

FY2021

Consolidated Business Results



Presentation Materials for FY2021 Results

Ubicom Holdings, Inc.

TSE Prime: 3937

May 12, 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 despite **the strategic investment and the investment in recruitment of new graduates**, we secured an increase in sales and profit. **Profit hit a record high.**

Net Sales

4,726 Million yen
(112.6% year-on-year)

Ordinary Income

1,055 Million yen
(120.3% year-on-year)

Operating Income

1,033 Million yen
(112.4% year-on-year)

Net Income

832 Million yen
(133.4% year-on-year)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of the current consolidated accounting period. 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 that started from the second half, we enhanced strategic investment in leading-edge human resources and recruitment of new graduates. Ordinary income achieved 120.3% year on year.

[unit: million yen]	FY2020		FY2021		Year-on-Year
	Amount	% to sales	Amount	% to sales	
Net Sales	4,198	100.0%	4,726	100.0%	112.6%
Operating Income	919	21.9%	1,033	21.9%	112.4%
Ordinary Income	877	20.9%	1,055	22.3%	120.3%
Net Income Attributable to Owners of Parent	623	14.9%	832	17.6%	133.4%

Offered the cloud-type medical claims inspection service as an OEM on a full-scale basis

- Started offering “Mighty Checker Cloud,” the unique cloud-type medical claims inspection service as an OEM, for accelerating the medical and healthcare DX, including online medical services and the utilization of cloud computing.
Aim to establish a new recurring-revenue model.



In the new business “Insurance Knowledge Platform,” the provision and commercial use of DX feature called “fluctuation correction” had started for partial automation of insurance payment operations

- Correct the fluctuation in medical documents digitized with OCR software, extract and encode medical information.
- Streamline the insurance claim (payment review) procedures and shorten the turnaround time for receipt (payment) of insurance benefits.
- Facilitate the simplified insurance claim process, which is considered difficult in cost and technical aspects.



Promoted personnel development in the field of management of medical institutions through the collaboration between industry and academia, and held an online practical class in cooperation with a vocational school in business.

- Gave lecture about the streamlining of the paperwork and management of medical institutions by mastering the methods for operating and utilizing “Mighty Checker,” our software for checking medical claims, and the current situation of medical institutions, the reform of workstyles, and DX. Engaged in personnel development in the medical field, and carried out business activities that would contribute to sustainable medical care and society.



Fostered strategic partnerships with clients in the global business.

- We fostered partnerships for development with clients, who are market leaders in respective industries, in order to promote digital transformation business and globalization, actualize mutually sustainable business growth, and swiftly respond to emerging issues caused by the changes in the social environment.



Invested in “illumigyn,” an Israeli medical start-up firm, which offers remote platform solutions for gynecology.

- Mid/long-term growth potential of the Femtech market
- Contribution to SDGs: To promote the empowerment, health, and welfare of women
- Planning to form an alliance with illumigyn and operate business in the global market



Acquired treasury shares

- Acquired treasury shares while planning to use them as incentives for employees of our corporate group and funds for M&A.
- Aim to improve capital efficiency, implement swift capital measures, and return more profit to shareholders



Strategic investment (larger than ordinary investment)

- From 1Q to 3Q, we invested about 155 million yen earlier than scheduled. No additional investment in 4Q.
- In the second half, we entered the phase of recoupment of the strategic investment, and sales of Global Business increased about 28% year on year in the second half.

Other costs

- Impact of travel restrictions due to the outbreak of mutant strains and effects related to measures to cope with the disaster in the Philippines in 3Q (about 20 million yen).
- Costs for increasing employees including new graduates, and costs for strengthening human resources including expenses for retention measures exceeded the plan (by about 40 million yen) in 4Q, due to the intensification of global competition for employing IT personnel.

Recruitment situation

- After the temporary decrease of new graduates due to the reform of the educational system in the Philippines (extension of the period of basic education), which continued until the first half, we resumed the recruitment of new graduates in 3Q (employed about 70 new graduates).

FY2021 Segment Overview: Global Business



Global Business (unit: million yen)	FY2020		FY2021		Year-on-Year
	Amount	% to sales	Amount	% to sales	
Net Sales	2,761	100.0%	3,241	100.0%	117.4%
Operating Income	492	17.8%	495	15.3%	100.6%

- **Strategic investments made in 1H ahead of schedule have been successful, and sales in 4Q (Jan-Mar) achieved 129.9% YoY, and we expect to earn revenues in line with the expansion of next term project.** We kept earning 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 FY 2021, sales grew up to be **117.4% YoY**, and operating income was **100.6% 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, and **pursued non-IBM projects**. We also expect to see the further growth of projects with cutting-edge technologies by leveraging mainly our young engineers, as well as **renewal, operation and maintenance projects of outdated legacy systems in the financial field led by our Japanese project managers**.
- **Revenue and profit increased significantly by more than 50% compared to the plan 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, all in China.**
- 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.**

