

Supplementary Information on Q3FY2024 Quarterly Business Results Summary

FINDEX Inc.

Nov 13, 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.

- Record-high sales and profits in Q1-3, driven by Medical Business and Public Sectors Business
- Q3 sales and profits declined within the expected range; the forecast remains unchanged

Q1-3 Net Sales

YoY **+24.1** %
(Q1 Net Sales YoY **69.7** %)

Q1-3 Operating Profit

YoY **+41.3** %
(Q1 Operating Profit YoY **2.99** times)

- Achieved record-high sales and profits for Q1-3 cumulative period
- Significant contribution to sales and profits in Q1
- Public Sector Business became a key revenue driver, in addition to strong performance in the Medical Business
- Absorbed increased costs from strategic HR investment, with headcount up by 17 compared to the beginning of the fiscal year, as planned

Q3 Net Sales/Operating Profit

Net Sales **1,105** mn yen (YoY -9.8%)
Operating Profit **185** mn yen (YoY -53.6%)

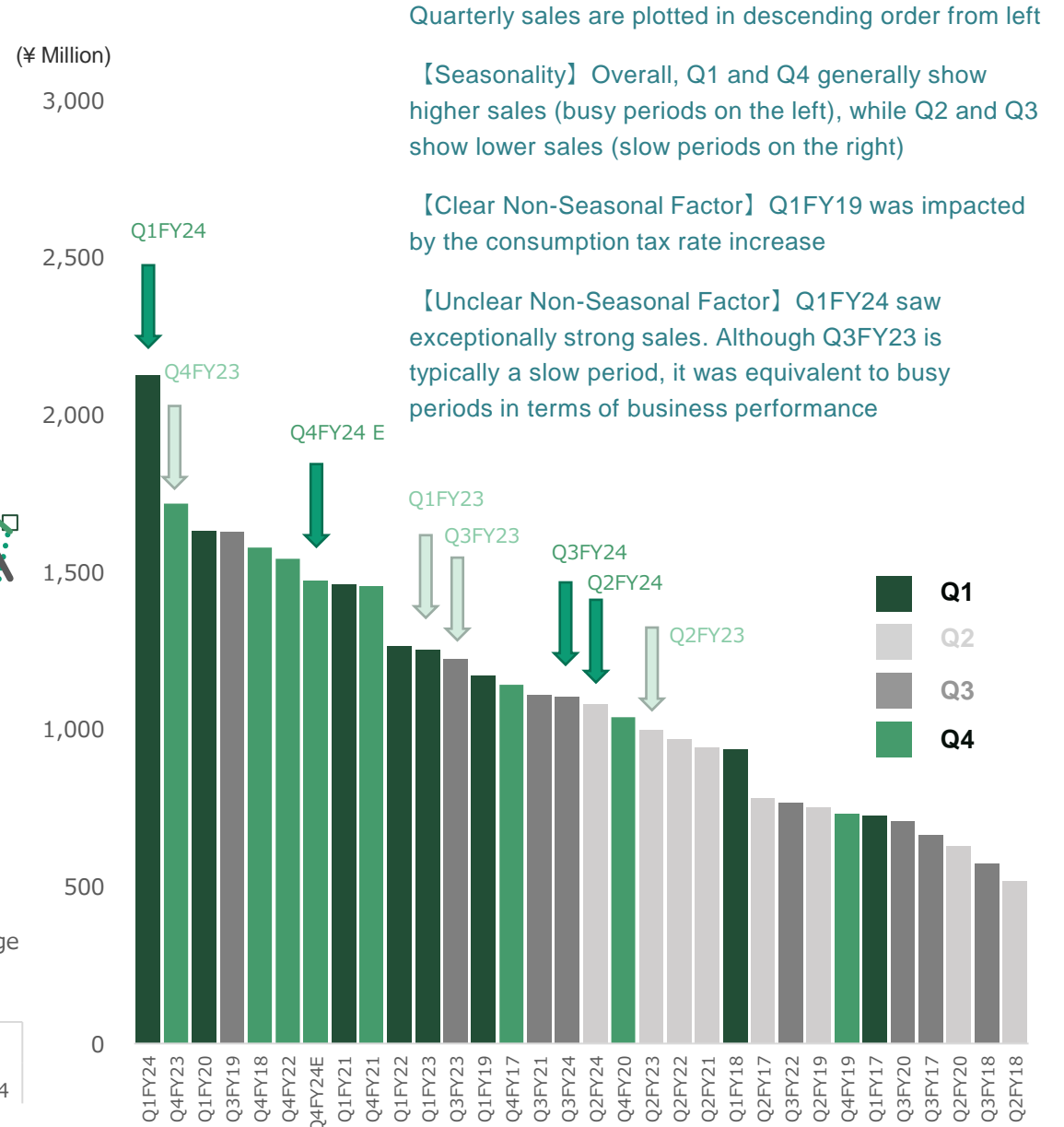
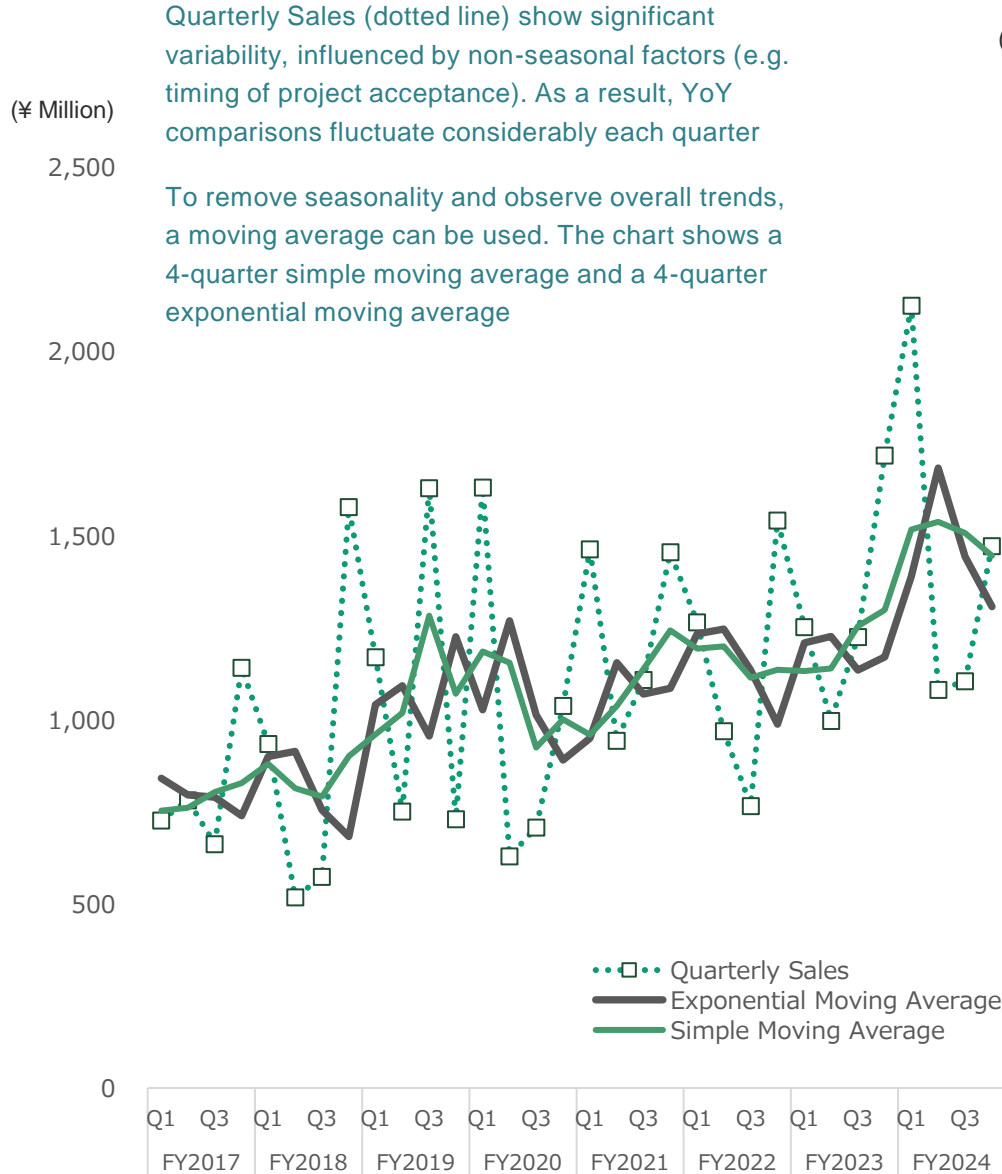
Q3 Order backlog

