

FY2022 Q3
Consolidated Business Results



Presentation Materials for FY2022 Q3

Ubicom Holdings, Inc.

TSE Prime: 3937

February 9, 2023

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.

FY2022 Q3 Highlights



While we continue to invest for the second growth phase, operating and ordinary incomes reached record highs for the third quarter.

Whereas net income decreased, as among the investment securities held by the company, the valuation loss of investment securities whose market value has fallen significantly has been recorded as an extraordinary loss, and also due to the difference in the effective tax rate.



FY2022 Q3 (P/L)



Secured increases in net sales, operating income and ordinary income in the cumulative third quarter as the company continued to make investments for the second growth phase and implemented policies to adapt to the external environment in terms of pricing and exchange rates, while dealing with the demand for large-scale development projects that will be on a full-scale basis in the fourth quarter.

| [unit: million yen] | FY2021 Q3 | | FY2022 Q3 | | Year-on-Year |
|--|-----------|------------|--------------|---------------|---------------|
| | Amount | % to sales | Amount | % to sales | |
| Net Sales | 3,452 | 100.0% | 3,910 | 100.0% | 113.3% |
| Operating Income | 699 | 20.3% | 733 | 18.8% | 104.9% |
| Ordinary Income | 714 | 20.7% | 746 | 19.1% | 104.5% |
| Net Income Attributable to Owners of Parent | 521 | 15.1% | 413 | 10.6% | 79.3% |

FY2022 Cumulative Q3 Investment Status



Against the backdrop of **the Economic Security Promotion Bill**, greater efforts are made for global supply chain risks and security and intellectual property in the IT industry. In these circumstances, in response to the steepest **increase of business inquiries since Ubicom's founding**, investment has been accelerated since 2Q (reflected in the full-year plan).

Business expansion expected to begin on a full-scale basis in 4Q.

| | External environment | Measures | Investment Scale (1-3Q cumulative total) | Return on Investment (Sales Growth Effect) (Current 4Q - Upcoming) |
|------------------|---|---|---|--|
| Global Business | Diversification of offshore locations for manufacturing industry (focus on Philippines) | Recruitment and training of 200 employees in the Philippines | 30 million yen | +1 billion yen |
| | Global AI Market Expansion | Strengthening collaborative alliances with cutting-edge Israeli companies | 15 million yen | From +100 million yen (PJs with a scale of 10 people have already started this term) |
| | Shortage of human resources in Japan | Reinforcement of Personnel Proposal for Building Pillars (increasing development personnel) | 15 million yen | From +300 million yen (existing + potential 5 companies) |
| | Global PC Market | Expansion of bases outside the Philippines and Overseas investment including recruitment of human resources | 10 million yen | From +50 million yen |
| Medical Business | Reform of work styles of doctors DX in Healthcare Institutions | Reinforcement of organizational structure and intellectual property for cloud, including Mighty QUBE Hybrid | 20 million yen | (Obtained the private consents from several national medical institutions) |
| Head office | Spreading Leverage Strategies, Strengthening Human capital | Execution of M&A Strategy Reinforcement of headquarters functions | 5 million yen | (Increase M&A-related expenses and strengthen in-house experts) |

Target Market Size (Our calculations)

20 billion yen

50 billion yen

20 billion yen

10 billion yen or more

Collaboration with Medical Business

Partnerships with Pillar Customers

European and U.S. Markets

M&A

➤ To promote development of medical solutions and platforms in line with medical healthcare DX policy

➤ Deepening business with several major global companies, including collaboration with major medical device manufacturers

➤ To negotiate for collaborations with overseas technology companies in the development of AI solutions

➤ To conduct business due diligence, including near-shore and overseas M&A



Personnel investment (strengthening development resources for global business)

- Continue to invest in human resources on a recurring basis. In preparation for the hiring of over 200 people, mainly new graduates, in the Philippines, our development base, this term, we began aggressive new graduate hiring and the new graduate training program "ACTION" in 1Q.
- Launched a leader engineer education program for approximately 50 people in preparation for the plan to double the number of engineers in the enterprise business in the next fiscal year.
- In response to the global trend of increased competition for human resources, we will strengthen measures to retain excellent human resources, including mid-career workers, from 3Q onward.

FY2022 Q3 Segment Overview : Global Business



Achieved a significant increase in sales on the back of strong demand. After taking into account investments for the second growth phase, the company secured an over-20% increase in profit from the previous year.

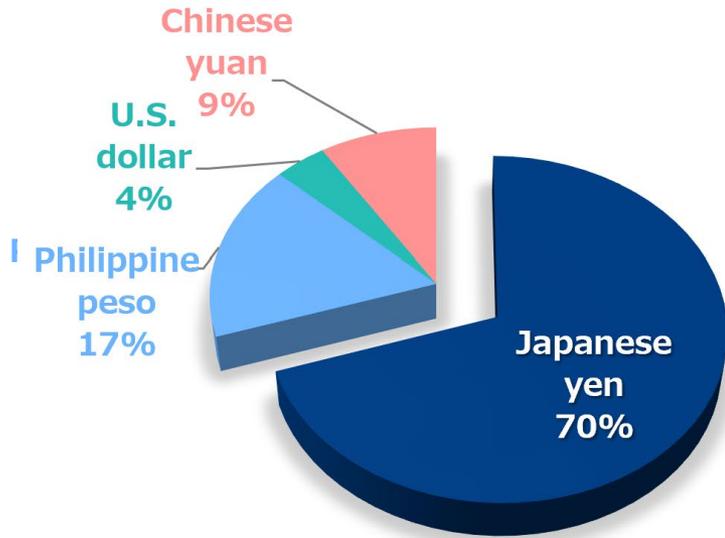
| Global Business (unit: million yen) | FY2021 Q3 | | FY2022 Q3 | | Year-on- Year |
|--|--------------|------------|--------------|---------------|------------------|
| | Amount | % to sales | Amount | % to sales | |
| Net Sales | 2,337 | 100.0% | 2,781 | 100.0% | 119.0% |
| Operating Income | 308 | 13.2% | 312 | 11.2% | 101.3% |

- **In the third quarter, sales increased 20% y-o-y on the back of strong demand that has continued since the second half of the previous fiscal year.**
- **Received many orders from existing pillar clients and new clients (global pharmaceutical companies).** In order to further strengthen efforts for DX-related human resources development and sub-pillarization, we started the **recruitment of new graduates and mid-career hires and ACTION program**, and also launched a leader engineer education program to meet the demand for large-scale development that will start on a full-scale basis in the fourth quarter.
- **Promoted "Ubicom Development Partnership" in Japan to further strengthen the alliance-based lab development model. In the Enterprise Division, increased human investment in response to the trend of offshore promotion in multiple countries, and other major real estate tech projects started to expand steadily.**
- **Negotiated with overseas technology companies for collaboration in AI solution development and strengthened the development of the Company's AI human resources, accelerating investments for the second growth phase in addition to recurring investments. Steady expansion of solutions in the area of AIoT, represented by smart factories. From the third quarter of this fiscal year, we have been promoting measures to cope with changes in the external environment, including foreign exchange rates, in addition to the pricing policy.**

