

Company Report

May 28, 2024

Strategy Advisors, Inc.
Takao Kanai



FY3/25: Upfront Investment in Growth Strategy for "2nd Growth Phase" Set to Contribute Earnings

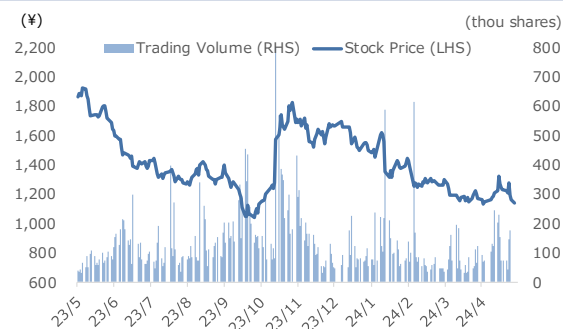
Ubicom Holdings (hereinafter Ubicom) reported a 13.3% YoY increase in sales to ¥5.94 billion and a 6.0% YoY increase in operating profit to ¥1.07 billion in FY3/2024. Although the results fell short of the company's forecast, it is believed that the market had already factored in the shortfall to some extent at the time of the Q3 results.

Sales in the Medical Business grew by 8.3% YoY and the operating profit margin rose further to 61.4%. It is believed that medical institutions are increasingly turning to DX in line with reforms in the way physicians work. In particular, the electronic medical record linkage system "Mighty QUBE Hybrid" appears to be expanding due to the effect of cross-selling with electronic medical record manufacturers. Orders for "MightyChecker EX" are also expanding steadily. In addition, the new business "Insurance Knowledge Platform" appears to be starting to contribute to sales growth.

In FY3/2024, the Global Business was affected by the delayed shift of software development bases to the Philippines driven by the Economic Security Promotion Act by some clients and increased upfront investment in human resources and bases, etc. In FY3/2025, many of these effects are expected to run their course. In addition, the capital and business alliance with OGIS-RI (a wholly owned subsidiary of Osaka Gas (9532 TSE Prime)) is expected to increase sales by about ¥300 million in FY3/2025.

The stock price has been soft due to sluggish earnings growth over the past two years. However, the company has been steadily laying the groundwork for a second growth phase. Ubicom expects Operating Profit to increase 39.9% YoY to ¥1.50 billion in FY3/2025 as it enters this phase of recovering prior investment monies. 13.8x P/E is about average for mid-tier medical DX companies, but if the company can achieve significant profit growth in FY3/2025 as forecasted, valuations are expected to rise.

Share Price & Volumes (Past 1 Year)



Source: Strategy Advisors

Key Indicators

Stock Price (24/5/27)	1,143
52-Week High (23/6/2)	1,923
52-Week Low (23/10/23)	1,040
# Shares Issued (Million Shares)	11.9
Market capitalization (¥ Billions)	13.6
ROE (Actual, %)	12.0
Capital Adequacy Ratio (Actual, %)	68.2
PER (3/25 Forecast, Times)	13.8
PBR (3/24 Results, Times)	2.9
Dividend Yield (Forecast, %)	Undecided

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
3/2024Q1	1,404	7.0	253	-13.3	180	-32.4	105	-45.4	9.0	-
3/2024Q2	1,525	18.2	288	37.1	286	25.4	195	34.5	16.6	-
3/2024Q3	1,468	12.2	232	0.0	251	-0.6	161	112.4	13.7	-
3/2024Q4	1,545	15.6	299	7.6	218	-15.3	65	-59.6	5.5	-
21/3	4,198	4.0	919	29.9	877	22.6	623	17.0	53.3	7.0
22/3	4,726	12.6	1,033	12.4	1,055	20.3	832	33.4	70.4	9.0
23/3	5,246	11.0	1,011	-2.1	1,004	-4.8	573	-31.0	48.7	11.0
24/3	5,942	13.3	1,072	6.0	935	-6.8	526	-8.3	44.7	13.0
25/3 CoE	6,700	12.7	1,500	39.9	1,518	62.2	1,000	90.1	83.0	undecided

Source: Strategy Advisors, Based on Company Data

Table of Contents

1. Though Earnings in FY3/2024 Fell Short of Company Forecasts, They Secured a Year-on-Year Increase in Operating Profit.....	3
2. Medical Business Trends	4
1) Sales Growth Rate Expanded	4
2) Steady Increase in the Number of Users of "Mighty" Series.....	5
3) Cross-Selling of "Mighty QUBE Hybrid" Progressed	6
4) "Insurance Knowledge Platform" is Taking Off	7
3. Global Business Trends	8
4. FY3/2025 is a Year of Full-Scale Operations in the Second Growth Phase	10
1) Forecast for FY3/2025	10
2) Entering the Second Growth Phase after Prior Investment.....	11
5. Comparison with Other Companies in the Same Industry and Stock Price Trends	12

1. Though Earnings in FY3/2024 Fell Short of Company Forecasts, They Secured a Year-on-Year Increase in Operating Profit

Although the Earnings Were Lower than Company Forecasts, the Market Seemed to have Largely Factored It In

For the fiscal year ended March 31, 2024, net sales increased 13.3% YoY to ¥5.94 billion and operating profit rose 6.0% YoY to ¥1.07 billion. Inside of non-operating income, a foreign exchange loss of ¥0.09 billion (¥0.02 billion in the previous year) due to a revaluation of yen assets at Asian subsidiaries following the rapid depreciation of the yen and a loss of ¥0.03 billion on investment in a venture capital company, whilst recurring profit was down 6.8% YoY to ¥930 million. These figures were below the company's forecasts of ¥6.4 billion in sales and ¥1.35 billion in operating profit, which had not been changed since the beginning of FY3/2024. However, the progress rate was low at the time of the Q3 results and it is assumed that the market had factored in the shortfall to some extent.

Medical Business Remains Steady

By division, the medical business was solid, with sales growing 8.3% YoY to ¥1.65 billion and operating profit rising 12.8% YoY to ¥1.01 billion. On the other hand, the Global Business saw sales growth of 15.3% YoY, but operating profit declined 5.8% YoY for reasons discussed below.

Operating Profit of Global Business in Q4 Increased Significantly from the Previous Quarter

By quarter, sales for Q4 of FY3/2024 increased 15.6% YoY to ¥1.54 billion, and operating profit rose 7.6% YoY to ¥0.3 billion. By division, the Medical Business posted higher sales and profit YoY, while the Global Business recorded lower profit despite higher sales. However, the Global Business posted a significant increase in profit compared to Q3.

The company announced a dividend of ¥13.0 for FY3/2024, which had been previously undecided. This was an increase from the previous year's ¥11.0, and the dividend payout ratio was 29.1%, up from 22.6% the previous year.

