

## Consolidated Financial Results [Japanese GAAP]

**for the First Quarter of the Fiscal Year Ending December 31, 2022**

**FINDEX Inc**

May 12<sup>th</sup>, 2022

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Scheduled date to submit statutory quarterly financial report:	May 12, 2022		
Scheduled date of starting payment of dividend:	N/A		
Availability of supplementary explanatory material on quarterly results:	N/A		
Quarterly results briefing:	N/A		

### 1. Consolidated Financial Results for the Three Months Ended March 31, 2022 (From January 1, 2022, to March 31, 2022)

*\*Figures are rounded down to the nearest million yen, except share and per share data*

*\*“ % ” indicates year-on-year changes from the previous corresponding period*

#### (1) Consolidated Operating Results (Cumulative)

	Revenue		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%
FY2022 1Q	1,264	(13.5)	370	(17.9)	381	(15.8)	258	(17.7)
FY2021 1Q	1,462	(10.3)	451	(30.7)	452	(30.7)	314	(29.8)

(Note) Comprehensive income: FY2022 1Q: 261 million yen [(16.9%)], FY2021 1Q: 314 million yen [(29.8%)]

	Basic earnings per share	Diluted earnings per share
	(JPY)	(JPY)
FY2022 1Q	10.10	-
FY2021 1Q	12.28	-

(Note) No statement is indicated above for the number of diluted EPS because there were not any financial instruments which has dilutive effect on common stocks outstanding.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	BPS (Book-value Per Share)
As of the end of	(JPY MM)	(JPY MM)	%	(JPY)
FY2022 1Q	4,565	3,642	79.6	141.83
FY2021 4Q	4,556	3,512	76.9	136.84

(Ref.) Equity amount: FY2022 1Q: 3,632 million yen, FY2021 4Q: 3,505 million yen.

### 2. Dividends

	Annual cash dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)
FY2021 4Q ended Dec. 31, 2021	—	2.50	—	6.00	8.50
FY2022 1Q ended Mar.31, 2022	—				
FY2022 4Q ending Dec. 31, 2022 (forecast)		3.00	—	6.50	9.50

(Note) Revisions to the dividends forecast since the latest announcement: None

**3. Forecast for the Fiscal Year Ending December 31, 2022 (From Jan. 1, 2022, to Dec.31, 2022)**

\* Figures are rounded down to the nearest million yen, except share and per share data

\* “%” indicates year-on-year changes from the previous corresponding period

	Revenue		Operating Income		Ordinary Income		Net income attributable to owners of the parent company		Basic Earnings Per Share
	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY)
FY2022 2Q (cumulative)	1,953	(18.8)	136	(72.2)	137	(72.9)	82	(75.9)	3.20
FY2022 4Q (full year)	4,937	(0.6)	1,085	17.8	1,091	15.5	716	12.6	27.96

(Note) Revisions to the forecast since the latest announcement: None

※ **Notes;**

**(1) Changes in Significant Subsidiaries during the Current Quarter**

Changes in specified subsidiaries that caused a change in the scope of consolidation: None

Newly included companies: None

Newly excluded companies: None

**(2) Simplified Accounting Procedures and Specific Accounting Procedures: None**

**(3) Changes in Accounting Policies and Accounting Estimates**

(i) Changes in accounting policies as required by newly promulgated account pronouncement: Yes

(ii) Changes other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For more detailed illustration, please refer to “2. Quarterly Consolidated Financial Statements and Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 12 of the attached document.

**(4) Number of Shares Outstanding (Ordinary Shares)**

	FY2022 1Q (As of Mar. 31, 2022)	FY2021 4Q (As of Dec.31, 2021)
Number of shares outstanding at the end of the period (treasury shares included)	26,608,800	26,608,800
Number of treasury shares at the end of the period	994,375	995,175
	FY2022 1Q (From Jan.1, 2022, to Mar. 31, 2022)	FY2021 1Q (From Jan.1,2021, to Mar. 31, 2021)
Average number of shares during 1Q	25,614,142	25,605,789

(Note) The average number of treasury shares held by Japan Custody Bank, Ltd. (Trust Account E), which is deducted from the average number of shares during the period, includes 176,636 shares during FY2021 1Q and 168,283 shares during FY2022 1Q.

