Disclaimer:
This report is a partial translation of the Annual Securities Report of the Company originally prepared in Japanese, based on information gathered at the time of its preparation and is not in any way intended as a commitment to future implementation. In the event of any discrepancies in words, accounts, figures or the like between this report and the original, the original Japanese version shall govern.

Annual Securities Report

(Report in accordance with Article 24,
Paragraph 1 of the Financial Instruments and Exchange Act)
English excerpt translation of the "Yukashoken-Hokokusho"
For the 38th fiscal year from January 1, 2022 to December 31, 2022

Findex Inc.

(E25283)

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Part 1 Corporate Information

I. Corporate Overview

1 Key Financial Data

(1) Consolidated Key Financial Data

Fiscal year		34th	35th	36th	37th	38th
Fiscal year ended		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Net sales	(JPY in thousands)	3,603,344	4,281,539	4,004,859	4,968,885	4,541,242
Ordinary income	(JPY in thousands)	593,878	746,551	643,362	944,593	1,055,708
Net income attributable to owners of the parent company	(JPY in thousands)	398,015	499,249	430,457	636,027	722,779
Comprehensive income	(JPY in thousands)	398,015	499,249	430,457	635,796	724,240
Net assets	(JPY in thousands)	2,545,449	2,842,569	3,073,285	3,512,533	4,042,937
Total assets	(JPY in thousands)	3,114,829	3,464,967	3,796,913	4,556,563	4,980,780
Book-value per share	(JPY)	99.44	111.03	119.84	136.84	157.63
Net income per share	(JPY)	15.43	19.50	16.81	24.84	28.21
Diluted net income per share	(JPY)	15.30	-	-	-	-
Equity ratio	(%)	81.7	82.0	80.8	76.9	81.1
Return on equity	(%)	14.8	18.5	14.6	19.4	19.2
P/E ratio	(x)	34.87	69.43	69.06	40.50	17.51
Cash flows from operating activities	(JPY in thousands)	597,524	1,670,010	542,550	750,353	693,848
Cash flows from investing activities	(JPY in thousands)	(539,824)	(367,665)	(146,266)	(493,367)	(230,160)
Cash flows from financing activities	(JPY in thousands)	(675,695)	(207,325)	(201,957)	(183,341)	(142,020)
Cash and cash equivalents at end of year	(JPY in thousands)	682,984	1,778,004	1,972,330	2,045,974	2,287,747
Number of employees	(persons)	242	273	276	282	282

(Notes)
1. Diluted net income per share for the 35th fiscal year is not shown because there are no issuable shares.
2. Diluted net income per share for the 36th, 37th and 38th fiscal years is not shown because there are no issuable shares having possibilities of diluting stock value.
3. The Company has introduced a stock benefit trust (J-ESOP). For the purpose of calculation of net assets per share, the number of Company shares held by J-ESOP is included in the number of treasury stock deducted from the total number of shares issued and outstanding at the end of the fiscal year. In addition, for the purpose of calculating net income per share and diluted net income per share, the average number of shares of the Company's stock held by the stock benefit trust is included in the treasury stock deducted from the average number of shares outstanding during the fiscal year.
4. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the current consolidated fiscal year, and the key financial data for the current consolidated fiscal year are those after the application of the said accounting standards.

(2) Key Financial Data of Findex Inc.

Fiscal year		34th	35th	36th	37th	38th
Fiscal year ended		December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Net sales	(JPY in thousands)	3,557,306	4,241,356	3,982,323	4,924,598	4,487,352
Ordinary income	(JPY in thousands)	635,420	660,748	738,919	969,359	1,056,439
Net income	(JPY in thousands)	439,628	454,296	514,871	671,969	737,639
Investment income when equity method is applied	(JPY in thousands)	-	-	-	-	-
capital stock	(JPY in thousands)	254,259	254,259	254,259	254,259	254,259
Total number of shares issued	(shares)	26,608,800	26,608,800	26,608,800	26,608,800	26,608,800
Net assets	(JPY in thousands)	2,631,776	2,883,943	3,199,072	3,671,494	4,201,464
Total assets	(JPY in thousands)	3,196,832	3,501,638	3,899,555	4,678,409	5,146,346
Net assets per share	(JPY)	102.81	112.64	124.75	143.16	163.98
Dividend per share [Interim dividend per share included above]	(JPY)	7.50 (2.00)	8.00 (2.50)	8.00 (2.50)	8.50 (2.50)	9.50 (3.00)
Net income per share	(JPY)	17.04	17.75	20.11	26.24	28.79
Diluted Net income per share	(JPY)	16.90	-	-	-	-
Equity ratio	(%)	82.3	82.4	81.9	78.4	81.6
Return on equity	(%)	16.0	16.5	16.9	19.6	18.7
P/E ratio	(x)	31.57	76.30	57.74	38.34	17.16
Payout ratio	(%)	44.0	45.1	39.8	32.4	33.0
Number of employees	(persons)	236	263	269	274	280
Total shareholder return [Benchmark: TOPIX total return index]	(%) (%)	69.2 [84.0]	173.8 [99.2]	150.3 [106.6]	131.7 [120.2]	67.9 [117.2]
Highest share price	(JPY)	897	1,464	1,665	1,345	1,078
Lowest share price	(JPY)	462	507	528	905	470

(Notes)
1. Diluted net income per share for the 35th fiscal year is not shown because there are no residual issuable shares.
2. Diluted net income per share for the 36th, 37th and 38th fiscal years is not shown because there are no issuable shares having possibilities of diluting stock value.
3. The Company has introduced a stock benefit trust (J-ESOP). For the calculation of net assets per share, the number of Company shares held by J-ESOP is included in the number of treasury stock deducted from the total number of shares issued and outstanding at the end of the fiscal year. In addition, for the purpose of calculating net income per share and diluted net income per share, the average number of shares of the Company's stock held by the stock benefit trust is included in the treasury stock deducted from the average number of shares outstanding during the fiscal year.
4. The highest and lowest share prices are those on the Tokyo Stock Exchange (Prime Market) from April 4, 2022, and those on the Tokyo Stock Exchange (First Section) before that.
5. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the current fiscal year, and key management indicators for the current fiscal year are those after the application of the said accounting standards.

2 History

Month/Year	matter
January 1985	Shikoku Kanei Kogyo Co., Ltd. established in Matsuyama City, Ehime Prefecture (capitalized at ¥5,000).
December 1987	Business closed and corporate status dormant.
May 1992	Company name changed to Shake Hands, Inc. and reopened.
July 1993	Company name changed to Pioneer Shikoku Co.
March 1998	Company name changed to PSC Inc. and began medical software development and consulting services.
September 2000	Joint research with Ehime Medical Association, Ehime University Medical Informatics Department, and others began on construction of medical association intranet work, etc.
March 2001	Participated in the development support of the Nichii-Medical Standard Receipt Software as a primary development member of the ORCA project of the Japan Medical Association.
May 2001	Participated as a vendor in the Shikoku 4-prefecture electronic medical record network collaboration project of the former Ministry of International Trade and Industry's "Advanced IT-based Networking Promotion Project for Medical Care".
May 2002	The business model of electronic medical record research and development was adopted as "Ehime Prefecture Active Venture Support Project" in FY2002 and FY2003.
December 2002	Released electronic medical record REMORA.
April 2003	Tokyo Branch opened in Minato-ku, Tokyo.
October 2003	Released Claio, a data management software for medical use.
February 2006	Head office relocated to Nagaki-cho, Matsuyama, Ehime.
October 2009	Osaka branch opened in Chuo-ku, Osaka.
March 2011	Listed on JASDAQ (Standard) of the Osaka Securities Exchange.
November 2012	Opened Sapporo Branch in Kita-ku, Sapporo City and Fukuoka Branch in Hakata-ku, Fukuoka City.
July 2013	Listed on the JASDAQ (Standard) of the Tokyo Stock Exchange following the merger of the Osaka Securities Exchange and the Tokyo Stock Exchange.
November 2014	Company name changed to Findex Inc.
November 2014	Listed on the First Section of the Tokyo Stock Exchange from JASDAQ (Standard).
July 2015	Acquired the business of Try For Inc.
January 2017	Matsuyama Head Office was renamed Shikoku Branch Office and the Head Office was centralized in Tokyo.
February 2017	Established consolidated subsidiary Eagle Matrix Consulting, Co., Ltd.
August 2018	Consolidated subsidiary Eagle Matrix Consulting, Co., Ltd changed its name to EMC Healthcare Co., Ltd.
February 2019	Released GAP-screener, a gaze analyzing perimeter.
August 2019	Naha Branch opened in Kume, Naha City.
December 2020	Tokyo Head Office relocated to Chiyoda-ku, Tokyo.
February 2021	Invested in Digital Entertainment Asset Pte. LTD.
March 2021	Capital alliance with CROSS SYNC. Inc.
April 2021	Released GAP, a gaze analyzing perimeter.
April 2021	Established a consolidated subsidiary, Fitting Cloud Inc.
April 2021	Kyoto Branch opened in Nakagyo-ku, Kyoto.
May 2021	Niigata Branch opened in Chuo-ku, Niigata City.
April 2022	Moved from the First Section of the Tokyo Stock Exchange to the Prime Market following the reorganization of the Tokyo Stock Exchange market.
April 2022	Registered head office changed to Tokyo Head Office.
July 2022	EMC Healthcare Co., Ltd. became an equity-method affiliate of the Company from a consolidated subsidiary as a result of the exercise of stock options by its managements and employees.

3 Description of Business

(1) About the Group's Products

The Group consists of the Company, one consolidated subsidiary, and one equity-method affiliate, and is engaged in business activities such as development and sales of medical software, office solutions, and medical devices. Their positioning and main product lines are as follows (*indicates an equity-method affiliate). Effective from the first quarter of 2023, the reportable segments will be reorganized into three segments: Medical Business, Public Business, and Health Tech Business.

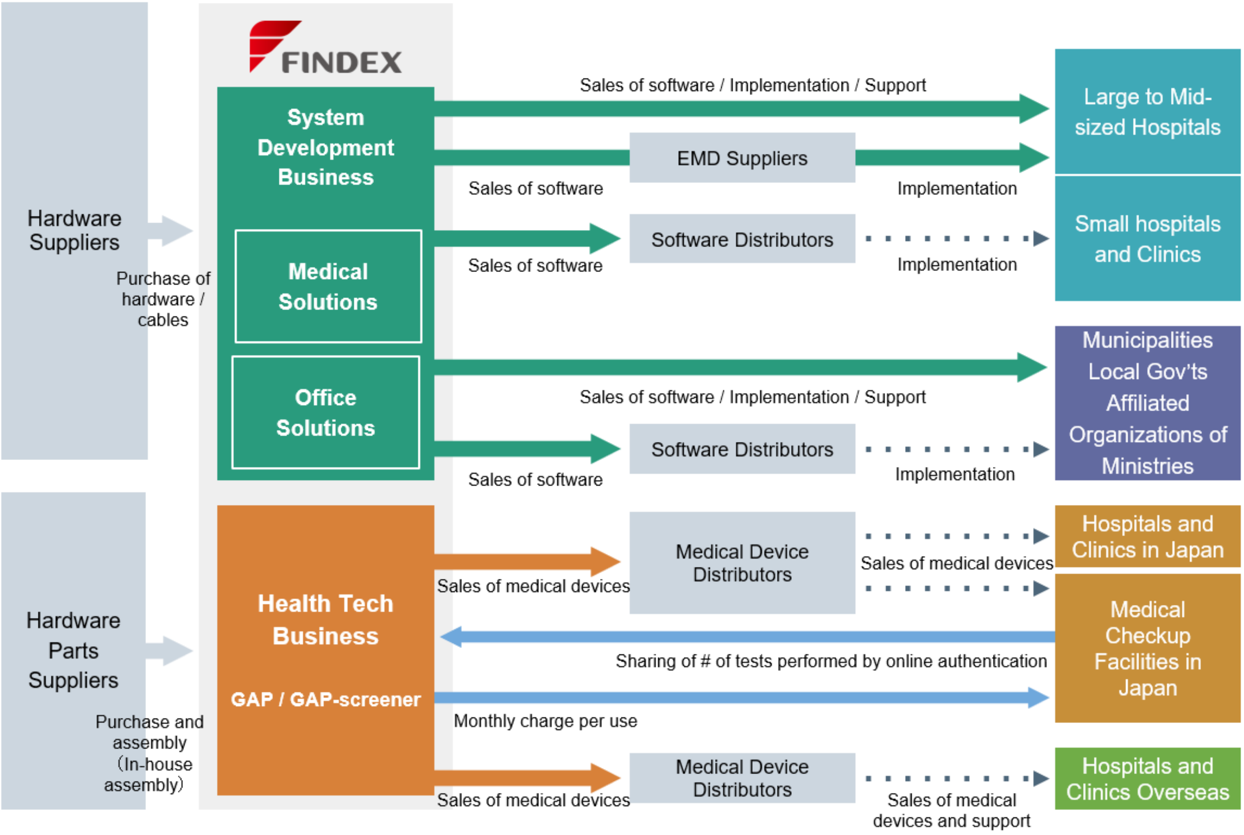
Reportable Segment	Main Products		Companies
System Development	ClaioDashboard	Integrated Browsing System	Findex Inc. and Fitting Cloud Inc.
	Claio.	Data Management Software	
	C-Scan	Document Integrated Archiving Software	
	DocuMaker	Medical Document Management Software	
	PDI+MoveBy	PDI Import / Export Software	
	LIS Endoscopy System	Endoscopy Department Software	
	LIS Ultrasound System	Ultrasonic Division Software	
	ProRad RIS	Radiology Information Software	
	ProRad RS	Radiological Reporting Software	
	ProRad QA	Integrated Image Detection Software	
	Gateway System		
	C-Note	Clinical Record Entry Software	
	MapleNote	Perinatal Software	
	ID-Cam/Claio-Cam	Digital Camera Solution	
	DigiWorker	RPA tools for Medical Institutions	
	DocuMaker Office (medical)	Document management Software for Administrative Sections	
	REMORA	Electronic Medical Record	
	WebLi	Referral Letter Software	
	Home Assessment System	Home-Visit Nursing Care Planning Support System	
	Personal Health Notebook	Medication Management App	
	Stress Check System		
	C-Nys ME (PMDA approved)	Nystagmus Analysis Support System	
	On-shin	Telemedicine Software	
	UniversalSearcher	Medical Big Data Search Software	
	Dodo	Task Management Application for Families	
	Medical Avenue	Patient Information App	
	Weberi	Internet Browsing Virtualization Service	
	Bricks	Cloud-based General-purpose EDC/Questionnaire System	
	Valloon	Closed-cloud Data Storage	
	DocuMaker Office (non-medical)	Public Records Management and Electronic Approval software	Findex Inc.
	DocuMaker Shelf	Electronic Bookkeeping Solutions	
Health Tech	GAP-screener (PMDA approved)	Gaze Analyzing Perimeter for Checkup Facilities	
	GAP (PMDA approved)	Gaze Analyzing Perimeter for Eye Clinics and Hospitals	
	CALM-M (PMDA approved)	Body Motion Sensor	*EMC Healthcare Co., Ltd.
	Baby-Moni	Baby Monitoring System	
	Wellness Passport	Health Care Services	
	OwlCare	Nursing Care Service	

(2) Business Structure

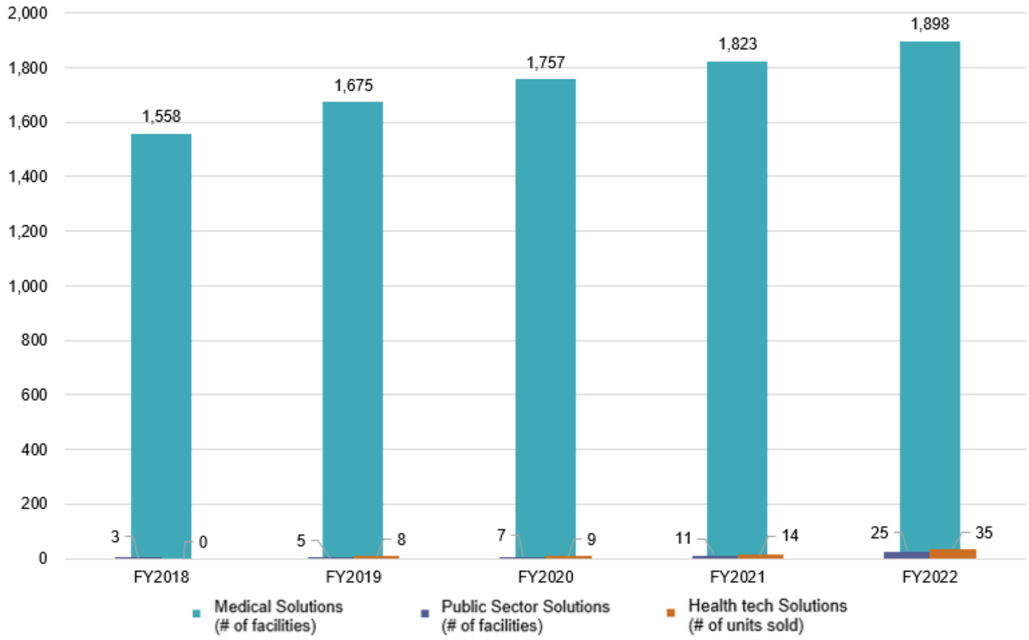
The Group has two reportable segments: the System Development and the Health Tech. The system development consists of sales of medical information software and office solutions, respectively, while the health tech focuses on sales of GAP/GAP-screener, gaze analyzing perimeters.

The business diagram for transactions between the Company and its consolidated subsidiary and equity-method affiliate is omitted due to immateriality.

[Business Diagram]



Trends in the number of facilities where the products have been installed or units of the products sold



4 Subsidiaries and Other Affiliated Entities

Company Name	Address	Capital (JPY in thousands)	Principal Business	% of voting rights (%)	Business Transactions with the Company
[Consolidated Subsidiary]					
Fitting Cloud Inc.	Nakagyo, Kyoto	10,000	System Development	70.0	The company provides cloud-based IT services. Directors serve concurrently. Some operations are contracted or outsourced.
[Equity-Method Affiliate]					
EMC Healthcare Co., Ltd.	Chiyoda, Tokyo	111,113	Health Tech	18.9	The company offers medical institution management consulting and other proposals for medical data management solutions, etc., as well as contracted R&D and development of health tech-related products. Directors serve concurrently. Bonds are underwritten.

(Note) As of July 1, 2022, the Company's shareholding in EMC Healthcare Co., Ltd. decreased, and it became an equity-method affiliate.

5 Employees

(1) Information about Consolidated Companies

As of December 31, 2022

Segment	Number of employees (persons)
System Development Business	265
Health Tech Business	17
Total	282

(2) Information about Reporting Company

As of December 31, 2022

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (JPY in thousands)
280	38.9	6.8	5,321

As of December 31, 2022

Segment	Number of employees (persons)
System Development Business	263
Health Tech Business	17
Total	280

(Notes) 1. The number of employees is the number of full-time employees. The number of temporary employees (part-timers and employees from temporary staffing agencies) is omitted because the total number is less than 10/100 of the total number of employees.
2. Average annual salary includes extra wages.

(3) Status of Labor Unions

No labor union has been formed, but labor-management relations are amicable.

II. Overview of Business

1 Management Policy, Business Environment and Issues to Address

Matters related to business conditions, accounting conditions, etc., described in the Annual Securities Report that may have a material effect on investors' decisions include the following.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

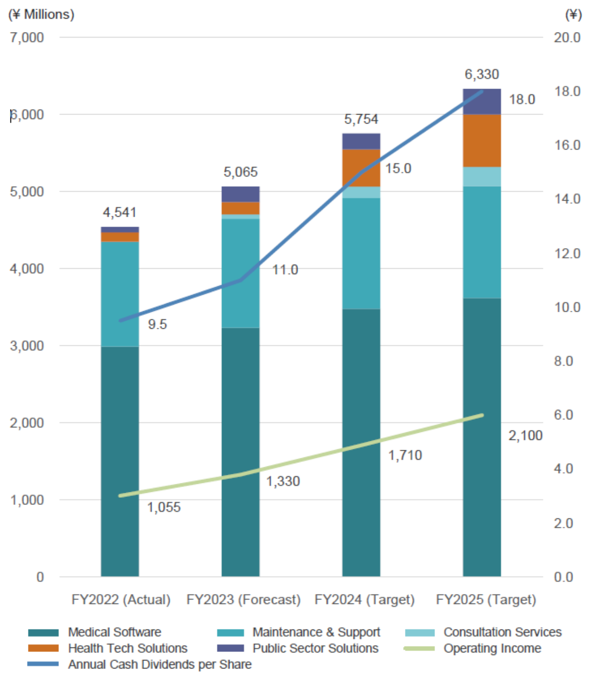
(1) Management Policy, Key Management Indicators and Medium-term Business Plan

In order to realize the its corporate philosophy of "enriching society with Technologies and Creation", the Company believes it is essential to quickly develop and provide high-quality solutions that meet the needs of the medical community. Its basic management policy is to promote "research and development that allows its employees to feel the joy of creating things" based on "the search for new ideas and technologies" and to provide "products that exceed customer expectations and contribute to the further development of society.