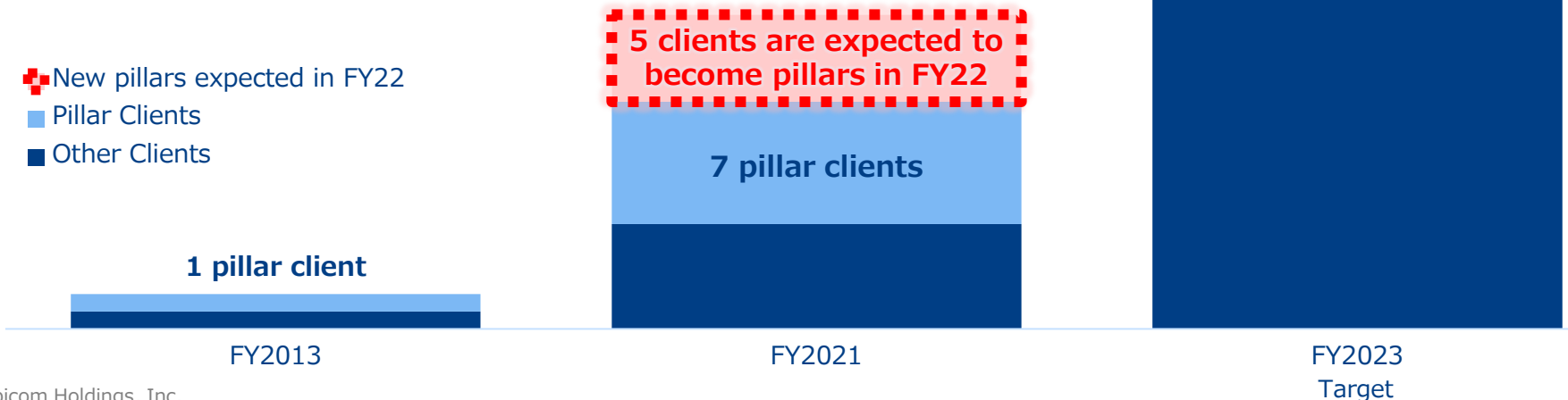
Promote acquisition of potential pillar clients and expand opportunities per customer

■ FY2021 Results: acquired 12 new potential pillar clients



■ Goal for FY2023:

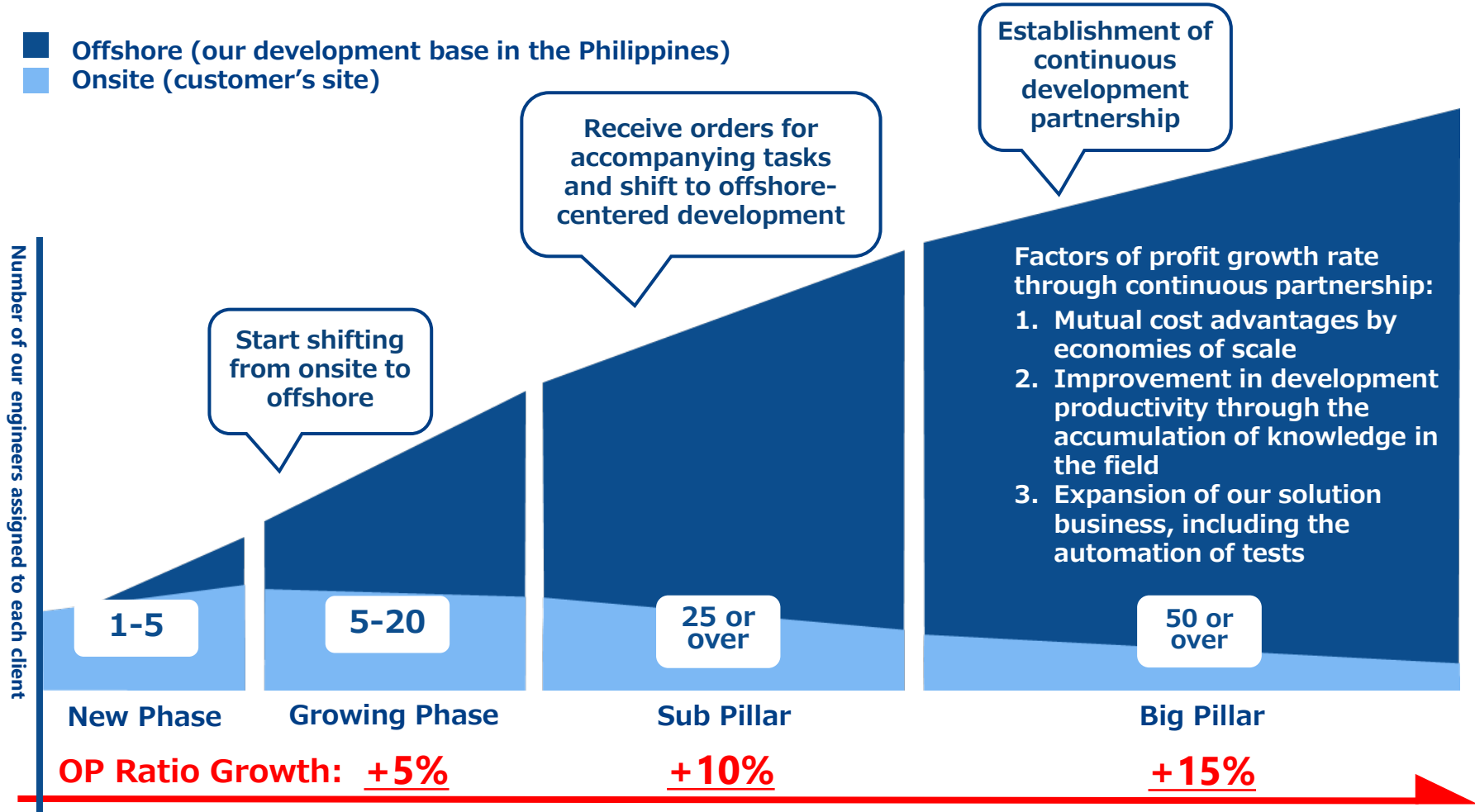
In addition to the existing 7 pillar clients (each earning sales of several 100 millions of yen), we aim to reel in over 20 pillar clients.



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 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

■ Global market strategies in FY2022

- ① Promotion of global M&A
- ② **Business tie-ups with global investees**
***The key will be the technological cooperation with advanced personnel/project managers of investees.**
- ③ **Establishment of the high unit price business model.**

The potential scale of the global market is more than 10 times 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)

Potential offshoring ratio in Japan: about 10%
(surveyed by our company)

Current offshoring ratio in Japan: about 2%
(surveyed by our company)

<Schematic diagram of market sizes>

*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)

To accelerate the development of pillar clients and the high unit price business model through collaborative creation with alliance partners, M&A targets, and business partners inside and outside Japan

Standard model

On-site
(Japan)



Off-shore
(the Philippines)



Alliance, M&A, Business tie-up

On-site
(Japan)



Off-shore
(the Philippines)



- Architects for upstream processes
 - participate in technological development, and
 - support the development of leaders.