Figure 1 . Summary of Ubicom Holdings' Financial Results for FY3/2024

(¥ mn)	3/24 Q4	YoY	QoQ	3/24 Full Year	YoY	3/25 CoE	YoY
Sales	1,545	15.6%	5.2%	5,942	13.3%	6,700	12.8%
Global Business	1,113	17.9%	5.9%	4,295	15.3%	-	-
Medical Business	432	10.5%	3.8%	1,646	8.3%	-	-
OP	299	7.6%	28.9%	1,072	6.0%	1,500	39.9%
Global Business	130	-3.0	128.1%	420	-5.8%	-	-
Medical Business	270	15.4%	2.7%	1,010	12.8%	-	-
Adjustment	-101	NM	NM	-358	8.5%	-	-
RP	218	-15.3	-12.8	935	-6.8	1,518	62.4%
NP	65	-59.6	-60.0	526	-8.3	1,000	90.1%

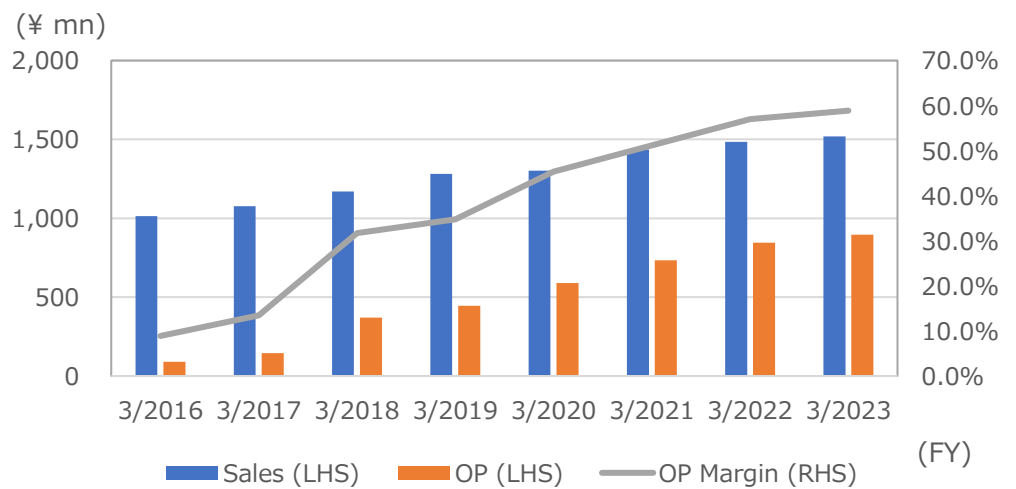
Source: Strategy Advisors - Based on Company Data

2. Medical Business Trends

1) Sales Growth Rate Expanded

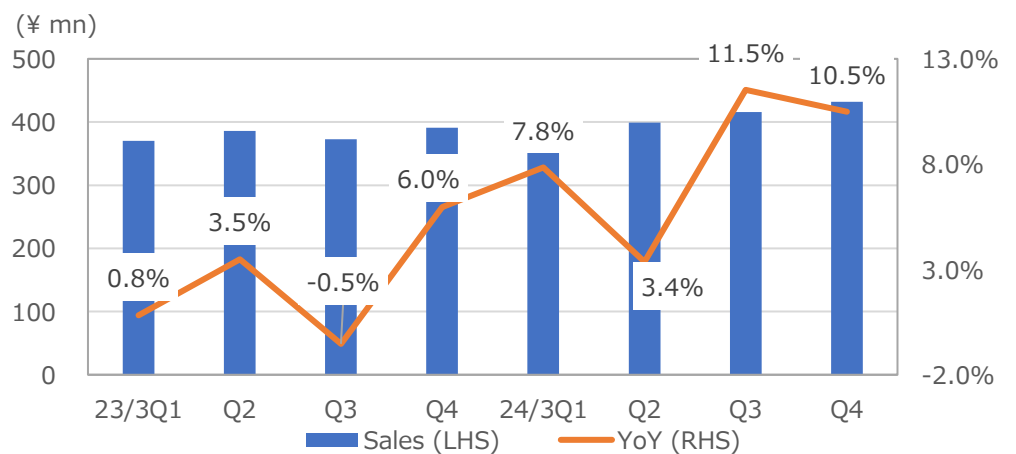
Medical business sales for FY3/2024 increased 8.3% YoY to ¥1.65 billion and operating profit rose 12.8% YoY to ¥1.01 billion. The operating profit margin over sales were 61.4% (before company-wide expenses), up further from 58.9% in the previous year and a new record high.

The sales growth rate had been low, growing 3.4% YoY in FY3/2022 and 2.4% YoY in FY3/2023, but accelerated to 8.3% YoY in FY3/2024. By quarter, Q3 and Q4 of FY3/2024 showed growth of more than 10% YoY. **Figure 2: Medical Business Earnings Trends**



Source: Strategy Advisors - Based on Company Data

Figure 3: Medical Business Sales Trends (Quarterly Basis)



Source: Strategy Advisors - Based on Company Data

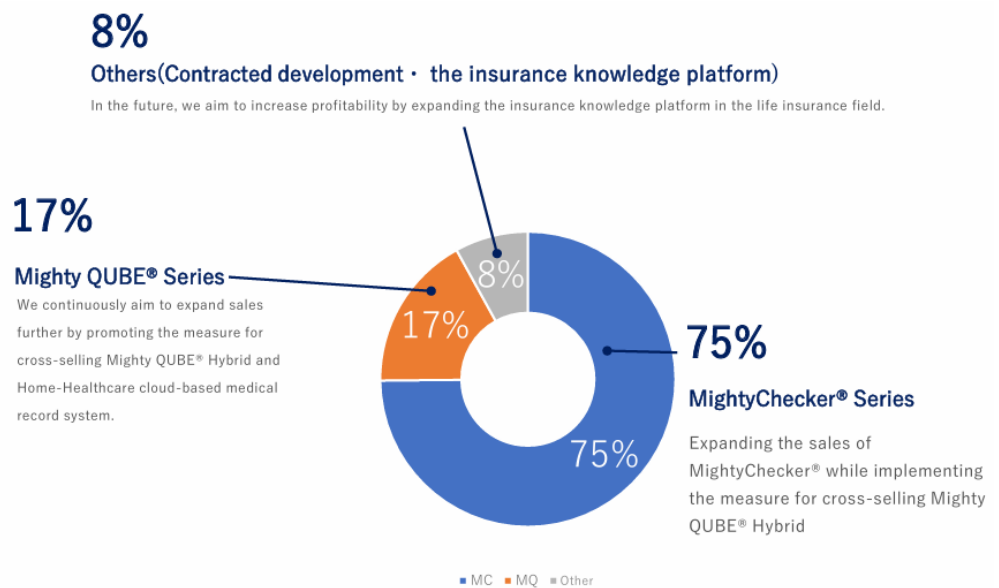
High Profit Margins Further Increase

Sales Growth Rate Also Expanded

The Acceleration in Sales Appears to be Due to the Reform of Doctors' Work Styles & the Expansion of Sales of "Mighty QUBE Hybrid"

The reasons for the increase in sales growth are as follows: 1) The Workplace Reform Laws were applied to physicians from April 2024, which is expected to accelerate the shift to DX at medical institutions; 2) The effect of expanding sales of "Mighty QUBE Hybrid", which is focused on cross-selling with electronic medical record manufacturers, etc., is being seen; 3) orders for "MightyChecker EX" are expanding steadily and finally, 4) the new business "Insurance Knowledge Platform" is expected to start contributing to sales growth.