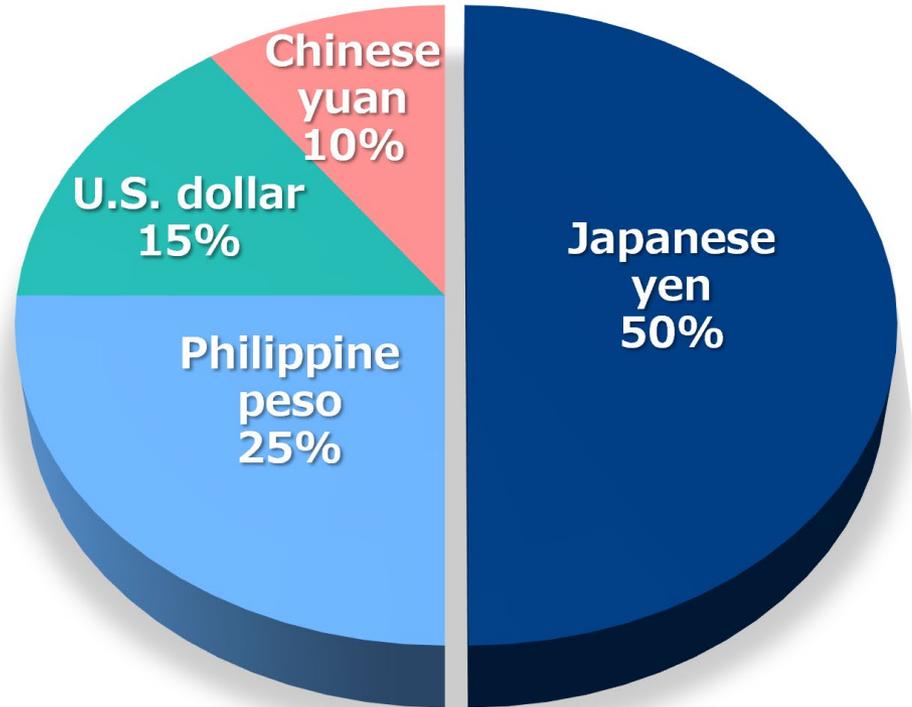
Promoting diversification of sales currency portfolio to strengthen financial resilience against foreign exchange risks.

Settlement in foreign currency exceeded the plan in the third quarter (more than 40%).

■ Sales Currency Portfolio Performance and Targets for Global Businesses



Results in FY 2021 (previous fiscal year)



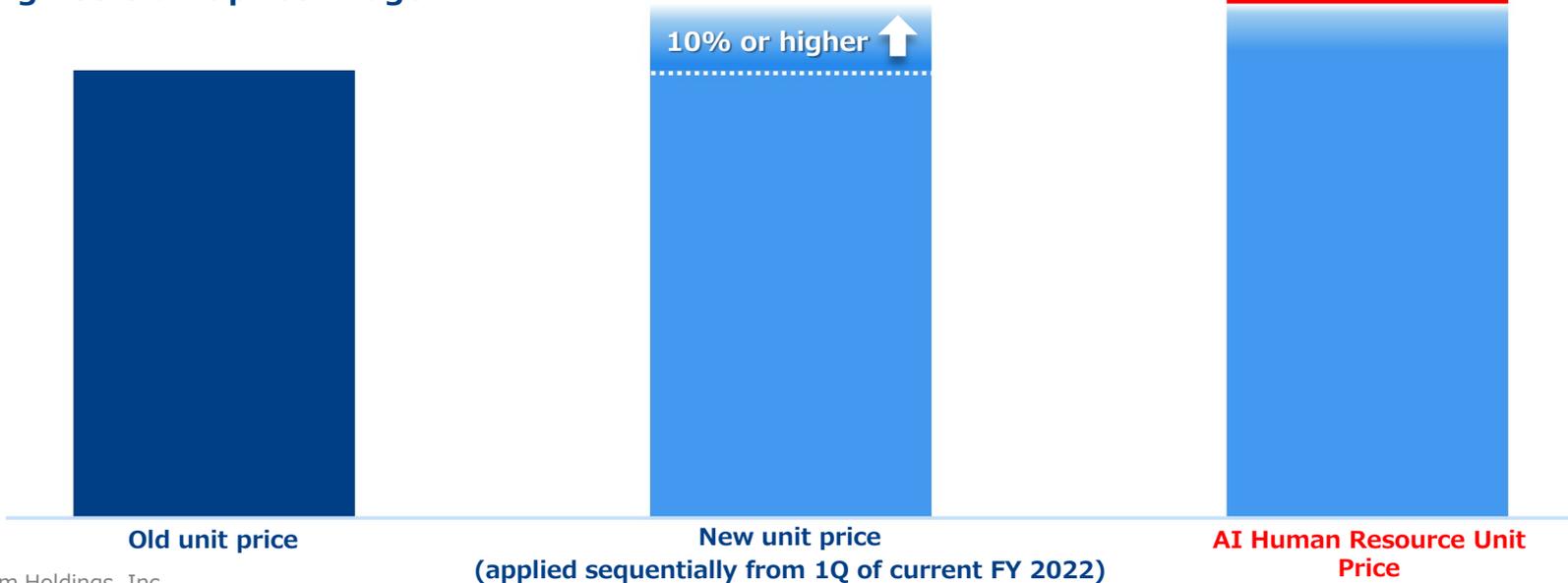
Targets for FY 2024

In anticipation of **increasing global demand for IT personnel**, especially advanced AI personnel, we have made steady progress in shifting to **a high unit-price model** from the current fiscal year.

Application of new unit prices :
Revised unit prices for all engineers upwardly by 10% or higher.
Negotiations with all clients were completed by Q2.
The resultant price revisions have been nearly completed by the current 3Q.

Enhancement of high-level human resources :
Strengthening high-level engineers, mainly in the AI field, through skill development of existing human resources & mid-career hiring

<Engineers unit price image>

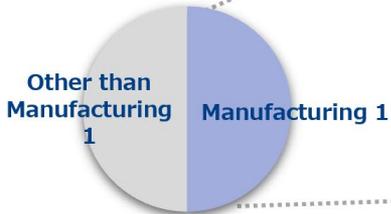


We aim to expand the AI-related business by developing cutting-edge personnel.

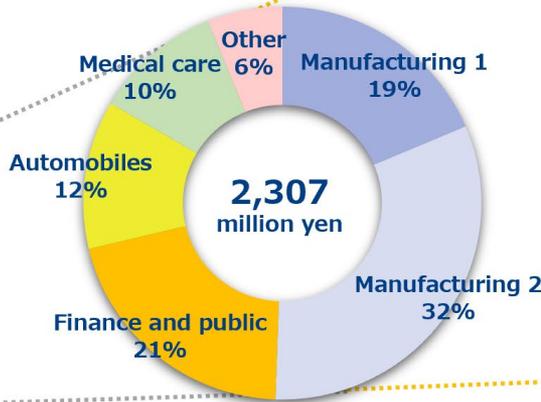
We will concentrate on the increase of orders received in the AI field toward FY2024.

