



**Consolidated Financial Results [Japanese GAAP]
for the Fiscal Year Ended December 31, 2022**

February 13th, 2023

Listed company:	FINDEX Inc	
Stock Exchange Listing:	Tokyo Stock Exchange	
Stock code:	3649	
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Scheduled date to Annual General Meeting of Shareholders:		March 28,2023
Scheduled date of starting payment of dividend:		March 29,2023
Scheduled date of filing Annual Securities Report:		March 29,2023
Availability of financial results briefing material:		Available
Schedule of financial results briefing:		Yes for analysts

**1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022
(From January 1, 2022, to December 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)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%
FY2022	4,541	(8.6)	1,028	11.7	1,055	11.8	722	13.6
FY2021	4,968	24.1	920	44.7	944	46.8	636	47.8

(Note) Comprehensive income: FY2022: 724 million yen [13.9%], FY2021: 635 million yen [47.7%]

	Basic earnings per share	Diluted earnings per share	Net income over Shareholder's Equity	Ordinary income over total assets	Operating income over sales
	(JPY)	(JPY)	%	%	%
FY2022	28.21	-	19.2	22.1	22.6
FY2021	24.84	-	19.4	22.6	18.5

(Ref.) Share of profit (loss) of entities accounted for using equity method:

FY2022: - million yen, FY2021: - million yen

(Note) No statement is indicated above for the number of diluted earnings per share because there were no diluted shares with dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	BPS (Book-value Per Share)
	(JPY MM)	(JPY MM)	%	(JPY)
FY2022	4,980	4,042	81.1	157.63
FY2021	4,556	3,512	76.9	136.84

(Ref.) Equity amount: FY2022: 4,038 million yen, FY2021: 3,505 million yen.

(3) Consolidated Cash Flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of period
	(JPY MM)	(JPY MM)	(JPY MM)	(JPY MM)
FY2022	693	(230)	(142)	2,287
FY2021	750	(493)	(183)	2,045

2. Dividends

	Annual cash dividends per share					Total dividends	Payout ratio	Dividends over net assets
	1Q	2Q	3Q	Year-end	Total			
	(JPY)	(JPY)	(JPY)	(JPY)	(JPY)	(JPY MM)	%	%
FY2021	-	2.50	-	6.00	8.50	219	34.2	6.6
FY2022	-	3.00	-	6.50	9.50	244	33.7	6.5
FY2023 (Forecast)	-	4.00	-	7.00	11.00		30.5	

3. Forecast for the Fiscal Year Ending December 31, 2023 (From Jan. 1, 2023, to Dec.31, 2023)

* 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

	Net sales		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)
FY2023 2Q (Cumulative)	2,145	(4.0)	322	(29.3)	329	(31.6)	228	(28.7)	8.90
FY2023 4Q (Full year)	5,065	11.5	1,313	27.7	1,330	26.0	923	27.7	36.03

※ Notes;

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

Newly included companies: -

Newly excluded companies: -

(2) 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 “3. Consolidated Financial Statements and Notes (5) Notes to Consolidated Financial Statement (Changes in Accounting Policies)” on page 13 of the attached document.

(3) Number of Shares Outstanding (Ordinary Shares)

	FY2022 (As of Dec. 31, 2022)	FY2021 (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	987,475	995,175
Average number of shares at the end of the period	25,617,486	25,608,544

(Note) The number of treasury stock at the end of the period includes our shares held by Japan Custody Bank, Ltd. (Trust Account E). (161,100 shares for FY2022, 168,800 shares for FY2021)

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. (164,939 shares for FY2022, 173,881 shares for FY2021)

(Ref.) Non-consolidated Financial Results

1. Non-Consolidated Financial Results for the Fiscal Year Ended December 31, 2022

(From January 1, 2022, to December 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) Non-Consolidated Operating Results (Cumulative)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%
FY2022	4,487	(8.9)	1,027	8.5	1,056	9.0	737	9.8
FY2021	4,924	23.7	947	35.5	969	31.2	671	30.5

	Basic earnings per share	Diluted earnings per share
	(JPY)	(JPY)
FY2022	28.79	-
FY2021	26.24	-

(Note) No statement is indicated above for the number of diluted earnings per share because there were no diluted shares with dilutive effect.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	BPS (Book-value Per Share)
	(JPY MM)	(JPY MM)	%	(JPY)
FY2022	5,146	4,201	81.6	163.98
FY2021	4,678	3,671	78.4	143.16

(Ref.) Equity amount: FY2022: 4,201 million yen, FY2021: 3,666 million yen.

