



## Consolidated Financial Results [Japanese GAAP]

for the Third Quarter of the Fiscal Year Ending December 31, 2022

|  |   |                         |                 |                                  |
|--|---|-------------------------|-----------------|----------------------------------|
| <b>FINDEX Inc</b>  |   |                         |                 | November 10 <sup>th</sup> , 2022 |
| Stock code:  | 3649  | Stock Exchange Listing: | Tokyo           |                                  |
| URL:   | <a href="https://findex.co.jp/en/index.html">https://findex.co.jp/en/index.html</a> | Telephone:              | +81-89-947-3388 |                                  |
| Representative:  | Teruo Aibara, President & CEO   |                         |                 |                                  |
| For inquiries:   | Atsushi Fujita, Director and Head of Administration                                 |                         |                 |                                  |
| Scheduled date to submit statutory quarterly financial report:           |   |                         |                 | November 10, 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 Nine Months Ended September 30, 2022 (From January 1, 2022, to September 30, 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 3Q | 2,999    | (14.6) | 488              | (30.6) | 523             | (27.4) | 349   | (27.9) |
| FY2021 3Q | 3,513    | 18.4   | 703              | 38.3   | 721             | 40.4   | 485   | 41.6   |

(Note) Comprehensive income: FY2022 3Q: 351 million yen [(27.5%)], FY2021 3Q: 484 million yen [41.3%]

|           | Basic earnings per share | Diluted earnings per share |
|-----------|--------------------------|----------------------------|
|           | (JPY)                    | (JPY)                      |
| FY2022 3Q | 13.65                    | -                          |
| FY2021 3Q | 18.95                    | -                          |

(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 3Q        | 4,236        | 3,673      | 86.5             | 143.04                     |
| FY2021 4Q        | 4,556        | 3,512      | 76.9             | 136.84                     |

(Ref.) Equity amount: FY2022 3Q: 3,664 million yen, FY2021 4Q: 3,505 million yen.

### 2. Dividends

|   | 1st quarter | 2nd quarter | 3rd quarter | Year-end | Total |
|---|-------------|-------------|-------------|----------|-------|
|   | (JPY)       | (JPY)       | (JPY)       | (JPY)    | (JPY) |
| FY2021 ended Dec. 31, 2021                | —           | 2.50        | —           | 6.00     | 8.50  |
| FY2022 ended Dec. 31, 2022                | —           | 3.00        | —           |          |       |
| FY2022 4Q ending Dec. 31, 2022 (Forecast) |             |             |             | 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 4Q<br>(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 9 of the attached document.

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

|  | FY2022 3Q<br>(As of Sep. 30, 2022)                   | FY2021 4Q<br>(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                               | 988,675  | 995,175   |
|  | FY2022 3Q<br>(From Jan.1, 2022,<br>to Sep. 30, 2022) | FY2021 3Q<br>(From Jan.1,2021,<br>to Sep. 30, 2021) |
| Average number of shares during 3Q   | 25,616,320   | 25,607,236  |

(Note) The number of treasury stock at the end of the period includes our shares held by Japan Custody Bank, Ltd. (Trust Account E). (162,300 shares for FY2022 3Q, 168,800 shares for FY2021 4Q)

Also, our shares held by Japan Custody Bank, Ltd. (Trust Account E) are included in the treasury stock deducted in the calculation of the average number of shares during the period. (166,105 shares for FY2022 3Q, 175,189 shares for FY2021 3Q)

\* 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 Second 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 positioning university hospitals as our lead users, we deliver to large hospitals and small- and medium-sized healthcare organizations nationwide. Also, leveraging our technologies and reputation, we propose and implement our office systems to ministries, local governments, and public corporations. Further, unlocking the future, we have already embarked on emerging area, such as health tech and medical cloud computing.

Healthcare organizations have been forced to transform in the face of the novel coronavirus (hereafter referred to as “COVID-19”) pandemic and its widespread ramifications and challenges it poses. 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 escalating at a frenetic pace, including the online diagnoses and the medical robots.