On February 13, 2023, the Company announced a revised version of its medium-term business plan "Vision for 2025", which was originally released on July 5, 2021. As stated in this document, it has set the following mid-term goals and will proceed with various measures and projects to achieve them.

Numerical Targets (Consolidated)

(¥ Millions)	FY2022 (Actual)	FY2025 (Target)
Net Sales	4,541	6,330
Ordinary Income	1,055	2,100
Ordinary Profit Margin	23.2%	33.2%
Payout Ratio	33.7%	31.2%
Annual Cash Dividends per Share	JPY 9.50	JPY 18.00



From FY2023 to FY2025, the Company's medium-term goals are to achieve continuous growth of 20% or more of consolidated net sales and an ordinary income margin of 30% or more.

To achieve these goals, the Company will work on each of its business, targeting net sales of ¥6,330,000 thousand and ordinary income of ¥2,100,000 thousand in FY2025. Specific sales targets for each business are ¥5,320,000 thousand for the medical business, which continues to enjoy stable demand, and ¥330,000 thousand and ¥680,000 thousand for the public business and health tech business, respectively, which have product lines with high profit margins.

Other quantitative management targets are to maintain a dividend payout ratio of 30% or more for FY2025, and to set an annual dividend of ¥18.00.

"Enriching Society with Technologies and Creation"

Fulfilling our responsibilities as a corporation supporting the mental and physical wellbeing of people, through Concentration of Management Resources, Acceleration of R&D and Human Capital Investment

1	Concentration of Management Resources	• Restructure medical solutions business to sustain growth • Prioritize M&A as a key growth strategy • Strengthen partner sales
2	Acceleration of Advanced R&D	• Reconceptualize our presence as a R&D-oriented company • Improve internal training system and enable dynamic staffing including management levels • Acquire and retain the right talent
3	Addressing Key Sustainability Challenges	• Support and engage in international initiatives for climate change (E) • Contribute to reducing disparities in health care and improving wellbeing of people (S) • Ensure good corporate governance and foster a diverse and inclusive workplace culture (G)

In addition to the conventional business goals, the revised medium-term business plan redefines the identity of the Company, and proactively refers to the disclosure of non-financial information and its goals. As stated above, the Company will focus on the three main pillars, which are "concentration of management resources", "promotion of advanced research and development", and "contribution to the formation of a sustainable society", and will carry out initiatives to achieve the goals from each of these perspectives.

Digitalization is an irreversible trend in all kinds of industries, and digitalization is an urgent need in the medical industry and public sector, where the Company is engaged to extend its business activities. The Company will strive for growth in each of its business by meeting these demands, and at the same time, it will fulfill its role as a company while being conscious of the need to ensure sustainable business activities toward the formation of a society in which all people can lead healthy lives.

(2) Business Environment

The outbreak of covid-19 pandemic has put a damper on the willingness of medical institutions to invest in software in 2022. However, the trend of digitalization for the purpose of improving operational efficiency and protecting the environment is an urgent need regardless of industry, and the trend to promote digitalization in medical institutions is no exception. With multiple government-led healthcare digitalization projects underway and the acceleration of cloud-based data integration, such as the My Number Card (ID card) and e-prescription initiatives, demand for digitalization solutions shows no signs of abating. In this environment, the Company will continue to aggressively develop and market its products and services to attract additional product and replacement installations for existing customers, as well as to make its products and services available to an even greater number of customers through new initiatives.

In the public sector industry, there is little competition in the Company's target segment, and the need for digitalization is increasing year by year, even more so than in the medical industry. The Company will continue to expand sales of its products because the business environment is very favorable, with interest in its products coming from government organizations of various sizes, and the sales activities have been going smoothly.

Regarding the health tech segment, the market is booming, with many domestic and foreign companies selling head-mounted display-type perimeters similar to GAP, a visual field analyzer developed by the Company. Among these, there are very few head-mounted perimeters with the same testing logic and high accuracy as the GAP, and the Company believes that its product is competitive enough in the booming perimeter market. The Company expect further intensification of competition in the future, but it will accelerate sales both domestically and globally by further strengthening promotional activities together with its sales partners.

(3) Priority Business and Financial Issues to Address

The Group will address the following priority business and financial issues.

(i) Retaining of right talents to strengthen product development and sales capabilities

The Company believes that the source of its competitiveness is the product quality, and that the quality lies in its deep knowledge of its overall business domain, its ability to gather information to understand customer's needs, and its high development capability to quickly commercialize products based on this knowledge. Although there is no shortage of staff in the development department at the present stage, the Company will strive to retain right talent with high skills and a sense of mission, both new graduates and mid-career hires. On the sales side, the Company recognize that it is essential to hire personnel on an appropriate scale to match the speed of business expansion, and it will continue its efforts to secure personnel with a good balance of knowledge and skills in all areas of its business.

(ii) Extending the scope of business into peripheral areas

a. Development of diagnostic support cloud services

Since its establishment, the Company has been expanding its business by installing its products to medical institutions nationwide, focusing on in-hospital information systems, and in the future will also focus on linking with external services associated with medical care and forming medical communities. By promoting digitalization in the medical industry, the Company will contribute to the reduction of environmental burdens, and by providing cloud-based solutions, it will digitally connect not only medical institutions and patients, but also pharmacies, transportation, home nursing stations, and various other people, goods, and services to improve the convenience and efficiency of a series of medical treatment cycles.

b. Sales of medical software and medical devices overseas

The Company has maintained and expanded its business stably through the provision of software to medical institutions within Japan. As it moves into the start of full-scale overseas sales, which is indispensable for further growth in the future, in 2023 the Company will continue to focus on building a business model to provide medical software in India. In addition, with regard to GAP, a medical device developed by the Company, it will develop and implement parts to accommodate differences in facial structure by race and reschedule the acquisition of regulatory approval in each country to operate the project with higher precision in order to expand the business scale and achieve higher profitability in promoting overseas sales.

(iii) Promotion of sustainable management

As a business entity engaged in business with a high degree of public interest, the Company will emphasize the fulfillment of its social responsibilities. It will contribute to the creation of a prosperous society through its ESG-conscious business activities. Specific initiatives for each item are as follows.

a. Environmental Initiatives (E)

The Company will promote the digitization and streamlining of the medical treatment flow in hospitals and the decision-making flow in local governments, thereby reducing environmental impact through the establishment of a paperless work style. In addition, The Company has introduced an ESG investment limit of 100 million yen by 2025 and are considering investing in related companies, indirectly contributing to environmental protection by supporting initiatives related to building a sustainable society, such as CO2 emission reduction, CFC-free measures, securing water resources, and promoting clean energy.

b. Social Initiatives (S)

The Company will contribute to the correction of medical disparities and improvement of people's wellbeing through its business, such as streamlining the flow of medical treatment in the medical industry and spreading the use of easy and highly accurate visual field tests. In addition, the Company has been making efforts to build and maintain a healthy work environment where employees can work comfortably for years by conducting employee surveys, proactively introducing remote work scheme, and reassigning employees based on their requests. Based on the above efforts, the Company endorses the "My Jinken Declaration" proposed by the Ministry of Justice to achieve a society where everyone respects each other's human rights, and the Company has made the declaration public.

c. Governance Initiatives (G)

The Company anticipates further business expansion. Under a corporate governance system that complies with laws, regulations, and social demands, all managements and employees will practice sound and fair management with a high sense of ethics. In this section, The Company will describe its approach to human capital, ensuring diversity, and information security among its governance initiatives. Refer to "IV. Status of the Submitting Company, 4 Status of Corporate Governance, etc." for those related to Directors.

i. Approach to Human Capital

In recent corporate management, there is an urgent need to build an organization that respects diversity. The scope of this effort is not limited to the traditional promotion of female employees, but also encompasses a wide range of issues, such as to promote inclusions of any nationalities, religions, and sexual minorities. The Company is committed to meeting these challenges and fulfilling its social responsibility as a company that supports the physical and mental wellness of people by creating and maintaining a diversity-friendly work environment and promoting inclusive hiring practices.

In the area of human resources development, The Company actively promote employees to key positions, regardless of gender, nationality, or age, but according to their past achievements and preferences. It also actively transfer authorities, creating many opportunities for employees to take on new challenges, such as considering new business opportunities and exploring new business fields. Approximately 98% of the Company’s Directors and managers are mid-career hires.

Although it is possible that the percentage of mid-career hires in management positions will decline in the future due to the promotion of experienced employees to management positions, the Company has not set a voluntary and measurable goal for the promotion of mid-career hires to management positions because the percentage is expected to remain high. Regarding the promotion of non-Japanese nationals to management positions, the Company recognizes that it will be a necessary challenge in the future to hire non-Japanese nationals as needed, promote them to management positions, and set voluntary and measurable targets, considering its business development. The Company's action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life sets a target of increasing the percentage of women in management positions to 9% by 2026 and to 18% by 2030 (3.8% as of December 31, 2022). The Company will measure the effectiveness of its action plan annually starting in March 2023 to achieve these goals, while promoting specific measures such as providing training and e-learning opportunities for female employees who wish to be promoted to management positions.

ii. Information Security

The Company handles a great deal of information that must be properly managed at a high security level, such as hospital patient information and official government document information. To protect all information from loss, misuse, alteration, or corruption, the Company has continuously implemented physical, technical, and administrative security measures, and obtained Information Security Management System (ISMS) certification in August 2012 and ISMS cloud security certification in August 2021. Ｉｔ also has established a personal information protection management system in compliance with the Japanese industry standard Personal Information Protection Management System - Requirements (JIS Q 15001) to strengthen the Company's internal system, and it also educates and enlightens its employees as needed.

In addition, cyber-attacks have become more frequent and sophisticated in recent years, and there have been frequent incidents that have had a significant impact on organizational operations. As demand for cyber security and risk consulting services from healthcare and government organizations increases, the Company continues to provide its clients with optimal security measures and support them in improving their cyber resilience.

In accordance with the Prime Market Corporate Governance Code, the Company has conducted a scenario analysis of the risks and opportunities that climate change poses to its business based on the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and disclosed relevant information. In the future, it will expand the scope of the analysis and reflect the results in its management strategies and will strive to enhance its disclosure of information on financial impacts. Although the software industry is an industry that emits only a small amount of greenhouse gases from its operations, the Company believes that it is very important for itself to understand and monitor business risks and opportunities and to respond to climate change issues under an appropriate framework, in order to build a sustainable society. Amidst the growing momentum toward decarbonization throughout society, including the 2050 Carbon Neutral Declaration, the Company has registered its status to the Carbon Disclosure Project (CDP) disclosure system. At the same time, as mentioned above, the Company expressed its endorsement of the TCFD's recommendations and will implement the following disclosures in line with its framework. In order to continue contributing to the formation of a decarbonized society, the Company will take the opportunity of its endorsement of the TCFD recommendations to further promote climate change measures.

Governance

The Company has established a "Sustainability Committee" to promote its efforts to solve social and corporate sustainability issues, including consideration of global environmental issues such as climate change, respect for human rights, and fair and appropriate business activities for all stakeholders including employees, as business opportunities.

The Committee consists of the Representative Director, the Department Manager of the Administration Department, and an Executive Officer as its members. The Committee has established a forum to review, formulate, and evaluate measures twice a year to confirm the current status of climate-related issues and to discuss and take measures to resolve these issues. The Sustainability Committee discusses and finalizes the reported climate-related risks and response policies, which are then reflected in the business activities of each department through the Sustainability Team and monitors the status of the responses.

Under these systems, the Company proactively disclose information on the status of its efforts to address climate change, its most important theme, to its stakeholders, and manage them through the environmental management system and other mechanisms while making continuous improvements.

Strategy

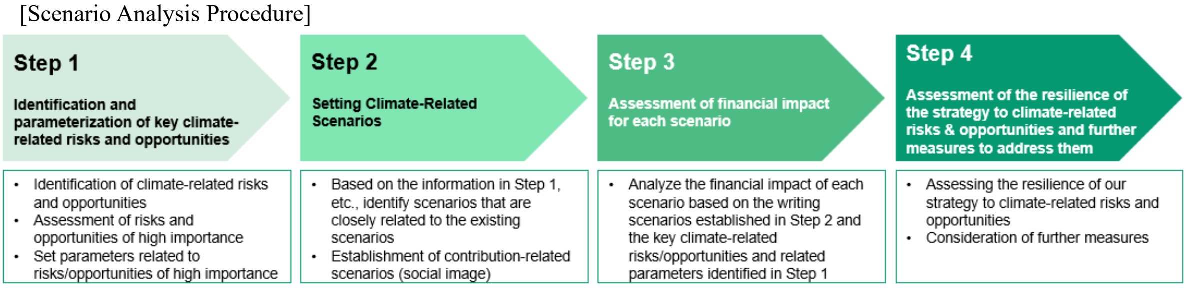
In order to properly understand the risks and opportunities of climate change, the Company sets two scenarios and analyzed "acute" and "chronic" as 4°C scenarios, which are "scenarios in which temperatures rise as expected without progress in climate change measures, and physical risks and opportunities arise from this increase". On the other hand, the Company analyzed "policy and regulation," "technology," "market," and "reputation" as the 2°C scenario, which is "a scenario in which various activities are implemented to prevent global warming and risks and opportunities arise from the transition to a decarbonized society".

[Scenario setup]

Multiple internationally accepted climate change scenarios are referenced in the analysis of climate-related risks and opportunities.

2°C scenario	A scenario in which policies and regulations are implemented to achieve a decarbonized society and the global temperature increase from pre-industrial times is limited to less than 2°C. Transition risk is high, but physical risk is lower than in the 4°C scenario.	IPCC Shared Socio-economic Pathways (SSP 1.9) Shared Socio-economic Pathways (SSP 2.6) ■IEA Net Zero Emissions by 2050 Scenario (NZE)
4°C scenario	This scenario assumes that the announced targets, such as national targets in the Paris Agreement, will be achieved. No new policies or regulations are introduced, and global energy-derived CO2 emissions continue to increase. Transition risk is low, but physical risk is high.	IPCC Shared Socio-economic Pathways (SSP 8.5) ■IEA World Energy Outlook

[Scenario Analysis Procedure]



[Scenario Analysis Results]

In the scenario analysis, specific studies were conducted for the Company's major businesses, and a qualitative analysis was conducted based on the major risks and opportunities as of 2030.

	Category	Class	Detail	Business Impact	Scale of influence
Risks	Transition risks	Policy and Regulation	Introduction of carbon tax and increase in carbon tax rate	Regulations may increase the tax burden and restrict the available raw materials and manufacturing methods for the production of medical devices.	Small
		Market	Changing consumer preferences	Failure to meet customer needs for environmental impact reduction leads to lost business opportunities.	Medium
		Reputation	Stakeholder criticism of inadequate disclosure	Stakeholders may view the company's response to climate change issues as inadequate, which will lead to lower reputation among stakeholders, higher recruitment and financing costs, and impact on the company's stock price.	Large
	Physical risks	Chronic	Deterioration in stable supply of raw materials, increase in procurement costs	There is a financial risk of increased power costs due to higher air conditioning loads in the data center resulting from higher average temperatures and the inability to pass these costs on to prices.	Small
		Acute	Increase in the rate and severity of extreme weather events	There is a possibility of data loss due to the collapse of the data center or damage to in-house servers caused by extreme weather or natural disasters, or the suspension of operations and services due to human casualties.	Medium
Opportunities	-	Energy source	Promote introduction of energy-saving technologies	This leads to a reduction in production costs.	Medium
			Shift to energy security and decentralization	Increased stakeholder recognition and corporate value through proactive involvement in climate change issues. Expanding sales of products and services that contribute to reducing the environmental impact of society.	Large
		Products & Services	Services that contribute to supporting the transition to a decarbonized society	Growing social demand for environmentally friendly management has increased demand for the Group's DocuMaker, C-Scan, and other services that promote online and paperless operations. Sales are expected to improve as services that reduce opportunities for on-site visits and Co2 emissions through the shift of medical systems to the cloud.	Large
		Market	Access to new markets	The widespread use of online medical care and GAP is expected to improve sales as a service that reduces the burden of patient travel and reduces Co2 emissions associated with travel.	Large
		Resilience	Deterioration in stable supply of raw materials, increase in procurement costs	By diversifying development and sales bases, we diversify risk by always approaching customers from the most suitable base for their environment.	Medium

Risk Management

[Process for identifying and assessing climate-related risks]

The Sustainability Committee, chaired by the Representative Director, will identify climate-related risks twice a year based on information gathered from each department, evaluate them in terms of "probability of occurrence" and "impact on the Company's business," prioritize them, and consider and decide on a response policy for important risks.

[Process for managing climate-related risks]

Climate-related risks identified and assessed by the Sustainability Committee and policies for addressing them are reported to the Board of Directors at least twice a year and as needed.

The Board of Directors discusses and finalizes the reported climate-related risks and response policies. The Sustainability Committee will then pass these policies on to the Sustainability Team, which will monitor the progress of each department's business activities.

Indicators and Targets

The Company aims to reduce Scope 1 and 2 emissions by 4.2% of GHG emissions from the previous year by 2030, in accordance with the SBT 1.5-degree target. The Company regularly manages the progress of these efforts and are promoting initiatives to further ensure its contribution to the realization of a decarbonized society.

Actual GHG emissions in Scope 1 and Scope 2 (FY2021)

Scope1	20 tCO2
Scope2	194 tCO2
Total	214 tCO2

*The Company will prepare for the disclosure of Scope 3 in the next fiscal year.

2 Business Risks

The following are the major risks that management recognizes as having the potential to materially affect the consolidated company's financial position, operating results, and cash flows, among other matters related to the business and accounting conditions described in the Annual Securities Report.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Incidents and Accidents Related to Information Security

The Group handles a large amount of product development information in the course of its business. In August 2012, the Group obtained Information Security Management System (ISMS) certification for its medical information system maintenance services for large hospitals. In August 2012, it obtained Information Security Management System (ISMS) certification for its medical information system maintenance operations for large hospitals. In August 2021, it also obtained ISMS cloud security certification for its maintenance operations.

However, if an information security incident were to occur due to unforeseen circumstances, the Group's credibility could be damaged, its corporate image could be tarnished, or the ISMS certification could be revoked, which could affect the Group's business and earnings.

(2) Incidents and Accidents Concerning Personal Information

When providing medical system installation services to medical institutions, the Company may temporarily receive personal information stored by such institutions. The Company is fully aware of the importance and risks associated with the handling of personal information and have established personal information protection regulations to ensure that personal information is managed appropriately. In addition to disclosing its personal information protection policy on the website, the Company has established action guidelines and guidelines that conform to these rules and policies, and it ensures thorough management of personal information through education and training. In January 2008, the Company received the Privacy Mark certification.

However, in the event of a leakage of personal information due to unforeseen circumstances in the information management process, etc., there is a possibility that the Company may be subject to claims for substantial damages, revocation of Privacy Mark certification, or fines, which may affect its business and performance.

(3) Litigation, etc.

Although there are currently no pending cases, lawsuits, etc. may occur for some reason, such as (i) and (ii) listed below, which may affect the Group’s business performance. (However, the Group is prepared for the risk of compensation damages and expenses related to its IT business by purchasing liability insurance for such claims.)

(i) In the event that users suffer damages due to a defect in the Group’s products caused by its negligence, its business performance may be affected due to monetary compensation or loss of trust.

(ii) When introducing its products to medical institutions, the Company may be entrusted with medical institution information, including patients' personal information, for data migration work. In the unlikely event that such information is leaked to outside parties due to a flaw in the internal information management system, the Group’s business and earnings could be affected by financial compensation or loss of social credibility.

(4) Obsolescence of Products and Services

Our Group's development department is engaged in the improvement of existing products and the research and development of new products. However, in the unlikely event that new technologies or services that the Group does not anticipate become popular, the Group's products may become obsolete, which may affect the Group's business performance. In addition, a reduction in product prices due to intensified competition in the market may affect our group's business performance.

(5) Dependence on the Specific Officer and Retaining and Training Right Talent

(i) Dependence on the specific officer

Teruo Aibara is the President and CEO of the Company and is deeply involved in the Company's sales and development activities. However, the Company's dependence on him has decreased as a result of the current division of duties and delegation of authorities. However, if for some reason it becomes difficult for him to continue his duties at the Company in the future, the Company's business performance may be affected.

(ii) Retaining and Training Right Talent

the Company’s employees are required to have advanced knowledge of medical care and IT and the ability to make proposals. The Company will continue to strive to expand its workforce through ongoing recruiting activities and education and training programs. However, failure to hire and train employees in a planned manner could affect the business expansion and prospects.

(6) Relationship with Sales Partners

As an R&D-oriented organization, the Group has a policy of supplying products and expanding sales through its partners. The Company maintains good relationships with its sales partners. However, in the event that the Group's sales partners change their business strategies, switch to other companies' products, or for some other reason do not maintain good relationships and terminate their distributorship agreements, the Group will be forced to bear the financial or time burden of supporting users in areas far from its sales bases, which may affect the Company’s business results. In this case, the Company may incur financial or time-related burdens related to support for users in areas far from its sales offices, which may affect its business performance.

