

**FY2021 Q3**  
Consolidated Business Results



# Presentation Materials for FY2021 Q3

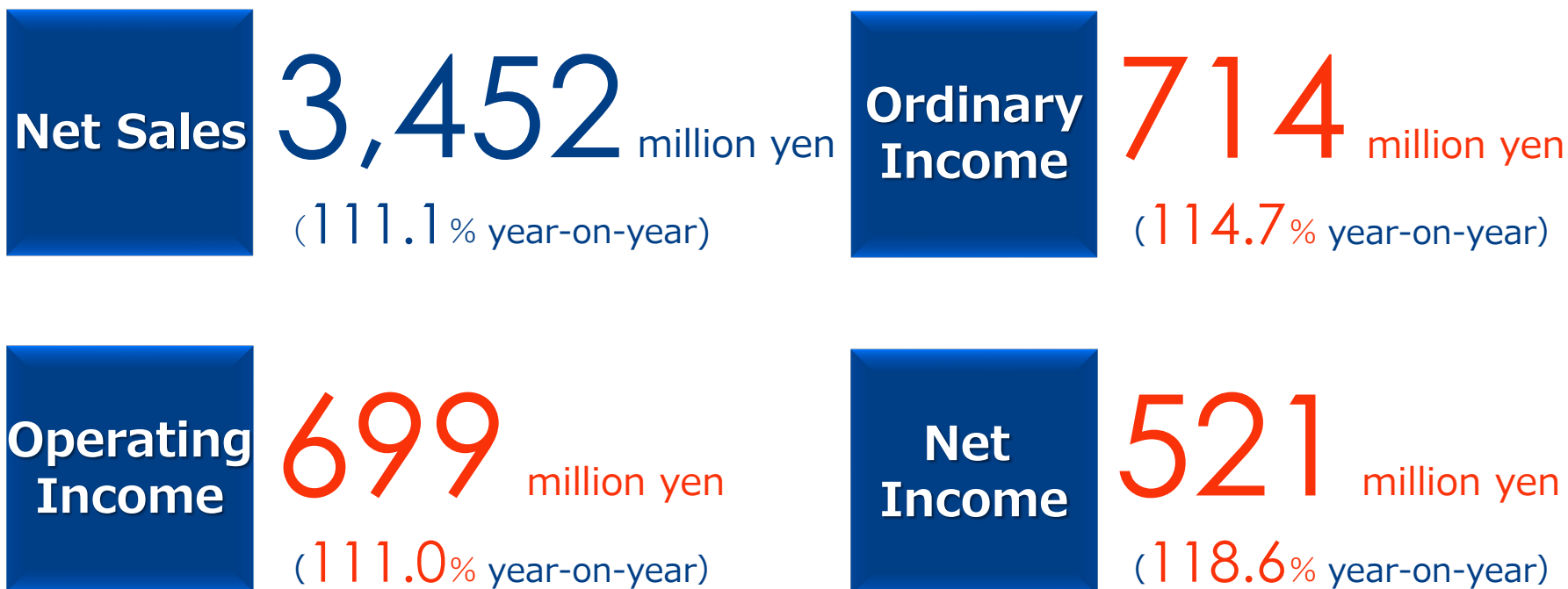
**Ubicom Holdings, Inc.**

**TSE First Section: 3937**

Feb. 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.

The established **high-profit model** turned out to be effective, and the **strategic investment** we conducted in the first half increased sales and profit. **Profit hit a record high for the third quarter.**



Accounting Standards for Revenue Recognition (Accounting Standards No. 29, March 31, 2020) etc. have been applied since the beginning of the first quarter of the current consolidated fiscal year. For this reason, the figures based on calculation methods with different criteria were used for the comparison with the same period of the previous year.

In order to meet the strong demand for development and solutions expected in the future, we enhanced strategic investment in leading-edge human resources.

Ordinary income increased by about 15% year on year.

[unit: million yen]	FY2020 3 <sup>rd</sup> quarter		FY2021 3 <sup>rd</sup> quarter		Year-on- Year
	Amount	% to sales	Amount	% to sales	
Net Sales	3,107	100.0%	<b>3,452</b>	<b>100.0%</b>	111.1%
Operating Income	630	20.3%	<b>699</b>	<b>20.3%</b>	111.0%
Ordinary Income	622	20.0%	<b>714</b>	<b>20.7%</b>	<b>114.7%</b>
Net Income Attributable to Owners of Parent	439	14.1%	<b>521</b>	<b>15.1%</b>	<b>118.6%</b>

We boldly conducted investment for developing new pillar clients from whom an order amount of 100 million yen or larger is expected in the next term, and investment in education for medical engineers.

- 3Q Strategic Investment: Approximately 30 million yen was invested, completing the annual investment plan (approximately 150 million yen).



- Other costs in 3Q: Impact of travel restrictions due to the outbreak of mutant strains and effects related to measures to cope with the disaster in the Philippines (20 million yen).

- Forecast for 4Q: Return on strategic investment is expected.

