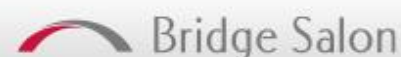


BRIDGE REPORT



President Masayuki Aoki

Ubicom Holdings, Inc. (3937)



Company Information

Exchange	TSE 1st Section
Industry	Information and communications
CEO	Masayuki Aoki
HQ Address	Joko Bldg., 9F, 2-23-11, Koishikawa, Bunkyo-Ku, Tokyo
Year-end	End of March
Homepage	https://www.ubicom-hd.com/

Stock Information

Share Price	Shares Outstanding		Market Cap.	ROE (Act.)	Trading Unit
¥3,565	11,802,880 shares		¥42,077 million	24.2%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
Undecided	-	¥68.78	51.8x	¥249.28	14.3x

*The share price is the closing price on June 23. Each number is from the financial results for the fiscal year ended March 2021.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2018 (Act.)	3,208	322	355	212	19.08	0.00
March 2019 (Act.)	3,555	564	591	368	32.57	5.00
March 2020 (Act.)	4,038	707	715	533	46.17	5.00
March 2021 (Act.)	4,198	919	877	623	53.25	7.00
March 2022 (Est.)	4,963	1,079	1,104	811	68.78	Undecided

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

This Bridge Report overviews the financial results of Ubicom Holdings, Inc. for the fiscal year ended Mar. 2021, future initiatives, and interview with President Aoki and more.

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Key Points

- For the fiscal year ended March 2021, net sales increased 4.0% from the previous fiscal year to 4,198 million yen. The global business was affected by COVID-19, mainly in the first half of the year, and from the second half of the year, strategic investments related to the development of advanced IT human resources were implemented, but sales from major pillar clients were steady and almost unchanged from the previous year. The medical business was also affected by COVID-19 in the first half but recovered in the second half to post double-digit sales growth. Operating income increased 29.9% to 919 million yen. Gross profit margin improved 0.8 points thanks to growth in the highly profitable medical business. Gross profit also increased 6.0% YoY. Operating income increased 29.9% YoY to 919 million yen due to a 10.8% decrease in SG&A expenses despite the implementation of full-scale strategic investments from the third quarter. Ordinary income increased 22.6% YoY to 877 million yen. The company was able to absorb the impact of the novel coronavirus infection (approximately 30 million yen, including expenditures related to employee transportation in the Philippines and the shift to a remote development system) and the impact of exchange rates (approximately 45 million yen). Profits at each stage reached a record high. The dividend was increased by 2 yen per share from the previous fiscal year to 7.00 yen per share. The payout ratio was 13.1%.
- For the fiscal year ending March 2022, the company forecasts net sales of 4,963 million yen, up 18.2% from the previous fiscal year, an operating income of 1,079 million yen, up 17.4%, and an ordinary income of 1,104 million yen, up 25.9%. Operating income and ordinary income are expected to reach record highs this fiscal year too. The company will continue to make "strategic investments," but by absorbing these investments, it aims to achieve double-digit profit growth. The company has not decided on a dividend at present but intends to continue to provide appropriate shareholder returns in line with profit levels this fiscal year.
- We asked President Aoki about his review of the previous fiscal year's results, future initiatives, future development of the insurance knowledge platform, ESG management, and his message to shareholders and investors. He said, "We have doubled our profits in two years since we were listed on the Tokyo Stock Exchange Mothers in 2016. In order to further accelerate our growth, we will aggressively pursue M&A and alliances, and focus on developing advanced IT human resources. We hope that you will continue to support us as we take on these challenges."
- The profitability of the medical business has improved remarkably. Although sales were sluggish in the first quarter (April-June), both sales and profits recovered from the second quarter, as the company steadily captured demand for improved hospital management efficiency even during the COVID-19 pandemic. Operating income margin exceeded 50% due to expansion of direct sales, cross-selling, and price revisions. In the global business, sales and profits were on par with the previous year, but operating income margin was 17.8%, almost the same as the previous year, and projects for pillar clients with high profit margins based on ongoing development partnerships were strong.
- The company will continue to make "strategic investments" in the current fiscal year, but by absorbing these investments, it expects double-digit profit growth, and we will be paying close attention to the trends in each quarter. In the medium term, we also continue to expect to see how the company's No. 1 niche platform strategy, including its "Insurance Knowledge Platform," will help it tap the huge market it anticipates.

1. Company Overview

Ubicom Holdings is a one-of-a-kind 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 1,000 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 a low cost and capture the demand and decided to commercialize the idea. In December 2005, He founded Advanced World Solutions, Ltd. (currently: Ubicom Holdings, Inc.)

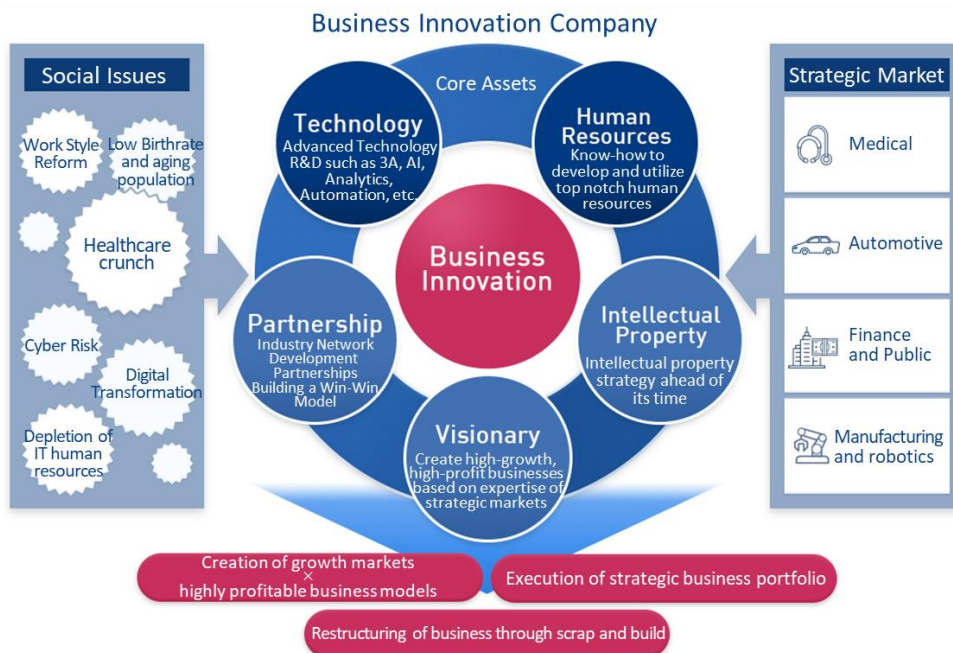
Following the trend of ICT adoption, the increase of new clients progressed well, and the business expanded thanks to the competitive advantage of having a development center in the Philippines, which possesses many capable top-class engineers. In 2012, the company acquired AIS Co., Ltd., which is the 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.