(7) Intellectual Property Rights

The Group strives to protect its independently developed logic, products, etc. by acquiring intellectual property rights, such as patent rights, in Japan and overseas. However, there is a possibility that these rights may be challenged, invalidated, or circumvented by third parties, and competitive advantage is not guaranteed by these patent rights, etc.

At this point in time, the Group has not confirmed that any invalidity claims have been filed against its patents, or that any other intellectual property rights such as patents, trademarks, or copyrights that would affect its business activities have been obtained by any other organization. However, due to significant technological innovation in software, there is a possibility that the Group's software may inadvertently infringe on the intellectual property rights of a third party, or that a patent right not recognized by the Group may have been granted, and that the third party may file a suit for damages or injunction against the use of the software, claiming infringement of its intellectual property rights, or seek monetary compensation for such a suit. In such cases, there is a possibility that the Group may be sued for damages, injunction of use, etc., and may be forced to bear the financial burden of such lawsuits, which may affect the business performance of itself.

(8) Impact of Covid-19 Pandemic

The decision to move the category of covid-19 infection to "category 5" and other such developments have prompted the promotion of socioeconomic activities in Japan while taking appropriate countermeasures against infection. However, since there is little hope for a conclusion to the outbreak of covid-19 in the near future, if the impact of the outbreak becomes more serious, the implementation of software for medical institutions, which are the major customers of the Group, may be prolonged or postponed, which may affect its business performance.

3 Management's Discussion and Analysis of Financial Condition, Operating Results and Cash Flows

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

■ Market Trends and Performance of the Company

The Group develops comprehensive medical software and medical devices of its own, providing them from large hospitals to local clinics nationwide, with university hospitals as lead users. At the same time, the Group offers office solutions to the local governments and public corporations and engages in new businesses in the health tech and medical cloud computing. In this area, the impact of covid-19 pandemic has accelerated the digital transformation of medical institutions, and non-contact medical care using new technologies and AI is becoming more widespread than ever before, including the introduction of telemedicine and the use of medical robots. Furthermore, the Japanese government has designated 2022 as the first year of digitalization in healthcare, and has announced that industry, government, and academia will work together to promote the utilization of medical big data, and as efforts in this area are gaining momentum, more medical institutions are expected to actively install solutions equipped with the latest technologies.

While demand for system renewal remained stable in 2022, the prolonged pandemic ofcovid-19 led to a higher weight of capital investment motivation among medical institutions related to pandemic countermeasures. However, with the decrease in the risk of serious illness, the lowering of the classification of infectious diseases from "Class 2" to "Class 5" and the increased discussion of removing masks, life has gradually been returning to normal, and the Group’s sales activities, which were limited due to the impact of pandemic measures at each facility, have almost returned to the same level as before. Furthermore, as the number of cases of digitalization solutions being installed not only in medical institutions but also in the public sector, such as municipalities and public corporations, is increasing year by year, further expansion of demand for the Group’s office solutions is expected in the future.

In 2022, the Group’s main goals were to maintain stable sales and further improve profitability, and it prioritized sales of packaged products to medical institutions, the development of new services, and the acquisition of new customers in the public sector.

As a result, the Group’s performance in the current consolidated fiscal year was in line with the initial forecast. Net sales decreased by 8.6% compared to the same period of previous fiscal year, to ¥4,541,242 thousand, operating income increased by 11.7% to ¥1,028,522 thousand, ordinary income increased by 11.8% to ¥1,055,708 thousand, and net income attributable to shareholders of the parent company increased by 13.6% to ¥722,779 thousand.

Effective from the beginning of the current fiscal year, the Group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). For details, please refer to "V. Financial Information (1) Consolidated Financial Statements [Change in Accounting Policies] and [Segment Information, etc.] Segment Information 2. Method of calculating net sales, income or loss, assets, and other items by reportable segment".

■ Overview of segment

≪System Development Business≫

The following is the result 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

Findex Inc. is 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, “C-Note”, 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”), the Company focused on sales of the vendor-neutral packaged products to the Company’s existing customers as well as new customers, and 48 hospitals and 85 clinics newly adopted, augmented, or updated its solutions, achieving sales of ¥4,352,187 thousand.

As for the progress of the strategic alliance with Toyota Tsusho Corporation, in the Company’s first collaborative project to implement the Company’s flagship product Claio to Sakra World Hospital (Bangalore, India), it launched test operations and facilitated toward smoother cutover. The Company will continue more detailed test and research to create local-realistic operation. Also, the Company 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., a subsidiary of the Company 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, the Company delivers products, mainly such as “DocuMaker Office”, document management systems. The Company’s main target includes ministry-affiliated organizations and local governments as well as healthcare organizations, for which it can leverage on strengths derived from this DocuMaker Office. Spurred by acceleration of digitalization, 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.

The Company has established trusted relationship by its 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”. The Company has 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. The Company 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, the Company also expect high demand, especially from large and medium-sized healthcare organizations, which are its existing clients, and in this fourth quarter of FY2022, 2 installations at large healthcare organizations made progress. The Company is also pleased to cross-sell these cloud-based services that support their back-office operations.

≪Health Tech Business≫

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, the Company focused its efforts on domestic sales and on strategy formulation towards successful roll out in overseas, of 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, the Company augmented GAP introduction to university hospitals and clinics. For medical checkup facilities, the Company 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 the Company’s inability to establish a sufficient sales structure in Japan and delays in application for the European Medical Device Regulation (EU-MDR), the Company was unable to reach its 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, the Company will continue to expand sales in FY2023 both in Japan and overseas.

Additionally, the Company has been continuously conducting joint research with Kyoto University, it 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, the Company will continue to engage in R& D and evolve core technologies and products from various perspectives.

(Note 1) GAP (Notification No. of medical device manufacturing and sales 38B2X10003000002)

(Note 2) GAP-screener (Notification No. of medical device manufacturing and sales 38B2X10003000003)

(2) Financial Condition

(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.

(i) 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.

(ii) Non-current assets

Non-current assets increased ¥32,031 thousand in tangible assets due to a ¥22,575 thousand increase in buildings related to the head office relocation, ¥12,404 thousand in intangible assets due to a ¥12,404 thousand increase in software, and ¥42,920 thousand in investments and other assets due to a ¥79,493 thousand decrease in leasehold deposits. The balance at the end of the current consolidated fiscal year was ¥852,477 thousand (up ¥1,516 thousand from the end of the previous consolidated fiscal year).

(Liabilities)

The balance of liabilities at the end of the current consolidated fiscal year was ¥937,842 thousand, a decrease of ¥106,186 thousand from the end of the previous consolidated fiscal year.

(i) 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.

(ii) 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 ¥23,173 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) Cash Flows

(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 fiscal year	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 fiscal year	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 thousand 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) Information Related to Capital Resources and Liquidity of Funds

With regard to the Company’s financial resources for capital and liquidity of funds, its basic policy is to secure stable sources of liquidity and funds necessary for its business operations.

The main demand for funds is for personnel expenses related to research and development, as well as operating expenses such as selling, general and administrative expenses.

In principle, working capital is provided by cash flows from operating activities, but the Company's policy is to use direct and indirect financing as circumstances require.

(i) Interest-bearing debt

Not applicable.

(ii) Commitment Line

The Company has not established commitment lines of credit with correspondent banks.

(5) Critical Accounting Estimates and Assumptions used in Making such Estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. Significant accounting estimates used in the preparation of these consolidated financial statements and the assumptions used in making such estimates are described in "V. Financial Information, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, Significant Accounting Estimates”.

(6) Management Policies and Strategies, Objective Indicators for Judging the Achievement of Management Objectives

The Company considers the ratio of ordinary income to net sales as a key management indicator for growth and profitability, and return on equity (ROE) as a key indicator for capital efficiency, and its goal is to improve and enhance these indicators.

The management of the Company strives to maximize corporate value by formulating the best management policies based on the current business environment and available information.

Based on the Company’s corporate philosophy of "enriching society with technologies and creation," it will continue to ensure the efficiency, soundness, and transparency of its management, maximize its business capital, and strive to become a company that is highly trusted and appreciated by its shareholders, customers, and society at large.

(7) Production, Orders and Sales

(i) Production

The results of production by segment for FY2022 are as follows:

Segment	Production (JPY in thousands)	YoY change (%)
System Development Business	1,373,110	91.7
Health Tech Business	162,998	91.7
Total	1,536,109	91.7

(Note) Amounts are based on FY2022 total production costs.

(ii) Orders Received

The results for orders received for FY2022 are as follows:

Segment	Orders received (JPY in thousands)	YoY change (%)	Order backlog (JPY in thousands)	YoY change (%)
System Development Business	3,409,475	95.3	1,090,061	135.2
Health Tech Business	120,049	134.7	23,628	84.7
Total	3,529,524	96.3	1,113,690	133.5

(iii) Sales results

The table below shows sales results by segment for the fiscal year ended March 31, 2012.

Segment	Sales (JPY in thousands)	YoY change (%)
System Development Business	4,473,474	90.9
Health Tech Business	69,253	140.7
Adjustment (Note 1)	(1,485)	50.0
Total	4,541,242	91.4

(Notes) 1. Adjustments are due to elimination of intersegment transactions.

2. Sales results by major customer and the ratio of such sales results to total sales results for the two most recent consolidated fiscal years are as follows.

Company name	FY2021		FY2022	
	Amount (JPY in thousands)	Percentage (%)	Amount (JPY in thousands)	Percentage (%)
NEC Corporation	591,114	11.9	-	-

3. Information on NEC Corporation forFY2022 is omitted because the ratio of sales results to total sales results is less than 10/100.

4 Important Management Contracts

The Company has entered into a strategic partnership agreement as follows:

Company	Contracting Party	Country	Title of Contract	Date of Agreement	Contents of Contract	Term of Contract
Findex Inc. (The Company)	Toyota Tsusho Corporation	Japan	Strategic Partnership Agreement	May 6th, 2022	Strategic Alliance 1. Overseas sales of medical software 2. Installation of GAP-screener (Gaze Analyzing Perimeter, PMDA approved and MDR conformed) to domestic check up facilities	From May 6th 2022 to May 5th 2025 (This will be automatically renewed in one-year increments)

5 Research and Development Activities

≪System Development Business≫

(1) Basic Policy on Research and Development Activities

In this segment, the Company enhances its corporate value as an R&D-oriented company specializing in hospital information systems and medical network solutions, and research and develop innovative technologies that will become the next-generation medical information infrastructure while responding quickly and accurately to the needs of the market. The core of its product development is the knowledge of medical information technology that the Company has accumulated tup to today, as well as highly challenging research that is difficult for other companies to follow. Its basic policy is to pursue this and conduct research that will become part of the foundation for realizing a healthy and safe society through medical care.

In addition, this segment is concurrently conducting R&D on product functions for public document management and authorization systems for municipalities, public companies, and external organizations of ministries and agencies. The Company's basic policy is to research and develop enduring technologies, bearing in mind that such R&D forms part of the social infrastructure, as in the medical industry, in terms of providing safe and stable services at public organizations.

(2) Research and Development Organizational Structure and its Management System

In this segment, as of the end of FY2022, 80 staffs (27.3% of employees), including the director in charge as manager, are involved in research and development. In medical system development, the Consulting Department and other departments work with many stakeholders to formulate research themes based on the direction of medical policy and technological innovations surrounding medical care, and to examine the products and services that will be needed in the future. On the other hand, in the development of systems for local governments, the Company is developing new technologies based on the framework of DocuMaker, a medical version of the in-hospital document management system for which many R&D resources have been invested. The Company's sales consulting team quickly absorbs market needs and examines research themes.

The Board of Directors discusses and decides on the selection of R&D themes, project organization, budgets, etc., and the progress of each R&D project is then reported to the Board of Directors.

(3) Research and Development Activities in FY2022

In this segment, in addition to enhancing the functionality of its hospital information system package product, the Company conducted research and development of "Medical Avenue," an application that enables seamless procedures for medical examinations at large hospitals. It also conducted basic research on qualification verification technology, which is one of the keys to promoting the spread of electronic prescriptions, an important issue for medical digitalization.

In the area of software solutions for local governments, the Company conducted research and development on the implementation of a complex flow of the approval function of DocuMaker Office and a secure and efficient paper document management function. In the area of systems for public hospitals and universities, the Company achieved a high degree of automation through its efforts to automate processes from the occurrence of administrative events to settlement operations.

≪Health Tech Business≫

(1) Basic Policy on Research and Development Activities

In this segment, as of the end of FY2022, 12 staffs (4.1% of employees) are involved in research and development, with the director in charge as the manager. The Company is focusing on R&D activities to enhance its corporate value as a healthcare service company that utilizes medical engineering, artificial intelligence, and data analysis technologies, to create new markets, to improve people's health and quality of life (QOL), and to enhance the productivity of companies and organizations.

The Company's basic policy is to conduct research on basic technologies that can be provided to the market as innovative products and services with a view to reach overseas markets, not only within the company but also with domestic and overseas medical institutions and research organizations.

(2) Research and Development Organizational Structure and its Management System

In this segment, the R&D team is organized around the Business Strategy Office. Thirteen people, including the Executive Director, are engaged in R&D at bases nationwide, conducting basic research in cutting-edge areas as well as developing core technologies for implementation in products. In addition to regular weekly meetings, the Company introduced a virtual office environment with constant connectivity so that meetings can be held at home or between sites in a timely manner when discussions are necessary. In addition, joint research with medical institutions is conducted and results are managed in collaboration with AMED and other organizations.

The Board of Directors discusses and decides on the selection of R&D themes, project organization, budgets, etc., and the progress of each R&D project is then reported to the Board of Directors, and the continuation or discontinuation of R&D activities is discussed and decided.

(3) Research and Development Activities in FY2022

In this segment, the Company is working to enhance the functionality of GAP the Gaze Analyzing Perimeter, and at the same time, it conducts research on the application of this device for the diagnosis of early dementia in collaboration with Kyoto University after obtaining the AMED budget.

As a result of the above R&D activities, a total of ¥39,016 thousand in R&D expenses of ¥18,789 thousand in the system development business and ¥20,226 thousand in the health tech business was recorded in FY2022.

III. Information about Facilities

1 Summary of Capital Investments

There were no disposals or sales of significant facilities in FY2022.

2 Major Facilities

(1) Reporting Company

Major facilities of the Company are as follows:

As of December 31, 2022

Office Name (Location)	Segment	Equipment	Book value (JPY in thousands)			Number of Employees (persons)
			Building	Tools, furniture and fixtures	Total	
Headquarters (Chiyoda-ku, Tokyo)	System Development Health Tech	Sales & Development	30,204	10,982	41,187	77
Shikoku Office (Matsuyama-shi, Ehime)	System Development Health Tech	General Operations and Development facilities, etc.	3,221	36,154	39,375	127
Osaka Office (Chuo-ku, Osaka)	System Development Health Tech	Sales & Development	1,460	416	1,877	36
Sapporo Office (Kita-ku, Hokkaido)	System Development Health Tech	Sales & Development	1,838	0	1,838	12
Fukuoka Office (Chuo-ku, Fukuoka)	System Development Health Tech	Sales & Development	1,164	653	1,817	13
Naha Office (Naha-shi, Okinawa)	System Development Health Tech	Sales	-	-	-	2
Kyoto Office (Nakagyo-ku, Kyoto)	System Development Health Tech	Sales & Development	5,024	1,169	6,193	8
Niigata Office (Chuo-ku, Niigata)	System Development Health Tech	Sales	7,795	2,212	10,008	5

(Notes)
1. The headquarters office is a leased property, and the rent for FY2022 was ¥120,033 thousand.
2. The Shikoku office is a leased property, and the rent for FY2022 was ¥47,051 thousand.
3. The Osaka office is a leased property, and the rent for FY2022 was ¥23,866 thousand.
4. The Sapporo office is a leased property, and the rent for FY2022 was ¥6,793 thousand.
5. The Fukuoka office is a leased property, and the rent for FY2022 was ¥12,144 thousand.
6. The Naha office is a leased property, and the rent for FY2022 was ¥2,847 thousand.
7. The Kyoto office is a leased property, and the rent for FY2022 was ¥7,413 thousand.
8. The Niigata office is a leased property, and the rent for FY2022 was ¥7,600 thousand.

(2) Domestic Subsidiaries

As of December 31, 2022

Company Name	Office name (Location)	Segment	Equipment	Book value (JPY in thousands)			Number of Employees (persons)
				Building	Tools, furniture and fixtures	Total	
Fitting Cloud Inc.	Headquarters (Nakagyo-ku, Kyoto)	System Development	Administration Facility	-	770	770	2

(Note) EMC Healthcare Co., Ltd. was excluded from domestic subsidiaries as of July 1, 2022, as the Company's shareholding ratio decreased, and it became an equity method affiliate.

(3) Overseas Subsidiaries

Not applicable

3 Planned Additions, Retirements and Other Changes of Facilities

Not applicable

IV. Information about Reporting Company

1 Company's Shares, etc.

(1) Total Number of Shares

(i) Total number of shares

Type	Total number of shares authorized to be issued (shares)
Common stock	78,336,000
Total	78,336,000

(ii) Issued shares

Type	Number of shares issued as of the end of the fiscal year (shares) (December 31, 2022)	Number of shares issued as of the date of submission (March 29, 2023)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Contents
Common stock	26,608,800	26,608,800	Tokyo Stock Exchange Prime Market	Number of shares per unit: 100 shares
Total	26,608,800	26,608,800	-	-

(2) Share Warrants

(i) Stock option plans

The details of the stock option plan are described in the " V. Financial Information, 1. Consolidated Financial Statements, (i) Consolidated Financial Statements, Notes to Consolidated Financial Statements, Stock Options".

(ii) Rights plans

Not applicable

(iii) Other stock acquisition rights

Not applicable

(3) Exercises of Moving Strike Convertible Bonds, etc.

Not applicable

(4) Changes in Number of Issued Shares, Share Capital and Legal Capital Surplus

date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (JPY in thousands)	Balance of share capital (JPY in thousands)	Changes in legal capital surplus (JPY in thousands)	Balance of legal capital surplus (JPY in thousands)
From January 1, 2018 To December 31, 2018 (Note)	470,400	26,608,800	4,939	254,259	4,939	224,259

(Note) Increase due to exercise of stock acquisition rights.

(5) Shareholding by Shareholder Category

As of December 31, 2022

Category	Shareholding status (100 shares per unit)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and other	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	-	12	32	38	60	18	5,579	5,739	-
Number of shares held (Units)	-	73,032	13,314	1,712	12,688	105	165,179	266,030	5,800
Percentage of shareholdings (%)	-	27.45	5.01	0.64	4.77	0.04	62.09	100.00	-

(Notes) 1. "Financial Institutions" includes 1,611 units of the Company's shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets under the employee incentive plan "Stock Benefit Trust (J-ESOP). The Company shares held by Custody Bank of Japan, Ltd. (Trust Account E) are presented as treasury stock in the financial statements.

2. 8,263 units of treasury stock are included in "Individuals and Other" and 75 shares are included in " Shares less than one unit". The number of shares of treasury stock as recorded in the shareholders' register and the number of shares actually held by the Company as of the end of the fiscal year are the same as those recorded in the shareholders' register.

(6) Major Shareholders

As of December 31, 2022

Name	Address	Number of shares held (shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
Teruo Aibara	Minato-ku, Tokyo	7,707,600	29.89
The Master Trust Bank of Japan, Ltd.	2-11-3 Hamamatsucho, Minato-ku, Tokyo	2,061,100	7.99
Mizuho Trust & Banking Co., Ltd. Securities Custody Trust 0700068	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,440,000	5.58
Mizuho Trust & Banking Co., Ltd. Securities Custody Trust 0700067	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	1,440,000	5.58
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,008,800	3.91
Ehime Bank, Ltd.	2-1 Katsuyama-cho, Matsuyama City, Ehime	967,200	3.75
The Bank of New York Mellon 140040 (Standing proxy: Settlement Sales Division, Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	497,600	1.92
Keiji Takemura	Matsuyama City, Ehime Prefecture	491,200	1.90
Nomura Securities Co., Ltd. (Standing proxy: Sumitomo Mitsui Banking Corporation)	13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo (1-1-2 Marunouchi, Chiyoda-ku, Tokyo)	410,374	1.59
Nomura Securities Co., Ltd.	13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	346,470	1.34
Total	-	16,370,344	63.45

(Notes) 1. Of the above shares held, the number of shares related to trust activities are as follows:
The Master Trust Bank of Japan, Ltd. (Trust Account) 2,061,100 shares
Custody Bank of Japan, Ltd. (Trust Account) 1,007,400 shares
2. Although JP Morgan Asset Management Co., Ltd. and its joint holders, JP Morgan Securities plc are listed in the Large Shareholding Report made available for public inspection as of October 20, 2016 as owning the following shares as of October 14, 2016, the Company is unable to confirm the number of shares beneficially owned as of the voting rights exercise record date. Therefore, these shares are not included in the above list of major shareholders.
The contents of such large shareholding report are as follows.

