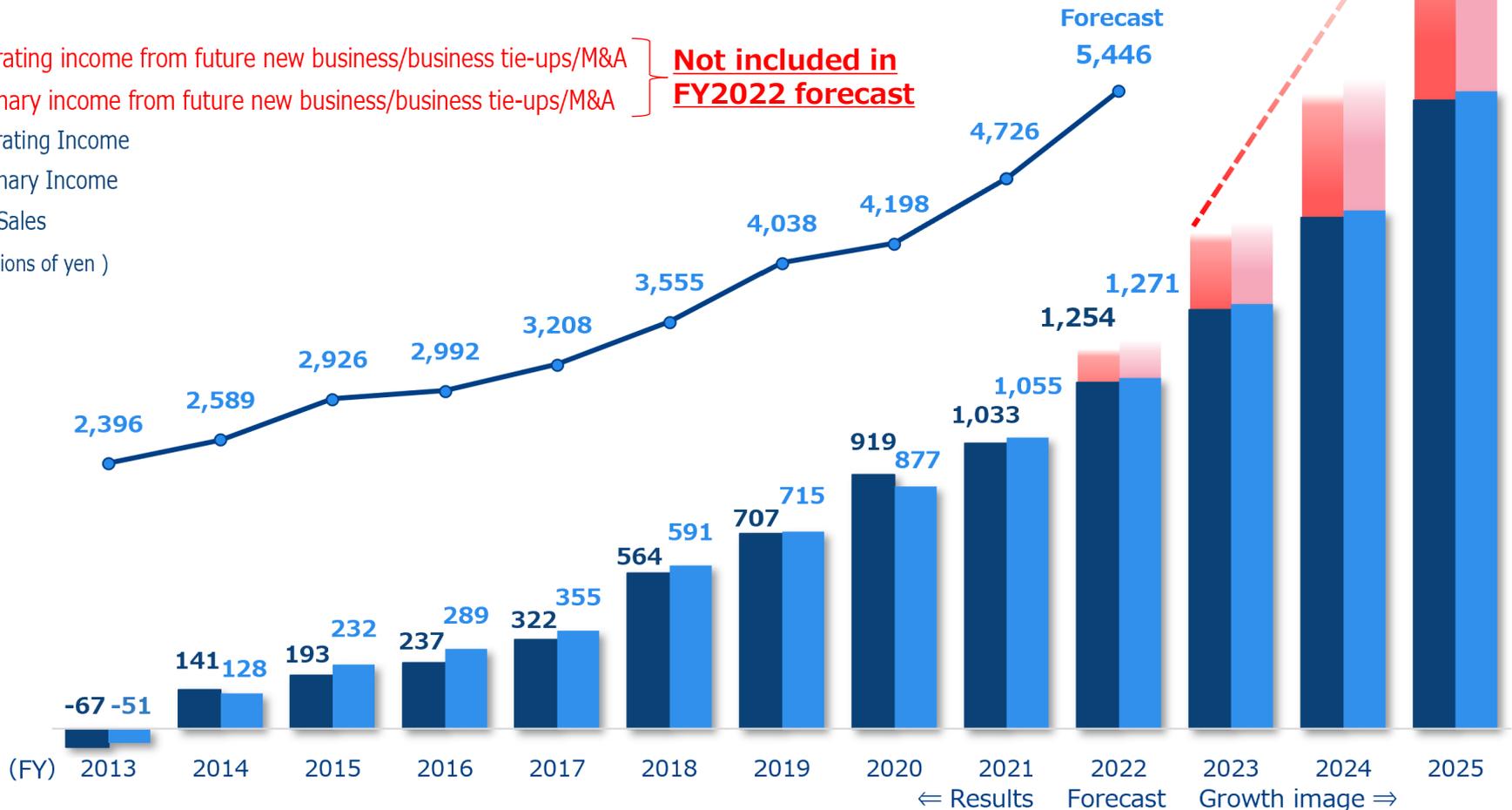
- Medical field
 - Pillar clients: + 20 companies
 - Global market
 - Sustainability
- × M&A

■ Operating income from future new business/business tie-ups/M&A
 ■ Ordinary income from future new business/business tie-ups/M&A

Not included in FY2022 forecast

■ Operating Income
 ■ Ordinary Income
 — Net Sales

(Unit: millions of yen)



Company Overview



- Company name: **Ubicom Holdings, Inc.** (TSE Prime: 3937)
- Strategic industry: Medical, Financial/Public, Automotive, Manufacturing/Robotics, etc.
- Our Business:

Global Business

Dedicated in solving IT resource shortage in Japan and promoting DX (Digital Transformation), through providing Software/Application Development, Testing/Quality Assurance/Maintenance/24H Support, etc., and also our unique Next-gen Solutions powered by the leading-edge technologies such as 3As (AI, Analytics, Automation), by utilizing development facilities in the Philippines, etc..

Medical Business

As the leading company in IT solutions for medical institution management, supports improvement of work efficiency and work style reform for healthcare industry, improvement of management for medical institutions, and improvement of healthcare safety and quality, through providing Medical IT Solutions such as Medical Claims Inspection, Medical Safety Support, Data Analytics, Cloud Services, IT Development Support, Consulting, etc.. Furthermore, we are focusing on the Insurance Knowledge Platform Business.

Win-Win Investment Model

Aims to accelerate business growth through promoting collaborations, Tie-ups and M&As with leading companies and growing ventures.

New Business Development

We further pursue to develop more high growth / high profit next generation businesses.

■ Financial Performance:

Unit: Millions of Yen	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent
FY2021 (Results)	4,726	1,033	1,055	832
FY2022 (Forecast)* Growth rate	5,446 +15.2%	1,254 +21.4%	1,271 +20.5%	925 +11.2%

*Announced on May 12, 2022

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- ◆ They are subject to risks and uncertainties including, but not limited to, domestic and international economic conditions such as business and market trends, fluctuation of exchange. As such, actual results may differ materially from those projected.
- ◆ The Company's future business and financial results could differ materially from the estimates included herein.
- ◆ The Company assumes no responsibility to update or revise forward looking statements and forecasts of future outlook, due to new information, subsequent events, or other factors.



Ubicom
Holdings, Inc.

A red curved line graphic.