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 crunch, 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

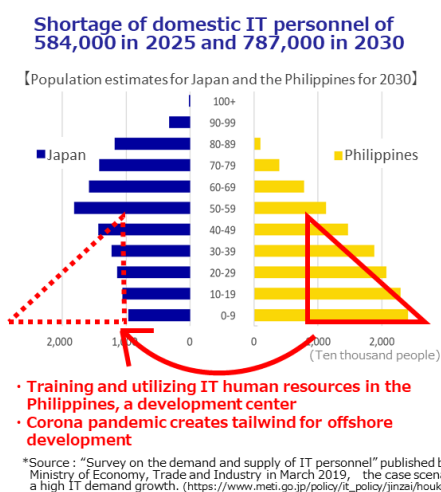
1-3-1 Overview

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.

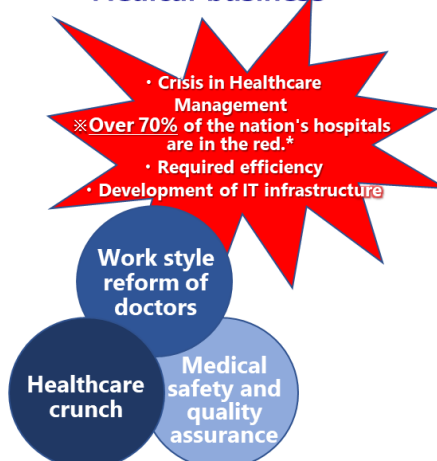
1-3-2 The business environment surrounding the company

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.

Global business



Medical business



(From company documents)

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, Crunch 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 2018 at 42.6 trillion yen. As medical expenses are in an increasing trend due to the progression of the aging population, the financial situation of medical insurances keeps getting worse. 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.

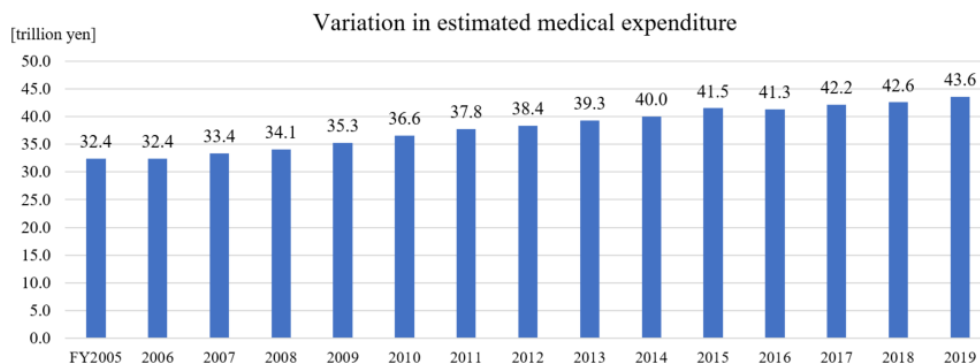
In 2009, medical institutions were obligated to make online requests for Medical Claims, as a general principle.

(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 crunch in medical care provision systems and deterioration of hospital management caused by the COVID-19 pandemic are becoming 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.



*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 that 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 charts, 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 charts were lost in areas devastated by the Great East Japan Earthquake in March 2011. Furthermore, the medical crunch due to the spread of COVID-19 made us strongly aware of the necessity of online diagnosis and electronic charts. 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 finishing development for audio AI and chatbots (automatic conversation programs), the company is promoting cross-sectoral application. In the future, it will focus on developing solutions with in-vehicle AI devices by using voice AI with automobiles' SDL (The smart device link that connects car audio with smartphones). In addition, it also plans to support devices installed in self-driving cars and aims to build a recurring-revenue business that will sustainably generate significant profit by the time self-driving cars become popular.
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 big data of 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 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.

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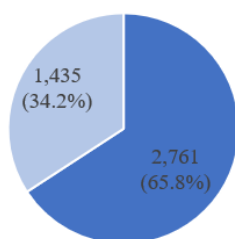


1-3-4 Segments

The company reports 2 business segments; one is a global business that provides IT solution services to diverse markets such as Finance/Public, Medical, Automotive, Manufacturing and Robotics, and management improvement solutions etc for medical institutions such as the Medical Claims Inspection Software.

Sales composition

(FY Mar. 2021, Unit: million yen)

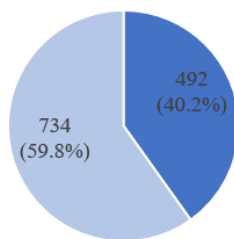


■ Global division ■ Medical division

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

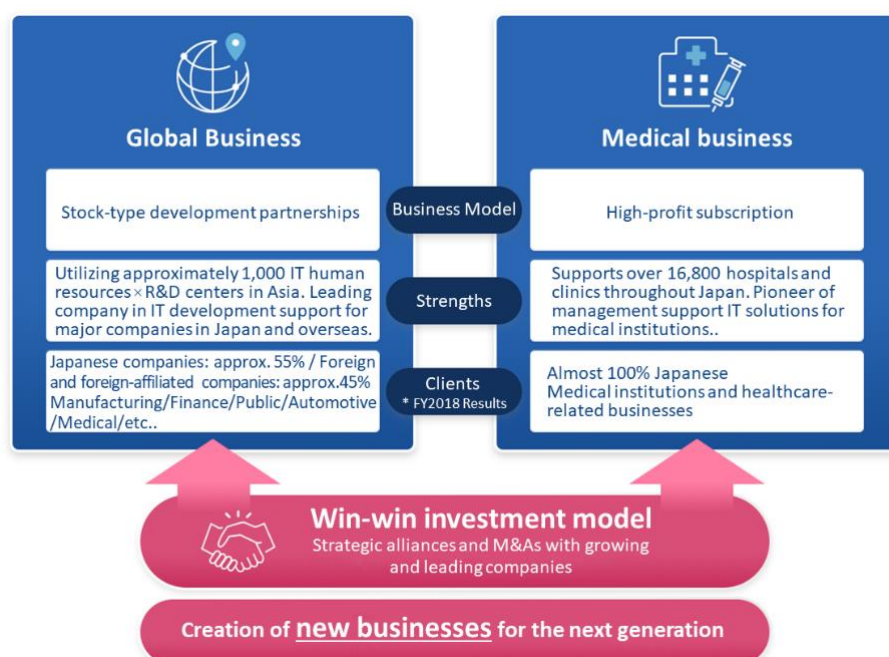
Operating income composition

(FY Mar. 2021, Unit: million yen)



■ Global division ■ Medical division

* Ratio to total 2 business amount



(From the company's website)

1) 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 1,000 engineers. This gives it a strong competitive advantage. (Refer to 【1-4 Characteristics and Strengths】 for more details.)