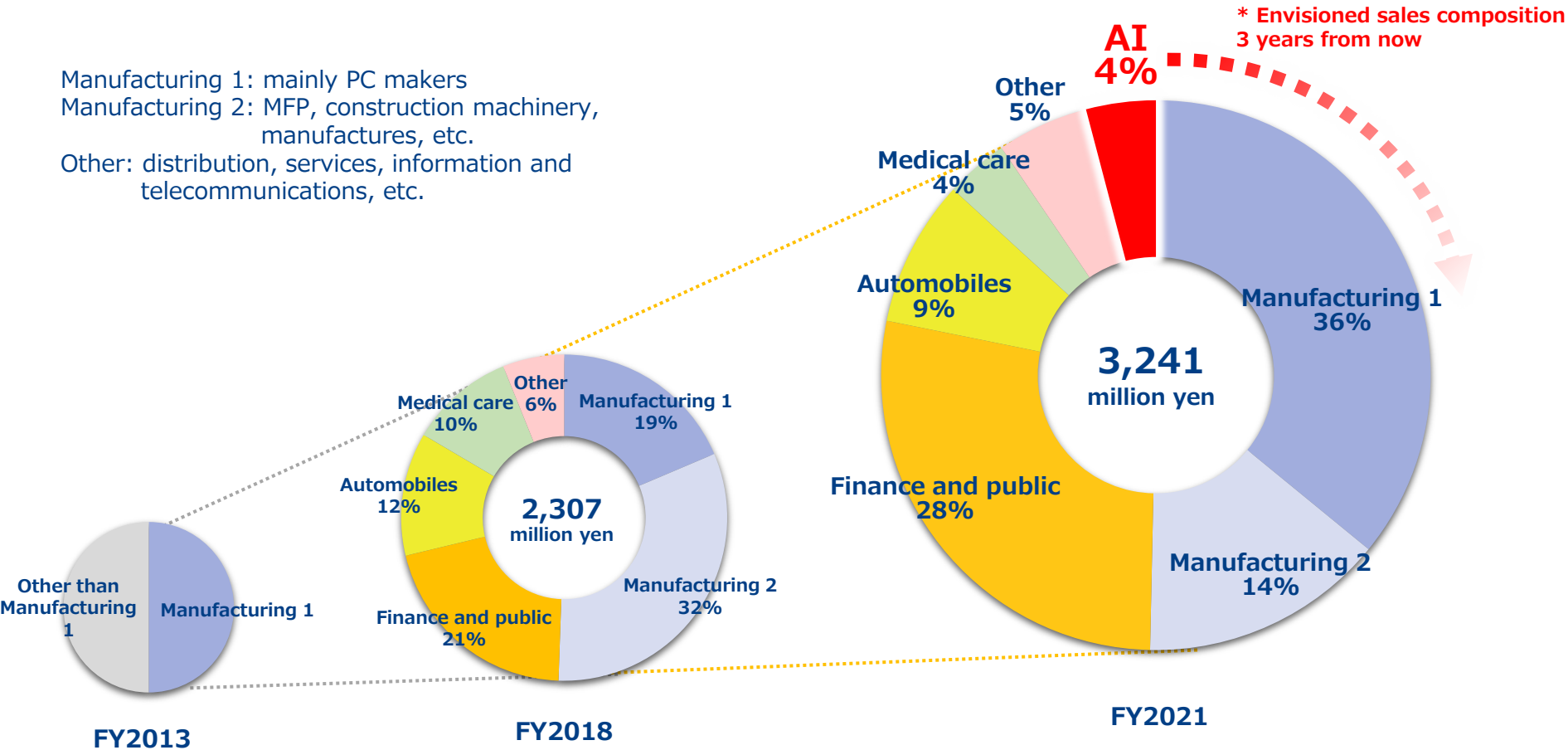
M&A
Business tie-up

- To enhance development capability
- Entry to the global market
- To accelerate the shift to the high unit price business

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.



