



**Consolidated Financial Results [Japanese GAAP]
for the Six Months Ended June 30, 2023**

August 9, 2023

Listed company: **FINDEX Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange
 Stock code: 3649
 URL: <https://findex.co.jp/en/index.html>
 Representative: Teruo Aibara, President & CEO
 For inquiries: Takashi Murakami, Corporate Officer, Finance & Investor Relations
 Contact: +81-3-6271-8958
 Scheduled date to submit statutory quarterly financial report: August 9, 2023
 Scheduled date to commence dividend payment: September 8, 2023
 Availability of supplementary materials on financial results: Yes
 Availability of quarterly results briefing: Yes for analysts

**1. Consolidated Financial Results for the Six Months ended June 30, 2023
(From January 1, 2023, to June 30, 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

(1) Consolidated Operating Results (Cumulative)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of the parent	
	JPY MM	%	JPY MM	%	JPY MM	%	JPY MM	%
Six months ended June 30, 2023	2,249	0.7	397	(12.8)	414	(13.9)	283	(11.3)
June 30, 2022	2,233	(7.1)	455	(6.8)	481	(4.7)	319	(6.1)

(Note) Comprehensive income: Q2 FY2023: 287 million yen [(10.8%)], Q2 FY2022: 321 million yen [(5.4%)]

	Basic earnings per share	Diluted earnings per share
	JPY	JPY
Six months ended June 30, 2023	11.08	-
June 30, 2022	12.49	-

(Notes) 1. No statement is indicated above for the number of diluted earnings per share for Q2 FY2022 because there were no issuable shares with dilutive effects.

2. No statement is indicated above for the number of diluted earnings per share for Q2 FY2023 because there were no issuable shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	JPY MM	JPY MM	%	JPY
As of June 30, 2023	4,925	4,177	84.7	162.61
December 31, 2022	4,980	4,042	81.1	157.63

(Ref.) Equity amount: Q2 FY2023: 4,169 million yen, Q4 FY2022: 4,038 million yen

2. Dividends

	Annual dividends per share				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
	JPY	JPY	JPY	JPY	JPY
Year ended December 31, 2022	—	3.00	—	6.50	9.50
Year ending December 31, 2023	—	4.00	—	—	—
Year ending December 31, 2023 (Forecast)	—	—	—	7.00	11.00

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

3. Consolidated Financial Forecasts for the Fiscal Year ending December 31, 2023 (From January 1, 2023, to December 31, 2023)

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

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of the parent		Basic earnings per share
	JPY MM	%	JPY MM	%	JPY MM	%	JPY MM	%	
Fiscal year ending December 31, 2023	5,065	11.5	1,313	27.7	1,330	26.0	923	27.7	JPY 36.03

(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) Application of Specific Accounting for Preparing the Quarterly Consolidated Financial Statements: None

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies 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 Significant Notes Thereto (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 of the attached document.

(4) Number of Shares Outstanding (Common Shares)

	As of June 30, 2023	As of December 31, 2022
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	965,288	987,475
	Six months ended June 30, 2023	Six months ended June 30, 2022
Average number of outstanding shares during the period	25,628,570	25,614,852

(Note) The number of treasury shares at the end of the period includes our shares held by Custody Bank of Japan, Ltd. (Trust Account E) (157,400 shares for Q2 FY2023, 161,100 shares for FY2022). Our shares held by Custody Bank of Japan, Ltd. (Trust Account) are included in the treasury stock deducted in the calculation of the average number of shares during the period (159,065 shares for Q2 FY2023, 167,573 shares for Q2 FY2022).

* This quarterly financial results report is out of 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.