- 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 1,000 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

- 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 user-oriented and cost-effective features. Sales were positively affected by work style reforms and over the past few years, it has gained more than 1,300 new users each year, as of the end of Mar 2021, the Mighty series occupied the top market share and was being used by approximately 40.0% of hospitals with a patient capacity of 20 or more (3,311 facilities), and 14.0% of clinics with a patient capacity of 19 or less (14,141 facilities), for a total of about 17,452 facilities.

- Mainstay products and services

(1) The Medical Claims Inspection Software (Mighty Checker®)

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 FY 2019, it released “Mighty Checker® EX,” an AI-based new-generation Medical Claim check system and reaffirmed its market position.

Mainly, the company strongly supports the Medical Claim issuing process with the following features:

Product name	Features
Mighty Checker® EX	<ul style="list-style-type: none"> - Top-end product in the Mighty Checker series released in the autumn of 2018 - Next-generation system for checking Medical Claims, which was developed by upgrading the highly evaluated functions and usability of the conventional product “Mighty Checker PRO” and incorporating AI for Medical Claims Inspection
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® Cloud	<ul style="list-style-type: none"> - A cloud service for inspecting medical claims, which can be linked with electronic charts in the cloud - Can be used for adopting the cloud for in-hospital systems, streamlining operations, realizing remote work, BYOD with any terminals, and BCPs, as it is easy to install and operate - Collaborations with cloud-type electronic medical record systems to be pursued

(2) Medical Ordering check software, “Mighty QUBE® PRO”

This system utilizes the database of Mighty Checker® to check appropriateness of treatment and medication with disease, dosages 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), so that medical doctors can concentrate on their primary task, that is, healthcare. 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.

◎ Case study

In a case of installation in a hospital with 6 medical staff members, the hours for Medical Claims per month halved in a month after installation, and the claims support functions increased sales.

In the future, working hours will become even shorter as the staff gets used to operating the software. As more data accumulated, accuracy is also expected to improve further with the use of AI detection.

(3) 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, at medical institutions that 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 charts, 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.

(4) Insurance Knowledge Platform

“Insurance Knowledge Platform” is the industry’s first (based on Ubicom’s research) platform that supports improved evaluation efficiency by providing the information and knowledge necessary for insurance payment examinations carried out in the insurance industry on one, integrated system.

Adoption at SBI Life Insurance Co., Ltd. has been decided.

(Overview and features)

Until now, insurance companies have needed to exert a great deal of effort to cover the spectrum of information necessary to make an evaluation 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 insurance knowledge platform, which uses a unique medical database backed by the company's track record of providing services to more than 17,000 medical institutions, can greatly streamline cumbersome screening operations.

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After discharging the insured, it currently takes 2-4 weeks for insurance policy holders to receive benefits after completing paperwork with the insurance company and hospital, and it takes the insurance company about 2-3 weeks from examination to payment.

In Phase 1, the Insurance Knowledge Platform will shorten the above-mentioned period needed for the insurance company by at least one day.

In Phase 2, the claim process for the policy holder will be completed in minutes.

(Monetization concept)

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

Revenue consists of basic initial costs, basic connection usage fees, optional initial costs, and optional connection usage. The company is looking at developing 20 or more options to meet diverse needs, 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 17,000 medical institution users for over 20 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. We 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 foray 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.

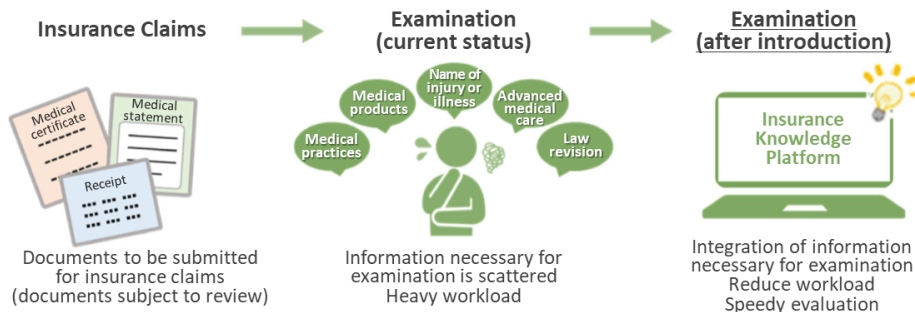
(Future developments)

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 payment examination search system 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 the coronavirus.

What is the "Insurance Knowledge Platform"?

(*Based on own research)

The industry's first* evaluation support platform to "streamline" "cumbersome" insurance payment examination work



(From company documents)

In addition, in November 2020, it was decided that the company would participate 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.

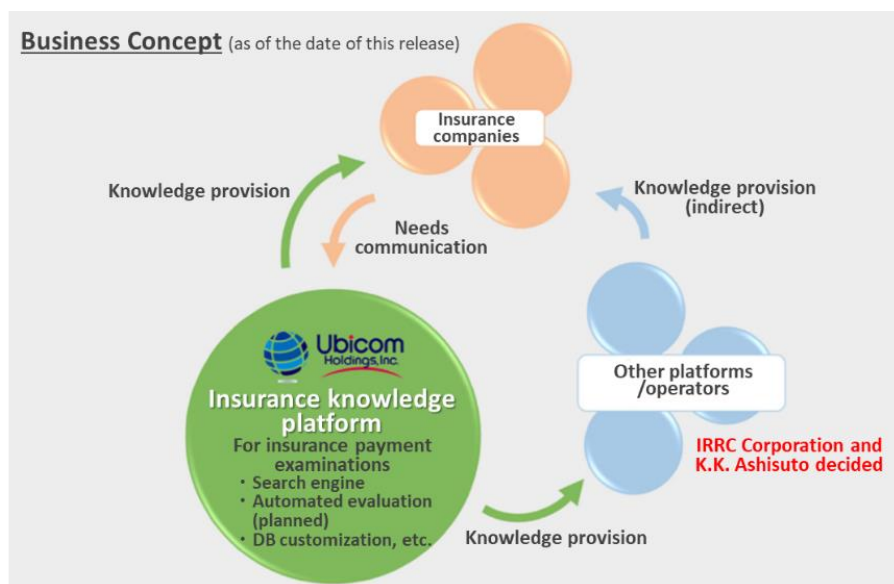
In order to develop and expand this concept, the company's insurance payment automation technology in the "Insurance Knowledge Platform" was highly acclaimed, and the company decided to participate as the first company to strengthen the concept.