FY2021 Segment Overview: Medical Business



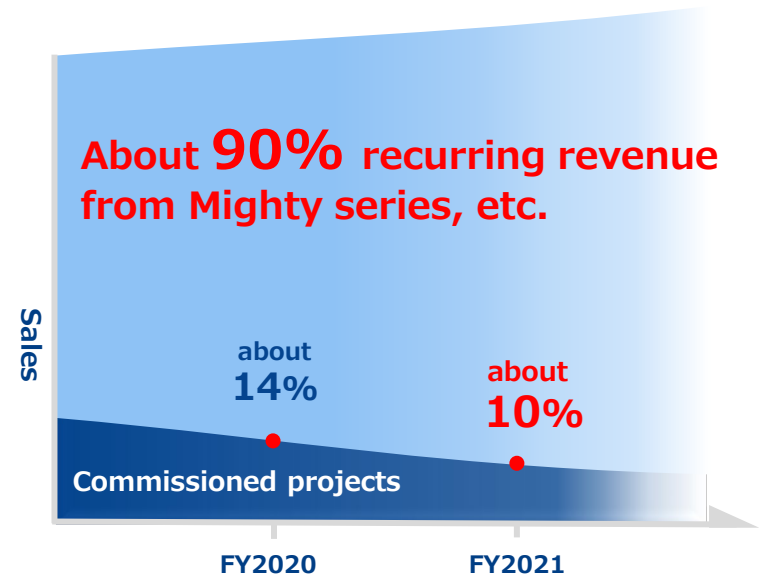
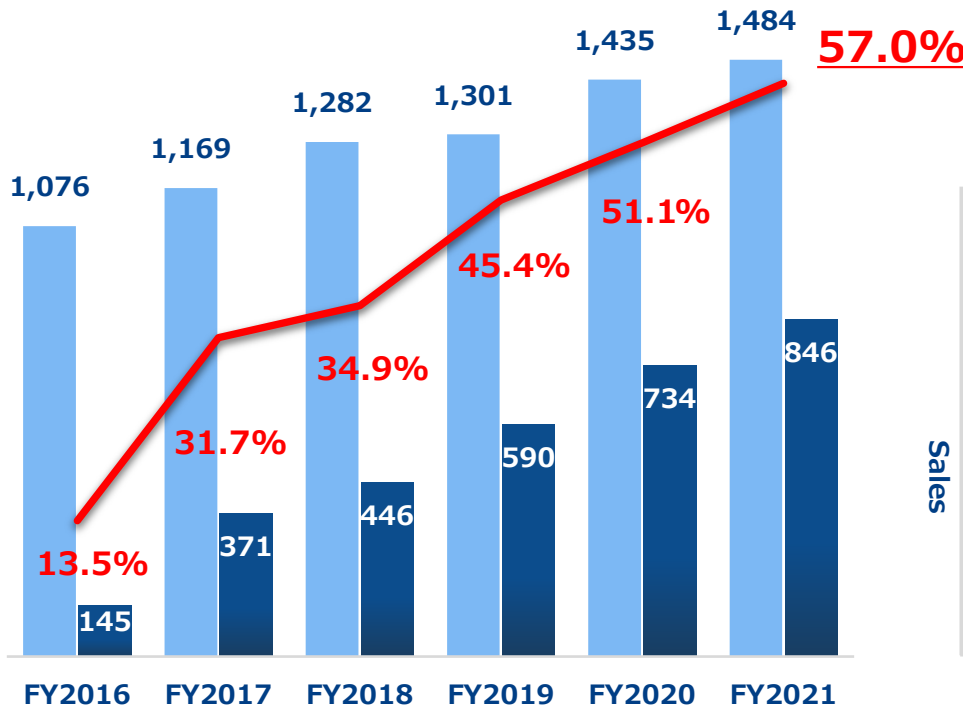
Medical Business (unit: million yen)	FY2020		FY2021		Year-on-Year
	Amount	% to sales	Amount	% to sales	
Net Sales	1,435	100.0%	1,484	100.0%	103.4%
Operating Income	734	51.1%	846	57.0%	115.4%

- In the FY2021, operating income **achieved 115.4% YoY**. The new product Mighty Checker EX and others contributed, and **the recurring revenues** from the packaged sale of the Mighty series (**the number of medical institutions that adopted it**) increased steadily.
- **The profit of this segment improved considerably and operating income margin reached 57.0%**, 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. **Operating income margin for the fourth quarter of FY2021 reached 59.6%**.
- We received **many business inquiries regarding Mighty Checker EX and MC cloud**, which is a next-generation medical claims checking system. As it has been installed in hospitals of the medical group, this business performed well.
- To cope with COVID-19, we shifted to web-based marketing and support, promoting the **acquisition of more direct accounts (direct sale)**.
- **We continued the monetization of “Insurance Knowledge Platform,” a new solution for insurance companies, and demonstrative experiments with several insurance companies, promoted sales and market development. 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



■ Sales
 ■ Operating Income
 — Operating Income to Sales

Medical Business: Results and Visions

After the business was affected by the voluntary restraint of visiting medical institutions in the previous term (FY2020), the number of new users recovered in this term (FY2021).

■ No. of users*1

No. of users as of the end of Mar. 2022 / No. of medical facilities as of the end of Jan. 2022*2



Hospitals (20 or more beds)

About 42% 3,434 / 8,193 facilities

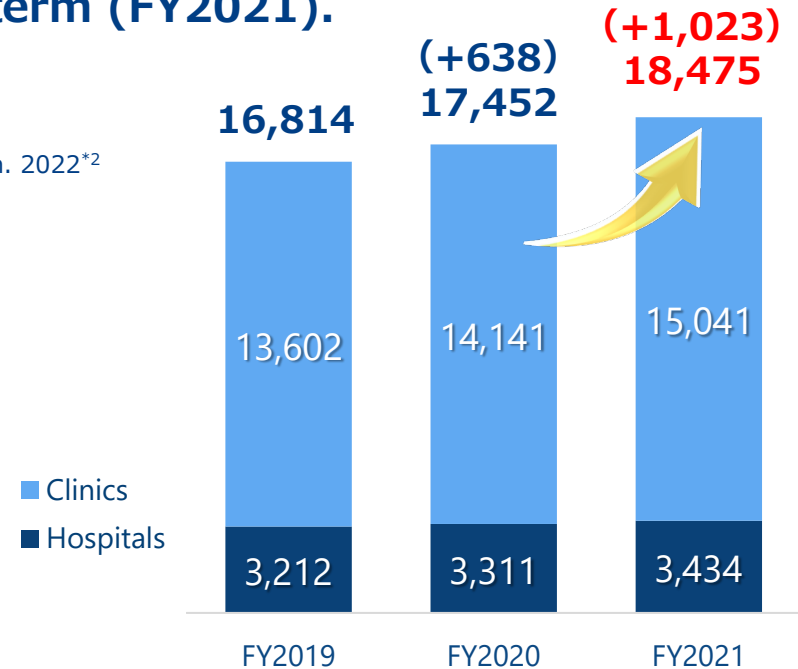


Clinics (19 or less beds)

About 14% 15,041 / 104,376 facilities

*1 This figure was calculated with reference to the results of our transactions under certain conditions.