2. Non-Consolidated Forecast for the Fiscal Year Ending December 31, 2023

(From Jan. 1, 2023, to Dec.31, 2023)

* 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

	Net sales		Ordinary Income		Net income		Basic Earnings Per Share
	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY)
FY2023 2Q (Cumulative)	2,120	(3.0)	327	(34.5)	227	(34.6)	8.86
FY2023 4Q (Full year)	5,015	11.8	1,325	25.4	920	24.7	35.91

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

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

(Cautionary Statement Regarding Forward-Looking Statements)

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. For assumptions used in forecasting operating results and precautions regarding the use of the forecast, please refer to “1. Status of the Group (4) Explanation on Future Outlook” on page 6 of the attached document for further information.

(Availability of financial results briefing details)

A summary of the financial results briefing will be available on the Company's website at a later date.

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1. Status of the Group

(1) Business Overview of the Fiscal Year Ended December 31, 2022

■ Results

The consolidated financial results for 2022 are as follows.

(JPY in Thousands)

	FY2021	FY2022	Change (amount)	Change (%)
Net sales	4,968,885	4,541,242	(427,642)	(8.6%)
Cost of sales	2,412,230	1,818,396	(593,833)	(24.6%)
Selling, general and administrative expenses	1,635,934	1,694,323	58,389	3.6%
Operating income	920,720	1,028,522	107,801	11.7%
Ordinary income	944,593	1,055,708	111,114	11.8%
Net income attributable to owners of the parent	636,027	722,779	86,751	13.6%

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.

For more detailed illustration, please refer to "3. Financial Statements and Notes (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies) and (Segment Information, etc.) Segment Information, 2. Calculation of net sales, income (loss), assets, and other items by reportable segment."

■ Industry Trends and Our Initiatives

The Group (hereafter referred to as "we") addresses a 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. Positioning university hospitals as our lead users, we deliver to large hospitals and small- and medium-sized healthcare organizations nationwide. Also, leveraging its technologies and reputation, we also propose and implements our office systems to ministries, local governments, and public corporations. Further, unlocking the future, we have already embarked on emerging area, such as breakthrough health tech applications 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. Also, the Japanese government positioned year 2022 as the first year of medical DX (Digital Transformation), 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. Relevant 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, which is a critical component in improving care, and of course, these factors will be the tremendous tailwinds for our business.

While demand for system upgrades remained stable throughout this 2022, our business has been impacted by a headwind. The prolonged outbreak of COVID-19 has changed healthcare organizations' focuses of their capital expenditures, shifting more to those related to infectious disease control. On the other hands, on the positive side, the risk of hospitalizations and deaths from COVID-19 thankfully has been declined. Also, more people support the downgrade of COVID-19 classification from current Category II, second highest in five tier system, to Category V, which includes seasonal influenza, and the without-mask life.

In these manners, since people are moving on from COVID-19 and returning to their normal, pre- COVID life, on and after 2023, we predict positive investment attitude by healthcare organizations toward higher diagnostic support system. Our sales promotional activities, which had been constrained affected by COVID-19, has been also returning to normal, pre-COVID level.

We have been fostering our efforts to enhance ESG and SDGs management. We have become even more determined to make ambitions commitments and foster proactive efforts in our journey towards ESG and SDGs excellence, as we believe ESG is embedded into our business itself, i.e., the promotion of our solution directly leads to the solution or mitigation of environmental and social problems. We discuss our "to be" ESG structure that we should aim for and disclose such initiatives on our web site. As one of those initiatives, we proactively respond

to the Carbon Disclosure Project (CDP).

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

Built on our philosophy “as an R&D-driven company, continues to pursue new ideas and technologies, toward prosperous society”, we are committed to fulfill our social responsibility as a company that helps healthcare organizations advance the quality and efficiency of their healthcare services and achieve people's healthier life. Simultaneously, we will continuously take thorough measures to prevent infection to ensure the safety of our stakeholders.

■ Overview of segments

◀ System Development Business ▶

The following is the results of the System Development business.

(JPY in Thousands)

	FY2021	FY2022	Change (amount)	Change (%)
Net sales	4,922,640	4,473,474	(449,166)	(9.1%)
Operating income	1,137,726	1,233,811	96,084	8.4%

○ Medical System

We are a leading company of medical information technology solutions and services and offers a wide range of intelligent solutions. Amongst of them, “Claio”, electronic image filing system, “CNote”, electronic medical record system, and “DocuMaker”, document management system, are flagship products and have maintained a high reputation and stable market share in large healthcare organizations.