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

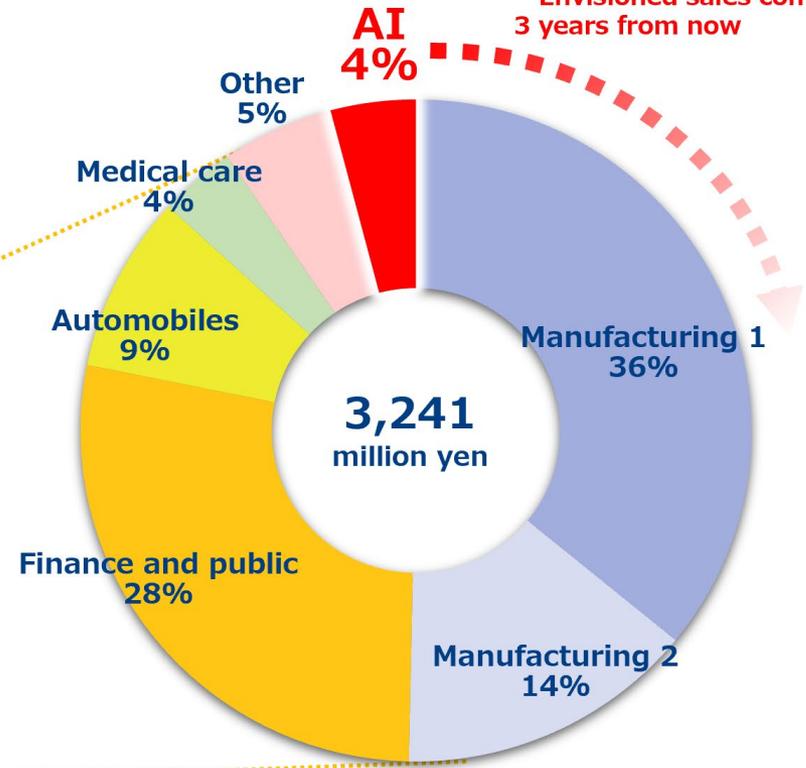
* Envisioned sales composition 3 years from now



FY2013



FY2018



FY2021

3,241
million yen

To strengthen business strategies with an eye on the global market

- (1) Promote global M&A, investment and business alliances
- (2) Strengthen overseas marketing (U.S./Israel)
- (3) AI education through alliances with companies in digitally advanced countries
- (4) Addition of higher value in the Philippine base
 - Acquire projects by leveraging English language skills
 - **Strengthen recruitment of abundant university graduates and science-related personnel**
 - Provide services to Europe and the U.S. by taking advantage of geographical advantages
 - **Capture the enormous demand by the diversification of offshore locations**

*Surveyed by our company

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

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

The size of the potential global market is more than 10 times the size of the domestic market. (according to our survey).

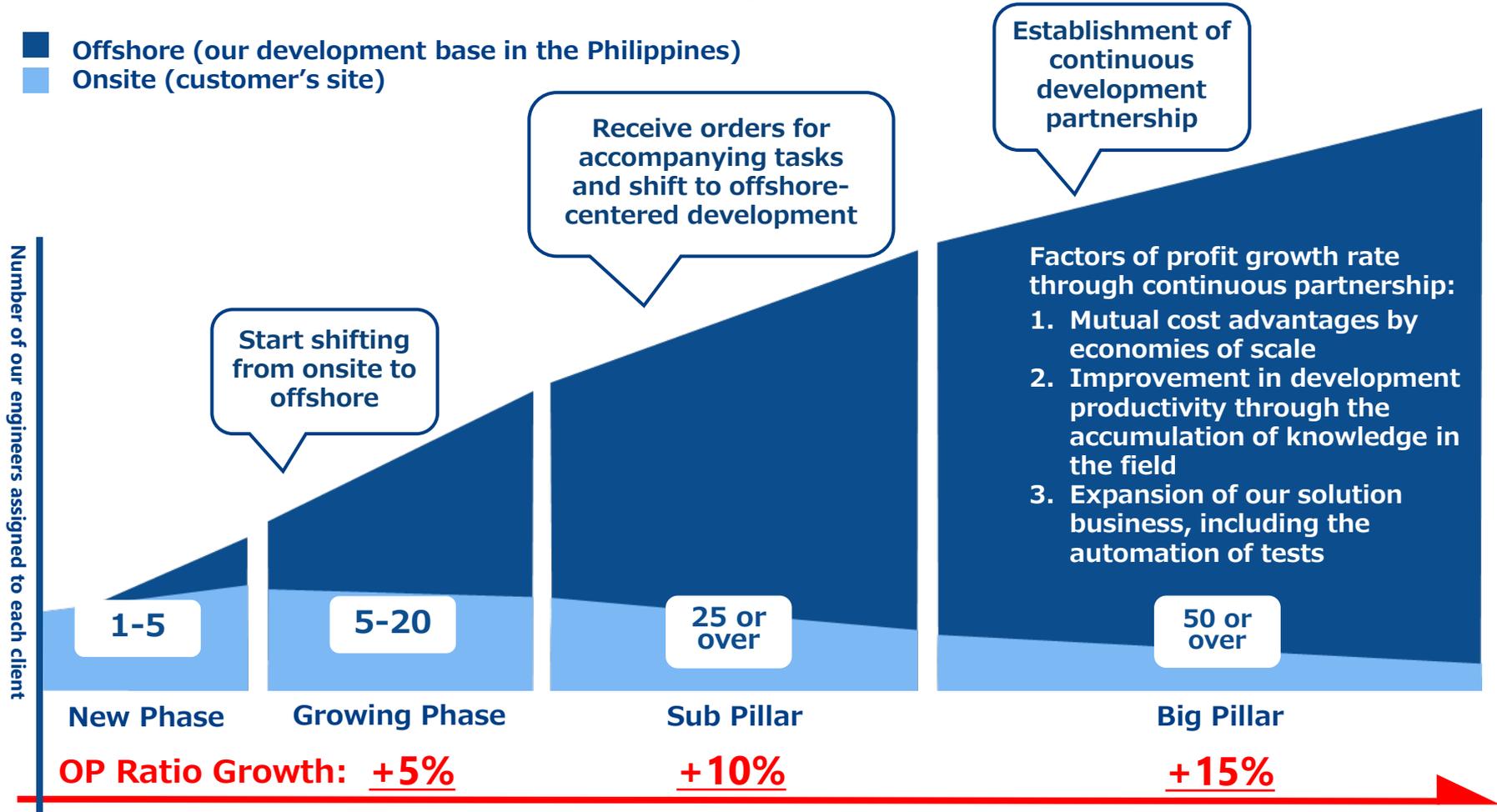
The size of the potential software development market in Japan is approximately 10 trillion yen (According to our survey).