Name	Address	Number of shares held (shares)	Percentage of share certificates, etc. held (%)
JPMorgan Asset Management (Japan) Limited.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo Tokyo Building	1,063,500	4.08
JPMorgan Securities Japan Co., Ltd.	2-7-3 Marunouchi, Chiyoda-ku, Tokyo Tokyo Building	(26,500)	(0.10)
J.P. Morgan Securities plc	London, UK E14 5JP Canary 25 Bank Street, Wolfe.	93,900	0.36

In a change report made available for public inspection on March 22, 2022, Baillie Gifford & Co. is listed as holding the following shares as of March15, 2022, but the Company is unable to confirm the number of shares beneficially owned as of the voting rights exercise record date. The number of shares held by Baillie Gifford & Co. is not included in the above list of major shareholders.
The contents of the change report are as follows.

Name	Address	Number of shares held (shares)	Percentage of share certificates, etc. held (%)
Baillie Gifford & Co.	1 Calton Hill, Greenside Row, Edinburgh EH1 3AN Scotland	1,293,600	4.86

(7) Voting Rights

(i) Issued shares

As of December 31, 2022

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares with no voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) common stock 826,300	-	-
Shares with full voting rights (other)	common stock 25,776,700	257,767	Standard shares of the Company with no restrictions on rights
Shares less than one unit	common stock 5,800	-	-
Total number of shares issued	26,608,800	-	-
Voting rights held by all shareholders	-	257,767	-

(Note) Common stock in "Fully Voting Shares (Other)" includes 161,100 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the employee incentive plan "Stock Benefit Trust (J-ESOP). The Company shares held by Custody Bank of Japan, Ltd. (Trust Account E) are presented as treasury stock in the financial statements.

(ii) Treasury stock, etc.

As of December 31, 2022

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the name of other (shares)	Total number of shares held (shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stock) Findex Inc.	7-2, Otemachi 1-chome, Chiyoda-ku, Tokyo	826,300	-	826,300	3.11
Total	-	826,300	-	826,300	3.11

(Note) In addition to the above, 161,100 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) are shown as treasury stock in the financial statements.

(8) Share Ownership Plan for Directors, Other Officers and Employees

(i) Outline of Employee Stock Ownership Plan

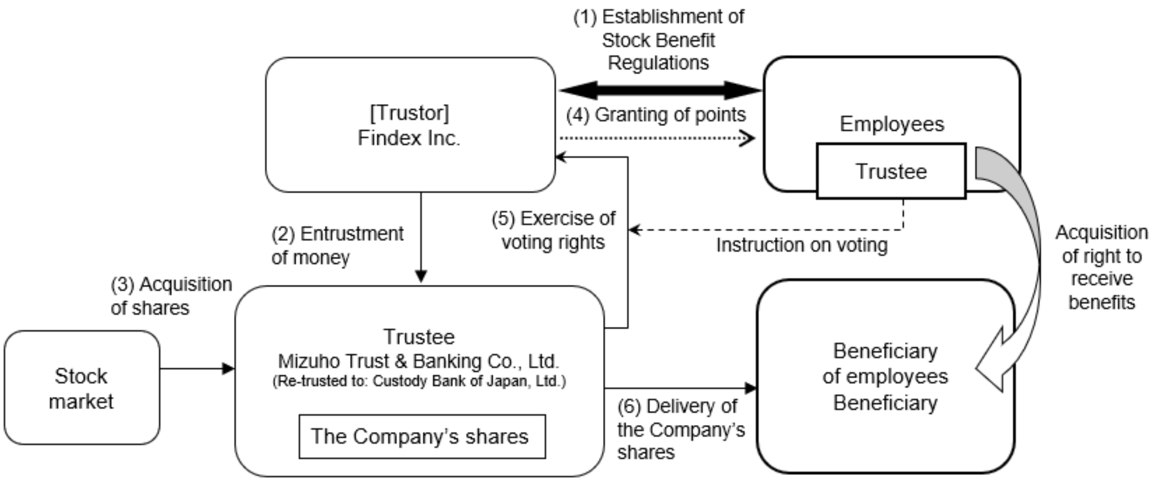
At the Board of Directors meeting held on October 29, 2015, the Company resolved to introduce an incentive plan called the "Stock Benefit Trust (J-ESOP)" (the "Plan"), under which the Company will provide its employees with shares of its stock purchased from the market in order to further link the Company's stock price and performance with the treatment of employees and share the economic benefits with shareholders, thereby increasing employees' motivation and morale toward improving the stock price and performance.

This plan is a system to provide the Company's shares to the Company's employees who meet certain requirements in accordance with the Share Benefit Regulations established by the Company in advance.

The Company grants points to employees in accordance with their individual contribution levels, etc., and when they acquire the right to receive benefits under certain conditions, the Company grants them shares of the Company's stock equivalent to the points granted. The Company shall acquire the shares to be granted to employees, including those for the future, with money set up in advance in a trust, and shall manage them separately as trust assets.

It is expected that the introduction of this system increases the Company's employees' interest in improving the Company's stock price and business performance and contribute to their being more motivated than ever to engage in their work.

Overview of the Employee Stock Ownership Plan



a. The Company establishes "Share Benefit Regulations" upon the introduction of this plan.

b. The Company will place money in trust (other benefit trust) with Mizuho Trust & Banking Co., Ltd. (re-trusted to: Custody Bank of Japan, Ltd.

c. The trust bank acquires the Company's shares with the money entrusted to it.

d. The Company grants "points" to employees in accordance with the Share Benefit Regulations.

e. The trust bank exercises voting rights in accordance with instructions from the trust manager.

f. Employees receive a benefit in the form of Company shares equivalent to the "points" accumulated by the trust bank after the acquisition of the entitlement.

(ii) Total number of shares to be granted to employees

194,200 shares

Persons eligible to receive beneficiary rights and other rights under the Plan:

Persons who have vested the right to receive property benefits in accordance with the provisions of the Share Benefit Regulations

2 Acquisition and Disposal of Treasury Stock

Type of shares

common stock

(1) Acquisition by Resolution of General Meeting of Shareholders

Not applicable

(2) Acquisition by Resolution of Board of Directors' Meeting

Not applicable

(3) Acquisition Not based on Resolution of General Meeting of Shareholders or Board of Directors' Meeting

Not applicable

(4) Disposal of Acquired Treasury Stock and Number of Treasury Stock Held

Category	FY2022		Current period	
	Number of shares (shares)	Total amount disposed (JPY in thousands)	Number of shares (shares)	Total amount disposed (JPY in thousands)
Acquired treasury stock offered to subscribers	-	-	-	-
Acquired treasury stock canceled	-	-	-	-
Acquired treasury stock transferred for merger, share exchange, share delivery or company split	-	-	-	-
Other	-	-	-	-
Treasury stock held	826,375	-	826,375	-

(Notes) 1. The number of shares held as treasury stock during the period under review does not include the number of shares purchased for shares less than one unit from March 1, 2023 to the date of submission of the Annual Securities Report.

2. In addition to the above, 161,100 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets of the employee incentive plan "Stock Benefit Trust (J-ESOP)" are shown as treasury stock in the financial statements.

3 Dividend policy

The Company intends to maximize its corporate value by establishing its position in the market through innovative product capabilities and advanced consulting skills. To achieve this, the Company's policy is to pay dividends based on a comprehensive assessment of its business performance, financial position, and achievement of its business plan, while maintaining and expanding internal reserves to continue to make necessary investments.

The Company's Articles of Incorporation stipulate that the Board of Directors may pay dividends from surplus in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act. In addition to year-end and interim dividends, the Articles of Incorporation stipulate that the Company may distribute dividends from surplus by specifying a record date.

The interim dividend for FY2022 was 3.00 yen per share. The Company has also decided to pay a year-end dividend of 6.50 yen per share, taking into consideration its business performance and future business development.

Internal reserves will be effectively used to secure talented human resources and to enhance software assets for sale, which are the foundation for business growth, and the Company will strive to build a system that returns profits to shareholders over the long term.

Dividends from surplus for the current fiscal year are as follows.

Date of resolution		Total amount of dividends (JPY in thousands)	Dividend per share (JPY in thousands)
August 9, 2022	Board of Directors	77,347	3.00
March 28, 2023	Ordinary General Meeting of Shareholders	167,585	6.50

4 Corporate Governance

(1) Overview of Corporate Governance

(i) Basic Policy on Corporate Governance

The Company regards corporate governance as a management governance function to maximize corporate value for stakeholders and recognizes that strengthening corporate governance is an important management responsibility.

The Company has adopted the current structure in order to establish a fair and transparent management system and internal control system in order to aggressively extend its business and increase its corporate value along with the growth of the digitalization market.

In order to respond appropriately and flexibly to changes in economic conditions and the market environment, the Company will strive to strengthen corporate governance by enhancing the functions of the Board of Directors, monitoring and supervising business execution, and further enhancing internal controls, while striving to disclose timely and appropriate information to stakeholders and respecting the rights of shareholders.

(ii) Overview of the corporate governance system and reasons for adopting the system

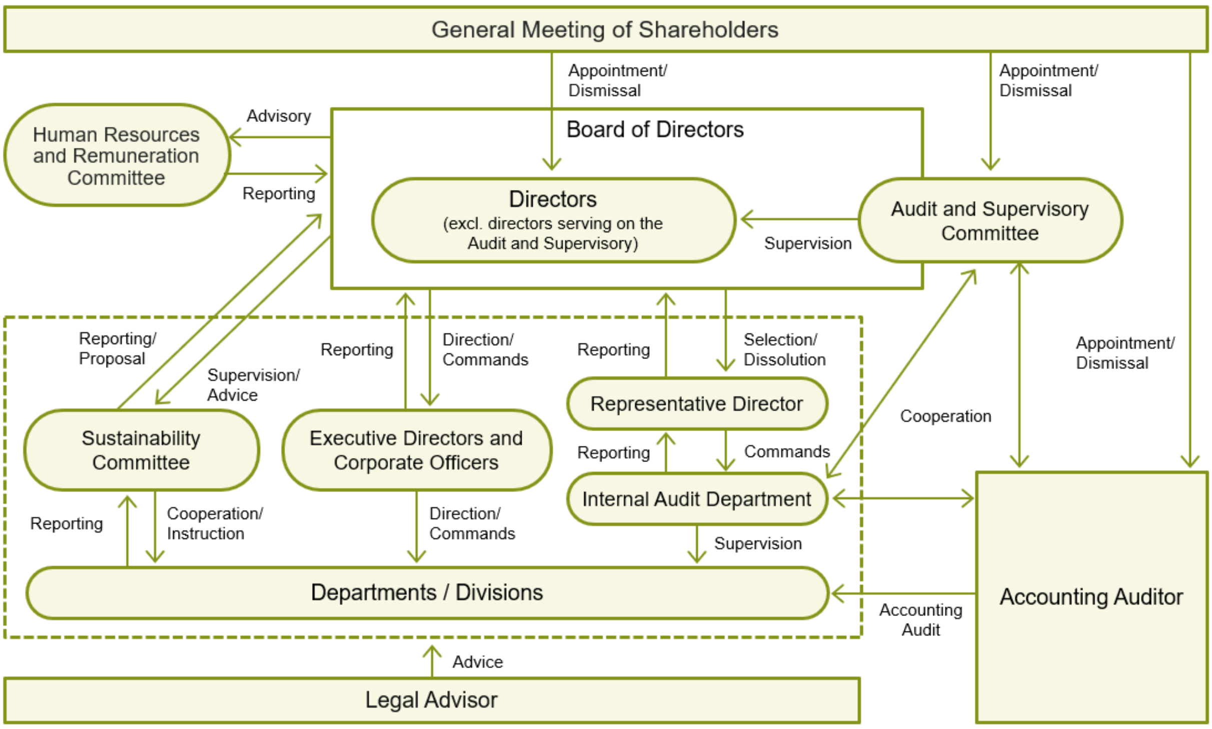
There is the Board of Directors and the Audit and Supervisory Committee within the Company. The Company's Board of Directors consists of five Directors (excluding Directors who are members of the Audit and Supervisory Committee), one of whom is an Outside Director, and three Directors who are members of the Audit and Supervisory Committee, two of whom are Outside Directors.

At the Board of Directors meetings, the Board of Directors confirms the progress of sales activities and budgets, examines performance forecasts and takes necessary measures, and actively discusses important management matters in order to invigorate the Board of Directors and ensure mutual checks and balances.

Audit and Supervisory Committee members fulfill their oversight function by attending meetings of the Board of Directors and other important meetings to express their opinions as necessary, inspecting important documents, and conducting interviews with Directors. In principle, the Audit and Supervisory Committee meets once a month to exchange information among the committee members, to further enhance the audit function, and to conduct effective audits in cooperation with the accounting auditors and the Internal Audit Office.

The Company has established the Human Resources and Remuneration Committee, a voluntary committee consisting of the President and CEO and three Outside Directors (all of whom are independent Outside Directors), to deliberate on the determination of individual compensation amounts, compensation levels, and compensation systems for management and Directors. The Board of Directors makes the final policy decision respecting the report of the Human Resources and Remuneration Committee.

The Company's corporate governance structure is as follows:



(iii) Other matters regarding corporate governance

a. System to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of the Company

All Directors and employees of the Company are required to perform their duties with a high sense of ethics and conscience, to comply with laws, regulations, and internal rules, and to act in a responsible manner in line with social norms. In addition, the Company has established a whistle-blowing system that allows employees to directly provide information on violations of laws, regulations, and internal rules and regulations, and is working to enhance a more substantive control system.

b. System for the storage and management of information related to the execution of duties by the Directors

The Company's Directors appropriately store and manage important information, such as minutes of general meeting of shareholders and Board of Directors' meetings, in accordance with their respective duties and internal regulations. In addition, other important information and documents related to the execution of duties by Directors are appropriately stored and managed in accordance with the Document Management Regulations and are maintained in a condition that allows access as necessary.

c. Rules and other systems concerning the management of the risk of losses

The Company manages risks within the authority granted to each department, and cross-company risks are managed by the Administration Department. The Company takes necessary measures to prevent the occurrence of risks and eliminates and mitigates business risks after investigation and deliberation. In the unlikely event of the occurrence of a risk that could have a significant impact on the company overall, a management-level risk task force chaired by the Representative Director has been established and a system is in place to ensure that a prompt and appropriate response is implemented.

d. System to ensure the efficient execution of duties by the Directors

To ensure the efficiency and appropriateness of the Board of Directors, the Company has established regulations regarding the operation of the Board of Directors. In order to better monitor, supervise, and execute business operations, the Board of Directors delegates duties to the CEO, Executive Directors, and corporate officers, and makes necessary decisions on matters to which it has delegated business execution decisions, in accordance with the organization or procedures stipulated in internal rules and regulations. In principle, the Board of Directors reviews the rules and regulations as necessary for the revision or abolition of laws and regulations and for the improvement of efficiency in the execution of duties.

e. System to ensure the appropriateness of business operations of the corporate group consisting of the Company and its subsidiary

The Company manages and operates its subsidiary in accordance with the " Regulations for Management of Subsidiaries and Affiliates of the Company". The Company's subsidiary is required to be audited by the Company's Internal Audit Department. The Company has a system in place to ensure that important matters affecting the Company and its group company is reviewed from multiple perspectives at the Executive Committee before being deliberated by the Board of Directors of the Company. As a system for reporting to the Company on the execution of duties by Directors of the subsidiary, the Company requires its subsidiary to report to the Company on a regular and ad hoc basis, including prior discussions on important matters. The Company requires its subsidiary to submit important management matters to the Board of Directors of the Company in advance in accordance with the "Regulations for Management of Subsidiaries and Affiliates of the Company". The Audit and Supervisory Committee members, either by themselves or through the Audit and Supervisory Committee, have established an appropriate system, including close cooperation with the accounting auditor and the Internal Audit Department of the Company, to monitor and audit the Company's subsidiary efficiently and appropriately.

f. Matters related to employees to assist the Audit and Supervisory Committee in the event that the Audit and Supervisory Committee requests the appointment of such employees to assist the Audit and Supervisory Committee in the performance of its duties, Matters related to ensuring the effectiveness of instructions given by the Audit and Supervisory Committee to such employees and matters related to the independence of such employees from Directors (Excluding Directors who are members of the Audit and Supervisory Committee)

In the event that the Audit and Supervisory Committee assigns employees to assist it in the performance of its duties, to ensure the effectiveness of the Audit and Supervisory Committee's instructions to such employees, the employees shall not be subject to the direction or orders of directors (excluding directors who are members of the Audit and Supervisory Committee) or other employees, etc. in the performance of their duties. In addition, the Company has a system in place to take necessary measures to ensure independence, such as requiring the consent of the Audit and Supervisory Committee for the transfer, evaluation, and disciplinary action of employees who provide support services.

g. System for Directors (excluding Directors who are members of the Audit and Supervisory Committee) and Employees to Report to the Audit and Supervisory Committee and Other systems for reporting to the Audit and Supervisory Committee and systems to ensure that persons reporting to the Audit and Supervisory Committee will not be treated unfavorably because of such reporting

The Company's Representative Director and Executive Directors shall report at Board of Directors meetings on the execution of business operations under their responsibility as well as important matters concerning the Group at appropriate times. If any violation of laws or ordinances, etc. or any other fact that may cause material damage to the Company or the Group is discovered, the Company's Directors (excluding Directors who are members of the Audit and Supervisory Committee) and employees, etc. are required to immediately report such violation to the Audit and Supervisory Committee. Directors, corporate auditors, and employees of the Company's subsidiaries are required to immediately report to the Audit and Supervisory Committee any violations of laws and regulations or other facts that may cause material damage to the Group. In addition, with regard to the status of internal control over financial reporting and accounting standards, etc., a system is maintained to enable Directors (excluding Directors who are members of the Audit and Supervisory Committee) and employees to respond appropriately to requests for explanations from the Audit and Supervisory Committee. Furthermore, the Company ensures that persons who report to the Audit and Supervisory Committee are not subjected to any disadvantageous treatment in terms of personnel affairs because of such reports.

h. Other systems to ensure that audits by the Audit and Supervisory Committee are conducted effectively and Matters related to the policy for the treatment of expenses or debts incurred in the execution of duties by Audit Committee members

The Audit and Supervisory Committee participates in important meetings, conducts audits of the effectiveness of internal controls, attends internal audits, exchanges opinions with auditing firms, and listens to audit results in order to enhance its auditing activities. In the event that an Audit and Supervisory Committee member requests advance payment or reimbursement of expenses incurred in the performance of their duties, the Company will pay such expenses, unless the payment is deemed unnecessary for the Audit and Supervisory Committee member's duties.

i. System for Eliminating Antisocial Forces

The Company and its group recognize that the elimination of anti-social forces is an important management issue from the perspective of corporate social responsibility and corporate defense. The Company and its group shall reject any and all relationships, including business transactions and support, with antisocial forces. The Company shall not accept any unreasonable requests from anti-social forces and shall take resolute action in cooperation with the police and other relevant agencies in the event of interference with management activities, slander, or other damage. In addition, in order to prevent and restrain transactions with anti-social forces, the Company has defined a clause for the elimination of organized crime groups to reject any relationship with such groups, and regularly educates its Directors, officers, and employees to ensure that they are fully aware of this clause.

(iv) Status of development of risk management system

The Company manages risks within the scope of authority granted to each department, and cross-company risks are managed by the Administration Department, which takes all necessary measures to prevent the occurrence of risks and to eliminate or mitigate business risks after conducting investigations and deliberations. In the unlikely event of the occurrence of a risk that could have a significant impact on the company as a whole, a management-level risk task force headed by the President and CEO has been established to ensure that a prompt and appropriate response is implemented.

(v) Outline of the contents of the liability limitation agreement with the Directors (excluding those who are Executive Directors, etc.)

The Articles of Incorporation of the Company stipulate that the Company and its Directors (excluding those who are Executive Directors, etc.) may enter into an agreement to limit liability for damages due to negligence of duties in accordance with Article 427, Paragraph 1 of the Companies Act, and the Company has entered into such agreement. The maximum amount of such contract is the minimum liability amount stipulated by laws and regulations.

(vi) Matters relating to liability insurance contracts for Directors and officers

The Company has concluded a Directors' and Officers' liability insurance policy with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The scope of the insured under such insurance policy is the directors of the Company, and the insured does not bear the premiums. The insurance policy is intended to cover the insured's compensation for damages and litigation costs. However, in order to ensure that the insured's performance of his/her duties is not compromised, the policy does not provide coverage for certain exclusions, such as acts committed with knowledge that the acts are in violation of laws and regulations.

(vii) Number of Directors

The Company's Articles of Incorporation stipulate that the Company shall have no more than 12 Directors and no more than 6 Directors who are Audit and Supervisory Committee members.

(viii) Election of Directors

The Company's Articles of Incorporation stipulate that resolutions for the election of Directors shall be adopted by a majority of the votes of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The Articles of Incorporation also stipulate that the resolution for the election of Directors shall not be made by cumulative voting.

