

BRIDGE REPORT



 President Masayuki Aoki	Ubicom Holdings, Inc. (3937)
	

Company Information

Exchange	TSE Prime Market
Industry	Information and communications
CEO	Masayuki Aoki
HQ Address	7 th floor of Ichibancho Tokyu Bldg., 21 Ichibancho, Chiyoda-ku, Tokyo
Year-end	End of March
Homepage	https://www.ubicom-hd.com/

Stock Information

Share Price	Shares Outstanding (Term-end)	Market Cap.	ROE (Act.)	Trading Unit	
¥1,143	11,991,120 shares	¥13,705 million	12.0%	100 shares	
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
Undecided	-	¥82.97	13.8x	¥395.82	2.9x

*The share price is the closing price on May 27. Each number is from the consolidated financial results for the fiscal year ended March 2024.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2021 (Act.)	4,198	919	877	623	53.25	7.00
March 2022 (Act.)	4,726	1,033	1,055	832	70.38	9.00
March 2023 (Act.)	5,246	1,011	1,004	573	48.68	11.00
March 2024 (Act.)	5,942	1,072	935	526	44.73	13.00
March 2025 (Est.)	6,700	1,500	1,518	1,000	82.97	Undecided

*Unit: million yen, yen. Forecasts are those of the company. The definition for net income means net income attributable to owners of parent.

The company has adopted the "Accounting Standard for Revenue Recognition" etc. at the beginning of the first quarter of the fiscal year ended March 2022.

This Bridge Report overviews the financial results of Ubicom Holdings, Inc. for the fiscal year ended March 2024 and its financial forecast for the fiscal year ending March 2025.

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Key Points

- In the fiscal year ended March 2024, sales and profit grew, and record-high sales and operating income were posted. Sales were 5,942 million yen, up 13.3% year on year. The sales of the global business grew by double digits, as demand remained strong. The medical business performed well. Operating income rose 6.0% year on year to 1,072 million yen. Gross profit increased 9.6% year on year, in parallel with the sales growth. In the global business, SG&A expenses augmented 13.2% year on year due to upfront investment and the decline in utilization rate caused by the factors mentioned below, but it was offset, so profit grew. Sales and profit grew year on year, but sales and operating income fell below the forecasts, as they conducted upfront investment in expansion of R&D bases and retraining of IT engineers, including leaders, reduced development costs temporarily in response to the conservative purchase of PCs before the release of a new OS, and the timing of the project start was delayed in the global business.
- For the fiscal year ending March 2025, it is forecast that sales will grow 12.7% year on year to 6.7 billion yen, operating income will rise 39.9% year on year to 1.5 billion yen, and ordinary income will increase 62.2% year on year to 1,518 million yen. Before the second growth (investment return phase), they will operate multiple new platforms, increase utilization rate, develop advanced personnel specializing in AI, and take other measures, so both operating and ordinary incomes are expected to increase over 40%.
- In the previous report, we wrote that “monthly revenue from licenses was calculated by dividing sales by 15 months, therefore, the year-on-year growth rate of quarterly sales in the medical business has been in single-digit overall since the first quarter of the fiscal year ended March 2022,” but sales growth rate was 11.7% and 10.4% in the third and fourth quarters, respectively, in the fiscal year ended March 2024, showing double-digit sales growth. As the number of users of Mighty Series exceeded 20,000, it appears that sales growth has accelerated, while revenues have stabilized. In addition, profit margin remains on the upward trend. In 2024, medical service fees will be revised, so we heard that the number of inquiries they receive is increasing. We would like to expect that more clients will adopt their services at an accelerated pace.

1. Company Overview

Ubicom Holdings is a one and only business innovation company that creates IT solutions to social issues, such as the shortage of manpower and a medical crunch. It recognizes the medical, financial/public, automobile, and manufacturing/robotics etc. markets as strategic markets, and offers a broad range of IT solutions and services.

It has about 900 engineers mainly at the development center in the Philippines and operates two core businesses. One is the global business that solves the shortage of IT personnel and promotes digital transformation (DX) in Japan, by developing software and advanced solutions including AI. The other is the medical business that offers healthcare optimization solutions, such as medical claims inspection, support for medical safety, and cloud services, as a leading company that offers IT solutions for supporting the management of medical institutions. It established a highly profitable business model through business restructuring by implementing scrap and build. Furthermore, the company will promote a win-win investment model for accelerating its business through strategic alliances and M&A with leading companies and burgeoning enterprises, and quickly aims to establish new businesses with different approaches from the existing businesses, such as the platform business.

1-1 Corporate History

Mr. Masayuki Aoki, who had entrepreneurial ambition all along, took the position of President and CEO at WCL Co., which was a new business subsidiary of WORLD CO., LTD. in March 2005, and then found out that there are many young talented engineers who work vigorously in the Philippines when he visited there during his domestic and international search for seeds of various new businesses. As the adoption of IT on internal operations of companies progressed in Japanese companies, he thought that conducting the system development in the Philippines will open the possibilities to offer a wide array of system solutions globally at high performance and capture the demand and decided to commercialize the idea. In December 2005, He founded Advanced World Solutions, Ltd. (currently: Ubicom Holdings, Inc.)

Following the trend of ICT adoption, the increase of new clients progressed well, and the business expanded thanks to the competitive advantage of having a development center in the Philippines, which possesses many capable top-class engineers. In 2012, the company acquired AIS Co., Ltd., which is the largest company in the field of systems for medical claims, as a subsidiary. In June 2016, the company was listed on Mothers of Tokyo Stock Exchange. After it changed its name to Ubicom Holdings, Inc. In July 2017, it was listed on the First Section of the Tokyo Stock Exchange in December of the same year.

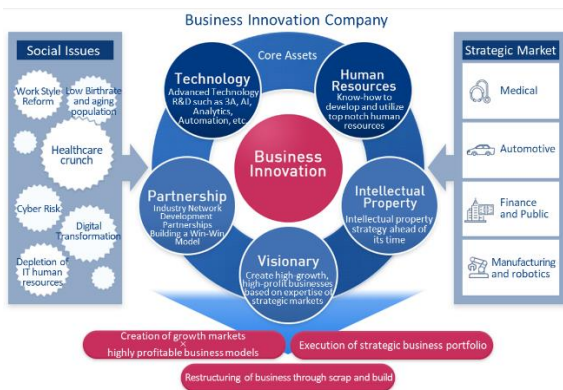
In April 2022, the company got listed on the Prime Market of TSE after the restructuring of the market.

1-2 Corporate Ethos and Vision

The company advocates the following three management visions as the one and only business innovation company that creates innovative IT solutions combining people and technology.

1. Unique beyond comparison To remain a one-of-a-kind business innovation company that looks ahead to the future and creates IT solutions to social issues
2. Go Global To use the business scheme of the Ubicom group globally mainly in the U.S. and Asian countries
3. Win-Win To increase the “fellows” of the Ubicom group, by prospering together with customers, collaboration partners, and all other stakeholders

Based on five core assets: technology, human resources, intellectual property (IP), foresight, and partnerships, the company creates business innovations aimed at solving issues such as Japan’s aging society, healthcare strain, a lack of IT personnel, and digital transformation (DX), which it sees as its social responsibility and raison d’être.



(From the company's website)

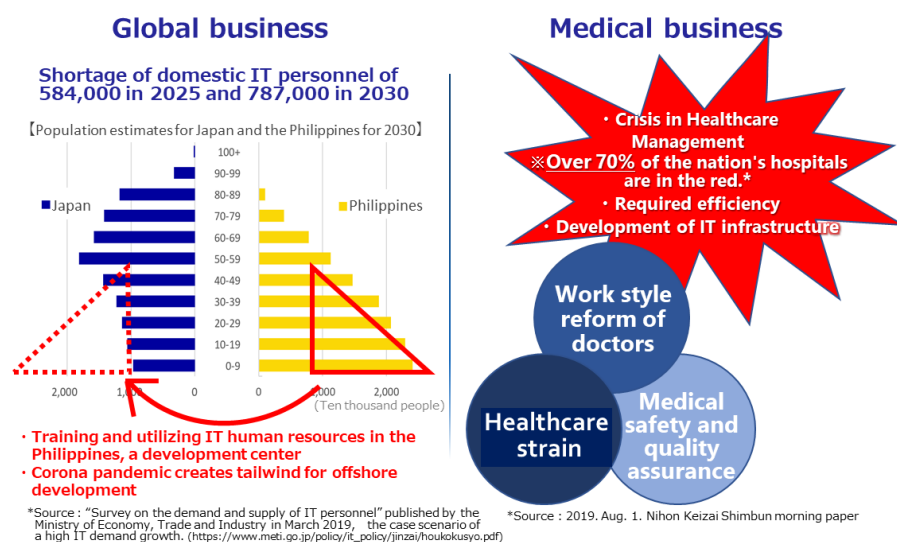
1-3 Business Description

1-3-1 Overview

With more than 20 years of experience in embedded software development, application development, testing, and quality assurance services, the company perceives social structure changes such as globalization and the decreasing birthrate and aging population, as well as technological advances in the field of Medical Life Sciences, Cybernetics, and Robotics, as an opportunity to develop new businesses. In the medical, financial/public, automotive, and manufacturing/robotics sectors, which are strategic markets, the company has developed its own core solutions in the field of mainly AI (Artificial intelligence), Analytics and Automation/RPA (Automation of the running and management of software testing etc.), and is now working to develop and implement them, and provides services for many client companies.

1-3-2 The business environment surrounding the company

The business environment of Ubicom Holdings, which pursues the growth by offering IT solutions to social issues, such as the support for solving the shortage of manpower and the support for healthcare optimization, is as follows. The environment surrounding the global business and the medical business (which will be described in detail later) is favorable.



