



Consolidated Financial Results [Japanese GAAP]

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

FINDEX Inc

August 9th, 2022

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Scheduled date to submit statutory quarterly financial report:	August 9, 2022		
Scheduled date of starting payment of dividend:	September 9, 2022		
Availability of supplementary explanatory material on quarterly results:	N/A		
Quarterly results briefing:	Yes for analyst		

1. Consolidated Financial Results for the Six Months Ended June 30, 2022 (From January 1, 2022, to June 30, 2022)

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

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

(1) Consolidated Operating Results (Cumulative)

	Revenue		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%
FY2022 2Q	2,233	(7.1)	455	(6.8)	481	(4.7)	319	(6.1)
FY2021 2Q	2,405	6.4	488	(11.6)	505	(9.0)	340	(9.3)

(Note) Comprehensive income: FY2022 2Q: 321 million yen [(5.4%)], FY2021 2Q: 339 million yen [(9.5%)]

	Basic earnings per share	Diluted earnings per share
	(JPY)	(JPY)
FY2022 2Q	12.49	-
FY2021 2Q	13.30	-

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

(2) Consolidated Financial Position

	Total assets	Net assets	Net assets ratio	BPS (Book-value Per Share)
As of the end of	(JPY MM)	(JPY MM)	%	(JPY)
FY2022 2Q	4,628	3,706	79.9	144.31
FY2021 4Q	4,556	3,512	76.9	136.84

(Ref.) Equity amount: FY2022 2Q: 3,697 million yen, FY2021 4Q: 3,505 million yen.

2. Dividends

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

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

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

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

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

	Revenue		Operating Income		Ordinary Income		Net income attributable to owners of the parent company		Basic Earnings Per Share
	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY MM)	%	(JPY)
FY2022 4Q (Full year)	4,937	(0.6)	1,085	17.8	1,091	15.5	716	12.6	27.96

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

※ **Notes;**

(1) Changes in Significant Subsidiaries during the Current Quarter

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

Newly included companies: None

Newly excluded companies: None

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

(3) Changes in Accounting Policies and Accounting Estimates

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

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For more detailed illustration, please refer to “2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 of the attached document.

(4) Number of Shares Outstanding (Ordinary Shares)

	FY2022 2Q (As of Jun. 30, 2022)	FY2021 4Q (As of Dec.31, 2021)
Number of shares outstanding at the end of the period (treasury shares included)	26,608,800	26,608,800
Number of treasury shares at the end of the period	990,575	995,175
	FY2022 2Q (From Jan.1, 2022, to Jun. 30, 2022)	FY2021 2Q (From Jan.1,2021, to Jun. 30, 2021)
Average number of shares during 2Q	25,614,852	25,606,230

(Note) The number of treasury stock at the end of the period includes our shares held by Japan Custody Bank, Ltd. (Trust Account E). (164,200 shares for FY2022 2Q, 168,800 shares for FY2021 4Q)

Also, our shares held by Japan Custody Bank, Ltd. (Trust Account E) are included in the treasury stock deducted in the calculation of the average number of shares during the period. (167,573 shares for FY2022 2Q, 176,195 shares for FY2021 2Q)

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

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

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

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1. Status of the Group

(1) Business Overview and Results for the Second Fiscal Quarter

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

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

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

In this business environment, revenue was 2,233,641 thousand yen for the second quarter (January 1, 2022, to June 30, 2022), a decrease of 7.1% compared to the same period of previous fiscal year. Operating income decreased by 6.8% to 455,696 thousand yen, ordinary income decreased by 4.7% to 481,236 thousand yen, and net income attributable to owners of the parent decreased by 6.1% to 319,996 thousand yen, respectively.

Compared to the annual forecast, the progress of second quarter was 45.2% for revenue, 42.0% for operating income, 44.1% for ordinary income, and 44.7% for net income attributable to shareholders of the parent company, respectively.

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

For more detailed illustration, please refer to “2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies) and (Segment Information) 2. Matters regarding the change in the reporting segments, etc.”