*2 Source: "Survey on medical institutions (rough estimates as of the end of January 2022)" (MHLW)
Produced with reference to https://www.mhlw.go.jp/toukei/saikin/hw/iryosd/m22/dl/is2201_01.pdf

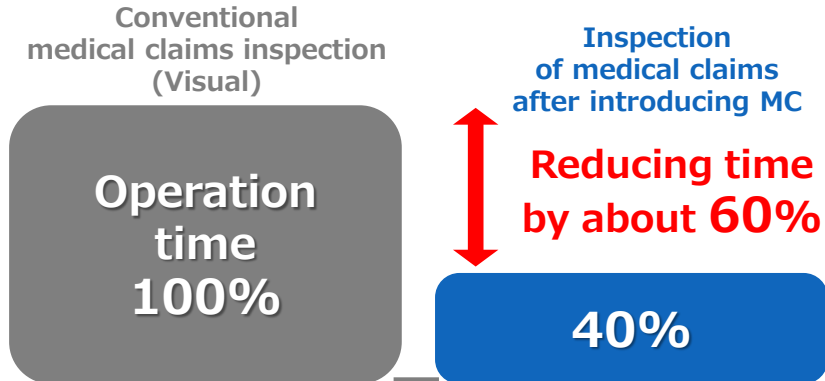


■ Visions of medical business

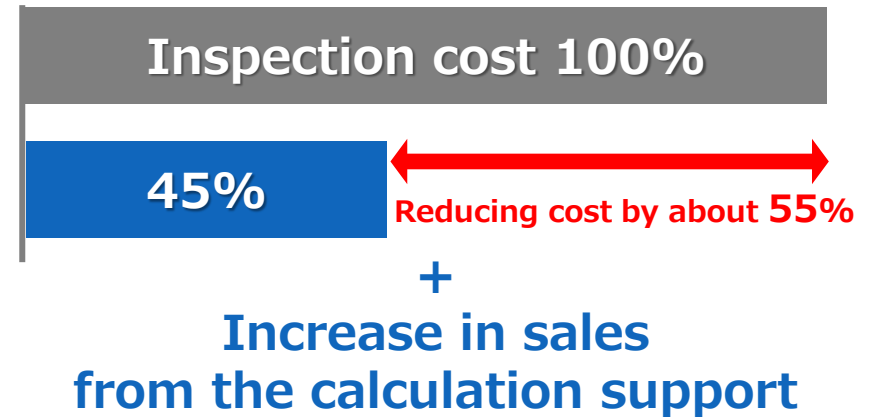
- **Support for reform of medical doctors' workstyles** ⇒ The upper limit of overtime working hours became effective in 2024. We are developing new solutions for medical doctors, which would contribute to the reform of medical doctors' workstyles.
- **Promotion of development of a new medical platform**
⇒ Enhancement of intellectual property strategies, including Insurance Knowledge Platform, and creation of new markets

■ 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

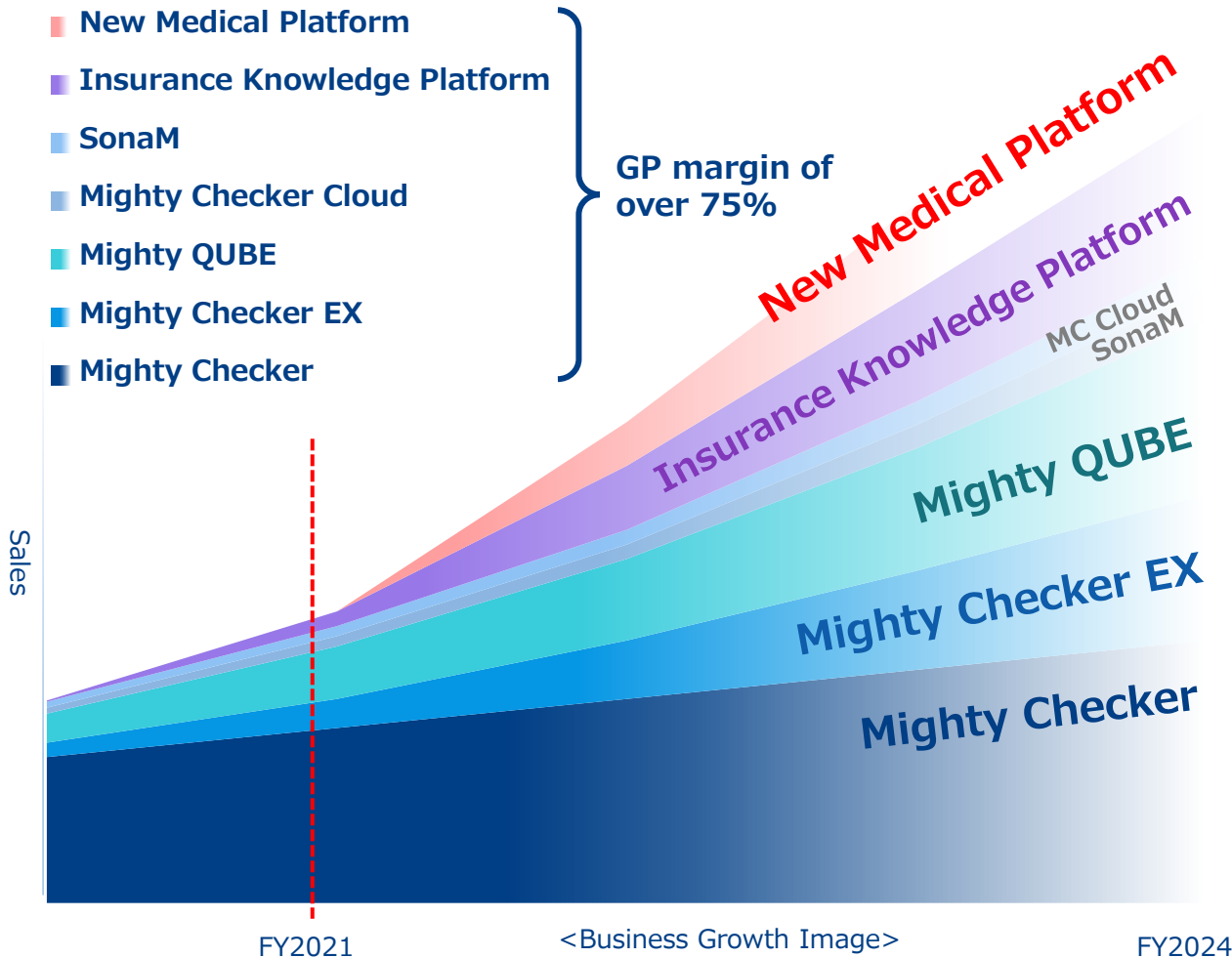
} A Profit improvement of 66 million yen per year

*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.