During this consolidated fiscal year (hereafter referred to as “FY2022”), we focused on sales of the vendor-neutral packaged products to our existing customers as well as new customers, and 48 hospitals and 85 clinics newly adopted, augmented, or updated our solutions, achieving sales of ¥4,352,187 thousand.

As for the progress of the strategic alliance with Toyota Tsusho Corporation, in our first collaborative project to implement our flagship product Claio to Sakra World Hospital (location, Bangalore, India), we launched test operations and facilitated toward smoother cutover. We will continue more detailed test and research to create local-realistic operation. Also, we discussed on promotion, sales channel and maintenance structure with an eye on successful roll out of Claio and C-Note in India.

Fitting Cloud Inc., our subsidiary which delivers cloud-enabled solutions, launched development and offering of the next-generation cloud-based infrastructure well designed for patient guidance applications at general hospitals in 2022. In fact, its solutions have been launched and gone live at Kyoto University Hospital, one of Japan’s top-tier university hospitals, in January 2023. Scaling to next height, it released three new products in developing cloud-based EDC (Electronic Data Collection) systems and cloud-based virtual browsing environment, conducting 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 systems and official document management systems, and inquiries and pre-sale consultations have been increasing accordingly.

Sales of this product have been steady to the target for FY2022, with 27 new or additional installations during FY2022, resulting in cumulative sales of ¥121,286 thousand. During the fourth quarter of FY2022, 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 been highly reputed as “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”. We have been steadily winning several large-scale projects at many public organizations.

Several negotiations have been concurrently under way just before next-year budget fix and proposals. We will accelerate digitalization in their official document management and approval process, not only of local governments, but also of independent administrative agencies and foundations.

In the medical field, we also expect high demand, especially from large and medium-sized healthcare organizations, which are our existing clients, and in this fourth quarter of FY2022, 2 installations at large healthcare organizations made progress. We are pleased to cross-sell these cloud-based services that support their back-office operations.

《Health Tech》

The following is the results of the Health Tech business.

(JPY in Thousands)

	FY2021	FY2022	Change (amount)	Change (%)
Net sales	49,215	69,253	20,037	40.7%
Operating income (loss)	(217,006)	(205,288)	-	-

In this segment, we focused our efforts on domestic sales and on strategy formulation towards successful roll out in overseas, of 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, 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 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.

As of December 31, 2022, including those sold in the previous quarters, this perimetry has been introduced to 35 healthcare organizations in Japan. Domestically, we augmented GAP introduction to university hospitals and clinics. For medical checkup facilities, we lend GAP and charge on a pay per test, so that they can easily conduct visual field test as an optional item.

However, due to our inability to establish a sufficient sales structure in Japan and delays in application for the European Medical Device Regulation (EU-MDR), we were unable to reach our targeted sales volume in both Japan and overseas in FY2022. As a result, there is about 1 to 2 year delay from the original sales plan. Replenishing resources and conducting delicate scheduling, we will continue to expand sales in FY2023 both in Japan and overseas.

Additionally, we have been continuously conducting joint research with Kyoto University, we found that the GAP's usefulness in detecting is not only visual field abnormalities but also MCI (early-stage dementia).

Japan Agency for Medical Research and Development ("AMED") adopted, in its 2021 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. In order to solve many problems faced by the aging society, we will continue to engage in R& D and evolve core technologies and products from various perspectives.

(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 for the Fiscal Year

(JPY in Thousands)

	FY2021	FY2022	Change (amount)
Assets (Total)	4,556,563	4,980,780	424,216
Liabilities (Total)	1,044,029	937,842	(106,186)
Net assets (Total)	3,512,533	4,042,937	530,403

(Assets)

Total assets as of FY2022 end amounted to ¥4,980,780 thousand, an increase of ¥424,216 thousand from FY2021 end.

1. Current assets

Current assets amounted to ¥4,128,302 thousand as of FY2022 end, an increase of ¥422,700 thousand from FY2021 end, which is mainly composed of an increase of ¥241,772 thousand in cash and deposits, and an increase of ¥276,637 thousand in contract assets.