(ix) Decision-making body of dividends from surplus

The Company's Articles of Incorporation stipulate that matters stipulated in Article 459, Paragraph 1 of the Companies Act, such as dividends from surplus, may be determined by resolution of the Board of Directors, except as otherwise provided by law. The purpose of this is to ensure and return profits to shareholders in a flexible manner by making both resolutions the authority of the Board of Directors.

(x) Exemption of Directors from liability

Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company stipulates in its Articles of Incorporation that Directors (including former Directors) may be exempted from liability for damages due to negligence of duties by a resolution of the Board of Directors to the extent permitted by law. The Company's Articles of Incorporation stipulate that Directors (including former Directors) may be exempted from liability for damages for negligence of their duties by a resolution of the Board of Directors to the extent permitted by laws and regulations. The purpose of this provision is to create an environment in which Directors can fully demonstrate their abilities and fulfill their expected roles in the performance of their duties.

(xi) Requirements for special Resolution at the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that the requirements for special resolutions of the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be met by two-thirds or more of the voting rights of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. The purpose of this provision is to facilitate smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

(xii) Decision-making body for share buyback

The Company's Articles of Incorporation stipulate that the Company may acquire treasury stock by a resolution of the Board of Directors pursuant to Article 165, Paragraph 2 of the Companies Act, in order to achieve a flexible capital policy in response to the business environment.

(xiii) Basic Policy Concerning the Control of Stock Companies

The Company recognizes that the basic policy regarding the control of stock companies is an important matter and is continuously reviewing it but has not adopted any specific policy or anti-takeover measures at this time.

(2) Directors and Corporate Auditors

(1) Board of Directors and Executive Officers

Male: 8, Female: 0 (Percentage of female board members: -%)

Position	Name	Date of Birth	Career summary	Term of office	Number of the Company's shares held (shares)
President and CEO	Teruo Aibara	September 25, 1966	April 1990 Joined Shikoku Nippon Denki Software K.K. July 1993 Joined Pioneer Shikoku K.K. (now the Company) February 1994 Director of the Company May 1994 President and CEO of the Company (to present)	(Note 3)	7,707,600
Board member Director of Medical Solutions	Kohji Kondo	March 22, 1964	August 1984 Joined Suncherry Data Systems Co. April 2005 Joined the Company April 2007 Corporate Officer of the Company July 2008 Director of the Company (to present)	(Note 3)	120,000
Board member Director of Hospital Solutions	Hiroaki Hasegawa	August 5, 1968	April 1993 Joined TEIJIN Limited December 2008 Joined BML, INC. July 2009 Joined the Company April 2010 Corporate Officer of the Company December 2010 Director of the Company (to present)	(Note 3)	12,000
Board member Director of System Development	Riki Miyakawa	July 17, 1972	April 1998 Joined NEC Corporation August 2009 Joined the Company June 2012 Corporate Officer of the Company July 2014 Corporate Officer and General Manager of System Development Dept. March 2016 Director of the Company (to present)	(Note 3)	-
Board member	Akira Ono	February 4, 1954	April 1980 Joined the Japan Chamber of Commerce and Industry April 2005 General Manager in charge of new projects April 2007 General Manager of Business Department and New Business Promotion Department April 2010 Director of International Affairs Department and Secretary General of the APEC/SME Summit Implementation Headquarters April 2012 Director International Office April 2014 Director and Secretary General, Japan-Tokyo Federation of Commerce and Industry April 2016 Director and Secretary General, Tokyo Federation of Commerce and Industry (to present) March 2022 Director of the Company (to present)	(Notes 1, 3)	-
Board member (Audit & Supervisory Board Member)	Kouji Yamauchi	October 3, 1965	February 1995 Joined Honda Service Center Ltd. May 2008 Joined the Company July 2008 Corporate Auditor of the Company March 2016 Director of the Company (Audit and Supervisory Committee Member) (to present)	(Notes 2, 4)	-
Board member (Audit & Supervisory Board Member)	Takashi Kitada	February 24, 1956	March 1985 Registered as a Certified Public Accountant April 1998 Joined Deloitte Touche Tohmatsu LLC July 1999 Partner, Deloitte Touche Tohmatsu LLC October 2014 Certified Public Accountant Takashi Kitada Accounting Office (to present) March 2016 Director of the Company (Audit and Supervisory Committee Member) (to present)	(Notes 1, 2, 4)	1,000
Board member (Audit & Supervisory Board Member)	Akira Yamada	November 4, 1963	April 1987 Joined Shinwakai Suginami Hospital June 1991 Joined Umezono Hospital (now Tama Rehabilitation Hospital) June 1993 Joined Hojo Hospital July 1999 Representative Director of Best Care Co. December 2017 Representative Director, J-Top Corporation (to present) February 2019 Representative Director, Valupp Corporation (to present) October 2021 Director of the Company (Audit and Supervisory Board Member) (to present)	(Notes 1, 2, 4)	-
			Total		7,840,600

(Notes) 1. Akira Ono, Takashi Kitada and Akira Yamada are Outside Directors.
2. The Company's Audit and Supervisory Committee is as follows:
Chairperson: Kouji Yamauchi, Committee Member: Takashi Kitada, Committee Member: Akira Yamada
3. One year from the conclusion of the Ordinary General Meeting of Shareholders held on March 28, 2023
4. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on March 29, 2022
5. The Company has appointed one Alternate Audit and Supervisory Board Member as provided for in Article 329, Paragraph 3 of the Companies Act to fill a vacancy in the number of Directors who are Audit & Supervisory Board Members as provided for in laws and regulations. The biography of the alternate Audit and Supervisory Board Member is as follows:

Name	Date of Birth	Career summary	Term of office	Number of the Company's shares held (shares)
Jun Ishikane	December 29, 1988	Registered as an attorney-at-law, January 2016 April 2018 Joined Sato Sogo Law Office (current position)	(Notes 6, 7)	-

6. Mr. Jun Ishikane is an attorney at Sato Sogo Law Office and the Company has a legal advisory agreement with the Company.
7. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on March 29, 2022

(ii) Outside Directors

The Company has three Outside Directors.

Mr. Akira Ono, an Outside Director, has extensive knowledge and leadership experience at the Japan Chamber of Commerce and Industry (JCCI), where he served, in relation to policy requests to the government and national government in general and corporate promotion and support, in addition to his experience as the Secretary General of the Japanese Chamber of Commerce and Industry overseas twice, and his extensive knowledge of international business, including extensive support for overseas expansion of companies and international business as an officer in charge of international affairs. In light of his current position, the Company expects that he will provide appropriate advice and supervision to the management of its group from the perspectives of both governance and business promotion as its group expands its business both domestically and globally in the future. He has no special interest in the Company.

Outside Director Takashi Kitada, who is a member of the Audit and Supervisory Board, has been appointed to this position based on his extensive auditing experience as a certified public accountant and his expertise in finance and accounting, which the Company believes will contribute to further strengthening the corporate governance of itself. In the past, he was a member of Deloitte Touche Tohmatsu LLC (currently Deloitte Touche Tohmatsu LLC), the Company's accounting auditor. The Company has a business relationship with Deloitte Touche Tohmatsu LLC in terms of payment of audit fees, etc., but the amount of such fees is minimal, accounting for less than 0.1% of the total revenue of the said auditing firm. He was engaged in auditing services of the Company by the same auditing firm until fiscal 2011, but has not been involved in any auditing services of the Company since that time. He holds 1,000 shares of the Company's stock. Other than this, there are no personal, capital, business, or other relationships of interest between the Company and Mr. Kitada.

Outside Director Akira Yamada has been appointed based on the Company's judgment that he will contribute to further strengthening the corporate governance of the Group, given his expertise based on his many years of work experience at medical institutions and his broad insight as a corporate manager in the nursing care business. He has no special interest in the Company.

Although the Company has not established criteria or policies regarding independence for the appointment of Outside Directors, the Company makes decisions regarding their appointment based on the basic concept that they must have sufficient independence to perform their duties as Outside Directors independent of the Company's management, taking into consideration their backgrounds and relationships with the Company.

(iii) Relationship between supervision or auditing by Outside Directors and internal audits, audit committee audits, and accounting audits, and relationship with the internal control division

Two of the three Outside Directors are members of the Audit and Supervisory Committee, and through their attendance at meetings of the Board of Directors, etc., they receive reports from the Internal Audit Department on the results of audits conducted in the previous fiscal year, audit plans for the current fiscal year, and audit progress, as well as other important matters and themes as appropriate. In addition, they regularly exchange opinions with the internal audit division and the accounting auditor, in an effort to enhance the management monitoring function in cooperation with them.

(3) Audits

(i) Audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee, consisting of three Directors (including two Outside Directors) who are Audit and Supervisory Committee members, fulfills its monitoring function by attending meetings of the Board of Directors and other important meetings to provide necessary opinions, inspecting important documents, and conducting interviews with Directors. In addition, the committee enhances audits by auditing the effectiveness of internal control systems, attending internal audits, exchanging opinions with the accounting auditors, and hearing the results of audits.

In principle, the Audit and Supervisory Committee meets once a month to exchange information among Audit and Supervisory Committee members, to further enhance the audit function, and to conduct effective audits in cooperation with the Accounting Auditor and the Internal Audit Office.

Director Kouji Yamauchi, a member of the Audit and Supervisory Committee, has extensive auditing experience as a full-time corporate auditor of the Company and as a Director who is a full-time Audit and Supervisory Committee member. Outside Director Mr. Takashi Kitada has extensive auditing experience as a certified public accountant and has considerable expertise in finance and accounting. Mr. Akira Yamada has professional knowledge and broad insight as a manager from his long years of business experience in medical institutions.

The Company held 16 meetings of the Audit and Supervisory Committee during the fiscal year under review, and the attendance of each Audit and Supervisory Committee member is as follows:

Name	Number of times held	Number of times attended
Kouji Yamauchi	16 times	16 times
Takashi Kitada	16 times	16 times
Tetsu Yamada	16 times	16 times

The main matters considered by the Audit and Supervisory Committee are the preparation of the audit report, the audit policy and audit plan, and other matters related to the execution of duties by the Audit and Supervisory Committee members, as well as the independence of the accounting auditor, matters related to audit services, and consent to compensation and other matters as resolved by the Audit and Supervisory Committee. The key audit items for the 38th fiscal year are as follows:

a. Decision-making process at the Board of Directors and other important meetings
b. Status of establishment and operation of internal control systems
c. Status of establishment and operation of corporate information disclosure system
d. Business Report and Consolidated Financial Statements and Non-Consolidated Financial Statements
e. Independence of the accounting auditor, audit methodology, audit quality, and appropriateness of audit results

In addition, as activities of full-time Audit and Supervisory Board Members, based on their characteristics, they closely cooperate with the accounting auditors and the Internal Audit Office, actively strive to improve the audit environment and collect internal information, monitor and verify the status of establishment and operation of internal control systems on a daily basis, and share information and communicate with the part-time Outside Audit and Supervisory Board Members.

(ii) Internal audit

In order to strengthen the compliance system, the Company has established an Internal Audit Office under the direct control of the President and CEO and assigns one person as the head of the Internal Audit Office and another person in charge of auditing from other departments according to the content of the audit. The Internal Audit Office manager and the person in charge of auditing conduct audits of all departments from the perspective of whether business operations are being conducted efficiently in accordance with laws and regulations and the rules established by the Company, and whether internal controls are functioning effectively. Audit results are reported to the President and CEO, and recommendations and advice are given to improve business activities and ensure appropriate management. Audit results are reported to the Audit and Supervisory Committee and the accounting auditor, and advice is obtained from the Audit and Supervisory Committee and the accounting auditor, which determines the matters to be checked intensively at the next audit, and other matters are determined in cooperation with the Audit and Supervisory Committee and the accounting auditor as necessary to conduct more effective audits.

(iii) Accounting audits

a. Name of audit firm

Deloitte Touche Tohmatsu LLC

b. Years of continuous auditing

18 years

c. Certified public accountants who executed the audit duties

Hiroyasu Kawai
Keita Ochi

d. Composition of assistants for audit engagement

Eight certified public accountants and two others

e. Policy and reasons for appointing audit firm

As a policy for deciding on the dismissal or non-reappointment of the accounting auditor, the Audit and Supervisory Committee will decide the content of the proposal for the dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders when it determines that such action is necessary, such as when there is a problem with the accounting auditor's performance of its duties.

In the event that the accounting auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act, the accounting auditor shall be dismissed with the unanimous consent of the Audit and Supervisory Committee members. In this case, the Audit and Supervisory Committee member selected by the Audit and Supervisory Committee will report the dismissal of the accounting auditor and the reason for the dismissal at the first general meeting of shareholders convened after the dismissal.

f. Evaluation of the Audit Firm by the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee evaluates the audit firm.

The Audit and Supervisory Committee collected information from the Company's finance and accounting department, internal audit department, and the accounting auditor itself regarding the independence of the accounting auditor, the audit system, and the status and quality of audits, and found the independence of the accounting auditor and the auditing methods and results to be appropriate. In addition, based on the policy for determining the dismissal or non-reappointment of the accounting auditor and other evaluation criteria, the Company evaluated that an appropriate audit can be expected to continue, and determined that it is appropriate to reappoint Deloitte Touche Tohmatsu LLC.

(iv) Details of audit fees, etc.

a. Audit fees paid to auditing certified public accountants, etc.

Category	FY2021		FY2022	
	Fees for audit certification services (JPY in thousands)	Fees for non-audit services (JPY in thousands)	Fees for audit certification services (JPY in thousands)	Fees for non-audit services (JPY in thousands)
Reporting company	25,800	-	25,500	-
Consolidated subsidiaries	-	-	-	-
Total	25,800	-	25,500	-

Remuneration based on audit certification services in the previous consolidated fiscal year includes an amount of 800 thousand yen of additional remuneration.

b. Audit fees paid to the same network (Deloitte) to which certified public accountants, etc. belong (excluding fees specified in a. above)

Category	FY2021		FY2022	
	Fees for audit certification services (JPY in thousands)	Fees for non-audit services (JPY in thousands)	Fees for audit certification services (JPY in thousands)	Fees for non-audit services (JPY in thousands)
Reporting company	-	1,920	-	1,920
Consolidated subsidiaries	-	-	-	-
Total	-	1,920	-	1,920

Non-audit services for the Company include tax return review services for Deloitte Tohmatsu Tax Co, which belongs to the same network as the Company's certified public accountants.

c. Other important information on audit fees, etc.

Not applicable.

d. Policy on determination of audit fees

The number of audit days, the nature of the audit, and the size of the Company are comprehensively taken into consideration when determining the audit fee.

e. Reasons for the Audit and Supervisory Committee’s consent to fees, etc. for the accounting auditor

The Audit Committee considered the appropriateness and reasonableness of the content of the results of the audit by the accounting auditor, the performance of the duties of the accounting audit, and the basis for the calculation of the remuneration estimate, and as a result, decided to consent to the amount of remuneration, etc. paid to the accounting auditor.

(4) Remuneration, etc. of Directors and Corporate Auditors

(i) Matters pertaining to the policy for determining the amount of remuneration, etc. for directors and corporate auditors or the method for calculating the amount of remuneration, etc.

At a meeting of the Board of Directors held on February 10, 2021, the Company adopted a resolution on the policy for determining the details of individual remuneration, etc. of Directors (Excluding Directors who are members of the Audit and Supervisory Committee. The same shall apply hereinafter in (i)).

The Board of Directors consulted the Personnel and Compensation Committee on the draft proposal and obtained its report in accordance with the "Policy for Determining Directors' Remuneration, etc.", and Teruo Aibara, Representative Director, made the decision in accordance with the report, which the Board of Directors considers to be appropriate.

The policy for determining the details of remuneration, etc. for each Individual Director is as follows.

a. Basic Policy

The Company's basic policy is to link the remuneration of Directors to shareholders' profits so that it can function as an incentive to continuously increase corporate value, and to set the remuneration of Individual Directors at an appropriate level based on their respective responsibilities.

Specifically, the remuneration for Executive Directors shall consist of base remuneration as fixed remuneration and stock-based remuneration, while outside directors and directors who are members of the Audit and Supervisory Committee, who are responsible for the supervisory function, shall be paid only base remuneration in consideration of their duties.

b. Policy regarding the determination of the amount of remuneration, etc. for each Director for basic remuneration (monetary remuneration) (including policy regarding the determination of the timing or conditions of granting remuneration, etc.)

The basic remuneration of the Company's Directors shall be a fixed monthly amount, which shall be determined by the Board of Directors based on the report of the Personnel and Remuneration Committee, taking into consideration the Company's performance, position, responsibilities, and years in office, among other factors.

However, the remuneration of Directors who are members of the Audit and supervisory Committee shall be determined by consultation among the Directors who are members of the Audit and supervisory Committee.

The basic remuneration shall be a fixed remuneration as compensation for "fulfillment of responsibilities" and to ensure a stable livelihood and shall be paid in cash at the end of each month, divided by 12.

The base remuneration will be reviewed by April of each year, and the revised base remuneration will be applied from the April payment.

c. Policy for determining the details of non-monetary remuneration and the method for calculating the amount or number of non-monetary remuneration, etc.

Non-monetary compensation shall be in the form of restricted stock. In principle, restricted transferable shares shall be granted every year. The number of shares of such non-monetary compensation, etc. shall be determined by the Board of Directors based on the report of the Personnel Compensation Committee, taking into consideration the Company's performance, position, responsibilities, and years in office.

d. Policy on determining the amount of monetary and non-monetary remuneration as a percentage of the amount of remuneration, etc., paid to each Director

The Personnel and Compensation Committee shall consider the ratio of remuneration by type of Director, based on the Company's performance level and the remuneration level benchmarked to other companies of the same type and size as the Company. The Board of Directors shall respect the report of the Personnel and Compensation Committee and determine the details of individual remuneration, etc. for each Director based on the proposed remuneration by type indicated in the said report. The Board of Directors shall determine the proportion of each type of remuneration based on the report of the Personnel & Remuneration Committee, taking into consideration the Company's business performance, position, responsibilities, and years in office, etc. In the case of full-time Directors, in principle, monetary remuneration shall be 80% to 90% and non-monetary remuneration shall be 10% to 20%.

e. Matters relating to the determination of the details of remuneration, etc. of Directors

The Board of Directors shall consult with the Personnel and Compensation Committee on drafts regarding the details of remuneration, etc. for directors, and the Board of Directors shall decide the details based on the Committee's report.

Remuneration for Directors is limited to the total amount of remuneration determined by the General Meeting of Shareholders, with the specific amount of each individual remuneration to be determined by the Board of Directors. In order to enhance fairness and transparency, the amount, level, and system of compensation for management and directors are deliberated by the Personnel and Compensation Committee (chaired by the President and CEO and composed of three Independent Outside Directors), the majority of whose members are Outside Directors. The Board of Directors makes the final policy decision based on the report of the Personnel and Compensation Committee. In addition, the remuneration of Directors who are Audit and Supervisory Committee members is determined through consultation among the Directors who are Audit and Supervisory Committee members.

The maximum amount of remuneration for Directors (excluding Directors who are Audit & Supervisory Committee Members) and Directors who are Audit & Supervisory Committee Members is ¥150,000 thousand and ¥30,000 thousand per year, respectively, as resolved at the 31st Ordinary General Meeting of Shareholders held on March 29, 2016. As of the conclusion of the Ordinary General Meeting of Shareholders, the number of Directors excluding members of the Audit and Supervisory Committee was 6, and the number of Directors who are members of the Audit and Supervisory Committee was 5. In addition, at the 38th Ordinary General Meeting of Shareholders held on March 28, 2023, the Company passed a resolution to pay remuneration to Directors (excluding Directors who are members of the Audit and Supervisory Committee and outside directors) in an amount separate from the above remuneration limit. The amount of the monetary remuneration receivable shall be no more than ¥100,000 thousand per year. As of the conclusion of the said Ordinary General Meeting of Shareholders, the number of Directors excluding members of the Audit and Supervisory Committee was 6, and the number of Directors who are members of the Audit and Supervisory Committee was 3.

(ii) Total amount of remuneration by position, total amount of remuneration, type of remuneration, and number of eligible Directors and Officers of the reporting company

Category	Total amount of compensation (JPY in thousands)	Total amount of remuneration by each category (JPY in thousands)				Number of eligible officers (persons)
		Basic remuneration	Stock option	Bonus	Retirement benefits	
Directors (excluding Audit and Supervisory Committee members and Outside Directors)	66,780	66,780	-	-	-	6
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	6,810	6,810	-	-	-	1
Outside Officers	14,253	14,253	-	-	-	3

(Note) Amounts paid to Directors do not include employee salaries of Directors who concurrently serve as employees.

(iii) Total amount of consolidated remuneration by Director

Not stated as there are no persons whose total amount of consolidated remuneration is ¥ 100 million or more.

(iv) Employee salaries of officers concurrently serving as employees

Not applicable

(5) Shareholdings

(i) Standards for and views on classification of investment shares

The Company classifies investment shares as pure investment if the investment is solely for the purpose of benefiting from changes in the value of the shares or dividends on the shares, and as non-pure investment if the purpose of holding the shares is to strengthen business ties, maintain good business relationships, or build long-term relationships of trust. When the purpose of investment is to strengthen business collaboration, maintain good business relationships, or build long-term relationships of trust, the shares are classified as investment shares for purposes other than pure investment.