Figure 4: Breakdown of Medical Business Sales



Launch **Mighty QUBE® Hybrid** cross-selling for **MightyChecker** users.
Anticipate further increase sales

Source: Company Data

2) Steady Increase in the Number of Users of "Mighty" Series

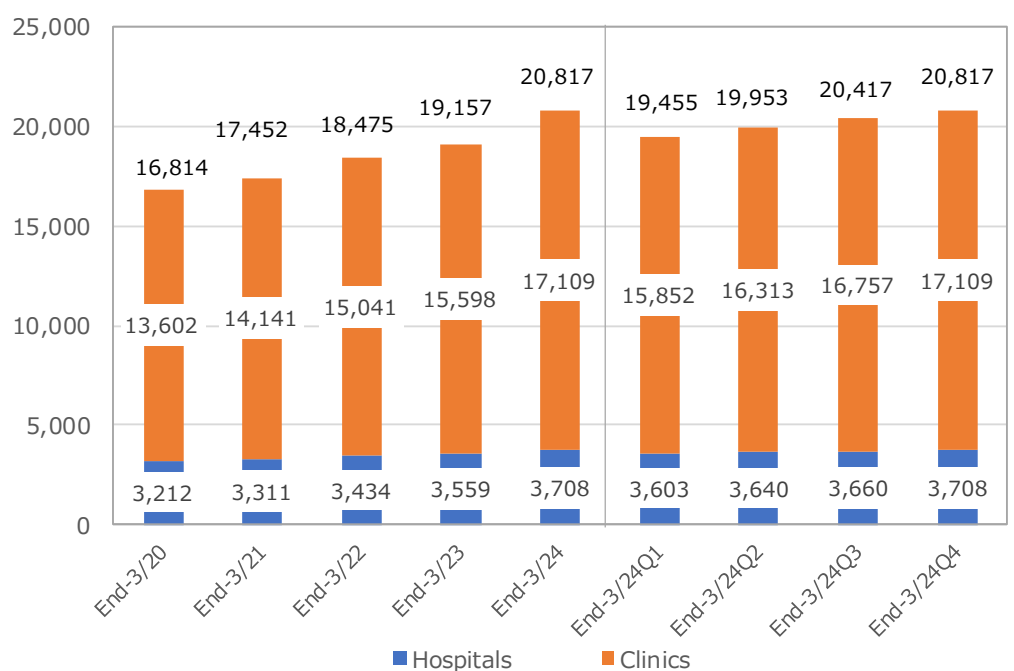
Significant Increase in the Number of Medical Institutions Using "Mighty" Series

The number of medical institutions using the "Mighty" series increased by 1,660 institutions or 8.7%, from 19,157 institutions at the end of FY3/2023 to 20,817 institutions at the end of FY3/2024. Both hospitals and general clinics showed an increase in their respective growth rates, with general clinics in particular showing a significant increase of 9.7%. The quarterly figures also show a steady increase. "MightyChecker" provides operational support for medical staff at medical institutions and the company is currently focusing on expanding sales of the cutting-edge "MightyChecker EX," which is equipped with AI.

Increased Sales for Medical Institutions by Preventing Omissions in Receipt Billing etc.

According to the company, as an example of the effect of introducing "MightyChecker EX," if a medical institution introduces this system at ¥2.2 million per year, it can increase its revenue by ¥9.12 million per year (411% investment effect), according to the financial results presentation material. This is because the system can reliably raise medical institutions' revenues by preventing incorrect billing or omission of receipts. It also contributes to the operational efficiency of medical staff at medical institutions. The company plans to contribute to earnings as a subscriber model, targeting a gross profit margin of 75%.

Figure 5: Number of Users of the "Mighty" Series



Source: Strategy Advisors - Based on Company Data

3) Cross-Selling of "Mighty QUBE Hybrid" Progressed

Partnership with an Electronic Medical Record Manufacturer that Incorporates "MightyChecker"

The "Mighty QUBE" series is an electronic medical record linkage system that supports the work of physicians facing patients in their practice. While the company often conducts sales directly to larger hospitals such as university hospitals, it aims to expand sales by forming a business alliance with an electronic medical record manufacturer because the number of institutions is very large among small and medium-sized hospitals with less than 400 beds, accounting for 91% of all hospitals. Currently, 3,627 institutions or 49% of all hospitals have electronic medical records and the company will first work to penetrate these institutions.

Potential Market Estimated at ¥3.1 billion

Of the 20 electronic medical record manufacturers for small and medium-sized hospitals nationwide, 10 are users of the company's "MightyChecker" and the company is cross-selling "Mighty QUBE Hybrid" to the approximately 2,100 hospitals that these 10 companies have as users. Calculated at an average unit price of ¥1.5 million per year, the market is estimated to be approximately ¥3.1 billion. In addition, since the introduction of electronic medical records is expected to continue, the 51% of hospitals that do not currently have electronic medical records are potential customers and this market is also estimated to be worth approximately ¥3.1 billion. Currently, the company has entered into a business alliance with one electronic medical record manufacturer and is in talks with three other companies.

Directly Contributes to Physicians' Work Style Reform

The "Mighty QUBE" series is truly a support system directly related to reforming the way physicians work. In addition, the electronic medical record entry is performed without omissions or errors, leading to increased work efficiency for the medical staff who prepare receipts. It also reduces the risk of medication errors. Given the strong demand for this service, future growth is expected to be high. The company estimates that the introduction of "Mighty QUBE Hybrid" at a medium-sized hospital with 300 beds will increase revenue by ¥61.98 million per year, compared to a usage fee of ¥5.34 million per year.

Life Insurance Screening Can be Made Easy & Accurate

The "Insurance Knowledge Platform" is a system that enables simple insurance claims based on data from more than 20,000 medical institutions that are users of the company and contributes to significantly streamlining the screening process for insurance companies. Instead of using conventional paper-based medical certificates, insurance subscribers can simply take a picture of their medical statement with their smartphone and send it to the insurance company's examination department to receive insurance benefits in a short period of time. Medical institutions also no longer need to take the time and effort to prepare medical certificates. Even when the names of diseases and medical procedures differ among medical institutions, the company's AI-based "fluctuation correction" system enables highly accurate examinations without human intervention.

Four Companies' Implementations in Operation

So far, they have signed contracts with four insurance companies, including Zurich Life Insurance and NeoFirst Life Insurance (Dai-ichi Life Group), and have already implemented the system. Three more companies, including a major player, are in talks with the company. The "Insurance Knowledge Platform" has large upside potential, since sales per insurance company will increase as the service menu increases, coupled with the increase in the number of cases.

Platforms for Telemedicine & Other Services are Also Being Prepared

In the other platform business, the company has begun preparations for a "remote service platform". This will consolidate the administrative work of multiple medical institutions at a center in areas where there is a shortage of

4) "Insurance Knowledge Platform" is Taking Off

medical office workers. Other new businesses planned include a "human resources platform" and a "data platform".

3. Global Business Trends

Earnings Stagnated Due to Delays in Recording Sales & Temporary Cost Increases

In FY3/2024, sales of the Global Business grew 15.3% YoY to ¥4.29 billion, but operating profit fell 5.8% YoY to ¥420 million. According to the company, this was about ¥300 million short of the company's plan at the beginning of the period and the factors are broken down as follows: (1) Factors occurring in Q1 and Q2: ¥74 million in cost increases due to increased IT personnel and investment in personnel training; (2) Factors occurring in Q3: ¥216 million. ¥40.5 million due to the accelerated capital and business alliance with OGIS Research Institute and increased costs from investment in their Manila base; ¥121 million due to the delayed response to the Economic Security Promotion Act for some clients and ¥54 million due to temporary development cost reduction due to the reluctance to buy PC's before the launch of a new OS. (3) Factors incurred in Q4: ¥10 million, which are cost increases due to investment in Cebu base.