\* This quarterly financial results report is out scope of the quarterly review by a certified public accountant nor audit firm.

\* Explanation on appropriate use of performance forecasts and other special notes.

The performance forecast described in this report are based on information that is available to the Group, as well as certain assumptions and estimates that are deemed to be reasonable, and we make no assurance that such descriptions prove to be correct. Actual figures may significantly differ due to various factors.

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## 1. Status of the Group

### (1) Business Overview and Results for the First Fiscal Quarter

The Group addresses wide range of medical industry needs and develops the best-in-class and highly scalable integrated medical solutions, from comprehensive medical systems to medical equipment, and delivers to large hospitals and small- and medium-sized healthcare organizations nationwide. Also, leveraging our technologies and reputation, the Group also proposes and implements our office systems to ministries, local governments, and public corporations. Further, unlocking the future, the Group has already embarked on emerging area, such as health tech and medical cloud computing.

Due to the impact of the novel coronavirus (hereafter referred to as “COVID-19”) pandemic, utilization of Information and Communication Technology (hereafter, referred to as “ICT”) and artificial intelligence (hereafter, referred to as “AI”), non-contact medical care has been more widespread than ever, including the online diagnoses and the medical robots.

In addition, as the Japanese government has taken strategic actions to redress the long working hours which healthcare professionals has been struggling with and to establish medical service infrastructure toward the equity of access to health care, all citizens have access to the health service they need, when and where they need them, the healthcare organizations are further encouraged and expected to adopt the state-of-the-art healthcare IT systems as a means of achieving those goals through increased efficiency, enhanced workflows, easier coordination, and improved access to medical information, accelerated by cloud-native smart health data service for digital health development.

In this business environment, revenue was 1,264,576 thousand yen for the first quarter (January 1, 2022, to March 31, 2022), a decrease of 13.5% compared to the same period of previous fiscal year. Operating income decreased by 17.9% to 370,449 thousand yen, ordinary income decreased by 15.8% to 381,314 thousand yen, and net income attributable to owners of the parent decreased by 17.7% to 258,717 thousand yen, respectively.

Compared to the annual forecast, the progress of first quarter was 25.6% for revenue, 34.1% for operating income, 35.0% for ordinary income, and 36.1% for net income attributable to shareholders of the parent company, respectively.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020.) has been applied from the first quarter of the current fiscal year and the impact of the on the quarterly consolidated financial statements was not material.

For more detailed illustration, please refer to “2. Quarterly Consolidated Financial Statements and Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies) and (Segment Information) 2. Matters regarding the change in the reporting segments, etc.”

The COVID-19 pandemic and efforts to control its spread have had a significant, ongoing adverse impact on economic activities and daily life as well as the Group’s operations and the operations of the Group’s healthcare clients.

One of the reasons for the FY20221Q revenue decline is that while demand for system upgrades remained stable, because our hospital and other healthcare provider clients have understandably prioritized their resources, capacity and staff as the COVID-19 outbreak continues to strain their organizations, the prolonged outbreak of COVID-19 is changing healthcare organizations' willingness to system investment and their acceptance of new systems.

If any changes in performance are expected, we will appropriately disclose them in a timely manner.

The Group’s employees are a significant and precious asset, human capital, and the Group recognizes that they are inevitable to the Group’s continued success. The Group aims to create an inclusive, respectful, and open work environment and culture comprised of talented employees of diverse backgrounds.