Attached Material

Index

1. Qualitative Information on Quarterly Consolidated Financial Results.....	2
(1) Explanation on Operating Results.....	2
(2) Explanation on Financial Position	5
(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements.....	5
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	6
(1) Quarterly Consolidated Balance Sheet	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income, Cumulative.....	7
Quarterly Consolidated Statement of Comprehensive Income, Cumulative	8
(3) Quarterly Consolidated Statement of Cash Flows.....	9
(4) Notes to the Quarterly Consolidated Financial Statements.....	10
Notes on Going Concern Assumption	10
Notes on Significant Change in Equity Capital	10
Changes in Accounting Policies	10
Additional Information	10
Segment Information etc.....	11
Significant Subsequent Events.....	11
3. Supplementary Information	12

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation on Operating Results

In the domestic medical industry, where the Group primarily operates, changes to the insurance systems for reimbursing medical treatment fees, nursing care fees, and disability welfare service fees are slated to take effect from April 2024 in what is known as the “triple” amendments. This has led to a growing focus on improving operational practices and re-evaluating information management in the medical field. Additionally, there are active discussions regarding the promotion of the "Medical DX (Digital Transformation) Reiwa Vision 2030" proposed by the government, including the “establishment of a national medical information platform”, “standardization of electronic medical records”, and "digitalization of medical fee revision".

Furthermore, the business environment surrounding the Group had undergone significant changes due to the COVID-19 pandemic. Those changes had influenced the approach to software investments in the healthcare industry. Among the large hospitals, there has been an increasing recognition that digitalization is essential not only for streamlining internal operations but also for enhancing accessibility and quality of healthcare services within the community, including collaborations with other hospitals, pharmacies, and caregiving institutions. Simultaneously, there is a growing willingness to invest in advanced solutions for supporting medical practices, which improve the working conditions of physicians and healthcare professionals, as well as platforms that enable direct electronic communications with patients.

In response to these industry trends and on-site needs, the Group is actively engaged in the sales expansion of existing products and the development and implementation of new services utilizing cloud-based technology.

The consolidated financial results for the six months ended June 30, 2023 are as follows.

(JPY in thousands)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Change (amount)	Change (%)	First-half achievement rate
Net sales	2,233,641	2,249,242	15,600	0.7%	104.9%
Operating profit	455,696	397,300	(58,396)	(12.8%)	123.4%
Recurring profit	481,236	414,372	(66,864)	(13.9%)	125.9%
Profit attributable to owners of the parent	319,996	283,881	(36,114)	(11.3%)	124.5%

In the first six months of the fiscal year ending December 31, 2023, consolidated net sales were ¥2,249,242 thousand (+0.7% YoY), operating profit was ¥397,300 thousand (-12.8%), recurring profit was ¥414,372 thousand (-13.9%), and profit attributable to owners of the parent was ¥283,881 thousand (-11.3%).

The decrease in consolidated cumulative results for this second quarter is largely influenced by the financial performance of the first quarter, as disclosed previously. In the second quarter alone, our net sales increased by 2.9% and operating profit increased by 27.8%, compared to the same period last year. Propelled by the strong performance of our Medical Business and the Public Sector Business driving an increase in revenue, in the first six months of the current fiscal year we achieved net sales of 104.9% and operating profit of 123.4% compared to the forecast. The achievement rates for the first half of the year against the full-year targets were at 44.4% for net sales, 30.3% for operating profit, 31.2% for recurring profit, and 30.8% for profit attributable to owners of the parent. Our financial performance is progressing smoothly, with sustained sales growth and profitability, and we are on track to achieve our full-year forecast as planned.

Consolidated results by segments for the first six months of the current fiscal year are as follows.

From the first quarter of the current fiscal year, we reorganized our reportable segments into the following three segments: Medical Business, Public Sector Business, and the Health Tech Business. To enable year-on-year comparisons, results from the second quarter of the fiscal year ended December 31, 2022 have been restated under the new segments.

《Medical Business》

(JPY in thousands)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Change (amount)	Change (%)
Net sales	2,120,223	2,152,769	32,545	1.5%
Operating profit	597,077	469,075	(128,001)	(21.4%)

Mainstay products in the Medical Business segment include the data management software *Clairo*, the progress note system *C-Note*, and the document management system *DocuMaker*. These flagship products are rated highly in large hospitals that provide advanced healthcare services and therefore command a stable share of the market. As core hospital solutions, they play integral roles essential to the delivery of medical care.