We’ve witnessed incredible technological advances in medical industry and the solutions that support it, and as the Japanese government’s designation that year 2022 as the year of medical Digital Transformation(hereafter, referred to as “DX“), announcing that industry, government, and academia will work together to make great strides in digitizing medical data and to promote the utilization of medical big data, initiatives are gaining momentum in this area toward, such as harnessing real-world evidence that boost medical qualities and outcomes. Accordingly, the healthcare organizations are further encouraged and expected to adopt the state-of-the-art medical IT systems.

In this business environment, revenue was 2,999,658 thousand yen for the third quarter (January 1, 2022, to September 30, 2022), a decrease of 14.6% compared to the same period of previous fiscal year. Operating income decreased by 30.6% to 488,177 thousand yen, ordinary income decreased by 27.4% to 523,386 thousand yen, and net income attributable to owners of the parent decreased by 27.9% to 349,751 thousand yen, respectively.

Compared to the annual forecast, the progress of third quarter was 60.8% for revenue, 45.0% for operating income, 48.0% for ordinary income, and 48.8% 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 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 impact on economic activities and daily life as well as our operations and the operations of our healthcare clients. While demand for system upgrades remained stable, nonetheless, as the COVID-19 outbreak strained their organizations, the prolonged outbreak of COVID-19 has changed healthcare organizations' willingness to system investment and their acceptance of new systems. On the positive side, as the risk of hospitalizations and deaths from COVID-19 thankfully decline, people are moving on from COVID-19 and returning to their normal, pre- COVID life. More people support loosening or ending government mandated COVID-19 restrictions, such as shorter segregation period for infection and without-mask life.

We have been fostering our efforts to enhance ESG and SDGs management, from two dimensional approach: business segment and daily activities. In concrete, we have been conducting “as is” analysis, and discussing the “to be” ESG structure that we should aim for. As one of our initiatives, we actively respond to the Carbon Disclosure Project (CDP).

Also, we progressively correspond to worldwide initiatives on human rights and environment protections, such as an announcement of “Human Rights Declaration” promulgated by Ministry of Justice, and approving Task Force on Climate-related Financial Disclosures (TCFD).

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 us and ensure the safety of our stakeholders.

**(a)Revenue by Business Segments**

(JPY in Thousands)

| Business segment   | FY2021 3Q | FY2022 3Q | Change (amount) | Change (%) |
|--------------------|-----------|-----------|-----------------|------------|
| System development | 3,482,853 | 2,936,807 | (546,046)       | (15.7%)    |
| Healthtech         | 33,045    | 64,336    | 31,291          | 94.7%      |

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

(JPY in Thousands)

| Business segment   | FY2021 3Q | FY2022 3Q | Change (amount) | Change (%) |
|--------------------|-----------|-----------|-----------------|------------|
| System development | 862,611   | 650,873   | (211,738)       | (24.5%)    |
| Healthtech         | (159,173) | (162,696) | -               | -          |

**《System Development Business》**

Operating results of the system development business were revenue of 2,936,807 thousand yen (down 15.7% year-on-year) and segment income (operating income) of 650,873 thousand yen (down 24.5% year-on-year), respectively.

**○ Medical System**

We are a leading company of medical information technology solutions and services and offers a wide range of intelligent solutions and tech-enabled services. Amongst of them, “Claio”, electronic image filing system, “C-Note”, electronic 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 medical 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 for such organizations that provide advanced medical care.

During the third quarter of this consolidated fiscal year, we have been continuously gaining shares, and 30 hospitals and 67 clinics newly adopted, augmented, or updated our solutions, resulting in cumulative revenue of 2,874,310 thousand yen.

As for the progress of the strategic alliance with Toyota Tsusho Corporation (hereafter referred to as "Toyota Tsusho"), in our first collaborative project to implement our flagship product Claio to Sakra World Hospital (location, Bangalore, India), we visited onsite and conducted field study on the progress and partnering with local dealers in August. Within current consolidated fiscal year, we will decide more detailed framework.

We have built trusted medical solutions and services in Japan. Scaling to next height, in this fiscal year, we will focus on sales of the packaged products to our existing customers as well as new customers, and with an eye on sales of Claio and C-Note in India and the ASEAN region, we will be fully engaged in the overseas expansion of this business.