Aligning with this principle and aim, as the Group’s internal initiatives, the Group relocated its Tokyo head office in April 2022. Also, as a digital transformation (hereafter, referred to as “DX”) promoting company, the Group has established a working environment that accommodates more diverse working styles by setting work-from-home policy as permanent, which had been a temporary measure, in order further to attract, motivate and retain talented people at all levels and to enhance employee wellbeing. In the Group’s efforts to foster ESG management, the Group conduct “as is” analysis, and discuss the “to be” ESG structure that we should aim for. We will fulfill our social responsibility as a company that helps healthcare organizations advance the quality and efficiency of their healthcare and achieve people's healthier life. Built on our philosophy “as an R&D-driven company, continues to pursue new ideas and technologies, toward prosperous society”, we will continuously take thorough measures to prevent infection throughout the Group and ensure the safety of our stakeholders.

**(a)Revenue by Business Segments**

(JPY in Thousands)

Business segment	FY2021 1Q	FY2022 1Q	Change (amount)	Change (%)
System development	1,449,510	1,221,921	(227,588)	(15.7%)
Healthtech	13,914	43,397	29,482	211.9%

**(b)Operating Income by Business Segments**

(JPY in thousands)

Business segment	FY2021 1Q	FY2022 1Q	Change (amount)	Change (%)
System development	495,197	413,895	(81,301)	(16.4%)
Healthtech	(43,943)	(43,446)	-	-

**《System Development Business》**

Operating results of the system development business were revenue of 1,221,921 thousand yen (down 15.7% year-on-year) and segment income (operating income) of 413,895 thousand yen (down 16.4% year-on-year), respectively.

**○ Medical System**

The Group is a leading company of healthcare information technology solutions and services and offers a wide range of intelligent solutions and tech-enables services. Amongst of them, “Claio”, image management system, “C-Note”, medical record system, and “DocuMaker”, document management system, are flagship solutions and have maintained a high reputation and stable market share in large healthcare organizations. Healthcare professionals can be provided insights to improve healthcare quality, with more complete picture of a patient’s long-term medical experience, rather than seeing individual events such as a single diagnosis or treatment plan. As core infrastructure system, we have become deeply embedded in the day-to-day operations of healthcare organizations, and our fit-for-purpose solutions are indispensable to such organizations that provide advanced medical care.

During this quarter, we have been continuously gaining shares, and 13 hospitals and 17 clinics newly adopted, augmented, or updated our solutions, resulting in cumulative revenue of 1,195,549 thousand yen.

In this fiscal year, we will focus on sales of packaged products to our existing customers, and simultaneously work on profitability improvement by launching sales of “Claio” and “C-Note” in India and other countries in ASEAN region jointly with our new strategic business partner Toyota Tsusho Corporation (“Toyota Tsusho”, Head Office: Aichi Prefecture).

Fitting Cloud Inc., the Group subsidiary which delivers cloud-enabled solutions, offered cloud resources using GCP (Note 1) during this quarter and built a cloud infrastructure for the medical data collection project promoted by the Japan Agency for Medical Research and Development (AMED) and academic societies. In addition, seizing its future-growth opportunities, we are developing a cloud-based EDC (Electronic Data Collection) system and a cloud-based virtual browsing environment.

(Note 1) GCP: Google Cloud Platform, cloud computing service provided by Google Inc.

**○ Office System**

In this segment, we deliver “DocuMaker Office”, document management system, to affiliated organizations of ministries and local governments. Spurred by DX acceleration, the Group has been receiving a lot of inquiries from those potential clients and, some negotiations are under way, with several pipelines.

Sales of this product have been steady to the target for this fiscal year, with 12 new or additional installations during the first quarter of this consolidated fiscal year, resulting in cumulative revenue of 26,371 thousand yen.

Currently, the implementation processes have been ongoing at two ministry affiliated organizations. We have established trusted relationship by our proven abilities and solutions, and highly reputed for “Close on-site engagement with clients, with high consulting skills to identify issues and propose precise solutions” and “High User Interface /User Experience, easy-to-use system from the user’s perspective”, and we have been steadily

winning several large-scale projects. We will continuously make proposals and accelerate digitalization not only of local governments, but also of independent administrative agencies and foundations who have been facing issues similar to those of local governments. In the medical field, we also expect high demand, especially from large and medium-sized healthcare organizations, which are our existing users, and we have received many inquiries about this cloud-based service that supports the back-office operations.