1,609 mn yen

- Q3 net sales decreased. However, Q3FY2023 net sales reached 1,225 million yen (YoY +59.9%), marking a record high for Q3. Q3 net sales for FY2022 and FY2021 were 766 million yen and 1,108 million yen
- Q3 operating profit decreased YoY by 53.6%. Similar to sales, Q3 FY2023 operating profit was 399 million yen (YoY 12x increase), the highest for Q3. Previous Q3 operating profits were 32 million yen in FY2022 and 214 million yen in FY2021. The main factor for the profit decrease in Q3FY2024 was HR investment
- Order backlog reached 1,609 million yen, the third highest, with a QoQ increase of 42.4%, indicating an upward trend

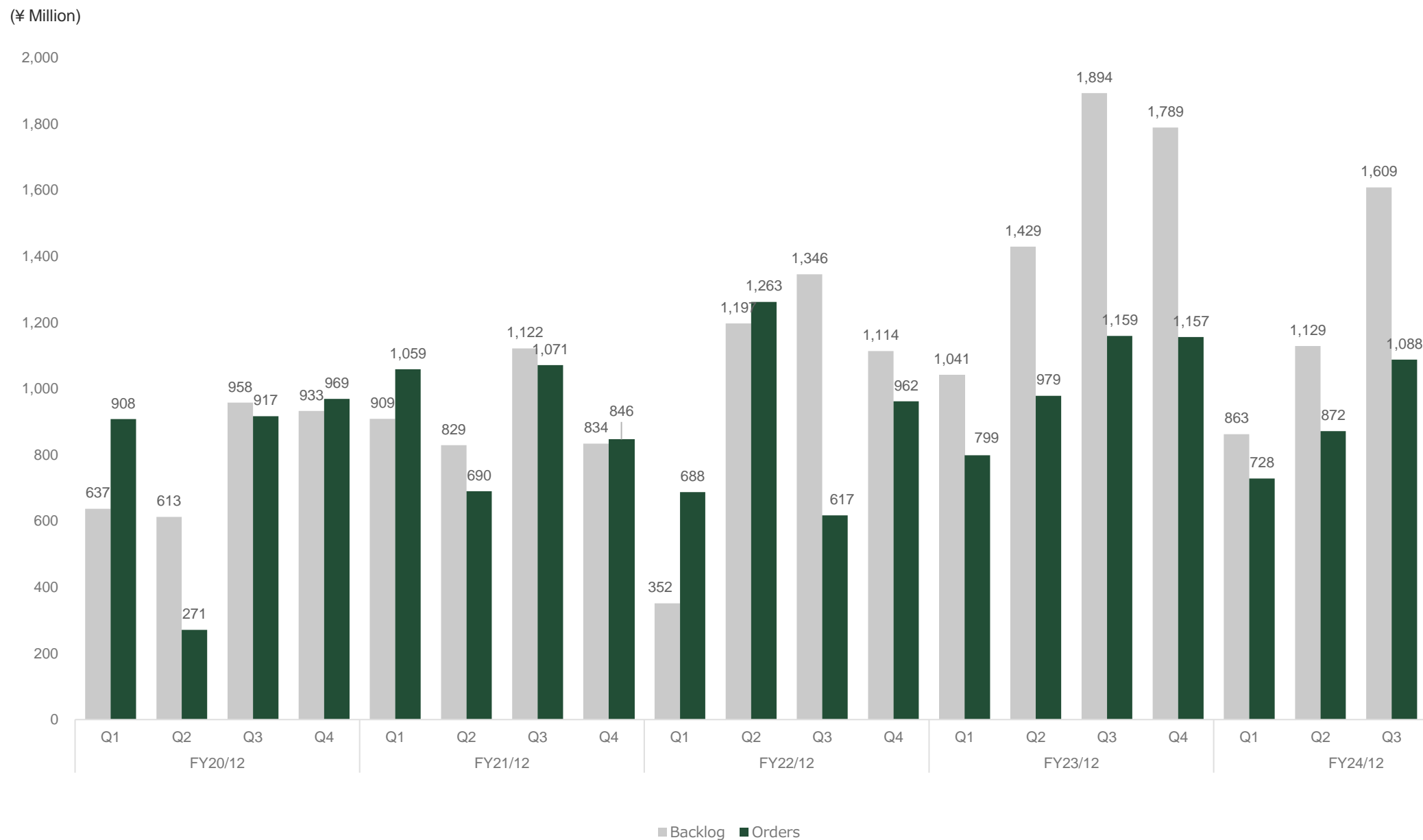
Quarterly YoY Comparison Not Insightful

- Quarterly sales are seasonal (Q1 and Q4 are busy periods; Q2 and Q3 are slow).
- A generally upward trend is visible in the moving average
- Inspections may concentrate irregularly, as in Q1FY2024 and Q3FY2023, causing large fluctuations in growth rates when compared to such quarters