Against the backdrop of many business inquiries for the "Insurance Knowledge Platform," the company is preparing to implement an "AI-based automatic judgment" function as an option in addition to the "judgment 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, the company 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 FY 3/21, the company will expand the use of its approximately 1,000 global IT personnel 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.



(From company documents)

1-4 Characteristics and Strengths of Ubicom

1-4-1 Training and utilizing approximately 1,000 engineers, mainly at its development sites in the Philippines

As was touched upon in the corporate history section, the president Aoki had inspected the site several times, and considered the Philippines as an optimum location for IT development. It not only is 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 over 25 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 1,000 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 a few thousand applications for engineer positions almost every year. However, only top 4% of applicants are accepted.

3) Human resources development with original education 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, 18 years ago, 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 for 5 months, and it aims employees will 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 global division 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.

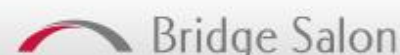
1-4-3 Feeling of partnership inside and outside the Group, and a corporate culture with a sense of ownership

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).

BRIDGE REPORT



1-5 ROE analysis

	FY 3/2015	FY 3/2016	FY 3/2017	FY 3/2018	FY 3/2019	FY 3/2020	FY 3/2021
ROE (%)	4.9	-	12.2	17.7	24.7	27.3	24.2
Net Income to Sales Ratio (%)	1.24	-0.16	3.76	6.63	10.37	13.21	14.86
Asset Turnover Ratio (x)	1.33	1.46	1.44	1.36	1.27	1.17	1.02
Leverage (x)	2.97	2.62	2.25	1.96	1.87	1.76	1.60

*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.

Total asset turnover and leverage are on a downward trend, but margins continue to improve. The projected net income to sales ratio for the current fiscal year is 16.3%.

The company is likely to maintain a high level of ROE.

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 FY03/19, 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 2021, the company also paid a dividend of ¥7.00 per share, an increase by 2 yen, and the payout ratio was 13.1%.

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, 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.

Global Business	<ul style="list-style-type: none"> * Client DX (Business process reforms for clients through advanced technology support such as AI/Analytics/Automation/cloud) * New Normal promotion (Offshore deployment, non-contact/non-touch/remote solution development) * Improvement of Japan's global competitiveness through globalization support for domestic companies
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 * Business improvement, paperless, cloud deployment, telemedicine support for medical institutions * Workstyle reform for doctors, improvement of healthcare safety and quality
Group as a whole	<ul style="list-style-type: none"> * Resilient business management (reinforced business continuity structure including remote working) * Promotion of eBilling/eOR solution for transparency of transactions (corruption prevention) and non-contact infection preventive measure * Providing education and opportunities to young talent in Asia * Diversity in employees and management positions

2. Fiscal Year ended March 2021 Earnings Results

2-1 Earnings Trends

	FY Mar. 20	Ratio to sales	FY Mar. 21	Ratio to sales	YoY	Compared to estimates
Net Sales	4,038	100.0%	4,198	100.0%	+4.0%	-5.4%
Gross profit	1,720	42.6%	1,822	43.4%	+6.0%	-
SG&A	1,012	25.1%	903	21.5%	-10.8%	-
Operating Income	707	17.5%	919	21.9%	+29.9%	+13.9%
Ordinary Income	715	17.7%	877	20.9%	+22.6%	+4.4%
Net Income	533	13.2%	623	14.9%	+17.0%	+3.1%

*Unit: million yen

Sales and Profits increased. Profits reached a record high.

Sales increased 4.0% from the previous fiscal year to 4,198 million yen. The global business was affected by COVID-19, mainly in the first half of the year, and from the second half of the year, strategic investments related to the development of advanced IT human resources were implemented, but sales from major pillar clients were steady and almost unchanged from the previous year. The medical business was also affected by COVID-19 in the first half but recovered in the second half to post double-digit sales growth. Operating income increased 29.9% to 919 million yen. Gross profit margin improved 0.8 points thanks to growth in the highly profitable medical business. Gross profit also increased 6.0% YoY. Operating income increased 29.9% YoY to 919 million yen due to a 10.8% decrease in SG&A expenses despite the implementation of full-scale strategic investments from the third quarter.

Ordinary income increased 22.6% YoY to 877 million yen. The company was able to absorb the impact of the novel coronavirus infection (approximately 30 million yen, including expenditures related to employee transportation in the Philippines and the shift to a remote development system) and the impact of exchange rates (approximately 45 million yen).

Profits at each stage reached a record high. The dividend was increased by 2 yen per share from the previous fiscal year to 7.00 yen per share. The payout ratio was 13.1%.

2-2 Trend of Segments

	FY Mar. 20	Ratio to sales	FY Mar. 21	Ratio to sales	YoY
Global Business	2,736	67.8%	2,761	65.8%	+0.9%
Medical Business	1,301	32.2%	1,435	34.2%	+10.3%
Other	-	-	1	0.0%	-
Consolidated Sales	4,038	100.0%	4,198	100.0%	+4.0%
Global Business	477	17.5%	492	17.8%	+3.1%
Medical Business	590	45.4%	734	51.1%	+24.2%
Other	-	-	0	50.0%	-
Adjustment	-360	-	-308	-	-
Consolidated Operating Income	707	17.5%	919	21.9%	+29.9%

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

BRIDGE REPORT

**(Global Business)**

Sales and profit increased.

Sales to existing pillar (major) clients and orders for solutions increased. Meanwhile, profit fell, owing partly to costs associated with various measures implemented to prevent the spread of the coronavirus (transport for employees in Philippines, etc.) and higher outlays stemming from the shift to a telework development structure. However, the company was able to minimize the impact from the COVID-19 pandemic.

©Global Division

Orders from existing pillar clients in the Philippines and Japan in the areas of software testing, automation of execution and management, product development support and application development increased.

Among them, in the field of PC/IT equipment, in addition to expanding the business with major global PC manufacturers, the promotion of expansion to cover other major PC manufacturers led to results. Moreover, transactions with a major audit firm-affiliated global consulting group in the area of AI chatbot expanded steadily in the prospect of future practical use and expansion in other areas within the group.

The company is stepping up its proactive efforts to make its clients, especially major clients that represent the industry, pillars or sub-pillars.