(From company's document)

1) Nationwide promotion of digitalization, Worsening labor shortage in the IT field

With the government's flag-waving for digitization in full swing, according to "Survey on the demand and supply of IT personnel" published by the Ministry of Economy, Trade and Industry in March 2019, it is important to secure IT personnel who can contribute to the improvement in productivity by creating added value and streamlining business operations in an innovative fashion, but it is difficult to secure them, due to the declining birthrate and the aging population. When the growth of IT demand is classified into "minor,"

“medium,” and “significant” ones, it is estimated that Japan will be 584,000 engineers shortage in 2025 and 787,000 engineers shortage in 2030 in the case of “significant” growth.

2) Augmentation of national medical expenditure and tightening of examination of Medical Claims, Strain in medical institution management, work-style reforms for healthcare providers

The estimated medical expenditure (excluding expenses such as workers’ accident compensation insurance and payments when the full payment is covered with own expenses. It accounts for about 98% of the national medical care expenditure, which is the overall estimate of all expenses required for treating injuries or diseases after examinations by doctors in medical institutions) has marked a record high in 2022 at 46.0 trillion yen.

Medical expenses are in an increasing trend due to the progression of the aging population, and partially due to the increase of COVID-19 patients in fiscal year 2022, so the financial situation of each health insurance is worsening. In order to reduce insurance costs, the national government is implementing a measure for rationalizing medical expenses by tightening the examination of Medical Claims, etc.

(What are the medical claims?)

Under the current system of health care services provided by health insurance, medical institutions receive up to 30% from patients and the other 70% or more from the health insurance association, mutual aid associations, city or ward offices, etc.

Medical institutions define the detailed statement of diagnosis and treatment, which is required to claim the amount covered by insurance from these public institutions, a Medical Claim; and the tasks performed to issue the Medical Claim are a very important procedure, which makes up most of the revenue of medical institutions.

The submitted Medical Claims are meticulously scrutinized by the Examination and Payment institutions. In case there is a mistake in its content, the Medical Claim may be sent back (returned) by the Examination and Payment institution, or the scores of medical fees may be reduced. In case the Medical Claim is returned, it must be carefully examined, revised, and resubmitted. Submitting appropriate Medical Claims is an extremely important task for the efficient management of medical institutions.

In 2009, medical institutions were obligated to make online requests for Medical Claims, as a general principle.

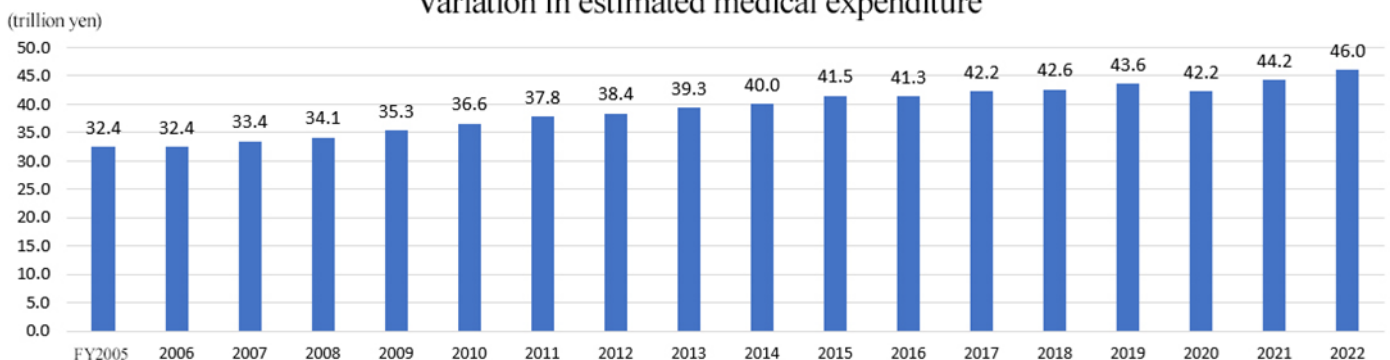
(Workstyle reform for doctors, etc.)

While Japan's medical needs are rapidly expanding, diversifying, and becoming more sophisticated with the progress of a super-aging society, the problems of shortage and uneven distribution of medical doctors and workloads such as long working hours are becoming apparent.

In order to alleviate the ever-increasing burden on doctors and promote reforms in the way doctors work in the medical field, a cap on overtime work for doctors with penalties will come into effect in April 2024. As a result, medical institutions are faced with the urgent task of streamlining and optimizing the work of doctors and others.

The strain in medical care provision systems and deterioration of hospital management caused by the COVID-19 pandemic are serious social issues. Against this backdrop, examination and payment institutions are moving to tighten the examination of medical claims, and work-style reforms are in progress for health care providers. Accordingly, it is now essential for the management of medical institutions to improve revenues through better operational efficiency for medical claim checks, etc., ensure the safety and quality of medical care, and deal with work-style reforms.

Variation in estimated medical expenditure



* Created by Investment Bridge Co, Ltd. with reference to “Trend of Medical Expenditure” published by the Ministry of Health, Labor, and Welfare

(3) Medical cloud market is expected to grow rapidly

Thanks to the notice of the Ministry of Health, Labor and Welfare titled “Regarding places for storing medical records” partially revised in February 2010, it became possible to store medical information at data centers owned by private enterprises, which made it easier for private enterprises to offer medical cloud services.

It is expected that application platforms and cloud services in which servers exist in networks will be utilized in the medical field for electronic medical record, medical image management systems, regional medical cooperation systems, and various services for home care support, remote image diagnosis, clinical trials, and dispensaries.

Especially, as the volume of data in today’s medical institutions increased steeply and networks are used more widely, expectations toward medical cloud services are growing, as cloud services have merits, such as “It is easy to cooperate with other facilities,” “It is unnecessary to maintain and manage data by yourself,” and “They are inexpensive,” and they turned out to be useful for anti-disaster measures after many medical records were lost in areas devastated by the Great East Japan Earthquake in March 2011. Furthermore, the medical strain due to the spread of COVID-19 made us strongly aware of the necessity of online diagnosis and electronic records.

Some point out the problem of safety from the viewpoint of protection of personal information, but the medical cloud market is expected to grow considerably for offering solutions to social issues while keeping a balance between the tightening and easing of regulations.

1-3-3 Strategic business domains

The company focuses its efforts to expand its business based on the strategic business domains of the “3As” fields, which will usher in the new age.

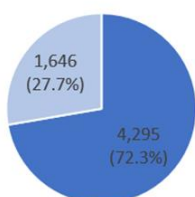
Field	Current situation and future plans
AI	After the practical use of AI chatbots in the Global Consulting Group, a leading auditing corporation’s group, and the support for installation of AI in product appearance inspection equipment for a manufacturer, they aim to expand the AI-related business in more diverse fields by enhancing the development of cutting-edge personnel. After finishing development for audio AI and chatbots (automatic conversation programs), the company is promoting cross-sectoral application.
Analytics	The company finished the development phase of Japan’s number one Medical Claims Inspection Software, the Mighty series, and analysis tools, and will proceed to a phase of achieving a new monetization model by building an engine that analyzes medical-related fields to improve the quantity and quality of the data. In addition, the company provides solutions for predictive maintenance for factories and shipping companies.
Automation/RPA	The company has established an engine for software testing automation and is pursuing robotics and RPA (automation of business operations with robots). It aims to expand its market reaching leading robotics and FA manufacturers.

1-3-4 Segments

The company reports 2 business segments; the global business that provides IT solution services to diverse markets such as Finance/Public, Medical, Automotive, Manufacturing and Robotics, and the medical business that provides management improvement solutions etc for medical institutions such as the Medical Claims Inspection Software. In the fiscal year ending March 2025, the global business will be renamed the technology consulting business.

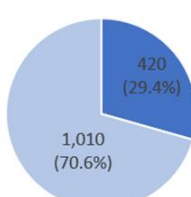
Sales composition

(FY Mar.2024, Unit: million yen)



Operating income composition

(FY Mar.2024, Unit: million yen)

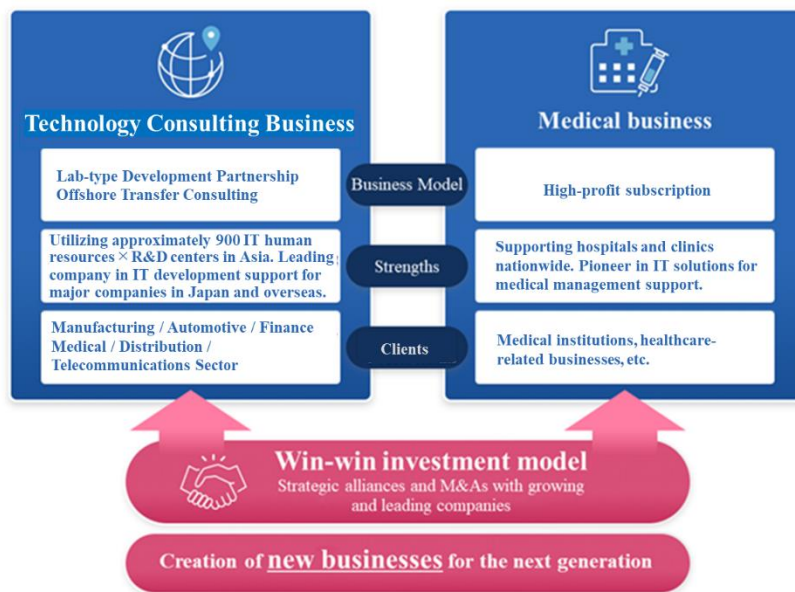


■ Global division ■ Medical division

* Sales to external customers. Ratio to the sum of external customers and reported segments

■ Global division ■ Medical division

* Composition ratio of the total amount before adjustment.