### 《Healthtech》

Operating results of the Healthtech segment were revenue of 43,397 thousand yen (up 211.9% year-on-year) and segment loss (operating loss) of 43,446 thousand yen (segment loss of 43,943 thousand yen for the comparable previous quarter of FY2021), respectively.

#### ○ Gaze Analyzing Perimeter

In this segment, we focused our efforts on domestic sales and on strategy formulation of overseas sales expansion on our GAP (Note 2), a Gaze Analyzing Perimeter. The GAP is an affordable, but breakthrough head-mounted wearable device that contributes to the early detection of retina diseases such as glaucoma. This solution eliminates the need for a dark room, which was formerly needed for exam, shortening exam time and reduces the patient's burden.

Furthermore, by promoting the use of this solution at comprehensive medical exams and healthcare organizations, and by collecting visual field data, contribution to the technological and solution innovation, in various fields such as pharmaceuticals and life insurance, can be expected, because scientists and doctors will be able to conduct data-driven analysis and develop actionable insights.

In Japan, this perimeter has already been introduced to 16 medical organizations, including university hospitals. The same has also been loaned to healthcare organizations, on a free-of-charge basis, and a usage-based-rate basis, allowing examinees to choose the visual field test as an optional item.

With Toyota Tsusho, the Group has reached an agreement to collaborate, with a view to accelerate adoption by healthcare organizations nationwide.

In our initiative to further harness overseas footprints, at university hospitals in two EU countries (the Netherlands and Belgium), solution testing is underway, bottlenecked by time-consuming regulatory approval process.

Innovating healthcare, additionally, the Group has been continuously conducting joint research with Kyoto University, further expedited, and motivated by the discovery that our solution could provide objective values to help to understand the symptoms of disorders and is effective for detecting not only visual field abnormalities but also MCI (early-stage dementia).

Japan Agency for Medical Research and Development (“AMED”) adopted, in its FY2021 Artificial Intelligence Implementation Research Project for Medical Engineering Collaboration, “the R&D of a screening program for slight cognitive dysfunctions, utilizing digital phenotyping of gaze point response and eyeball movements”. Innovative medical devices will be introduced over the next several years. To accelerate our successful growth, we will continue to engage in R&D from various perspectives, in order to solve many of the problems faced by the aging society.

(Note 2) GAP is abbreviation of Gaze Analyzing Perimeter (Notification No. of medical device manufacturing and sales 38B2X10003000002)

The followings are initiatives by the Group's subsidiary, EMC Healthcare Co.ltd

#### ○ Midday Nap Monitoring System

In the area of digital, data and AI powered image analysis, the Company delivers "Baby moni," a monitoring system designed to support observation and recording during midday nap time (Note 3). This solution is driven by AI to analyze camera images, enabling simultaneous monitoring of several infants sleeping in bed.

In addition to sales in the Tokyo metropolitan area, we launched nationwide sale campaign last fiscal year and have been establishing a nationwide sales track record. In October 2021, we have introduced the next-generation model, adding on functionality of sensing the indoor environment during nap time, aiming to further add value by acquiring and analyzing more data than ever before.

(Note 3) Midday nap: Infants' midday nap at nursery school

### ○ Nursing Care DX Services

In nursing care field, we are developing a new product, "OwlCare", a DX service. In today's nursing facilities, there is an urgent need to both reduce the nighttime workload such as patrolling and watching over residents and to improve the staff shortage and quality of nursing care. By integrating various sensors and nurse call systems through this product, it is possible to reduce the workload of staff while keeping an eye on residents' health conditions.

At the same time, the system will contribute to solving management issues such as securing care staff and efficient staffing. OwlCare" is a product that brings together the sensor technology, camera technology, image analysis technology, AI and data analysis technology, and other technologies that EMC Healthcare has nurtured.