Backlog and Orders

- Q3 Order Backlog: JPY1,609 million, at a High Level



Q1-3 FY2024

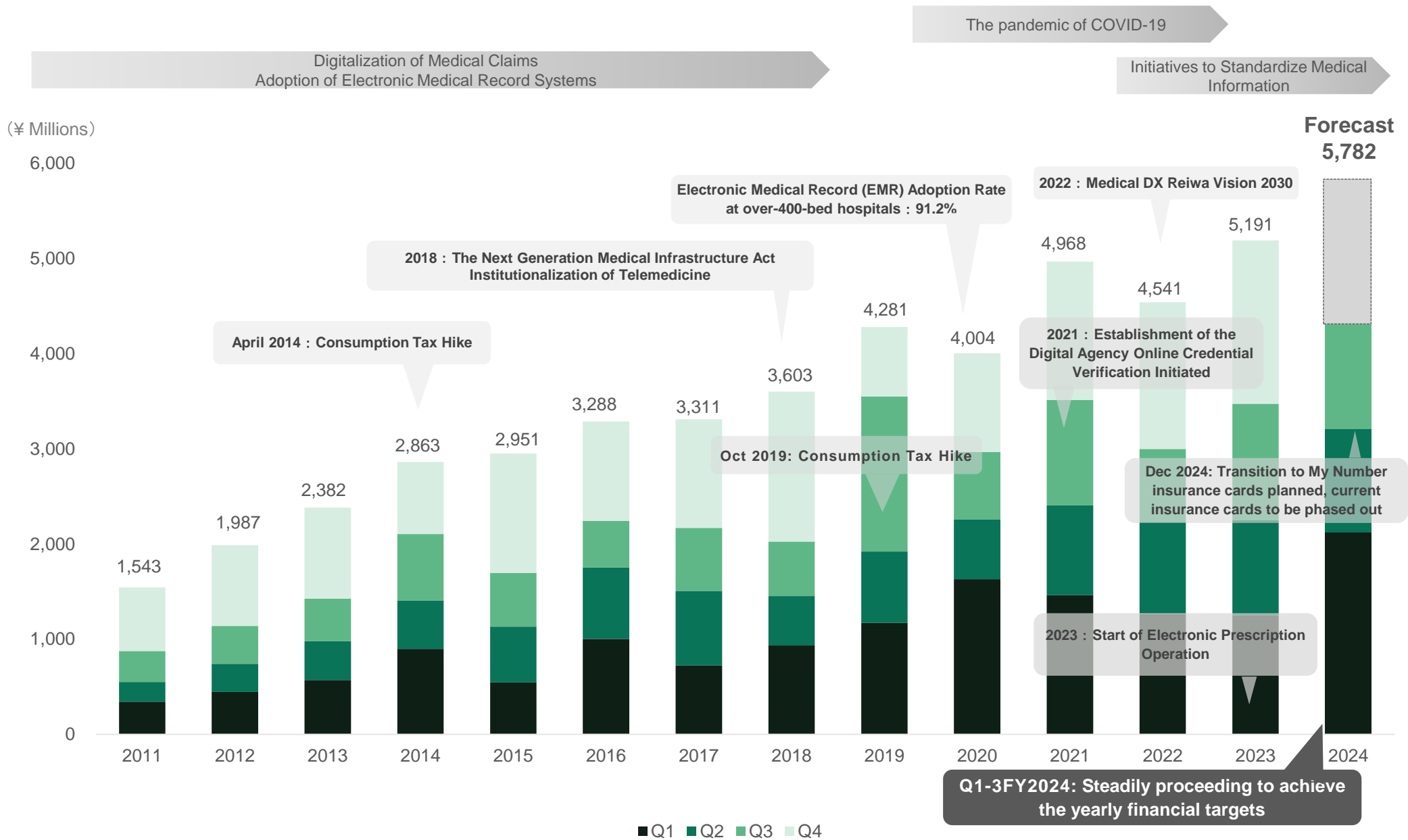
Financial Summary

- No changes to the full-year forecast at this time
- Significant increase in recurring revenue from Public Sector Business, with substantial YoY growth in both sales and profit
- Health Tech Business remains unprofitable due to lower sales and increased personnel



(¥ Millions)	Q1-3 FY2023	Q1-3 FY2024	YoY	FY2024 Forecast
Net sales	3,474	4,310	24.1%	5,782
Medical Business	3,321	4,087	23.1%	-
Public Sector Business	112	197	75.8%	-
Health Tech Business	41	26	(36.4%)	-
Cost of sales	1,342	1,709	27.3%	-
Gross profit	2,132	2,602	22.0%	-
Gross profit margin	61.4%	60.4%	(1.7%)	-
SG&A	1,336	1,476	10.5%	-
Operating profit	796	1,126	41.3%	1,574
Medical Business	892	1,200	34.4%	-
Public Sector Business	9	59	527.5%	-
Health Tech Business	(105)	(133)	-	-
Operating profit Margin	22.9%	26.1%	13.9%	-
Recurring profit	820	1,133	38.1%	1,591
Profit attributable to owners of parent	567	832	46.6%	1,097

Market Trends and Our Financial Performance



Balance Sheet

- Cash up from debt recovery: Need for effective use
- Equity ratio remains at a high level of 85.9%