In the first six months of the current fiscal year, consolidated net sales in this segment were ¥2,152,769 thousand (+1.5% YoY) and operating profit was ¥469,075 thousand (-21.4%). Due to significant impacts from the first-quarter financial performance, the consolidated cumulative results for the second quarter experienced a decline. However, in the second quarter, we achieved an increase in both revenue and operating profit. We believe earnings to be solid with no major changes in net sales and profit trends.

During the current consolidated fiscal year, we have been focusing on sales of packaged products to both existing and new customers in Japan. As a result, 32 hospitals and 59 clinics newly installed, added on, or updated our solutions during this period. We have also launched a new application *Remotalk-Cloud* in May 2023, enabling remote communication among physicians and their staff.

Fitting Cloud Inc., a subsidiary specializing in cloud-based solutions, has started providing the cloud-based infrastructure for the electronic tracing report service *AAde-Report* since March 2023. Additionally, at the 27th Annual Spring Conference of the Japan Association for Medical Informatics held in June 2023, Fitting Cloud Inc. showcased various services including *Valloon*, a service as a countermeasure against ransomware.

《Public Sector Business》

(JPY in thousands)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Change (amount)	Change (%)
Net sales	51,626	57,018	5,392	10.4%
Operating loss	(23,961)	(11,458)	12,503	-

The Public Sector Business segment was established this fiscal year.

In this segment, we mainly sell *DocuMaker Office*, an archive management and digital approval solution, to mostly government ministries and agencies, local governments, public corporations and medical institution that can leverage its powerful features. The installation of e-approval and document management solution is accelerating on the back of the government's push for DX, which in turn is leading to a rise in enquiries about, and negotiations for, the installation of packages for government offices and also medical institutions.

In the first six months of the current fiscal year, consolidated net sales in this segment were ¥57,018 thousand (+10.4% YoY) and operating loss was ¥11,458 thousand (versus the year-earlier operating loss of ¥23,961 thousand).

Regarding packages sold to local governments, the cumulative number of package installations has reached 25 since the service launch. We are also in the process of negotiating multiple projects for the current fiscal year and the following spring installations. During the second quarter, we have commenced implementations for large-scale municipal projects and national university projects, making a substantial contribution to the sales during the second half of the consolidated fiscal year. We are also currently focusing our sales activities on large projects and emphasizing project scale rather than simply increasing the number of projects, as a way to build a track record with a view to expanding sales up ahead. In addition, in order to considerably increase the number of projects at local governments throughout Japan from next fiscal year onwards, we are focusing on strengthening the sales capabilities of distributors and signing up new ones. Considering that our high-level consulting skills and user-oriented, user-friendly solutions have a strong reputation, we hope to gain many more contracts going forward. Moreover, a subscription business model is adopted to this service. Profit growth generated by the buildup of monthly service fees is anticipated, as the number of existing users increases in the future.

As for packages for medical institutions to be used by medical administration departments, we have continued to expand sales in earnest from FY2022, targeting mainly large and mid-sized hospitals, our existing users. Cumulative installations through to the second quarter now total six. Spurred by the government's promotion of DX, we have fielded a large number of enquiries from medical institutions that are considering the adoption of a document management solution centering on the management of hospital rules and various manuals in order to comply with Japan's hospital function evaluation system. The adoption of our solutions not only improves the cumbersome management of hospital documents, but it also means we can provide utilization proposals tailored

to the operational flow of each facility. Moreover, we can contribute to more efficient administration by providing thoroughgoing support after installation.