# FY2021 Q3 Segment Overview: Global Business



We conducted strategic investment in human resources spending about 25 million yen ahead of schedule for accelerating the increase of customers, but **secured an increase in profits from the previous fiscal year.**

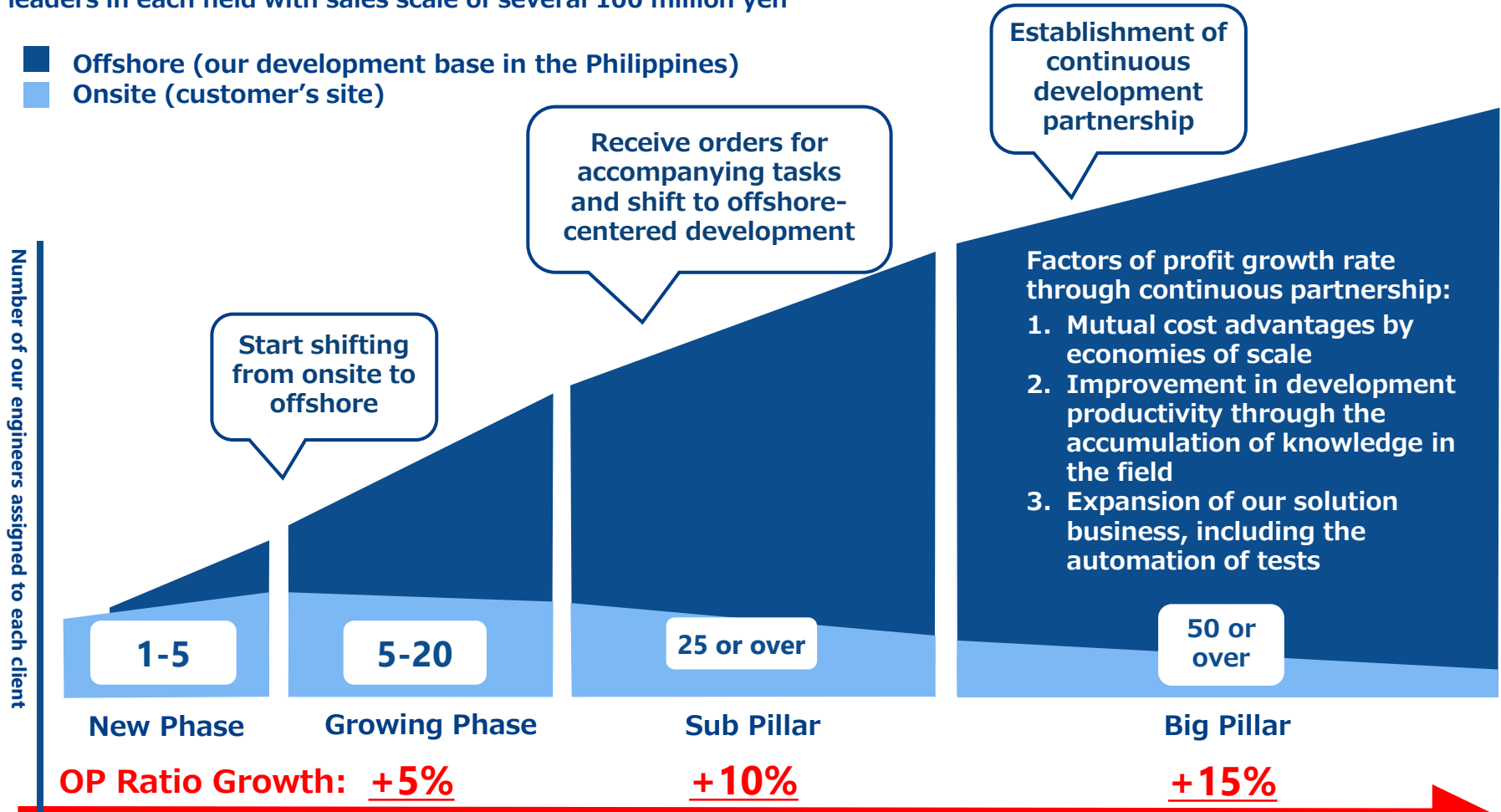
Global Business (unit: million yen)	FY2020 3 <sup>rd</sup> quarter		FY2021 3 <sup>rd</sup> quarter		Year-on- Year
	Amount	% to sales	Amount	% to sales	
Net Sales	2,065	100.0%	<b>2,337</b>	<b>100.0%</b>	113.2%
Operating Income	349	16.9%	<b>308</b>	<b>13.2%</b>	88.1%