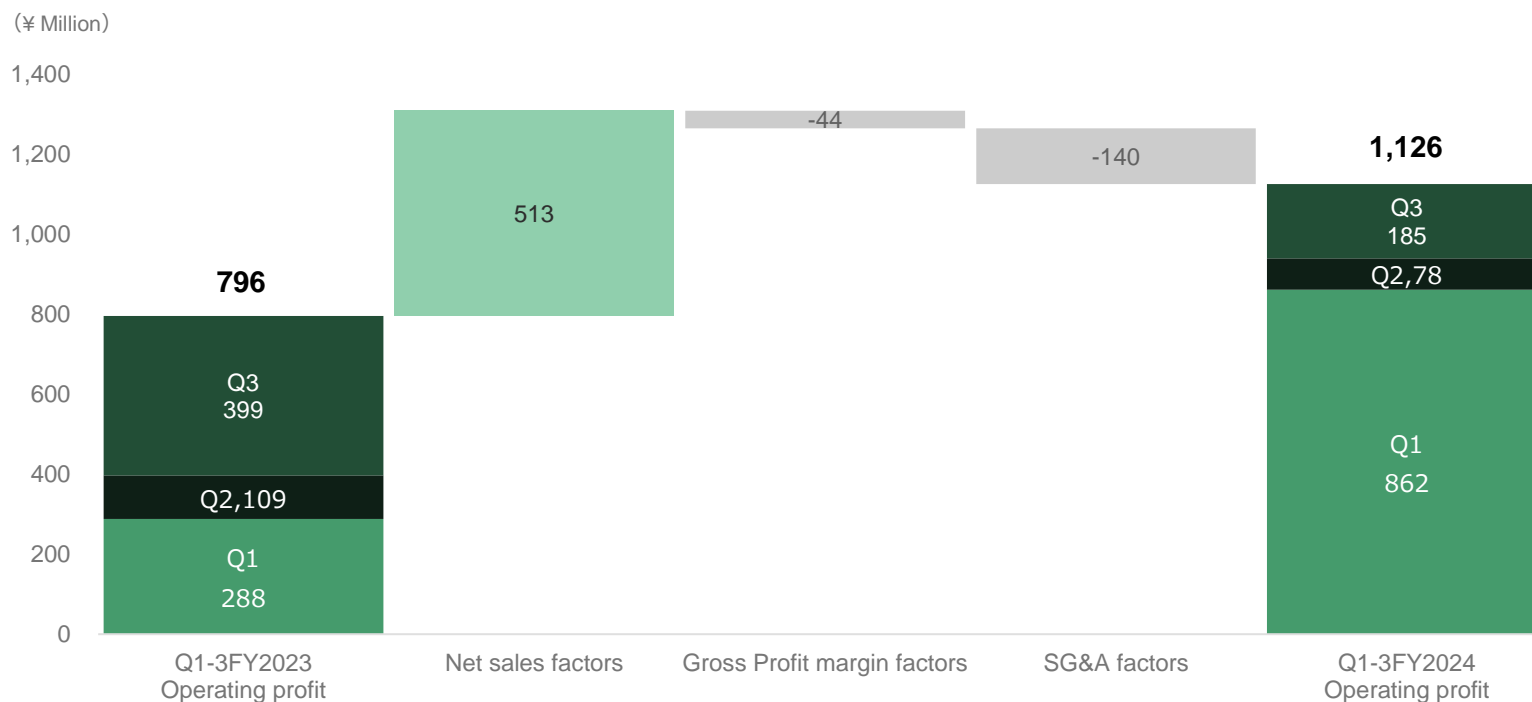
(¥ Millions)	FY2023	Q3FY2024	Changes
B/S			
Cash and deposits	2,693	3,848	1,155
Notes and accounts receivable - trade and contract assets	1,924	1,024	(900)
Merchandise and finished goods, work in progress	221	181	(40)
Raw materials and supplies	118	117	(1)
Other	50	50	0
TOTAL CURRENT ASSETS	5,006	5,221	215
Tangible assets	89	86	(3)
Intangible assets	290	298	8
Software	290	297	7
Investments and other assets	547	540	(7)
TOTAL ASSETS	5,934	6,145	211
TOTAL CURRENT LIABILITIES	772	594	(178)
Non-current LIABILITIES	316	268	(48)
(long-term and short-term interest-bearing liabilities)	0	0	0
TOTAL LIABILITIES	1,088	861	(227)
NET ASSETS	4,845	5,283	438
Shareholders' equity	4,844	5,283	439
TOTAL LIABILITIES and NET ASSETS	5,934	6,145	211

- Accumulated profits and the collection of receivables, among others, have increased cash and deposits to 3.8 billion yen
- Continuing to recognize effective use of capital, including M&A, as a key challenge

Q1-3 FY2024 Factors Contributing to Changes in Operating Profit

- Revenue growth in Q1-3 offset the decrease in gross profit margin and the increase in SG&A expenses, primarily driven by higher personnel expenses
- Personnel expenses increase deemed within manageable range

Factors Contributing to Changes in Consolidated Operating Profit

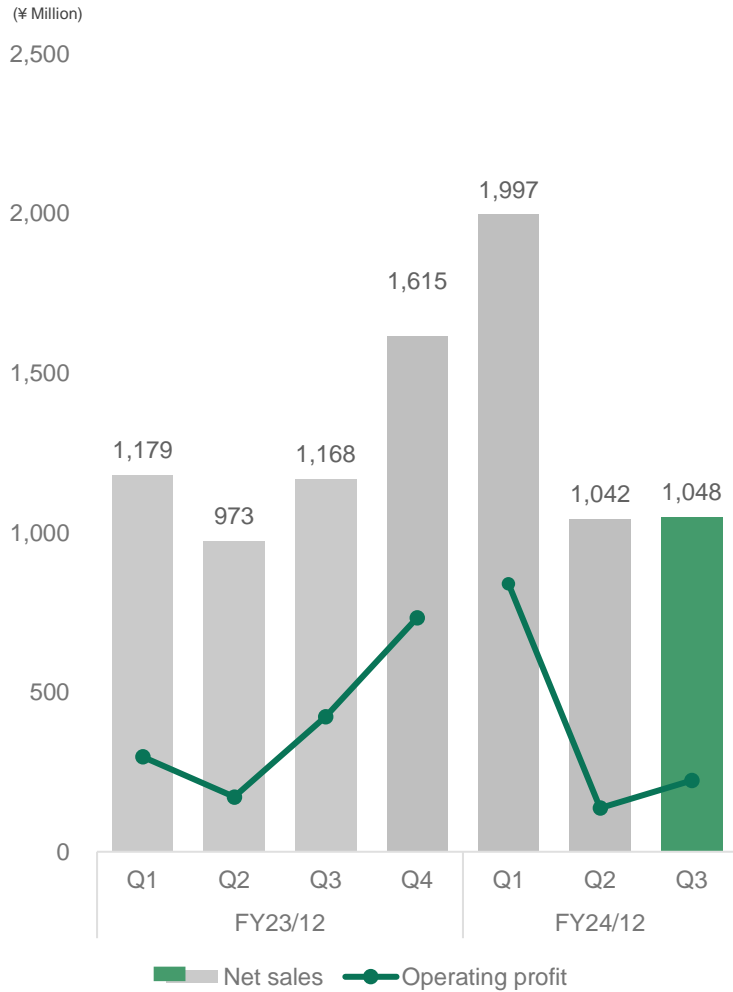


- Operating profit in Q1-3 largely driven by revenue growth
- Slight decrease in gross profit margin due to higher labor costs and increased purchases
- Personnel expenses increased within initial plan
- The effects of price increases for product and service offerings are expected to materialize in the future, which should help offset the rise in personnel costs