(ii) Investment shares held for purposes other than pure investment

a. Shareholding policy, method of verification of the rationale for shareholdings, and details of verification by the Board of Directors of appropriateness of shareholdings in individual issues.

The Company holds investment shares for purposes other than pure investment when it judges that holding such shares will lead to the continuation of good business relationships and the building of long-term relationships of trust and will contribute to the enhancement of the Company's corporate value over the medium to long term. In accordance with this policy, the Company's Board of Directors examines the rationale for holding such shares at each annual meeting and reviews the holding/sale of each individual issue. The rationale for holding each stock is verified by qualitatively examining the purpose of holding the stock, as well as quantitatively examining the benefits of holding the stock, such as trading conditions, stock price, and dividend amount, to determine if the cost of capital is commensurate with the benefits. Quantitative holding effects for each individual stock are not described because they are related to the Company's trade secrets and confidentiality obligations.

b. Number of issues and carrying amount

	Number of Issues	Total carrying amount (JPY in thousands)
Unlisted securities	1	56,700
Shares other than unlisted securities	-	-

[Shares whose number of shares increased in the current fiscal year]

Not applicable

[Shares whose number of shares decreased in the current fiscal year]

Not applicable

c. Number and carrying amount of specified investment shares a deemed holdings of investment shares by issue

Specified investment shares

Not applicable

Deemed shareholdings

Not applicable

(iii) Investment shares held for pure investment purposes

Not applicable

V. Financial Information

1. Basis for Preparation of Consolidated and Non-consolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Financial Statements" (Ministry of Finance Ordinance No. 59 of 1963, hereinafter referred to as "Regulations for Financial Statements").

The Company falls under a special company submitting financial statements and prepares its financial statements pursuant to the provision of Article 127 of the Regulation on Financial Statements.

2. Audit Certificate

The Company's consolidated and non-consolidated financial statements for the fiscal year (January 1, 2022 through December 31, 2022) have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph1 of the Financial Instruments and Exchange Act.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company makes special measures to ensure the appropriateness of its consolidated financial statements. Specifically, the Company joins the Financial Accounting Standards Foundation (FASF) for the purpose of properly understanding the content of accounting standards, or accurately responding to changes in accounting standards. In addition, the Company participates in seminars on accounting standards held by auditing firms.

1 Consolidated Financial Statements, etc.

(1) [Consolidated Financial Statements]

(i) [Consolidated Balance Sheets]

(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

(ii) [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]

[Consolidated Statements of Income]

(JPY in thousands)

	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec.31,2022)
Revenue	4,968,885	*1 4,541,242
Cost of revenue	*2 2,412,230	*2 1,818,396
Gross profit	2,556,655	2,722,846
Selling, general and administrative expenses	*3, *4 1,635,934	*3, *4 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	*5 -	*5 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 Statements 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

(iii) [Consolidated Statement of Changes in 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
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

(iv) [Consolidated Statements 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

[Notes to the Consolidated Financial Statements]

[Basis of Presenting Consolidated Financial Statements]

1. Disclosure of scope of consolidation
   Number of consolidated subsidiaries: 1
   Name of the consolidated subsidiary: Fitting Cloud Inc.
   EMC Healthcare CO., Ltd, which was a consolidated subsidiary in the previous fiscal year, was excluded from the scope of consolidation as of July 1, 2022, because the Company's shareholding ratio decreased, and it became an equity-method affiliate.

2. Disclosure about application of the equity method
   Number of affiliates accounted for using the equity method: 1
   Name of the equity-method affiliate: EMC Healthcare Co., Ltd.
   Effective from the current fiscal year, EMC Healthcare Co., Ltd. is included in the scope of equity-method affiliates due to a decrease in the Company's shareholding ratio and it became an equity-method affiliate.

3. Disclosure about fiscal year of consolidated subsidiaries
   The fiscal year end of the consolidated subsidiary, Fitting Cloud Inc. is March 31.
   The consolidated financial statements are prepared based on the provisional settlement of accounts as of the consolidated balance sheet date.

4. Disclosure of Accounting Policies
   (1) Valuation standards and methods for significant assets
   (i) Securities
   Other securities
   Non-marketable securities, etc.
   Stated at cost determined by the moving-average method.

   (ii) Inventories
   Merchandise and finished goods, goods in progress, raw materials
   Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value based on any decline in profitability).

   Supplies
   Last purchase price method (the amount on the balance sheet is calculated by writing down the book value based on any decline in profitability).

   (2) Depreciation method for significant depreciable assets
   (i) Tangible assets (excluding lease assets)
   The declining-balance method is used. However, the straight-line method is used for buildings and structures acquired on or after April 1, 2016. The useful lives of major depreciable assets are as follows:
   Buildings: 8-18 years
   Vehicles: 3 to 6 years
   Tools, furniture and fixtures: 2-15 years

   (ii) Intangible assets (excluding lease assets)
   Software for sale
   The larger of the amortized amount based on the estimated sales volume or the equally allocated amount based on the expected sales period (within 3 years) is recorded.

   Software for internal use
   The straight-line method is used based on the estimated useful life (5 years) within the Company.

   (iii) Lease assets
   The straight-line method is used, where the lease period is deemed as the useful life of the asset and the residual value is set as zero.

   (3) Accounting for significant deferred assets
   Initial expenses
   The entire amount is expensed at the time of expenditure.

(4) Accounting policy for significant reserves

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible losses on receivables based on the historical write-off ratio for general receivables and on the estimated amount of uncollectible receivables based on a case-by-case determination of collectability for specific receivables such as doubtful receivables.

(ii) Allowance for stock benefits

To provide for the payment of Company stocks to employees in accordance with stock benefit regulations, the Company records an amount based on the estimated amount of stock benefit obligations as of the end of the current fiscal year.

(5) Accounting policies for significant revenues and expenses

The main performance obligations in the Group's main businesses related to revenue from contracts with customers and the usual time at which these performance obligations are satisfied (the usual time at which revenue is recognized) are as follows.

(i) Software

These transactions are related to the sale of self-developed software, including medical solutions such as the "Claio" image filing system and the "DocuMaker" document management system, and the "DocuMaker Office" system mainly targeting municipalities and public corporations. With respect to software, the Company believes that performance obligations are fulfilled in accordance with the progress of system implementation. Therefore, except for contracts with very short terms, the Company estimates the degree of completion of performance obligations and recognizes revenue over a certain period based on the degree of completion. The percentage-of-completion estimate is based on the actual percentage of the estimated total cost incurred (input method).

For contracts with very short durations, revenue is recognized at one point in time on the date of acceptance.

(ii) Hardware

These transactions are related to sales of commercial hardware products such as servers and PCs, which occur incidental to the sale of the Group's product, software. For sales of products, revenue is recognized at the time the products are delivered to the customer.

(iii) Support, etc.

These transactions are related to maintenance services and other services that are provided on an ongoing basis after the software is newly introduced. Since the Group's products are often used by both medical institutions and local governments to manage important information, maintenance contracts are concluded with users. Under these contracts, the Group is obligated to provide services over the contract period and recognizes revenue over the service period specified in the contract because the Group believes that the customer will receive benefits as it fulfills its obligations over the service period specified in the contract.

(iv) Other

These are transactions related to entrusted development, system services and engineering. The Group sometimes undertakes entrusted development, system services and engineering utilizing its knowledge, know-how, and experience in healthcare and medical systems. With regard to contracted development, etc., the Company believes that performance obligations are fulfilled in accordance with the progress of the work. Therefore, except for contracts with very short durations, the Company estimates the degree of progress in satisfying performance obligations and recognizes revenue over a certain period based on the degree of progress. The percentage-of-completion estimate is based on the actual percentage of the estimated total cost incurred (input method).

For contracts with very short durations, revenue is recognized as of the date of acceptance.

(6) Scope of funds in the consolidated statements of cash flows

Cash on hand, readily available deposits, and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible into cash and are exposed to insignificant risk of changes in value.

[Significant accounting estimates]

[Revenue recognition using the input method based on an estimate of total cost]

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Sales based on input method ¥1,256,271 thousand

(Of which, sales of projects in progress in the current fiscal year: ¥251,488 thousand)

(2) Information on significant accounting estimates for identified items

For performance obligations to be fulfilled over a specified period of time, the Company estimates the percentage of completion toward fulfillment of the performance obligation and recognizes revenue over a specified period of time based on the percentage of completion, except for contracts with very short durations. The percentage-of-completion method is used to estimate the percentage of completion based on the ratio of the actual cost incurred to the estimated total cost.

The number of man-hours used to calculate the total estimated cost is subject to a certain level of uncertainty, and if it needs to be revised due to changes in the nature of the work or the occurrence of additional work, it may have a significant impact on the consolidated financial statements in the following fiscal year or later.

[Change in accounting policy]

[Application of Accounting Standard for Revenue Recognition, etc.]

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

As a result of this change, revenue from software and contracted development, etc., which were previously recognized at a single point in time, are now recognized over a fixed period of time, except for contracts with very short durations, as a result of consideration of the identification of performance obligations and the timing of satisfaction of performance obligations.

The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current fiscal year, and the new accounting policy is applied from the balance at the beginning of the current fiscal year.

In addition, "Notes and accounts receivable," which was presented in "Current assets" in the consolidated balance sheet for the previous fiscal year, is included in "Notes receivable," "Accounts receivable," and "Contract assets" from this fiscal year. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year. The impact on per share information is stated in the relevant section.

As a result, net sales increased ¥216,572 thousand, cost of sales increased ¥39,099 thousand, and operating income, ordinary income, and income before income taxes and minority interests each increased ¥177,472 thousand in the current consolidated fiscal year. The balance of retained earnings at the beginning of the period increased by ¥23,175 thousand.

The effect on per share information is stated in the relevant section. In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, "Revenue Recognition" notes for the previous consolidated fiscal year are not stated.

[Application of Accounting Standard for Measurement of Fair Value, etc.]

The Accounting Standard for Fair Value Measurements (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as the "Fair Value Accounting Standard.")is effective as of the beginning of the current fiscal year, and the new accounting policies prescribed by the Accounting Standard for Fair Value Measurements will be applied prospectively, in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurements and paragraph 44-2 of the Accounting Standard for Financial Instruments. The Company has decided to apply the new accounting policy set forth in the fair value calculation accounting standard prospectively. This change has no impact on the consolidated financial statements.

In addition, in the notes to "Financial Instruments," the Company has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level. However, in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), no notes are provided for those items related to the previous fiscal year in these notes.

[Unapplied accounting standards, etc.]

· Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

The new standard establishes the treatment of calculation of fair value of investment trusts and notes to the fair value of investments in partnerships, etc., in which the net amount equivalent to the equity interest is recorded on the balance sheet.

(2) Effective date

The accounting standard will be applied from the beginning of FY2023.

(3) Effect of adoption of this accounting standard

The effect of the application of the "Guidance on Accounting Standard for Measurement of Fair Value" on the consolidated financial statements is currently under evaluation.

· "Accounting Standard for Income Taxes - Current " (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan)

· Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

· "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, ASBJ)

(1) Overview

In the course of deliberations at the time of transferring the practical guidelines on tax effect accounting at the JICPA to the ASBJ, it was decided that the following two issues would be considered again after the release of ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc. in February 2018. The results of the consideration are as follows.

・Classification of tax expenses (taxation on other comprehensive income)

・Tax effect on the sale of shares of subsidiaries (shares of subsidiaries or affiliates) when the group corporation taxation is applied.

(2) Expected date of application

The accounting standard will be applied from the beginning of the fiscal year ending December 31, 2025.

(3) Effect of adoption of the said accounting standard, etc.

The effect of the application of the "Accounting Standard for Income Taxes-Current" and other related accounting standards on the consolidated financial statements is currently under evaluation.

[Change of display method]

[Consolidated Statements of Cash Flows]

Subsidy income" and "Subsidy received," which were omitted from "Cash flows from operating activities" in the previous consolidated fiscal year, are separately presented in the current consolidated fiscal year because their amounts have become more significant. To reflect this change in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, "Subsidy income" of -¥8,740 thousand and "Subsidy received" of ¥8,740 thousand were reclassified as "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year.

[Additional information]

[Accounting Method in Stock Benefit Trust (J-ESOP)]

At the Board of Directors meeting held on October 29, 2015, the Company resolved to introduce the "Stock Benefit Trust (J-ESOP)," an incentive plan to provide employees with shares of the Company purchased from the market in order to further link the Company's stock price and performance with the treatment of employees and share the economic benefits with shareholders, thereby increasing employees' motivation and morale toward improving the stock price and performance. The Company resolved to introduce an incentive plan, "Stock Benefit Trust (J-ESOP)," which provides employees with shares of the Company purchased from the market.

In connection 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 the said stock benefit trust, the gross amount 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 Unification of Accounting Policies Applied to Associates Accounted for Using a Trust" (Practical Issues Task Force No. 30, March 26, 2015). The Company has adopted the gross amount method.

(Trust Account E) are 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 and the number of shares was 168,800. The amount recorded at the end of the current fiscal year was ¥124,277 thousand and the number of shares was 161,100.

[Notes to Consolidated Balance Sheets]

* Contractual liabilities in the other category are as follows:

(JPY in thousands)

	FY2022, Consolidated (January 1, 2022 to December 31, 2022)
Contract liabilities (current liabilities)	63,092
Contract liabilities (non-current liabilities)	40,375

[Notes to Consolidated Statements of Income]

1 Revenue from contracts with customers

Revenues are not broken down into revenues arising from contracts with customers and other revenues. The amount of revenue arising from contracts with customers is presented in "Notes to the Consolidated Financial Statements (Revenue Recognition), 1. Information on revenue broken down from contracts with customers".

2 Ending inventory is the amount after devaluation of book value due to decline in profitability, and the following loss on valuation of inventories is included in cost of sales.

(JPY in thousands)

FY2021, Consolidated (January 1, 2021 to December 31, 2021)	FY2022, Consolidated (January 1, 2022 to December 31, 2022)
2,729	292

3 Major items and amounts of selling, general and administrative expenses are as follows

(JPY in thousands)

	FY2021, Consolidated (January 1, 2021 to December 31, 2021)	FY2022, Consolidated (January 1, 2022 to December 31, 2022)
salary supplement	784,611	802,806

4 Total research and development expenses included in general and administrative expenses and manufacturing costs for the period under review are as follows

(JPY in thousands)

FY2021, Consolidated (January 1, 2021 to December 31, 2021)	FY2022, Consolidated (January 1, 2022 to December 31, 2022)
27,069	39,016

5 Gain on reversal of subscription rights to shares

Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)

Not applicable

Current consolidated fiscal year (January 1, 2022 to December 31, 2022)

"Gain on reversal of subscription rights to shares" recorded in extraordinary income in the current consolidated fiscal year is due to the reversal of stock options in anticipation of their expiration.

[Notes to Consolidated Statements of Comprehensive Income]

Not applicable

[Notes to Consolidated Statements of Changes in Net Assets]

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

1. Matters concerning the class and total number of outstanding shares and the class and number of treasury stock

	Number of shares as of January 1, 2021 (shares)	Number of shares increased in FY2021 (shares)	Number of shares decreased in FY2021 (shares)	Number of shares as of December 31, 2021 (shares)
Issued stocks				
Common stock	26,608,800	-	-	26,608,800
Total	26,608,800	-	-	26,608,800
Treasury stock				
Common stock (Notes 1.2)	1,003,875	-	8,700	995,175
Total	1,003,875	-	8,700	995,175

(Notes) 1. The decrease of 8,700 shares in the number of common shares of treasury stock is due to the decrease in the portion for the Stock Benefit Trust Account resulting from the retirement of employees.
2. The number of shares of treasury stock at the beginning and end of FY2021 include 177,500 shares and 168,800 shares, respectively, of the Company's shares held by Custody Bank of Japan, Ltd.

2. Matters concerning stock acquisition rights

Category	Breakdown of stock acquisition rights	Type of shares to be issued upon exercise of the stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights (shares)				Balance as of December 31, 2021 (JPY in thousands)
			As of January 1, 2021	Increase in FY2021	Decrease in FY2021	As of December 31, 2021	
Submitting company (Parent Company)	Stock acquisition rights as stock options	-	-	-	-	-	4,743
Total		-	-	-	-	-	4,743

3. Matters related to dividends

(1) Dividends paid

(Resolution adopted)	Class of shares	Aggregate dividends (JPY in thousands)	Dividend per share (JPY)	Record date	Effective date
March 26, 2021 Ordinary General Meeting of Shareholders	Common stock	141,803	5.50	December 31, 2020	March 29, 2021
August 12, 2021 Board of Directors' meeting	Common stock	64,456	2.50	June 30, 2021	September 13, 2021

(Notes) 1. The "Total amount of dividends" resolved at the Ordinary General Meeting of Shareholders on March 26, 2021 includes dividends of ¥976 thousand paid to the Company's shares (treasury stock) held by Custody Bank of Japan, Ltd.
2. "Total amount of dividends" resolved by the Board of Directors on August 12, 2021 includes ¥435 thousand of dividends for the Company's shares (treasury stock) held by Custody Bank of Japan, Ltd.

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution adopted)	Class of shares	Aggregate dividends (JPY in thousands)	Source of dividends	Dividend per share (JPY)	Record date	effective date
March 29, 2022 Ordinary General Meeting of Shareholders	common stock	154,694	Retained earnings	6.00	December 31, 2021	March 30, 2022

(Note) 1. "Total amount of dividends" resolved at the Ordinary General Meeting of Shareholders on March 29, 2022 includes dividends of ¥1,012 thousand for the Company's shares (treasury stock) held by Custody Bank of Japan, Ltd.

FY2022 (January 1, 2022 to December 31, 2022)

1. Matters concerning the class and total number of outstanding shares and the class and number of treasury stock

	Number of shares as of January 1, 2022 (shares)	Number of shares increased in FY2022 (shares)	Number of shares decreased in FY2022 (shares)	Number of shares as of December 31, 2022 (shares)
Issued stocks				
Common stock	26,608,800	-	-	26,608,800
Total	26,608,800	-	-	26,608,800
Treasury stock				
Common stock (Notes 1.2)	995,175	-	7,700	987,475
Total	995,175	-	7,700	987,475

(Notes) 1. The decrease of 7,700 shares in the number of common shares of treasury stock is due to the decrease in the portion for the Stock Benefit Trust Account resulting from the retirement of employees.
2. The number of shares of treasury stock at the beginning and end of FY2022 include 168,800 shares and 161,100 shares, respectively, of the Company's shares held by Custody Bank of Japan, Ltd.

2. Matters concerning stock acquisition rights

Category	Breakdown of stock acquisition rights	Type of shares to be issued upon exercise of the stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights (shares)				Balance as of December 31, 2022 (JPY in thousands)
			As of January 1, 2022	Increase in FY2022	Decrease in FY2022	As of December 31, 2022	
Submitting company (Parent Company)	Stock acquisition rights as stock options	-	-	-	-	-	-
Total		-	-	-	-	-	-

3. Matters related to dividends

(1) Dividends paid

(Resolution adopted)	Type of shares	Class of shares	Aggregate dividends (JPY in thousands)	Dividend per share (JPY)	Record date
March 29, 2022 Ordinary General Meeting of Shareholders	Common stock	154,694	6.00	December 31, 2021	March 30, 2022
August 9, 2022 Board of Directors' meeting	Common stock	77,347	3.00	June 30, 2022	September 9, 2022

(Notes) 1. "Total amount of dividends" resolved at the Ordinary General Meeting of Shareholders on March 29, 2022 includes dividends of ¥1,012 thousand for the Company's shares (treasury stock) held by Custody Bank of Japan, Ltd.
2. "Total amount of dividends" resolved by the Board of Directors on August 9, 2022 includes ¥492 thousand of dividends for the Company's shares (treasury stock) held by Custody Bank of Japan, Ltd.

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution adopted)	Class of shares	Aggregate dividends (JPY in thousands)	Source of dividends	Dividend per share (JPY)	Record date	effective date
March 28, 2023 Ordinary General Meeting of Shareholders	common stock	167,585	Retained earnings	6.50	December 31, 2022	March 29, 2023

(Note) "Total amount of dividends" resolved at the Ordinary General Meeting of Shareholders on March 28, 2023 includes dividends of ¥1,047 thousand for the Company's shares (treasury stock) held by Custody Bank of Japan, Ltd.

[Notes to Consolidated Statements of Cash Flows]

Relationship between cash and cash equivalents at the end of the period and the amount of items shown on the consolidated balance sheets. (JPY in thousands)

	FY2021 (January 1, 2021 to December 31, 2021)	FY2022 (January 1, 2022 to December 31, 2022)
Cash on hand and in banks	2,171,974	2,413,747
Time deposits with original maturities exceeding three months	(126,000)	(126,000)
Cash and cash equivalents	2,045,974	2,287,747

[Leases]

Operating lease transactions

Future lease payments under for non-cancelable leases

(JPY in thousands)

	FY2021 (as of December 31, 2021)	FY2022 (as of December 31, 2022)
Due within one year	87,473	149,390
Due after one year	125,854	399,892
Total	213,328	549,283

[Financial instruments]

1. Status of Financial Instruments

(1) Policy for financial instruments

The Group's policy is to procure necessary working capital based on its business plan by the most appropriate method according to the nature of the funds. It is the Company's policy not to engage in derivative transactions or speculative transactions. If it becomes necessary to engage in derivative transactions in the future to avoid risks, the Company's policy is to execute such transactions after establishing rules and regulations.

