



**Consolidated Financial Results [Japanese GAAP]
for the Fiscal Year Ended December 31, 2023**

February 13, 2024

Listed company: **FINDEX Inc.**
 Stock Exchange Listing: Tokyo Stock Exchange
 Stock code: 3649
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 Scheduled date of annual general meeting of shareholders: March 27, 2024
 Scheduled date to commence dividend payment: March 28, 2024
 Availability of supplementary materials on financial results: Yes
 Availability of financial results briefing: Yes for analysts

**1. Consolidated Financial Results for the Fiscal Year ended December 31, 2023
(From January 1, 2023, to December 31, 2023)**

**Figures are rounded down to the nearest million yen, except share and per share data
 "% " indicates year-on-year changes from the previous corresponding period

(1) Consolidated Operating Results (Cumulative)

Fiscal year ended	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	
	JPY MM	%	JPY MM	%	JPY MM	%	JPY MM	%
December 31, 2023	5,191	14.3	1,496	45.5	1,527	44.7	1,059	46.5
December 31, 2022	4,541	(8.6)	1,028	11.7	1,055	11.8	722	13.6

(Note) Comprehensive income: FY2023: 1,056 million yen [45.8%], FY2022: 724 million yen [13.9%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Net income over shareholder's equity	Ordinary income over total assets	Operating income over sales
	JPY	JPY	%	%	%
December 31, 2023	41.31	—	23.9	28.0	28.8
December 31, 2022	28.21	—	19.2	22.1	22.6

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

FY2023: - million yen, FY2022: -million yen

- (Notes) 1. No statement is indicated above for the number of diluted earnings per share for FY2022 because there were no issuable shares with dilutive effects.
 2. No statement is indicated above for the number of diluted earnings per share for FY2023 because there were no issuable shares.

(2) Consolidated Financial Position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	JPY MM	JPY MM	%	JPY
December 31, 2023	5,934	4,845	81.5	188.67
December 31, 2022	4,980	4,042	81.1	157.63

(Reference) Equity amount: FY2023: 4,838 million yen, FY2022: 4,038 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	JPY MM	JPY MM	JPY MM	JPY
December 31, 2023	842	(296)	(270)	2,563
December 31, 2022	693	(230)	(142)	2,287

2. Dividends

	Annual dividends per share					Total dividends	Payout ratio	Dividends over net assets
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Total			
	JPY	JPY	JPY	JPY	JPY	JPY MM	%	%
Year ended December 31, 2022	—	3.00	—	6.50	9.50	244	33.7	6.5
Year ended December 31, 2023	—	4.00	—	9.00	13.00	355	31.5	7.5
Year ending December 31, 2024 (Forecast)	—	7.00	—	8.00	15.00		35.1	

3. Consolidated Financial Forecasts for the Fiscal Year ending December 31, 2024 (From January 1, 2024, to December 31, 2024)

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

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of the parent		Basic earnings per share
	JPY MM	%	JPY MM	%	JPY MM	%	JPY MM	%	JPY
Six months ending June 30, 2024	2,872	27.7	754	89.8	764	84.4	527	85.6	20.56
Fiscal year ending December 31, 2024	5,782	11.4	1,574	5.2	1,591	4.2	1,097	3.6	42.79

*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) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(Note) For more detailed illustration, please refer to “3. Consolidated Financial Statements and Significant Notes Thereto (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” on page 13 of the attached document.

(3) Number of Shares Outstanding (Common Shares)

	As of December 31, 2023	As of December 31, 2022
Number of shares outstanding at the end of the period (treasury shares included)	26,608,800	26,608,800
Number of treasury shares at the end of the period	962,288	987,475
	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2022
Average number of outstanding shares during the period	25,637,246	25,617,486

(Note) The number of treasury shares at the end of the period includes our shares held by Custody Bank of Japan, Ltd. (Trust Account E) (154,400 shares for FY2023, 161,100 shares for FY2022). Our shares held by Custody Bank of Japan, Ltd. (Trust Account) are included in the treasury share deducted in the calculation of the average number of shares during the period (157,082 shares for FY2023, 164,939 shares for FY2022).

(Reference) Non-consolidated Financial Results**1. Non-Consolidated Financial Results for the Fiscal Year ended December 31, 2023****(From January 1, 2023, to December 31, 2023)****Figures are rounded down to the nearest million yen, except share and per share data***“ %” indicates year-on-year changes from the previous corresponding period***(1) Non-Consolidated Operating Results (Cumulative)**

	Net sales		Operating profit		Recurring profit		Profit	
	JPY MM	%	JPY MM	%	JPY MM	%	JPY MM	%
Fiscal year ended December 31, 2023	5,153	14.8	1,448	41.0	1,481	40.2	1,028	39.4
December 31, 2022	4,487	(8.9)	1,027	8.5	1,056	9.0	737	9.8

	Basic earnings per share	Diluted earnings per share
	JPY	JPY
Fiscal year ended December 31, 2023	40.10	—
December 31, 2022	28.79	—

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

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

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	JPY MM	JPY MM	%	JPY
As of December 31, 2023	6,057	4,970	82.1	193.81
December 31, 2022	5,146	4,201	81.6	163.98

(Reference) Equity amount: FY2023: 4,970 million yen, FY2022: 4,201 million yen

2. Non-Consolidated Forecast for the Fiscal Year ending December 31, 2024**(From Jan. 1, 2024, to Dec.31, 2024)**** Figures are rounded down to the nearest million yen, except share and per share data*** “ %” indicates year-on-year changes from the previous corresponding period*

	Net sales		Recurring profit		Profit		Basic earnings per share
	JPY MM	%	JPY MM	%	JPY MM	%	JPY
Six months ending June 30, 2024	2,842	27.9	764	100.1	527	100.0	20.56
Fiscal year ending December 31, 2024	5,682	10.3	1,589	7.3	1,095	6.5	42.71

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

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

(Caution statement regarding forward-looking statements and descriptions)

The performance forecast described in this report are based on information that is available to the Group, as well as certain assumptions and estimates that are deemed to be reasonable, and we make no assurance that such descriptions prove to be correct. Actual figures may significantly differ due to various factors. For assumptions used in forecasting operating results and precautions regarding the use of the forecast, please refer to “1. Status of the Group (4) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements” on page 7 of the attached document for further information.

(Availability of financial results briefing details)

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

Attached Material

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1. Qualitative Information on Consolidated Financial Results

(1) Explanation on Operating Results

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

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

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

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

The consolidated financial results for the fiscal year ended December 31, 2023 are as follows.

(JPY in thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Change (amount)	Change (%)	FY2023 achievement rate
Net sales	4,541,242	5,191,735	650,493	14.3%	102.5%
Operating profit	1,028,522	1,496,570	468,047	45.5%	114.0%
Recurring profit	1,055,708	1,527,453	471,745	44.7%	114.8%
Profit attributable to owners of the parent	722,779	1,059,140	336,361	46.5%	114.7%

Regarding the fiscal year ended December 31, 2023, consolidated net sales were ¥5,191,735 thousand (+14.3% YoY), operating profit was ¥1,496,570 thousand (+45.5%), recurring profit was ¥1,527,453 thousand (+44.7%), and profit attributable to owners of the parent was ¥1,059,140 thousand (+46.5%). Due in large part to the strong performance of our Medical Business segment, both sales and profits exceeded the performance of the same period last year.

Consolidated results by the reportable segments of the current fiscal year are as follows.

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

《Medical Business》

(JPY in thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Change (amount)	Change (%)
Net sales	4,352,187	4,935,926	583,738	13.4%
Operating profit	1,267,070	1,625,997	358,927	28.3%

Mainstay products in the Medical Business segment include the image data management software *Claiο*, the progress note system *C-Note*, and the document management system *DocuMaker*. These flagship products are rated highly in large hospitals that provide advanced healthcare services and therefore command a stable share of the market. As core hospital solutions, they play integral roles essential to the delivery of medical care. The number of *Claiο* users exceeded 1,500 in November 2023, indicating a consistent growth in customer base.

Regarding the fiscal year ended December 31 2023, consolidated net sales in this segment were ¥4,935,926 thousand (+13.4% YoY) and operating profit was ¥1,625,997 thousand (+28.3%). Implementation projects for large hospitals are progressing well, and the sales of packaged products are also performing steadily. Additionally, it is noteworthy that our consulting department, newly established in January 2023, has been performing well.

During the current consolidated fiscal year, we have been focusing on sales of packaged products to both existing and new customers in Japan. As a result, 45 hospitals and 109 clinics newly installed, added on, or updated our solutions during this period. In November 2023, we launched *Cloud Backup Service*, enabling local hospitals and clinics to securely store and manage backup data of medical information, as well as documents that need to be kept in facilities, in a cloud storage system. As for the sale of *Claiο* in India, we have continuously been in detailed discussions with Toyota Tsusho Corporation (headquartered in Aichi Prefecture, hereinafter referred to as TTC), who will be leading the marketing and sales operations, about the timing and pricing for the product launch.

Fitting Cloud Inc., a subsidiary specializing in cloud-based solutions, started initiating a collaborative research project with Kyoto University Hospital's School of Medicine to leverage AI in automating documentation tasks in medical settings in October 2023. Fitting Cloud has actively been working towards integrating the findings from this research into FINDEX products. Additionally, during the 43rd Joint Conference on Medical Informatics held in November 2023, Fitting Cloud introduced various products designed to align with the upcoming reforms in the working practices of physicians scheduled in April 2024.

《Public Sector Business》

(JPY in thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Change (amount)	Change (%)
Net sales	121,286	187,405	66,119	54.5%
Operating profit or loss	(33,258)	41,364	74,623	—

The Public Sector Business segment was established this fiscal year.

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

Regarding the fiscal year ended December 31 2023, consolidated net sales in this segment were ¥187,405 thousand (+54.5% YoY) and operating profit was ¥41,364 thousand (versus the year-earlier operating loss of ¥33,258 thousand).

Regarding packages sold to local governments, the cumulative number of package installations has reached 26 since the service launch. In the first half of the fiscal year 2024, we have five ongoing implementations with a prefecture, independent administrative agencies, and national universities scheduled for acceptance. Focusing on building a track record for future business expansions, we are prioritizing sales activities that emphasize scale over quantity, achieving steady results. We are actively engaged in negotiations for operational projects in the latter half of the fiscal year 2024 and beyond, with proposals expected to be implemented from the first quarter of 2024 onwards. Considering that our high-level consulting skills and user-oriented, user-friendly solutions have a strong reputation, we anticipate gaining many more contracts going forward. Furthermore, by proactively pursuing

collaboration with other systems, we believe there are opportunities for additional orders from existing projects in the future. A subscription business model is adopted to this service. Profit growth generated by the buildup of monthly service fees is anticipated, as the number of existing users increases in the future.

As for the packages aimed at the administrative departments at medical facilities, we have been actively expanding sales since 2022, with a primary focus on large and medium-sized hospitals, which are our existing users. Since the launch of the service, the cumulative number of installations has reached six, with five new orders secured in 2023. Additionally, three deployments are confirmed to commence by spring 2024. Furthermore, our product obtained JIIMA certification in December 2023, meeting the legal requirements for the Electronic Health Record (EHR) Scanner Storage Software Certification System. This not only enhances the existing hospital Function Evaluation (Note1) support features but also anticipates expanded sales opportunities as a solution compliant with the Electronic Bookkeeping Law.

《Health Tech Business》

(JPY in thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Change (amount)	Change (%)
Net sales	69,253	68,403	(849)	(1.2)
Operating loss	(205,288)	(170,791)	34,496	—

In the Health Tech Business segment, we focused our efforts on domestic sales and on preparations of overseas sales expansion of our gaze analyzing perimeter, or *GAP* (Note2) for short. *GAP* is an affordable, groundbreaking wearable device that enhances availability by measuring a patient's visual field with a completely different approach to that of conventional examination methods. It can also contribute to the early detection of retinal diseases, such as glaucoma and other conditions that lack obvious symptoms in the early stages. Unlike a conventional visual field examination, the product does not require the use of a dark room, thus shortening the examination time and alleviating the burden on the patient. Moreover, by promoting the use of *GAP* at facilities that conduct medical exams and health checkups, early-stage retinal disease patient data can be shared with R&D centers in Japan and overseas with the potential for it to contribute to the innovation of technology and solutions in numerous fields, including pharmaceuticals and life insurance.

Regarding the fiscal year ended December 31 2023, consolidated net sales in this segment were ¥68,403 thousand (-1.2% YoY). We recorded an operating loss of ¥170,791 thousand, versus the year-earlier operating loss of ¥205,288 thousand. Net sales slightly decreased year on year due to the impact of EMC Healthcare Co., Ltd. (headquartered in Tokyo) being removed from the scope of consolidation. On the other side, our operating loss decreased for the same reason, resulting in a smaller loss.

During the current consolidated fiscal year, we have been conducting demonstrations and sales of the products at domestic medical facilities, and stepping up sales of *GAP-screener* (Note3) to nationwide health checkup facilities in collaboration with TTC. There were 14 domestic shipments of these products in the fiscal year ended December 31 2023. In October 2023, we exhibited *GAP* and co-hosted a seminar at the "77th Annual Congress of Japan Clinical Ophthalmology" attracting considerable interest from numerous healthcare professionals. Furthermore, in November 2023, an explanation of *GAP* as a medical device was featured in a specialized ophthalmology journal, marking progress in our promotional activities.

We also continue to undertake initiatives with a view to expanding overseas. Through one of our sales distributors Rexam Co., Ltd. (headquartered in Osaka, hereinafter referred to as Rexam), we have started the mass-manufacturing process of the products to target shipments to the EU countries within 2023. We are also working to acquire pharmaceutical regulatory approval in India and Indonesia.

In our efforts toward international expansion, we commenced shipments to the EU, the Middle East, and some countries in North Africa through one of our sales distributors Rexam from December 2023. In the initial batch, we shipped 46 units. Moving forward, the product, under the name "FIELDNavigator," will be sold in approximately 50 countries as an OEM product of Rexam.

In addition, because the product can be used to detect not only visual field abnormality, but also MCI (Note4), it was adopted by the Japan Agency for Medical Research and Development (AMED) for the R&D of a screening program for slight cognitive dysfunctions, utilizing digital phenotyping of gaze point response and eyeball movements, as part of its 2021 research project for medical-engineering collaboration and implementation of artificial intelligence. We continue to pursue R&D together with Kyoto University, as we expect new medical

devices will be introduced to the medical frontline over the next few years.

(Note1) Hospital Function Evaluation: A system used to assess and evaluate the functions and quality of medical services provided by hospitals in Japan. It helps in ensuring the standardization and quality of healthcare services across various medical institutions, including general hospitals and other healthcare facilities.

(Note2) Gaze Analyzing Perimeter, *GAP* (Notification No. of medical device manufacturing and sales 38B2X10003000002)

(Note3) Gaze Analyzing Perimeter, *GAP-screener* (Notification No. of medical device manufacturing and sales 38B2X10003000003)

(Note4) Abbreviation for Mild Cognitive Impairment. A stage of symptoms between those of healthy individuals and those with dementia, which has not yet progressed to dementia.

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

(JPY in thousands)

	As of December 31, 2022	As of December 31, 2023	Change (amount)
Assets	4,980,780	5,934,285	953,505
Liabilities	937,842	1,088,925	151,082
Net assets	4,042,937	4,845,360	802,422

(Assets)

Total assets amounted to ¥5,934,285 thousand, an increase of ¥953,505 thousand from the end of the previous fiscal year.

1. Current assets

Current assets amounted to ¥5,006,955 thousand as of FY2023 end, an increase of ¥878,652 thousand from FY2022 end, which is mainly composed of an increase of ¥279,413 thousand in cash and deposits, an increase of ¥88,453 thousand in notes receivable - trade and an increase of ¥460,145 thousand in contract assets.

2. Non-Current assets

Non-current assets amounted to ¥927,330 thousand as of FY2023 end, an increase of ¥74,852 thousand from FY2022 end, which is mainly composed of an increase of ¥39,044 thousand in intangible assets, an increase of ¥49,840 thousand in investments and other assets, partially offset by a decrease of ¥14,032 thousand in tangible assets.

(Liabilities)

Total liabilities as of FY2023 end amounted to ¥1,088,925 thousand, an increase of ¥151,082 thousand from the end of the previous fiscal year.

1. Current liabilities

Current liabilities amounted to ¥772,846 thousand as of FY2023 end, an increase of ¥118,843 thousand from FY2022 end, which is mainly composed of an increase of ¥103,712 thousand in income taxes payable.

2. Non-current liabilities

Long-term liabilities amounted to ¥316,078 thousand as of FY2023 end, an increase of ¥32,238 thousand from FY2022 end, which is mainly composed of an increase of ¥46,338 thousand of provision for share awards.

(Net assets)

Net assets amounted to ¥4,845,360 thousand as of FY2023 end, an increase of ¥802,422 thousand from FY2022 end. This was primarily due to an increase of ¥784,967 thousand in retained earnings.

(3) Explanation on Cash Flows for the Fiscal Year

(JPY in Thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023	Change (amount)
Net cash provided by (used in) operating activities	693,848	842,844	148,995
Net cash provided by (used in) investing activities	(230,160)	(296,937)	(66,776)
Net cash provided by (used in) financing activities	(142,020)	(270,494)	(128,473)
Net increase (decrease) in cash and cash equivalents	321,668	275,413	(46,255)
Cash and cash equivalents at beginning of period	2,045,974	2,287,747	241,772
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(79,895)	-	79,895
Cash and cash equivalents at end of period	2,287,747	2,563,160	275,413

Cash and cash equivalents (hereafter “cash”) as of FY2023 end amounted to ¥2,563,160 thousand, an increase of ¥275,413 thousand from FY2022 end (up 12.0%). 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 ¥842,844 thousand, an increase of ¥148,995 thousand compared to FY2022. This is mainly attributable to ¥1,524,453 thousand of income before income taxes, and ¥562,845 thousand of increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥296,937 thousand, an increase of ¥66,776 thousand compared to FY2022. This is mainly attributable to ¥254,278 thousand of acquisition payment for intangible assets (mainly software for sales).

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥270,494 thousand (The dividend payment for the previous consolidated fiscal year was ¥232,020 thousand). In the previous consolidated fiscal year, our subsidiary EMC Healthcare Co., Ltd. secured short-term borrowings of ¥100,000 thousand.

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

The Group's consolidated financial forecast for the fiscal year ending December 31, 2024, is as follows.

(JPY in Thousands)

	Fiscal year ended December 31, 2023			Fiscal year ending December 31, 2024			YoY Change
	(Result)			(Forecast)			
	1 st Half	2 nd Half	Full year	1 st Half	2 nd Half	Full year	
Net sales	2,249,242	2,942,493	5,191,735	2,872,000	2,910,000	5,782,000	11.4%
Operating profit	397,300	1,099,269	1,496,570	754,000	820,000	1,574,000	5.2%
Recurring profit	414,372	1,113,081	1,527,453	764,000	827,000	1,591,000	4.2%
Profit attributable to owners of the parent	283,881	775,258	1,059,140	527,000	570,000	1,097,000	3.6%

The Group's performance forecast for the fiscal year ending December 2024 anticipates an increase in both sales and profit compared to the actual results of the fiscal year ended December 2023. We plan to expand investment, primarily in human resources, and as a result, the planned profit is expected to be slightly below the target of the mid-term management plan. For the fiscal year ending December 2024, we will continue to focus on the sale of high margin packaged products, contributing to an expected increase in sales and profit in our core business, the Medical Business, surpassing the fiscal year ended December 2023. In the Public Sector Business, due to significantly higher demand than anticipated, we expect sales and profit to exceed those of the fiscal year ended December 2023. However, in the Health Tech Business, we are restructuring the domestic and international business plans due to substantial delays in the GAP project. We will implement measures to enhance the sales structure through strengthened agent sales, aiming to improve operating profit. As part of our management strategy, we will actively pursue effective M&A, focusing on selecting acquisition candidates that contribute to the reinforcement and expansion of our business.

The forward-looking statements in this document are based on information available as of the announcement date and may differ from actual performance due to various factors in the future. If a revision to the performance forecast becomes necessary, we will promptly disclose it.

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

The Group intends to maximize its corporate value by establishing its position in the market through innovative solution and advanced consulting capabilities. To achieve this, maintaining an optimal balance between corporate value and shareholder value, our policy is to pay dividends based on a comprehensive assessment of our business performance, financial condition, and achievement of our business plan, while maintaining and expanding internal reserves to continue to make necessary re-investments in an agile and flexible manner. Taking into consideration our business performance and future business development, we have decided to pay a year-end dividend of ¥9.00 per share for FY2023.

The interim dividend for FY2024 is planned to be ¥7.00 per share and a year-end dividend ¥8.00 per share in light of our earnings forecast. Retained earnings will be effectively re-invested to secure talented human resources and to enhance software assets for sale, which are the fundamental factors for our successful growth. We are committed to returns profits to shareholders over the long term.

2. Qualitative Information on Quarterly Consolidated Financial Results

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

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(JPY in thousands)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	2,413,747	2,693,160
Notes receivable - trade	32,380	120,834
Accounts receivable - trade	1,052,240	1,066,487
Contract assets	276,637	736,783
Merchandise and finished goods	165,417	216,844
Work in process	3,975	3,967
Raw materials and supplies	146,612	118,376
Other	37,291	50,502
Total current assets	4,128,302	5,006,955
Non-current assets		
Tangible assets		
Buildings	85,899	69,065
Accumulated depreciation	(35,189)	(22,702)
Buildings, net	50,709	46,363
Other	181,573	176,258
Accumulated depreciation	(128,995)	(133,366)
Other, net	52,578	42,891
Total tangible assets	103,287	89,255
Intangible assets		
Software	251,005	290,050
Other	344	344
Total intangible assets	251,349	290,394
Investments and other assets		
Investment securities	56,700	199,130
Leasehold deposits	158,234	163,574
Deferred tax assets	139,836	174,643
Other	143,068	10,332
Total investments and other assets	497,839	547,680
Total non-current assets	852,477	927,330
Total assets	4,980,780	5,934,285
Liabilities		
Current liabilities		
Accounts payable - trade	81,209	39,379
Accounts payable - other	142,630	99,701
Income taxes payable	227,529	331,241
Other	202,633	302,524
Total current liabilities	654,002	772,846
Non-current liabilities		
Provision for share awards	186,787	233,125
Other	97,052	82,952
Total non-current liabilities	283,839	316,078
Total liabilities	937,842	1,088,925
Net assets		
Shareholders' equity		
Share capital	254,259	254,259
Capital surplus	224,259	224,259
Retained earnings	4,372,694	5,157,662
Treasury shares	(812,506)	(791,956)
Total shareholders' equity	4,038,706	4,844,223
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	(5,386)
Total accumulated other comprehensive income	-	(5,386)
Non-controlling interests	4,230	6,522
Total net assets	4,042,937	4,845,360
Total liabilities and net assets	4,980,780	5,934,285

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income, Cumulative)

(JPY in thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	4,541,242	5,191,735
Cost of sales	1,818,396	1,862,259
Gross profit	2,722,846	3,329,476
Selling, general and administrative expenses	1,694,323	1,832,906
Operating profit	1,028,522	1,496,570
Non-operating income		
Interest income	47	72
Foreign exchange gains	16,896	16,869
Subsidy income	7,671	11,740
Royalty income	1,390	1,660
Other	1,627	540
Total non-operating income	27,633	30,883
Non-operating expenses		
Interest expenses	448	-
Total non-operating expenses	448	-
Recurring profit	1,055,708	1,527,453
Extraordinary income		
Gain on reversal of share acquisition rights	4,743	-
Insurance claim income	-	19,000
Total extraordinary income	4,743	19,000
Extraordinary losses		
Compensation for damage	-	22,000
Total extraordinary losses	-	22,000
Profit before income taxes	1,060,451	1,524,453
Income taxes - current	371,708	495,465
Income taxes - deferred	(35,497)	(32,443)
Total income taxes	336,210	463,022
Profit	724,240	1,061,431
Profit attributable to non-controlling interests	1,461	2,291
Profit attributable to owners of parent	722,779	1,059,140

(Consolidated Statement of Comprehensive Income, Cumulative)

(JPY in thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	724,240	1,061,431
Other comprehensive income		
Valuation difference on available-for-sale securities	-	(5,386)
Total other comprehensive income	-	(5,386)
Comprehensive income	724,240	1,056,045
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	722,779	1,053,753
Comprehensive income attributable to non-controlling interests	1,461	2,291

(3) Consolidated Statement of Changes in Equity
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 beginning of 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 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 period	-	-	504,569	5,940	510,509	(4,743)	1,461	507,228
Balance at end of period	254,259	224,259	4,372,694	(812,506)	4,038,706	-	4,230	4,042,937

Fiscal year ended December 31,2023 (From January 1, 2023 to December 31,2023)

(JPY in Thousands)

	Shareholders' equity					Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	254,259	224,259	4,372,694	(812,506)	4,038,706	-	-	4,230	4,042,937
Changes during period									
Dividends of surplus			(270,789)		(270,789)				(270,789)
Profit attributable to owners of parent			1,059,140		1,059,140				1,059,140
Disposal of treasury shares			(3,383)	20,549	17,166				17,166
Net changes in items other than shareholders' equity						(5,386)	(5,386)	2,291	(3,094)
Total changes during period	-	-	784,967	20,549	805,517	(5,386)	(5,386)	2,291	802,422
Balance at end of period	254,259	224,259	5,157,662	(791,956)	4,844,223	(5,386)	(5,386)	6,522	4,845,360

(4) Consolidated Statements of Cash Flows

(JPY in thousands)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,060,451	1,524,453
Depreciation	61,855	45,181
Amortization of software	193,105	212,564
Share-based payment expenses	-	2,525
Increase (decrease) in provision for share awards	29,077	51,507
Interest and dividend income	(47)	(73)
Foreign exchange losses (gains)	(16,896)	(16,869)
Subsidy income	(7,671)	(11,740)
Insurance claim income	-	(19,000)
Compensation for damage	-	22,000
Interest expenses on borrowings and bonds	448	-
Gain on reversal of share acquisition rights	(4,743)	-
Decrease (increase) in trade receivables	(107,514)	(562,845)
Decrease (increase) in inventories	(41,263)	(23,182)
Increase (decrease) in trade payables	(143,221)	(41,829)
Increase (decrease) in accounts payable - other	49,550	(38,410)
Other, net	(73,354)	97,137
Subtotal	999,775	1,241,418
Interest and dividends received	25	28
Subsidies received	64,220	-
Proceeds from insurance income	-	19,000
Interest paid	(448)	-
Compensation paid for damage	-	(22,000)
Income taxes paid	(369,723)	(395,602)
Net cash provided by (used in) operating activities	693,848	842,844
Cash flows from investing activities		
Payments into time deposits	(156,000)	(160,000)
Proceeds from withdrawal of time deposits	156,000	156,000
Purchase of property, plant and equipment	(72,767)	(28,697)
Purchase of intangible assets	(240,633)	(254,278)
Payments of leasehold deposits	(1,280)	(10,213)
Proceeds from refund of leasehold deposits	83,372	277
Other, net	1,148	(23)
Net cash provided by (used in) investing activities	(230,160)	(296,937)
Cash flows from financing activities		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	(10,000)	-
Dividends paid	(232,020)	(270,494)
Net cash provided by (used in) financing activities	(142,020)	(270,494)
Net increase (decrease) in cash and cash equivalents	321,668	275,413
Cash and cash equivalents at beginning of period	2,045,974	2,287,747
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(79,895)	-
Cash and cash equivalents at end of period	2,287,747	2,563,160

(5) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption): N/A

(Changes in Accounting Policies)

(Application of Guidance on Applying Accounting Standards for Fair Value Measurement)

We have applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Accounting Standard Guidance”) from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment prescribed in paragraph 27-2 of the Fair Value Accounting Standard Guidance, we have decided to apply the new accounting policies prescribed in the Fair Value Accounting Standard Guidance in the future. These changes have no impact on the consolidated financial statements.

【Additional Information】

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

At the Board of Directors meeting held on October 29, 2015, the Company resolved to adopt an employee stock ownership plan (referred to as J-ESOP) as an incentive plan to grant Company shares purchased from the market to employees in order to more closely link the Company’s share price and earnings with employee compensation and to boost the motivation and morale of employees to improve the share price and earnings by sharing the economic benefits with shareholders.

Accordingly, Trust & Custody Services Bank, Ltd. (trust account E) (now Custody Bank of Japan, Ltd. (trust account E)) acquired 194,200 shares of the Company’s stock between November 13, 2015 and November 26, 2015.

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

The treasury shares held by Custody Bank of Japan, Ltd. (trust account E) is shown as treasury shares in the net assets section of the quarterly consolidated balance sheet. The amount recorded at the end of the previous fiscal year was ¥124,277 thousand and the number of shares was 161,100. The amount recorded at the end of the current fiscal year was ¥119,108 thousand and the number of shares was 154,400.

【SEGMENT INFORMATION, etc.】

(Segment Information)

1. Overview of Reportable Segments

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

From the current consolidated fiscal year, the Group has changed the reporting segment for the “Office System Business” previously included in the “System Development Business”. Considering both quantitative and qualitative significance for the future, we now report the segment separately. The reporting segments have been revised from the previous two divisions, “System Development Business” and “HealthTech Business”, to three divisions: “Medical Business”, “Public Business”, and “HealthTech Business”.

Please note that the segment information for the previous consolidated fiscal year is disclosed based on the reporting segment division for the current fiscal year.

Description of reportable segments are as follows:

(Medical Business)

Development and sales of medical software, consulting, accumulation and analysis of medical data

(Public Sector Business)

Development and sales of document management solutions

(Health Tech Business)

Development and sales of medical devices, analysis of healthcare data

2. Calculation of Net Sales, Profit (Loss), Assets, and Other Items by Reportable Segments

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

3. Sales and Profit or Loss by Reportable Segments

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

(JPY in thousands)

	Reportable segments				Adjustments (Note1)	Amount in the consolidated financial statement (Note2)
	Medical Business	Public Sector Business	Health Tech Business	Total		
Net sales						
Sales for external customers	4,350,702	121,286	69,253	4,541,242	-	4,541,242
Internal sales or transfers between segments	1,485	-	-	1,485	(1,485)	-
Total	4,352,187	121,286	69,253	4,542,727	(1,485)	4,541,242
Segment profit or loss	1,267,070	(33,258)	(205,288)	1,028,522	-	1,028,522
Segment assets	4,748,403	25,258	207,118	4,980,780	-	4,980,780
Other						
Depreciation	221,129	1,893	31,937	254,960	-	254,960
Increase in tangible and intangible assets	282,426	-	25,846	308,273	-	308,273

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

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

Fiscal year ended December 31, 2023 (From January 1, 2023, to December 31, 2023)

(JPY in thousands)

	Reportable segments				Adjustments (Note1)	Amount in the consolidated financial statement (Note2)
	Medical Business	Public Sector Business	Health Tech Business	Total		
Net sales						
Sales for external customers	4,935,926	187,405	68,403	5,191,735	-	5,191,735
Internal sales or transfers between segments	-	-	-	-	-	-
Total	4,935,926	187,405	68,403	5,191,735	-	5,191,735
Segment profit or loss	1,625,997	41,364	(170,791)	1,496,570	-	1,496,570
Segment assets	5,505,533	163,936	224,305	2,893,775	3,040,510	5,934,285
Other						
Depreciation	228,246	5,988	23,511	257,746	-	257,746
Increase in tangible and intangible assets	220,444	29,941	27,774	278,161	-	278,161

(Notes) 1. Adjustments are corporate assets that have not been allocated to each reportable segments.

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

(Related information)

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

1. Information by product/service

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

2. Information by region

(1) Net sales

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

(2) Tangible assets

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

3. Information by major customer: N/A

FY 2023 (From January 1, 2023, to December 31, 2023)

1. Information by product/service

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

2. Information by region

(1) Net sales

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

(2) Tangible assets

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

3. Information by major customer: N/A

(Information on amortization and unamortized balance of goodwill by reportable segment)

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

FY 2023 (From January 1, 2023, to December 31, 2023): N/A

(Information on gain on negative goodwill by reportable segment)

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

FY 2023 (From January 1, 2023, to December 31, 2023): N/A

(Information on impairment of non-current assets by reportable segment)

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

FY 2023 (From January 1, 2023, to December 31, 2023): N/A

【Per Share Information】

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net assets per share	157.63 yen	188.67 yen
Basic earnings per share	28.21 yen	41.31 yen
Diluted earnings per share	-	-

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

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

3. Basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	FY2022 (As of Dec. 31, 2022)	FY2023 (As of Dec.31,2023)
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	722,779	1,059,140
Amounts not attributable to common shareholders (Thousand yen)	-	-
Profit attributable to owners of parent related to common shares (Thousand yen)	722,779	1,059,140
Average number of common shares outstanding during the period (Shares)	25,617,486	25,637,246
Diluted earnings per share		
Adjustments stated for profit attributable to owners of parent (Thousand yen)	-	-
Increase in number of common shares (Shares)	-	-
Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects	5th series of stock acquisition rights by resolution of the Board of Directors meeting held on February 25, 2020 Number of share acquisition rights: 2,830 Common shares (share): 283,000	-

(Note): For the purpose of basic earnings per share and diluted earnings per share, the average number of the Company's shares held by Japan Custody Bank, Ltd. (Trust Account E) during the previous consolidated fiscal year and the current consolidated fiscal year are 164,939 shares and 157,082 shares, respectively.

【Significant Subsequent Event】 : N/A

4. Other

Our group has three reportable segments: Medical Business, Public Sector Business, and Health Tech Business.

Status of Productions, Orders and Sales

1) Actual result of production for FY2023

Reportable segments	Production (JPY in Thousands)	YoY (%)
Medical Business	1,411,824	107.8
Public Sector Business	73,155	114.7
Health Tech Business	150,086	92.1
Total	1,635,066	106.4

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

2) Status of orders for FY2023

Reportable segments	Order received (JPY in Thousands)	YoY (%)	Order backlog (JPY in Thousands)	YoY (%)
Medical Business	3,814,842	115.2	1,679,265	158.6
Public Sector Business	197,551	204.4	96,224	305.6
Health Tech Business	58,643	48.8	13,918	58.9
Total	4,071,037	115.3	1,789,408	160.7

3) Sales results for FY2023

Reportable segments	Sales amount (JPY in Thousands)	YoY (%)
Medical Business	4,935,926	113.4
Public Sector Business	187,405	154.5
Health Tech Business	68,403	98.8
Total	5,191,735	114.3