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

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".

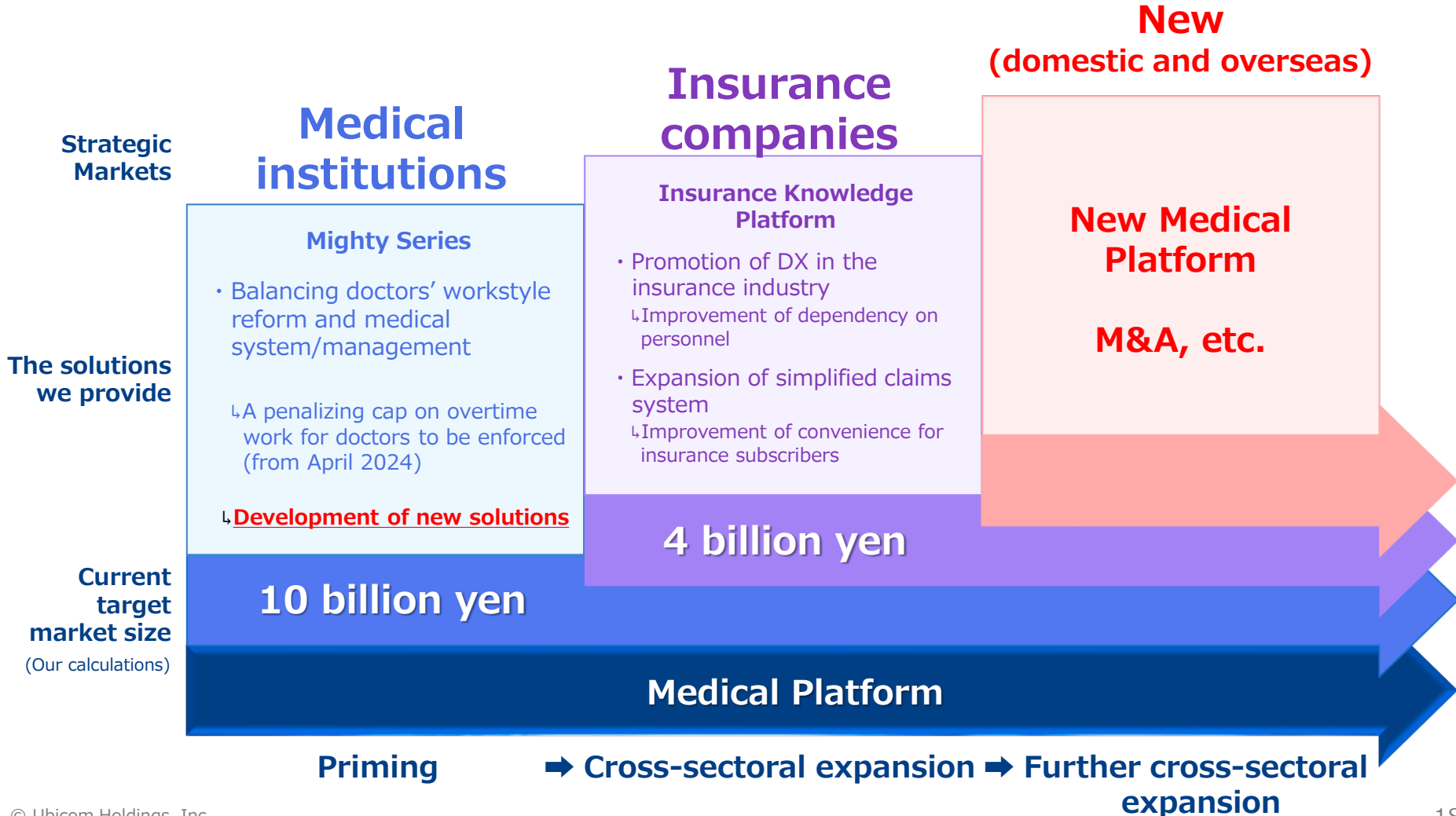
Mighty Checker EX

- 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]