(From the company's website)

1) Technology consulting business (former global business)

- Overview

Its wholly owned subsidiaries, Advanced World Systems, Inc. and Advanced World Solutions, Inc. are the major development centers in the Philippines, where it focuses on Finance, Public, Medical, Automotive, Manufacturing, and Robotics fields and delivers embedded software development, business application development, maintenance, and testing services.

The company defines “3As” (AI, Analytics and Automation/RPA) as a strategic business domain, and develops its own core solutions, utilizing these 3As technologies. The advanced capability of developing solutions is derived from its development centers in the Philippines, which has a top-class engineering group composed of about 900 engineers. This gives it a strong competitive advantage. (Refer to 【1-4 Characteristics and Strengths of Ubicom】 for more details.)

In response to the increase of inquiries from clients who are affected by the Economic Security Promotion Act, the company integrated the strategic divisions of the enterprise solution business and the global business, establishing the technology consulting business division, to enhance consulting-based marketing in the fiscal year ending March 2025. The company has launched a consulting business utilizing their know-how, which has been nurtured through offshore development for 30 years, targeting leading enterprises inside and outside Japan.

- Clients

Its client companies range broadly from finance, public, medical, automotive, manufacturing, to service industry-related ones. As mentioned above, in addition to the worsening IT personnel shortage, there have been strong needs for the reduction of costs for development and operation, but the company, which has 900 IT person who are proficient in Japanese and English, is steadily meeting such needs.

On top of that, the rich experience of development for numerous big domestic clients over many years has further earned their trust and built its reputation.

2) Medical business

① Overview

AIS Co., Ltd., which is a 100% subsidiary, engages in the development and sale of packaged solutions for medical institutions, cloud services, data analysis solutions, development support, and consulting services, contributing to the reform of workstyles of medical professionals and staff in medical institutions, the improvement of revenues at medical institutions, and the improvement in safety and quality of healthcare.

The “Mighty Series,” which improves the management quality and increases the work efficiency in medical fields, is well-received thanks to its abundant and useful functions and positively affected by work style reforms. As of the end of March 2024, the Mighty series

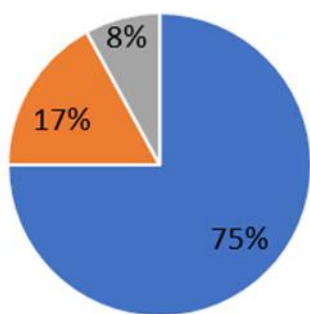
occupied the top market share and was being used by approximately 46% of hospitals with a patient capacity of 20 or more (3,708 facilities), and 16% of clinics with a patient capacity of 19 or less (17,109 facilities), for a total of about 20,817 facilities (up 1,660 year on year).

The company supports the reform of workstyles of medical doctors by providing these products and solutions, and based on transactions with some of the largest medical institutions in Japan, the company promotes a new platform business, with the aim of creating a new market based on intellectual property.

②Sales composition of products and services

The medical business is composed of the sale of Mighty Checker® Series and Mighty QUBE® Series, and others (commissioned development, an insurance knowledge platform, etc.).

Product and service composition of medical business (FY 3/24)



■ Mighty Checker® Series ■ Mighty QUBE® Series ■ Others

②-1 “Mighty Checker®” Series, a solution for supporting operations of medical staff

As improvement in efficiency and precision of Medical Claims Inspection were required, the company was ahead of competitors in releasing Medical Claims Inspection Software (Mighty Checker®) in 1999; it was well-received for its usability and it managed to establish its position as a leading maker of “Medical Claims Inspection Software.” In fiscal year 2019, it released “Mighty Checker® EX,” an AI-based new-generation Medical Claim check system and reaffirmed its market position.

As the electronic processing and online submission of medical claims are now common, this product is an indispensable tool for medical institutions. It has the functions to deal with the revision and rejection of medical claims during in-hospital screening, and its enhanced functions can point out the possibility of failure to submit claims, additional remuneration items, etc. The company has also mounted it with graphic functions, realized the inspection in the order of assessed amount, and added the functions to extract assessed medical claims by reading data on revision and rejection, revise the database smoothly, collect and analyze data, and so on.

For this series, the company aims to achieve a gross profit margin of 75%, and will earn high revenues stably with a high-revenue subscription model.

<Major products and features of Mighty Checker® Series>

Product name	Features
Mighty Checker® EX	<ul style="list-style-type: none"> - Next-generation software for inspecting Medical Claims with the AI-based detection function - Two Medical Claims can be checked at once with the function to display multiple Medical Claims. - When an error message is clicked after Medical Claims inspection, it will display points and insurance rules will be described in an understandable manner. - A tag and a status can be inputted for each patient, considerably increasing the efficiency of inspection of Medical Claims. - Medical institutions can improve revenues by preventing errors in claims and the failure to

	<p>submit claims.</p> <ul style="list-style-type: none"> - Medical staff can inspect Medical Claims more efficiently with AI.
Mighty Checker® PRO Analyze	<ul style="list-style-type: none"> - An advanced version of Medical Claims inspection software - Analyzes inspection results and suggests an efficient inspection process. - In addition to the assessment and return measures, it can use inspection results more efficiently by utilizing the result of checking medical claims. - It makes it easier to modify the database by importing the assessment and return data; thus, it helps curb assessments and returns.
Mighty Checker® PRO Advance	<ul style="list-style-type: none"> - A standard version of Medical Claims inspection software. - Validates the disease name, medicines, and medical care of the indication. - Inspects the measures for assessment and return (cross-check inspection, general inspection, calculation day check, etc.) - Validation by the claims support functions (checks items that can be calculated as consultation fees, etc.)
Mighty Checker® for ORCA	<ul style="list-style-type: none"> - Mighty Checker® PRO Advance is linked with “ORCA,” the standard software for Medical Claims of Japan Medical Association. - The data inputted with ORCA can be inspected smoothly with the same function as that of Mighty Checker® PRO Advance.
Mighty Checker® DENTAL	<ul style="list-style-type: none"> - Software for inspecting dentists’ Medical Claims - When combined with Mighty Checker® PRO, it is possible to inspect medical and dental ones.
Mighty Checker® Cloud	<ul style="list-style-type: none"> - Provision of an online service of inspecting Medical Claims - Even if an application has not been installed in a PC, it is possible to use Medical Claims inspection software by accessing a server.

②-2 Mighty QUBE® Series, a solution for supporting the operations of medical doctors

◎ Mighty QUBE Hybrid, a system linked with electronic charts

(Outline of the system)

The electronic medical record-linked system “Mighty QUBE Hybrid” is the advanced version of “Mighty QUBE® PRO” (which will be described later). This is electronic medical record-incorporated software for real-time inspection that can be connected to either an in-hospital server or a cloud server, and instantly points out the failure to input administration costs and additional remuneration, to secure the increase in revenues of each hospital. In addition, this system is mounted with the function to cross-check the data in several months, to avoid the downward revision of medical claims and contribute to medical safety while reducing the working hours of doctors and supporting workstyle reform for doctors and hospital management.

(Assumed market size and sales strategy)

The company considers that they can target 7,403 small and medium-sized hospitals, which account for 91% of the 8,156 hospitals in Japan electronic medical record market. Among the 7,403 small and medium-sized hospitals, it is estimated that 3,627 facilities have adopted electronic medical records, an adoption rate of 49%, and 3,776 facilities have not adopted them.

For developing the market, they will concentrate on forming business alliances with electronic medical record makers, whose main clients are small and medium-sized hospitals.

Among 20 major makers of electronic medical records for small and medium-sized hospitals, 10 makers are existing business partners for Mighty Checker®. The company will make efforts to cross-sell Mighty QUBE® Hybrid to 2,100 facilities to which the above 10 makers deliver electronic medical records. The market size of “Mighty QUBE® Hybrid” is assumed to be 3.1 billion yen.

As the penetration rate of electronic medical records is rising, the company will approach the 3,776 facilities that have not adopted electronic medical records by strengthening the relationships with the existing makers of electronic medical records. The market size is also assumed to be 3.1 billion yen.

In November 2023, the company started the measures for cross-selling Mighty QUBE® Hybrid to small and medium-sized hospitals in

cooperation with electronic medical records makers. They are negotiating with four companies and have formed a business alliance with one of them (ACS Inc.).

They will develop the market worth 6.2 billion yen, for the purpose of achieving a gross profit margin of 75%.

◎Medical Ordering check software, “Mighty QUBE® PRO”

This system utilizes the database of Mighty Checker® to immediately check appropriateness of treatment and medication with disease, dosage, number of days and administration at the time of ordering prescriptions, and report errors when there is any inappropriate treatment, or any disease name is missed. By preventing the erroneous input of medical instructions and mis operation, it can avoid medical accidents (near-miss accidents) and assessment (reduction of claimed amount), thus medical doctors can concentrate on their primary tasks and responsibilities. It is highly evaluated because it supports the financial and managerial improvement of hospitals through the pursuit of the safety and quality of medical treatment and the streamlining of business operation, and it also brings benefits to both hospital and patients, so many medical institutions have adopted it.

◎ Medical Claims inspection software + the order checking software “Mighty Double®”

The company supports “revenue improvement” with Mighty Checker® PRO, which is mounted with the function to inspect medical claims, and “prevention of near-miss cases” with Mighty QUBE® PRO, which is mounted with the function to inspect orders, therefore, they can manage the data on inspection of orders and medical claims.