In November 2021, at Japan's first Age-Tech 2021 Awards, held under the auspices of the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry, the Ministry of Education, Culture, Sports, Science and Technology, and the Japan Society for the Promotion of Science, this solution received an excellence award in recognition of its innovative efforts to contribute to workload savings at nursing facilities. Development is under steady progress, with field demonstrations beginning this fiscal year.

## (2) Explanation on the Financial Position

### Status of Assets, Liabilities, and Net assets

Total assets at the end of the first quarter amounted to 4,565,528 thousand yen, an increase of 8,965 thousand yen from the end of the previous fiscal year. This was primarily due to an increase of 10,593 thousand yen in current assets, which is mainly composed of a decrease of 343,693 thousand yen in notes receivable, accounts receivable and contract assets and an increase of 353,764 thousand yen in cash and deposits.

Liabilities amounted to 922,566 thousand yen, a decrease of 121,462 thousand yen from the end of the previous fiscal year. This was primarily due to a decrease of 178,964 thousand yen in current liabilities, which is mainly composed of an increase of 100,000 thousand yen in short-term loans payable, and a decrease of 174,509 thousand yen in accounts payable-trade and a decrease of 86,090 thousand yen in income taxes payable.

Net assets amounted to 3,642,961 thousand yen, an increase of 130,428 thousand yen from the end of the previous fiscal year. This was primarily due to an increase in shareholders' equity of 127,815 thousand yen resulting from an increase in retained earnings.

## (3) Explanation on Future Performance Forecast

The consolidated performance forecasts for the second quarter (cumulative) and the full year ending December 31, 2022, have already incorporated the impact of the COVID-19, at the time of the announcement of the full-year financial results on February 9, 2022, and have been unchanged ever.

We will disclose any expected changes in our business results, in a timely manner, which might be derived from, such as harbinger of COVID-19 pandemic calming down, and resurgence of new system accommodation by healthcare organizations.



## 2. Quarterly Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(JPY in Thousands)

	FY2021 4Q (As of Dec. 31, 2021)	FY2022 1Q (As of Mar.31,2022)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and deposits	2,171,974	2,525,739
Note and account receivable	1,218,805	-
Note and account receivable – trade, and contract assets	-	875,112
Inventories	123,858	129,619
Work in process	16,492	2,598
Materials and supplies	142,988	145,096
Other current assets	31,481	38,028
<b>Total current assets</b>	<b>3,705,601</b>	<b>3,716,194</b>
<b>NON-CURRENT ASSETS:</b>		
Tangible assets	71,256	72,897
Intangible assets		
Software	238,600	236,277
Others	344	344
<b>Total intangible assets</b>	<b>238,944</b>	<b>236,621</b>
Investments and other assets	540,760	539,814
<b>Total non-current assets</b>	<b>850,961</b>	<b>849,333</b>
<b>TOTAL ASSETS</b>	<b>4,556,563</b>	<b>4,565,528</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	223,627	49,118
Short-term borrowings	20,000	120,000
Accrued expenses	98,621	117,284
Income taxes payable	223,933	137,842
Other current liabilities	259,544	222,516
<b>Total current liabilities</b>	<b>825,726</b>	<b>646,762</b>
<b>LONG-TERM LIABILITIES:</b>		
Provision for stock compensation	163,649	163,483
Other long-term liabilities	54,653	112,320
<b>Total long-term liabilities</b>	<b>218,303</b>	<b>275,804</b>
<b>TOTAL LIABILITIES</b>	<b>1,044,029</b>	<b>922,566</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Share capital	254,259	254,259
Capital surplus	224,259	224,259
Retained earnings	3,844,949	3,972,148
Treasury shares	(818,446)	(817,829)
<b>Total shareholders' equity</b>	<b>3,505,021</b>	<b>3,632,837</b>
Stock subscription rights	4,743	4,743
Non-controlling interests	2,769	5,381
<b>TOTAL EQUITY</b>	<b>3,512,533</b>	<b>3,642,961</b>
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b>4,556,563</b>	<b>4,565,528</b>

**(2) Quarterly Consolidated Statement of Income and Comprehensive Income**

(Quarterly Consolidated Statement of Income, Cumulative)