《Health Tech Business》

(JPY in thousands)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Change (amount)	Change (%)
Net sales	63,276	39,453	(23,823)	(37.6%)
Operating loss	(117,418)	(60,316)	57,101	-

In the Health Tech Business segment, we focused our efforts on domestic sales and on preparations of overseas sales expansion of our gaze analyzing perimeter, or *GAP* (Note1) for short. The *GAP* is an affordable, groundbreaking wearable device that enhances availability by measuring a patient's visual field with a completely different approach to that of conventional examination methods. It can also contribute to the early detection of retinal diseases, such as glaucoma and other conditions that lack obvious symptoms in the early stages. Unlike a conventional visual field examination, the product does not require the use of a dark room, thus shortening the examination time and alleviating the burden on the patient. Moreover, by promoting the use of the *GAP* at facilities that conduct medical exams and health checkups, early-stage retinal disease patient data can be shared with R&D centers in Japan and overseas with the potential for it to contribute to the innovation of technology and solutions in numerous fields, including pharmaceuticals and life insurance.

In the first six months of the current fiscal year, consolidated net sales in this segment were ¥39,453 thousand (-37.6% YoY). We recorded an operating loss of ¥60,316 thousand, versus the year-earlier operating loss of ¥117,418 thousand. Net sales decreased year on year due to the impact of EMC Healthcare Co., Ltd. (headquartered in Tokyo) being removed from the scope of consolidation. On the other side, our operating loss decreased for the same reason, resulting in a smaller loss.

During the current consolidated fiscal year, we have been conducting demonstrations and sales of the products at domestic medical facilities, and stepping up sales of *GAP-screener* (Note2) to nationwide health checkup facilities in collaboration with Toyota Tsusho Corporation (headquartered in Aichi Prefecture). There were 12 domestic shipments of these products in the first six months of the current fiscal year.

We also continue to undertake initiatives with a view to expanding overseas. Through one of our sales distributors Rexam Co., Ltd. (headquartered in Osaka), we exhibited the *GAP* at the 10th World Glaucoma Congress held in Rome in June 2023. We have received positive feedback from visiting healthcare professionals, and we are currently making final preparations for the start of shipments to the EU countries this fall. We are also working to acquire pharmaceutical regulatory approval in India.

In addition, because the product can be used to detect not only visual field abnormality, but also MCI (Note3), it was adopted by the Japan Agency for Medical Research and Development (AMED) for the R&D of a screening program for slight cognitive dysfunctions, utilizing digital phenotyping of gaze point response and eyeball movements, as part of its 2021 research project for medical-engineering collaboration and implementation of artificial intelligence. We continue to pursue R&D together with Kyoto University. Over the next few years, we expect new medical devices will be introduced to the medical frontline.

(Note1) Gaze Analyzing Perimeter, *GAP* (Notification No. of medical device manufacturing and sales 38B2X10003000002)

(Note2) Gaze Analyzing Perimeter, *GAP-screener* (Notification No. of medical device manufacturing and sales 38B2X10003000003)

(Note3) Abbreviation for Mild Cognitive Impairment. A stage of symptoms between those of healthy individuals and those with dementia, which has not yet progressed to dementia. Also called mild cognitive impairment.

(2) Explanation on the Financial Position
Status of Assets, Liabilities, and Net assets

(JPY in thousands)

	As of December 31, 2022	As of June 30, 2023	Change in amount
Assets	4,980,780	4,925,523	(55,256)
Liabilities	937,842	748,227	(189,615)
Net assets	4,042,937	4,177,296	134,358

Total assets at the end of the second quarter amounted to ¥4,925,523 thousand, a decrease of ¥55,256 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥65,145 thousand in current assets, primarily owing to a decrease of ¥605,489 thousand in notes and accounts receivable–trade, and contract assets, which outweighed an increase of ¥528,067 thousand in cash and deposits.

Liabilities amounted to ¥748,227 thousand, a decrease of ¥189,615 thousand from the end of the previous fiscal year. This was primarily attributable to a decrease of ¥180,929 thousand in current liabilities, mainly due to decreases of ¥62,569 thousand in accounts payable, ¥56,734 thousand in accrued expenses and ¥97,559 thousand in income taxes payable.

Net assets amounted to ¥4,177,296 thousand, an increase of ¥134,358 thousand from the end of the previous fiscal year. This was mainly due to an increase in shareholders' equity of ¥131,147 thousand by virtue of an increase in retained earnings.