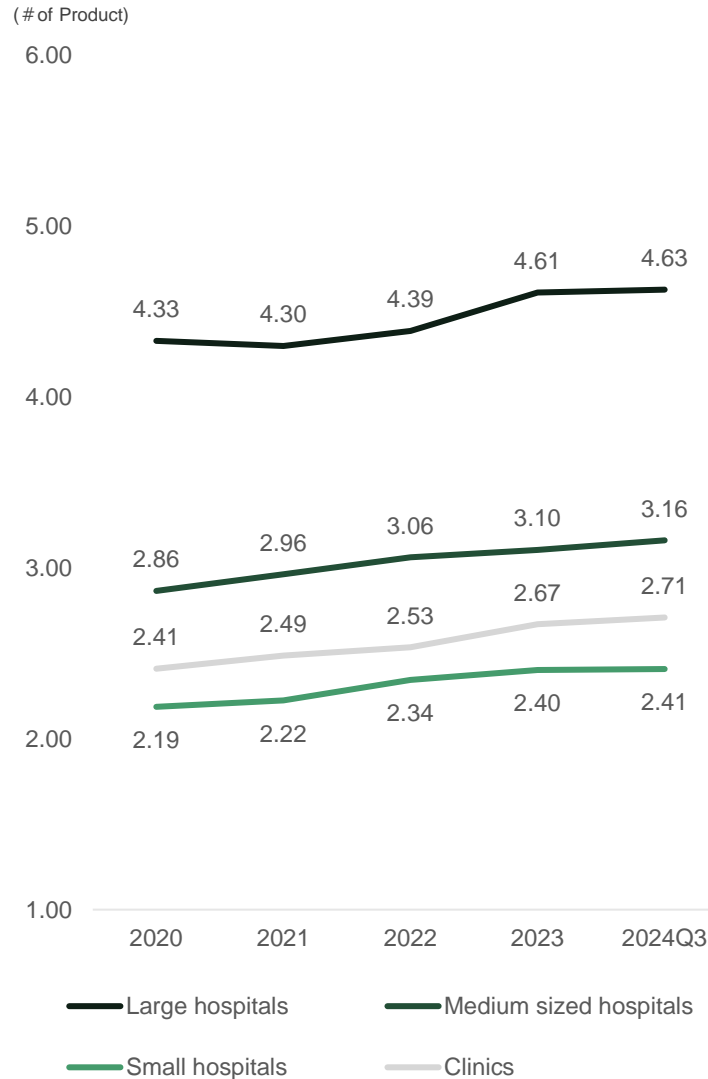
(Note) Personnel expenses include labor costs in COGS, and in SG&A: executive compensation, salaries and allowances including overtime, share-based compensation expenses, statutory welfare expenses, employee benefits, and recruitment and training expenses

- Despite Q3 typically being a slow period following Q2, Q1-3 achieved record-high revenue
- Advancing R&D efforts to expand the lineup of cloud-based services

Net Sales and Operating Profit



Average Numbers of Solutions Installed per Medical Facility



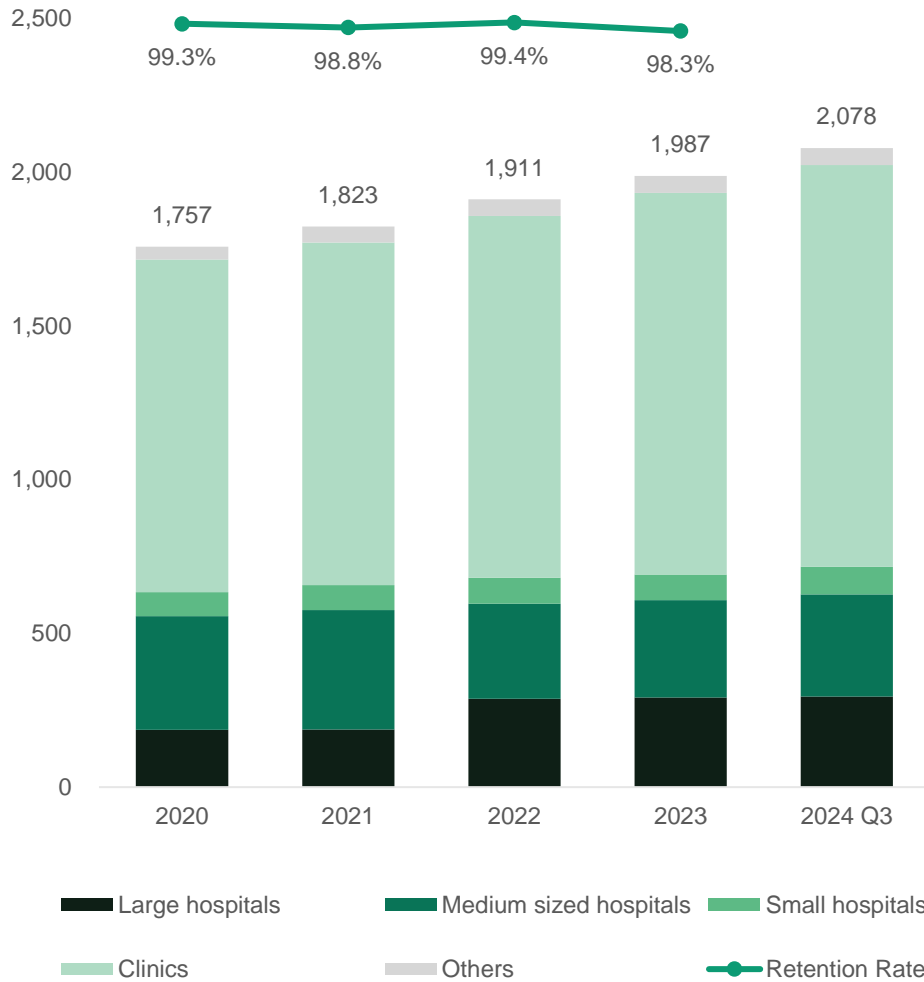
- Q3 saw a YoY revenue decrease 10.3% and a 47.3% drop in profit, primarily due to high levels in the prior year from strong system implementation and consulting demand.
- Q1-3 revenue increased by 23.1% YoY, and operating profit rose by 34.4%, achieving record-high earnings
- A subsidiary Fitting Cloud Inc., has released *CocktailAI*, a solution that supports operational efficiency using generative AI, with several other new product development projects underway
- Consulting department steadily received orders