The company designed measures for medical safety management and risk control and established a comprehensive check system, which is effective for making hospital management and also dealt with the tightening of payment institutions.

②-3 Others

◎Insurance Knowledge Platform

As a DX solution for the insurance industry, it helps streamline the procedure for claiming insurance money (assessment for payment), shorten the period until the receipt (payment) of insurance money, and popularize simplified procedures for insurance claim.

(Overview and features)

Until now, insurance companies have needed to exert a great deal of effort to cover the scattered information in examinations of insurance claims from clients, such as medical practices, medical products, names of injuries and illnesses, advanced medical care, and law revisions.

The company estimates that a major life insurance company processes about 300,000 documents related to insurance claims annually, and the annual cost, including personnel expenses, is about 1 billion yen.

The insurance knowledge platform, which uses a unique medical database backed by the company's track record of providing services to more than 20,000 medical institutions, can greatly streamline cumbersome screening operations.

After the insured person is discharged from a hospital, it currently takes 2-4 weeks to receive benefits after completing paperwork with the insurance company and the hospital, and the insurance company also takes about 2-3 weeks to complete the processes from payment examination to payment. By introducing a medical information search system, the company aims to improve the efficiency of insurance payment operations made by individuals. In addition, the introduction of the DX program, "Yuragi Hosei" (Fluctuation Correction), which specializes in improving the reading accuracy of medical documents using OCR, promotes the popularization of simple billing, which is considered challenging in terms of cost and technology. For example, by supporting the partial automation of insurance payment operations.

(Monetization concept)

The company is aiming to achieve a high-priced, high-profit subscription model that surpasses the Mighty series.

Revenue consists of basic system and additional options. The company has developed multiple options to meet diverse needs, planning to secure high profits by offering a wide range of solutions.

(Strengths of the platform)

1. Intellectual Property (IP)

Utilizing the company's own medical database backed by a track record of providing solutions to more than 20,000 medical institution

users for many years, the platform is equipped with medical treatment, drug codes, advanced medical information, etc., used for insurance examinations.

The platform also benefits from the knowledge of AI development.

2. Business model

The platform is operated via a cloud-based, next-generation service model with a high unit price and monthly subscription.

In addition, as the platform can be rolled out from the next year of development with only the burden of maintenance costs, its potential future value is enormous.

Also, the utilization of IT should reduce the burden of insurance claim procedures and shorten the number of days until insurance benefits are received. They also expect the company's participation in the "Life Insurance Ecosystem Concept," which aims to significantly reduce the administrative burden of insurance companies, to accelerate the platform's market penetration.

Another big advantage is that the company can utilize its development resources in the Philippines to brush up its services.

3. Marketability

The company believes it is the first industry player to enter into an uncontested market space.

There is a potential client base/market of approximately 100 companies, with an annual usage fee of several millions to tens of millions of yen per company.

(Results and Future developments)

The company aims to expand the Insurance Knowledge Platform across the entire insurance industry in the form of a new subscription-type solution in the medical business, as well as develop and implement a new menu equipped with AI and other advanced technologies geared toward further evolution of solutions for the insurance industry. Furthermore, it is focusing on capturing development demand associated with digital transformation and increased use of AI technology across financial services (including the insurance industry), boosted by the need to switch from "face-to-face services" to "non-face-to-face services" due to recent measures to prevent the spread of infectious disease.

According to the announcement of Financial Services Agency, the number of life insurance companies is 42. As of April 1, 2024, the cumulative number of clients of the company was 4. At present, they are negotiating with 3 companies, including leading life insurance companies.

In addition, since November 2020, the company has been participating in the Life Insurance Ecosystem Concept for expanding the Insurance Knowledge Platform.

The life insurance ecosystem concept aims to reduce the burden of insurance claim procedures and shorten the time required to receive insurance benefits, as well as significantly reduce the administrative workload of insurance companies by utilizing IT.

IRRC Corporation (1st section of TSE, 7325), a company that has atypical AI-OCR technology and engages in insurance sales, solutions, and system businesses, as well as Assist Corporation, a company engaged in software sales and technical support, forms the core of the concept.

In order to develop and expand this concept, the company's insurance payment automation technology in the "Insurance Knowledge Platform" was highly acclaimed, and the company decided to participate as the first company to strengthen the concept.

To meet numerous business inquiries for the "Insurance Knowledge Platform," the company is preparing to implement multiple functions as an option in addition to the "medical information search engine" for insurance payment examination operations, which is a basic function, in order to expand the user-oriented functions and strengthen the appeal of the platform.

In order to develop the provision of a subscription-based platform for the insurance industry, which is a new initiative for Ubicom, as one of its new core businesses, they will create mutual benefits for insurance companies and their clients, synergies with collaborating companies, and establish technological innovations and business models.

In addition, from the third quarter of fiscal year ended March 2021, the company expanded the use of its approximately 900 global IT engineers to develop advanced solutions for the insurance industry, including the Insurance Knowledge Platform, and to further strengthen its DX promotion.

Furthermore, the company plans to invest in human resource development to train the next-generation engineers specializing in advanced fields such as AI, to further increase its corporate value with an eye on the future.

©SonaM, a medical cloud in preparation for disasters

This is a cloud service for supporting BCPs and preservation of medical data in medical institutions with one of the most advanced security bases in Japan.

Due to the spread of COVID-19, the necessity of online diagnosis and treatment attracted public attention, the diversification of diagnosis and treatment methods is progressing, and the demand for security in digital and cloud healthcare services is growing.

In addition, medical institutions take more important roles at the time of disasters, it is imperative to secure safe, reliable places and methods for storing in-hospital medical data.

“SonaM,” which was developed for the purpose of supporting healthcare systems suffering the lack of resources under these circumstances, is used for preserving medical data, including medical claims, medical records, and examination images, with the security cloud.

In order to handle medical data in the cloud, it is necessary to comply with the three medical information security guidelines (the generic term is Three Guidelines from Three Ministries) suggested by the three ministries: the Ministry of Health, Labor and Welfare, the Ministry of Economy, Trade and Industry, and the Ministry of Internal Affairs and Communications, but the company covered all of them, by adopting the advanced cloud security base of NTT East.

Multiple step-by-step plans are prepared for meeting various needs from individual medical institutions with different scales.

This is a new profitable subscription model following the Mighty series, and the company aims to increase the average spending per user by cross-selling it with the Mighty series and increasing direct transactions.

1-4 Characteristics and Strengths of Ubicom

1-4-1 Training and utilizing approximately 900 engineers, mainly at its development sites in the Philippines

As was touched upon in the corporate history section, the president Aoki had visited the site several times, and considered the Philippines as an optimum location for IT development. It is not only the source of the company's competitive advantage, but also plays an extremely important role for driving the future growth strategy.

The development center in the Philippines and its predecessor have about 30 years of development experience, and their main characteristics are as follows:

1) The optimum location for global IT development: the Philippines

The Philippines enjoys the demographic dividend period, where a long-term population growth, especially in young age groups, continues. It maintains an economic growth rate of roughly 6% on average. Moreover, young citizens are full of vigor and strive for upward mobility.

In addition, the fact that English is the official language plant the seeds for engagement in global activities, the high IT literacy, its easily accessible location at the center of ASEAN countries, etc. make it an optimum location as a global base for IT development.

2) Employing elite staff

As many as about 900 engineers enrolled mainly in development centers in the Philippines, but it does not only boast of the quantity (number of people), but also the quality (their aptitude), which is unrivaled.

Backed by a long track record, the engineers who seek employment at the company highly value the development center in the Philippines, and the group receives approximately 4,000 applications for engineer positions almost every year. However, only top 4% (approximately 160) of applicants are accepted, meaning that they can acquire truly top-notch talent.

3) Human resources development with original program and training

Building a top-class engineering group cannot be achieved just by hiring elite personnel.

One of the differentiating factors that make it hard for competitors to catch up with the company is, in fact, its educational system and training, which turn staff into capable top engineers.

In April 2003, the corporate group established its own training center ACTION in the Philippines and started in-house developed training

programs.

It is constituted by 4 categories: basic concept for IT, advanced technologies, interpersonal skills, and the Japanese language. The training is conducted aiming employees to pass the PhilNITS (The Philippine National Information Technology Standards exam) and the Japanese Language Proficiency Test level 4.

After completing the training, the trainees present their achievements to the board members, and after going through interview assessments, they are finally assigned to projects. Even for elite students, the journey up to the point of being able to handle job assignments is not an easy one. The program graduates who overcome such hurdles acquire the skills needed for fulfilling their duties in an advanced technical field and a Japanese-speaking environment, hence they are overwhelmingly superior in the Japanese IT market, and they are the engine driving the company's growth.

Furthermore, the company is always handling numerous challenging cutting-edge projects, giving highly motivated staff chances to shine. This is also one of the reasons why the corporate group is so popular as an employer in the Philippines.

4) Further upgrading and reinforcing of solution development capabilities

The company is already outshining competitors with its advanced solution development capabilities, but as it aspires to make robust use of this advantage, the company established the "Advanced Technologies Development Center" in 2017.

About tens of the center's advanced engineers specialize in AI and big data analysis. By taking advantage of their native English to connect with top-class researchers globally, the company established a system that gives access to the latest cutting-edge technologies. With this, it became possible to produce a prototype with highly added value that matches clients' needs in a short period of time at low cost and directly offer it to major clients in Japan. Accordingly, the company's capability of giving a proposal is improving considerably.

5) Receiving external acclaim

The work of its top engineers, who had overcome high hurdles and managed to participate in projects, has received high external acclaim, which led to the winning of numerous awards.