- Strategic investments made in 1H ahead of schedule have been successful, **and sales in 3Q alone (Oct-Dec) achieved 125.1% YoY, and revenues are expected to grow in line with future project expansion.** We kept earnings sales from major pillar clients and receiving many orders for solutions. In 3Q, we resumed **hiring new graduates (approx. 70 new graduates) and started ACTION, a training program for new graduates,** to pursue a more profitable earning model through the enhancement of efforts to develop DX personnel and produce sub-pillar clients. In 3Q of FY2021, sales grew up to be **113.2% YoY**, and operating income was **88.1% YoY**.
- We promote **Ubicom Development Partnership** in Japan, to further improve the in-laboratory development model based on the alliances with enterprises related to the public sector, etc. The Enterprise Business Department continued the upstream business in Japan and active investment in human resources. **Also, we pursue financial, public, and other non-IBM projects.** In addition, **revenue and profit increased significantly by more than 50% compared to the plan in China** owing to office expansion in 1H, investment in human resources, **significant expansion of personnel, and acquisition of new global pillar candidate customers other than Lenovo.**
- Considering digital transformation (DX) amid the COVID-19 pandemic as an opportunity to expand our business further, we **continued strategic investment in overseas bases, etc.** where we are expected to receive new orders. **We are steadily acquiring** new clients such as major real estate tech companies, as well as **potential pillar clients** we found in 1H.

## 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)



# Promote acquisition of potential pillar clients and expand opportunities per customer

## ■ FY2021 1~3Q Results: acquired 11 new potential pillar clients

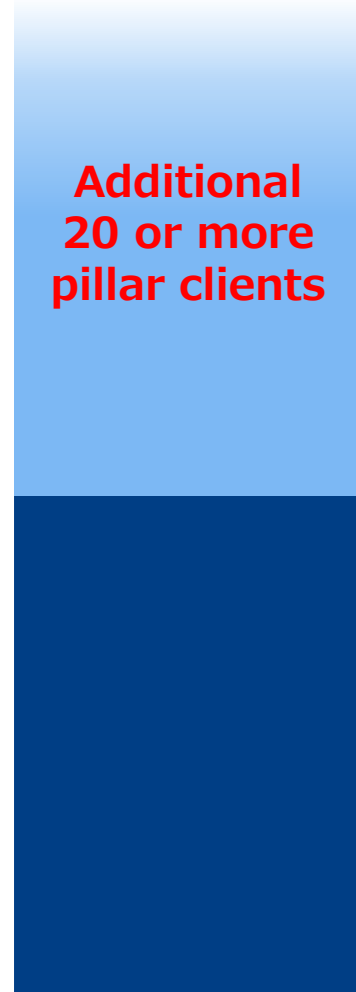
**3Q**  In addition to acquiring new customers (real estate tech, automation companies), we focused on expanding the customer base acquired in 1H as described below.

**2Q**  Blockchain infrastructure, leading semiconductor manufacturers, and electronic medical chart manufacturers

**1Q**  Foreign-affiliated engineering, edge AI device makers, and leading telecommunication device manufacturers

## ■ Goal for FY2023:

In addition to the existing 6 pillar clients (each earning sales of several 100 millions of yen), we aim to reel in over 20 pillar clients.



■ Pillar clients  
■ Other clients



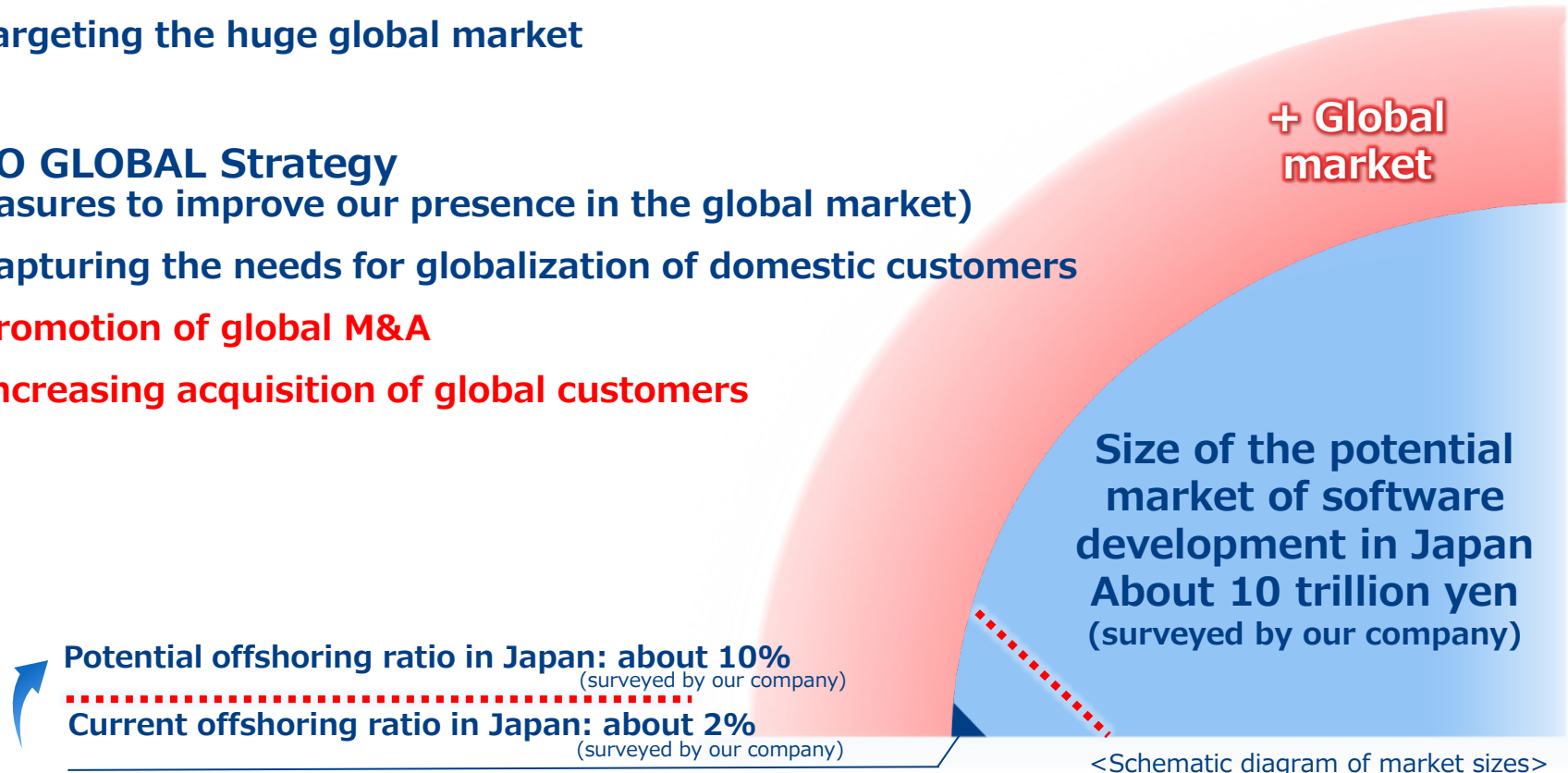
## Promote business strategies targeted at the global market