In the field of Edge IoT/AIoT using IVA (Intelligent Video Analysis) technology, which the company has started working on as a new solution, the company is continuing to promote proposals to clients, including R&D support for clients in the mobility field.

The company has also launched initiatives in the AR/VR field, which is expected to grow in the future, and is promoting proposals and prototypes to clients.

Furthermore, the company sees DX during the pandemic as a greater opportunity, and has been making strategic investments in human resources, mainly in advanced IT technology and project management skills, since the third quarter, and is promoting the cross-functional distribution of solutions along with its existing core technologies.

In China, the company promoted further strengthening of relationships with existing clients and improved profitability by proposing solutions that leverage core technologies and efficiently assigning personnel. Particularly during the COVID-19 pandemic, business with major global PC manufacturers expanded as the demand for PCs increased due to the establishment of work from home on a global scale.

In the U.S., the company opened a satellite office in GoAhead Ventures, a venture capital firm in Silicon Valley, in which it invested in the fiscal year ended March 31, 2020, to strengthen its research functions related to advanced technologies.

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The company is promoting steady expansion of existing projects, mainly in the financial sector, and the launch of new large-scale projects in the manufacturing and public sectors.

In addition, the effect of the aggressive investment in human resources, including mid-career workers, to date has been successful, and both sales and profits were significantly larger than in the previous fiscal year.

BRIDGE REPORT

**(Medical Business)**

Sales and profit increased.

Business inquiries for the medical claims inspection software MightyChecker® and the medical order checking software Mighty QUBE® continued to increase steadily in general, despite delays in marketing activities for some embedded systems due to COVID-19.

For the strategic product, MightyChecker®EX, a next-generation medical claim checking system, the company received numerous inquiries, including those from hospitals within the major group companies with top-class sales, and the number of installations, mainly through direct sales, remained steady. In addition to the distribution within these major medical groups, the company is promoting further acquisition of direct accounts (direct sales), implementation of pricing policies, and layered selling of solutions (increasing the unit price per customer) by shifting to web-based sales and support as a countermeasure against the novel coronavirus. In addition, the company is aggressively launching new businesses related to the digitalization of healthcare, such as SonaM, a new medical cloud service, the development of new solutions for life and non-life insurance companies, and other data analysis (health insurance associations, academic societies, etc.). The company is investing aggressively to secure a "new source of subscription revenue" in the future, following the Mighty Series, and is working on measures to further improve profitability.

The "Insurance Knowledge Platform," a payment review search engine using a medical database, has been selected for use by life insurance companies.

Full-scale distribution has also been decided, and the company has begun the development of this platform for a full-scale launch. In the future, the company plans to promote a new subscription-based menu to the entire insurance industry.

As a result of the establishment of a revenue base through its subscription model, the company has been able to recoup strategic investments in development, personnel reinforcement, new solutions, etc., and segment profit has increased YoY and exceeded the estimate.

As a result of the establishment of a highly profitable structure, thorough profit management for each project, and continuous cost reductions, profit margin reached a record high of 51.1%.

2-3 Financial position and cash flow**Main Balance Sheet**

	Mar. 20	Mar. 21		Mar. 20	Mar. 21
Current Assets	3,128	3,793	Current liabilities	1,370	1,239
Cash and Deposits	1,976	2,808	ST Interest Bearing Liabilities	115	100
Receivables	667	655	Advances received	702	682
Noncurrent Assets	668	647	Noncurrent liabilities	208	258
Tangible Assets	65	60	LT Interest Bearing Liabilities	-	-
Intangible Assets	132	81	Liabilities	1,579	1,498
Investment, Others	470	504	Net Assets	2,217	2,942
Total assets	3,797	4,440	Total Liabilities and Net Assets	3,797	4,440

*Unit: million yen

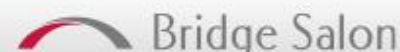
Total assets increased 642 million yen from the end of the previous year to 4,440 million yen thanks to increases in cash and deposits and investments and other assets.

Total liabilities decreased 81 million yen to 1,498 million yen due to a decrease in advances received.

Net assets increased 724 million yen to 2,942 million yen due to an increase in retained earnings.

As a result, capital adequacy ratio rose 7.9 points from the end of the previous term to 66.3%.

BRIDGE REPORT



◎Cash flow

	FY 3/20	FY 3/21	Increase and Decrease
Operating cash flow	498	921	+423
Investing cash flow	-69	-60	+8
Free cash flow	429	861	+432
Financing cash flow	-96	-76	+20
Cash, equivalents at term-end	1,941	2,773	+832

*Unit: million yen

Operating cash flow and free cash flow increased due to an increase in income before income taxes and a decrease in trade receivables. The cash position improved.

2-4 Topics

◎ Promoting strategic partnership based on a business alliance with OGIS-RI

In May 2021, the company announced that it would promote further strategic partnerships based on its business alliance relationship with OGIS-RI Co., Ltd.

(Outline of OGIS-RI Co., Ltd.)

Established in 1983. 100% owned by Osaka Gas Co., Ltd.

The company offers open-source software, object-oriented technology, cloud service-related technology, agile development technology, data center operations and cloud services based on these, and security centered on endpoints.

The company provides a full range of services from development to operation of the core system for Osaka Gas, and also has a wide range of experience nationwide in other fields such as manufacturing, finance, and public utilities. In recent years, the company has focused on data analysis, IoT, and rule-based development (BRMS) with an emphasis on rule modeling, as well as providing DX support consulting using design thinking and agile development know-how, and new value creation consulting using behavioral observation.

(Purpose of the business alliance and strategic partnership)

OGIS-RI and Ubicom will establish a strategic partnership based on a business alliance in order to achieve sustainable business development for both parties and to respond quickly to new issues arising from changes in the social environment. The two companies will complement each other's accumulated technological capabilities, sales capabilities, know-how, etc., and work together to expand the digital transformation business and promote globalization by strengthening the cooperative system and synergy in the following three scopes.

- (1) Strengthen development capabilities by building the “OGIS Philippines Solution Laboratory” (provisional name)
- (2) Utilization of Ubicom's AI technology and automated testing solutions, including chatbots
- (3) Promotion of the globalization of OGIS-RI

(Business Plan for Business Alliance and Strategic Partnership)

In order to achieve the above objectives, the company plans to establish the OGIS Philippines Solution Laboratory (provisional name), a development laboratory dedicated to OGIS-RI, at Ubicom's development base in the Philippines, and to assign about 20 full-time development personnel to the laboratory by the end of FY 2021.

In addition, the company aims to expand the size of its development staff to more than 50 by FY 2023, and to build a relationship as a major partner (pillarization).