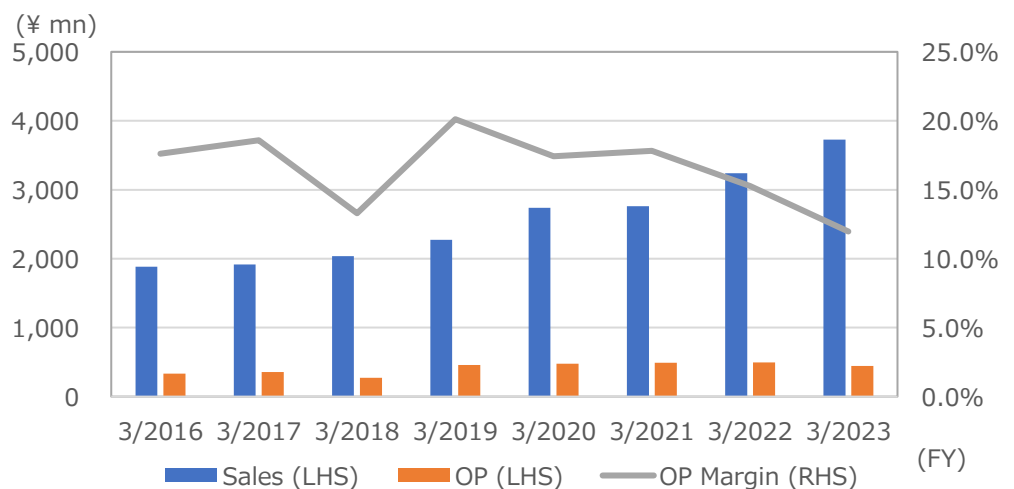
Profit Recovered in QoQ Just In Q4

In fact, operating income for Q4 alone was ¥130 million, up from ¥56 million in Q3. This increase was larger than the increase in sales and is thought to be due in part to the fact that the cost impact of the capital and business alliance with OGIS RI has run its course. Furthermore, the capital and business alliance with OGIS RI is expected to increase annual sales by ¥300 million.

Decreased Availability of Engineers

While sales did not grow as much as planned in FY3/2024, the utilization ratio of IT engineers fell to the 70% level as the company worked to expand its development capacity for the future. For the time being, the company intends to slow down the pace of hiring by prioritizing the recovery of the utilization ratio.

Figure 6: Global Business Earnings Trends



Source: Strategy Advisors - Based on Company Data

Ubicom Holdings | 3937 (TSE Prime)

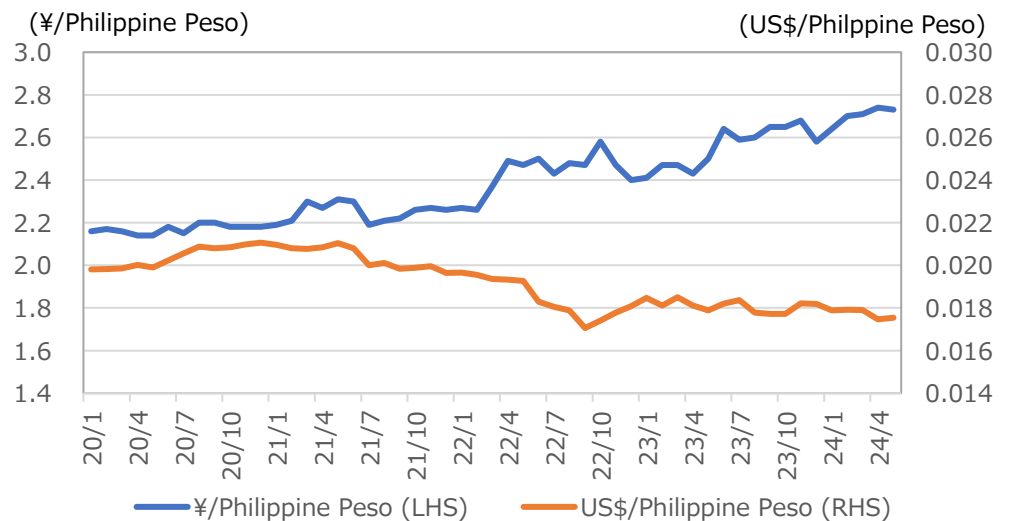
Annual Revenue Increase of More Than ¥300 million Through Alliance with OGIS RI

Through the capital/business alliance with OGIS Research Institute, the company has built a structure that can handle annual sales growth of more than ¥300 million, and it intends to steadily link this to earnings and further scale up over the medium term. The company also intends to pursue alliances with large global companies other than OGIS RI.

Offshore Development is Affected by the Weak Yen

Offshore software development companies, including Ubicom Holdings, have been affected by the weak yen. While many companies have seen their earnings slump, Ubicom has maintained solid earnings, demonstrating its relative earning power. The company has a memorandum of understanding with its clients to split the impact of a depreciation of the yen below ¥115/\$, and although the impact of the yen's depreciation has been relatively small, it is estimated that the company has been affected to some extent by the yen's depreciation for the past two years or so. We believe that this is not a small factor in the decline in the operating profit margin of the Global Business since FY3/2022. Although it is difficult to predict future exchange rates, if the yen's depreciation comes to a halt, the negative impact of exchange rates on the Global Business will disappear and the growth strategy will be more easily manifested in earnings.

Figure 7. Trends in the Philippine Peso



Source: Strategy Advisors - Based on Company Data

4. FY3/2025 is a Year of Full-Scale Operations in the Second Growth Phase

1) Forecast for FY3/2025

Company Forecasts Expect Significant Increase in Profits

For FY3/2025, the company forecasts a 12.7% YoY increase in net sales to ¥6.70 billion and a 39.9% YoY increase in operating income to ¥150 billion. Although the breakdown by division is not disclosed, the "Technology Consulting Business," which was reorganized from the former Global Business, is expected to grow by around 15%, similar to the growth rate of FY3/2024 and the medical business is also expected to expand by around 8%. Operating income is expected to grow at a higher rate in the Technology Consulting Business, due in part to a rebound from the considerable number of one-time negative factors in FY3/2024. The Medical Business is expected to continue to expand steadily.

In non-operating income, a total of ¥120 million in one-time losses were incurred in FY3/2024, including a foreign exchange loss due to the revaluation of yen assets of Asian bases and a loss from the management of venture capital in which the company has invested, but these negatives are not expected to be factored into FY3/2025. Therefore, recurring profit is expected to increase 62.2% YoY to ¥1.52 billion.

Growth of "Mighty QUBE Hybrid" to Contribute to Medical Business

In the medical business, the "MightyChecker" series is expected to grow steadily. As mentioned above, the number of users has been increasing every quarter in FY3/2024, which should lead to higher sales in the future. "Mighty QUBE Hybrid" is expected to benefit from cross-selling to small and medium-sized hospitals through collaboration with an electronic medical record manufacturer. The "Insurance Knowledge Platform" is also expected to increase its contribution, albeit still small, due to an increase in the number of users and an increase in the number of menu items.

Technology Consulting Business (former Global Business) to Recover a Certain Degree of Sales Delay & Cost Increases in FY3/2024

In the Technology Consulting Business, factors that pushed back sales in FY3/2024 are expected to partially return in FY3/2025. The delay in users' response to the Economic Security Promotion Act is expected to continue to have an impact compared to the initial plan, but it is expected to be a factor in sales growth compared to FY3/2024. As for the impact of the launch of the new OS, the timing of its launch is not yet clear, but it is expected to be recovered once it is decided. In addition, the capital and business alliance with OGIS Research Institute is expected to boost sales by about ¥300 million in FY3/2025.