In the third quarter of this fiscal year, Fitting Cloud Inc., our subsidiary which delivers more efficient, precise, and intelligent cloud-enabled solutions, dedicated to build the cloud-based infrastructure well designed for patient guidance at general hospitals.

Also, we developed cloud-based Electronic Data Collection (EDC) systems and cloud-based virtual browsing environment. Scaling to next height, it thereby made significant strides in the preparation of exhibition and sales promotion at relevant academic conferences.

**○ Office System**

In this segment, we deliver products, mainly such as “DocuMaker Office”, document management systems. Our Main target includes ministry-affiliated organizations and local governments as well as healthcare organizations, for which we can leverage on strengths derived from this DocuMaker Office. Spurred by DX acceleration, those main targets have been promoting the introduction of electronic approval and official document management systems, and inquiries and pre-sale consultations are increasing accordingly. Also, we are increasingly receiving inquiries towards next annual budget. Sales of this product have been steady to the target for this fiscal year, with 21 new or additional installations during the third quarter of this consolidated fiscal year, resulting in cumulative

revenue of 62,496 thousand yen.

During the third quarter of this consolidated fiscal year, one project has launched operation at a Tokyo Metropolitan Government-affiliated organizations, and other projects, at one ministry-affiliated organizations and at one municipality, made progress, respectively.

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 UI/UX, easy-to-use system from the user’s perspective”, and we have been steadily winning several large-scale projects at many public organizations. 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 clients, and we are pleased to sell these cloud-based services that support their back-office operations.

### 《Healthtech》

Operating results of the Healthtech segment were revenue of 64,336 thousand yen (up 94.7% year-on-year) and segment loss (operating loss) of 162,696 thousand yen (segment loss of 159,173 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 1), a Gaze Analyzing Perimeter, and GAP-screener (Note 2). The GAP is an affordable, but breakthrough wearable device that contributes to the early detection of retina diseases such as glaucoma. This solution eliminates the need for a dark room, shortens exam time and reduces the patient’s burden.

Furthermore, by promoting the use of this solution at comprehensive medical exams and checkup facilities, and by collecting real-world 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.

As of September 2022, including those introduced in the previous quarters, 34 units of this perimeter have been marketed in Japan. In the third quarter, we also drove our promotion campaigns. We participated in the exhibition and introduced GAP at International Modern Hospital Show 2022 in July, and at Japan Glaucoma Society in September. Domestically, we augmented GAP introduction to university hospitals and clinics. For medical checkup facilities, on the other hand, we lend GAP for free and charge on a pay per test, so that they can easily conduct visual field test as an optional item.

We will strive to introduce our GAP-screener to domestic health checkup facilities under strategic collaboration with Toyota Tsusho nationwide.

Preparations for the overseas sales, which had been taking some time, has been more advanced. For example, in August, teaming up with our strategic alliance partner, Toyota Tsusho, we conducted marketing survey for several healthcare organizations and ophthalmologists in India. Also, we participated in the exhibition and introduced GAP at 69th Conference of Ophthalmologists Association, which was held in Tamil Nadu, a South Indian state during August 5th to 7th.

We also made steady progress in our EU area expansion. On August 12th, GAP has been confirmed its conformity for European Medical Device Regulation (MDR), and we have been completed the issuance of its EU Declaration of Conformity. Moreover, during September 16th to 20th, our exclusive distributor Rexam Co., Ltd. presented GAP in 40th Congress of the ESCRS (European Society of Cataract and Refractive Surgeons) at the Milano Convention Centre in Italy, which was our first large-scaled promotion overseas.

In our promotion above, both in India and in EU, we had been highly valued by many people in healthcare industry, especially from prominent ophthalmologists. Embracing those propitious achievements, we will launch our sales for EU within this year, and for India within next year.

Innovating healthcare, additionally, we have 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 and evolve core technologies and products from various perspectives, in order to solve many problems faced by the aging society.