3. Fiscal Year ending March 2022 Earnings Forecasts

3-1 Earnings Forecasts

	FY Mar. 21	Ratio to sales	FY Mar. 22 Est.	Ratio to sales	YoY
Net Sales	4,198	100.0%	4,963	100.0%	+18.2%
Operating Income	919	21.9%	1,079	21.7%	+17.4%
Ordinary Income	877	20.9%	1,104	22.2%	+25.9%
Net Income	623	14.9%	811	16.3%	+30.2%

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

Sales and Profit increase. Profit to achieve record highs for consecutive years.

The company forecasts net sales of 4,963 million yen, up 18.2% from the previous fiscal year, an operating income of 1,079 million yen, up 17.4%, and an ordinary income of 1,104 million yen, up 25.9%. Operating income and ordinary income are expected to reach record highs this fiscal year too.

The company will continue to make "strategic investments," but by absorbing these investments, it aims to achieve double-digit profit growth.

The company has not decided on a dividend at present but intends to continue to provide appropriate shareholder returns in line with profit levels this fiscal year.

3-2 Future initiatives

① Strategic markets

Initiatives in strategic markets are as follows.

The novel coronavirus, China plus one, the Japanese government's policy to promote digitalization, DX, telework, and off-shore utilization are the favorable trends for the company, and it will promote investment in engineer training and sales strategy.

Market	Initiatives
Finance and Public	Cloud-native technology education Promotion of business cooperation and alliances
Manufacturing, AI, and Robotics	AI/IoT/DX solution development Cultivation of new clients in the technology field
Automobiles	Quality enhancement and MBD development technology Strengthening domestic and overseas marketing
Medical and Insurance	Utilization of Human Resources in the Philippines and Intellectual Property Cross-selling and direct sales to increase sales per customer

② Strategic investment

In the previous fiscal year ended March 2021, the company began retraining existing human resources and investing in advanced IT human resources, and also expanded the use of human resources in the Philippines in the medical business.

From FY 3/22 onward, the company plans to increase the Uicom personnel pool, the source of its development capabilities, through M&A and alliances. In addition, this pool of personnel will be used to create a new medical platform to further strengthen the intellectual property strategy representing the medical field.

The company is aiming to have 100 advanced IT personnel in the Uicom personnel pool who will be responsible for developing advanced platforms and solutions.

③ Direction and initiatives in each business

③-1 Global Business

Market environment

With the acceleration of environmental policies in the automotive and manufacturing industries, and business reforms in the financial and medical sectors, the need for advanced IT personnel is increasing more than ever.

In addition, opportunities for offshore use are increasing due to the normalization of remote work triggered by COVID-19.

Direction

The company believes that the potential market for software development in Japan is about 10 trillion yen, of which the current offshore utilization rate is only about 2%, and that there is room for increasing it to 10% in the future.

In order to meet such demand, the company will focus on investing in education to develop human resources who can work on DX offshore with technical, language, and global development skills.

It will also promote M&A and strategic alliances not only in Japan, but also in Europe and the United States, which are huge markets.

Business model

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 advancing to this stage, operating income margin will increase to 15% thanks to the economies of scale, improved development productivity through the accumulation of industry knowledge, and the deployment of in-house solutions for automated testing.

This business model in the global business is geared toward pillarizing clients and making them highly profitable.

Vision for the future

The company will further strengthen its business portfolio and profitability by enhancing human resources and development capabilities, primarily in the DX domain, and entering new domains.

To achieve this, it is essential to make clients pillars.

In FY 3/21, the company acquired 14 new clients who are pillar candidates and made progress in expansion within existing clients (43 new projects).

The company will continue to develop new clients and convert them to pillar clients in the current fiscal year and beyond, aiming to establish more than 20 new pillar clients in the fiscal year ending March 2024, having had one in the fiscal year ended March 2014 and six in the fiscal year ended March 2021.

③-2 Medical Business

Market environment

From 2024, the upper limit on overtime work will be applied to doctors, and the reform of working styles will be promoted in the medical world.

As a result, hospital management will place more emphasis on cost reduction and profit improvement, and the need for labor-saving and automation in testing and analysis is expected to increase.

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**Direction/Vision for the future**

The "Mighty Series" products, which improve operational efficiency and enhance the quality of management in the medical field, have been highly acclaimed for their rich and useful functions, and as of the end of March 2021, approximately 40% (3,311 facilities) of hospitals (20 beds or more) and 14% (14,141 facilities) of clinics (19 beds or less), for a total of 17,452 facilities, had installed the product making it the top market share.

The company will continue to improve its market share and increase sales and profits through direct sales, cross-selling, and price revisions, including web-based marketing.

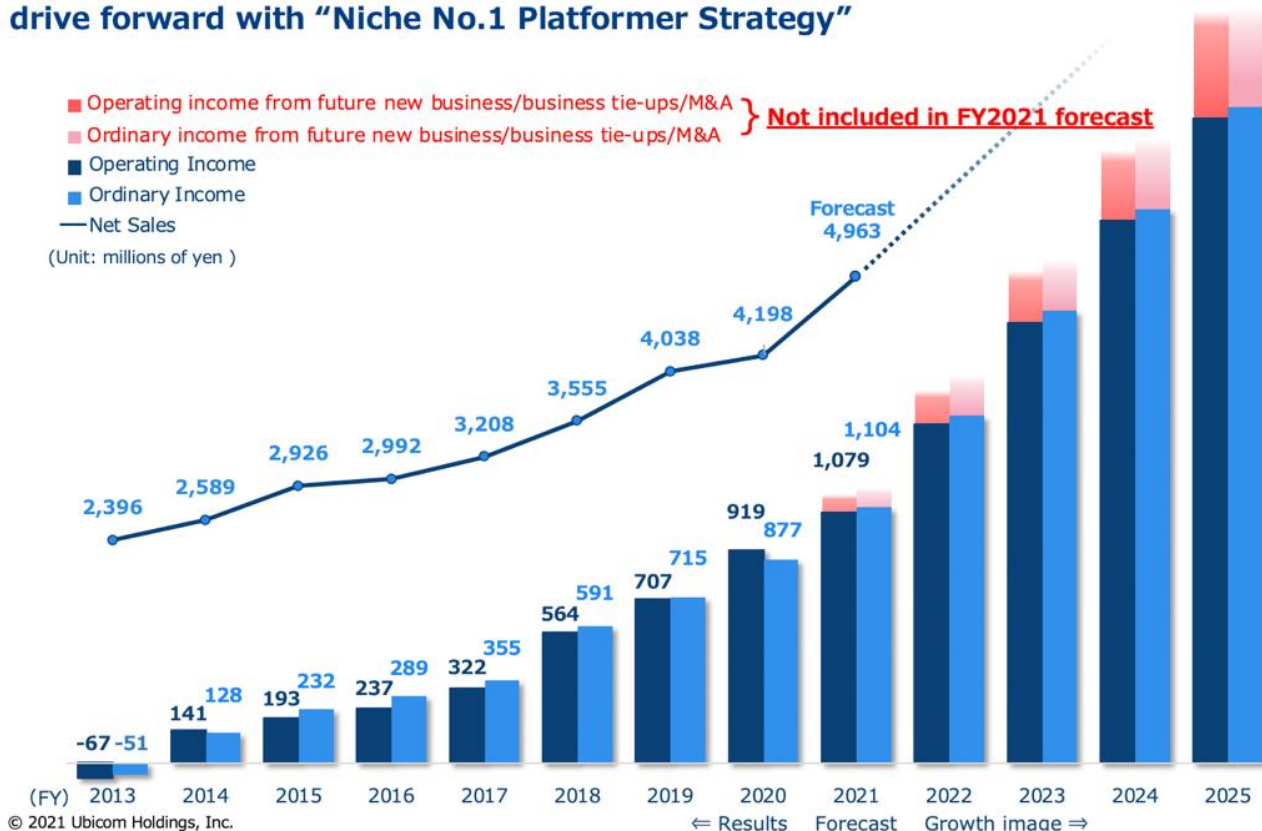
The company also aims to expand the number of clients for the insurance knowledge platform launched in the previous fiscal year and create a new medical platform through the utilization of intellectual property. Both are expected to have gross margins of 70% or higher.