* In 2020, its Philippine subsidiary was awarded the Export Excellence Award for Software Development Services by the country's Department of Trade and Industry (DTI).

* In 2020, two engineers were selected as Asian top guns, who are outstanding among top passers of Asia's common standardized version exam of the Japanese Information-Technology Engineers Examination.

* In 2017, its Philippine subsidiary, Inc. was awarded as the best software company across the Philippines in the "International ICT Award."

* Its training program "ACTION" has been consecutively awarded the Outstanding Company Program award at the "e-Services Philippines Award" for 6 years.

1-4-2 A robust customer base

Armed with a strong competitive advantage of having both a technology consulting business, and a medical division, the company has established a robust customer base.

The robust client assets are considered to play a big role for the expansion of the recurring-revenue business, which is based on subscriptions in the growth strategies, and matching the win-win investment model partners (growing corporations) with client enterprises, etc.

1-4-3 Feeling of partnership inside and outside the Group, and a corporate culture with a sense of ownership

The president Aoki considers all the employees, including those who work overseas, and their family members as "fellows." He thinks that one of the Group's strengths is that it achieves leaping growth thanks to all the employees who positively work with a cheerful never fading smile yet are never satisfied with status quo; each and everyone has a sense of ownership and thus pioneer the new times.

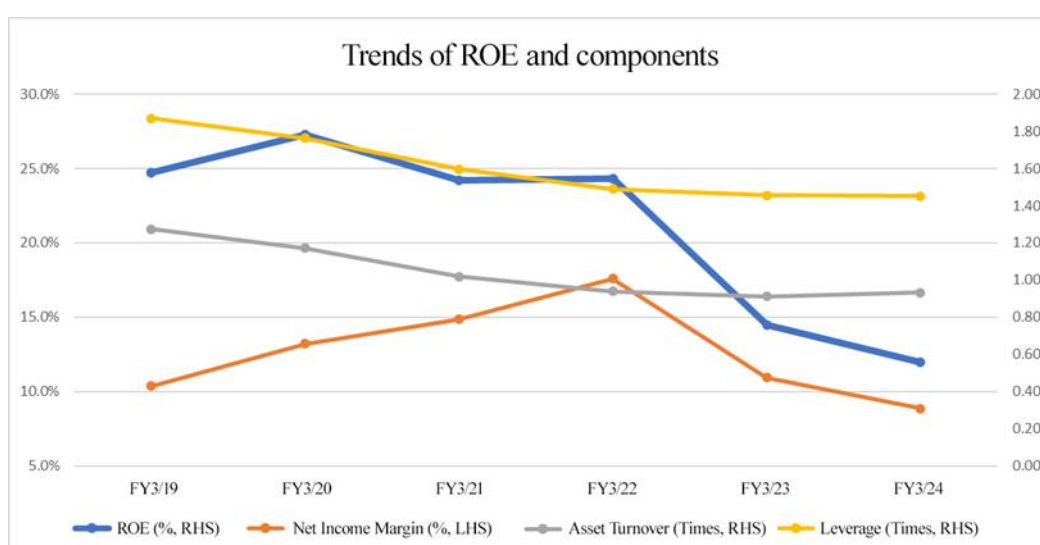
This feeling of partnership that values harmonious relationships extends to even outside the Group.

"The win-win investment model," which is one of important growth strategies of the company, promotes the collaboration and strategic alliances with leading companies and growing enterprises, to accelerate the growth of existing businesses and create new businesses. The mindset that investors and investees aim to grow together as "fellows" regardless of business scale and the relationship between shareholders and portfolio companies is expected to motivate alliance partners further. This is probably the big difference from general VC (venture capital) and CVC (corporate venture capital).

1-5 ROE analysis

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24
ROE(%)	-	12.2	17.7	24.7	27.3	24.2	24.6	14.5	12.0
Net Income to Sales Ratio (%)	-0.16	3.76	6.63	10.37	13.21	14.86	17.61	10.94	8.85
Asset Turnover Ratio (x)	1.46	1.44	1.36	1.27	1.17	1.02	0.94	0.91	0.93
Leverage (x)	2.62	2.25	1.96	1.87	1.76	1.60	1.49	1.46	1.45

*The asset turnover ratio and leverage are calculated with the average amount between the beginning and the end of the term. Calculated by Investment Bridge Co, Ltd. based on annual securities reports and brief financial statements.



*Created by Investment Bridge Co., Ltd. based on disclosure material.

In the fiscal year ended March 2024, ROE dropped for two consecutive fiscal years, mainly due to the decline in net income margin. As total asset turnover is declining, they would like to expect that the efficiency of use of assets will improve in parallel with profitability improvement.

1-6 Shareholder Return

While the company recognizes returning profits to shareholders as one of the management priorities, it has been prioritizing expansion of its internal reserves for future business development and reinforcing the management quality. However, in fiscal year ended March 2019, the company paid a dividend of 5.00 yen per share for the first time considering the recent increase of orders received, robust business performance, and the establishment of the foundation for a profitable recurring-revenue business model. In the previous fiscal year March 2024, the company also paid a dividend of ¥13.00 per share, an increase by 2 yen, and the payout ratio was 29.1%.

From now on, the company will concentrate on the improvement of measures for returning profits to shareholders with the aim of achieving a payout ratio of 30% or higher in the future, while considering the balance between the improvement in business performance and strategic investment, based on the creation of stable cash flows through the shift to the subscription business model.

1-7 ESG-related initiatives

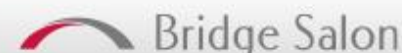
The company believes that it has a social responsibility and raison d'être to create business innovation based on its five core assets: technology, human resources, intellectual property, foresight, and partnerships, and solve issues such as the declining birthrate and aging population, the shortage of medical care, the depletion of IT human resources, and DX. The company's ESG initiatives are as follows.

Technology
Consulting
Business

* Client DX (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

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Medical Business	<ul style="list-style-type: none"> * Pursuing 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 * Workstyle reform for doctors, medical healthcare DX (improvement of healthcare safety and quality, improvement in revenues and business operations of medical institutions, shift to paperless and cloud operations, and support for diversification of medical care, including remote diagnosis)
Group as a whole	<ul style="list-style-type: none"> * Resilient business management (reinforced business continuity structure including remote working) * Strategic alliances with companies with a high social impact that contribute to the SDGs * Providing training and opportunities to young talent in Asia * Diversity in employees and management positions * Enhancement of incentives for employees

2. Fiscal Year ended March 2024 Earnings Results

2-1 Earnings Trends

	FY 3/23	Ratio to sales	FY 3/24	Ratio to sales	YoY	Initial ratio to forecasts
Net Sales	5,246	100.0%	5,942	100.0%	+13.3%	-7.1%
Gross profit	2,050	39.1%	2,248	37.8%	+9.6%	-
SG&A	1,039	19.8%	1,176	19.8%	+13.2%	-
Operating Income	1,011	19.3%	1,072	18.0%	+6.0%	-20.6%
Ordinary Income	1,004	19.1%	935	15.7%	-6.8%	-31.6%
Net Income	573	10.9%	526	8.9%	-8.3%	-45.4%

*Unit: million yen. Ratio to forecast is the ratio to the initial forecast.

Sales and profit grew, marking record-high sales and operating income.

Sales were 5,942 million yen, up 13.3% year on year. The sales of the global business grew by double digits, as demand remained strong. The medical business performed well.

Operating income rose 6.0% year on year to 1,072 million yen. Gross profit increased 9.6% year on year, in parallel with the sales growth. In the global business, SG&A expenses augmented 13.2% year on year due to upfront investment and the decline in utilization rate, but it was offset thus, profit grew.

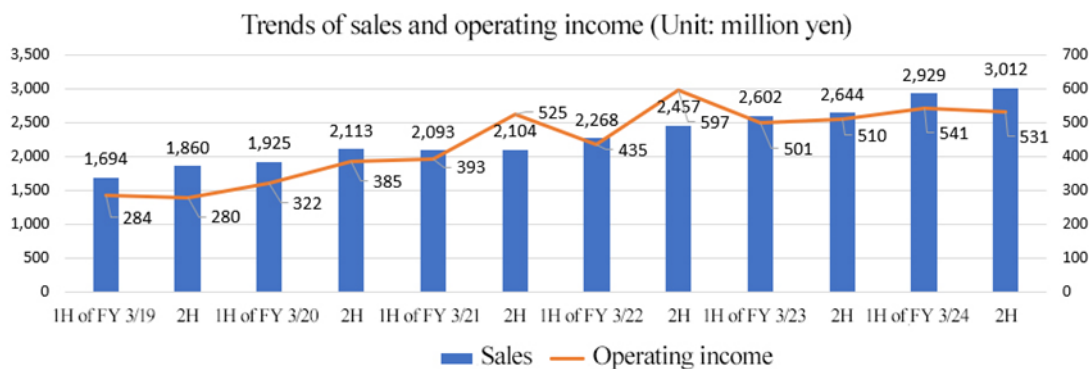
Ordinary income decreased 6.8% year on year to 935 million yen. In addition to recording insurance surrender value of 21 million yen in the fiscal year ended March 2023, foreign exchange losses increased by approximately 70 million yen in the fiscal year ended March 2024 compared to the previous fiscal year. Additionally, the company posted a loss of 32 million yen from asset management through investment partnerships at invested venture capital. Sales and operating income posted a record-high.

Sales and profit grew year on year, but sales and operating income fell below the forecasts, as they conducted upfront investment in expansion of R&D bases and reeducation of IT engineers, including leaders, reduced development costs temporarily in response to the conservative purchase of PCs before the release of a new OS, and the timing of the project start was delayed in the global business.