(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements

Our consolidated results forecasts for the fiscal year ending December 31, 2023 remain unchanged (previously announced in FY2022 consolidated financial results on February 13, 2023).

Even though the Group currently does not meet the Prime Market's continued listing criteria of a tradable share market capitalization of more than ¥10 billion, in order to deepen understanding about our growth strategy and earnings, from this fiscal year we will endeavor to further strengthen investor relations mainly by presenting results briefing materials particularly to individual investors. Further, we aim to improve our corporate value by disclosing information in an appropriate and timely manner.

At the same time, we are beefing up our sustainability initiatives. We actively participate in initiatives related to climate change, such as endorsing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), joining the Japan Climate Initiative (JCI), and responding to questionnaires from the Carbon Disclosure Project (CDP) regarding climate change initiatives both domestically and internationally. Additionally, to achieve an increase in the ratio of female managers, we have formulated an action plan in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace, and implemented various measures such as consulting on career plans and providing trainings. From April 2023, we have been implementing measures to improve the working environment, including reducing regular working hours and establishing a full remote work system for employees residing in distant domestic locations or overseas. These efforts aim to enhance the quality of work-life for our employees. Moreover, we have also publicly announced the "My Jinken Declaration," promoted by the Ministry of Justice, implementing various multi-faceted initiatives to promote sustainable management.

Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(JPY in thousands)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	2,413,747	2,941,814
Notes and accounts receivable - trade, and contract assets	1,361,258	755,769
Merchandise and finished goods	165,417	162,122
Work in process	3,975	4,722
Raw materials and supplies	146,612	146,575
Other	37,291	52,152
Total current assets	4,128,302	4,063,156
Non-current assets		
Property, plant and equipment	103,287	100,540
Intangible assets		
Software	251,005	255,573
Other	344	344
Total intangible assets	251,349	255,917
Investments and other assets	497,839	505,908
Total non-current assets	852,477	862,366
Total assets	4,980,780	4,925,523
Liabilities		
Current liabilities		
Accounts payable - trade	81,209	18,639
Accounts payable - other	142,630	85,895
Income taxes payable	227,529	129,969
Other	202,633	238,569
Total current liabilities	654,002	473,073
Non-current liabilities		
Provision for share awards	186,787	184,891
Other	97,052	90,261
Total non-current liabilities	283,839	275,153
Total liabilities	937,842	748,227
Net assets		
Shareholders' equity		
Share capital	254,259	254,259
Capital surplus	224,259	224,259
Retained earnings	4,372,694	4,485,607
Treasury shares	(812,506)	(794,271)
Total shareholders' equity	4,038,706	4,169,854
Non-controlling interests	4,230	7,441
Total net assets	4,042,937	4,177,296
Total liabilities and net assets	4,980,780	4,925,523

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income, Cumulative)

(JPY in thousands)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	2,233,641	2,249,242
Cost of sales	906,677	968,830
Gross profit	1,326,964	1,280,411
Selling, general and administrative expenses	871,267	883,111
Operating profit	455,696	397,300
Non-operating income		
Interest income	10	34
Foreign exchange gains	21,150	12,280
Subsidy income	2,654	2,814
Royalty income	1,390	1,660
Other	783	281
Total non-operating income	25,988	17,071
Non-operating expenses		
Interest expenses	448	—
Total non-operating expenses	448	—
Ordinary profit	481,236	414,372
Extraordinary income		
Insurance claim income	—	19,000
Total extraordinary income	—	19,000
Extraordinary losses		
Compensation for damage	—	22,000
Total extraordinary losses	—	22,000
Profit before income taxes	481,236	411,372
Income taxes - current	162,030	118,263
Income taxes - deferred	(2,475)	6,016
Total income taxes	159,555	124,279
Profit	321,681	287,092
Profit attributable to non-controlling interests	1,685	3,210
Profit attributable to owners of parent	319,996	283,881

(Quarterly Consolidated Statement of Comprehensive Income, Cumulative)

(JPY in thousands)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	321,681	287,092
Comprehensive income	321,681	287,092
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	319,996	283,881
Comprehensive income attributable to non- controlling interests	1,685	3,210