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

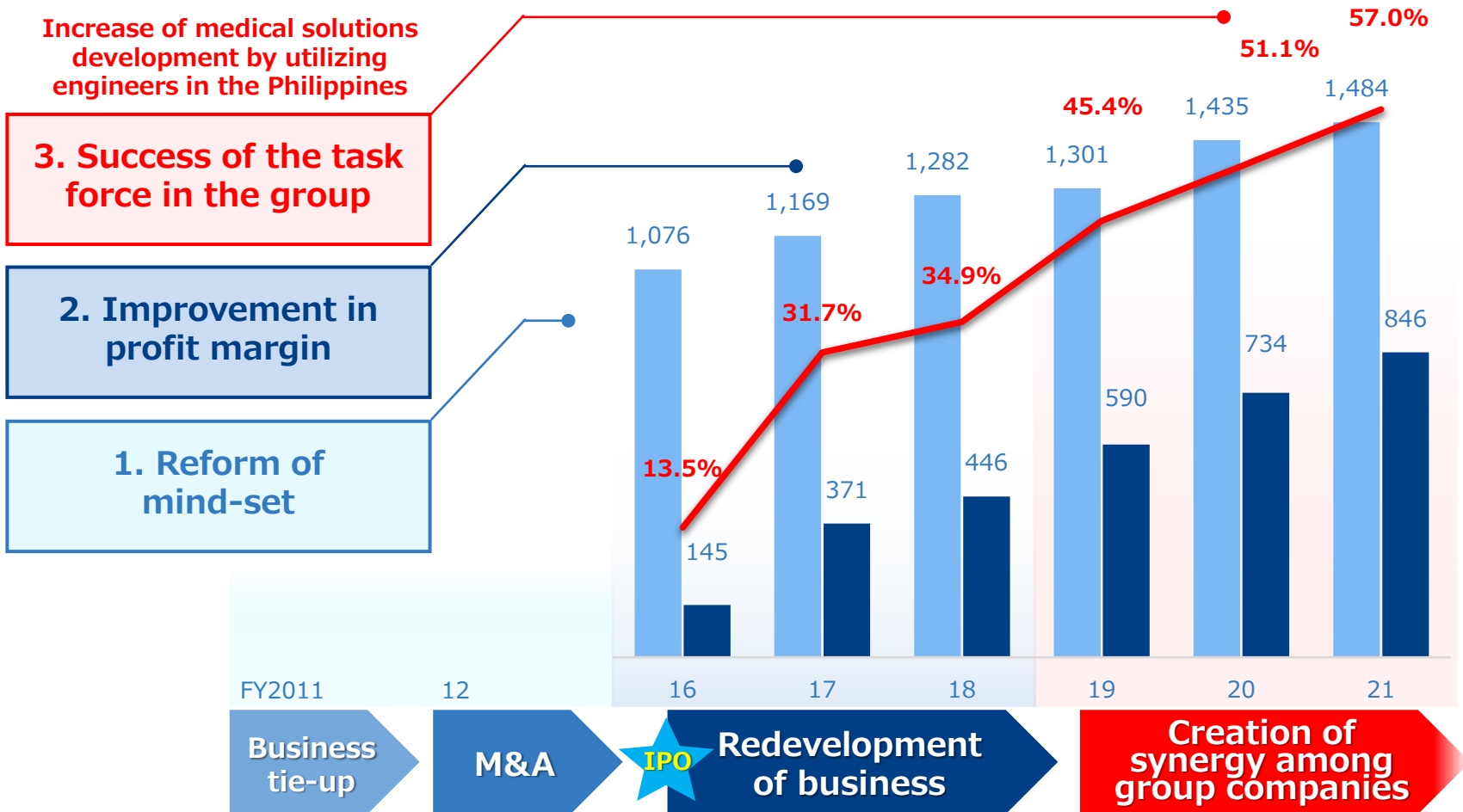
Promotion of M&A strategy based on the results of acquisition of subsidiaries



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



Earnings forecast for FY2022



Both operating and ordinary incomes are expected to hit a record high, like in the previous fiscal year. Thanks to the effects of strategic investment, sales are projected to grow 15.2% year on year.

Ordinary income is forecast to rise 20.5% year on year, as we will invest for acquiring and training advanced personnel.

[unit: million yen]	FY2021		FY2022		Growth rate
	Amount	% to sales	Amount	% to sales	
Net Sales	4,726	100.0%	5,446	100.0%	15.2%
Operating Income	1,033	21.9%	1,254	23.0%	21.4%
Ordinary Income	1,055	22.3%	1,271	23.3%	20.5%
Net Income Attributable to Owners of Parent	832	17.6%	925	17.0%	11.2%

To implement measures for strengthening the base for the second growth phase, while monitoring the profit balance

1. **To enrich the expert resources** towards the “Go Global Strategy”
⇒ Increase of young experts who can lead the next-generation businesses.
2. **To enhance recruitment and training of Philippine engineers**
⇒ We plan to recruit about more than 200 people, mainly new graduates.
⇒ AI training through alliances with companies in digitally advanced countries.
3. **To strengthen the medical investment strategy**
⇒ Development of new solutions related to Cloud/DX/Work style reform for medical institutions.
⇒ Further training of medical engineers in the Philippines.
4. **Execution of M&A**

*The costs for the above 1, 2 and 3 are included in the FY2022 forecast.