<Envisioned market size>

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)



FY2022 3Q Segment Overview: Medical Business



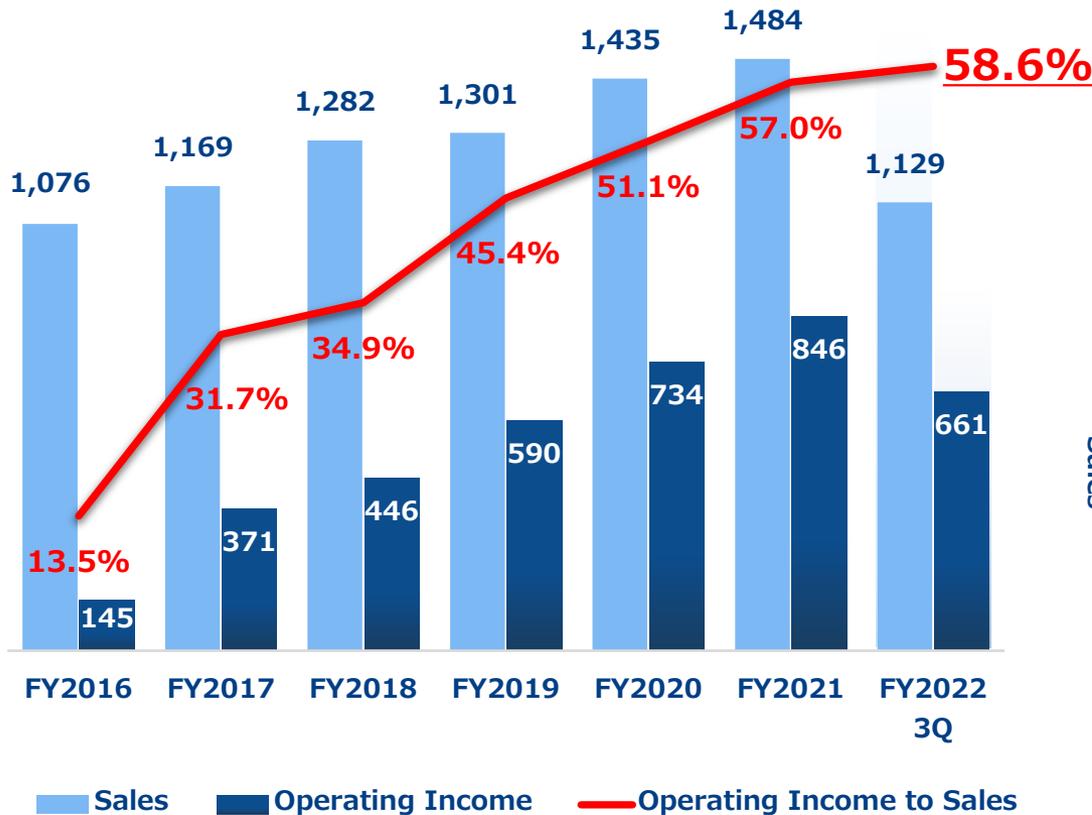
Secured high profitability and a solid upward trend in profit

| Medical Business (unit: million yen) | FY2021 Q3 | | FY2022 Q3 | | Year-on- Year |
|---|--------------|------------|--------------|------------|------------------|
| | Amount | % to sales | Amount | % to sales | |
| Net Sales | 1,115 | 100.0% | 1,129 | 100.0% | 101.2% |
| Operating Income | 627 | 56.2% | 661 | 58.6% | 105.5% |

- Operating income in the third quarter was **105.5% y-o-y**. While we reviewed low-profit commissioned development such as maintenance and operation of medical institutions' internal information systems, Mighty Checker EX, a new product, contributed to a **steady increase in the number of medical institution installations** for selling Mighty series package.
- **Segment profit grew significantly due to the establishment of a high-profit subscription model and sales of additional solutions, and operating income margin remained at a record high level of 58.6%.**
- **The number of installations of the next-generation medical claims checker systems "Mighty Checker EX" and "MC Cloud" also remained steady.**
- **Full-scale launch of "Mighty QUBE Hybrid," a strategic solution that contributes to reforming the way physicians work in October, and numerous orders received from public medical hospital groups and others.**
- **Monetization of "Insurance Knowledge Platform," a new solution for insurance companies, and demonstration experiments with multiple insurance companies continued.** Aiming to further increase the subscription revenue that has already started this fiscal year from the next fiscal year onward.
- **From the third quarter of this fiscal year, we will promote a new pricing policy with an eye on the economic effects of adoption, and further strengthen initiatives for solutions that contribute to the improvement of medical institution management and to the quality and safety of medical care.**
- **Promotion of narrowing down of distributors and revision to wholesale prices (increase by 20% or over).**

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



Marketing of medical solution/platform concept in line with medical healthcare DX policy to began in this FY 2022 Q2.

Started preparing for business qualification in 3Q with an eye on the medical platform business.

■ External environment surrounding the medical business:

Priority Areas from FY 2022 Q3

Administrative
DX

Medical Health
Care DX

Reform of
workstyles of
doctors

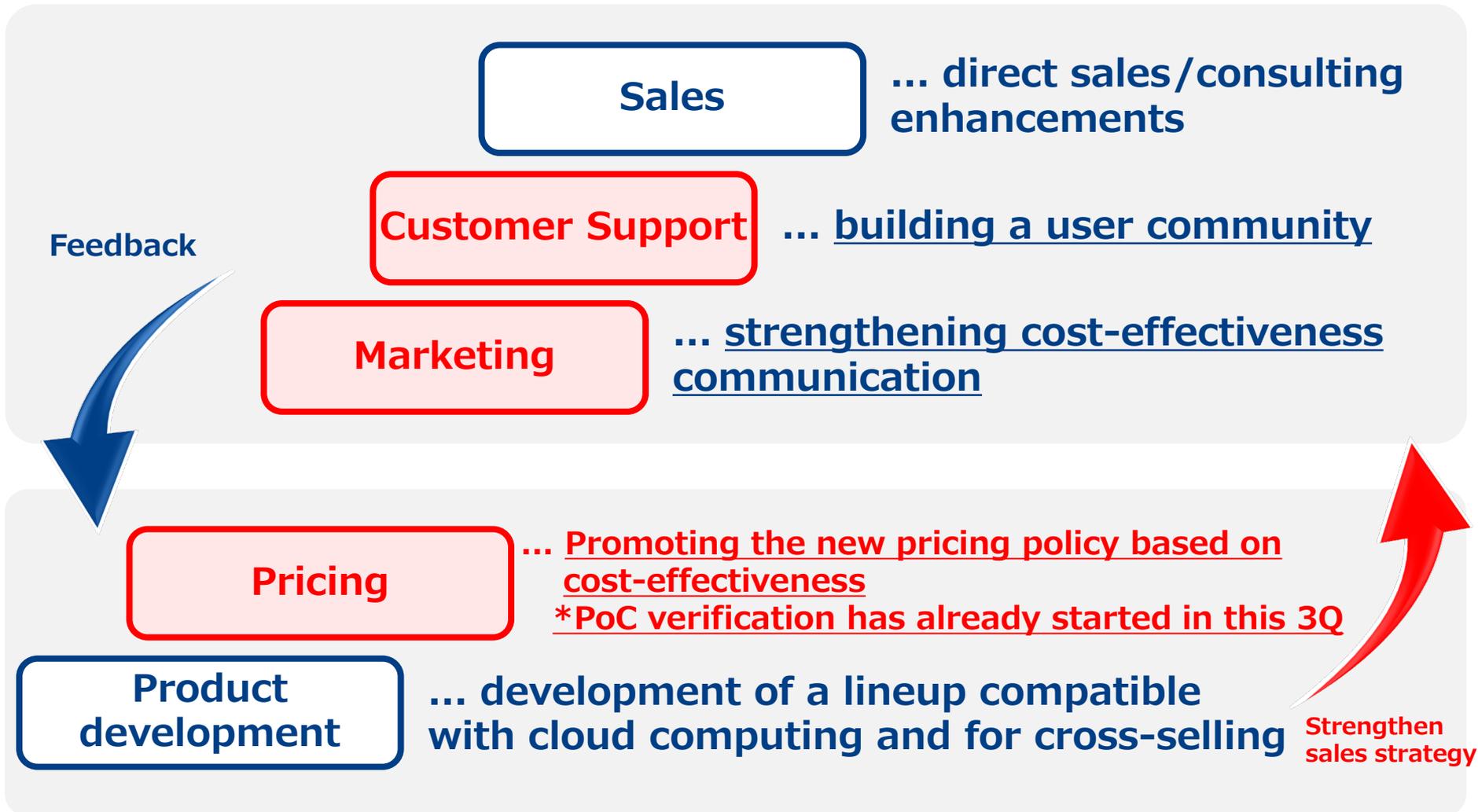
Improvement of
quality, safety
and access to
healthcare