2. Non-Current assets

Non-current assets amounted to ¥852,477 thousand as of FY2022 end, an increase of ¥1,516 thousand from FY2021 end, which is mainly composed of an increase of ¥32,031 thousand in tangible assets (primarily due to an increase of ¥22,575 thousand of building, related to the headquarter relocation) and an increase of ¥12,404 thousand in intangible assets (primarily due to an increase of ¥12,404 thousand of software), partially offset by a decrease of ¥42,920 thousand in investments and other assets (primarily due to a decrease of ¥79,493 thousand of lease deposits).

(Liabilities)

Total liabilities as of FY2022 end amounted to ¥937,842 thousand, a decrease of ¥106,186 thousand from FY2021 end.

1. Current liabilities

Current liabilities amounted to ¥654,002 thousand as of FY2022 end, a decrease of ¥171,723 thousand from FY2021 end, which is mainly composed of a decrease of ¥142,418 thousand in accounts payable trade.

2. Long-term liabilities

Long-term liabilities amounted to ¥283,839 thousand as of FY2022 end, an increase of ¥65,536 thousand from FY2021 end, which is mainly composed of an increase end of ¥23,137 thousand of allowance for stock allowances.

(Net assets)

Net assets amounted to ¥4,042,937 thousand as of FY2022 end, an increase of ¥530,403 thousand from FY2021 end. This was primarily due to an increase of ¥527,745 thousand in retained earnings.

(3) Explanation on Cash Flows for the Fiscal Year

(JPY in Thousands)

	FY2021	FY2022	Change (amount)
Cash flows from operating activities	750,353	693,848	(56,504)
Cash flows from investing activities	(493,367)	(230,160)	263,207
Cash flows from financing activities	(183,341)	(142,020)	41,321
Net increase (decrease) in cash and cash equivalents	73,644	321,668	248,023
Cash and cash equivalents at the beginning of the period	1,972,330	2,045,974	73,644
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(79,895)	(79,895)
Cash and cash equivalents at the end of the period	2,045,974	2,287,747	241,772

Cash and cash equivalents (hereafter “cash”) as of FY2022 end amounted to ¥2,287,747 thousand, an increase of ¥241,772 thousand from FY2021 end (up 11.8%).

Cash flows from each activity and their significant components are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥693,848 thousand, a decrease by ¥56,504 thousand compared to FY2021. This is mainly attributable to ¥1,060,451 thousand of Income before income taxes, partially offset by ¥369,723 thousand of Income tax payments.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥230,160 thousand, a decrease by ¥263,207 thousand compared to FY2021. This is mainly attributable to ¥240,633 of acquisition payment for intangible assets (mainly software for sales).

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥142,020 thousand, a decrease by ¥41,321 thousand compared to FY2021. This is mainly attributable to ¥100,000 thousand of proceeds from short-term debt, partially offset by ¥232,020 thousand of dividend payments.

(4) Explanation on Future Outlook

The Group's consolidated financial forecast for the fiscal year ending December 31, 2023, is as follows.

(JPY in Thousands)

	FY2022 (Result)			FY2023 (Forecast)			Change (Full year)
	1 st Half	2 nd Half	Full year	1 st Half	2 nd Half	Full year	
Nes sales	2,233,641	2,307,601	4,541,242	2,145,000	2,920,000	5,065,000	11.5%
Operating income	455,696	572,826	1,028,522	322,000	991,000	1,313,000	27.7%
Ordinary income	481,236	574,471	1,055,708	329,000	1,001,000	1,330,000	26.0%
Net income attributable to owners of the parent	319,996	402,782	722,779	228,000	695,000	923,000	27.7%

Also, as we announced “Notice of Change in Reporting Business Segments” on January 16, 2023, we have decided to transform its reportable segments to three as described in below. Full year forecast in three segment net sales and operating income are as follows, respectively.

(JPY in Thousands)

Name	Business	FY2023 (Full year)	
		Net sales	Operating Income
Medical Business	Development and sales of medical system, maintenance, consulting services	4,705,000	1,298,000
Public Business	Development and sales of public document management solutions, e-approval software, maintenance	160,000	13,000
Health Tech Business	Development and sales of medical devices and research on related areas	200,000	2,000

We expect to deliver net sales and operating income growth for FY2023, compared with actuals for FY2022. Conventional medical system market has been increasingly evolved into cloud-based systems, and with the advent of bipolar market in terms of price and functionality, we will have more update and new adoption projects for university hospitals and large healthcare organizations.

Also, we will intensify our efforts on overseas sales of our main solutions and lucrative, vendor-neutral package solution sales driven by our strategy, we predict FY2023 net sales and each profit for medical business, which is our core business, outperform those of FY2022.