(Note 1) Gaze Analyzing Perimeter, GAP

(Notification No. of medical device manufacturing and sales 38B2X10003000002)

(Note 2) Gaze Analyzing Perimeter, GAP-screener

(Notification No. of medical device manufacturing and sales 38B2X10003000003)

## **(2) Explanation on the Financial Position**

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

Total assets at the end of the third quarter amounted to 4,236,241 thousand yen, a decrease of 320,321 thousand yen from the end of the previous fiscal year. This was primarily due to a decrease of 285,716 thousand yen in current assets, which is mainly composed of a decrease of 641,801 thousand yen in notes receivable, accounts receivable and contract assets, partially offset by an increase of 294,509 thousand yen in cash and deposits, and by an increase of 61,319 thousand yen in materials and supplies, as well as a decrease of 34,605 thousand yen in non-current assets, which is mainly composed of an increase of 32,690 thousand yen in tangible assets, partially offset by a decrease of 67,786 thousand yen in investments and other assets.

Liabilities amounted to 562,702 thousand yen, a decrease of 481,327 thousand yen from the end of the previous fiscal year. This was primarily due to a decrease of 530,004 thousand yen in current liabilities, which is mainly composed of a decrease of 172,480 thousand yen in accounts payable-trade and a decrease of 212,069 thousand yen in income taxes payable, partially offset by an increase of 48,677 thousand yen in long-term liabilities.

Net assets amounted to 3,673,539 thousand yen, an increase of 161,005 thousand yen from the end of the previous fiscal year. This was primarily due to an increase in shareholders' equity of 159,731 thousand yen resulting from an increase of 154,717 thousand in retained earnings.

## **(3) Explanation on Future Performance Forecast**

The consolidated performance forecasts for the full year ending December 31, 2022, have been unchanged ever at the time of the announcement of the full-year financial results on February 9, 2022.

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<br>(As of Dec. 31, 2021) | FY2022 3Q<br>(As of Sep.30,2022) |
|---|------------------------------------|----------------------------------|
| <b>ASSETS</b>   |                                    |                                  |
| <b>CURRENT ASSETS:</b>                                      |                                    |                                  |
| Cash and deposits   | 2,171,974                          | 2,466,484                        |
| Note and account receivable                                 | 1,218,805                          | -                                |
| Note and account receivable<br>– trade, and contract assets | -                                  | 577,004                          |
| Inventories   | 123,858                            | 185,177                          |
| Work in process   | 16,492                             | 7,228                            |
| Materials and supplies                                      | 142,988                            | 144,881                          |
| Other current assets  | 31,481                             | 39,108                           |
| <b>Total current assets</b>                                 | <b>3,705,601</b>                   | <b>3,419,885</b>                 |
| <b>NON-CURRENT ASSETS:</b>                                  |                                    |                                  |
| Tangible assets   | 71,256                             | 103,946                          |
| Intangible assets   |                                    |                                  |
| Software  | 238,600                            | 239,091                          |
| Others  | 344                                | 344                              |
| <b>Total intangible assets</b>                              | <b>238,944</b>                     | <b>239,435</b>                   |
| Investments and other assets                                | 540,760                            | 472,974                          |
| <b>Total non-current assets</b>                             | <b>850,961</b>                     | <b>816,355</b>                   |
| <b>TOTAL ASSETS</b>   | <b>4,556,563</b>                   | <b>4,236,241</b>                 |
| <b>LIABILITIES</b>  |                                    |                                  |
| <b>CURRENT LIABILITIES:</b>                                 |                                    |                                  |
| Accounts payable  | 223,627                            | 51,146                           |
| Short-term borrowings                                       | 20,000                             | -                                |
| Accrued expenses  | 98,621                             | 83,915                           |
| Income taxes payable  | 223,933                            | 11,863                           |
| Other current liabilities                                   | 259,544                            | 148,796                          |
| <b>Total current liabilities</b>                            | <b>825,726</b>                     | <b>295,721</b>                   |
| <b>LONG-TERM LIABILITIES:</b>                               |                                    |                                  |
| Provision for stock compensation                            | 163,649                            | 160,849                          |
| Other long-term liabilities                                 | 54,653                             | 106,130                          |
| <b>Total long-term liabilities</b>                          | <b>218,303</b>                     | <b>266,980</b>                   |
| <b>TOTAL LIABILITIES</b>                                    | <b>1,044,029</b>                   | <b>562,702</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                          | 3,999,667                        |
| Treasury shares   | (818,446)                          | (813,432)                        |
| <b>Total shareholders' equity</b>                           | <b>3,505,021</b>                   | <b>3,664,753</b>                 |
| Stock subscription rights                                   | 4,743                              | 4,743                            |
| Non-controlling interests                                   | 2,769                              | 4,042                            |
| <b>TOTAL EQUITY</b>   | <b>3,512,533</b>                   | <b>3,673,539</b>                 |
| <b>TOTAL LIABILITIES and NET ASSETS</b>                     | <b>4,556,563</b>                   | <b>4,236,241</b>                 |