### ■ Visions for the Global Business

- ① Offshore x bilingual (Japanese and English) x DX human resources (545,000 engineers short in 2030\*)
- ② Provision of attractive career opportunities for young personnel in Asia
- ③ Targeting the huge global market

### ■ GO GLOBAL Strategy (Measures to improve our presence in the global market)

- ① Capturing the needs for globalization of domestic customers
- ② Promotion of global M&A
- ③ Increasing acquisition of global customers



\*Source: "Survey on the demand and supply of IT personnel" published by the Ministry of Economy, Trade and Industry, the case scenario of a medium demand growth for advanced IT personnel / productivity growth rate of 0.7% ([https://www.meti.go.jp/policy/it\\_policy/jinzai/houkokusyo.pdf](https://www.meti.go.jp/policy/it_policy/jinzai/houkokusyo.pdf))



# FY2021 3Q Segment Overview: Medical Business



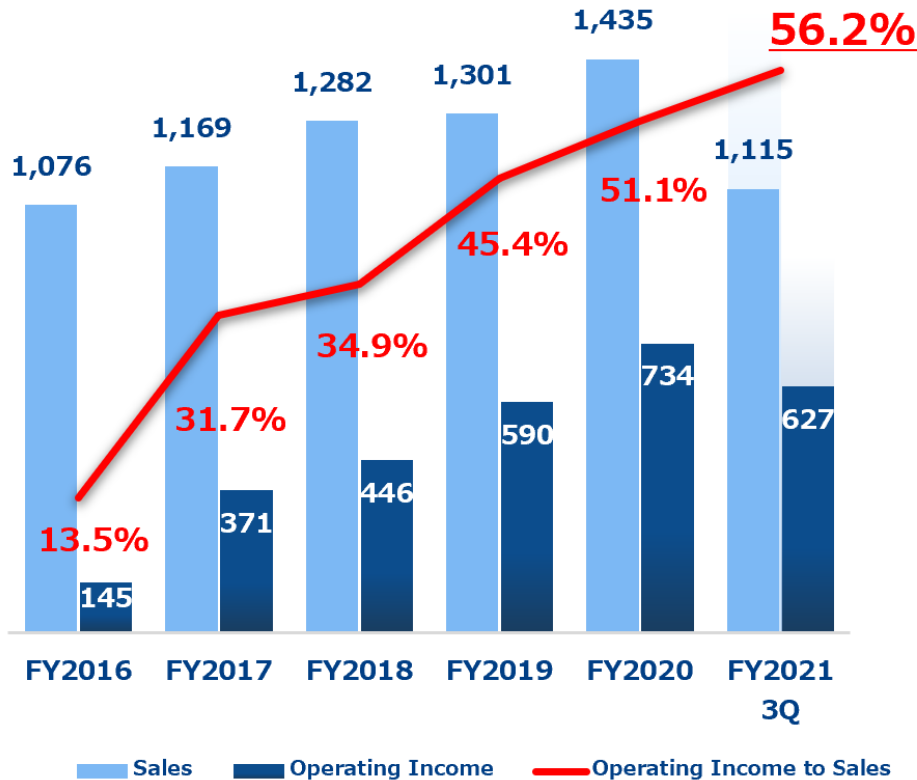
Medical Business (unit: million yen)	FY2020 3 <sup>rd</sup> quarter		FY2021 3 <sup>rd</sup> quarter		Year-on- Year
	Amount	% to sales	Amount	% to sales	
Net Sales	1,042	100.0%	1,115	100.0%	107.0%
Operating Income	528	50.6%	627	56.2%	118.8%