The COVID-19 pandemic and efforts to control its spread have had a significant, ongoing adverse impact on economic activities and daily life as well as the Group’s operations and the operations of the Group’s healthcare clients. While demand for system upgrades remained stable, because our hospital and other healthcare provider clients have understandably prioritized their resources, capacity and staff as the COVID-19 outbreak continues to strain their organizations, the prolonged outbreak of COVID-19 is changing healthcare organizations' willingness to system investment and their acceptance of new systems.

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

Effective on July 1, 2022, EMC Healthcare Co., Ltd (hereafter referred to as "EMCH"), formerly our consolidated subsidiary, has become an equity method affiliate of the Company because of the exercise of stock options (stock acquisition rights) by directors and employees of EMCH. Still, we are further committed to working with EMCH as its shareholder to enhance its corporate value.

The impact of this event on our performance for the fiscal year ending December 31, 2022, is expected to be minimal.

In the Group’s efforts to foster ESG management, the Group conduct “as is” analysis, and discuss the “to be” ESG structure that we should aim for. As one of our initiatives, we actively respond to the Carbon Disclosure Project.

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

(a) Revenue by Business Segments

(JPY in Thousands)

Business segment	FY2021 2Q	FY2022 2Q	Change (amount)	Change (%)
System development	2,390,145	2,171,849	(218,295)	(9.1%)
Healthtech	16,718	63,276	46,558	278.5%

(b) Operating Income by Business Segments

(JPY in Thousands)

Business segment	FY2021 2Q	FY2022 2Q	Change (amount)	Change (%)
System development	601,950	573,115	(28,834)	(4.8%)
Healthtech	(112,950)	(117,418)	-	-

《System Development Business》

Operating results of the system development business were revenue of 2,171,849 thousand yen (down 9.1% year-on-year) and segment income (operating income) of 573,115 thousand yen (down 4.8% year-on-year), respectively.

○ Medical System

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

During this quarter, we have been continuously gaining shares, and 26 hospitals and 48 clinics newly adopted, augmented, or updated our solutions, resulting in cumulative revenue of 2,120,223 thousand yen.

As for the progress of the strategic alliance with Toyota Tsusho Corporation (hereafter referred to as "Toyota Tsusho"), we took a big leap. first collaborative project to implement our flagship product Claio to Sakra World Hospital (location, Bangalore, India), the localization has been completed through requirement definition phase. Test operation will be launched during the second quarter of this consolidated fiscal year.

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

Fitting Cloud Inc., the Group subsidiary which delivers cloud-enabled solutions, continued development of a cloud-based EDC (Electronic Data Collection) system and a cloud-based virtual browsing environment during April to June of this fiscal year. As for cloud-based EDC systems, we have achieved integration into other systems through secure API (application programming interfaces) development. As for the cloud-based virtual browsing environment, we are aiming to launch the service by the end of this year, toward more integrated and seamless within the health record, enabling holistic viewing and actionable insights for patient care.

○ Office System

In this area, we deliver products, mainly such as “DocuMaker Office”, document management systems. Spurred by DX acceleration, as ministry-affiliated organizations and local governments began to consider the introduction of electronic approval and official document management systems, inquiries and pre-sale consultations are increasing for both packages for ministries and local governments and for healthcare organizations. Sales of this product have been steady to the target for this fiscal year, with 17 new or additional installations during the second quarter of this consolidated fiscal year, resulting in cumulative revenue of 51,626 thousand yen.

During the second quarter of this consolidated fiscal year, one project has launched operation at a ministry-affiliated organizations, one project is in progress. In those large-scale projects, we have established trusted relationship by our proven abilities and solutions, and highly reputed for “Close on-site engagement with clients,

with high consulting skills to identify issues and propose precise solutions” and “High UI/UX, easy-to-use system from the user’s perspective”, and we have been steadily winning several large-scale projects. We will continuously make proposals and accelerate digitalization not only of local governments, but also of independent administrative agencies and foundations who have been facing issues similar to those of local governments. In the medical field, we also expect high demand, especially from large and medium-sized healthcare organizations, which are our existing users, and we have received many inquiries about this cloud-based service that supports the back-office operations.