(2) Description of financial instruments and their risks

Trade notes and accounts receivable are exposed to customer credit risk.

All accounts payable, which are trade payables, are due within one year. Accounts payable are exposed to liquidity risk.

Short-term borrowings are financed at fixed interest rates and are mainly for working capital.

(3) Risk management system for financial instruments

(i) Management of credit risk (risk related to nonperformance by counterparties)

In accordance with the receivable management rules and credit management rules, the Group's administration department periodically monitors the status of business partners with respect to operating receivables, and manages due dates and outstanding balances for each business partner in cooperation with the department in charge to early identify and alleviate concerns about collection.

(ii) Management of market risk (risk of fluctuations in interest rates, etc.)

The Company avoids the risk of interest rate fluctuations by procuring funds at fixed interest rates.

(iii) Management of liquidity risk (risk of being unable to make payments on due dates) related to fund procurement

The Group manages liquidity risk by maintaining liquidity on hand while the administrative department manages the cash flow situation on a monthly basis.

(4) Supplementary explanation concerning fair value of financial instruments

Since variable factors are incorporated in the calculation of the fair value of financial instruments, the adoption of different assumptions may cause the relevant value to fluctuate.

2. Fair value of financial instruments

The balance sheet carrying amount and fair value of financial instruments and their differences are as follows:.

FY2021 (as of December 31, 2021)

	Amount on Consolidated Balance Sheet (JPY in thousands)	Market Value (JPY in thousands)	Difference (JPY in thousands)
Leasehold deposit	237,728	238,378	650
Total amount of assets	237,728	238,378	650

(Notes) *1 "Cash and deposits", "Note and account receivable", "Accounts payable", "Short-term borrowings", "Accrued expenses" and "Income taxes payable" are omitted because the fair values approximate their book values due to cash and short term settlements.

*2 Shares that do not have market prices and for which it is extremely difficult to determine fair value are not included in the above table. The carrying amounts of such financial instruments on the consolidated balance sheets are as follows:

Category	FY2021 (JPY in thousands)
Unlisted securities	56,700
Payments for investments in capital	115,620

FY2022 (as of December 31, 2022)

	Amount on Consolidated Balance Sheet (JPY in thousands)	Market Value (JPY in thousands)	Difference (JPY in thousands)
Leasehold deposit	158,234	156,866	(1,368)
Total amount of assets	158,234	156,866	(1,368)

(Notes) *1 "Cash and deposits," "Notes receivable," "Accounts receivable," "Accounts payable," and "Income taxes payable" are omitted because they are cash and their fair value approximates their book value due to their short maturities.

*2 Shares, etc. without market quotations are not included in the above table. The consolidated balance sheet amounts of such financial instruments are as follows.

Category	FY2022 (JPY in Thousands)
Unlisted securities	56,700
Payments for investments in capital	133,320

(Note) 1. The expected settlement subsequent to the consolidated balance sheet date for monetary receivables and investments in securities with maturity dates

FY2021 (as of December 31, 2021)

	Due within one year (JPY in thousands)	Due after one year and within five years (JPY in thousands)	Due after five years and within ten years (JPY in thousands)	Due after ten years (JPY in thousands)
Cash on hand and in banks	2,171,974	-	-	-
Notes and accounts receivable	1,218,805	-	-	-
Leasehold deposits	78,015	58,049	101,663	-
Total	3,468,795	58,049	101,663	-

FY2022 (as of December 31, 2022)

	Due within one year (JPY in thousands)	Due after one year and within five years (JPY in thousands)	Due after five years and within ten years (JPY in thousands)	Due after ten years (JPY in thousands)
Cash on hand and in banks	2,413,747	-	-	-
Notes receivable	32,380	-	-	-
Accounts receivable	1,052,240	-	-	-
Leasehold deposits	18,571	139,663	-	-
Total	3,516,939	139,663	-	-

2. The expected redemption subsequent to the consolidated balance sheet date for other interest-bearing liabilities

FY2021 (as of December 31, 2021)

	Due within one year (JPY in thousands)	Due after one year and within five years (JPY in thousands)	Due after five years and within ten years (JPY in thousands)	Due after ten years (JPY in thousands)
Short-term borrowings	20,000	-	-	-
Total	20,000	-	-	-

FY2022 (December 31, 2022)
Not applicable

3. The breakdown for each level of fair value of financial instruments and other disclosures

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs

If multiple inputs are used that are significant to their fair value measurement, the fair value measurement is categorized in its entirely in the level of the lowest level input that is significant to the entire measurement.

Financial instruments other than those measured at fair value

FY2022 (as of December 31, 2022)

	Market value (JPY in thousands)			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	-	156,866	-	156,866
Total	-	156,866	-	156,866

(Note) A description of the valuation techniques and inputs used in the fair value measurements

Leasehold deposits

The fair value of leasehold deposits is measured based on the present value of the expected collection amount discounted at the risk-free rate based on a reasonably estimated collection period, and is classified as Level 2 fair value.

[Securities]

Other securities

FY2021 (as of December 31, 2021)

Unlisted securities (amount on the consolidated balance sheet: ¥56,700 thousand) are not stated as they do not have market prices and it is extremely difficult to determine their fair value.

FY2022 (as of December 31, 2022)

Unlisted securities (amount on the consolidated balance sheet: ¥56,700 thousand) are not stated as they do not have market prices.

[Stock options]

Outline and number of stock options and changes therein

(1) Outline of stock options

	Year 2020 5th Stock Option Plan
Company Name	Findex Inc.
Title and number of grantees	2 Directors and 9 employees of the company
Number of stock options granted by stock type (Note 1)	Common stock 283,000 shares
Grant date	February 28, 2020
Vesting conditions	(Note 2)
Requisite service period	Not specified
Exercise period (Note 3)	April 1, 2021 (From April 1, 2008 to March 31, 2025)
Number of stock acquisition rights (Note 3)	2,830
Type, description and number of stocks to be issued upon exercise of stock acquisition rights (Note 3)	Common stock 283,000 shares
Amount to be paid-in upon exercise of the new stock acquisition rights (JPY) (Note 3)	1,258
Issue price and amount paid into capital when stocks are issued upon exercise of stock acquisition rights (JPY) (Note 3)	Issue price 1,676 Capitalization 1,676
Conditions for exercise of stock acquisition rights (Note 3)	-

(Notes) 1. The number of stock options is translated into the number of shares.

2. The conditions for exercising the stock acquisition rights are as follows:

(i) The Stock Acquisition Rights may be exercised only if the amount of consolidated operating income exceeds JPY1,115 million in any consolidated fiscal year from the fiscal year ending December 31, 2020 to the fiscal year ending December 31, 2022. In determining the amount of consolidated operating income, reference shall be made to the consolidated operating income in the consolidated statement of income (or the statement of income if consolidated financial statements are not prepared) as stated in the annual securities report of the Company, and the calculation shall exclude stock compensation expenses related to these SARs, if any, and the amount of such stock compensation expenses shall be calculated from the time such annual securities report is The amount of such consolidated operating income shall be applied from the time the annual securities report is filed. If there is any significant change in the concept of the indicator to be referenced due to the application of International Financial Reporting Standards, etc., the Board of Directors shall separately determine the indicator to be referenced.

(ii) The grantee must be a Director, corporate auditor or employee of the Company or its affiliates (Affiliated companies as defined in the Regulations Concerning Terminology, Forms and Preparation Methods of Financial Statements, etc.) at the time of exercising the stock acquisition rights. However, this shall not apply in cases of retirement from office due to expiration of term of office, mandatory retirement age, or other justifiable reasons.

3. The following is a summary of the information as of the end of the current fiscal year. As of the end of the month prior to the month in which the securities report was submitted (February 28, 2023), there were no changes in these items.

[Additional information]

Matters to be stated in "IV. Information about Reporting Company, 1. Company’s Shares, etc., (2) Share Warrants (i) Stock option plans" are summarized in the notes related to stock options, etc.

(2) Number of stock options and changes therein

The following tables cover stock options that existed during the year ended December 31, 2022. The number of stock options is translated into the number of shares.

(i) Number of stock options

	Year 2020 5th Stock Option Plan
Company Name	Findex Inc.
Non-vested (shares)	
Outstanding as of December31, 2021	283,000
Granted	-
Forfeited	283,000
Vested	-
unsettled balance	-
After vesting (shares)	
Outstanding as of December31, 2022	-
Vested	-
Exercised	-
Forfeited	-
Balance of options not exercised	-

(ii) Per-share price information

	Year 2020 5th Stock Option Plan
Company Name	Findex Inc.
exercise price (JPY)	1,258
Average stock price upon exercise (JPY)	-
Per-share fair value at grant date (JPY)	14,068

(Note) Estimation of the number of stock options vested:

Basically, since it is difficult to reasonably estimate the number of future forfeitures, only the actual number of forfeitures is reflected. For paid stock options with performance conditions, the number of forfeitures due to non-vesting of rights is estimated in consideration of the vesting conditions.

[Tax effect accounting]

Major components of deferred tax assets and deferred tax liabilities (JPY in thousands)

	FY2021 (as of December 31, 2021)	FY2022 (as of December 31, 2022)
deferred tax assets		
Accrued enterprise taxes	12,651	13,346
Depreciation and amortization	37,511	35,027
Provision for stock benefits	49,913	56,970
Net operating loss carry forwards (Note 2)	25,320	2,281
Other	17,563	33,431
Subtotal deferred tax assets	142,960	141,056
Valuation allowance for net operating loss carry forwards (Note 2)	(25,320)	-
Valuation allowance for the sum of deductible temporary differences	(2,192)	-
Valuation allowance (Note 1)	(27,512)	-
Total deferred tax assets	115,448	141,056
Deferred tax liabilities		
Prepaid labor insurance premiums	(938)	(1,220)
Total deferred tax liabilities	(938)	(1,220)
Net deferred tax assets	114,509	139,836

(Note 1) The main component of this change, which is a significant change in the amount deducted from deferred tax assets (valuation allowance), is due to the exclusion of EMC Healthcare Co., Ltd. from the scope of consolidation.

(Note 2) Tax loss carryforwards and their deferred tax asset carryforwards by expiration date

FY2021 (as of December 31, 2021)

	Due within one year (JPY in thousands)	Due after one year and within two years (JPY in thousands)	Due after two years and within three years (JPY in thousands)	Due after three years and within four years (JPY in thousands)	Due after four years and within five years (JPY in thousands)	Due after five years (JPY in thousands)	Total amount (JPY in thousands)
Net operating loss carry forwards (*1)	-	-	-	-	-	25,320	25,320
Valuation allowance	-	-	-	-	-	(25,320)	(25,320)
Deferred tax asset	-	-	-	-	-	-	-

(*1) Tax loss carryforwards are multiplied by the statutory tax rate.

FY2022 (as of December 31, 2022)

	Due within one year (JPY in thousands)	Due after one year and within two years (JPY in thousands)	Due after two years and within three years (JPY in thousands)	Due after three years and within four years (JPY in thousands)	Due after four years and within five years (JPY in thousands)	Due after five years (JPY in thousands)	Total amount (JPY in thousands)
Net operating loss carry forwards (*2)	-	-	-	-	-	2,281	2,281
Valuation allowance	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	2,281	(*3) 2,281

(*2) Tax loss carryforwards are multiplied by the statutory tax rate.

(*3) Deferred tax assets are recorded for the tax loss carried forward of ¥2,281 thousand (multiplied by the legal effective tax rate). Such deferred tax assets are related to consolidated subsidiaries and are deemed to be fully collectible in the following fiscal years or later, based on the expected future taxable income and other factors.

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting when there is a major difference between them

	FY2021 (December 31, 2021)	FY2022 (December 31, 2022)
Effective statutory tax rate	30.50%	-
(Adjustments)		
Change in valuation allowance	2.25	-
Other	(0.06)	-
Actual effective tax rate after the application of tax effect accounting	32.69	-

(Note) Notes are omitted because the difference between the statutory tax rate and the effective tax rate is less than 5/100 of the statutory tax rate.

[Revenue Recognition]

1. Information on disaggregation of revenue from contracts with customers

(JPY in thousands)

	Reportable Segment		Total
	System development	Health Tech	
Timing of revenue recognition			
Revenue recognized at one point in time	1,832,165	46,007	1,878,173
Revenue recognized over a period of time	2,639,822	23,246	2,663,069
Revenue from contracts with customers	4,471,988	69,253	4,541,242
Sales to external customers	4,471,988	69,253	4,541,242

(JPY in thousands)

	Reportable Segment		Total
	System development	Health Tech	
By Service Type			
Software	2,631,736	-	2,631,736
Hardware	285,619	-	285,619
Support, etc.	1,367,122	-	1,367,122
Other	187,510	69,253	256,764
Revenue from contracts with customers	4,471,988	69,253	4,541,242
Sales to external customers	4,471,988	69,253	4,541,242

2. Information that forms a basis for understanding revenue from contracts with customers

The basis for understanding revenues is described in “V. Notes to Consolidated Financial Statements (5) Accounting policies for significant revenues and expenses”.

3. Information on the relation between satisfaction of performance obligations based on contracts with customers and cash flows arising from the contracts, and amount and timing of revenue that is expected to be recognized in and after the following fiscal year from contracts with customers that existed as of December 31, 2022

(1) Balance of contract assets and contract liabilities

(JPY in thousands)

	FY2022
Receivables arising from contracts with customers (beginning balance)	1,218,805
Receivables arising from contracts with customers (ending balance)	1,084,621
Contract assets (beginning balance)	38,770
Contract assets at end of period	276,637
Contract liabilities (beginning balance)	120,822
Contract liabilities at end of period	103,467

Contract assets mainly relate to the rights of the Company and its consolidated subsidiaries to unbilled consideration for software and contracted development and other revenue recognized based on the stage of completion as of the balance sheet date. Contract assets are reclassified to receivables arising from contracts with customers when the Company and its subsidiaries' rights to the consideration become unconditional.

In the current fiscal year, increases in contract assets were mainly due to an increase in software and contracted development, etc. across fiscal years and large projects.

Contract liabilities primarily relate to advances received from customers for maintenance and other services with customers for which revenue is recognized over a specified period of time. Contract liabilities are reversed upon revenue recognition.

The amount of revenue recognized in the current period that was included in the contract liability balance at the beginning of the period was ¥60,268 thousand. There was no amount of revenue recognized from performance obligations that were satisfied (or partially satisfied) in prior periods.

(2) Transaction prices allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligation at the end of the current fiscal year was ¥1,167,916 thousand. The Company and its consolidated subsidiaries expect to recognize revenue from these remaining performance obligations generally within five years. The Company and its consolidated subsidiaries apply the practical expedient method to note the transaction prices allocated to the remaining performance obligations and do not include in the notes contracts that are initially expected to be in effect for one year or less.

[Segment Information]

Segment information

1. Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial statements are 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 reportable segments are the system development business and the health tech business, and the business activities of each reportable segment are as follows.

[System development business]

Development of medical software, medical data integration and analysis, office system development

[Health Tech Business]

Management consulting for hospitals and medical data analysis, development of medical device

2. Calculation of net sales, income or loss, assets, and other items by reportable segments

The accounting method of the reportable segments is in accordance with the accounting policies adopted to prepare the consolidated financial statements. Income 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," the Company has 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.

As a result of this change, net sales to external customers in "system development business" segment increased by ¥211,326 thousand and segment income increased by ¥173,943 thousand in the consolidated fiscal year under review, compared with the previous method. Similarly, sales to external customers in "Health Tech Business" segment increased by ¥5,246 thousand and segment loss decreased by ¥3,528 thousand in the consolidated fiscal year under review.

3. Information on sales, income or losses, assets, and other items by reportable segments

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

(JPY in thousands)

	Reportable Segments		Total	Adjustment (Note 1)	Total amount on consolidated Financial Statements (Note 2)
	System development	Health Tech			
Net sales					
Sales to external customers	4,919,669	49,215	4,968,885	-	4,968,885
Intersegment sales or transfers	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 Items					
Depreciation and amortization	271,634	36,300	307,935	-	307,935
Increase in tangible and intangible assets	217,956	33,186	251,142	-	251,142

(Notes) 1. Adjustments are due to elimination of intersegment transactions.
2. Total segment income or losses are the same as operating income in the consolidated statements of income.

FY2022 (January 1, 2022 through December 31, 2022)

(JPY in thousands)

	Reportable Segments		Total	Adjustment (Note 1)	Total amount on consolidated Financial Statements (Note 2)
	System Development	Health Tech			
Net sales					
Sales to external customers	4,471,988	69,253	4,541,242	-	4,541,242
Intersegment sales or transfers	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	4,773,661	207,118	4,980,780	-	4,980,780
Other Items					
Depreciation and amortization	223,023	31,937	254,960	-	254,960
Increase in tangible and intangible assets	282,426	25,846	308,273	-	308,273

(Notes) 1. Adjustments are due to elimination of intersegment transactions.
2. Total segment income or losses are the same as operating income in the consolidated statements of income.

Related information

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

Information by product and service

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

2. Information by geographic area

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income.

(2) Tangible assets

The amount of tangible assets located in Japan exceeds 90% of the amount of tangible assets on the consolidated balance sheet, thus this information is omitted.

3. Information by major customers

(JPY in thousands)

Name	Net sales	Related Segment Name
NEC Corporation	591,114	System Development Business

FY2022 (January 1, 2022 through December 31, 2022)

Information by product and service

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

2. Information by geographic area

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income.

(2) Tangible assets

The amount of tangible assets located in Japan exceeds 90% of the amount of tangible assets on the consolidated balance sheet, thus this information is omitted.

3. Information by major customer

Not applicable

Amortization of goodwill and unamortized balance by reportable segment

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

Not applicable

FY2022 (January 1, 2022 through December 31, 2022)

Not applicable

Gain recognized on negative goodwill by reportable segment

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

Not applicable

FY2022 (January 1, 2022 to December 31, 2022)

Not applicable

Impairment loss on non-current assets by reportable segment

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

Not applicable

FY2022 (January 1, 2022 to December 31, 2022)

Not applicable

Information on related parties

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

Not applicable

FY2022 (January 1, 2022 to December 31, 2022)

Not applicable

[Per Share Information]

	FY2021 (January 1, 2021, to December 31, 2021)	FY2022 (January 1, 2022, to December 31, 2022)
Book-value Per Share (JPY)	136.84	157.63
Basic earnings (loss) per share (JPY)	24.84	28.21
Diluted earnings per share	-	-

(Notes) 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 (January 1, 2021, to December 31, 2021)	FY2022 (January 1, 2022, to December 31, 2022)
Book-value Per Share		
Net income attributable to owners of parent (JPY in thousands)	636,027	722,779
Amount not belonging to common shareholders (JPY in thousands)	-	-
Net income attributable to owners of parent pertaining to common stock (JPY in thousands)	636,027	722,779
Average number of shares of common stock outstanding during the fiscal year (shares)	25,608,544	25,617,486
Diluted earnings per share		
Net income adjustments attributable to owners of parent company (JPY in thousands)	-	-
Increase in shares of common stock (shares)	-	-
Outline of potential common stock excluded from the computation of diluted earnings per share due to its non-dilutive effect	5th series of stock acquisition rights by resolution of the Board of Directors meeting held on February 25, 2020 Number of stock acquisition rights: 2,830 Common stock: 283,000 shares	5th series of stock acquisition rights by resolution of the Board of Directors meeting held on February 25, 2020 Number of stock acquisition rights: 2,830 Common stock: 283,000 shares

(Notes): 1. For the purpose of basic earnings per share and diluted earnings per share, the average number of the Company's shares held by Custody Bank of Japan, 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.

2. As stated in "Changes in Accounting Policies," the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), and followed the transitional treatment stipulated in the proviso of paragraph 84 of the "Accounting Standard for Revenue Recognition. As a result, net assets per share and net income per share increased by¥ 5.72 and ¥4.81, respectively. Diluted net income per share is not presented since there are no residual securities with dilutive effects.

[Significant Subsequent Event]

Not applicable

5. [Consolidated annexed detailed statements]

[Schedule of bonds payable]

Not applicable

[Schedule of borrowings]

Category	Balance at the beginning of the current period (JPY in thousands)	Balance at the end of the current period	Average interest rate (%)	Due date
Short-term borrowings	20,000	-	0.045	-
Total	20,000	-	-	-

[Schedule of asset retirement obligations]

Not applicable

(2) [Others]

Quarterly financial information for FY2022

Cumulative period	Three months ended March 31, 2022	Six months ended June 30, 2022	Nine Months ended September 30, 2022	Year ended December 31, 2022
Net sales (JPY in thousands)	1,264,576	2,233,641	2,999,658	4,541,242
Income before income taxes (JPY in thousands)	381,314	481,236	523,386	1,060,451
Net income attributable to owners of the parent (JPY in thousands)	258,717	319,996	349,751	722,779
Basic earnings per share (JPY)	10.10	12.49	13.65	28.21

Accounting period	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Basic earnings per share (JPY)	10.10	2.39	1.16	14.56

2 [Non-consolidated Financial Statements, etc.]