Prioritize Recovery of Utilization Rates and Aim to Increase Earnings

In terms of operating income, the investment in human resources in anticipation of increased orders and the investment in the Manila and Cebu bases grew in FY3/2024, will be absorbed by the increase in sales in FY3/2025. The utilization ratio of engineers is also expected to decline to the 70% level in FY3/2024 due to the upfront investment period, but management is aiming for a recovery to over 80% in FY3/2025.

Aiming to Make Full-Scale Entry into Consulting with 30 Years of Experience

Although the company will continue to hire new graduates in the Philippines, it plans to hold down the overall hiring of engineers, including those with experience, until it confirms an increase in the utilization ratio.

As announced in April, the company merged its previous "Enterprise Solution Business Strategy Division" and "Global Business Strategy Division" into the "Technology Consulting Business Division. In line with this change, the disclosure was also changed from "Global Business" to "Technology Consulting Business". The aim is to fully strengthen the consulting business by taking advantage of 30 years of development experience for Japanese clients. The company has seen many cases and believes that it can solve the problems of such clients and provide them with a development environment suited to each project. Currently, many orders are received through SIers, but the company expects to see an increase in the number of cases where it receives orders directly from end customers through its consulting services.

Risk Factors

Risks to the achievement of the FY3/2025 forecast include further delays in customers' actions with the Economic Security Promotion Act, a delay in the launch of a new operating system and the need for further upfront investment in anticipation of future sales growth. Also, foreign exchange rate trends are a risk, especially at the recurring profit level. The company's sales forecast is conservative to a certain extent, factoring in some risks and should not be difficult to achieve. On the other hand, the key to operating income will be whether the company can steadily link sales growth to profit growth after the temporary cost increase in FY3/2024 is over.

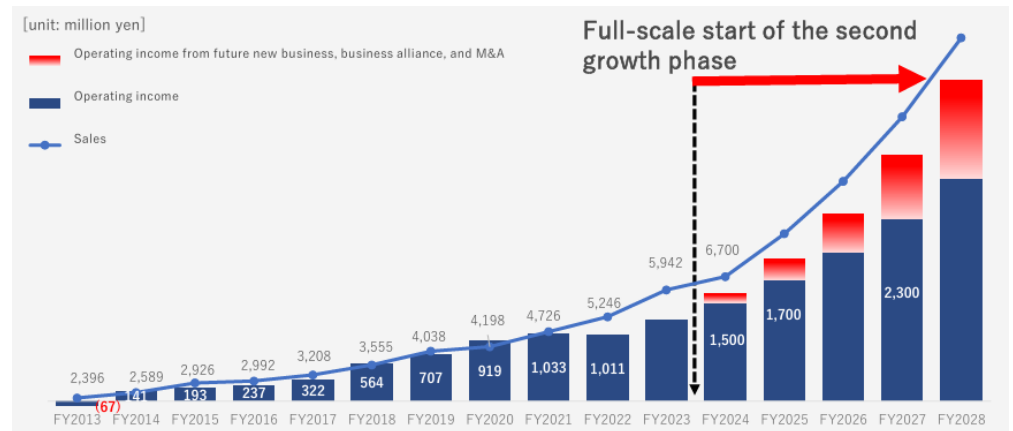
2) Entering the Second Growth Phase after Prior Investment

Growth Strategy in the Second Growth Phase

The company has identified the following six measures to promote the second growth phase. In other words, in the Medical Business, (1) develop multiple new platforms, (2) cross-sell "Mighty QUBE Hybrid" and "MightyChecker EX," and in the Technology Consulting Business, (3) strengthen consulting sales in Japan, (4) expand into the global market and (5) accelerate the pillarization of clients. And for both businesses, (6) M&A and capital and business alliances. Of these (1) and (2) have already begun to produce results and (6) is expected to show results from FY3/2025 as a result of the alliance with OGIS Research Institute.

The company is believed to be in discussions with other major global firms for tie-ups in addition to OGIS RI, which it announced in February. Although non-Japanese firms are also believed to be candidates, Filipino engineers are fluent in English, so there is no language problem even for projects ordered by overseas firms. In addition, the company's engineers are at a very high skill level in the Philippines, so the potential for business tie-ups with overseas firms is large.

Figure 8: Earnings Forecast for the Second Growth Phase



Source: Company Data

Aiming for Steady Growth in Existing Businesses & Build-Up Through New Businesses & Business Alliances

According to the company data in Figure 8, the company's operating profit forecast is ¥1.5 billion in FY3/2025, followed by ¥1.7 billion in FY3/2026 and ¥2.3 billion in FY3/2028 through expansion of existing businesses. The company intends to add to this through new businesses, through business alliances and M&A. In order for the company to make a leap forward in the future, it will be important for it to achieve a significant increase in profit in FY3/2025 over the previous year.

5. Comparison with Other Companies in the Same Industry and Stock Price Trends

The Company's Stock Price Has Been Soft

The company's performance has been sluggish in FY3/2023 and FY3/2024, with earnings falling short of the company's initial forecasts and profits remaining in a flat range compared to the previous year. As a result, the company's stock price has been soft, with the exception of a brief rally in November 2023 at the time of the announcement of Q2 FY3/2024 results. As the stock market as a whole continues to be dominated by large-cap stock trading, valuations of mid-cap medical DX-related companies have not risen even though their earnings have been growing and stock prices have been stagnant with the exception of a few stocks. Software development-related companies have also seen lackluster stock price performance, as the earnings environment is generally difficult, partly due to the weak yen.

Current Valuations are Low

As shown in Figure 13, the valuations of medical DX-related stocks are not significantly different, with the exception of M3 (2413 TSE Prime), FINDEX (3649 TSE Prime) and Medley (4480 TSE Prime), which have PERs in the 10x range. Compared to the TSE Prime average PER of 18x, they are rather languid and it is difficult to say that they are evaluated as growth companies. Software development stocks vary widely, but Ubicom's valuation remains relatively low.

Since companies with high valuations are presumed to have high market expectations, their stock prices are often stagnant when earnings growth fails to meet market expectations. Ubicom's current P/E ratio of 13.8x and P/B ratio of 2.9x are considered valuations that reflect the recent stagnation in earnings and the company's earnings growth prospects from its second growth phase are not well factored in.