We predict FY2023 net sales and each profit for public business also outperform those of FY2022, driven by unexpectedly higher demands and strong growth forecast way surpassing mid to long term targets.

As mentioned previously, health Tech business has been lagging behind original plan by 1 to 2 years.

Nonetheless, we predict improved net sales and operating income for this segment, driven by the reinforced sales and implementation structure for domestic healthcare organizations, coupled with the full-swing sales promotion in European markets. Concurrently, we steadily proceed pharmaceutical regulatory filing in India and other ASEAN regions.

The forward-looking statements in this document are based on information available to us as of the date of this announcement. Accordingly, actual results and developments may differ materially from those expressed or implied by these statements due to various factors. If it becomes necessary to revise the forecast, we will disclose such revisions as soon as possible.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

The Group intends to maximize its corporate value by establishing its position in the market through innovative solution and advanced consulting capabilities. To achieve this, maintaining an optimal balance between corporate value and shareholder value, our policy is to pay dividends based on a comprehensive assessment of our business performance, financial condition, and achievement of our business plan, while maintaining and expanding internal reserves to continue to make necessary re-investments in an agile and flexible manner.

Taking into consideration our business performance and future business development, we have decided to pay a year-end dividend of ¥6.50 per share for FY2022.

The interim dividend for FY2023 is planned to be ¥4.00 per share and a year-end dividend ¥7.00 per share in light of our earnings forecast.

Retained earnings will be effectively re-invested to secure talented human resources and to enhance software assets for sale, which are the fundamental factors for our successful growth. We are committed to returns profits to shareholders over the long term.

2. Basic Approach to the Selection of Accounting Standards

For the time being, our policy is to prepare its consolidated financial statements in accordance with Japanese GAAP, taking into consideration the comparability from period to period (horizontal analysis) and the comparability among companies (vertical analysis).

3. Financial Statements and Notes

(1) Consolidated Balance Sheet

(JPY in Thousands)

	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec.31,2022)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	2,171,974	2,413,747
Notes and accounts receivable - trade	1,218,805	-
Notes receivable – trade	-	32,380
Accounts receivable - trade	-	1,052,240
Contract assets	-	276,637
Merchandise and finished goods	123,858	165,417
Work in process	16,492	3,975
Raw Materials and supplies	142,988	146,612
Other current assets	31,481	37,291
Total current assets	3,705,601	4,128,302
NON-CURRENT ASSETS:		
Tangible assets		
Buildings	54,854	85,899
Accumulated depreciation	(26,719)	(35,189)
Buildings, net	28,134	50,709
Others	172,026	181,573
Accumulated depreciation	(128,904)	(128,995)
Others, net	43,121	52,578
Total tangible assets	71,256	103,287
Intangible assets		
Software	238,600	251,005
Others	344	344
Total intangible assets	238,944	251,349
Investments and other assets		
Investment securities	56,700	56,700
Leasehold deposits	237,728	158,234
Deferred tax assets	114,509	139,836
Others	131,823	143,068
Total Investments and other assets	540,760	497,839
Total non-current assets	850,961	852,477
TOTAL ASSETS	4,556,563	4,980,780
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable - trade	223,627	81,209
Short-term borrowings	20,000	-
Accounts payable - other	98,621	142,630
Income taxes payable	223,933	227,529
Other current liabilities	259,544	202,633
Total current liabilities	825,726	654,002
LONG-TERM LIABILITIES:		
Provision for share-based remuneration	163,649	186,787
Other long-term liabilities	54,653	97,052
Total long-term liabilities	218,303	283,839
TOTAL LIABILITIES	1,044,029	937,842
NET ASSETS		
Shareholders' equity		
Share capital	254,259	254,259
Capital surplus	224,259	224,259
Retained earnings	3,844,949	4,372,694
Treasury shares	(818,446)	(812,506)
Total shareholders' equity	3,505,021	4,038,706
Stock acquisition rights	4,743	-
Non-controlling interests	2,769	4,230
TOTAL NET ASSETS	3,512,533	4,042,937
TOTAL LIABILITIES and NET ASSETS	4,556,563	4,980,780

(2) Consolidated Statement of Income and Comprehensive Income
(Consolidated Statement of Income, Cumulative)

(JPY in Thousands)