《Healthtech》

Operating results of the Healthtech segment were revenue of 63,276 thousand yen (up 278.5% year-on-year) and segment loss (operating loss) of 117,418 thousand yen (segment loss of 112,950 thousand yen for the comparable previous quarter of FY2021), respectively.

○ Gaze Analyzing Perimeter

In this segment, we focused our efforts on domestic sales and on strategy formulation of overseas sales expansion on our GAP (Note 1), an optokinetic analysis perimetry, 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 healthcare organizations, and by collecting real-world data, contribution to the technological and solution innovation, in various fields such as pharmaceuticals and life insurance, can be expected, because scientists and doctors will be able to conduct data-driven analysis and develop actionable insights.

As of June 2022, this perimetry has already been introduced to 26 medical organizations in Japan. In Japan, we conducted everything from design to manufacture, and introduction to university hospitals and clinics has been proceeded. By loaning them on a free-of-charge basis, and on a usage-based-rate basis, clinical field testing has been conducted as an optional item.

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

Preparations for the overseas sales, which had been taking some time, are now underway, and within this year, we will embark on sale of GAP in Europe, Middle East, Northern Africa through the sales channels of Rexam Co., Ltd. (headquartered in Osaka, Japan).

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

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

(Note 1) Gaze Analyzing Perimeter, GAP

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

(Note 2) Gaze Analyzing Perimeter, GAP-screener

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

○ Midday Nap Monitoring System

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

In addition to sales in the Tokyo metropolitan area, we launched nationwide sale campaign last fiscal year and have been establishing a nationwide sales track record. Also, inquiries have increased rapidly since last fiscal year by promoting the deals at sales agencies and by promoting the system integration with major childcare ICT

providers. In June 2022, the Company was successfully selected as an IT introducing supporter and this Baby moni was adopted as a subsidized IT tool for the "IT Introduction Subsidy 2022" promoted by the Ministry of Economy, Trade and Industry. Leveraged on this occasion, we are well positioned to lead productivity revolutions, and we expect further implementation into wider range of customers.

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

○ Nursing Care DX Services

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

"OwlCare" is a product that brings together the sensor technology, camera technology, image analysis technology, AI and data analysis technology, and other technologies that EMC Healthcare has nurtured, we are aiming for a full-scale market launch this fiscal year.

Nursing facilities that have introduced this solution have highly evaluated it from the perspective of improving the quality of care and operational efficiency, leading to further inquiries. We will continuously contribute to improvement in care quality and efficiency, and the health and wellness of people. Development is under steady progress, with field demonstrations beginning this fiscal year.

(2) Explanation on the Financial Position

Status of Assets, Liabilities, and Net assets

Total assets at the end of the second quarter amounted to 4,628,045 thousand yen, an increase of 71,482 thousand yen from the end of the previous fiscal year. This was primarily due to an increase of 5,617 thousand yen in current assets, which is mainly composed of an increase of 692,893 thousand yen in cash and deposits, an increase of 1,627 thousand yen from materials and supplies, partially offset by a decrease of 693,197 thousand yen in notes receivable, accounts receivable and contract assets and due to an increase of 65,864 thousand yen in non-current assets, which is mainly composed of an increase of 37,542 thousand yen in tangible assets and an increase of 18,590 thousand yen in investments and other assets, respectively.

Liabilities amounted to 921,800 thousand yen, a decrease of 122,228 thousand yen from the end of the previous fiscal year. This was primarily due to a decrease of 173,915 thousand yen in current liabilities, which is mainly composed of a decrease of 149,598 thousand yen in accounts payable-trade and a decrease of 48,644 thousand yen in income taxes payable, partially offset by an increase of 51,687 thousand yen in long-term liabilities.

Net assets amounted to 3,706,244 thousand yen, an increase of 193,711 thousand yen from the end of the previous fiscal year. This was primarily due to an increase in shareholders' equity of 192,025 thousand yen resulting from an increase of 188,477 thousand in retained earnings.