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

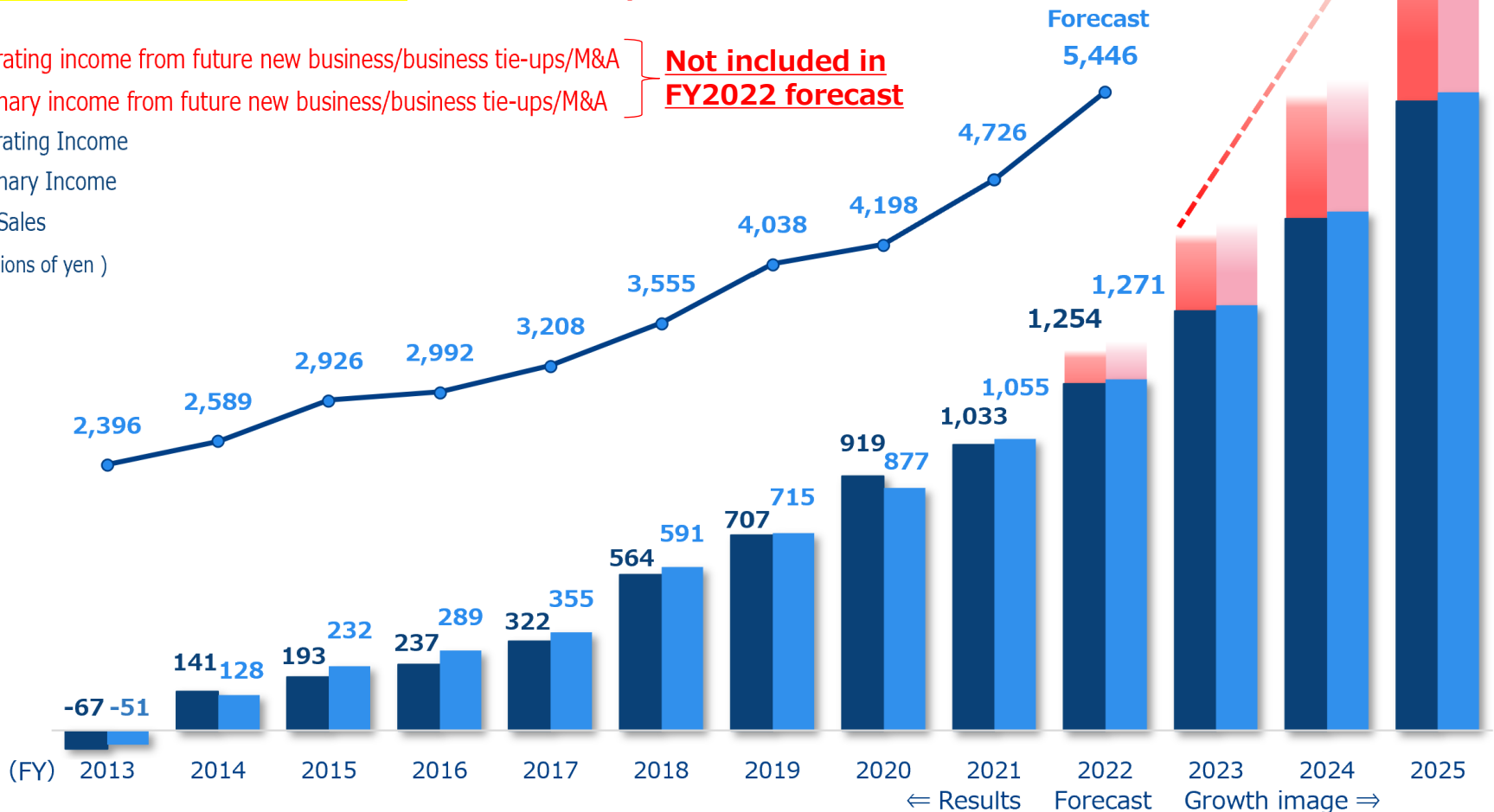
- Medical field
 - Pillar clients: + 20 companies
 - Global market
 - Sustainability
- × M&A

■ 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)



■ 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, Profitability and business improvement, paperless, cloud application, telemedicine support, and other diversification support for medical institutions)

■ Group as a whole

- **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
- **Strengthening of incentives for employees**

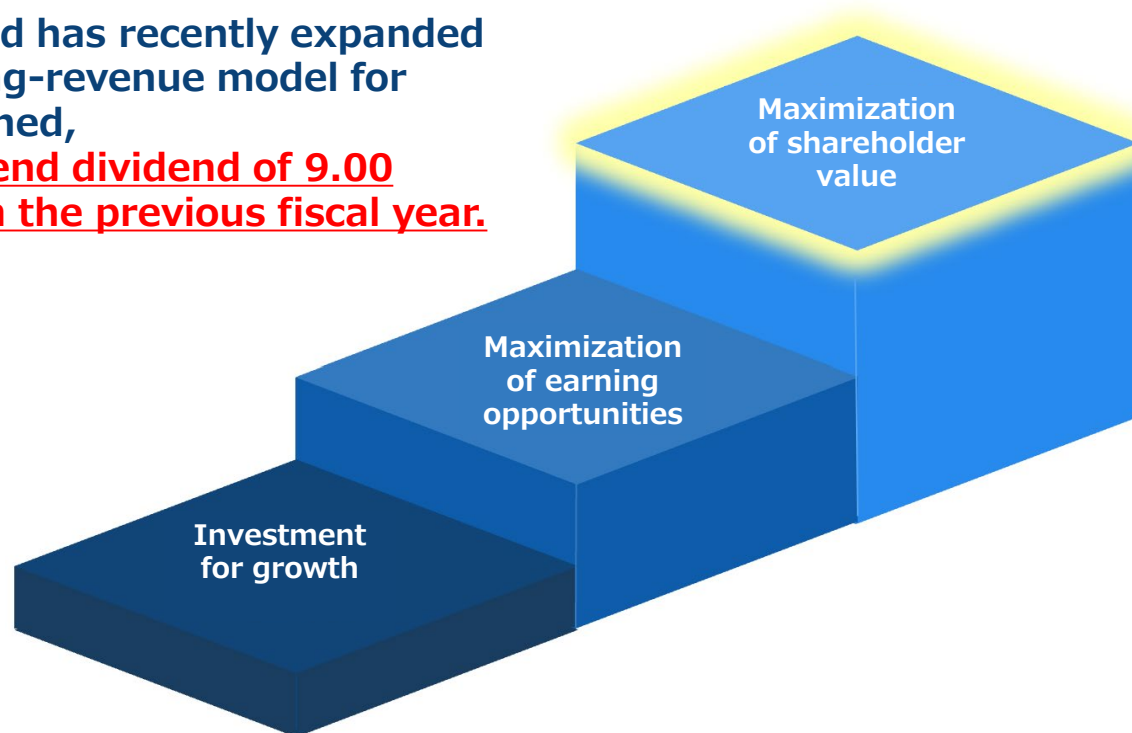


We aim to maximize shareholder value by improving corporate value.

■ Dividend for FY2021

As the number of orders received has recently expanded and a profitable, robust recurring-revenue model for earning profit has been established,

we have decided to pay a term-end dividend of 9.00 yen/share, up 2 yen/share from the previous fiscal year.



■ Future policy

With the aim of further improving the growth potential and profitability of our business, we will strive to enrich measures for returning profit to shareholders to achieve a payout ratio of 30% or higher, while balancing business growth and strategic investment.

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 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 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.

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