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in thousands)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	481,236	411,372
Depreciation	35,752	22,157
Amortization of software	96,521	103,359
Share-based payment expenses	—	631
Increase (decrease) in provision for share awards	1,297	958
Interest and dividend income	(10)	(34)
Interest expenses	448	—
Foreign exchange losses (gains)	(21,150)	(12,280)
Subsidy income	(2,654)	(2,814)
Insurance claim income	—	(19,000)
Loss on compensation for damage	—	22,000
Decrease (increase) in trade receivables	731,967	605,489
Decrease (increase) in inventories	7,625	2,585
Decrease (increase) in prepaid expenses	(11,525)	(7,239)
Decrease (increase) in accounts receivable - other	8,176	7,850
Increase (decrease) in trade payables	(150,078)	(62,569)
Increase (decrease) in accounts payable - other	(16,562)	(49,140)
Increase (decrease) in accrued expenses	(13,833)	(6,899)
Increase (decrease) in accrued consumption taxes	(60,771)	(3,454)
Other, net	(6,135)	29,908
Subtotal	1,080,304	1,042,879
Interest and dividends received	10	12
Subsidies received	64,220	—
Proceeds from insurance income	—	19,000
Interest paid	(448)	—
Compensation paid for damage	—	(22,000)
Income taxes paid	(209,730)	(211,581)
Net cash provided by (used in) operating activities	934,356	828,310
Cash flows from investing activities		
Payments into time deposits	(78,000)	(78,000)
Proceeds from withdrawal of time deposits	78,000	78,000
Purchase of property, plant and equipment	(62,120)	(23,715)
Purchase of intangible assets	(114,177)	(109,348)
Payments of leasehold deposits	(1,280)	(17)
Proceeds from refund of leasehold deposits	50	9
Other, net	434	(17)
Net cash provided by (used in) investing activities	(177,093)	(133,089)
Cash flows from financing activities		
Proceeds from short-term borrowings	100,000	—
Repayments of short-term borrowings	(10,000)	—
Dividends paid	(154,369)	(167,153)
Net cash provided by (used in) financing activities	(64,369)	(167,153)
Net increase (decrease) in cash and cash equivalents	692,893	528,067
Cash and cash equivalents at beginning of period	2,045,974	2,287,747
Cash and cash equivalents at end of period	2,738,868	2,815,814

(4) Notes to the Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption): N/A

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

(Changes in Accounting Policies)

(Application of Accounting Standard for Fair Value Measurement)

We have applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Accounting Standard Guidance”) from the beginning of the first quarter of the fiscal year. In accordance with the transitional treatment prescribed in paragraph 27-2 of the Fair Value Accounting Standard Guidance, we have decided to apply the new accounting policies prescribed in the Fair Value Accounting Standard Guidance in the future. These changes have no impact on 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 adopt an employee stock ownership plan (referred to as J-ESOP) as an incentive plan to grant Company shares purchased from the market to employees in order to more closely link the Company’s share price and earnings with employee compensation and to boost the motivation and morale of employees to improve the share price and earnings by sharing the economic benefits with shareholders.

Accordingly, Trust & Custody Services Bank, Ltd. (trust account E) (now 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.

Regarding accounting treatment for the J-ESOP, we have applied the gross method to record trust assets and liabilities as corporate assets and liabilities on the consolidated balance sheet in accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (PITF No. 30, March 26, 2015).

The treasury stock held by Custody Bank of Japan, Ltd. (trust account E) is shown as treasury shares in the net assets section of the quarterly consolidated balance sheet. The amount recorded at the end of the previous fiscal year was ¥124,277 thousand and the number of shares was 161,100. The amount recorded at the end of the second quarter of the current fiscal year was ¥121,423 thousand and the number of shares was 157,400.