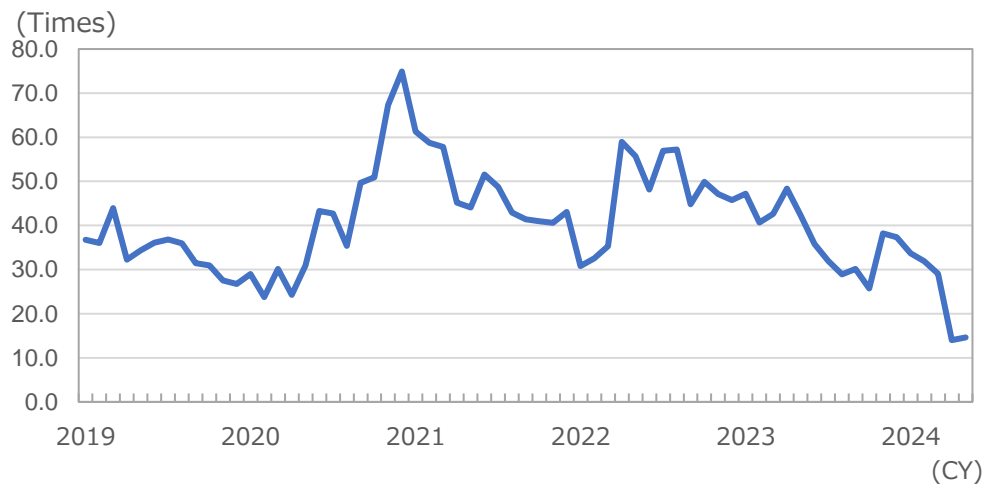
Achievement of FY3/2025 Forecasts Will Have a Significant Impact on the Share Price

Since the company's performance has been below the company's forecast, the market is assuming a certain level of risk that the company will not meet its forecast for FY3/2025. Therefore, the stock price is expected to rise if the company's forecast of ¥1.50 billion in operating profit is achieved. If expectations rise that profits will continue to grow as the company enters its second growth phase, there is a good chance that the stock price will follow an upward trajectory, factoring in earnings growth in FY3/2026 and beyond.

There are Factors that Support Business Performance

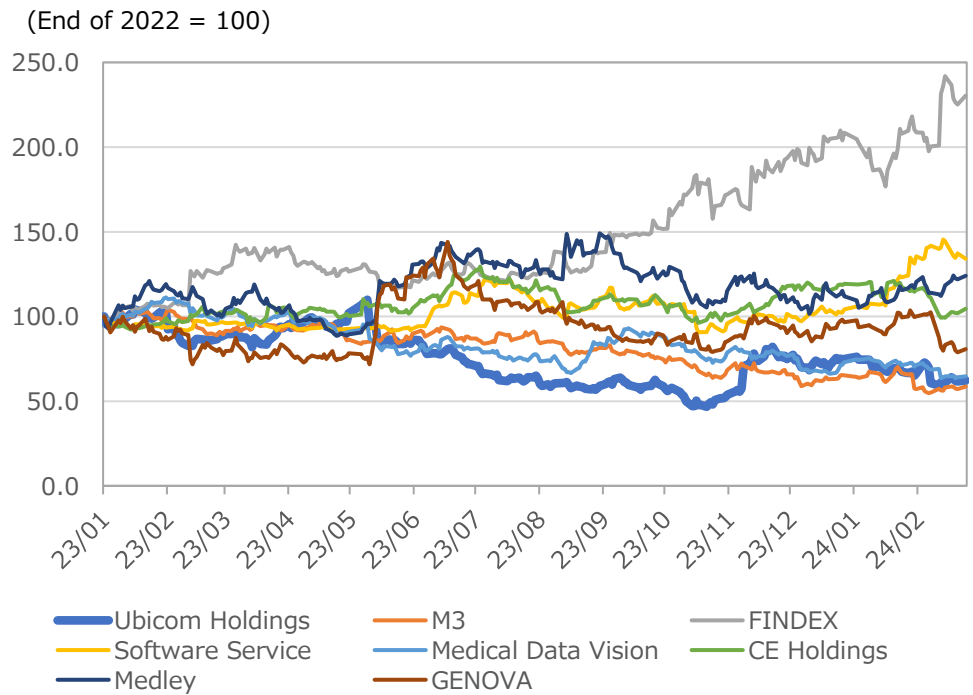
The company's earnings have a sense of stability, as evidenced by its medical subscribe model and the risk of significant profit declines, as seen in some startups, is small, even if upfront investment, yen depreciation and other headwinds remain. The key will be whether the company can restore its image of growth potential. To this end, we believe it is important for the company to achieve its earnings forecast for FY3/2025 in terms of share price.

Figure 9: Trends in PER



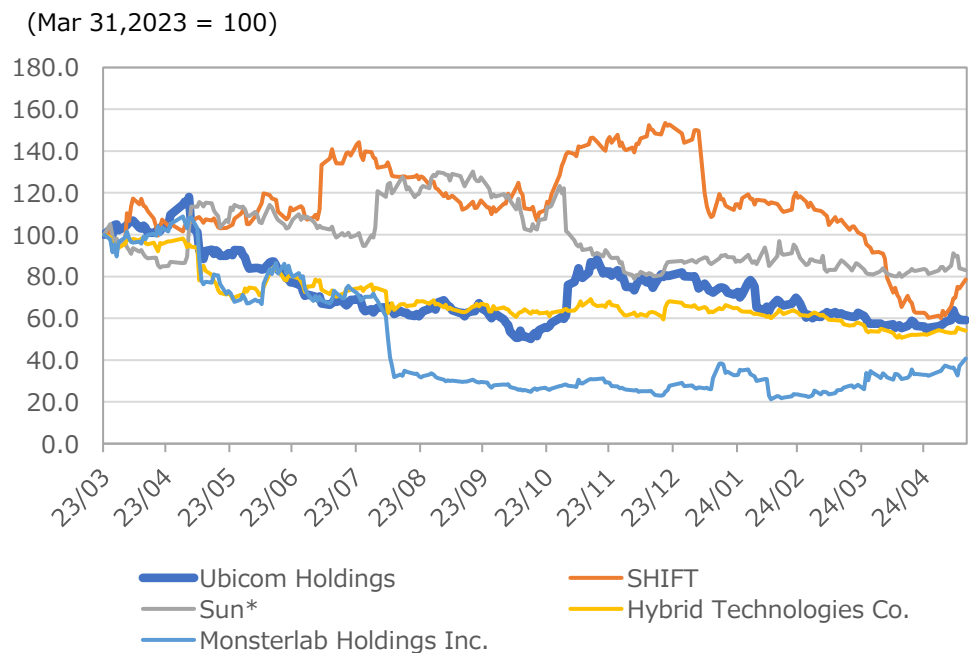
Source: Strategy Advisors - Based on Company Data

Figure 10: Share Price Trends of Medical DX Companies



Source: Strategy Advisors

Figure 11: Share Price Trends of Software Companies



Source: Strategy Advisors

Figure 12: Profitability Comparison with Peers

Company Name	Code	FY	Sales (¥ mn)	OP (¥ mn)	OPM (%)	ROE (%)	ROIC (%)	Equity Ratio (%)
Ubicom HD	3937	24/3	5,942	1,072	18.0	12.0	48.1	68.2
M3	2413	24/3	238,883	64,381	27.0	13.8	27.1	71.7
FINDEX	3649	23/12	5,191	1,496	28.8	23.9	58.9	81.5
Software Service	3733	23/10	33,720	6,516	19.3	16.5	21.3	79.3
Medical Data Vision	3902	23/12	6,419	1,770	27.6	25.2	86.1	68.3
CE Holdings	4320	23/9	13,632	1,254	9.2	11.7	15.9	54.1
Medley	4480	23/12	20,532	2,661	13.0	15.7	38.0	69.0
GENOVA	9341	24/3	8,683	2,301	26.5	35.2	134.9	70.5
SHIFT	3697	23/8	88,030	11,565	13.1	22.9	38.4	58.5
Sun* Inc	4053	23/12	12,516	1,775	14.2	18.2	69.4	80.1
Hybrid Technologies	4260	23/9	2,905	256	8.8	7.2	19.2	60.6
Monsterlab HD	5255	23/12	13,346	-2,056	-15.4	-56.8	-34.1	25.7