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

(Quarterly Consolidated Statement of Income, Cumulative)

(JPY in Thousands)

|  | FY2021 3Q<br>(From Jan. 1, 2021,<br>to Sep. 30, 2021) | FY2022 3Q<br>(From Jan. 1, 2022,<br>to Sep. 30, 2022) |
|--|---|---|
| Revenue  | 3,513,670   | 2,999,658   |
| Cost of revenue  | 1,593,016   | 1,248,266   |
| Gross profit   | 1,920,654   | 1,751,392   |
| Selling, general and administrative expenses                         | 1,217,216   | 1,263,215   |
| Operating income   | 703,438   | 488,177   |
| Non-operating income   |   |   |
| Interest income  | 20  | 34  |
| Foreign exchange gain  | 7,223   | 28,996  |
| Subsidy income   | 8,740   | 3,643   |
| Royalty income   | 1,390   | 1,390   |
| Miscellaneous income   | 610   | 1,592   |
| Total non-operating income   | 17,984  | 35,657  |
| Non-operating expenses   |   |   |
| Interest expense   | 0   | 448   |
| Amortization of organizing expenses                                  | 361   | -   |
| Total non-operating expenses   | 361   | 448   |
| Ordinary income  | 721,061   | 523,386   |
| Income before income taxes   | 721,061   | 523,386   |
| Income tax -current  | 231,202   | 169,053   |
| Income tax -deferred   | 5,448   | 3,308   |
| Total income taxes   | 236,650   | 172,361   |
| Quarterly net income   | 484,411   | 351,025   |
| Quarterly net income (loss) attributable to noncontrolling interests | (793)   | 1,273   |
| Quarterly net income attributable to owners of the parent            | 485,204   | 349,751   |

(Quarterly Consolidated Statement of Comprehensive Income, Cumulative)

(JPY in Thousands)

|   | FY2021 3Q<br>(From Jan. 1, 2021,<br>to Sep. 30, 2021) | FY2022 3Q<br>(From Jan. 1, 2022,<br>to Sep. 30, 2022) |
|---|---|---|
| Quarterly net income                      | 484,411   | 351,025   |
| Quarterly comprehensive income            | 484,411   | 351,025   |
| (Components)                              |   |   |
| attributable to owners of parent          | 485,204   | 349,751   |
| attributable to non-controlling interests | (793)   | 1,273   |

### **(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. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information concerning disaggregating revenue from contracts with customers for the first nine months of the previous fiscal year is not presented.

#### **(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 quarterly 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 third quarter of the current fiscal year was 125,203 thousand yen and the number of shares was 162,300.