Ordinary income and net income fell below the forecasts, as the company posted an exchange loss and a loss from asset management through investment partnerships due to the yen depreciation and also posted a loss on valuation of investment securities due to the decline in investment securities held.

The company paid a year-end dividend of 13.00 yen/share, up 2 yen/share from the previous fiscal year. The payout ratio was 29.1%.

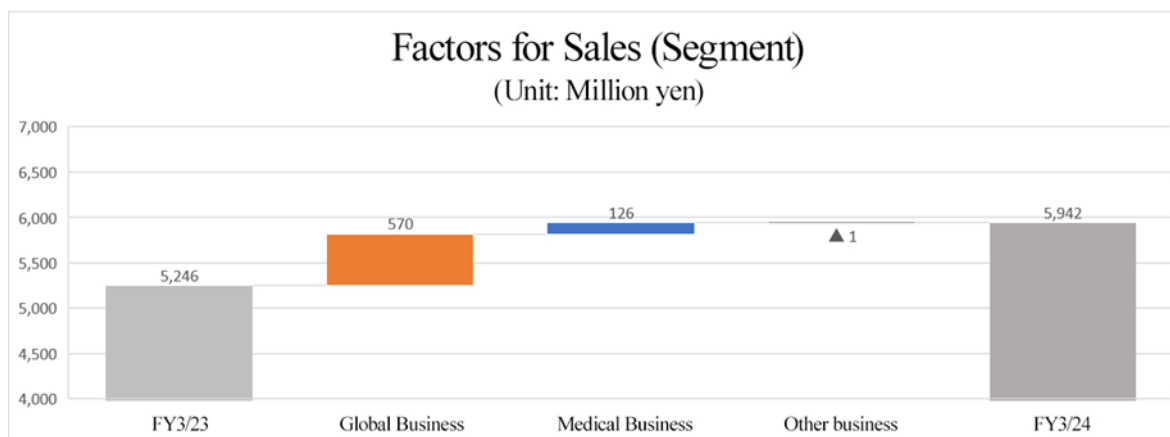
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2-2 Trend of Segments

	FY 3/23	Ratio to sales	FY 3/24	Ratio to sales	YoY
Global Business	3,725	71.0%	4,295	72.3%	+15.3%
Medical Business	1,520	29.0%	1,646	27.7%	+8.3%
Other	1	0.0%	+0	0.0%	-50.0%
Consolidated Sales	5,246	100.0%	5,942	100.0%	+13.3%
Global Business	446	12.0%	420	9.8%	-5.7%
Medical Business	895	58.9%	1,010	61.4%	+12.8%
Other	+0	50.0%	+0	50.0%	-50.0%
Adjustment	-330	-	-358	-	-
Consolidated Operating Income	1,011	19.3%	1,072	18.0%	+6.0%

*Unit: million yen. Sales is the sales toward external customers. Ratio to sales in Operating Income is profit margin.



*Created by Investment Bridge Co., Ltd. based on disclosure material.

(Global Business)

Sales increased and profit decreased.

Sales grew 15.3% year on year to 4,295 million yen, hitting a record high. In response to the Economic Security Promotion Act enacted in May 2022, leading companies and system integrators reviewed their suppliers, and the demand for the services of Uicom as a safe outsourcee grew.

Operating income declined 5.7% year on year to 420 million yen. Costs for investing in increasing IT engineers and training engineers and for establishing a base in Manila augmented as they formed capital and business appliances with OGIS-RI Co., Ltd., clients' response to the Economic Security Promotion Act was delayed, and temporary development expenses decreased as clients refrained from purchasing PCs before the release of a new OS.

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They started transactions with large global companies, which are candidates for new pillars.



(Medical Business)

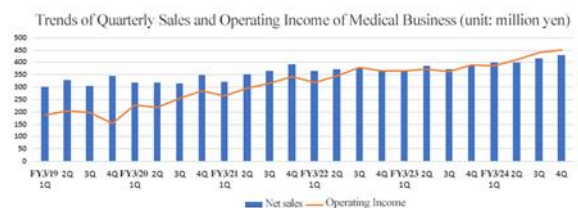
Sales and profit increased.

Sales grew 8.3% year on year to 1,646 million yen, hitting a record high.

As the law regarding the reform of workstyles of medical doctors was enforced in April 2024, the DX at medical institutions accelerated, and the company received more orders for Mighty QUBE® Hybrid and Mighty Checker® EX. Regarding “Mighty QUBE® Hybrid,” cross-selling based on the business tie-up with the electronic medical record maker, whose main clients are small and medium-sized hospitals, started contributing to business results.

The number of users of “Mighty” Series increased by 682 in the previous fiscal year and by 1,660 in fiscal year ended March 2024. The number of users was 19,157 at the end of March 2023 and 20,817 at the end of March 2024.

As the establishment of a high-revenue structure, the thoroughgoing revenue management for each project, continuous cost reduction, etc. turned out to be effective, profit margin was 61.4%, up 2.5 points from the previous fiscal year to achieving high revenues continuously.



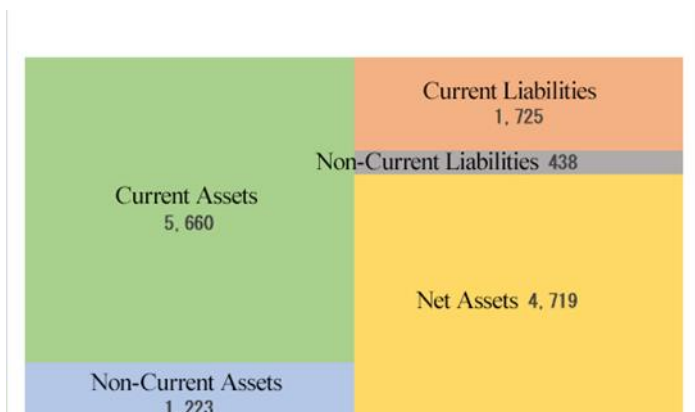
2-3 Financial position and cash flow

Main Balance Sheet

	End of 3/23	End of 3/24	Increase /Decrease		End of 3/23	End of 3/24	Increase /Decrease
Current Assets	4,838	5,660	+822	Current liabilities	1,336	1,725	+389
Cash and Deposits	3,671	4,026	+354	ST Interest	100	100	0
Receivables	866	1,288	+422	Bearing Liabilities			
Noncurrent Assets	959	1,223	+264	Contract liability	695	763	+67
Tangible Assets	58	140	+81	Noncurrent liabilities	370	438	+67
Intangible Assets	168	213	+44	Liabilities	1,706	2,164	+457
Investment, Others	731	870	+138	Net Assets	4,090	4,719	+629
Total assets	5,797	6,883	+1,086	Retained earnings	2,737	3,134	+396
				Total Liabilities and Net Assets	5,797	6,883	+1,086

*Unit: million yen

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*Created by Investment Bridge Co., Ltd. based on disclosure material.

Total assets increased 1,086 million yen from the end of the previous year to 6,883 million yen mainly due to an increase in cash and deposits and receivables.

Total liabilities increased 457 million yen to 2,164 million yen.

Net assets increased 629 million yen to 4,719 million yen due to an increase in retained earnings.

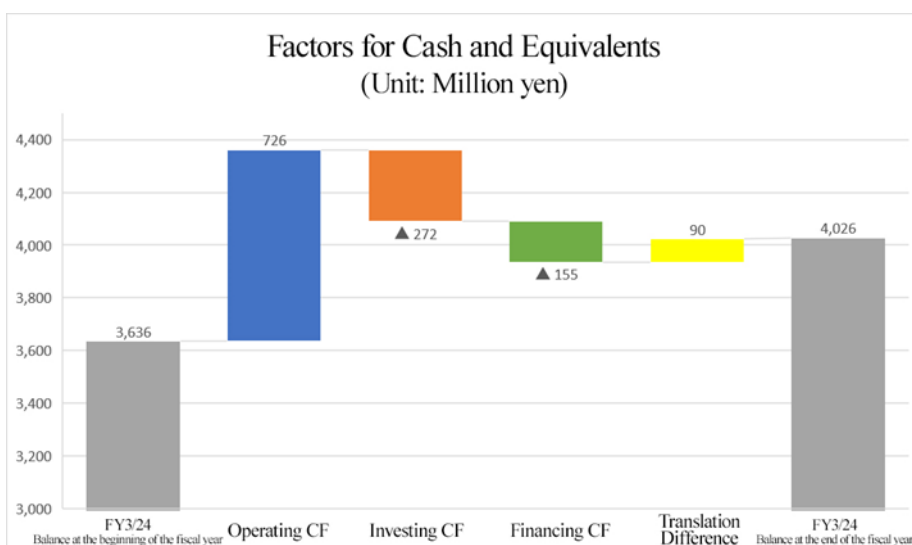
As a result, capital adequacy ratio decreased 2.4 points from the end of the previous fiscal year to 68.2%.

◎Cash flow

	FY 3/23	FY 3/24	Increase/Decrease
Operating cash flow	820	726	-93
Investing cash flow	-110	-272	-162
Free cash flow	710	454	-256
Financing cash flow	-447	-155	+292
Cash, equivalents at term-end	3,636	4,026	+389

*Unit: million yen

Cash position increased.



*Created by Investment Bridge Co., Ltd. based on disclosure material.