■ Medical Business Strategies for the External Environment:

1. Strengthen intellectual property strategy
2. Strengthen training of medical engineers using the base in the Philippines
3. Strengthen solutions for doctors' workstyle reforms, cloud and DX
4. Strengthen sales strategy for post-pandemic operations and doctors' workstyle reforms

Strengthening strategy to promote sales of the Mighty series

Priority measures for the second half of FY 2022 and beyond



Official launch of the Mighty QUBE Hybrid (October 2022)

Real-time checking system

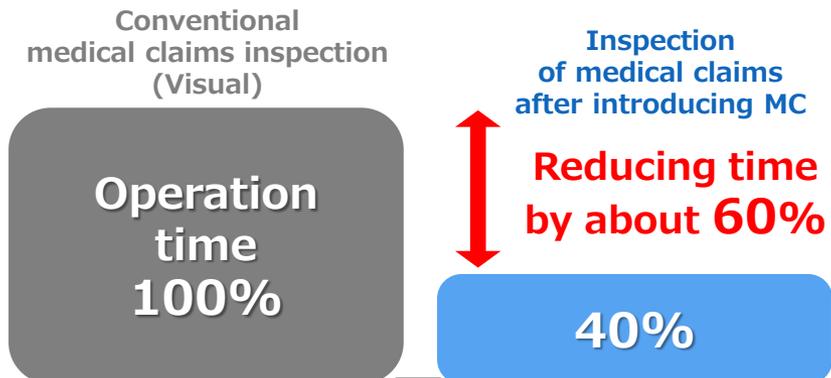
Mighty QUBE[®] Hybrid

Mighty QUBE Hybrid Features

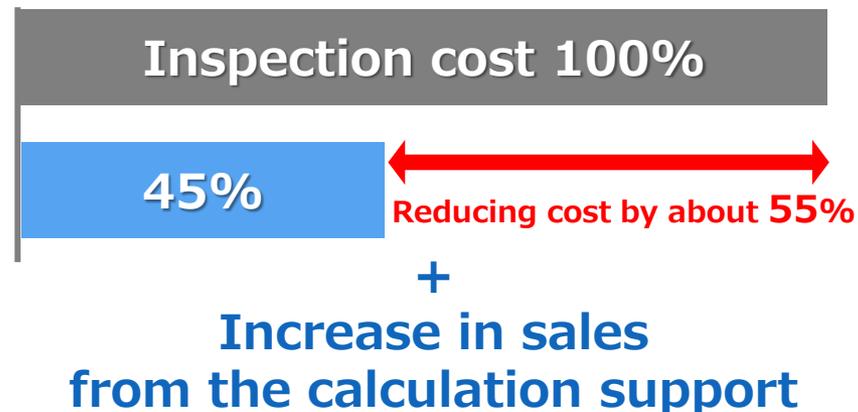
- ✓ Compatible with Medical Doctors' Workstyle Reform 2024
- ✓ Hybrid model compatible with cloud and on-premise systems
- ✓ Equipped with a real-time calculation support function (improvement of added value of the electronic medical record system)
- ✓ Lab-based development by medical engineers in the Philippines
- ✓ Negotiations are underway with several cloud-based electronic medical record manufacturers to incorporate the new MQ.
- ✓ Received orders from several major medical institutions and received many inquiries
- ✓ Direct sales price is more than 1.2 times higher than the previous model (MQ PRO)
- ✓ New price PoC verification started in 3Q of this term with the goal of further improving gross profit margin by +5%.

■ 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 projects under negotiation

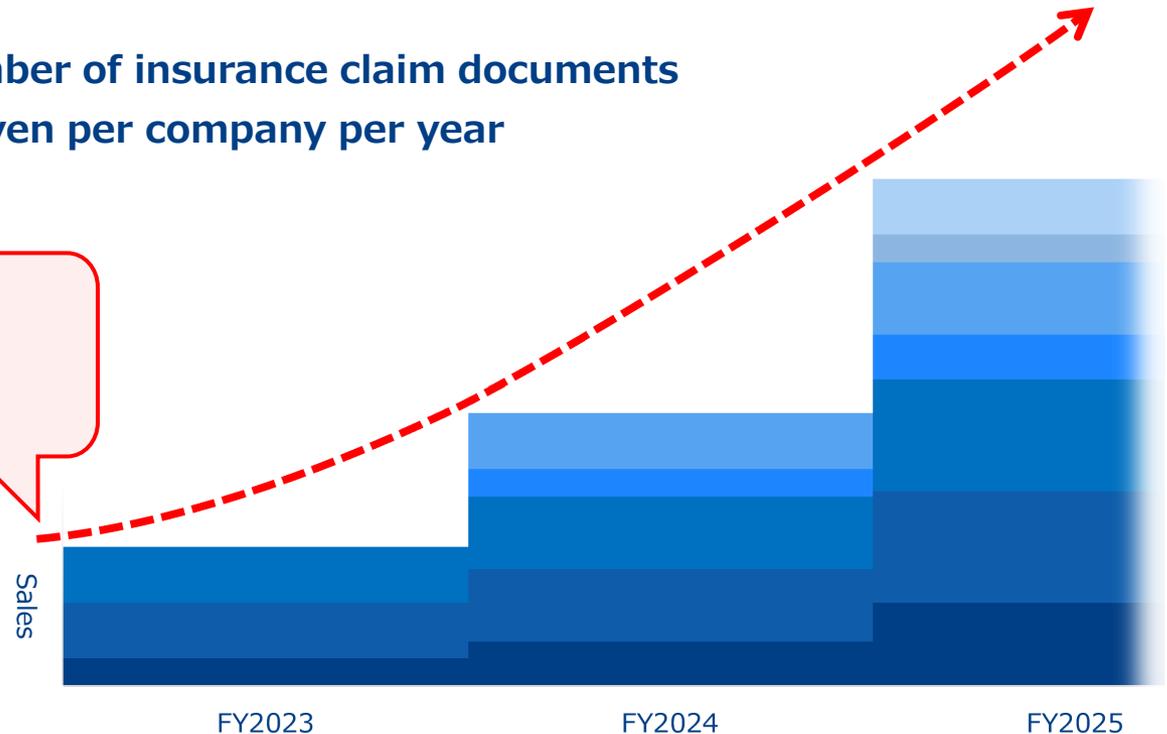
Currently in negotiation with 7 of the 50 companies in the life insurance market, including 3 companies with which **PoC verification for installation in FY 2023 (next fiscal year)** is underway.