## 【SEGMENT INFORMATION, etc.】

### (Segment Information)

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

FY2021 3Q (From January 1, 2021, to September 30, 2021)

(JPY in thousands)

|  | Reportable segment |            |           | Adjustment<br>(Note) 1 | Reported amount for consolidated financial statements<br>(Note) 2 |
|--|--------------------|------------|-----------|------------------------|---|
|  | System development | Healthtech | Sub total |                        |   |
| Sales  |                    |            |           |                        |   |
| Sales for external customers                 | 3,480,625          | 33,045     | 3,513,670 | -                      | 3,513,670   |
| Internal sales or transfers between segments | 2,227              | -          | 2,227     | (2,227)                | -   |
| Total  | 3,482,853          | 33,045     | 3,515,898 | (2,227)                | 3,513,670   |
| Segment income or loss                       | 862,611            | (159,173)  | 703,438   | -                      | 703,438   |

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

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

FY 2022 3Q (From January 1, 2022, to September 30, 2022)

(JPY in Thousands)

|  | Reportable segment |            |           | Adjustment<br>(Note) 1 | Reported amount for consolidated financial statements<br>(Note) 2 |
|--|--------------------|------------|-----------|------------------------|---|
|  | System development | Healthtech | Sub total |                        |   |
| Sales  |                    |            |           |                        |   |
| Sales for external customers                 | 2,935,321          | 64,336     | 2,999,658 | -                      | 2,999,658   |
| Internal sales or transfers between segments | 1,485              | -          | 1,485     | (1,485)                | -   |
| Total  | 2,936,807          | 64,336     | 3,001,143 | (1,485)                | 2,999,658   |
| Segment income or loss                       | 650,873            | (162,696)  | 488,177   | -                      | 488,177   |

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

2. Aggregated amount of segment income or loss equals amount of operating 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 third quarter of the consolidated fiscal year was not material.

### 3. Supplementary Information

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

(JPY in thousands, except per share amounts)

|   | FY2021 3Q    | FY2022 3Q | FY2021 4Q |
|---|--------------|-----------|-----------|
|   | (Cumulative) |           |           |
| Net sales   | 3,513,670    | 2,999,658 | 4,968,885 |
| Operating income  | 703,438      | 488,177   | 920,720   |
| Ordinary income   | 721,061      | 523,386   | 944,593   |
| Net income  | 484,411      | 351,025   | 635,796   |
| Net income (loss) attributable to owners of the non-controlling interests | (793)        | 1,273     | (230)     |
| Net income attributable to owners of the parent company                   | 485,204      | 349,751   | 636,027   |
| Comprehensive income  | 484,411      | 351,025   | 635,796   |
| Net assets  | 3,359,528    | 3,673,539 | 3,512,533 |
| Total assets  | 4,060,167    | 4,236,241 | 4,556,563 |
| BPS (Book-value Per Share)  | 131.17       | 143.04    | 136.84    |
| EPS (Earnings Per Share)  | 18.95        | 13.65     | 24.84     |

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

##### 1) Actual Result of Production for FY2022 3Q (Cumulative Amount)

| Business segment   | Production (JPY in Thousands) | YoY (%) |
|--------------------|-------------------------------|---------|
| System development | 971,923                       | 84.9    |
| Healthtech         | 132,383                       | 99.0    |
| Total              | 1,104,307                     | 86.4    |

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

##### 2) Order Status for FY2022 3Q (Cumulative Amount)

| Business segment   | Order received (JPY in Thousands) | YoY (%) | Order backlog (JPY in Thousands) | YoY (%) |
|--------------------|-----------------------------------|---------|----------------------------------|---------|
| System development | 2,481,642                         | 89.8    | 1,345,861                        | 121.9   |
| Healthtech         | 85,864                            | 152.7   | -                                | -       |
| Total              | 2,567,507                         | 91.0    | 1,345,861                        | 120.0   |

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

| Segment, solution, channel    | Sales amount (JPY in Thousands) | Ratio (%) | YoY (%) |
|-------------------------------|---------------------------------|-----------|---------|
| System development            |                                 |           |         |
| Software (of via sales agent) | 1,633,241<br>(482,691)          | 54.5      | 84.0    |
| Hardware (of via sales agent) | 146,627<br>(10,799)             | 4.9       | 70.4    |
| Support etc.                  | 1,038,004                       | 34.6      | 108.8   |
| Other                         | 118,934                         | 4.0       | 31.5    |
| Healthtech                    | 64,336                          | 2.1       | 194.7   |
| Adjustments (Note)            | (1,485)                         | (0.1)     | -       |
| Total                         | 2,999,658                       | 100.0     | 85.4    |

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