- In the 3Q of FY2021, operating income **grew about 20% YoY**. The new product Mighty Checker EX contributed, and **the recurring revenues** from the packaged sale of the Mighty series **increased steadily**.
- **The profit of this segment improved considerably and operating income margin reached 56.2%**, thanks to the establishment of the highly profitable subscription model, the decrease of less profitable transactions, the implementation of pricing strategies, the additional sale of solutions, etc. In December 2021 (single month), we achieved an operating income margin of more than 60%.
- We received **many business inquiries regarding Mighty Checker EX**, which is a next-generation medical claim checking system. As it has been installed in hospitals of the medical group with top-class sales, this business performed well.
- Investment in development of new solutions to support doctors (the reform of workstyles of medical doctors from 2024).
- To cope with COVID-19, we shifted to web-based marketing and support, promoting the **acquisition of more direct accounts (direct sale)**.
- For **Insurance Knowledge Platform**, which is a new solution for insurance companies, we **continued monetization and demonstrative experiments in cooperation with several insurance companies**. For securing a new revenue source from subscription services following the Mighty series, we continued active investment for intellectual property strategies, etc.

## Expansion of highly profitable foundation with the subscription model

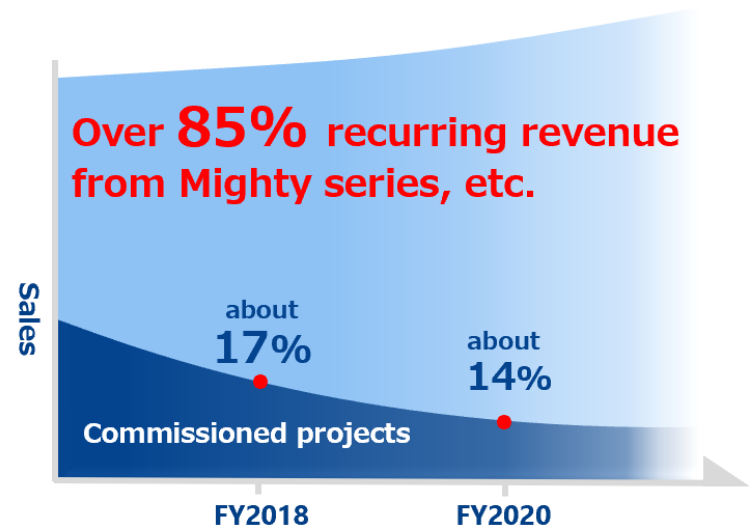
Trend of Medical Business Performance

(unit: million yen)



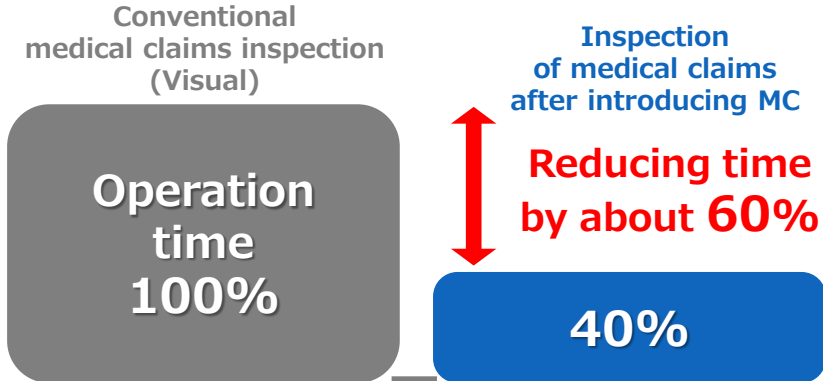
Sales Composition Trend of Medical Business

\*recurring ratio: continuous sales ratio

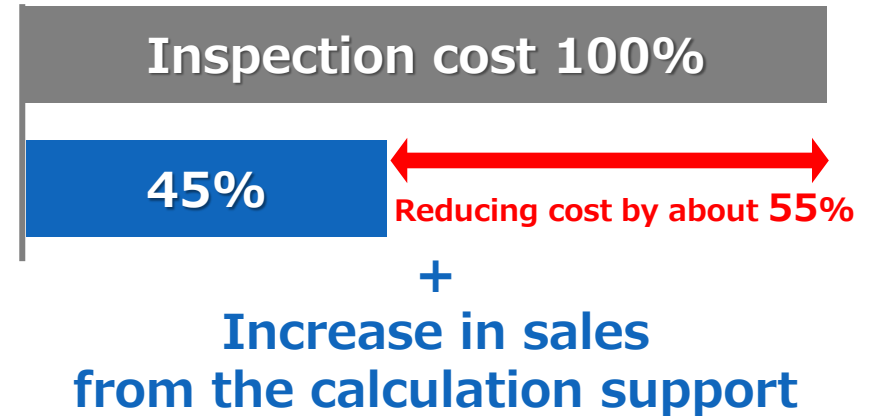


## ■ Effects of Mighty Checker (MC) for Medical Affairs \*1

### (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.

## Commencement of use of the DX feature, Fluctuation Correction for partial automation of insurance payment operations

From medical documents that have been converted to text by OCR...