*At each insurance company, progress on the PoC of the insurance knowledge platform slowed down temporarily due to the urgent response to the sharp increase of COVID-19 claims, but has gradually recovered recently.

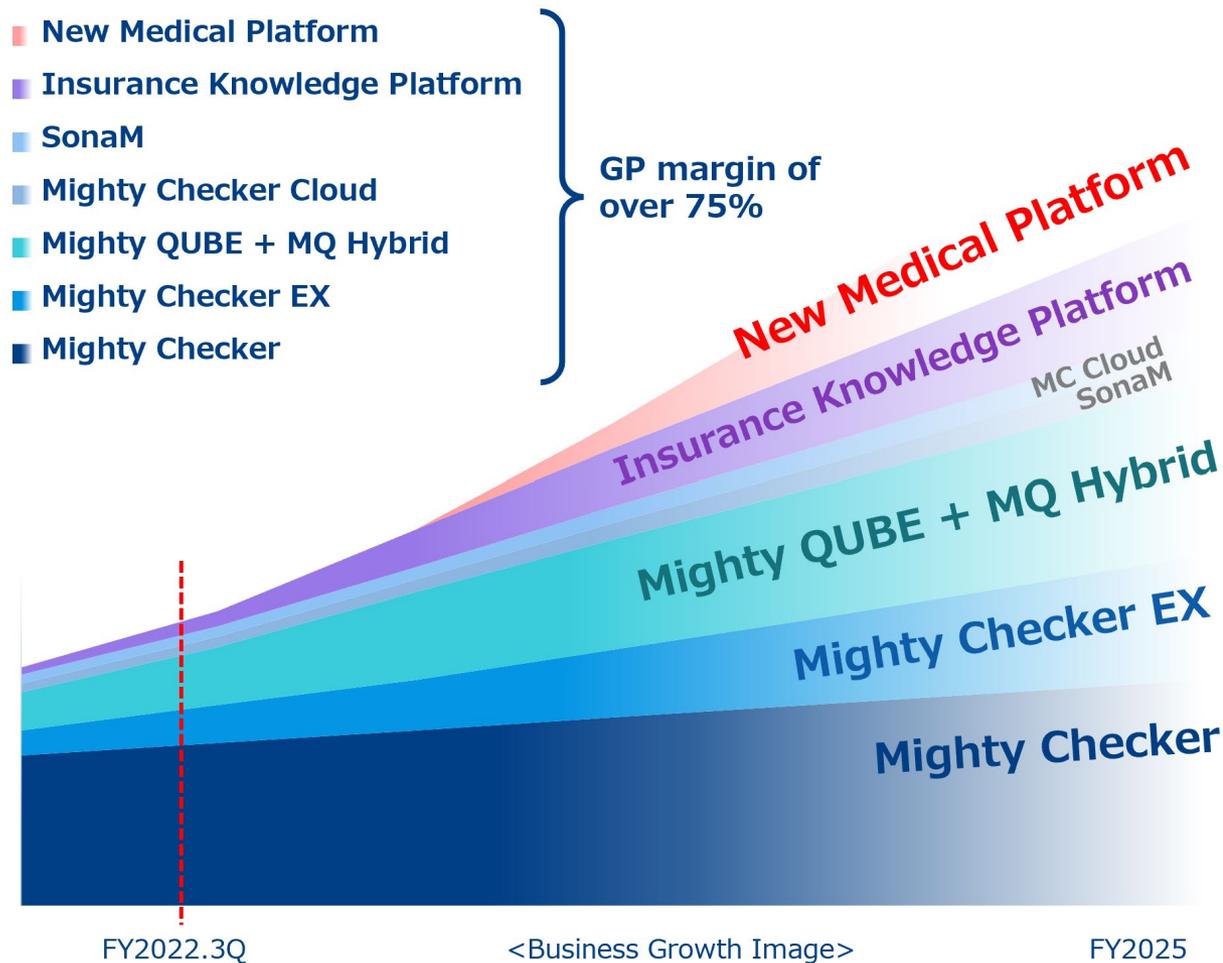
■ Business model

- Monthly fee based on the number of insurance claim documents
- Millions to tens of millions of yen per company per year
- GP margin of over 75%

Expecting solid SaaS revenue from FY 2023 (next fiscal year)



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



Mighty QUBE + MQ Hybrid

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".