Key Initiatives

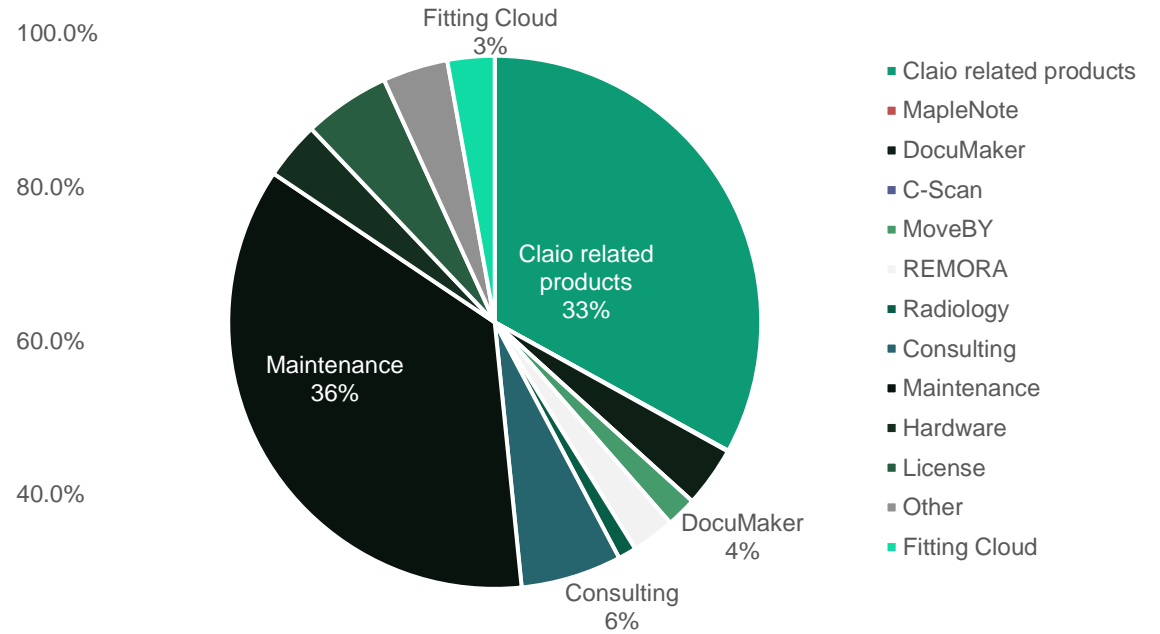
- Expansion of cloud-based services through new product launches and a strengthened support infrastructure
- Launching strategic products aimed at broadening the target market

- The number of new installations in Q1-3 reached 91, exceeding the typical annual increase
- Distributor sales grew steadily, with an increase in cross-selling, contributing to improved gross profit margin

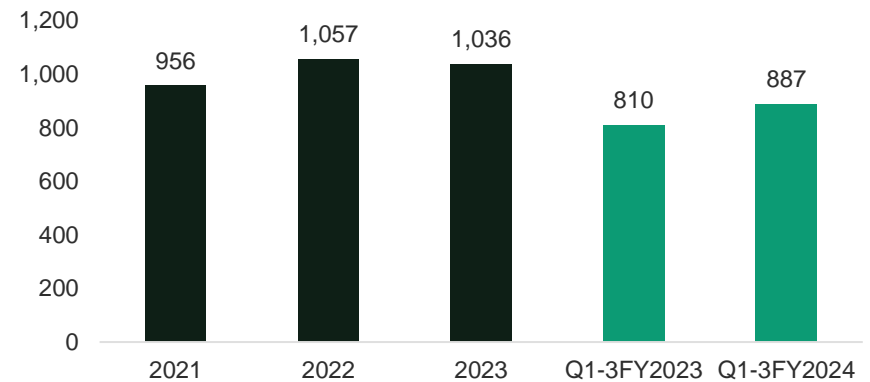
(# of Facilities) Changes in the Number of Medical Solutions Users



Medical Business - Composition of Sales by Products



(¥ Million) 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

Cloud-based

On-Premises

Connecting Municipalities, Nursing facilities, Home medical care, Pharmacies, and Health Screening Facilities through Cloud-based Services

Add-on Sales and Revenue


Connecting medical facilities and individuals through our cloud-based service *PiCIs*, to build a platform for secure data exchange and management





Expansion of Target Area

Transitioning our on-premise products to cloud-based services to actively target small to medium-sized hospitals and clinics

With strong brand recognition in a competitive market, aiming to efficiently monetize by transitioning existing products to cloud services