(JPY in Thousands)

	FY2021 1Q (From Jan. 1, 2021, to Mar. 31, 2021)	FY2022 1Q (From Jan. 1, 2022, to Mar. 31, 2022)
Revenue	1,462,682	1,264,576
Cost of revenue	612,067	473,564
Gross profit	850,615	791,011
Selling, general and administrative expenses	399,361	420,562
Operating income	451,254	370,449
Non-operating income		
Interest income	9	9
Foreign exchange gain	-	7,400
Subsidy income	-	1,743
Royalty income	1,390	1,390
Miscellaneous income	324	393
Total non-operating income	1,724	10,936
Non-operating expenses		
Interest expense	-	72
Total non-operating expenses	-	72
Ordinary income	452,978	381,314
Income before income taxes	452,978	381,314
Income tax -current	136,121	127,738
Income tax -deferred	2,465	(7,754)
Total income taxes	138,587	119,984
Quarterly net income	314,391	261,330
Quarterly net income attributable to noncontrolling interests	-	2,612
Quarterly net income attributable to owners of the parent	314,391	258,717

(Quarterly Consolidated Statement of Comprehensive Income, Cumulative)

(JPY in Thousands)

	FY2021 1Q (From Jan. 1, 2021, to Mar. 31, 2021)	FY2022 1Q (From Jan. 1, 2022, to Mar. 31, 2022)
Quarterly net income	314,391	261,330
Quarterly comprehensive income	314,391	261,330
attributable to owners of parent	314,391	258,717
attributable to non-controlling interests	-	2,612

### **(3) Notes to Quarterly Consolidated Financial Statement**

**(Note on Going Concern):** N/A

**(Note on Significant Change in Equity Capital):** N/A

**(Changes in Accounting Policies):** Application of accounting standard for revenue recognition

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter referred to as the "Accounting Standard for Revenue Recognition") has been applied from the beginning of the first quarter of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

As a result of this change, after reviewing the identification and satisfaction of performance obligations, the Company has decided to recognize revenue over a certain period of time for some software development and system sales projects, whereas it had previously recognized revenue at a single point.

The Company has followed the transitional treatment prescribed in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been included in retained earnings at the beginning of the first quarter of the current fiscal year. The impact of the on the quarterly consolidated financial statement was not material.

Due to the application of Accounting Standard for Revenue Recognition "notes and accounts receivable," which was included in "current assets" in the consolidated balance sheet for the previous fiscal year, is included in "notes, accounts receivable and contract assets" in the consolidated balance sheet for the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to reflect the new presentation for the previous consolidated fiscal year.

#### **(Application of Accounting Standard for Fair Value Measurement, etc.)**

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc, have been applied since the beginning of the first quarter of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in Paragraph 19 of the "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. in the future. These changes had no impact on the Company's quarterly consolidated financial statements.

#### **【Additional Information】**

##### **(Accounting Treatment for Employee Stock Ownership Plan, J-ESOP)**

At the Board of Directors meeting held on October 29, 2015, the Company resolved to introduce the "employee stock ownership plan (hereafter referred to as "J-ESOP")," an incentive plan to provide employees with ownership interest (stock) of the Company purchased from the market. The purpose of this incentive plan is to further correlate the Company's stock price and performance with the treatment of employees, further sharing economic benefits with shareholders, and to increase employees' motivation and morale toward the stock price and performance enhancement.

In accordance with this introduction, Trust & Custody Services Bank, Ltd. (Trust Account E) (currently Custody Bank of Japan, Ltd. (Trust Account E)) acquired 194,200 shares of the Company's stock between November 13, 2015, and November 26, 2015.

For accounting treatment of J-ESOP, the gross method is applied to record the assets and liabilities of the trust as corporate assets and liabilities in the consolidated balance sheets, in accordance with the " Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30, issued on March 26, 2015).