Classification	Item Name
Surgery	Extraction of parotid gland tumor (deep lobe) (example)



Correcting fluctuations, extracting and coding medical information

Insurance Knowledge Platform Coding Results

Item Name	No. / NHI Standard Code
Extraction of parotid gland tumor (deep lobe extraction of parotid gland)	K4572 (example)

Mutual benefits for insurance companies and insurance subscribers



- ✓ Improving efficiency of insurance claim (payment review) procedures
- ✓ Decreasing the number of days required to receive insurance benefits (payment)
- ✓ Popularizing web-based claims and simplified claims for insurance benefits

## ■ 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

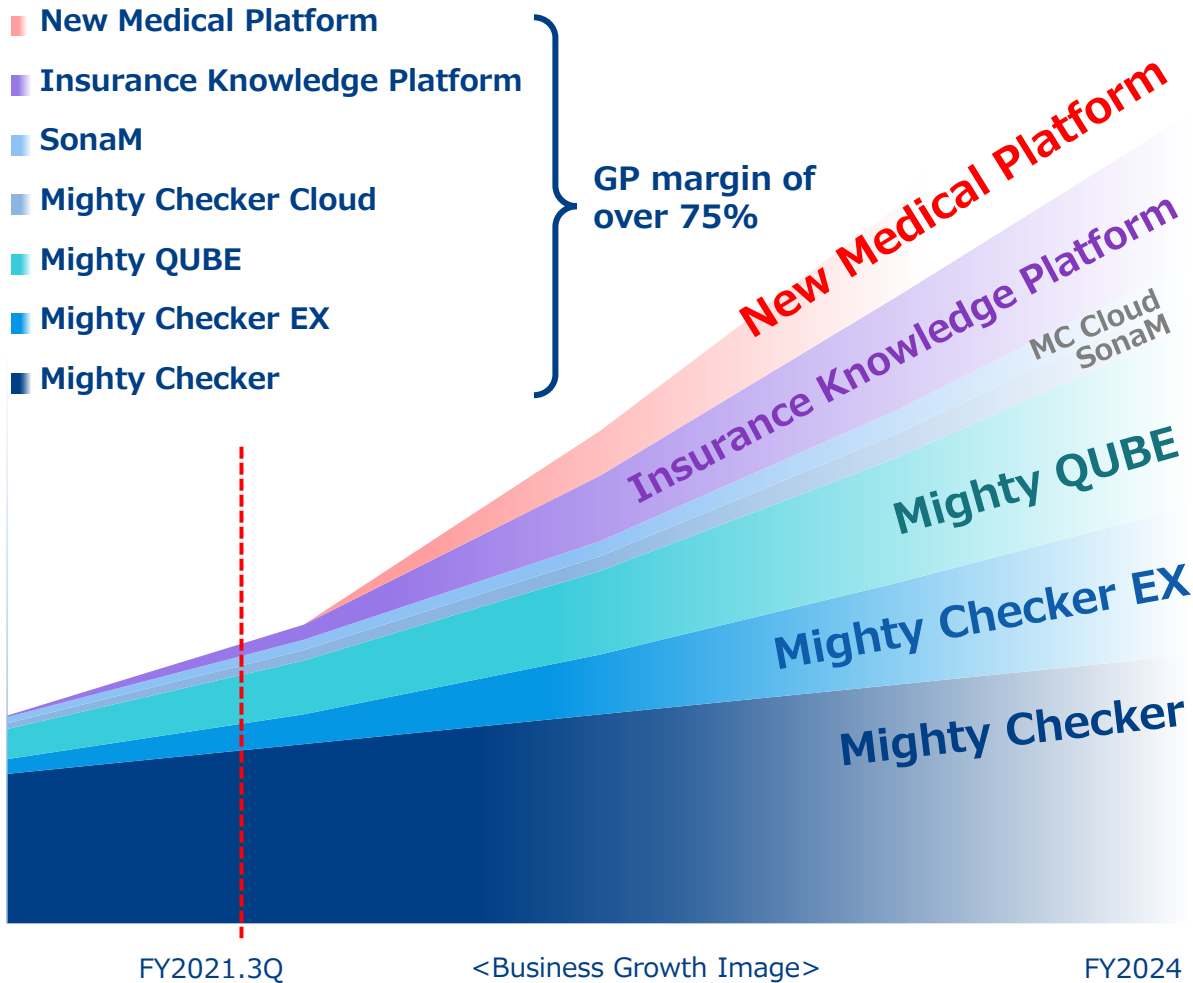
at major life insurance companies: approx. 300,000 documents per year\*