Area of Established Strength

Continue expanding sales of flagship products and cross-selling



Large hospitals

Medium sized hospitals

Small hospitals

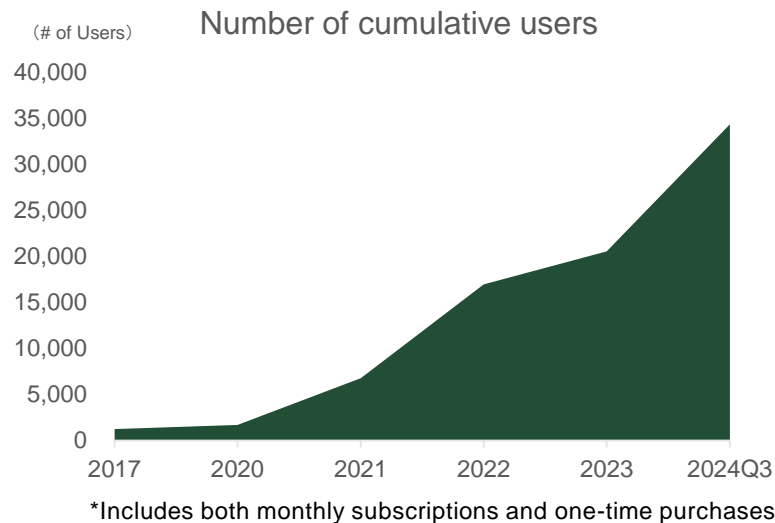
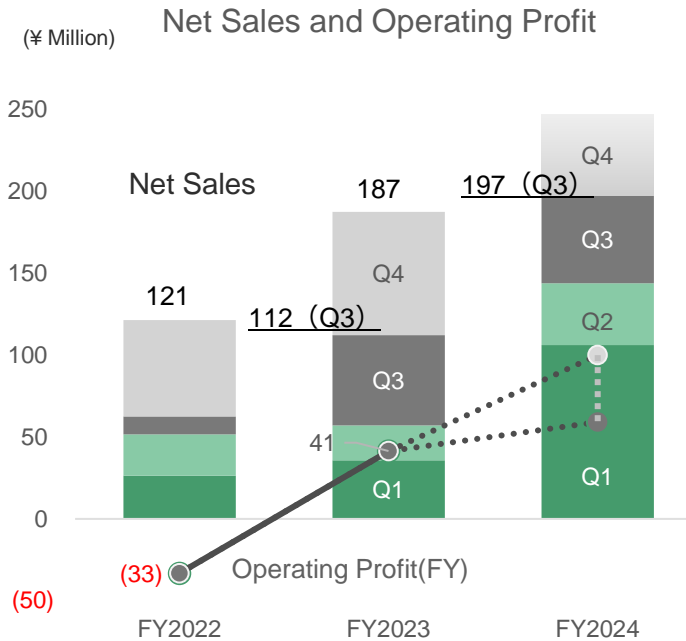
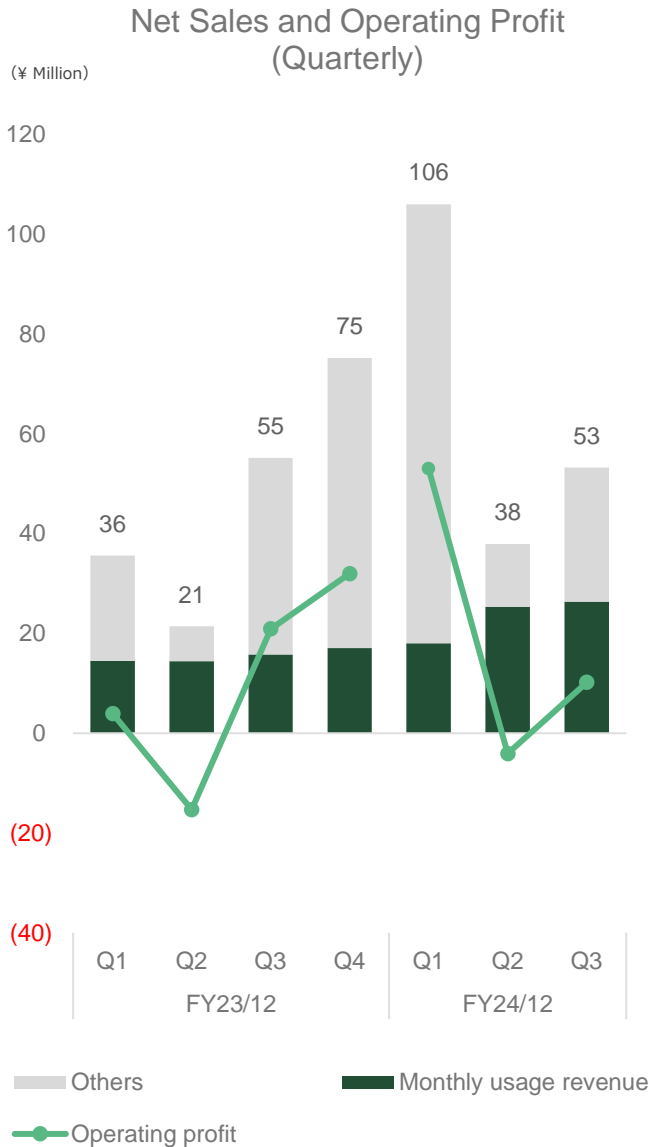
Clinics



- Provides a wide range of solutions to drive DX in and outside medical institutions, transforming business models in the healthcare sector
- Specializing in processing and managing diverse patient data held by large medical institutions
- Offering consulting as software experts and contributing to the next generation medical information management systems

Public Sector Business

- With an increase in number of users, Q3 revenue from monthly usage fees, our stable base income, grew by 67.2% YoY
- Recognized as having grown into a "second revenue stream"



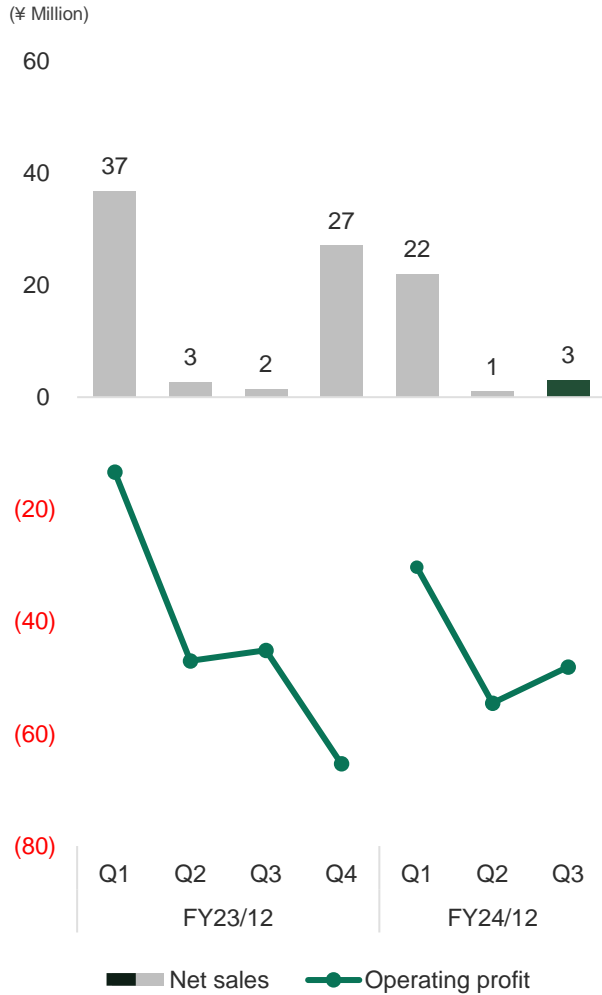
- 1 package installed for a municipality, cumulative number of installations is now 48. Cancellation of the service is zero since the service launch
- Order backlog grew 78.6% YoY, with many high-probability deals
- 7,650 out of 34,000 *DocuMaker Office* users are on monthly subscriptions, providing stable revenue
- More distributor-led projects boosted profitability, with operating profit up 6.2x YoY
- Exhibitions and case studies increased number of demonstrations
- Recruitment efforts added 5 staff since the beginning of the fiscal year