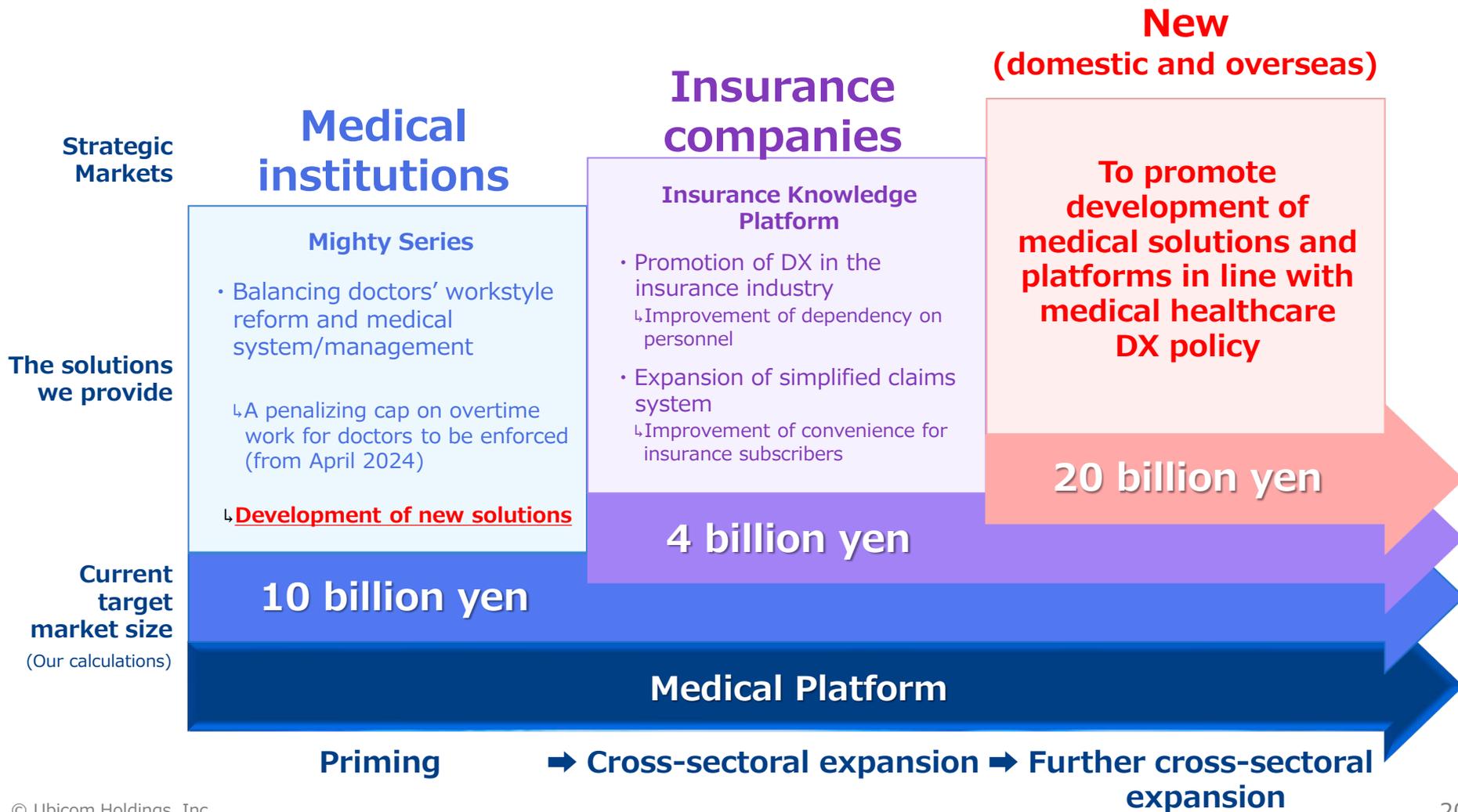
Mighty Checker EX

- 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

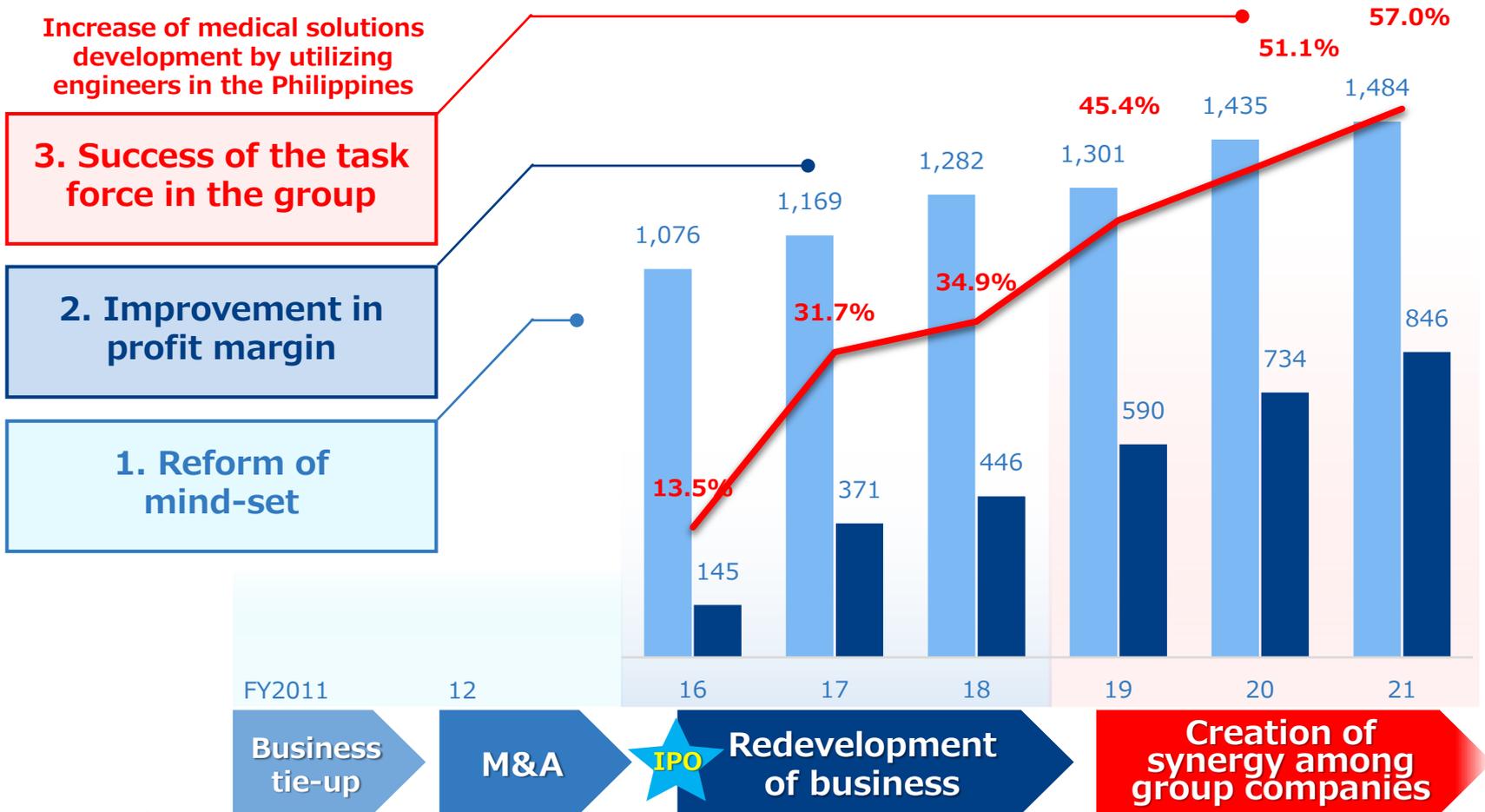
Promotion of M&A strategy based on the results of acquisition of subsidiaries



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



■ Decision to Relocate the Head Office (announced on October 20, 2022)

The decision to relocate the head office was made to maximize the value of human capital for the realization of the second growth phase, to promote business innovation, and to improve the office environment to achieve a higher level of business continuity that contributes to the enhancement of employees' creativity and productivity. (The relocation is scheduled for July 1, 2023.)

■ Investment in GoAhead Ventures III (announced on October 20, 2022)

Invested in the third fund following the second fund in 2019 for the purpose of researching the latest trends in the U.S. in the areas of AI and healthcare, building a network, and seizing more business alliance opportunities with cutting-edge local companies.