	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec.31,2022)
Revenue	4,968,885	4,541,242
Cost of revenue	2,412,230	1,818,396
Gross profit	2,556,655	2,722,846
Selling, general and administrative expenses	1,635,934	1,694,323
Operating income	920,720	1,028,522
Non-operating income		
Interest income	22	47
Foreign exchange gain	10,087	16,896
Subsidy income	3,200	-
Government grant income	8,740	7,671
Royalty income	1,390	1,390
Other-non-operating income	795	1,627
Total non-operating income	24,236	27,633
Non-operating expenses		
Interest expense	2	448
Amortization of organizing expenses	361	-
Total non-operating expenses	363	448
Ordinary income	944,593	1,055,708
Extraordinary income		
Gain on reversal of share acquisition rights	-	4,743
Total Extraordinary income	-	4,743
Income before income taxes and other adjustments	944,593	1,060,451
Income tax -current	319,720	371,708
Income tax -deferred	(10,923)	(35,497)
Total income taxes	308,796	336,210
Net income	635,796	724,240
Net income (loss) attributable to non-controlling interests	(230)	1,461
Net income attributable to owners of the parent	636,027	722,779

(Consolidated Statement of Comprehensive Income, Cumulative)

(JPY in Thousands)

	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec.31,2022)
Net income	635,796	724,240
Comprehensive income	635,796	724,240
(Components)		
attributable to owners of parent	636,027	722,779
attributable to non-controlling interests	(230)	1,461

(3) Consolidated Statement of Changes Equity**Fiscal year ended December 31,2021 (From January 1, 2021 to December 31,2021)**

(JPY in Thousands)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at the beginning of the period	254,259	224,259	3,415,181	(825,158)	3,068,542	4,743	-	3,073,285
Changes during the period								
Dividends of surplus			(206,259)		(206,259)			(206,259)
Profit attributable to owners of parent			636,027		636,027			636,027
Disposal of treasury shares				6,711	6,711			6,711
Change in scope of consolidation								-
Net changes in items other than shareholders' equity							2,769	2,769
Total changes during the period	-	-	429,767	6,711	436,479	-	2,769	439,248
Balance at the end of the period	254,259	224,259	3,844,949	(818,446)	3,505,021	4,743	2,769	3,512,533

Fiscal year ended December 31,2022 (From January 1, 2022 to December 31,2022)

(JPY in Thousands)

	Shareholders' equity					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at the beginning of the period	254,259	224,259	3,844,949	(818,446)	3,505,021	4,743	2,769	3,512,533
Cumulative effects of changes in accounting policies			23,175		23,175			23,175
Restated balance	254,259	224,259	3,868,124	(818,446)	3,528,196	4,743	2,769	3,535,708
Changes during the period								
Dividends of surplus			(232,041)		(232,041)			(232,041)
Profit attributable to owners of parent			722,779		722,779			722,779
Disposal of treasury shares				5,940	5,940			5,940
Change in scope of consolidation			13,832		13,832			13,832
Net changes in items other than shareholders' equity					-	(4,743)	1,461	(3,281)
Total changes during the period	-	-	504,569	5,940	510,509	(4,743)	1,461	507,228
Balance at the end of the period	254,259	224,259	4,372,694	(812,506)	4,038,706	-	4,230	4,042,937

(4) Consolidated Statement of Cash Flows

(JPY in Thousands)

	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec.31,2022)
Cash flow from operating activities		
Income before income taxes and other adjustments	944,593	1,060,451
Depreciation	75,943	61,855
Amortization of software	231,991	193,105
Increase (decrease) in provision for share-based remuneration	27,921	29,077
Interest and dividend income	(22)	(47)
Foreign exchange losses (gains)	(10,390)	(16,896)
Government grant income	(8,740)	(7,671)
Interest expenses on borrowings and bonds	2	448
Gain on reversal of share acquisition rights	-	(4,743)
Decrease (increase) in trade receivables	(511,959)	(107,514)
Decrease (increase) in inventories	28,527	(41,263)
Increase (decrease) in trade payables	198,991	(143,221)
Increase (decrease) in accounts payable-other	(57,859)	49,550
Other	46,813	(73,354)
Subtotal	965,812	999,775
Interest and dividends received	22	25
Subsidies received	8,740	64,220
Interest paid	(2)	(448)
Income taxes paid	(224,219)	(369,723)
Total operating activities	750,353	693,848
Cash flow from investing activities		
Payments into time deposits	(153,000)	(156,000)
Proceeds from withdrawal of time deposits	156,000	156,000
Purchases of tangible assets	(69,332)	(72,767)
Purchases of intangible assets	(199,976)	(240,633)
Purchase of investment securities	(56,700)	-
Proceeds from sales of shares of subsidiaries and associates	1,650	-
Payments for investments in capital	(105,220)	-
Payment for leasehold deposits	(138,409)	(1,280)
Proceeds from refund of leasehold deposits	76,040	83,372
Other	(4,419)	1,148
Total investing activities	(493,367)	(230,160)
Cash flow from financing activities		
Proceeds from short-term borrowings	20,000	100,000
Repayments of short-term borrowings	-	(10,000)
Proceeds from share issuance to non-controlling shareholders	3,000	-
Dividends to shareholders	(206,341)	(232,020)
Total financing activities	(183,341)	(142,020)
Net increase (decrease) in cash and cash equivalents	73,644	321,668
Cash and cash equivalents at the beginning of the period	1,972,330	2,045,974
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(79,895)
Cash and cash equivalents at the end of the period	2,045,974	2,287,747