The company believes that the potential domestic market for medical platform solutions is about 300 billion yen, but current medical business sales are about 1.4 billion yen. Thus, it aims to develop a huge market.

④ Growth Vision

The company will implement strategic investments to realize the growth visions of each business and promote the "Niche No. 1 Platformer Strategy."

Execute strategic investment to achieve mid-long term vision as top priority, drive forward with "Niche No.1 Platformer Strategy"



(From the company's website)

4. Interview with President Aoki

We asked President Aoki about his review of the previous fiscal year's results, future initiatives, future development of the insurance knowledge platform, ESG management, and his message to shareholders and investors.

Regarding financial results for the fiscal year ended March 2021

The global business was affected by COVID-19, especially in the first and second quarter, as development projects were put on hold. Although business picked up in the latter half of the year, sales remained at the same level as the previous fiscal year, due to the need to balance strategic investments such as retraining of existing human resources to realize the growth vision. However, the number of orders reached a record high, and we were able to acquire new clients who could become major clients in the future.

We were able to meet offshore development needs, driven by the spread of remote work during the pandemic, and we were also able to commercialize AI chatbot for the internal help desk of a major consulting firm in response to the need to promote the DX of business processes. Although the growth rate of both sales and profits was small, we believe that we were able to strengthen our business foundation for the current fiscal year and beyond.

In the first half of the year, due to the impact of COVID-19, the medical business also struggled, as we could hardly conduct aggressive sales activities especially to hospitals, which are the front line of medical care. Although the growth in the number of hospitals and clinics using the "Mighty Series" did not live up to the plan, we made up for it in the latter half of the fiscal year through the use of webinars and other measures, resulting in double-digit increases in both sales and profits.

The need to improve operational efficiency in the medical field and to "reform the way doctors work" has not changed, and we have been able to steadily meet such needs.

In addition to the expansion of direct sales and cross-selling, which we have been focusing on for some time, and the implementation of some price revisions, the establishment of a subscription model has enabled us to significantly raise the segment profit margin from 45.4% in the previous fiscal year to 51.1%, which is a significant achievement.

About this fiscal year and beyond

As the impact of COVID-19 is starting to subside, our global business will continue to develop new clients with a view to making pillar clients in the future, and to promote development in the key areas of finance/public sector, manufacturing/AI/robotics, and automobiles.

In the medical business, we will continue to expand the number of installations of the "Mighty series" and increase the unit price per customer (increase profit margin) through direct sales and cross-selling.

Furthermore, we believe that the key to advancing development in both businesses is a system of 100 advanced IT personnel who will be responsible for developing advanced platforms and solutions. Originally, we had hoped to complete the project in the previous fiscal year, but we were unable to achieve this goal considering the balance of business performance and operating conditions. In the current fiscal year, we will use M&A and alliances to strengthen Ubicom's human resource pool, and in particular, we hope to complete a system of 100 advanced IT personnel as soon as possible.

Although such costs are included in the current fiscal year, we think there is a possibility that the amount of investment will increase slightly in order to speed up the process, but we plan to make investments while keeping a balance with profits.

Future development of the insurance knowledge platform

There is a large amount of handwritten information that has not been digitized among the information necessary for determining insurance payment, such as medical treatment, pharmaceuticals, names of injuries and diseases, advanced medical treatments, and legal revisions. The Insurance Knowledge Platform can greatly streamline the cumbersome examination process as it easily covers the information using our proprietary medical database and AI OCR.

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Currently, there are about 100 life and non-life insurance companies in Japan.

We assume that the annual usage fee for the insurance knowledge platform will be several million to several tens of millions of yen per company, so we assume that this is a huge market compared to our current sales.

As for the business model and monetization, we are aiming for a high unit price and high-profit subscription model that exceeds the Mighty series.

Revenue consists of basic initial costs, basic connection usage fees, optional initial costs, and optional connection usage volume, but our company develops various options to meet diverse needs and achieves high revenue through this accumulation.

The Insurance Knowledge Platform is not a platform that we complete at the beginning and then insurance companies come on board, but rather a model where customization (menu) corresponding to the client's core system is built up and developed horizontally.

Therefore, the use of the platform starts with a contract with the client at the beginning. Thus, we will not face a situation where we only accumulate costs to create a platform because the number of companies using it does not increase.

In addition, even if there is a slight delay in the progress of the contract, it will not be a big body blow because we have already developed the product using our own intellectual property and have been able to absorb the cost.

We are currently in talks with major, medium, and small insurance companies, and they are very interested in our product.

We can introduce one or two engines that we think will be easy to use, depending on the clients' needs, and I believe that this model will be highly evaluated over the next two to three years.

I think the ripple effect will be huge because it improves services for subscribers, so we are planning to brush up the system in parallel with marketing and develop it into a major business pillar.

Regarding ESG

Our company's top management philosophy is "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"

More specifically, we believe that it is our social responsibility and *raison d'être* to create business innovation based on our five core assets of "technology," "human resources," "intellectual property," "foresight," and "partnerships" to solve issues such as the declining birthrate and aging population, strained healthcare, depletion of IT human resources, and DX.