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 Checker EX

- ① Existing users switching from the standard product PRO to the top-end product EX (up-selling)
- ② Acquisition of new users through direct sales (price) → Direct accounts → Promote selling multiple services

## Mighty QUBE

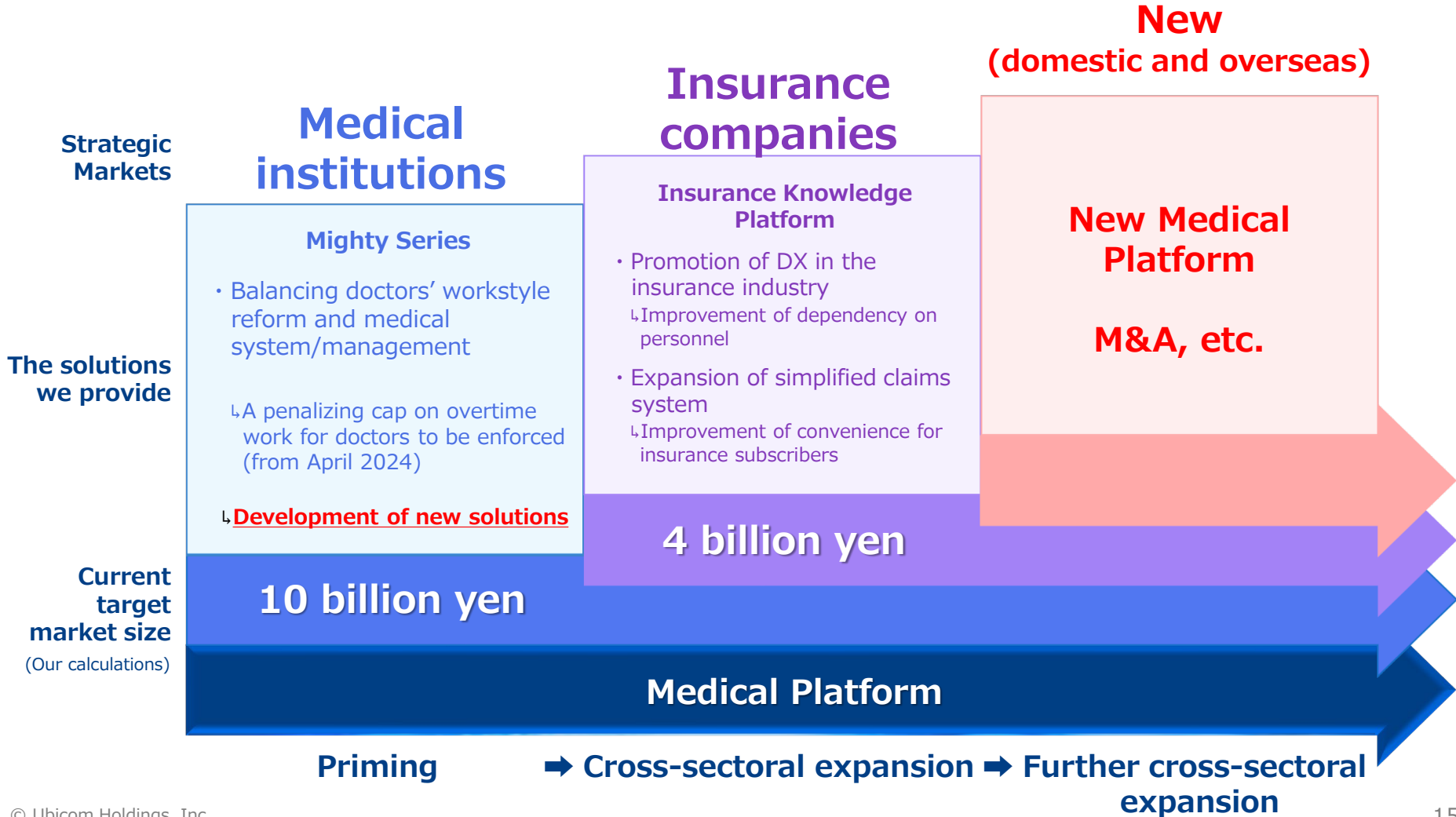
Identified nearly 1,000 new targets (mid-sized hospitals) towards Doctors' Workstyle Reform 2024.

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

# 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]**

**A 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 overseas M&A in the medical infrastructure field

- We began preparations for exclusive negotiations with **overseas company that has core competence** in the medical field, which is our strategic domain.
- We will proceed with the formulation of a growth strategy that leverages our holding functions and synergies.