(5) Notes to Consolidated Financial Statement

【Note on Going Concern】 : 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 current fiscal year, and sales 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 (excluding contracts with a very short term or those with a negligible monetary impact), 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 current fiscal year has been included in retained earnings at the beginning of the current fiscal year.

As a result, for the current fiscal year, net sales increased 216,572 thousand yen, cost of sales increased 39,099 thousand yen, and operating income, ordinary income, and income before income taxes and other adjustments increased 177,472 thousand yen, respectively. Also, the balance of retained earnings at the beginning of the current fiscal year increased by 23,175 thousand yen.

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 receivable – trade, accounts receivable – trade and contract assets" in the consolidated balance sheet for the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to conform to the new presentation for the previous fiscal year. Also, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the abovementioned standard, notes related to revenue recognition for the previous fiscal year are 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 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 (hereinafter 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 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 of the current fiscal year was 124,277 thousand yen and the number of shares was 161,100.

【Segment Information, etc.】

(Segment Information)

1. Overview of Reportable Segments

The Group's reportable segments are components for which discrete financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group's business is composed of System Development and Health Tech, and the business activities of each reportable segment are as follows.

(System Development Business)

Medical system development, medical data integration and analysis, office system development

(Health Tech Business)

Consultation for healthcare organization, medical data analysis, telehealth

2. Calculation of net sales, income (loss), assets, and other items by reportable segment

The accounting method of the reported business segments is in accordance with the accounting policies adopted to prepare the consolidated financial statements. Profits of reportable segments are operating income-based figures. Intersegment sales and transfers are based on prevailing market prices.

As described in "Changes in Accounting Policies," we have applied the Accounting Standard for Revenue Recognition from the beginning of the current fiscal year, and has changed its accounting method for revenue recognition, and therefore, the calculation method of reportable segment income or loss has been changed in the same manner.

Due to this change, sales to external customers in the "system development business" segment increased by 211,326 thousand yen and segment income increased 173,943 thousand yen in the current fiscal year compared to the previous accounting policy. In the same way, sales to external customers in the "Health Tech Business" segment increased by 5,246 thousand and segment loss decreased 3,528 thousand yen in the current fiscal year compared to the previous accounting policy.

3. Sales and Income or Loss by Reportable Segment
FY2021 (From January 1, 2021, to December 31, 2021)

(JPY in thousands)

	Reportable segment			Adjustment (Note1)	Reported amount for consolidated financial statements (Note 2)
	System development	Health Tech	Sub total		
Sales					
Sales for external customers	4,919,669	49,215	4,968,885	-	4,968,885
Internal sales or transfers between segments	2,970	-	2,970	(2,970)	-
Total	4,922,640	49,215	4,971,856	(2,970)	4,968,885
Segment income (loss)	1,137,726	(217,006)	920,720	-	920,720
Segment assets	4,398,754	262,651	4,661,405	(104,842)	4,556,563
Other					
Depreciation	271,634	36,300	307,935	-	307,935
Increase in tangible and intangible assets	217,956	33,186	251,142	-	251,142

(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 (From January 1, 2022, to December 31, 2022)

(JPY in thousands)

	Reportable segment			Adjustment (Note1)	Reported amount for consolidated financial statements (Note 2)
	System development	Health Tech	Sub total		
Sales					
Sales for external customers	4,471,988	69,253	4,541,242	-	4,541,242
Internal sales or transfers between segments	1,485	-	1,485	(1,485)	-
Total	4,473,474	69,253	4,542,727	(1,485)	4,541,242
Segment income (loss)	1,233,811	(205,288)	1,028,522	-	1,028,522
Segment assets	4,799,825	207,118	5,006,944	(26,164)	4,980,780
Other					
Depreciation	223,023	31,937	254,960	-	254,960
Increase in tangible and intangible assets	282,426	25,846	308,273	-	308,273

(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.