(3) Explanation on Future Performance Forecast

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

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

2. Quarterly Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(JPY in Thousands)

	FY2021 4Q (As of Dec. 31, 2021)	FY2022 2Q (As of Jun.30,2022)
ASSETS		
CURRENT ASSETS:		
Cash and deposits	2,171,974	2,864,868
Note and account receivable	1,218,805	-
Note and account receivable – trade, and contract assets	-	525,608
Inventories	123,858	124,814
Work in process	16,492	4,384
Materials and supplies	142,988	144,615
Other current assets	31,481	46,928
Total current assets	3,705,601	3,711,219
NON-CURRENT ASSETS:		
Tangible assets	71,256	108,798
Intangible assets		
Software	238,600	248,331
Others	344	344
Total intangible assets	238,944	248,675
Investments and other assets	540,760	559,351
Total non-current assets	850,961	916,825
TOTAL ASSETS	4,556,563	4,628,045
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	223,627	74,028
Short-term borrowings	20,000	110,000
Accrued expenses	98,621	81,706
Income taxes payable	223,933	175,288
Other current liabilities	259,544	210,787
Total current liabilities	825,726	651,810
LONG-TERM LIABILITIES:		
Provision for stock compensation	163,649	161,398
Other long-term liabilities	54,653	108,592
Total long-term liabilities	218,303	269,990
TOTAL LIABILITIES	1,044,029	921,800
NET ASSETS		
Shareholders' equity		
Share capital	254,259	254,259
Capital surplus	224,259	224,259
Retained earnings	3,844,949	4,033,426
Treasury shares	(818,446)	(814,898)
Total shareholders' equity	3,505,021	3,697,047
Stock subscription rights	4,743	4,743
Non-controlling interests	2,769	4,454
TOTAL EQUITY	3,512,533	3,706,244
TOTAL LIABILITIES and NET ASSETS	4,556,563	4,628,045

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

(Quarterly Consolidated Statement of Income, Cumulative)

(JPY in Thousands)

	FY2021 2Q (From Jan. 1, 2021, to Jun. 30, 2021)	FY2022 2Q (From Jan. 1, 2022, to Jun. 30, 2022)
Revenue	2,405,378	2,233,641
Cost of revenue	1,095,124	906,677
Gross profit	1,310,253	1,326,964
Selling, general and administrative expenses	821,254	871,267
Operating income	488,999	455,696
Non-operating income		
Interest income	10	10
Foreign exchange gain	5,989	21,150
Subsidy income	8,740	2,654
Royalty income	1,390	1,390
Miscellaneous income	341	783
Total non-operating income	16,470	25,988
Non-operating expenses		
Interest expense	-	448
Amortization of organizing expenses	361	-
Total non-operating expenses	361	448
Ordinary income	505,109	481,236
Income before income taxes	505,109	481,236
Income tax -current	162,209	162,030
Income tax -deferred	2,930	(2,475)
Total income taxes	165,139	159,555
Quarterly net income	339,969	321,681
Quarterly net income (loss) attributable to noncontrolling interests	(636)	1,685
Quarterly net income attributable to owners of the parent	340,605	319,996

(Quarterly Consolidated Statement of Comprehensive Income, Cumulative)

(JPY in Thousands)

	FY2021 2Q (From Jan. 1, 2021, to Jun. 30,2021)	FY2022 2Q (From Jan. 1, 2022, to Jun. 30, 2022)
Quarterly net income	339,969	321,681
Quarterly comprehensive income	339,969	321,681
(Components)		
attributable to owners of parent	340,605	319,996
attributable to non-controlling interests	(636)	1,685

(3) Quarterly Consolidated Statement of Cash Flows

(JPY in Thousands)