Treasury stock held by Custody Bank of Japan; Ltd. (Trust Account E) is presented as treasury stock in the net assets section of the quarterly consolidated balance sheets. The amount recorded at the end of the previous fiscal year was 130,217 thousand yen and the number of shares was 168,800. The amount recorded at the end of the first quarter of the current fiscal year was 129,600 thousand yen and the number of shares was 168,000.

**【SEGMENT INFORMATION, etc.】**

**(Segment Information)**

**1. Sales and Income or Loss by Reportable Segment**

FY2021 1Q (From January 1, 2021, to March 31, 2021)

(JPY in thousands)

	Reportable segment			Adjustment (Note1)	Reported amount for consolidated financial statements (Note 2)
	System development	Healthtech	Sub total		
Sales					
Sales for external customers	1,448,767	13,914	1,462,682	-	1,462,682
Internal sales or transfers between segments	742	-	742	(742)	-
Total	1,449,510	13,914	1,463,424	(742)	1,462,682
Segment income or loss	495,197	(43,943)	451,254	-	451,254

(Note) 1. Adjustments are derived from elimination of intersegment transactions.

2. Aggregated amount of segment income or loss equals amount of ordinary income reported for consolidated financial statements.

FY 2022 1Q (From January 1, 2022, to March 31, 2022)

(JPY in Thousands)

	Reportable segment			Adjustment (Note1)	Reported amount for consolidated financial statements (Note 2)
	System development	Healthtech	Sub total		
Sales					
Sales for external customers	1,221,178	43,397	1,264,576	-	1,264,576
Internal sales or transfers between segments	742	-	742	(742)	-
Total	1,221,921	43,397	1,265,318	(742)	1,264,576
Segment income or loss	413,895	(43,446)	370,449	-	370,449

(Note) 1. Adjustments are derived from elimination of intersegment transactions.

2. Aggregated amount of segment income or loss equals amount of ordinary income reported for consolidated financial statements.

**2. Matters regarding the change in the reporting segments, etc.**

As stated in the "Changes in accounting policies" section of this report, from the beginning of the first quarter of the current fiscal year, the Company has applied the "Accounting Standard for Revenue Recognition", etc. and changed its accounting method for revenue recognition, and the measurement of income in the reporting segments has been changed in the same way.

The impact of this change on "Sales to external customers" and "Segment income (loss)" for each reportable segment for the first quarter of the consolidated fiscal year was not material.

**(Revenue Recognition)**

The Group's revenues are primarily derived from revenues recognized from contracts with customers, and the following information breaks down the Group's reportable segments by the timing of revenue recognition and types of services.

FY 2022 1Q (From January 1, 2022, to March 31, 2022)

(JPY in Thousands)

	Reportable segment		Total
	System development	Healthtech	
Timing of revenue recognition			
Revenue recognized at a point in time	861,224	43,397	904,622
Revenue recognized over a period of time	359,953	-	359,953
Total	1,221,178	43,397	1,264,576

(JPY in Thousands)

	Reportable segment		Total
	System development	Healthtech	
Segment, solution, channel			
Software	772,915	-	772,915
Hardware	41,515	-	41,515
Support etc.	406,746	-	406,746
Other	-	43,397	43,397
Total	1,221,178	43,397	1,264,576

## **(Significant Subsequent Event)**

### **(Strategic Alliance with Toyota Tsusho)**

At an extraordinary meeting of the Board of Directors held on May 6, 2022, the Company resolved to enter into a strategic partnership agreement with Toyota Tsusho regarding medical information system business and health tech business and entered into the agreement on the same date.

#### **(1) Reasons for Alliance**

With our goal of "Toward better health and wellbeing of all people" we have delivered a lot of healthcare organizations with integrated digital solutions, which realize their centralized management and effective utilization of test data and document data. Also, leveraging our nurtured technology and trust, we, ourselves, invented, developed, manufactured, and sold gaze analyzing perimeter which adopts a completely new testing principle.

Towards better society, at such a momentous time, we are committed to improve the convenience and efficiency of medical exam at healthcare organizations overseas, as well as early detection of optical diseases, and educational activities in Japan, in collaboration with Toyota Tsusho, who has built up relationships of trust through their wide variety of businesses around the world.