Source: Strategy Advisors - Based on Company Data

Figure 13: Comparison of Valuations with Peers

Company Name	Code	Latest Results	Stock Prices (5/20) (¥)	Market Cap. (¥ mn)	PER CoE (times)	PBR Actual (times)	Dividend Yield CoE (%)	ROE Actual (%)
Ubicom HD	3937	24/3	1,143	13,562	13.8	2.9	NA	12.0
M3	2413	24/3	1,545	1,049,083	23.3	3.0	NA	13.8
FINDEX	3649	23/12	944	24,210	22.1	5.0	1.6	23.9
Software Service	3733	23/10	15,160	79,256	15.8	2.5	0.9	16.5
Medical Data Vision	3902	23/12	474	18,105	18.1	4.3	1.4	25.2
CE Holdings	4320	23/9	539	8,150	10.7	1.3	2.8	11.7
Medley	4480	23/12	3,230	104,503	34.8	6.0	0.0	15.7
GENOVA	9341	24/3	1,298	23,097	12.3	4.0	2.3	35.2
SHIFT	3697	23/8	16,695	293,565	33.9	10.1	0.0	22.9
Sun* Inc	4053	23/12	868	33,049	18.5	3.5	0.0	18.2
Hybrid Technologies	4260	23/9	490	5,532	25.9	2.4	0.0	7.2
Monsterlab HD	5255	23/12	384	13,181	NM	3.6	0.0	-56.8

Source: Strategy Advisors - Based on Company Data

Figure 14: Quarterly Performance Trends

(¥ mn)	3/2023				3/2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Global Business								
Sales	942	904	935	944	1,004	1,127	1,051	1,113
YoY	25.6%	16.2%	15.6%	4.4%	6.6%	24.7%	12.4%	17.9%
OP	155	61	96	134	111	122	57	130
YoY	52.0%	-36.5%	-12.7%	-28.3%	-28.4%	100.0%	-40.6%	-3.0%
OPM	16.5%	6.7%	10.3%	14.2%	11.1%	10.8%	5.4%	11.7%
Medical Business								
Sales	370	386	373	391	399	399	416	432
YoY	0.8%	3.5%	-0.5%	6.0%	7.8%	3.4%	11.5%	10.5%
OP	220	223	218	234	231	246	263	270
YoY	15.2%	7.2%	-4.4%	6.8%	5.0%	10.3%	20.6%	15.4%
OPM	59.5%	57.8%	58.4%	59.8%	57.9%	61.7%	63.2%	62.5%
Operating Income Adjustment								
	-84	-74	-82	-90	-90	-79	-88	-101
Total Amount								
Sales	1,312	1,290	1,308	1,336	1,404	1,525	1,468	1,545
YoY	17.5%	12.1%	10.5%	4.9%	7.0%	18.2%	12.2%	15.6%
OP	291	210	232	278	253	288	232	299
YoY	42.0%	-8.7%	-12.1%	-16.8%	-13.1%	37.1%	0.0%	7.6%
OPM	22.2%	16.3%	17.7%	20.8%	18.0%	18.9%	15.8%	19.4%
Profit and Loss statement								
Sales	1,312	1,290	1,308	1,336	1,404	1,525	1,468	1,545
Cost of Sales	761	815	815	804	873	939	929	953
Gross Profit	551	474	493	532	530	587	539	592
GPM	42.0%	36.7%	37.7%	39.8%	37.7%	38.5%	36.7%	38.3%
SG&A Expenses	259	265	260	255	277	299	307	293
SG&A to Sales Ratio	19.7%	20.5%	19.9%	19.1%	19.7%	19.6%	20.9%	19.0%
Operating Profit	291	210	232	278	253	288	232	299
OPM	22.2%	16.3%	17.7%	20.8%	18.0%	18.9%	15.8%	19.4%
Non-Operating Income/Expenses	-25	18	19	-20	-73	-1	17	-80
Financial Balance	-3	-3	-4	-2	-3	-3	-3	-3
Equity in Earnings of Affiliates	2	2	2	1	1	1	2	-1
Foreign Exchange Gain or Loss	-44	19	19	-13	-64	-1	20	-47
Other	20	0	2	-6	-7	2	-1	-30
Recurring Profit	266	228	252	258	180	286	251	218
RPM	20.3%	17.7%	19.3%	19.3%	12.8%	18.8%	17.1%	14.1%
Extraordinary Income/Loss	0	0	-106	28	0	0	0	-17
Pretax Profit	266	228	146	285	180	286	251	201
Income Taxes	73	84	69	125	74	92	89	137
(Corporate Tax Rate)	27.4%	36.8%	47.3%	43.9%	41.1%	32.2%	35.6%	67.9%
Net Profit	192	145	76	160	105	195	161	65
NPM	14.6%	11.2%	5.8%	12.0%	7.5%	12.8%	11.0%	4.2%

Source: Strategy Advisors - Based on Company Data

Figure 15. Income Statement

(¥ mn)	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024	3/2025 CoE
Sales	3,208	3,555	4,038	4,198	4,726	5,246	5,942	6,700
Cost of Sales	1,919	1,999	2,317	2,375	2,722	3,195	3,694	
Gross Profit	1,289	1,555	1,720	1,822	2,003	2,050	2,248	
GPM	40.2%	43.7%	42.6%	43.4%	42.4%	39.1%	37.8	
SG&A Expenses	966	991	1,012	903	970	1,039	1,176	
Operating Profit	322	564	707	919	1,033	1,011	1,072	1,500
OPM	10.0%	15.9%	17.5%	21.9%	21.9%	19.3%	18.0%	22.4%
Non-Operating Income	63	40	30	18	56	34	10	
Interest and Dividend Income	1	0	1	0	38	1	4	
Equity in Earnings of Affiliates	16	19	19	10	0	7	3	
Profit on Foreign Exchange	28	0	0	0	0	0	0	
Other	18	21	10	8	18	26	3	
Non-Operating Expenses	29	13	22	61	34	42	147	
Interest Expense and Discount	1	1	13	9	7	13	16	
Foreign Exchange Loss	0	11	4	45	26	19	92	
Other	28	1	5	7	1	10	39	
Non-Operating Income	355	591	715	877	1,055	1,004	935	1,518
Recurring Profit	11.1%	16.6%	17.7	20.9%	22.3%	19.1%	15.7%	22.7%
RPM	0	0	0	0	0	28	0	
Extraordinary Income	0	1	113	0	15	106	17	
Extraordinary Loss	63	40	30	18	56	34	10	
Pretax Profit	355	590	602	877	1,039	925	918	
Corporate, Inhabitant and Enterprise Taxes	142	211	203	228	302	261	396	
Income Taxes-Deferred	0	9	-134	25	-95	89	-4	
Total Income Taxes	142	221	68	253	207	351	392	
(Corporate Tax Rate)	40.0	37.5%	11.3%	28.8	19.9%	37.9%	42.7	
Net Profit	212	368	533	623	832	573	526	1,000
NPM	6.6%	10.4%	13.2%	14.8%	17.6%	10.9%	8.9%	14.9%
EPS (¥)	19.1	32.6	46.1	53.2	70.4	48.7	44.7	83.0
Investment in Tangible and Intangible Fixed Assets	90	55	178	85	282	70	283	
Depreciation and Amortization of Goodwill	78	106	134	148	113	156	176	
Cash Flow	290	474	667	771	945	729	702	
CFPS (¥)	26	42	57.7	65.8	79.9	61.8	59.7	
ROE	17.8	24.7%	27.3%	27.3%	24.2%	14.5%	12.0%	
ROIC	31.0%	NM	82.7%	83.1%	86.1%	56.4%	47.9%	
Dividend (¥)	0	5	5	7	9	11	13	
Average Number of Shares during the Period (mn shares)	11.2	11.3	11.6	11.7	11.8	11.8	11.8	
Number of Shares at End of Period (mn shares)	11.3	11.5	11.7	11.8	11.8	11.7	11.9	