2-4 Topics

① Reporting the progress in accordance with the memorandum for further business growth of the Ubicom Group

In December 2023, a session was held to report the progress of business after the signing ceremony for business agreements that took place in February 2023 under the auspices of Department of Trade and Industry (DTI) of the Philippines, when the President Ferdinand Marcos of the Philippines visited Japan. The business progress was reported by a total of 12 companies, including Ubicom Holdings, Inc., Toyota Motor Corporation, Mitsubishi Corporation, Marubeni Corporation, and Nomura Real Estate Development Co., Ltd. Ubicom Holdings reported the progress of development top-notch engineers and the support for digital transformation (DX) utilizing their corporate group's development bases mainly in the Philippines as an IT development partner of leading global enterprises inside and outside Japan.

② Concluding a contract for capital and business alliances with OGIS-RI

In February 2024, the company concluded a contract for capital and business alliances with OGIS-RI Co., Ltd. for accelerating strategic partnership to offer more DX services in the Asia-Pacific region by utilizing the resources of the two companies.

Since before that, the company has been promoting strategic partnership with OGIS-RI Co., Ltd. based on a business tie-up. This time, the company has concluded a contract for capital and business alliances for accelerating strategic partnership to offer more DX services in the Asia-Pacific region by utilizing the resources of the two companies.

(Description of the business alliance)

OGIS-RI will hold the shares of Ubicom to establish a capital relationship and accelerate strategic partnership, and they will aim to expand business by inducing synergy among the two companies' resources.

*In Advanced World Solutions, Inc., which is a Filipino subsidiary of Ubicom, OGIS-Ubicom Philippines Laboratory will be enlarged as a development laboratory exclusively for OGIS-RI, to establish a development system with the annual order amount in fiscal year 2024 (Apr. 2024 to Mar. 2025), which is the initial fiscal year, being 300 million yen or over. Furthermore, Ubicom will accept employees at leading posts dispatched from OGIS-RI, and make continuous efforts to expand the business of Ubicom in the wake of the enforcement of the Economic Security Promotion Act.

*The two companies will collaboratively market and sell IT solutions of OGIS-RI in the Asia-Pacific region, with the aim of achieving annual sales of 1 billion yen in fiscal year 2030 (Apr. 2030 to Mar. 2031).

(Description of the capital alliance)

OGIS-RI will acquire the common shares of Ubicom through the market.

3. Fiscal Year ending March 2025 Earnings Forecasts

Earnings Forecasts

	FY 3/24	Ratio to sales	FY 3/25 Est.	Ratio to sales	YoY
Net Sales	5,942	100.0%	6,700	100.0%	+12.7%
Operating Income	1,072	18.0%	1,500	22.4%	+39.9%
Ordinary Income	935	15.7%	1,518	22.7%	+62.2%
Net Income	526	8.9%	1,000	14.9%	+90.1%

*Unit: million yen. The forecasted values were provided by the company.

Forecasted double-digit increase in sales and profit

For the fiscal year ending March 2025, it is forecast that sales will grow 12.7% year on year to 6.7 billion yen, operating income will rise 39.9% year on year to 1.5 billion yen, and ordinary income will increase 62.2% year on year to 1,518 million yen.

Before entering second growth phase (investment return phase), they plan to increase the utilization rate of engineers versed in cutting-edge technologies and meet the demand that has remained since the inauguration of their business thus, both operating and ordinary incomes are expected to increase over 40%.

4. Initiatives and outlook for the second growth phase

The initiatives and outlook for the next growth phase of the technology consulting and medical businesses, which have been expanding steadily, are as follows.

(1) Initiatives for the two businesses

① Technology consulting business

*Enhancement of consulting-based marketing

In response to the increase of inquiries from clients who are affected by the Economic Security Promotion Act, they integrated the strategic divisions of the enterprise solution business and the global business, establishing the technology consulting business division, to enhance consulting-based marketing in the fiscal year ending March 2025. The company has launched a consulting business utilizing their know-how, which has been nurtured through offshore development for 30 years, targeting leading enterprises inside and outside Japan.

*Foray into the global market

In the fiscal year ended March 2024, the transactions with a new global enterprise started. They will keep concentrating on the training and education of global IT engineers.

*To make clients pillars at an accelerated pace

The company defines its pillar clients ("mainstay clients") as market leaders in their respective industries with whom it has an ongoing business relationship and sales of several hundred million yen.

For new clients, 1-5 people are initially dispatched to the client's site for on-site development, but as sales expand, the number of engineers assigned to the client's site increase, and the company begin to shift to an offshore development system. The goal is to eventually have a big-pillar clients with more than 50 people working on development on a continual basis.

In the process of reaching this stage, an increase in profitability is expected, owing to the advantage of scale, the elevation of development productivity based on the accumulated industrial knowledge, the development of their original solutions for test automatization, etc.

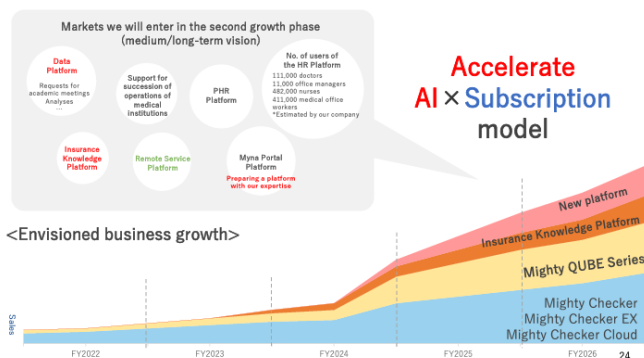
By improving technological capabilities and consulting skills, they will attract global enterprises as pillar clients at an accelerated pace.

(2) Medical Business

*Establishment of a new platform business

By utilizing the customer base composed of over 20,000 medical institutions, their own medical database, and intellectual property, the company generates stable revenues from Mighty Checker® EX, Mighty QUBE® Hybrid, and Mighty Checker® Cloud. In the second growth phase, they will promote a new platform business, including insurance knowledge, data-based health, remote services, Mynportal, and a human resources platform for users. They first started preparations for “a platform for remote services.”

They aim to develop a new recurring-revenue model.



(From company's document)

***Starting the cross-selling of Mighty QUBE® Hybrid and Mighty Checker® EX on a full-scale basis**

As mentioned above, they started a full-scale measure for cross-selling “Mighty QUBE® Hybrid” to small and medium-sized hospitals based on the business alliance with the electronic medical record maker in November 2023.

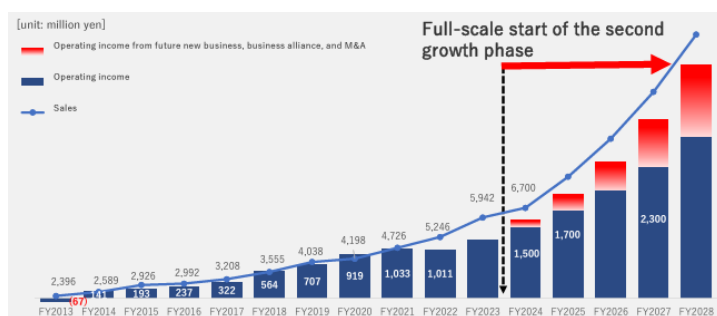
They will promote a market development of 6.2 billion yen, with the aim of achieving a gross profit margin of 75%.

(3) Common in both businesses

They will actively promote M&A and alliances, to accelerate business expansion.

4-2 Growth Vision

They will implement the above-mentioned measure in both businesses, and start the second growth phase on a full-scale basis in the fiscal year ending March 2025, with the aim of boosting sales and profit rapidly.



(From company’s document)

5. Conclusions

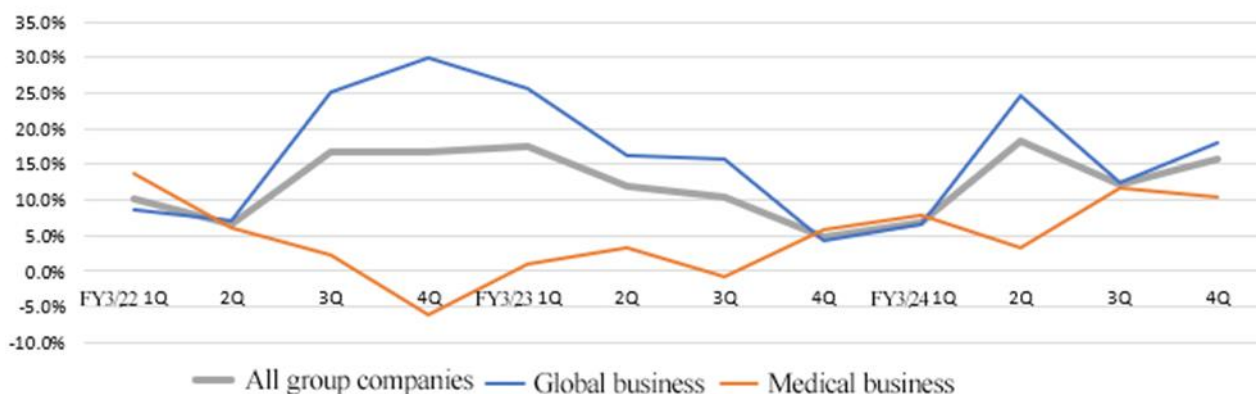
In the previous report, we wrote that “monthly revenue from licenses was calculated by dividing sales by 15 months thus, the year-on-year growth rate of quarterly sales of the medical business has been single-digit as a whole since the first quarter of the fiscal year ended March 2022,” but sales growth rate was 11.7% and 10.4% in the third and fourth quarters, respectively, in the fiscal year ended March 2024, showing double-digit sales growth.

As the number of users of Mighty Series exceeded 20,000, it seems that sales growth has been accelerated while revenues have become stable.