	FY2021 2Q (From Jan. 1, 2021, to Jun. 30, 2021)	FY2022 2Q (From Jan. 1, 2022, to Jun. 30, 2022)
Cash flow from operating activities		
Income before income taxes and other adjustments	505,109	481,236
Depreciation	31,989	35,752
Amortization of software	124,627	96,521
Increase (decrease) in provision for share-based remuneration	1,246	1,297
Interest and dividend income	(10)	(10)
Interest expenses	-	448
Foreign exchange losses (gains)	(5,990)	(21,150)
Subsidy income	(8,740)	(2,654)
Decrease (increase) in trade receivables	96,694	731,967
Decrease (increase) in inventories	36,148	7,625
Decrease (increase) in prepaid expenses	(3,843)	(11,525)
Decrease (increase) in accounts receivable	10,928	8,176
Increase (decrease) in trade payables	(10,445)	(150,078)
Increase (decrease) in accounts payable-other	(69,168)	(16,562)
Increase (decrease) in accrued expenses	(3,210)	(13,833)
Increase (decrease) in accrued consumption taxes	4,284	(60,771)
Other	(12,244)	(6,135)
Subtotal	697,374	1,080,304
Interest and dividends received	10	10
Subsidies received	8,740	64,220
Interest paid	-	(448)
Income taxes paid	(110,639)	(209,730)
Total operating activities	595,484	934,356
Cash flow from investing activities		
Payments into time deposits	(78,000)	(78,000)
Proceeds from withdrawal of time deposits	78,000	78,000
Purchases of property, plant, and equipment	(51,824)	(62,120)
Purchases of intangible assets	(97,109)	(114,177)
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	(30,011)	(1,280)
Proceeds from refund of leasehold deposits	70,398	50
Other	(256)	434
Total investing activities	(269,073)	(177,093)
Cash flow from financing activities		
Proceeds from short-term borrowings	-	100,000
Repayments of short-term borrowings	-	(10,000)
Dividends to shareholders	(141,741)	(154,369)
Proceeds from share issuance to non-controlling shareholders	3,000	-
Total financing activities	(138,741)	(64,369)
Net increase (decrease) in cash and cash equivalents	187,669	692,893
Cash and cash equivalents at the beginning of period	1,972,330	2,045,974
Cash and cash equivalents at the end of period	2,159,999	2,738,868

(4) Notes to Quarterly Consolidated Financial Statement

(Note on Going Concern): N/A

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

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

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

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

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

Due to the application of Accounting Standard for Revenue Recognition "notes and accounts receivable," which was included in "current assets" in the consolidated balance sheet for the previous fiscal year, is included in "notes, accounts receivable and contract assets" in the consolidated balance sheet for the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to reflect the new presentation for the previous consolidated fiscal year. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12, March 31, 2020), information concerning disaggregating revenue from contracts with customers for the first six months of the previous fiscal year is not presented.

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

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

【Additional Information】

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

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

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

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

Treasury stock held by Custody Bank of Japan; Ltd. (Trust Account E) is presented as treasury stock in the net assets section of the quarterly consolidated balance sheets. The amount recorded at the end of the previous fiscal year was 130,217 thousand yen and the number of shares was 168,800. The amount recorded at the end of the second quarter of the current fiscal year was 126,668 thousand yen and the number of shares was 164,200.

【SEGMENT INFORMATION, etc.】

(Segment Information)

1. Sales and Income or Loss by Reportable Segment

FY2021 2Q (From January 1, 2021, to June 30, 2021)

(JPY in thousands)

	Reportable segment			Adjustment (Note1)	Reported amount for consolidated financial statements (Note 2)
	System development	Healthtech	Sub total		
Sales					
Sales for external customers	2,388,659	16,718	2,405,378	-	2,405,378
Internal sales or transfers between segments	1,485	-	1,485	(1,485)	-
Total	2,390,145	16,718	2,406,863	(1,485)	2,405,378
Segment income or loss	601,950	(112,950)	488,999	-	488,999

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

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

FY 2022 1Q (From January 1, 2022, to June 30, 2022)

(JPY in Thousands)

	Reportable segment			Adjustment (Note1)	Reported amount for consolidated financial statements (Note 2)
	System development	Healthtech	Sub total		
Sales					
Sales for external customers	2,170,364	63,276	2,233,641	-	2,233,641
Internal sales or transfers between segments	1,485	-	1,485	(1,485)	-
Total	2,171,849	63,276	2,235,126	(1,485)	2,233,641
Segment income or loss	573,115	(117,418)	455,696	-	455,696