#### **(2) Area of Alliance**

The Company and Toyota Tsusho will cooperate under an exclusive sales agreement mainly for the following solutions.

##### **(i) Overseas sales of medical information solutions**

As the geographical strategies, we will sell medical information platform, mainly our flagship product "Claio" (image filing system), to key healthcare organizations in India and the ASEAN region. We will establish a cordial support system in collaboration with local medical system companies to ensure efficient and sustainable delivery of our product and service. In June 2022, we introduce Claio, on a trial basis, to Sakra World Hospital in India, which Toyota Tsusho has its investment stake, and begin test operations.

With a population of over 1.3 billion, the healthcare market of India has an unprecedented scalability, and at the same time, there remain a lot of issues that can be ameliorated by DX. Addressing challenges to solve issues out there, we will contribute to the realization of a sustainable society by improving the quality of medical care and the efficiency of hospital management.

##### **(ii) Introduction of "GAP-screener" (gaze analyzing perimeter/regulatory product) to health checkup facilities in Japan**

GAP-screener", which was commercialized for optional use during health checkups, will be introduced to domestic health checkup facilities and multiphasic health screening facilities under Toyota Tsusho's sales strategy. This product is our original invention, darkroom-free, objective optical testing device.

By permanently exhibiting this solution other than ophthalmology facilities, more convenient testing will be enabled, leading to the early detection of glaucoma. We will also utilize the visual field data obtained through the test, for various possibilities in future research and development in the medical field, such as the establishment of new treatment methods.

#### **(3) Outlook**

The impact of this strategic alliance on our performance is currently under inspection, we believe that this alliance will significantly contribute to our corporate value enhancement in the medium to long term. In a timely manner, we will appropriately announce any matters that should be disclosed.

### 3. Supplementary Information

#### (1) Transition of Significant Financial Key Performance Indicators

(JPY in thousands, except per share amounts)

	FY2021 1Q	FY2022 1Q	FY2021 4Q
	(Cumulative)		
Net sales	1,462,682	1,264,576	4,968,885
Operating income	451,254	370,449	920,720
Ordinary income	452,978	381,314	944,593
Net income	314,391	261,330	635,796
Net income attributable to owners of the non-controlling interests	-	2,612	(230)
Net income attributable to owners of the parent company	314,391	258,717	636,027
Comprehensive income	314,391	261,330	635,796
Net assets	3,247,107	3,642,961	3,512,533
Total assets	4,028,385	4,565,528	4,556,563
BPS (Book-value Per Share)	126.81	141.83	136.84
EPS (Earnings Par Share)	12.28	10.10	24.84

#### (2) Production, Order, Sales

##### 1) Actual Result of Production for FY2022 1Q (Cumulative Amount)

Business segment	Production (JPY in Thousands)	YoY (%)
System development	341,672	86.9
Healthtech	50,908	112.7
Total	392,580	89.5

(Note) Figures above is calculated by total manufacturing cost for the current quarter.

##### 2) Order Status for FY2022 1Q (Cumulative Amount)

Business segment	Order received (JPY in Thousands)	YoY (%)	Order backlog (JPY in Thousands)	YoY (%)
System development	672,460	64.5	350,191	38.5
Healthtech	15,170	89.7	1,332	-
Total	687,631	64.9	351,523	38.7

##### 3) Sales Result for FY2022 1Q (Cumulative Amount by Segment, Solution, and Channel)

Segment, solution, channel	Sales amount (JPY in Thousands)	Ratio (%)	YoY (%)
System development			
Software (of via sales agent)	772,915 (229,057)	61.1	90.4
Hardware (of via sales agent)	41,515 (4,779)	3.3	45.6
Support etc.	407,489	32.2	80.9
Healthtech	43,397	3.5	311.9
Adjustments (Note)	(742)	(0.1)	-
Total	1,264,576	100.0	86.5

(Note) Adjustments are derived from elimination of intersegment transactions.