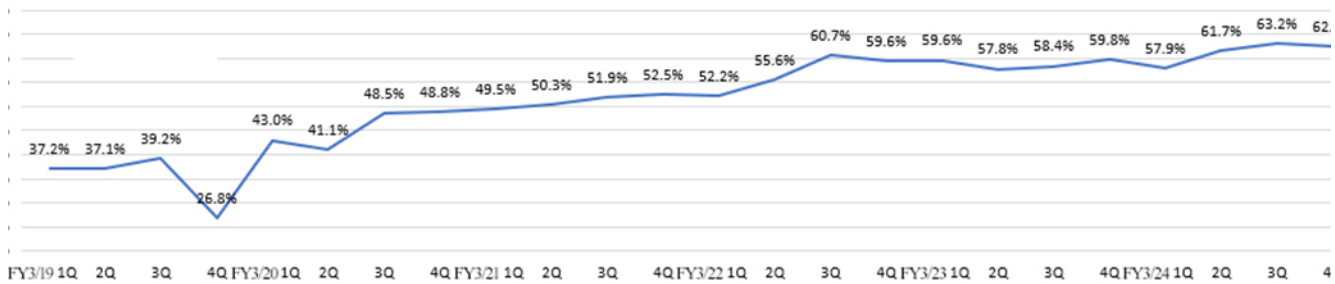
In addition, profit margin remains on the upward trend. In 2024, medical service fees will be revised, so we heard that the number of inquiries they receive is increasing.

We would like to expect that more clients will adopt their services at an accelerated pace.

Trends of (year-on-year) quarterly sales growth rate



Trends of Quarterly Operating Income Ratio in Medical Business



<Reference: Regarding Corporate Governance>

◎ Organizational structure and composition of directors and corporate auditors

Organizational structure	Company with corporate auditor
Directors	6, out of which 3 are outside directors. (including 3 independent executives)
Corporate auditors	3, out of which 2 are outside auditors. (including 2 independent executives)

◎ Corporate Governance Report

Last updated: July 3, 2023

*Basic Policy

The corporate ethos of our company is “to remain a one and only business innovation company,” “global business operation,” and “co-prosperity based on a win-win model.” We recognize that it is essential to enrich and tighten our corporate governance, in order to improve our corporate value and maintain our global competitiveness under this ethos. In detail, our basic policy is “to aim to enhance our profitability and maximize the profits for shareholders by conducting more efficient, sound business activities” and put importance on compliance. Under this policy, we strive to strengthen our corporate governance, while considering that it is essential to fulfill our social responsibilities toward all kinds of stakeholders, including shareholders, employees, business partners, and local communities, and achieve sustainable growth and expansion.

<Reasons for Non-compliance with each Principles of the Corporate Governance Code (Excerpts)>

Principle	Reasons for not following
[Supplementary Principle 4-1-3 Succession Plan for the CEO and others]	The Board of Directors is not currently specifically overseeing succession planning for the CEO and others. The person to be appointed as President and Representative Director, who will become the CEO, will be selected based on knowledge, experience, and ability, and on the circumstances surrounding the company and the issues that need to be addressed at the time. In the future, we will also consider formulating a succession plan.
[Supplementary Principle 4-2-1 Executive Compensation and Incentives]	Since the term of office of the directors is one year, their compensation is reviewed annually based on the previous year's performance. However, we have not established a compensation system that is linked to medium to long-term performance or a compensation system based on treasury shares. We recognize the need to add incentives to compensation for the management in a manner that reflects our company’s medium to long-term performance and potential risks and contributes to the development of a healthy entrepreneurial spirit, and will continue to consider appropriate methods.

<Disclosure Based on each Principles of the Corporate Governance Code (Excerpts)>

BRIDGE REPORT



Principles	Disclosure contents
[Principle 1-4 The strategically held shares]	<p>Our company may hold shares strategically, if they are considered to contribute to the enhancement of the value of our corporate group from the mid/long-term viewpoint. Our policy is to hold such shares, as long as we can secure the rationality of shareholding purposes, such as the maintenance and cementing of transaction relations through business alliance, collaboration, etc. For exercising the voting rights of the shares, we discuss whether or not a bill is consistent with our shareholding policy.</p> <p>Moreover, there are no strategically held shares as of the day of the submission of this report.</p>
[Supplementary Principle 2-4-1 Ensuring Diversity in the Appointment of Core Personnel]	<p>(1) Approach to ensuring diversity</p> <p>The corporate group's policy regarding human resources development, including ensuring diversity in the workforce, and the in-company environment are as follows.</p> <p>We are expanding our business by hiring people based on their experience, ability, etc. regardless of gender or nationality. Therefore, we have not set any policies or goals for the promotion of people to managerial positions that are specific to “women,” “foreigners,” or “mid-career hires.” In addition, our company currently has two female directors, including a director (foreign national) of a subsidiary outside of Japan. We intend to continue to promote diverse human resources with excellent character, insight, and management skills, regardless of gender or nationality, and will consider human resources strategies to enhance corporate value over the medium to long term, including a human resources development policy and a company environment improvement policy aimed at ensuring further diversity.</p> <p><Human Resources Development Policy></p> <p>The basic policy for human resources development is as follows:</p> <ol style="list-style-type: none"> 1. Strengthening recruitment 2. Education on new skills 3. Leadership training 4. Pooling of resources (maximizing utilization ratio through collaboration between businesses) <p><Engineer training in the global business></p> <p>Our training and education systems, which develop our engineers into true top engineers who can contribute to the business, are strong differentiating factors that other companies cannot easily beat.</p> <p>Our self-developed training program at our “ACTION” training center in the Philippines consists of four categories: Basic IT concepts, advanced technology, interpersonal soft skills, and the Japanese language, and aims to help students pass the PhilNITS (Philippine National IT Standards Examination) and Level 4 of the Nihongo Kentei (Japanese Language Examination).</p> <p>After completing the training, trainees present their results to the board members and undergo an interview evaluation before being assigned to a project. Even for talented students, the path to being entrusted with actual work is not an easy one, but those who overcome these hurdles and graduate from the program have advanced technical skills and the ability to carry out work in a Japanese environment, demonstrating an overwhelming advantage in the Japanese IT market and becoming a powerful engine for our company's growth.</p> <p><Improvement of the in-company environment></p> <p>In order to ensure diversity, we implement and promote the following measures under our in-company environment improvement policy, which is to create a system, an environment, and a culture that allow diverse human resources to choose their own working style</p>

	<p>according to their individual personalities and changing life stages.</p> <ul style="list-style-type: none"> ▪ Adoption of a reemployment system that treats post-retirement employees according to their performance ▪ Adoption of a system for working from home ▪ Effects of office relocation <p>After the relocation of the headquarters office on July 1, 2023, we have been aiming to create a culture in which employees gather on one floor, stimulate cross-organizational communication, and foster a culture in which employees engage in friendly competition with each other to enhance the group's organizational capabilities and generate more active innovation.</p> <p>(2) Measurable voluntary goals and progress of activities for ensuring diversity</p> <p>Our corporate group uses the following indicators in its basic policy for human resources development to ensure diversity as described in (1) above, and the targets for these indicators are as follows.</p> <ul style="list-style-type: none"> ▪ Indicator: Planned annual number of hires in the global business ▪ Target: To hire 350 or more people per year from fiscal year ended March 2024
<p>[Supplementary Principle 3-1-3 Sustainability Initiatives]</p>	<p>We are strongly aware of our corporate responsibility to realize a sustainable society, and in order to work with all stakeholders to solve social issues and continuously improve our corporate value, we have established a basic sustainability policy and set forth the issues to be solved in the areas of environment, society, and governance, as well as our efforts to achieve them.</p> <p>(1) Basic Sustainability Policy</p> <p>Our management philosophy is “to remain a one-of-a-kind business innovation company that creates IT solutions that contribute to solving social issues,” “global business operation,” and “co-prosperity based on a win-win model.” In addition, we will be one of the first to focus on changes and issues in the social structure, such as climate change, declining birthrates and an aging population, and medical issues, and will pursue the realization of a sustainable society and the improvement of the Ubicom Group's corporate value by providing IT solutions that contribute to solving social issues and taking appropriate risk reduction initiatives.</p> <p>(2) Environmental, Social and Governance Initiatives</p> <p>The following is a description of the issues we need to resolve and our efforts to address them.</p> <p>1) Environment: To achieve carbon neutrality</p> <ul style="list-style-type: none"> ▪ Promoting the saving of resources (without using paper) within our company and our clients ▪ Relocation to environmentally friendly offices that use renewable energy only <p>2) Society: Resolving customer issues by providing solutions</p> <ul style="list-style-type: none"> ▪ Support for DX: Reforming clients' operations through advanced technology support ▪ Further upgrading and strengthening of solution development capabilities at the Advanced Technology Development Center ▪ Improving Japan's global competitiveness by supporting the globalization of domestic companies ▪ Developing solutions to reduce medical costs ▪ Reforming doctors' work styles <p>3) Governance: Realizing fair and transparent management</p>

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	<ul style="list-style-type: none"> ▪ Strengthening compliance and risk management systems based on the Basic Sustainability Policy ▪ Establishing a governance system that emphasizes diversity
<p>[Principle 5-1 Policy for constructive dialogue with shareholders]</p>	<p>We positively respond to shareholders' application for dialogue.</p> <p>The Corporate Planning Division is in charge of our IR activities, and have developed an IR system based on their daily close cooperation, so that they can accept the phone interviews from investors, small meetings, etc.</p> <p>In addition, we hold a result briefing session involving the representative director and distribute a result briefing video twice or more times every year.</p> <p>In addition, our company discloses information and manages insider information in accordance with our disclosure policy (https://www.ubicom-hd.com/ja/ir/policy.html).</p>

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