(1) [Non-consolidated Financial Statements]

(i) [Non-consolidated Balance Sheet]

(JPY in thousands)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	2,144,846	2,407,533
Notes receivable – trade	25,547	32,380
Accounts receivable - trade	*1,181,645	*1,051,313
Contract assets	-	276,637
Merchandise and finished goods	113,720	165,417
work in process	12,992	3,975
Raw materials and supplies	142,747	146,612
Prepaid expenses	15,438	21,433
Other	*15,642	*15,311
Total current assets	3,652,581	4,120,615
NON-CURRENT ASSETS:		
Tangible assets		
Buildings	27,730	50,709
Vehicles and transportation equipment	880	218
Tools, furniture and fixtures	41,281	51,588
Total tangible assets	69,893	102,517
Intangible assets		
Software	217,538	251,005
Manufacturing know-how	148,000	111,000
Other	344	344
Total intangible assets	365,882	362,349
Investments and other assets		
Investment securities	56,700	56,700
Shares of subsidiaries and affiliates	7,000	7,000
Bonds payable to affiliated companies	100,000	-
Capital	115,620	133,320
Leasehold deposits	236,757	158,234
Long-term prepaid expenses	14,065	12,516
Deferred tax assets	157,854	192,185
Other	2,055	907
Allowance for doubtful accounts	(100,000)	-
Total investments and other assets	590,053	560,864
Total non-current assets	1,025,828	1,025,731
TOTAL ASSETS	4,678,409	5,146,346

(JPY in thousands)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable- trade	223,627	81,209
Accounts payable - others	*97,368	*151,882
Accrued expenses	64,672	66,641
Income taxes payable	223,810	227,477
Accrued consumption taxes	103,552	47,156
advances received	51,192	62,350
deposit received	24,387	24,205
Other current liabilities	-	120
Total current liabilities	788,611	661,042
LONG-TERM LIABILITIES		
Long-term advances received	54,526	40,375
Long-term deposits received	-	56,548
Provision for share-based remuneration	163,649	186,787
Other long-term liabilities	127	129
Total long-term liabilities	218,303	283,839
TOTAL LIABILITIES	1,006,914	944,881
NET ASSETS		
Shareholders' equity		
Share capital	254,259	254,259
Capital surplus		
Capital reserve	224,259	224,259
Total capital surplus	224,259	224,259
Retained earnings		
Other retained earnings		
Unappropriated retained earnings	4,006,679	4,535,453
Total retained earnings	4,006,679	4,535,453
Treasury shares	(818,446)	(812,506)
Total shareholders' equity	3,666,751	4,201,464
Stock acquisition rights	4,743	-
TOTAL NET ASSETS	3,671,494	4,201,464
TOTAL LIABILITIES and NET ASSETS	4,678,409	5,146,346

(ii) [Non-consolidated Statement of Income and Comprehensive Income]

(JPY in thousands)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Revenue	*[1]4,924,598	*[1]4,487,352
Cost of revenue	*[1]2,411,334	*[1]1,821,643
Gross profit	2,513,264	2,665,709
Selling, general and administrative expenses	*[1,*2]1,565,885	*[1,*2]1,638,122
Operating income	947,378	1,027,587
Non-operating income		
Interest income	22	24
Interest on securities	*[1]45	*[1]45
Foreign exchange gain	10,087	16,896
Subsidy income	8,740	7,671
Other	*[1]3,085	*[1]4,213
Total non-operating income	21,980	28,852
Ordinary income	969,359	1,056,439
Extraordinary income		
Gain on reversal of share acquisition rights	*[3]-	*[3]4,743
Total extraordinary income	-	4,743
Income before income taxes and other adjustments	969,359	1,061,182
Income taxes -current	319,597	368,044
Income taxes -deferred	(22,208)	(44,501)
Total income taxes	297,389	323,542
Net income	671,969	737,639

(iii) [Non-consolidated Statement of Changes Equity]

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

(JPY in thousands)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Unappropriated retained earnings	Total Retained earnings		
Balance at the beginning of the period	254,259	224,259	224,259	3,540,969	3,540,969	(825,158)	3,194,329
Changes during the period							
Dividends of surplus				(206,259)	(206,259)		(206,259)
Net income				671,969	671,969		671,969
Disposal of treasury shares						6,711	6,711
Net changes of items other than those in shareholders' equity							
Total changes during the period	-	-	-	465,710	465,710	6,711	472,421
Balance at the end of the period	254,259	224,259	224,259	4,006,679	4,006,679	(818,446)	3,666,751

	Stock acquisition rights	Total net assets
Balance at the beginning of the period	4,743	3,199,072
Changes during the period		
Dividends of surplus		(206,259)
Net income		671,969
Disposal of treasury shares k		6,711
Total changes during the period	-	472,421
Balance at the end of the period	4,743	3,671,494

FY2022 (From January 1, 2022 to December 31,2022)

(JPY in thousands)

	Shareholders 'equity						
		Capital surplus		Retained earnings			
	Share capital	Legal capital surplus	Total capital surplus	Other retained earnings Unappropriated retained earnings	Total Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	254,259	224,259	224,259	4,006,679	4,006,679	(818,446)	3,666,751
Cumulative effects of changes in accounting policies				23,175	23,175		23,175
Restated balance	254,259	224,259	224,259	4,029,854	4,029,854	(818,446)	3,689,926
Changes during the period							
Dividends of surplus				(232,041)	(232,041)		(232,041)
Net income				737,639	737,639		737,639
Disposal of treasury shares						5,940	5,940
Net changes of items other than those in shareholders' equity							
Total changes during the period	-	-	-	505,598	505,598	5,940	511,538
Balance at the end of the period	254,259	224,259	224,259	4,535,453	4,535,453	(812,506)	4,201,464

	Stock acquisition rights	Total net assets
Balance at the beginning of the period	4,743	3,671,494
Cumulative effects of a changes in accounting policies		23,175
Restated balance	4,743	3,694,669
Changes during the period		
Dividends of surplus		(232,041)
Net income		737,639
Disposal of treasury shares		5,940
Net changes of items other than those in shareholders' equity y	(4,743)	(4,743)
Total changes during the period	(4,743)	506,795
Balance at the end of the period	-	4,201,464

[Notes to Non-consolidated Financial Statements]

[Significant accounting policies]

1. Valuation methods for assets

(1) Valuation methods for securities

Shares issued by a subsidiary and an equity method affiliate

Shares issued by a subsidiary and an equity method affiliate are carried at cost determined by the moving average method.

Other securities

Non-marketable securities

Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(2) Valuation methods for inventories

Merchandise and finished goods, work in process, raw materials

Inventories are stated at cost determined by the specific identification method (Cost of inventories is written-down when their carrying amounts become unrecoverable).

Supplies

Supplies are stated at cost determined by last purchase price method (Cost of inventories is written-down when their carrying amounts become unrecoverable).

2. Depreciation method for non-current assets

(1) Tangible assets (excluding leased assets)

Tangible assets are calculated by the declining balance method. However, buildings and structures acquired on or after April 1, 2016. are calculated by the straight-line method. The useful lives of major assets are as follows:

Buildings 8-18 years
Vehicles 3-6 years
Tools, furniture and fixtures 2-15 years

(2) Intangible assets (excluding leased assets)

Software for sale in the market

The larger of the amortized amount based on the estimated sales volume or the amortized amount evenly distributed over the estimated salable period (2 years) is recorded.

Software for internal use

Amortization of software for internal use is calculated by the straight-line method over the estimated useful life (5 years).

Other intangible assets

Other intangible assets are stated at cost determined by straight-line method.

(3) Leased assets

Leased assets are calculated by the straight-line method where the lease term is deemed as the useful lives of the asset and the residual value is set as zero.

3. Basis for reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

(2) Provision for share-based remuneration

The Company records an amount based on the estimated amount of stock benefit obligations as of the end of the fiscal year to prepare for providing the payment of the Company stock to employees in accordance with stock benefit regulations.

4. Reporting of significant revenues and expenses

The following is a description of the main performance obligations in the Company's main business related to revenue from contracts with customers and the usual time at which the performance obligation is satisfied (the usual time at which revenue is recognized)

(1) Software

The transactions are related to sales of self-developed software such as medical solutions for image filing system “Claio” and "DocuMaker Office," a document management system mainly targeted at municipalities and public organizations. With regard to software, the Company has determined that performance obligations are fulfilled in accordance with the progress of software implementation. Therefore, except for contracts with very short terms, the Company estimates the degree of progress toward fulfillment of performance obligations and recognizes revenue over a certain period of time based on the degree of progress. For progress estimates calculate based on the actual occurrence rate against total estimated cost (input method).

For contracts with very short terms, revenue is recognized at a point in time on the date of acceptance.

(2) Hardware

These are transactions related to the sale of commercial hardware products such as servers and PCs that occur in conjunction with the sale of software, which are the Company's products. For sales of products, revenue is recognized at the time the products are delivered to the customer.

(3) Support

These are transactions related to maintenance services that are provided on an ongoing basis after software is newly introduced. The company has maintenance agreements with its users, since the Company's products manage important information both in medical institutions and in local governments. Under these contracts, the Company is obligated to provide services over the contract period and recognizes revenue over the service period specified in the contract because the Company believes that the customer will receive benefits as it fulfills its obligations over the service period specified in the contract.

(4) Others

These are transactions related to entrusted development, system services and engineering. The company undertakes entrusted development, system services and engineering utilizing its knowledge, know-how, and experience in healthcare and medical software. With regard to entrusted development, etc., the Company has determined that performance obligations will be fulfilled in accordance with the progress of the work. Therefore, except for contracts with very short terms, the Company estimates the degree of progress toward fulfillment of performance obligations and recognizes revenue over a certain period of time based on the degree of progress. For progress estimates calculate based on the actual occurrence rate against total estimated cost (input method).

For contracts with short terms, revenue is recognized at points in time on the dates of acceptance.

[Significant accounting estimates]

The following is a list of items for which an accounting estimate has been made and the amount has been recorded in the financial statements for the current fiscal year that may have a material effect on the financial statements for the following fiscal year.

1. Revenue recognition using the input method based on an estimate of total cost

(1) Amount recorded in the financial statements for FY2022

(JPY in thousands)

	FY2022
Net sales based on input method	1,237,941

(2) Details of significant accounting estimates related to the identified items

Details of significant accounting estimates related to the identified items is omitted because the same information is stated in the "Notes to the consolidated financial statements".

2. Impairment of non-current assets

(1) Amount recorded in the financial statements for FY2022

Recorded amount of non-current assets with indications of impairment

(JPY in thousands)

	FY2021	FY2022
Tangible assets	8,899	9,294
Intangible assets	148,000	111,000

(2) Details of significant accounting estimates related to the identified items

The Company makes a determination of whether impairment should be recognized or not based on undiscounted future cash flows from the asset group in case of any indication of impairment of non-current assets. At the end of the current fiscal year, the Health Tech business asset group was identified as having indications of impairment, but no impairment loss was recorded because the total undiscounted future cash flows exceeded the carrying value of the asset group.

The above undiscounted future cash flows are calculated on the basis of the medium-term business plan approved by the Board of Directors, which uses key assumptions such as sales and profit projection based on sales volume projection and expense projection such as labor, material, and outsourcing costs.

Although the Company carefully examines the recognition of signs of impairment and the recognition of impairment losses, it may be necessary to record impairment losses in the next fiscal year if the conditions and assumptions on which the estimated amounts are based change due to changes in market conditions or the Company's business conditions.

[Changes in accounting policies]

1.Accounting Standard for Revenue Recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020. Hereinafter the “Revenue Recognition Standard”) and related guidelines have been adopted from the beginning of the current fiscal year. In line with this adoption, revenue is recognized upon the transfer of control of the promised goods or services to customers in an amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services.

As a result of this change, revenue from software and contracted development, which were previously recognized at a single point in time in principle, are now recognized over a fixed period of time, except for contracts with very short terms, after reviewing the identification of performance obligations and the timing of satisfaction of performance obligations.

In adopting the Revenue Recognition Standard, in accordance with the transitional treatment set forth in the proviso of Article 84 of the Revenue Recognition Standard, the cumulative impact of retrospective application of the standards prior to the beginning of the current fiscal year was added to or subtracted from retained earnings at the beginning of the fiscal year. The new accounting policy is applied from the balance at the beginning of the current fiscal year.

In addition, "Notes receivable-trade" and "Accounts receivable-trade," which were included in "Current assets" on the balance sheet in the prior fiscal year, are included in "Notes receivable-trade", "Accounts receivable-trade" and "Contract assets" from this fiscal year.

As a result, revenue increased ¥216,242 thousand, cost of revenue increased ¥38,770 thousand, and operating income, ordinary income, and income before income taxes each increased ¥177,472 thousand in the current fiscal year. In addition, the balance of at the beginning of the period increased ¥23,175 thousand.

2. Accounting Standard for Fair Value Measurement

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter the “Accounting Standard for Fair Value Measurement”) has been adopted from the beginning of the fiscal year, and in accordance with the transitional treatment set forth in Article 19 of “Accounting Standard for Fair Value Measurement” and Article 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will continue to apply new accounting policies prescribed by Accounting Standard for Fair Value Measurement and other standards into the future. The impacts of this adoption on the financial statements are immaterial.

[Additional information]

Valuation Method in “Stock Benefit Trust” (J-ESOP)

Notes have been omitted because the same information on transactions in which the Company's shares are issued to employees through a trust is presented in the "Notes to the consolidated financial statements”.

[For non-consolidated balance sheets]

*Monetary receivables from and payables to a subsidiary and an equity method affiliate are as follows

(JPY in thousands)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Short-term monetary receivables	808	873
Short-term monetary payables	4,033	16,272

[For non-consolidated statement of income, cumulative]

1. Transactions with a subsidiary and an equity method affiliate are as follows.

(JPY in thousands)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Operating transactions	33,552	54,223
Non-operating transactions	945	1,245

2. The approximate percentages of expenses included in selling expenses were 59% in the previous fiscal year and 57% in the current fiscal year, and the approximate percentages of expenses included in general and administrative expenses were 41% in the previous fiscal year and 43% in the current fiscal year.
   Major components of selling, general and administrative expenses are as follows.

(JPY in thousands)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Salaries	769,256	791,422
Travel and transportation expenses	109,188	110,167
Depreciation	42,496	33,470

3. Stock acquisition rights

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

Not applicable

FY2022 (From January 1, 2022 to December 31,2022)

Gain on reversal of share acquisition rights recorded in extraordinary income in the current fiscal year is due to the reversal of stock options in anticipation of their expiration.

[Tax effect accounting]

1. Significant components of deferred tax assets and liabilities

(JPY in thousands)

	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Deferred tax assets		
Accrued enterprise taxes	12,651	13,346
Depreciation	46,620	57,597
Allowance for doubtful accounts	30,500	-
Valuation of bonds of subsidiaries and affiliates	-	30,500
Provision for stock benefits	49,913	56,970
Long-term deposits received	-	17,247
Other	19,107	17,744
Total deferred tax assets	158,793	193,405
Deferred tax liabilities		
Prepaid labor insurance premiums	(938)	(1,220)
Total deferred tax liabilities	(938)	(1,220)
Net deferred tax assets	157,854	192,185

2. Significant differences between the statutory effective tax rate and after the application of tax effect accounting, by major category that caused the differences.

FY2021 (As of December 31, 2021)

Notes are omitted because the difference between the statutory effective tax rate and after the application of tax effect accounting is less than 5/100 of the statutory effective tax rate.

FY2022 (As of December 31, 2022)

Notes are omitted because the difference between the statutory effective tax rate and after the application of tax effect accounting is less than 5/100 of the statutory effective tax rate.

[Revenue Recognition]

Information that provides a basis for understanding revenue from contracts with customers is presented in [Revenue Recognition] in "Notes to the consolidated financial statements", and therefore, notes have been omitted.

(Significant subsequent events)

Not applicable

(iv) Non-consolidated annexed detailed schedules

Annexed detailed schedule of non-current assets

(JPY in thousands)

Category	Type of assets	Balance at the beginning of FY2022	Increase in FY2022	Decrease in FY2022	Depreciation or amortization for FY2022	Balance at the end of FY2022	Accumulated depreciation	Original cost acquired at the end of FY2022
Tangible assets	Buildings	27,730	32,318	-	9,339	50,709	35,189	85,899
	Vehicles	880	-	-	661	218	3,239	3,458
	Tools, furniture and fixtures	41,281	45,479	0	35,173	51,588	125,456	177,044
	Total	69,893	77,798	0	45,174	102,517	163,885	266,402
Intangible assets	software	217,538	229,616	234	195,915	251,005	3,156,611	3,407,617
	Manufacturing know-how	148,000	-	-	37,000	111,000	74,000	185,000
	Other	344	-	-	-	344	-	344
	Total	365,882	229,616	234	232,915	362,349	3,230,611	3,592,961

(Notes) 1. The increase in buildings, tools, furniture and fixtures during the current period is mainly due to the relocation of the Headquarters office in Tokyo.

2. The breakdown of increase in software (for sale on the market) by major product is as follows: Claio: ¥60,241 thousand, REMORA: ¥14,640 thousand, DocuMaker: ¥78,266 thousand, C-Scan: ¥24,381 thousand, PDI+MoveBy: ¥6,526 thousand, ProRad: ¥15,742 thousand, GAP: ¥16,448 thousand, Patient Software: ¥1,389 thousand, Cloud-based Patient Information Software: ¥8,952 thousand.

Annexed detailed schedule of provisions

(JPY in thousands)

Account	Balance at the beginning of FY2022	Increase in FY2022	Decrease in FY2022	Balance at the end of FY2022
Allowance for doubtful accounts	100,000	-	100,000	-
Provision for share-based remuneration	163,649	29,999	6,861	186,787

(2) [Major assets and liabilities]

This information is omitted as indicated in “Consolidated financial statements”.

(3) [Others]

Not applicable

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From January 1 to December 31
General Meeting of Shareholders	Within 3 months after the end of each fiscal year
Record date for dividend	December 31
Record dates for dividend of surplus	June 30 December 31
Number of shares per unit of the Company's stock	100 shares
Repurchase of stocks of less than a standard unit	
Address where repurchases are processed	1-4-1 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited
Administrator of shareholders' register	1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Offices available for repurchase	—
Charges for repurchase	Free of charge
Method of public notice	Public notices of the Company shall be given by electronic means. https://findex.co.jp However, that in the event accidents or other unavoidable reasons prevent public notice by electronic means, the notice can be given in the Nihon Keizai Shimbun.
Special benefits to shareholders	None

(Notes) According to the Company's Articles of Incorporation where the rights of shareholders holding stocks of less than a standard unit are prescribed, the holder of stocks of less than a standard unit shall not be entitled to exercise the rights of shareholders in connection with such below-unit shares other than those rights listed below:
(i) The rights stipulated in each item of Article 189, Paragraph 2, of the Companies Act.
(ii) The right to request acquisition of share with put option.
(iii) The right to receive allotment of offered shares or offered share subscription rights.

VII. Reference Information of Reporting Company

1 [Information on the parent of Reporting Company]

The Company has no parent company or equivalent as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 [Other Reference Information]

The Company filed the following documents between the beginning of the fiscal year ended December 31, 2022 and the date when this Securities Report (Yukashoken-Hokokusho) was filed.

(1) Securities Report and Accompanying Documents and Confirmation Note

Fiscal Year the 37th (From January 1, 2021 to December 31, 2021) Submitted to the Director of the Shikoku Local Finance Bureau on March 30, 2022

(2) Internal Control Report and Attached Documents

Submitted to the Director of the Shikoku Local Finance Bureau on March 30, 2022

(3) Quarterly Securities Reports and Confirmation Notes

The 1st quarter of 38th period (from January 1, 2022 to March 31, 2022) Submitted to the Director of the Kanto Local Finance Bureau on May 12, 2022

The 2nd quarter of 38th period (from April 1, 2022 to June 30, 2022) Submitted to the Director of the Kanto Local Finance Bureau on August 9, 2020

The 3rd quarter of 38th period (from July 1, 2022 to September 30) Submitted to the Director of the Kanto Local Finance Bureau on November 10, 2022

(4) Extraordinary Report

Submitted to the Director of the Shikoku Local Finance Bureau on March 30, 2022

An extraordinary report according to the provision of Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (Matters that require a resolution of a general meeting of shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Correction Report and Confirmation Statements for Quarterly Report

Submitted to the Director of the Kanto Local Finance Bureau on August 9, 2022

This is a correction report and its confirmation for the quarterly report for the 1st quarter of 38th period (from January 1, 2022 to March 31, 2022).

Part II Information on Guarantors, etc. for Reporting Company

Not applicable