(Related information)

FY2021 (From January 1, 2021, to December 31, 2021)

1. Information by product/service

This information is omitted because the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statements of income, and information by region is omitted.

(2) Tangible assets

Tangible assets affiliated to Japan are more than 90% of tangible assets in the consolidated balance sheets, and information by region is omitted.

3. Information by major customer

(JPY in thousands)

Company	Net sales	Related Segment
NEC Corporation	591,114	System development

FY 2022 (From January 1, 2022, to December 31, 2022)

1. Information by product/service

This information is omitted because the same information is disclosed in the segment information.

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statements of income, and information by region is omitted.

(2) Tangible assets

Tangible assets affiliated to Japan are more than 90% of tangible assets in the consolidated balance sheets, and information by region is omitted.

3. Information by major customer: N/A

(Information on Amortization and Unamortized balance of Goodwill by Reportable Segment)

FY 2021 (From January 1, 2021, to December 31, 2021): N/A

FY 2022 (From January 1, 2022, to December 31, 2022): N/A

(Information on gain on negative goodwill by Reportable segment)

FY 2021 (From January 1, 2021, to December 31, 2021): N/A

FY 2022 (From January 1, 2022, to December 31, 2022): N/A

(Information on Impairment of Non-current Assets by Reportable Segment)

FY 2021 (From January 1, 2021, to December 31, 2021): N/A

FY 2022 (From January 1, 2022, to December 31, 2022): N/A

【Per Share Information】

	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec.31,2022)
Book-value Per Share	136.84 yen	157.63 yen
Basic earnings per share	24.84 yen	28.21 yen
Diluted earnings per share	-	-

(Note): 1. No statement is indicated above for the number of diluted earnings per share because there were no diluted shares with dilutive effect.

2. Earnings per share and Diluted earnings per share were calculated based on the following:

	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec.31,2022)
Book-value Per Share		
Net income attributable to shareholders of the parent (thousand yen)	636,027	722,779
Amount not belonging to common shareholders' (thousand yen)	-	-
Net income attributable to shareholders of the parent attributable to common stock (thousand yen)	636,027	722,779
Average number of shares of common stock during the fiscal year (share)	25,608,544	25,617,486
Diluted earnings per share		
Net income adjustments attributable to owners of parent company (thousand yen)	-	-
Increase in shares of common stock (share)	-	-
Residual securities excluded in the calculation of profit after adjustment for residual securities due to the fact that these securities had no dilutive effect	5th series of stock acquisition rights by resolution of the Board of Directors meeting held on February 25, 2020 Number of share acquisition rights: 2,830 Common stock (share): 283,000	5th series of stock acquisition rights by resolution of the Board of Directors meeting held on February 25, 2020 Number of share acquisition rights: 2,830 Common stock (share): 283,000

(Note): For the purpose of basic earnings per share and diluted earnings per share, the average number of the Company's shares held by Japan Custody Bank, Ltd. (Trust Account E) during the previous consolidated fiscal year and the current consolidated fiscal year are 173,881 shares and 164,939 shares, respectively.

【Significant Subsequent Event】 : N/A

4. Other

Our group has two reportable segments: System development and Healthtech.

Production, Order, Sales

1) Actual Result of Production for FY2022

Business segment	Production (JPY in Thousands)	YoY (%)
System development	1,373,110	91.7
Healthtech	162,998	91.7
Total	1,536,109	91.7

(Note): Figures above is calculated by total manufacturing cost for the current fiscal year.

2) Order Status for FY2022

Business segment	Order received (JPY in Thousands)	YoY (%)	Order backlog (JPY in Thousands)	YoY (%)
System development	3,409,475	95.3	1,090,061	135.2
Healthtech	120,049	134.7	23,628	84.7
Total	3,529,524	96.3	1,113,690	133.5

3) Sales Result for FY2022

Business segment	Sales amount (JPY in Thousands)	YoY (%)
System development	4,473,474	90.9
Healthtech	69,253	140.7
Adjustments	(1,485)	50.0
Total	4,541,242	91.4

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

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