【SEGMENT INFORMATION, etc.】

(Segment Information)

1. Sales and Income or Loss by Reportable Segment

Six months ended June 30, 2022 (From January 1, 2022, to June 30, 2022)

(JPY in thousands)

	Reportable segment				Adjustments (Note1)	Amount in the quarterly consolidated financial statement (Note2)
	Medical Business	Public Sector Business	Health Tech Business	Subtotal		
Net sales						
Sales for external customers	2,118,738	51,626	63,276	2,233,641	—	2,233,641
Internal sales or transfers between segments	1,485	—	—	1,485	(1,485)	—
Total	2,120,223	51,626	63,276	2,235,126	(1,485)	2,233,641
Segment profit or loss	597,077	(23,961)	(117,418)	455,696	—	455,696

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

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

Six months ended June 30, 2023 (From January 1, 2023, to June 30, 2023)

(JPY in thousands)

	Reportable segment				Adjustments (Note1)	Amount in the quarterly consolidated financial statement (Note2)
	Medical Business	Public Sector Business	Health Tech Business	Subtotal		
Net sales						
Sales for external customers	2,152,769	57,018	39,453	2,249,242	—	2,249,242
Internal sales or transfers between segments	—	—	—	—	—	—
Total	2,152,769	57,018	39,453	2,249,242	—	2,249,242
Segment profit or loss	469,075	(11,458)	(60,316)	397,300	—	397,300

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

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

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

From the first quarter of the current fiscal year, the Company has changed its form of reporting for the "Office System", which was formerly included in the "System Development", as a reportable segment considering its forthcoming quantitative and qualitative importance. The Company has changed the reportable segments from two divisions which were "System Development" and "Health Tech", to three divisions which are "Medical Business", "Public Sector Business", and "Health Tech Business."

The segment information for the second quarter of the previous consolidated fiscal year is disclosed based on the classification of reportable segments of the second quarter of the current consolidated fiscal year.

(Significant subsequent events)

There are no significant subsequent events to be disclosed.

Supplementary Information

(1) Transition of Significant Financial Key Performance Indicators

(JPY in thousands, except for per share amounts)

	Six months ended June 30, 2022	Six months ended June 30, 2023	Fiscal year ended December 31, 2022
Net sales	2,233,641	2,249,242	4,541,242
Operating profit	455,696	397,300	1,028,522
Recurring profit	481,236	414,372	1,055,708
Profit	321,681	287,092	724,240
Profit attributable to owners of the non-controlling interests	1,685	3,210	1,461
Profit attributable to owners of the parent	319,996	283,881	722,779
Comprehensive income	321,681	287,092	724,240
Net assets	3,706,244	4,177,296	4,042,937
Total assets	4,628,045	4,925,523	4,980,780
Net assets per share	144.31	162.61	157.63
Basic earnings per share	12.49	11.08	28.21

(2) Production, Order, Sales

1) Actual Result of Production for Q2 FY2023 (Cumulative Amount)

Business segment	Production (JPY in thousands)	YoY (%)
Medical Business	734,733	117.6
Public Sector Business	30,674	95.9
Health Tech Business	70,050	68.5
Total	835,459	110.1

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

2) Order Status for Q2 FY2023 (Cumulative Amount)

Business segment	Orders received (JPY in thousands)	YoY (%)	Order backlog (JPY in thousands)	YoY (%)
Medical Business	1,617,363	89.6	1,283,520	116.4
Public Sector Business	144,217	233.8	145,267	305.8
Health Tech Business	16,220	19.4	420	0.9
Total	1,777,801	91.2	1,429,207	119.4

3) Sales Result for Q2 FY2023 (Cumulative Amount by Segments, Solutions, and Channels)

Segment, solution, channel	Sales amount (JPY in thousands)	Ratio (%)	YoY (%)
Medical Business			
Software	1,202,447	53.5	100.0
[of via distributors]	[392,314]		
Hardware	155,057	6.9	124.6
[of via distributors]	[6,161]		
Support	742,883	33.0	109.1
[of via distributors]	[222,606]		
Others	52,380	2.3	46.5
Public Sector Business	57,018	2.5	110.4
Health Tech Business	39,453	1.8	62.4
Total	2,249,242	100.0	100.7