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

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

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

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

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

(Revenue Recognition)

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

FY 2022 2Q (From January 1, 2022, to June 30, 2022)

(JPY in Thousands)

	Reportable segment		Total
	System development	Healthtech	
Timing of revenue recognition			
Revenue recognized at a point in time	1,088,760	62,947	1,151,707
Revenue recognized over a period of time	1,081,603	329	1,081,933
Total	2,170,364	63,276	2,233,641

(JPY in Thousands)

	Reportable segment		Total
	System development	Healthtech	
Segment, solution, channel			
Software	1,253,757	-	1,253,757
Hardware	124,484	-	124,484
Support etc.	679,456	-	679,456
Other	112,666	63,276	175,943
Total	2,170,364	63,276	2,233,641

(Significant Subsequent Event)**(Change in the scope of consolidation due to decrease in the equity ratio)**

As an exercise of stock options (stock acquisition rights) by directors and employees of its consolidated subsidiary, EMC Healthcare Co., Ltd. ("EMCH"), our shareholding in EMCH decreased, and we confirmed that EMCH was excluded from its consolidated subsidiaries and became an equity method affiliate of the Company.

(1) Status of the shares held by the Company before and after the exercise of the stock acquisition rights and the number of stock acquisition rights exercised by directors and employees of subsidiary

(1) Number of shares held by the Company before exercise	1,023 shares (Number of voting rights: 1,023) (Percentage of voting rights: 53.8%)
(2) Number of exercises	2,289 (Number of shares to be exercised: 2,289 shares)
(3) Number of shares held by the Company after exercise	1,023 shares (Number of voting rights: 1,023) (Percentage of voting rights: 24.4%)

(2) Outlook

In accordance with the exercise of stock options, EMCH changed to an equity-method affiliate effective July 1, 2022. This improved the Company's consolidated operating income by approximately 30 million yen for the fiscal year ending December 31, 2022. The impact of this event on our performance for the fiscal year ending December 31, 2022, is expected to be minimal.

3. Supplementary Information

(1) Transition of Significant Financial Key Performance Indicators

(JPY in thousands, except per share amounts)

	FY2021 2Q	FY2022 2Q	FY2021 4Q
	(Cumulative)		
Net sales	2,405,378	2,233,641	4,968,885
Operating income	488,999	455,696	920,720
Ordinary income	505,109	481,236	944,593
Net income	339,969	321,681	635,796
Net income attributable to owners of the non-controlling interests	(636)	1,685	(230)
Net income attributable to owners of the parent company	340,605	319,996	636,027
Comprehensive income	339,969	321,681	635,796
Net assets	3,276,920	3,706,244	3,512,533
Total assets	3,957,260	4,628,045	4,556,563
BPS (Book-value Per Share)	127.96	144.31	136.84
EPS (Earnings Per Share)	13.30	12.49	24.84

(2) Production, Order, Sales

1) Actual Result of Production for FY2022 2Q (Cumulative Amount)

Business segment	Production (JPY in Thousands)	YoY (%)
System development	656,531	86.0
Healthtech	102,190	107.4
Total	758,721	88.4

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

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

Business segment	Order received (JPY in Thousands)	YoY (%)	Order backlog (JPY in Thousands)	YoY (%)
System development	1,866,561	109.3	1,150,206	141.8
Healthtech	83,764	205.7	47,070	261.5
Total	1,950,326	111.5	1,197,276	144.4

3) Sales Result for FY2022 2Q (Cumulative Amount by Segment, Solution, and Channel)

Segment, solution, channel	Sales amount (JPY in Thousands)	Ratio (%)	YoY (%)
System development			
Software	1,253,757	56.2	89.3
(of via sales agent)	(369,725)		
Hardware	124,484	5.6	78.4
(of via sales agent)	(7,075)		
Support etc.	680,942	30.5	108.2
Other	112,666	5.0	57.1
Healthtech	63,276	2.8	378.5
Adjustments (Note)	(1,485)	(0.1)	-
Total	2,233,641	100.0	92.9

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