**Becoming a Medical Platform Provider with a Global Perspective**

## ■ Global Business

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- **Client DX** (Business process reforms for clients through advanced technology support such as AI/Analytics/Automation/cloud)
- New Normal promotion (Offshore leveraging, non-face-to-face/non-contact/remote solution development)
- Improvement of Japan's global competitiveness through **globalization support** for domestic companies

## ■ Medical Business

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- 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
- Profitability and business improvement, paperless, cloud application, and telemedicine support for medical institutions
- **Work style reform for doctors**, improvement of healthcare safety and quality

## ■ Group as a whole

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- **Resilient business management** (reinforced business continuity structure including remote working)
- 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

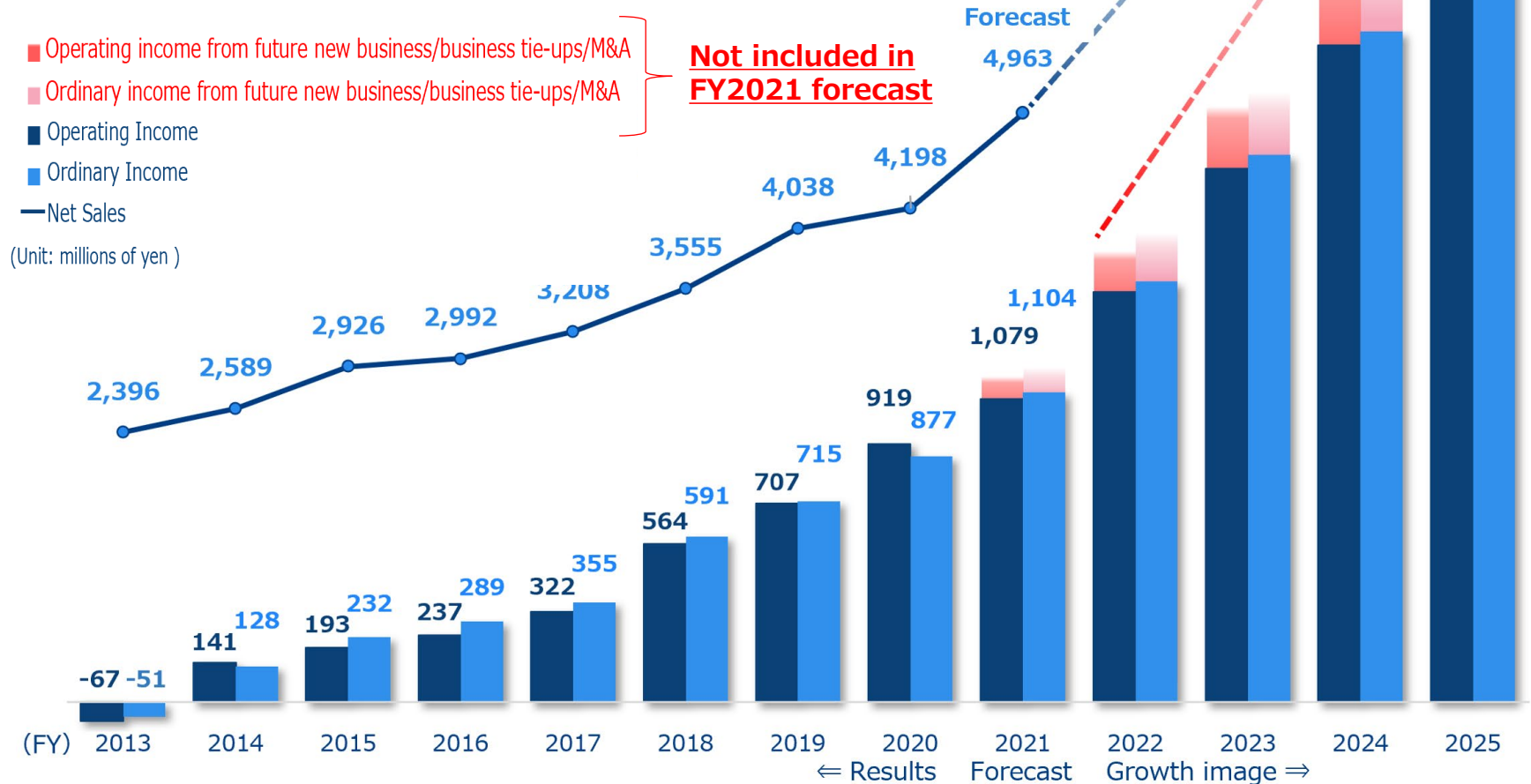


# Promotion of the Leverage Strategy (the 2<sup>nd</sup> Growth Phase)

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



# Company Overview



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

**Global Business** is dedicated in solving IT resource shortage and promoting DX (Digital Transformation) in Japan, through providing Software and 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) through utilizing our development bases 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 profitability 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 focus 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
FY2020 (Results)	4,198	919	877	623
FY2021 (Forecast)* Growth rate	4,963 +18.2%	1,079 +17.4%	1,104 +25.9%	811 +30.2%

\*Announced on May 13, 2021

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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.
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Holdings, Inc.

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