■ MoU signed with SIXAI (announced on November 22, 2022)

With an eye to forming a business alliance in AI solution development and human resource development, we signed a memorandum of understanding with SIXAI, one of the world's leading companies in advanced defense technologies and industrial applications of next-generation AI, in Israel.

■ Approval for listing of our investee Elements (announced on November 22, 2022)

The first investee company approved for initial public offering. We will continue to actively invest in quality IT ventures in Japan and overseas in order to realize our "Leverage Strategy for the Second Growth Phase."

■ Decision to acquire treasury shares (announced on December 15, 2022)

To conduct a new share buyback, in consideration of implementing incentive measures for group employees and using the funds for M&A towards the second growth phase, and also in order to promote further returns to our shareholders.

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

- **Diversity** in employees and management positions, and considering appointing female executives
- **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
- **Strengthening of incentives for employees**

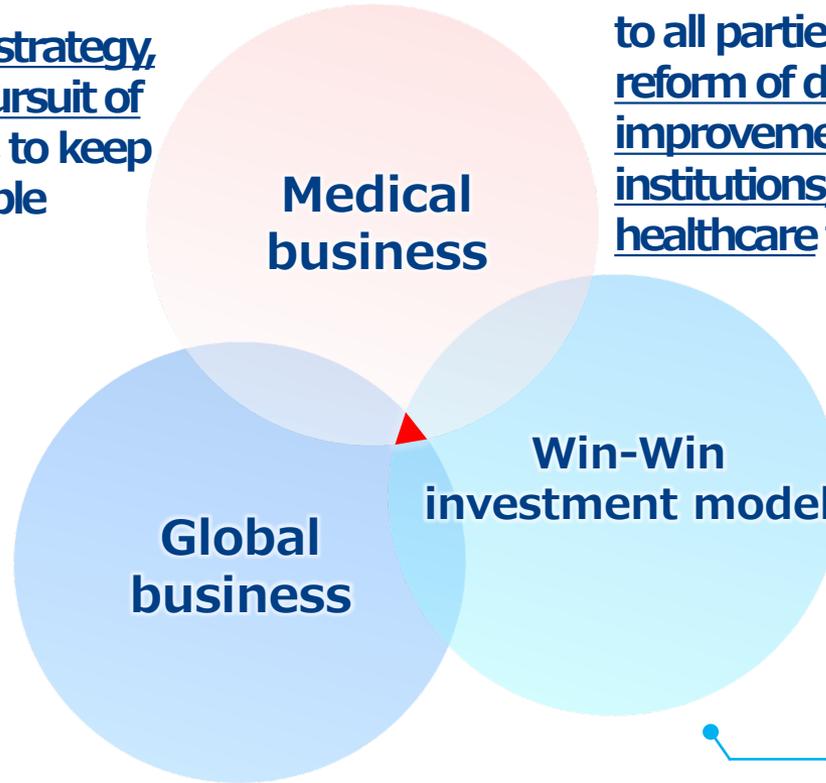


Entire group

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

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

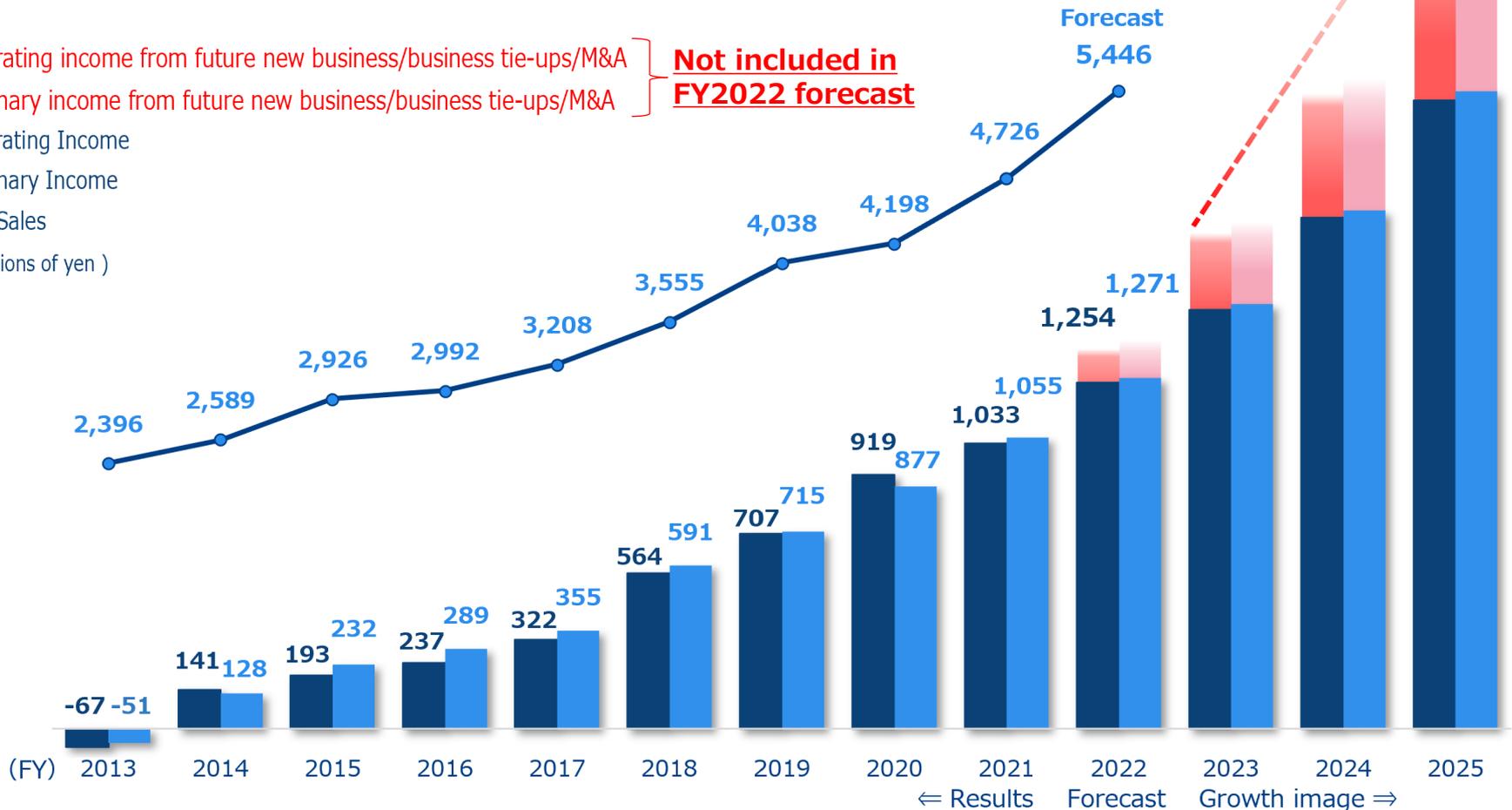
- Medical field
 - Pillar clients: + 20 companies
 - Global market
 - Sustainability
- × M&A

■ 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

- ◆ This material may contain forward looking statements and forecasts regarding the future outlook at the time of publication.
- ◆ 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.