In other words, our business itself is part of ESG, especially "S: Society," and our business expansion is a solution to social issues. To this end, the most important thing is to strengthen human capital. Of course, human capital is the source of all five core assets.

Our subsidiary in the Philippines has about 1,000 top engineers, and their ability to develop solutions is one of our major strengths, but our strongest core competence is our engineering training system in the Philippines, which produces this ability.

They have extremely high IQs, but of course, they can't speak Japanese. However, in order for them to be a true top engineer at our company, they need to acquire the ability to communicate with Japanese client companies and the ability to work in a Japanese-speaking environment.

We have accumulated training programs in basic IT concepts, advanced technologies, interpersonal soft skills including greetings and etiquette, and Japanese language learning at our own training center, ACTION, which was established in 2003. I am proud to say that this training know-how is not something that other companies can easily reproduce.

The members of Ubicom take ownership of the company and all share the same social significance, philosophy, and awareness of issues and problems, and work as one team to tackle various issues.

As the scale of our company continues to grow and the number of employees increases, I believe that sharing and spreading this kind of awareness is a major role for me, and I will continue to focus on "strengthening human capital" in both the Philippines and Japan.

BRIDGE REPORT



Message to Shareholders and Investors

We have doubled our profits in the two years since we were listed on Mothers of Tokyo Stock Exchange in 2016.

In order to further accelerate our growth, we will aggressively pursue M&A and alliances, and focus on developing advanced IT human resources.

It may take some time for the insurance knowledge platform to be fully launched, but we intend to establish it as a highly profitable model that surpasses the Mighty Checker series, so I hope you will keep a close eye on it in the long term.

At the same time, we are working to build a new platform that will utilize the intellectual property we have accumulated in both our global and medical businesses, and we hope to announce this soon.

Regarding dividends, we would like to achieve a payout ratio of 30% or higher in the future, but at this point, we believe that investing for growth will lead to higher returns for our shareholders, so please understand this point as well.

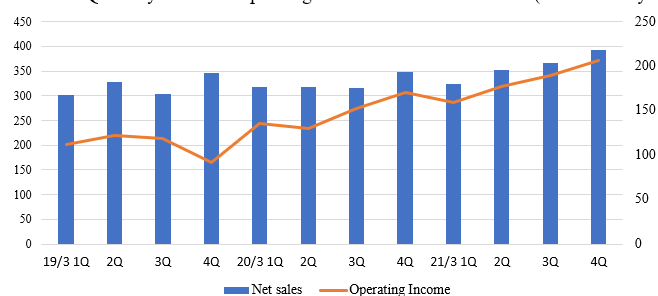
We hope that you will continue to support us in our challenges.

5. Conclusions

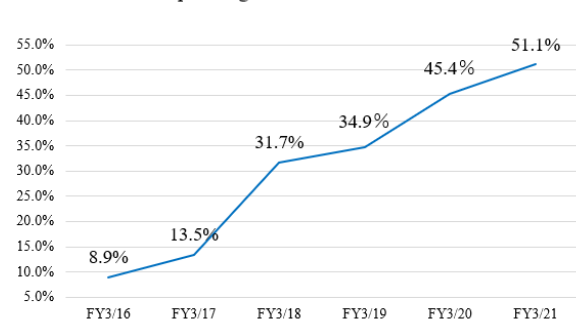
The profitability of the medical business has improved remarkably. Although sales were sluggish in the first quarter (April-June), both sales and profits recovered from the second quarter, as the company steadily captured demand for improved hospital management efficiency even during the COVID-19 pandemic. Operating income margin exceeded 50% due to expansion of direct sales, cross-selling, and price revisions. In the global business, sales and profits were on par with the previous year, but operating income margin was 17.8%, almost the same as the previous year, and projects for pillar clients with high profit margins based on ongoing development partnerships were strong.

The company will continue to make "strategic investments" in the current fiscal year, but by absorbing these investments, it expects double-digit profit growth, and we will be paying close attention to the trends in each quarter. In the medium term, we also continue to expect to see how the company's No. 1 niche platform strategy, including its "Insurance Knowledge Platform," will help it tap the huge market it anticipates.

Trends of Quarterly Sales and Operating Income of Medical Business (unit: million yen)



Trend of Operating Income Ratio in Medical Business



(Prepared by Investment Bridge based on company documents)

<Reference: Regarding Corporate Governance>

◎ Organizational structure and composition of directors and corporate auditors

Organizational structure	Company with corporate auditor
Directors	5, out of which 2 are outside directors.
Corporate auditors	3, out of which 2 are outside auditors.

◎ Corporate Governance Report

Last updated: June 24, 2021

*Basic Policy

The corporate ethos of our company is “to remain a one-of-a-kind 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 the Principles of the Corporate Governance Code (Excerpts)>

Principles	Reasons for not implementing the principles
【Supplementary Principle 3-1-(2) Disclosure and provision of information in English】	At present, we do not disclose material in English. However, we recognize the necessity of disclosing and providing information in English, taking into consideration the composition of our shareholders and other factors, and we are working to enhance the provision of information in English in our IR and SR activities for overseas investors. We will continue to consider the timing of the implementation of English-language disclosure, taking into account the ratio of overseas institutional investors and the various conditions necessary to respond to their needs comprehensively.
【Supplementary principle 4-2-(1) Remunerations and incentives for executives】	Since the term of each director of our company is one year, their remunerations are revised every year according to the performance in the previous fiscal year, but we have not adopted remunerations that vary with mid/long-term performance or remunerations paid with treasury shares. As for the remunerations for executives, we recognize the necessity to reflect mid/long-term corporate performance and potential risks in them and give incentives for stirring entrepreneurship soundly and will keep discussing appropriate methods.

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

Principles	Disclosure contents
Principle 1-4 【The so-called strategically held shares】	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.
[Supplementary Principle 4-11-(2) Status of concurrent outside directors]	Concurrent positions held by outside directors and outside corporate auditors at other companies are disclosed on an annual basis along with notifications for the general meeting of shareholders, securities reports, and reports on corporate governance. Moreover, none of the Directors or Corporate Auditors, except for the Outside Directors and Outside Corporate Auditors, hold concurrent positions as Directors or Corporate Auditors of other listed companies.
Principle 5-1 【Policy for constructive dialogue with shareholders】	We positively respond to shareholders' application for dialogue. The finance and accounting department and the strategic planning department are 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. In addition, we hold a result briefing session involving the representative director and distribute a result briefing video twice or more times every year.

This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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