Source: Source: Strategy Advisors - Based on Company Data

Figure 16: Balance Sheet

(¥ mn)	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024
Current assets	2,048	2,532	3,128	3,793	4,509	4,838	5,660
Cash	1,210	1,637	1,976	2,808	3,377	3,671	4,026
Notes and Accounts							
Receivable	504	553	667	655	938	876	1,289
Inventory	22	22	43	15	1	0	0
Other	319	323	446	319	206	312	363
Allowance for Doubtful							
Accounts	-7	-3	-4	-4	-13	-21	-18
Fixed assets	438	561	668	647	1,114	1,037	1,223
Property, Plant and							
Equipment	79	72	65	60	53	58	140
Intangible Fixed Assets	122	79	132	81	260	168	213
Software	58	79	48	17	2	20	13
Other	64	0	84	64	258	148	200
Investments and Other	236	409	470	504	800	731	870
Investments in Securities	3	152	68	85	287	269	421
Shares of Subsidiaries and							
Affiliates	41	58	62	71	63	63	62
Deferred Tax Asset	93	117	268	274	375	302	298
Other	99	82	72	74	75	97	89
Total Assets	2,487	3,093	3,797	4,440	5,624	5,797	6,883
Current Liabilities	1,031	1,210	1,370	1,239	1,464	1,336	1,725
Accounts Payable	57	39	77	68	74	56	121
Interest-Bearing Debt	69	120	182	139	190	183	213
Income Taxes Payable	58	82	67	76	129	78	240
Allowance for Bonuses	153	46	49	48	50	54	56
Other	694	923	995	908	1,021	965	1,095
Fixed Liabilities	162	192	208	258	347	370	438
Interest-Bearing Debt	35	15	18	18	137	61	75
Liabilities for Retirement							
Benefits	47	75	61	80	32	108	163
Deferred Tax Liabilities	71	94	121	152	169	183	180
Other	9	8	8	8	9	18	20
Net Assets	1,293	1,690	2,217	2,942	3,812	4,090	4,719
Capital Stock	1,434	1,830	2,341	2,985	3,727	3,946	4,423
Capital & Surplus	1,324	1,353	1,388	1,466	1,481	1,503	1,584
Retained Earnings	108	477	953	1,518	2,270	2,737	3,134
Treasury Stock	0	0	0	0	-25	-295	-295
Accumulated Other							
Comprehensive income	-140	-140	-124	-43	85	144	272
Subscription Warrant	0	0	0	0	0	0	23
Noncontrolling Interest	0	0	0	0	0	0	0
Total Assets	2,487	3,093	3,797	4,440	5,624	5,797	6,883
Shareholders' Equity	1,294	1,690	2,217	2,942	3,812	4,090	4,695
BPS(¥)	115.9	147.2	190.2	249.3	322.4	348.2	395.7
Interest-Bearing Debt	104	135	200	157	327	244	288
Capital Adequacy Ratio	52.0	54.6%	58.4%	66.3%	67.8	70.6%	68.2%
D/E Ratio	0.08	0.08	0.09	0.05	0.09	0.06	0.06

Source: Source: Strategy Advisors - Based on Company Data

Figure 17: Cash Flow Statement

(¥ mn)	3/2018	3/2019	3/2020	3/2021	3/2022	3/2023	3/2024
Cash Flows from Operating Activities							
Income Before Income Taxes	355	590	602	877	1,039	925	918
Depreciation and Amortization	78	106	134	148	113	156	176
Gain on Increase/Decrease in Allowance for Bonuses	21	-109	2	-1	1	2	0
Equity in Earnings (Losses) of Affiliated Companies	-16	-19	-19	-10	0	-7	-3
Working Capital	-123	-51	-91	51	-228	76	-427
Income Taxes Paid	-84	-158	-246	-232	-244	-392	-218
Other	63	208	116	88	193	60	280
Total Amount	294	567	498	921	874	820	726
Cash Flows from Investing Activities							
Purchases of Property, Plant and Equipment	-37	-24	-32	-31	-31	-45	-117
Payments for Acquisition of Intangible Assets	-41	-36	-3	-1	-22	-5	-5
Other	-2	-146	-34	-28	-149	-60	-150
Total Amount	-80	-206	-69	-60	-202	-110	-272
Cash Flows from Financing Activities							
Net Increase (Decrease) in Short-Term Loans Payable	0	100	0	0	0	0	0
Net Increase (Decrease) in Long-Term Debt	-78	-69	-20	-15	0	0	0
Repayment of Lease Obligations	0	0	-53	-80	-59	-92	-112
Payments for Purchase of Treasury Stock	0	0	0	0	-25	-270	0
Dividends Paid	0	0	-57	-58	-82	-106	-129
Other	27	27	34	77	15	21	86
Total Amount	-51	58	-96	-76	-151	-447	-155
Effect of Exchange Rate Changes on Cash							
Cash Increase/Decrease	130	426	338	832	569	294	389
Cash Beginning Balance	1,044	1,175	1,602	1,941	2,773	3,342	3,636
Cash Ending Balance	1,175	1,602	1,941	2,773	3,342	3,636	4,026

Source: Strategy Advisors, Based on Company Data

Disclaimer

This report is published by Strategy Advisors, Inc. (hereafter referred to as “the Publisher”) and was prepared with outside partners and analysts as the primary authors.

The purpose of this report is to provide an unconventional approach to the companies covered. In principle, the publisher does not review or approve the content of the report (although we will point out obvious errors or inappropriate language to the authors).

The Publisher may receive compensation, directly or indirectly, from the Subject Company for providing planning proposals and infrastructure for the publication of this report.

The outside firms and analysts who write this report may receive compensation, directly or indirectly, from the subject company in addition to preparing this report. In addition, the outside firms and analysts who write this report may have entered into transactions in the securities of the subject company or may do so in the future.

This report is prepared solely for the purpose of providing information to assist in investment decisions and is not intended as a solicitation for securities or other transactions. Final decisions regarding securities and other transactions are the sole responsibility of the investor.

In preparing this report, the authors have received information through interviews with the subject companies. However, the hypotheses and views expressed in this report are not those of the subject companies, but rather are based on the authors' analysis and evaluation.

This report is based on information that the authors believe to be reliable, but they do not guarantee its accuracy, completeness, or timeliness. The views and forecasts expressed in this report are based on the judgment of the authors at the time of publication and are subject to change without notice.

In no event shall the publisher or authors be liable for any direct, indirect, incidental, or special damages that may be incurred by an investor as a result of reliance on the information or analysis contained in this report.

In principle, the copyright of this report belongs to the publisher. Reproduction, sale, display, distribution, publication, modification, distribution, or commercial use of the information provided in this report without the permission of the publisher is prohibited by law.



Strategy Advisors

Central Building 703, 1-27-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan