

Supplementary Information on Q1FY2024 Quarterly Business Results Summary

FINDEX Inc.

May 14, 2024



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In the graphs and tables of this document, some of the figures are rounded up or truncated for the purpose of adjusting fractional values.

Q1FY2024

Net sales
¥2,124 million
 YoY:69.7%

Operating profit
¥862 million
 YoY:199.0%

- Achieved record-high sales and profit in Q1 due to strong performance in Medical Business and Public Sector Business
- Both sales and profit were already factored into the initial forecast, and there are no changes to the financial guidance
- The backlog of orders has stabilized at 82% compared to the same period last year, returning to normal levels
- Recruiting is steadily progressing as planned, total number of employees expected to increase by 10 by the end of June 2024

Medical Business

Net sales
¥1,996 million

Operating profit
¥839 million

- The total number of users utilizing our medical solutions has surpassed **2,000**
- Sales of our flagship product **Claio** are strong, the user retention rate remains high
- Implemented a revision of product prices (average increase of 20%), which will be reflected in quotations starting from Q2

Public Sector Business

Net sales
¥106 million

Operating profit
¥53 million

- **1** new installation of **municipal package** and **3** installations of **medical facility packages** in Q1
- **Achieved the highest sales and profit** due to installations to large organizations
- The total number of installations reached 36. There has been no termination of contract since the launch of the service.

Health Tech Business

Net sales
¥22 million

Operating profit
¥-30 million

- The cumulative number of **GAP** shipments in Q1: **6** units within **Japan** and production completed for overseas shipping scheduled in Q2 or later
- Incurred a loss due to a decrease in sales YoY, as well as an increase in personnel and salary expenses
- Reputation of **GAP** improved as the significant improvements in usability were achieved through software updates

Q1 FY2024

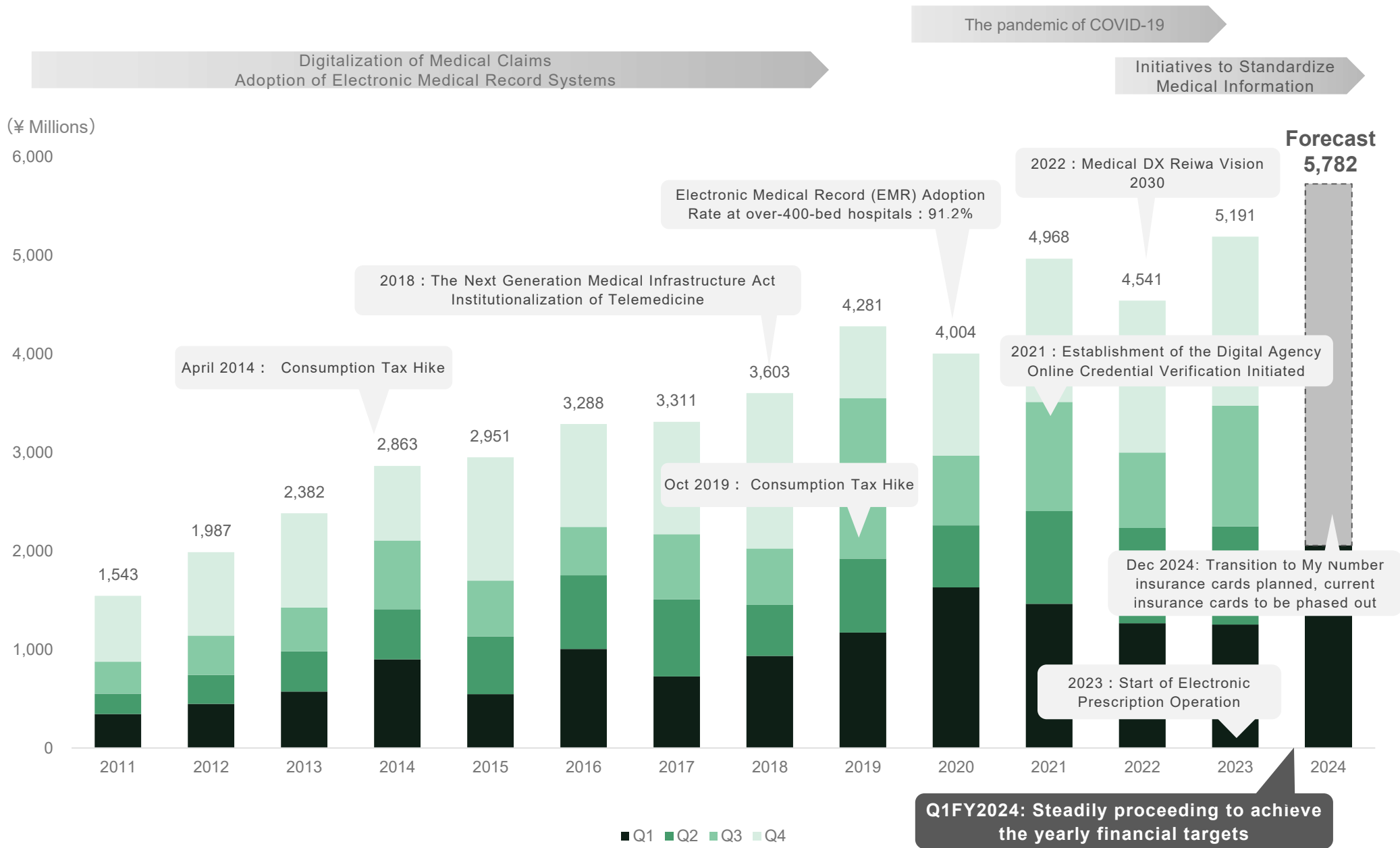
Financial Summary

- Significant increase in sales and profit YoY due to robust demand in Medical and Public Sector Business
- Decline in profit in the Health Tech business is due to a decrease in sales volume, coupled with increased staffing and salary raises

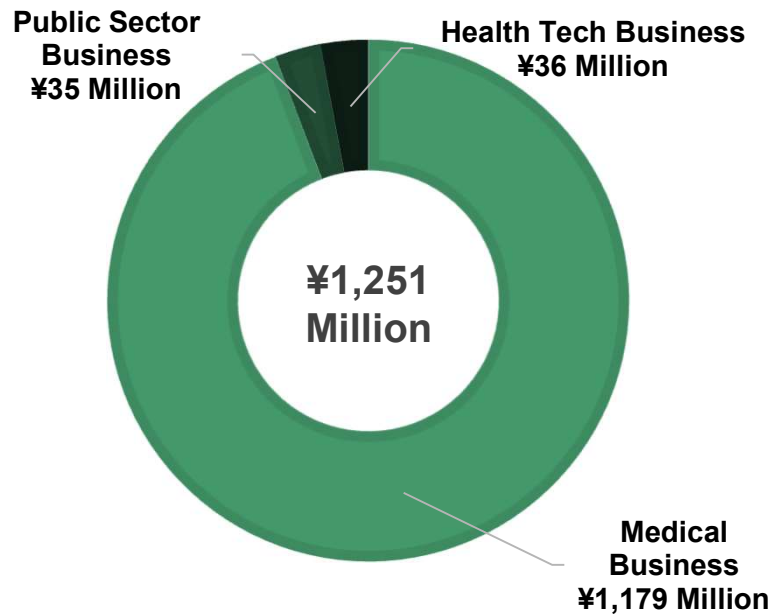


(¥ Millions)	Q1FY2023	Q1FY2024	YoY	FY2024 Forecast
Net sales	1,251	2,124	69.7%	5,782
Medical Business	1,179	1,996	69.3%	-
Public Sector Business	35	106	197.7%	-
Health Tech Business	36	22	(40.1%)	-
Cost of sales	537	782	45.8%	-
Gross profit	714	1,341	87.7%	-
Gross profit margin	57.1%	63.2%	-	-
SG&A	426	479	12.5%	-
Operating profit	288	862	199.0%	1,574
Medical Business	297	839	181.9%	-
Public Sector Business	3	53	1,257.4%	-
Health Tech Business	(13)	(30)	-	-
Operating Profit Margin	23.0%	40.6%	-	-
Recurring profit	292	865	196.2%	1,591
Profit attributable to owners of parent	199	642	222.4%	1,097

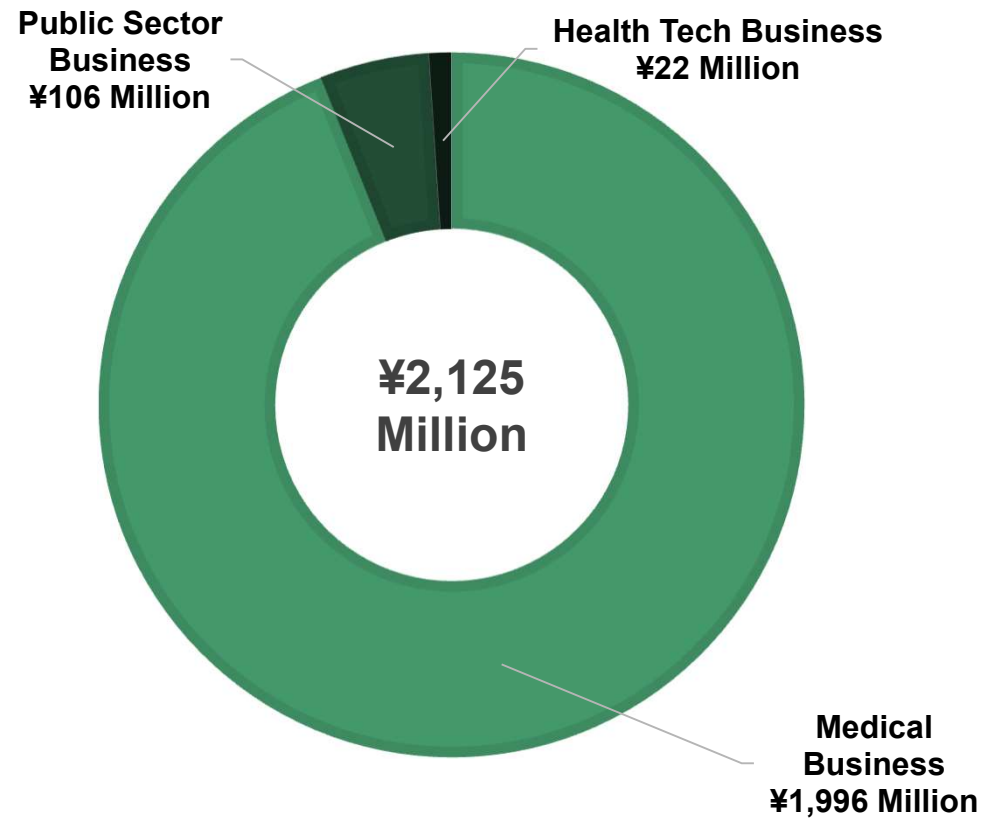
Market Trends and Our Financial Performance



Q1FY2023



Q1FY2024



Balance Sheet

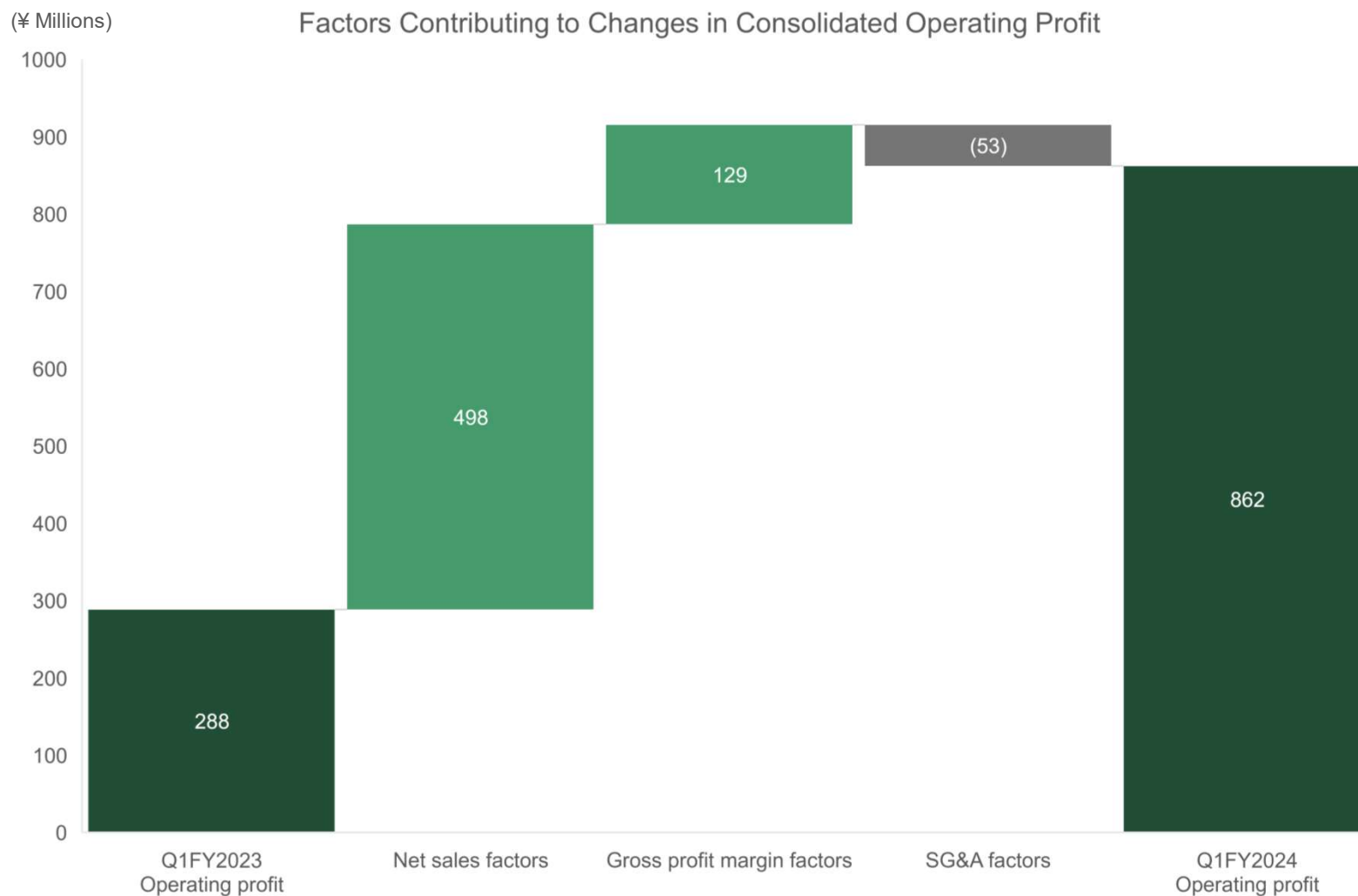
- No significant changes in the balance sheet
- Equity ratio remains at a high level of 80.4%

(¥ Millions)	FY2023	Q1FY2024	Changes
B/S			
Cash and deposits	2,693	2,895	202
Notes and accounts receivable - trade and contract assets	1,924	2,371	447
Merchandise and finished goods, work in progress	221	184	(36)
Raw materials and supplies	118	116	(1)
Other	50	38	(11)
TOTAL CURRENT ASSETS	5,006	5,607	600
Tangible assets	89	93	3
Intangible assets	290	295	5
Software	290	295	5
Investments and other assets	547	541	(6)
TOTAL ASSETS	5,934	6,538	603
TOTAL CURRENT LIABILITIES	772	944	171
Non-current LIABILITIES	316	327	11
(long-term and short-term interest-bearing liabilities)	0	0	0
TOTAL LIABILITIES	1,088	1,272	183
NET ASSETS	4,845	5,266	420
Shareholders' equity	4,844	5,256	411
TOTAL LIABILITIES and NET ASSETS	5,934	6,538	603

- Deposits and cash increased to JPY 2.9 bn with the cumulative profits from the past
- Strategizing on effective uses of capital including M&A

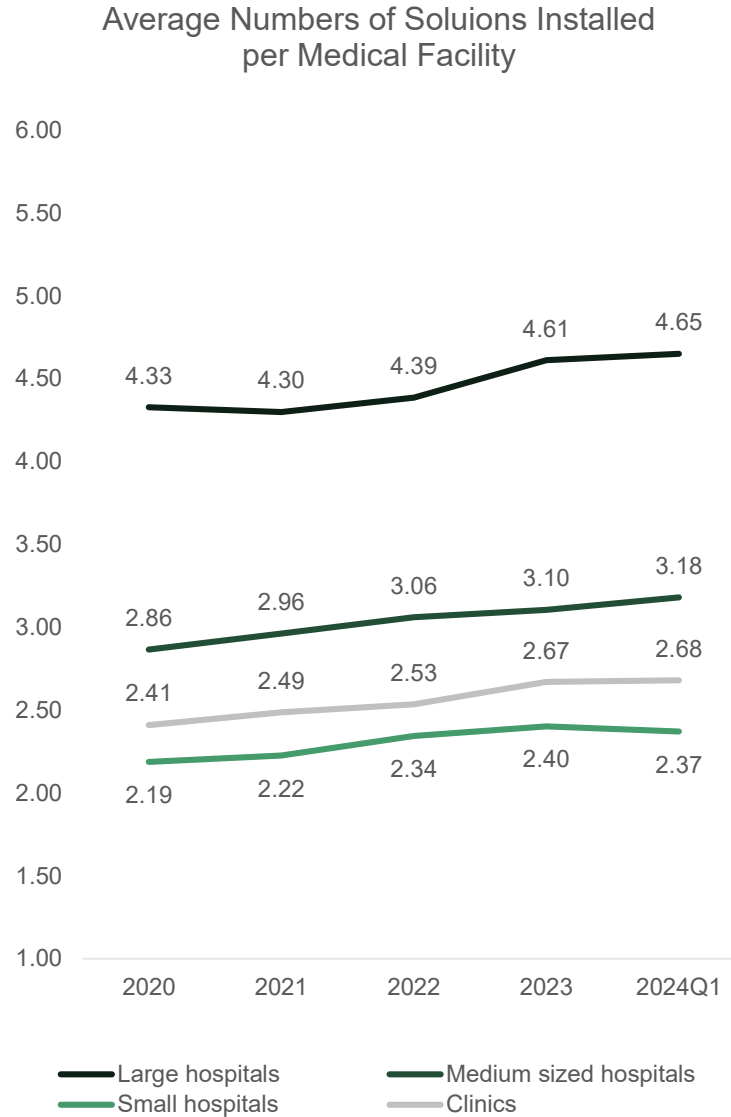
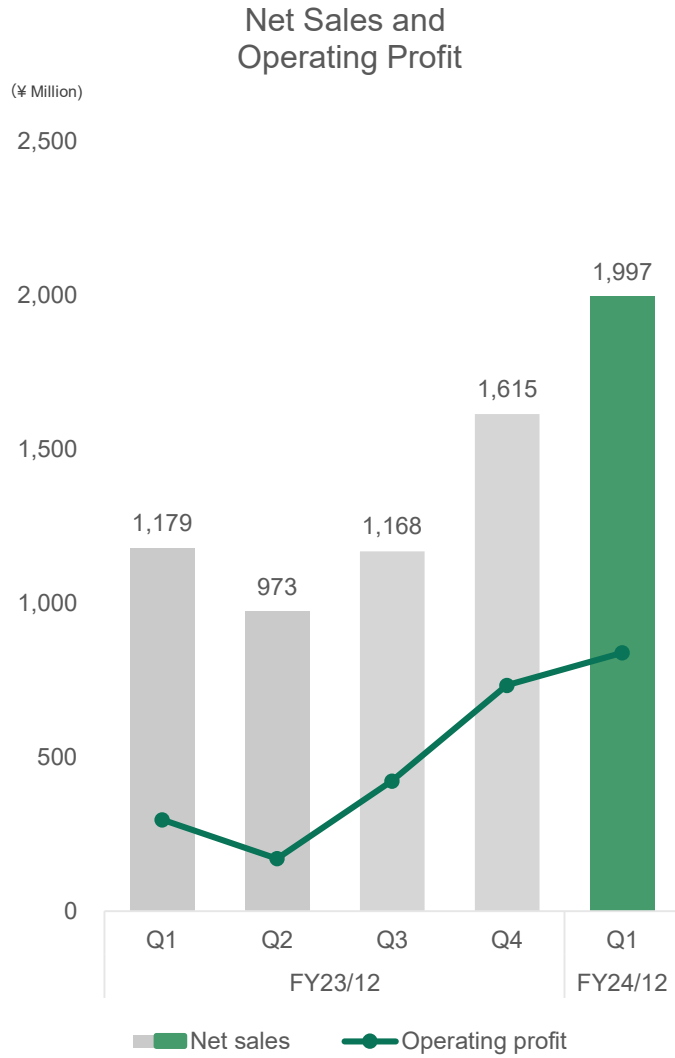
FY2024- Factors Contributing to Changes in Operating Profit

- Software implementations concentrated during the 3-day holiday in February
- The outsourcing expenses for large-scale projects related to data integration decreased YoY, resulting in an improvement in gross profit



- Selling and administrative expenses are within controlled limits, but personnel costs have increased due to efforts in recruitment strengthening and salary raises
- The favorable performance of package sales, which involve fewer customizations, has led to an increase in gross profit margin (mainly *Claio* and *DocuMaker*)

- Achieved record-high profits in Q1 due to strong demand, including the installations for multiple large projects, all within our planned scope
- Demand was continuously high, as March marks the end of the fiscal year for public hospitals in Japan



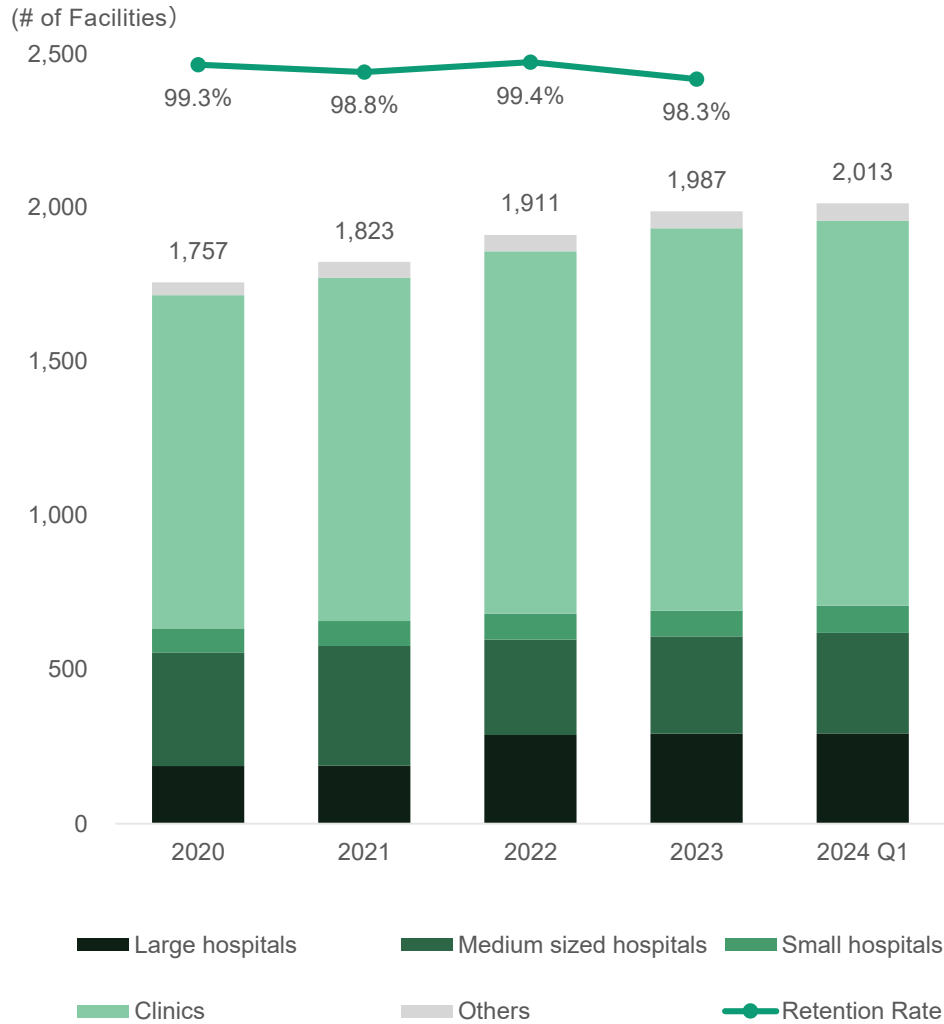
- The total number of medical solution users exceeded 2,000
- New product development projects are underway
- Consulting department steadily received orders
- The number of inquiries for our in-house brand, “PiCIs”, which offers unique cloud-based solutions to large hospitals, has increased. New functions are added
- Ceased sales and support for low-profitability products and optimized personnel allocation
- Continued cross selling to existing customers
- A subsidiary Fitting Cloud Inc. completed the joint R&D with Kyoto Uni. Hospital utilizing generative AI to upgrade our medical documentation software. Preparing for a product launch

Key Initiatives

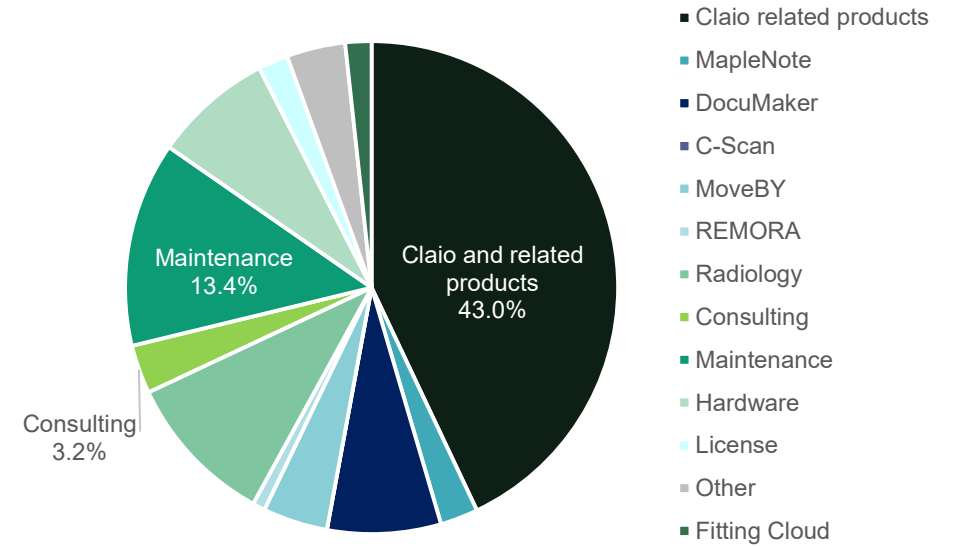
- Strengthen cloud-based services and its sales
- Discussions with Toyota Tsusho Corporation for sales in India are focused on the product’s sales timing
- Start issuing quotes at revised product prices, with revenue recognition possibly in the next year depending on project size

- Sales of *Claio* series are performing well
- While the proportion of maintenance services has decreased relatively, the sales amount has increased YoY

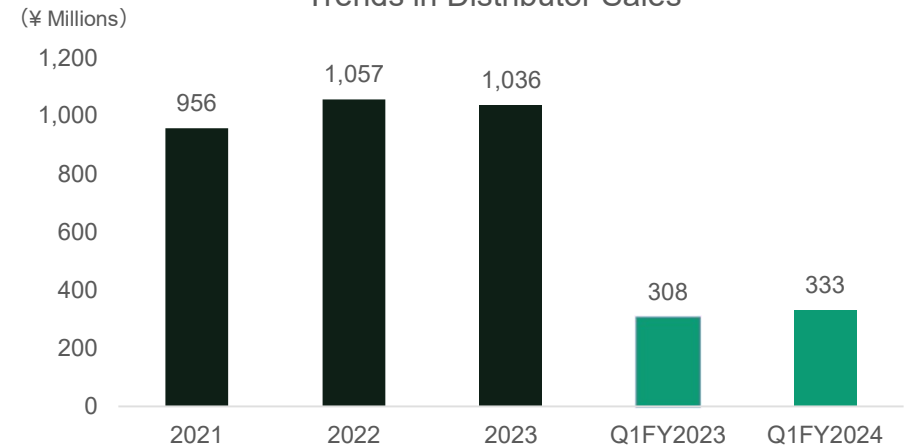
Changes in the Number of Medical Solutions Users



Medical Business - Composition of Sales by Products



Trends in Distributor Sales



*Calculation changed as categorization of large hospitals revised from 500 or more beds to 400 or more beds following the revision of medical service fees in 2018.

*Consumers of one-time products are excluded.

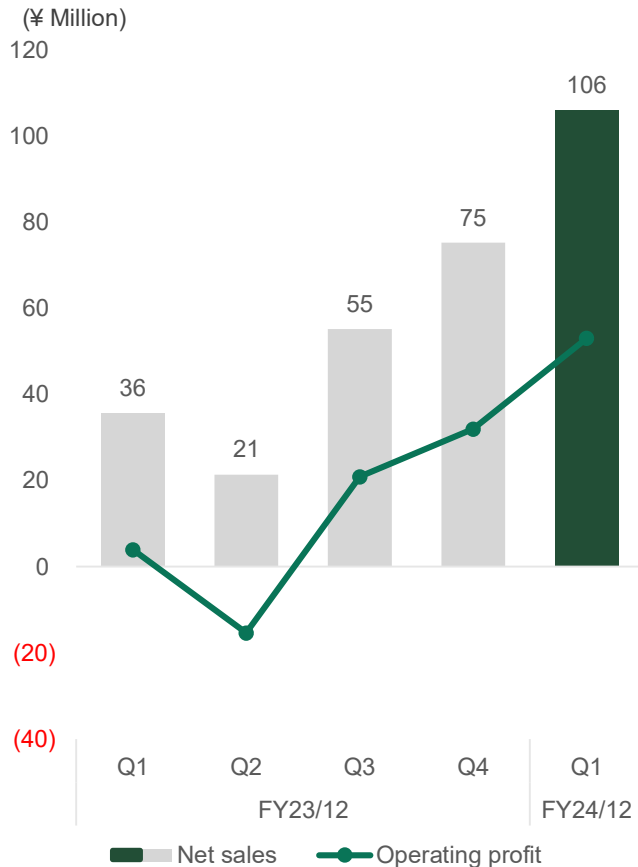
*Figures for the now-removed Public Sector Business is included up to FY2022.

Public Sector Business

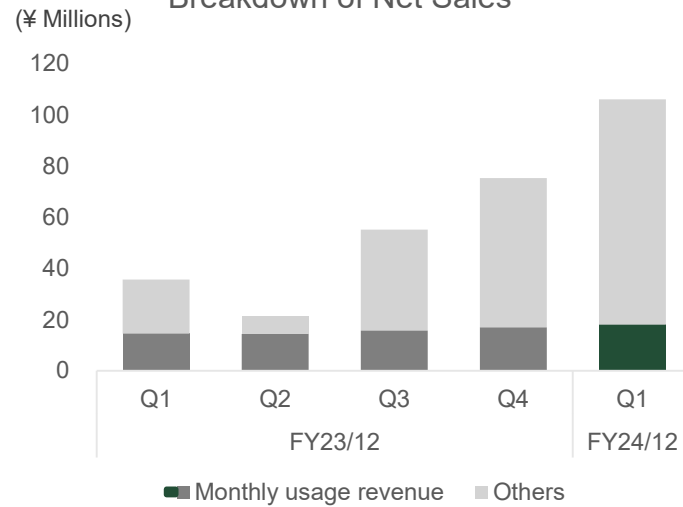
- Achieved record-high sales, driven by implementations in large-scale facilities
- Order backlog is 1.4 times higher YoY, with several ongoing negotiations



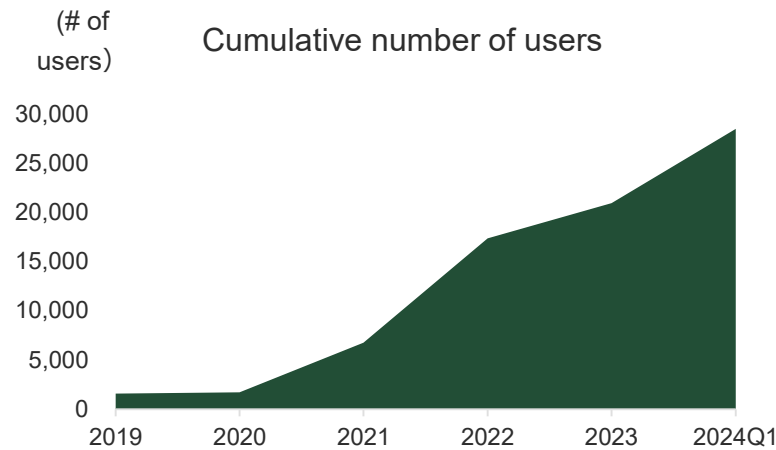
Net Sales and Operating Profit



Breakdown of Net Sales



Cumulative number of users

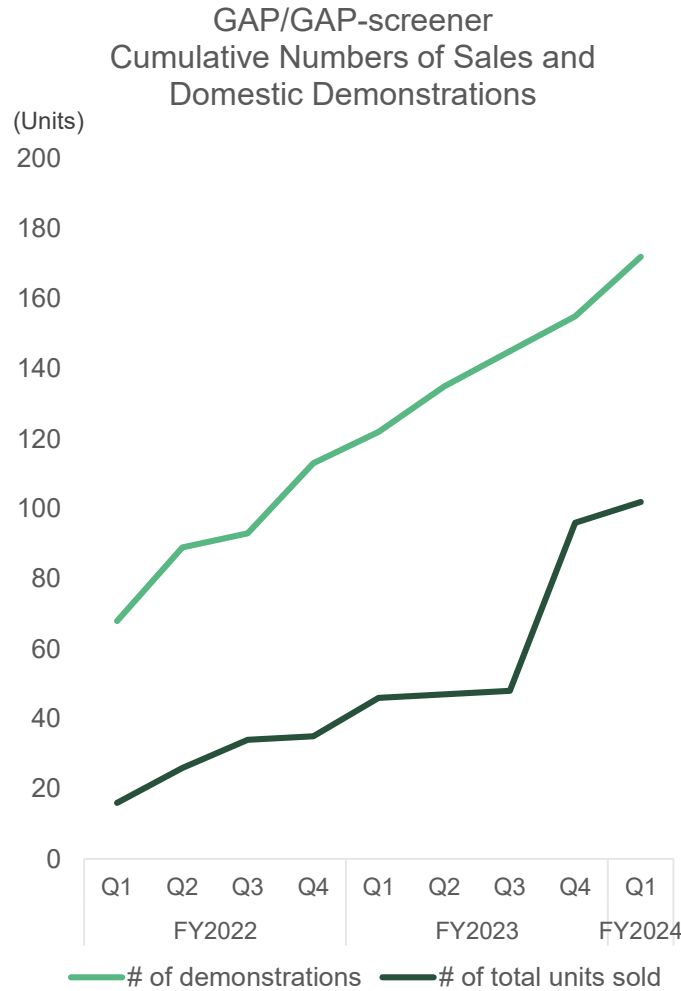
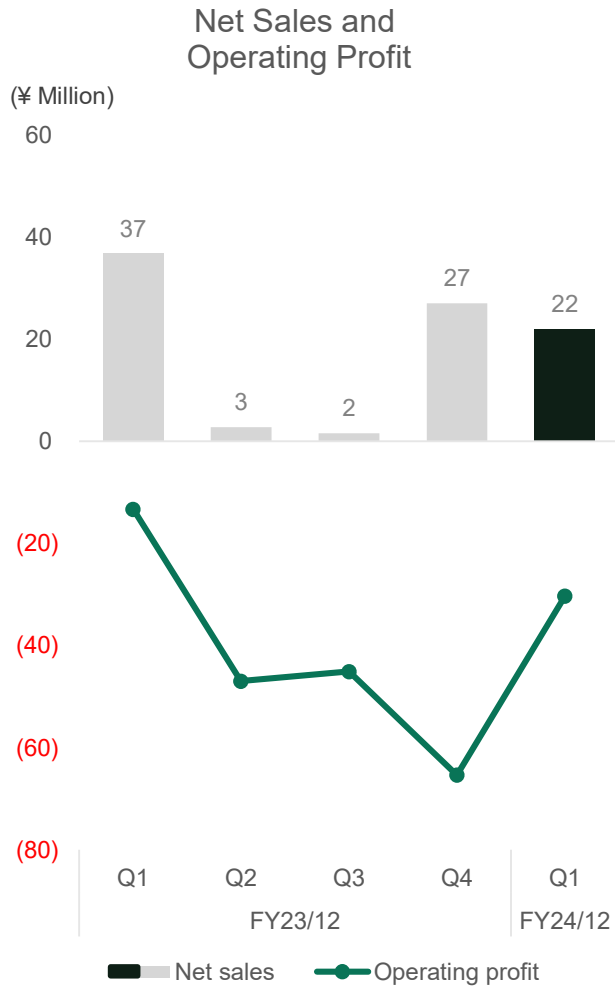


- 1 package installed for a municipality and 3 packages installed for hospitals during Q1
- Cumulative number of installations is 36. Cancellation of the service is zero since the service launch
- Number of ongoing projects are 9. Negotiations for the projects in FY2025 are progressing as well
- The monthly fee has increased 1.2 times compared to last year, with even greater growth expected due to rising user numbers
- Drive collaboration with other company's solutions to enhance product value

Key Initiatives

- Strengthen recruitment and employee trainings to enhance our internal resources for further business expansion
- Advance in securing new distributors and enhance partnerships
- Aim to further expand our market reach by targeting large-scale organizations, leveraging our record of implementation in the prefectural office

- The change in sales strategy has yielded positive responses
- Production of the planned quantity of products, including those for overseas shipment, is now complete



*Only the numbers of demonstrations by Findex are aggregated

Domestic

- 6 units sold. Number of inquiries increased
- Resolved minor glitches through software updates, enhancing user experience
- Conducting additional studies with Kyoto University. Posted an academic paper to a journal (currently in final review)

Overseas

- Initiated concrete discussions with medical device distributors regarding sales in the ASEAN region

Key Initiatives

- Drive R&D efforts towards the implementation of contrast sensitivity testing, a diagnostic tool for cataracts
- GAP has been selected for a project by AMED (Japan Agency for Medical Research and Development), as it can be used to detect not only visual field abnormality, but also MCI. Possibility of applying it to tests for other mental disorders and brain diseases

FY2024 - Forecast for Financial Performance and Dividends

- While Q1 progress rates are high, financial figures generally align within planned expectations
- Considering the increase in personnel expenses for long-term growth, profit margins are expected to be limited for the full year

(¥ Millions)	FY2023 Actual	FY2024 Forecast	YoY	Q1FY2024 Progress rate
Net sales	5,191	5,782	+11.4%	36.7%
Operating profit	1,496	1,574	+5.2%	54.8%
Recurring profit	1,527	1,591	+4.2%	54.4%
Profit attributable to owner of parent	1,059	1,097	+3.6%	58.6%
Earning per share (Plan)				
Interim dividend (yen)	4.00	7.00	-	-
Year-end dividend (yen)	9.00	8.00	-	-
Full-year dividend (yen)	13.00	15.00	-	-

FY2024 Initiatives to Achieve Business Targets

- Achieve stable profit growth through improved productivity and strengthened sales capabilities
- Focus on investing in talent for long-term value enhancement and growth
- Explore M&A opportunities and implementing various strategies for business expansion



Medical Business

- ✓ Address the increase in personnel expenses
 - Active recruitment and employment retention
 - Accelerate the deployment of cloud-based solutions to large hospitals
- ✓ Execute an appropriate price revisions
- ✓ Promote cross-selling strategy
 - Full-scale expansion of *Claio* overseas sales
 - Expand medical information consulting services to other industries

Public Sector Business

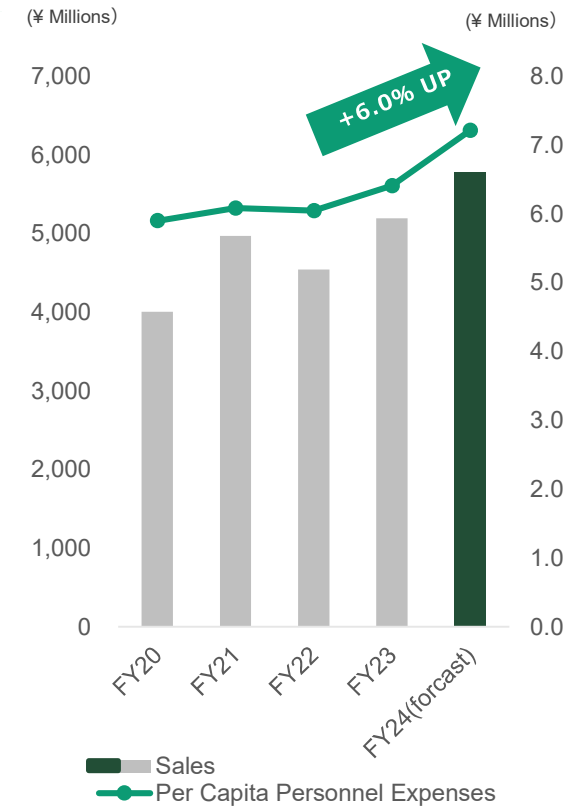
- Further secure talent for business expansion
- Build relationships with agents and partners to pioneer mid-sized projects in earnest
- Strengthen collaboration with other company's' software
- Enhance support infrastructure with the increase in the number of customers
- ✓ Accumulate expertise through implementation in large-scale facilities
- ✓ Enhance product features with a user-oriented approach

Health Tech Business

- Improve awareness and understanding of the product, as well as the necessity to explore accelerators
- ✓ Add intuitive interfaces and guided features for healthcare staffs' ease of use
- Add new testing features to the product and commence clinical trials
- Rebuild the sales structure, including training for sales representatives at distributors
- Execute initiatives to start sales in India and ASEAN countries
- Publish a research paper in academic journals

- Anticipate an increase of total per capita personnel expenses around 6.0% by two years
- Aim to reduce opportunity costs and expand our business scale and capacity by investing in talent

Strengthening recruitment	<ul style="list-style-type: none"> • Plan to increase workforce by approximately 20 employees • Prioritize work-life balance with enhanced corporate benefits such as refreshment leave and sabbatical leave • Actively recruit outside major cities
Diversification of workstyles	<ul style="list-style-type: none"> • Utilize a full remote work structure targeting employees residing in distant areas • Promote childcare leave and reduced working hours system for both male and female employees with children, to create an employee-oriented environment • Upgrade our work environment through the promotion of in-house developed software for internal digitalization
Improvement in employee retention rate	<ul style="list-style-type: none"> • Expand the scope of the certification incentive program and encourage upskilling • Implement measures to enhance employee engagement • Execute further base salary increases



Rate of average salary increase for permanent employees

FY2021→FY2022 : 3.0%
FY2022→FY2023 : 3.6%

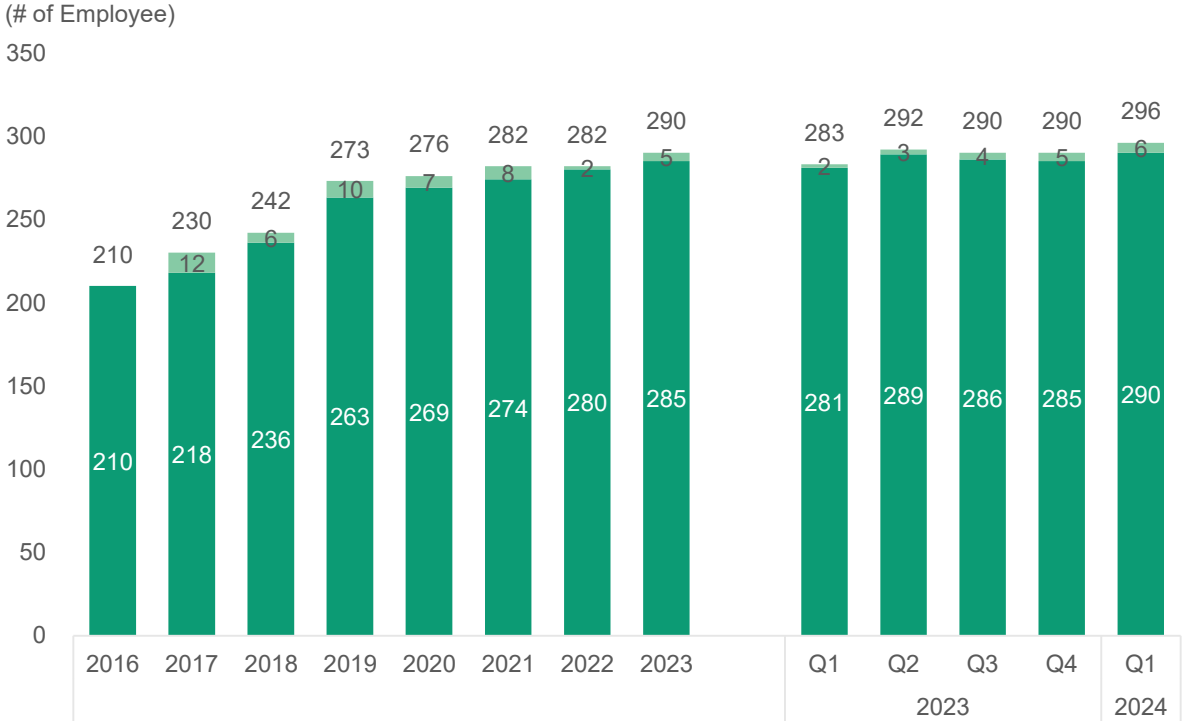
Sales per capita

FY2020 : ¥13,834 thousand
FY2023 : ¥16,966 thousand

Changes in Numbers of Employees



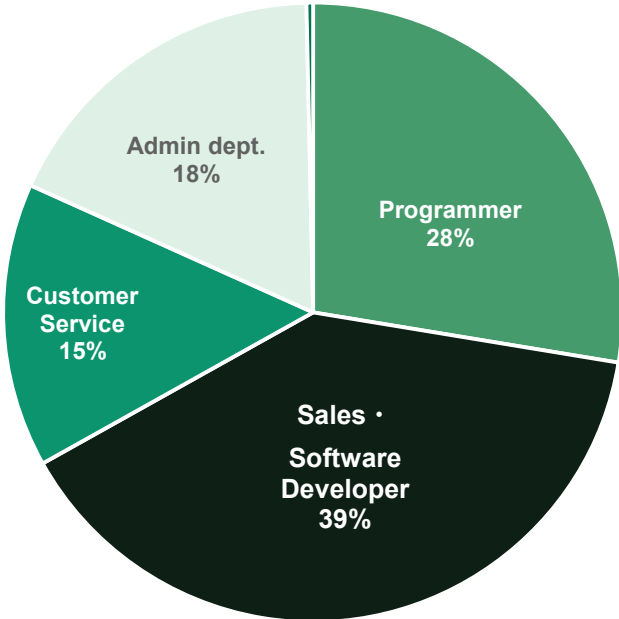
Changes in Numbers of Employees



- A consolidated subsidiary Fitting Cloud Inc. established in 2021
- EMC Healthcare Co., Ltd. excluded from consolidation in 2022

■ FINDEX ■ Subsidiary

Employees composition ratio



- Programmer
- Customer Service
- Internal Audit
- Sales · Software Developer
- Admin dept.

*Calculated based on the number of permanent employees. Excludes executives, part-time employees, and temporary staff

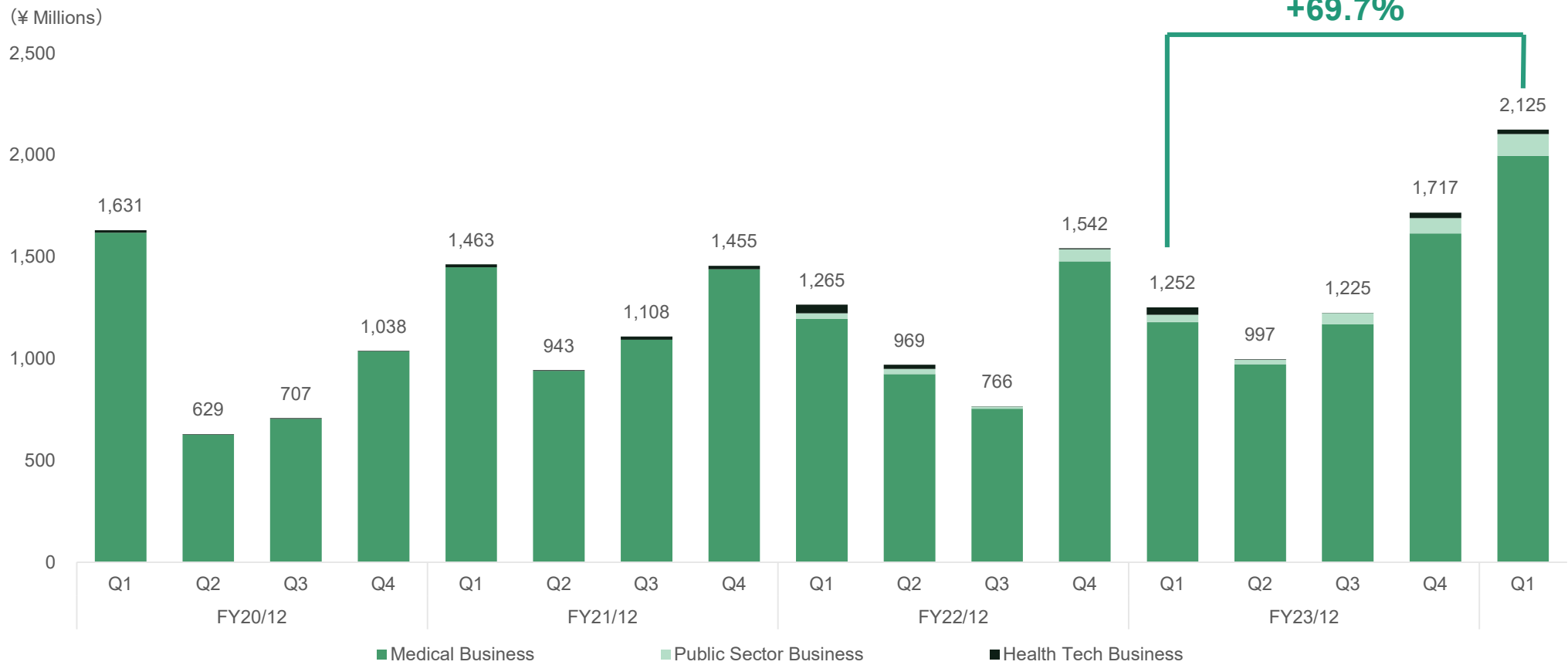
(As of March 31, 2024)

Our Initiatives:

- Introducing an exemption from overtime work for employees raising children up to elementary school age and implementing a short-time work system
- Establishing a system within each department to support and encourage male employees wishing to take childcare leave
- Promoting the combination of annual paid leave with public holidays to encourage employees to take vacations of five consecutive days or more, allowing them to refresh and strike a balance between work and life
- Aiming to increase the retention rate of female employees by reconsidering fixed gender role allocations and strengthening in-house on-the-job training to actively promote the appointment of female managers and expand their career domains, thereby promoting motivation and skill development among female employees



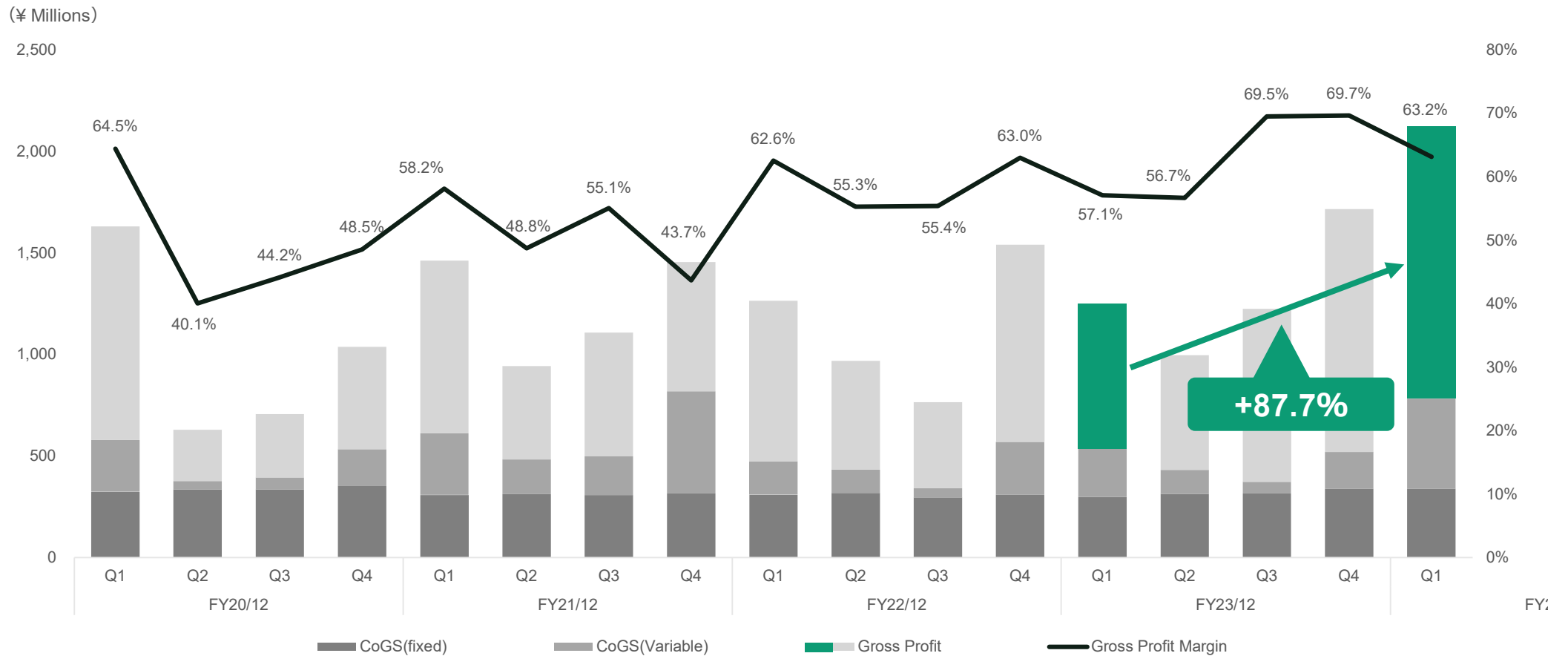
Appendix



- Q1 net sales increased by 69.7% YoY
- Mainly driven by the Medical Business
- Net sales of Public Sector Business significantly increased by 197.7% YoY
- Demand was high in medical solutions aimed at improving the working conditions of doctors, as well as optimizing hospital operations

* The "Accounting Standard for Revenue Recognition" has been applied from FY2022

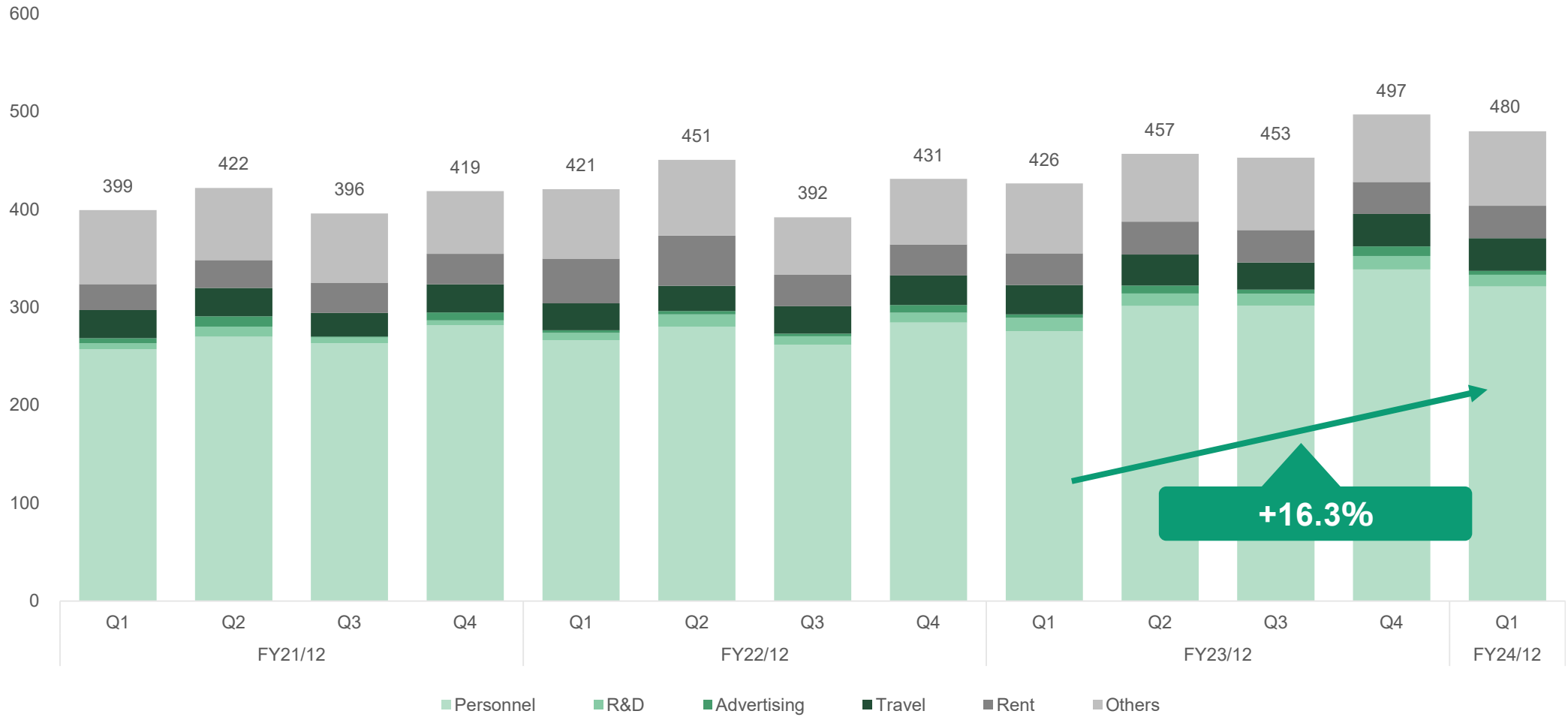
* Business segments changed from FY2023. As for FY2022 figures are reallocated based on the change made
Until FY2022 Public Business was included in Medical Business. Figures above are unaudited



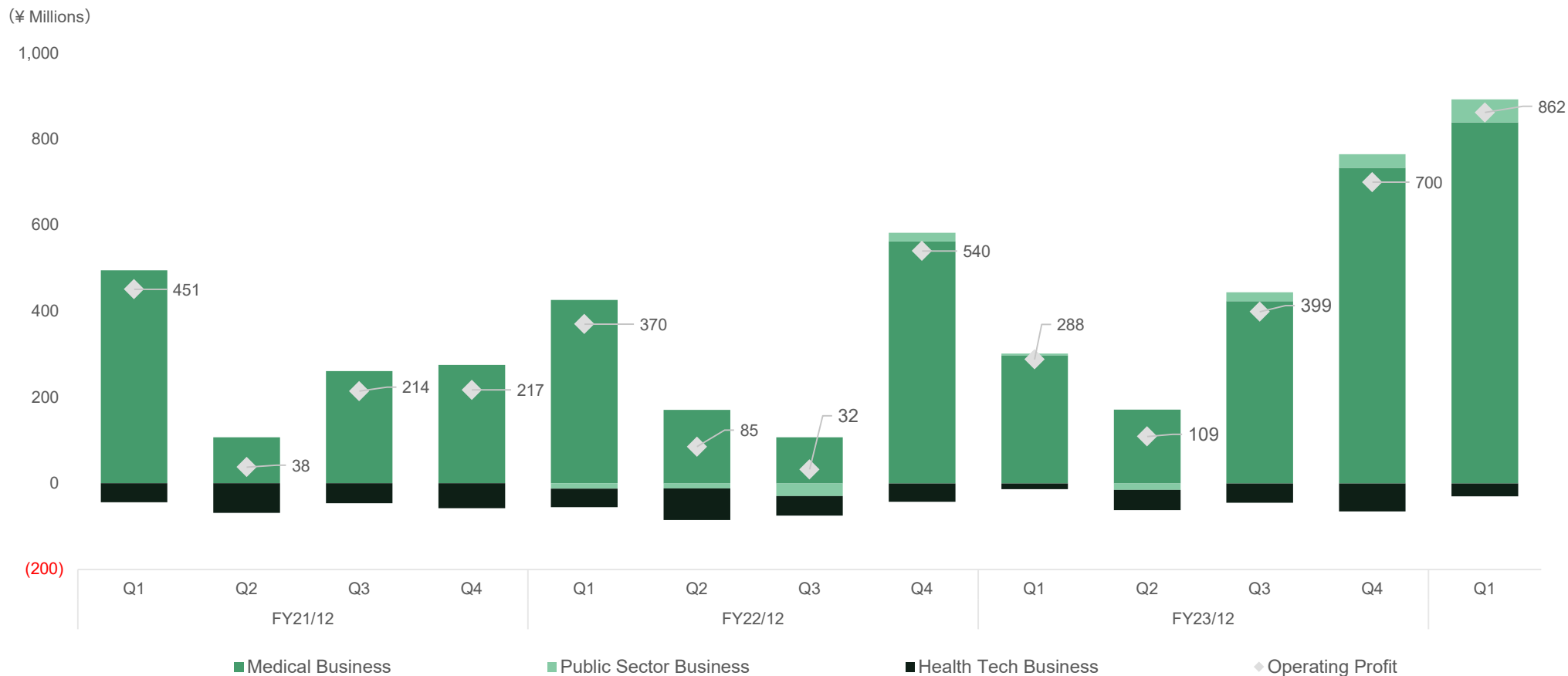
- Saw improvement in gross profit margin to 63.2% in Q1 YoY
- The change in fixed cost expenses is not significant. Variable costs such as outsourcing expenses remained at a slight increase
- In Medical Business, the expansion of profitable cross-selling, growth in consulting services, and increased package sales have contributed to profitability

* The "Accounting Standard for Revenue Recognition" has been applied from FY2022

(¥ Millions)



- Increased personnel and recruitment expenses due to strengthening hiring efforts
- Personnel and recruitment training expenses increased by 16.3% YoY
- Employee count (consolidated) for Q1 FY2024, including directors and fixed-term employees, was 311
- Average monthly overtime per employee was 16 hours 37 minutes in Q1 FY2023 and 8 hours 48 minutes in Q1 FY2024 (due to the scheduled working hours being reduced from 8.0 to 7.5 hours in April 2023, the calculation for Q1 FY2024 assumes a standard workday of 8.0 hours)

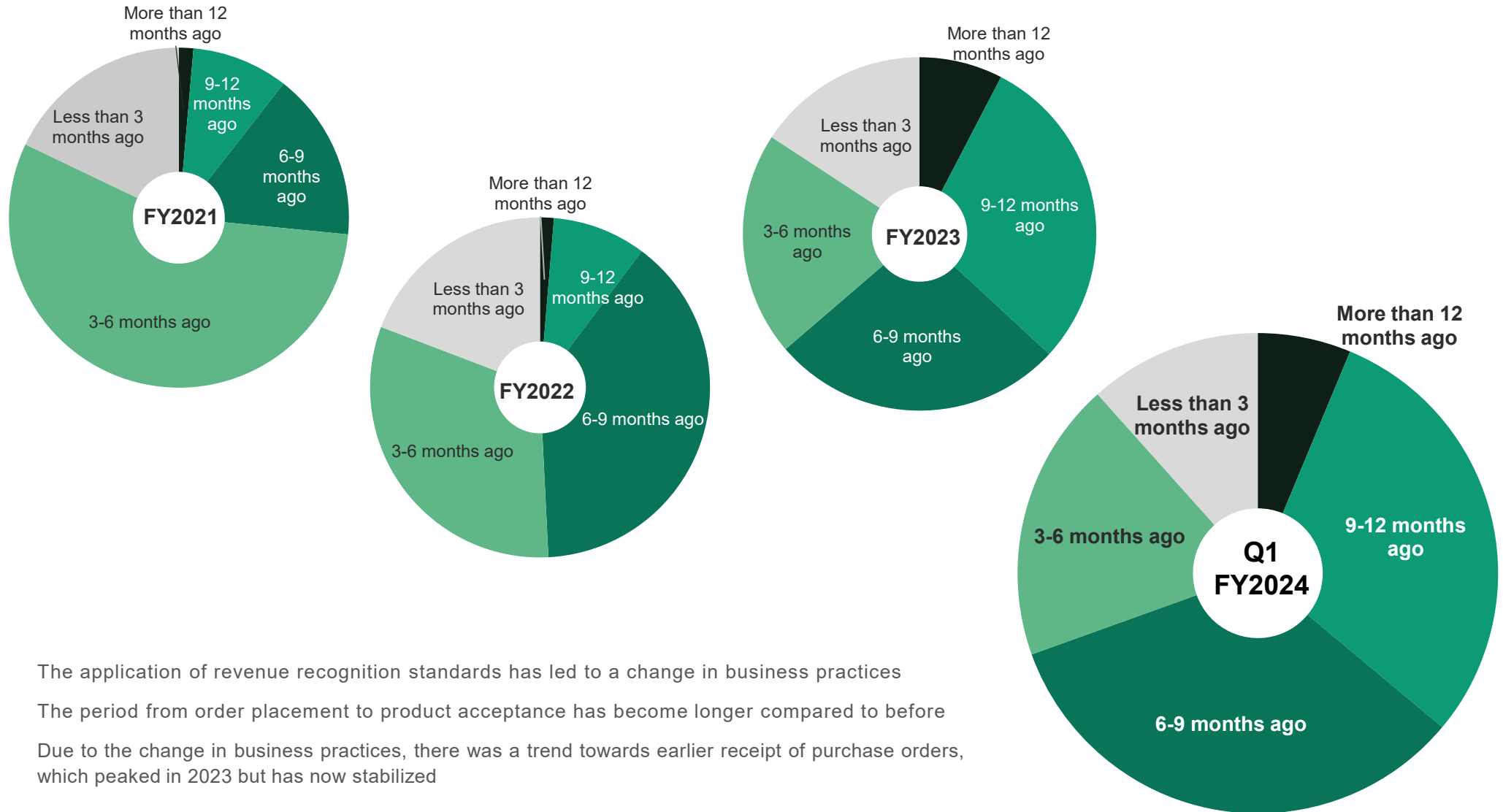


- Due to increased sales and improvement in gross profit margin, Q1 operating profit achieved a significant increase
- By segment, Medical Business, which accounts for the majority of profits, achieved a significant increase in earnings
- Public Sector Business also saw a significant increase in profits, achieving an operating surplus
- Health Tech Business continued to operate at a loss due to delays in sales activities

* The "Accounting Standard for Revenue Recognition" has been applied from FY2022

* Business segments changed from FY2023. As for FY2022 figures are reallocated based on the change made
 Until FY2022 Public Business was included in Medical Business. Figures above are unaudited

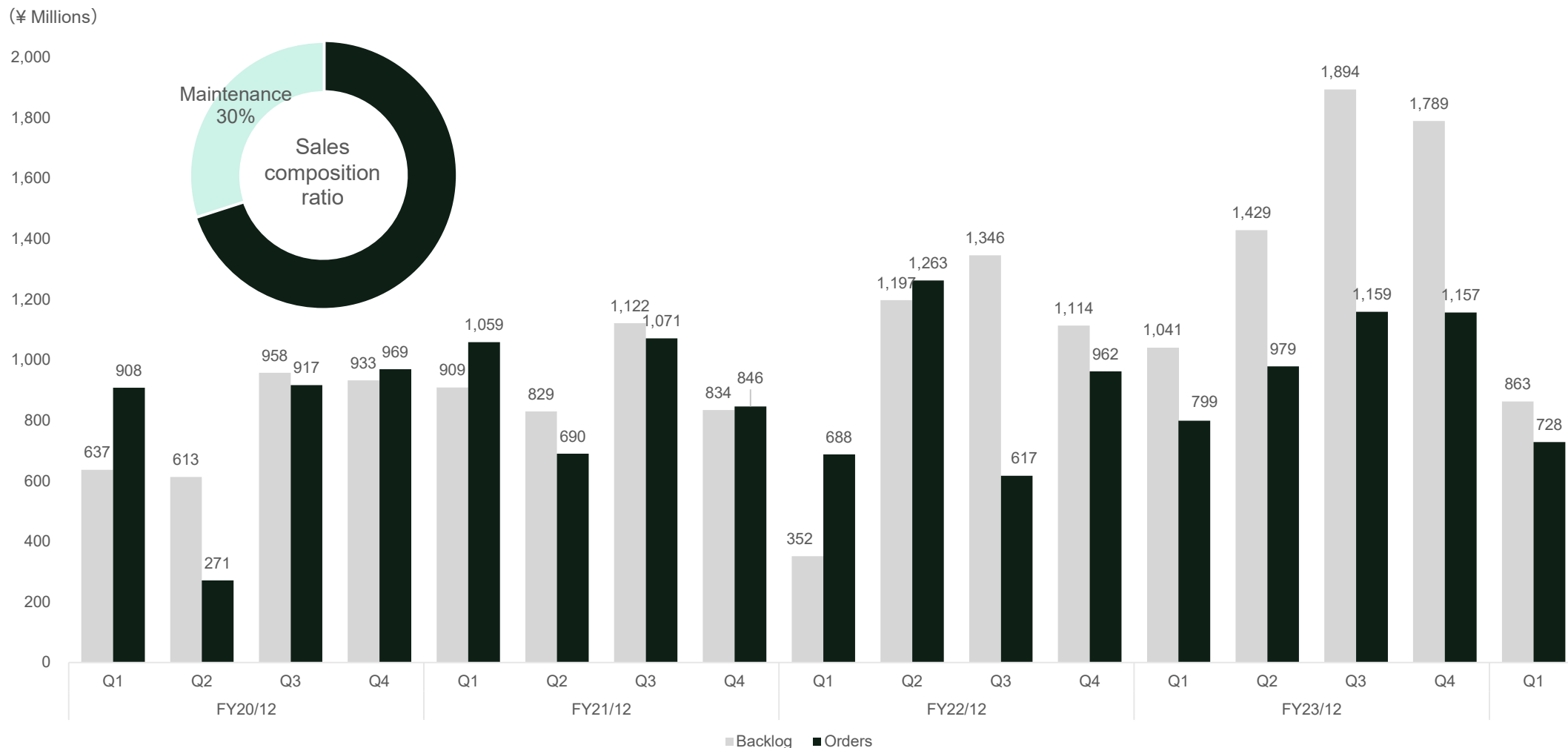
Revenue Composition Ratio Changes by Order Placement Period



- The application of revenue recognition standards has led to a change in business practices
- The period from order placement to product acceptance has become longer compared to before
- Due to the change in business practices, there was a trend towards earlier receipt of purchase orders, which peaked in 2023 but has now stabilized

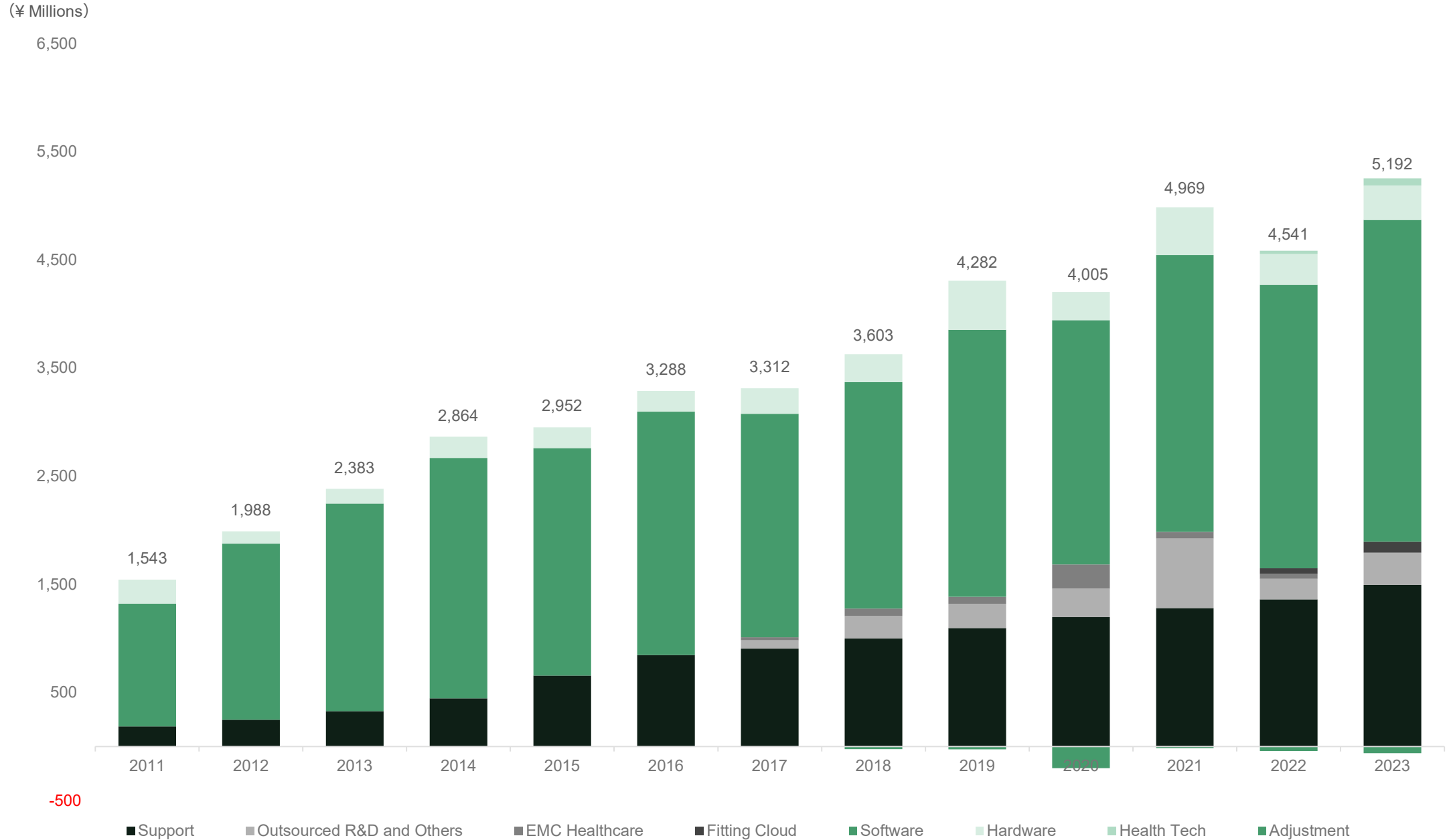
*Sales by distributors, small orders, support and maintenance are excluded

*Net sales are not adjusted to the "Accounting Standard for Revenue Recognition". Ratios above are calculated based on the total amount of acceptance



- The backlog is at 82% compared to the same period last year, returning to normal levels
- There appears to be a delay in the decision-making process for investments in the medical software by the hospitals, due to the revision of medical fee and workstyle reform for doctors led by the central government
- The trend of early ordering is expected to continue

Net Sales FY2011-2023





An Overwhelming Market Share of

approx. **75%**

in National University Hospitals

Market share in large hospitals with more than 400 beds = approx. **40%**

Other hospitals and clinics ► **Over 1,500 facilities**

*Calculation changed as categorization of large hospitals revised from 500 or more beds to 400 or more beds following the revision of medical service fees in 2018

*Consumers of one-time products are excluded from 2021

*Reference: Ministry of Health, Labor and Welfare 2021 Survey of Medical Facilities (static and dynamic) and Summary of Hospital Reports

(As of March 31, 2024)

Medical Solutions – By Type of Medical Facility	(# of Facilities)		
	Q4FY2023	Q1FY2024	QoQ
Large hospitals (400 beds and more)	292	293	+1
Medium sized hospitals (100~399 beds)	316	326	+10
Small hospitals (20~99 beds)	83	88	+5
Clinics (19 beds and less)	1,241	1,250	+9
Other	55	56	+1
Total	1,987	2,013	+26

Solutions for Public Sector – By Product	(# of Facilities)		
	Q4FY2023	Q1FY2024	QoQ
Solutions for Public Sector	27	28	+1
Solutions for Medical Facilities	5	8	+3
Total	32	36	+4

Enriching Society with Technologies and Creation

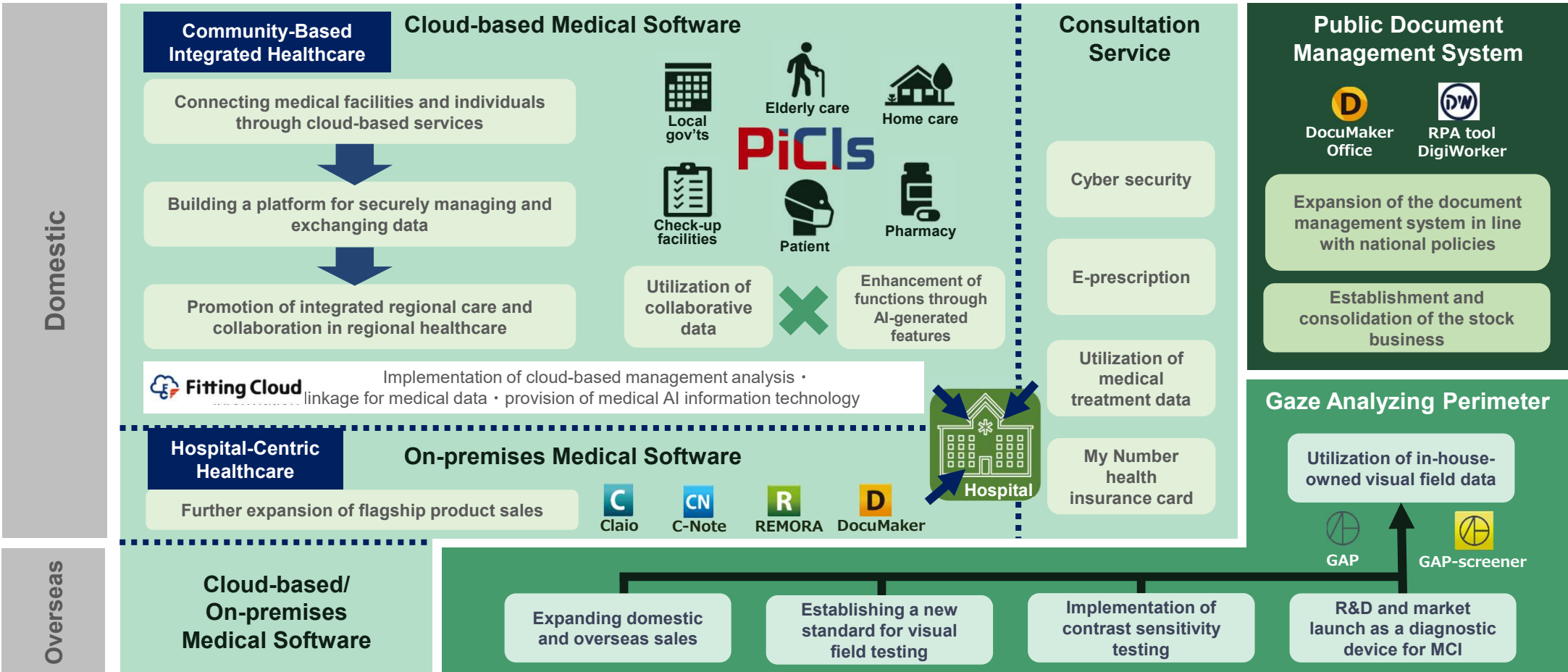
Equal Access to Medical Services

Digitally Connecting Medical Communities

Developing New Technologies for Healthy Livings



- Driving digitalization in and outside medical facilities, offering solutions that revolutionize the business models in the healthcare sector
- Proficient in processing and handling a variety of patient data owned by large hospitals
- Providing consulting as software specialists and applying in-house technology to products for the public sector and medical devices



「 Medical DX Reiwa Vision 2030 」

Establishment of a National Medical Information Platform

Medical AI / Big Data

- Generally, all medical institutions and pharmacies are connected to the Online Certification System for Healthcare
→Laying the Groundwork for Data Utilization
- The implementation of the Next Generation Medical Infrastructure Act will expand the collection and utilization of diverse real-world data
- In addition to the Health Insurance Claims Data currently being traded in the market, it will be possible to handle more accurate medical data such as medical records in the future

Advantages for hospitals and healthcare industry:

- Support for diagnosis, treatment, and surgery
- Applications for disease and nursing care prevention and reduction of medical costs
- Development of new markets via data accumulation

Standardization of EMR Information (Promotion across all medical institutions)

Cloud-Based Services

- Cloud-based operations with high security levels are now possible without compromising the "three principles of electronic storage"
- In small and medium-sized hospitals and clinics, the use of cloud-based products is expanding, while in large hospitals, on-premises system operation is still common
→The widespread adoption of cloud storage will likely accelerate as its market prices decrease
- Utilizing the cloud for the Construction of a Regional Collaboration Network

Advantages for hospitals and healthcare industry:

- Efficient information sharing enables smart coordination with other facilities
- No need for extensive capital investment, server room allocation, or regular system updates

Digitalization of Medical Treatment Fee Amendment

Telemedicine

- The 2022 revision of medical fees has led to an increase in the insurance points for initial consultation fees to 87% of in-person medical care, resulting in a rapid increase in facilities that have introduced telemedicine
- Meanwhile, there is a limited number of medical facilities that offer telemedicine services, and large hospitals are hesitant to fully implement them
→The applications are limited, primarily in second opinion outpatient settings
- Emergence of teleoperated surgical robots

Advantages for hospitals and healthcare industry:

- Expanding the choice of medical facilities, improving healthcare systems in remote areas and to address medical service disparities
- The reduction of congestion and infection risk due to a drop in patient visits

Electronic Prescriptions

- The Japanese gov't targets all hospitals and pharmacies to implement e-Prescriptions by the end of 2024 (Current implementation rate is 1%)
- Medical facilities need to install Online Certification System for Healthcare and issue HPKI cards prior to the utilization of e-Prescriptions

Advantages for hospitals and healthcare industry:

- Optimization of dispensing and counseling tasks
- Prevention of duplicated prescriptions by centralizing management of prescribing information
- Contribution to telemedicine and home care services

Myna Insurance Card

- The Japanese gov't plans to phase out health insurance cards in fall 2024 and integrate them into the national My Number identification system
- 80% of the hospitals and pharmacies in Japan had already started the new operation utilizing Online Certification System for Healthcare

Advantages for hospitals and healthcare industry:

- Enhanced healthcare through centralized medical history management
- Reduction of administrative costs

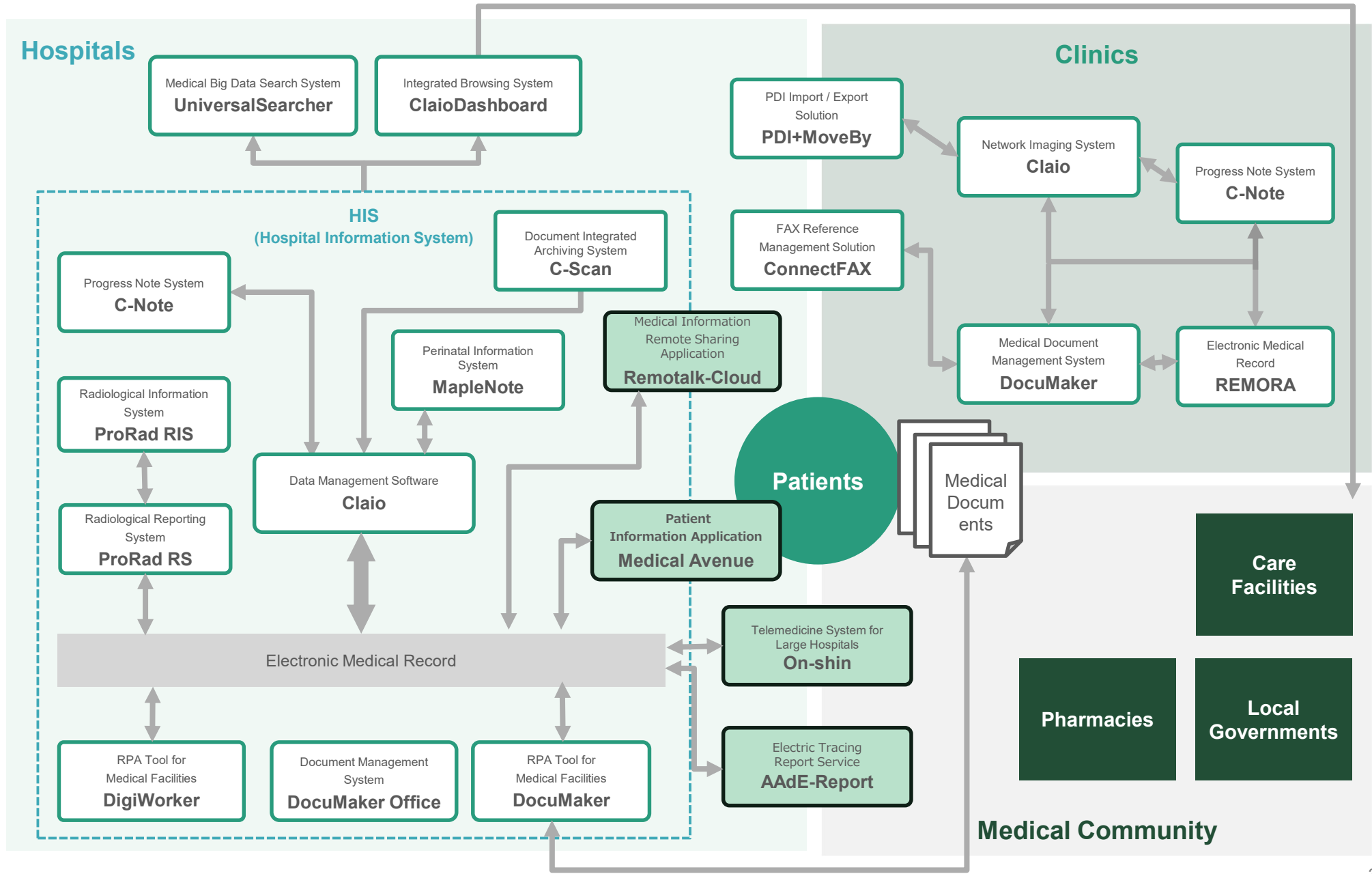
Better Working Environments

- Starting next April, overtime work for employed physicians will be limited to no more than 960 hours per year
→Proper management of working hours is necessary
- Digitalization has also been accelerated for improvement of efficiency in medical practices

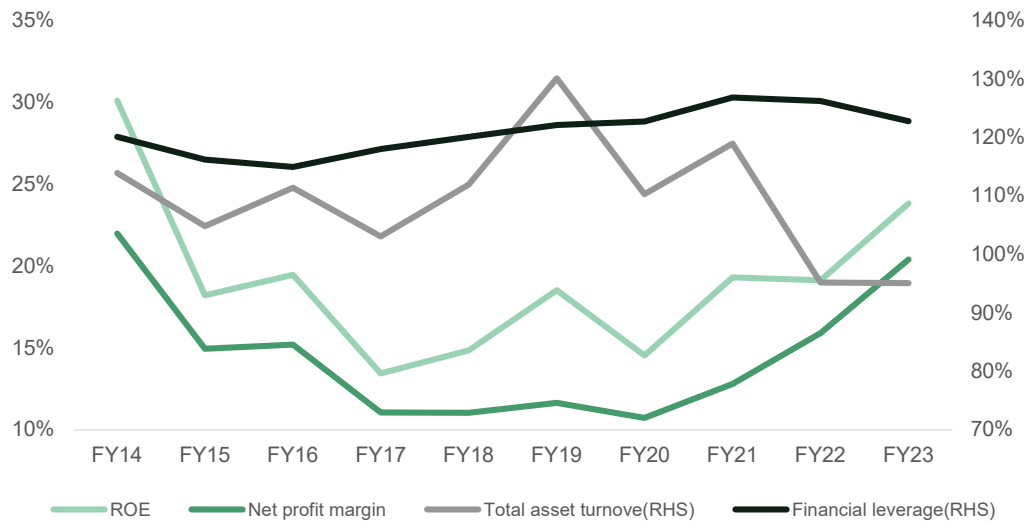
Advantages for hospitals and healthcare industry:

- Improvement in long working hours of physicians
- Sales opportunities for attendance management solutions

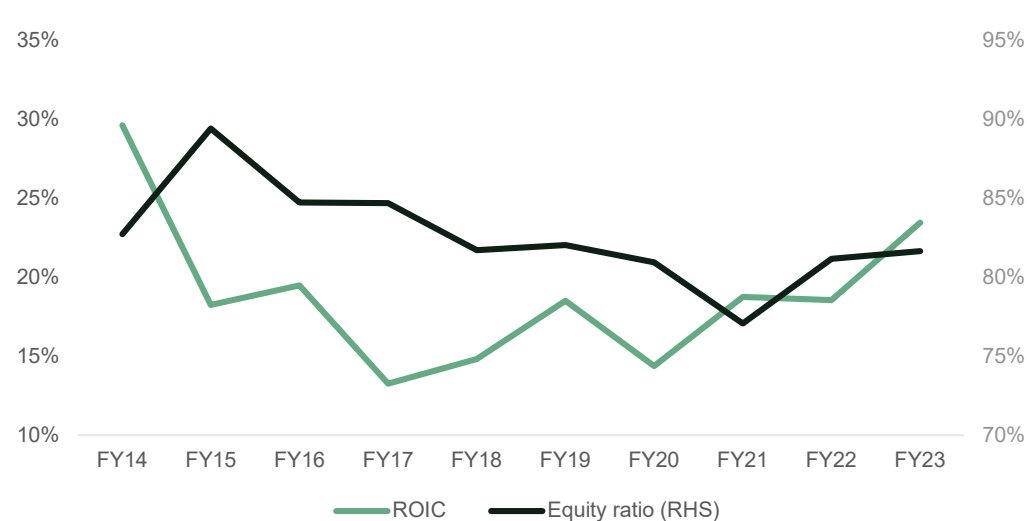
Domestic Market Size of Medical Software : approx. 500 billion yen*



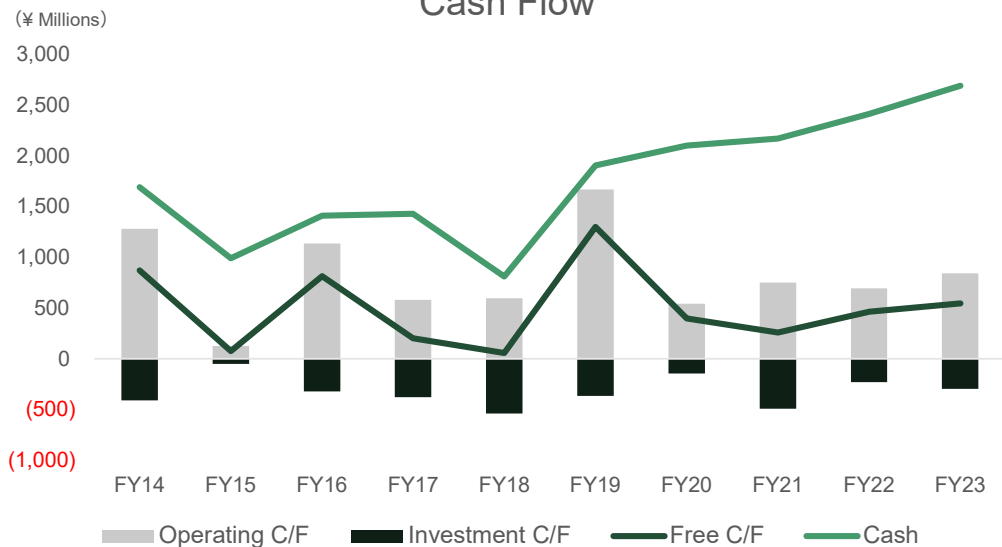
ROE and DuPont Analysis



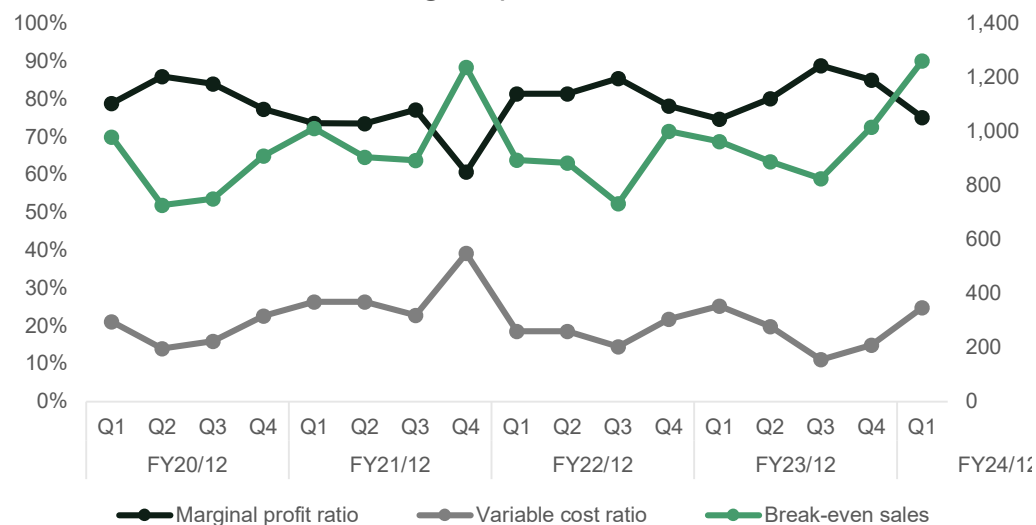
ROIC and Equity Ratio



Cash Flow



Marginal profit Ratio



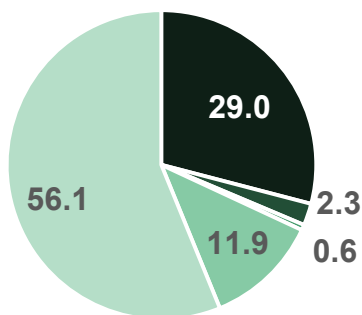
Number of shares and shareholders

Total number of authorized shares	78,336,000
Total number of issued shares	26,608,800
Number of shareholders	4,291

Breakdown of shares by type of shareholder

Type	# of shares	# of shareholders	% of total shares in issue
Japanese financial institutions	7,726,000	13	29.0
Japanese securities companies	615,645	24	2.3
Other Japanese companies	173,601	25	0.7
Foreign investors	3,164,996	67	11.9
Japanese individuals, others (Including treasury shares)	14,928,558	4,162	56.1
Total	26,608,800	4,291	100.0

- Japanese financial institutions
- Japanese securities companies
- Other Japanese companies
- Foreign investors
- Japanese individuals, others (Including treasury shares)



Principal shareholders

Name	# of shares	% of total shares in issue
Teruo Aibara	7,707,600	29.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,631,500	10.2
Mizuho Trust & Banking Co., Ltd. Securities Custody Trust 0700068	1,440,000	5.6
Mizuho Trust & Banking Co., Ltd. Securities Custody Trust 0700067	1,440,000	5.6
CACEIS BANK/QUINTET LUXEMBOURG SUB AC / UCITS CUSTOMERS ACCOUNT (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	1,004,600	3.9
Custody Bank of Japan, Ltd. (Trust Account)	970,600	3.8
Ehime Bank, Ltd.	967,200	3.8
THE BANK OF NEW YORK MELLON 140040 (Standing proxy: Settlement Sales Division, Mizuho Bank, Ltd.)	867,946	3.4
Keiji Takemura	761,000	3.0
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG (Standing proxy: MUFG Bank, Ltd.)	275,000	1.1

Progressive Software Creators

Always have, Always will.