Key Initiatives

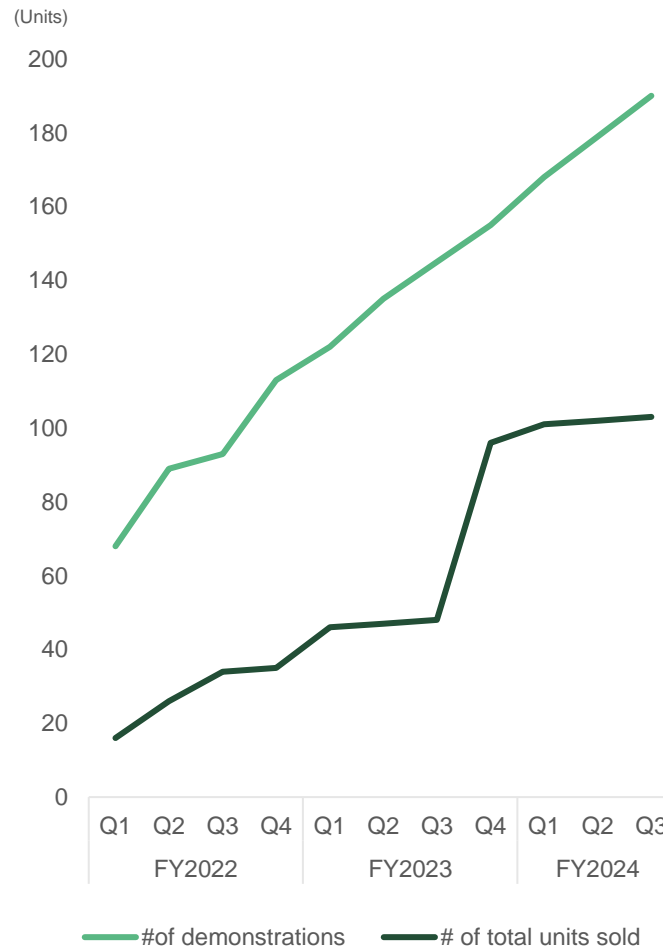
- Strengthen recruitment and employee trainings to enhance our internal resources for further business expansion
- Advance in securing new distributors and enhance partnerships
- Targeting large organizations with multifaceted promotional efforts

- Media exposure, including major networks and academic journals, presents promising opportunities
- Targeting expansion of sales channels in ASEAN countries and the U.K.

Net Sales and Operating Profit



GAP/GAP-screener Cumulative Numbers of Sales and Domestic Demonstrations



*Only the numbers of demonstrations by Findex are aggregated

Domestic

- The number of *GAP* sold in Q3: 1 unit
- Product awareness has increased due to exposure in an ophthalmology journal, academic papers, and media
- Continuing training sessions for distributors
- The number of registered *GAP* distributors increased by 2

Overseas

- Conducting market research on sales in the ASEAN region with a medical device distributor on site
- Coordinating with REXXAM Co., for the second lot shipment to the EU, the Middle East, and North Africa (scheduled for Q4)

Key Initiatives

- Continue R&D efforts towards the implementation of contrast sensitivity testing, a diagnostic test for cataracts
- *GAP* has been selected for a project by AMED (Japan Agency for Medical Research and Development), as it can be utilized to detect not only visual field abnormality, but also MCI. Joint research is progressing smoothly, aiming for market launch

Changes in Numbers of Employees

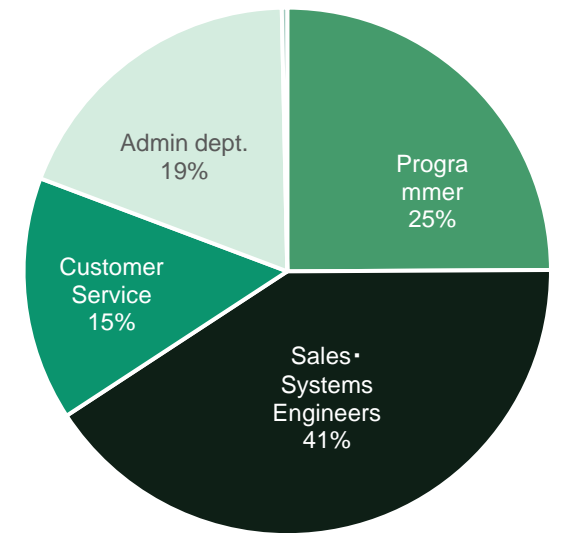
- HR investment in recruitment and talent is progressing smoothly
- Employee count up by 17; full-year target is 20
- Annual personnel expenses per employee are expected to increase by 6.0% YoY

Changes in Numbers of Employees (Consolidated)

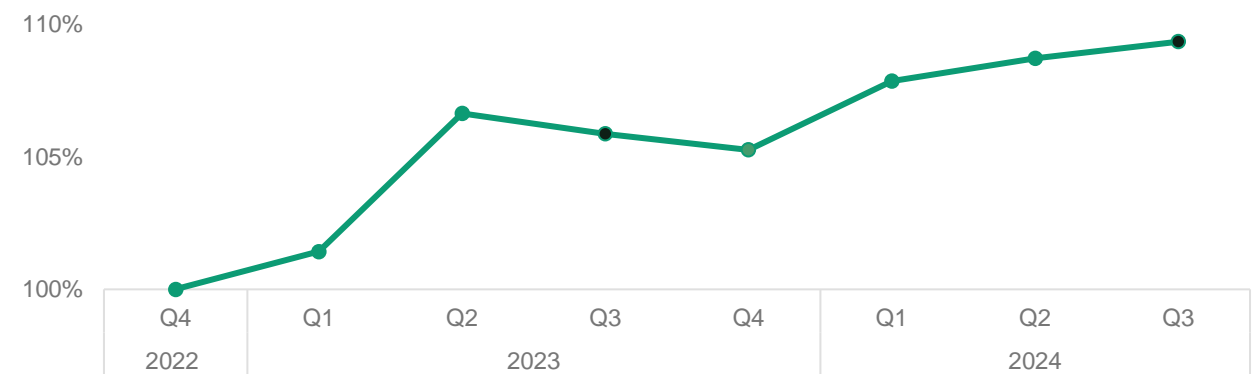


- A consolidated subsidiary Fitting Cloud Inc. established in 2021
- EMC Healthcare Co., Ltd. excluded from consolidation in 2022
- Calculated based on the number of permanent employees. Excludes executives, part-time employees, and temporary staff

Employees composition ratio



Growth Rate of Personnel Expenses per Capita



- Programmer
- Sales-Systems Engineers
- Customer Service
- Admin dept.
- Internal Audit

- Indexed to Q4FY2022
- Personnel Expenses Per Capita are Calculated Excluding J-ESOP and Overtime Pay, Based on Salaries and Employee Benefits

(As of September 30, 2024)

FY2024 - Forecast for Financial Performance and Dividends

- Q1-3 progress rates are net sales of 75% and operating profit of 72%
- Generally proceeding in line with our initial financial plan and forecasts remain unchanged

(¥ Million)	FY2023 Actual	FY2024 Forecast	YoY	Q1-3FY2024 Progress rate
Net sales	5,191	5,782	+11.4%	74.5%
Operating profit	1,496	1,574	+5.2%	71.5%
Recurring profit	1,527	1,591	+4.2%	71.2%
Profit attributable to owner of parent	1,059	1,097	+3.6%	75.8%
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	-	-

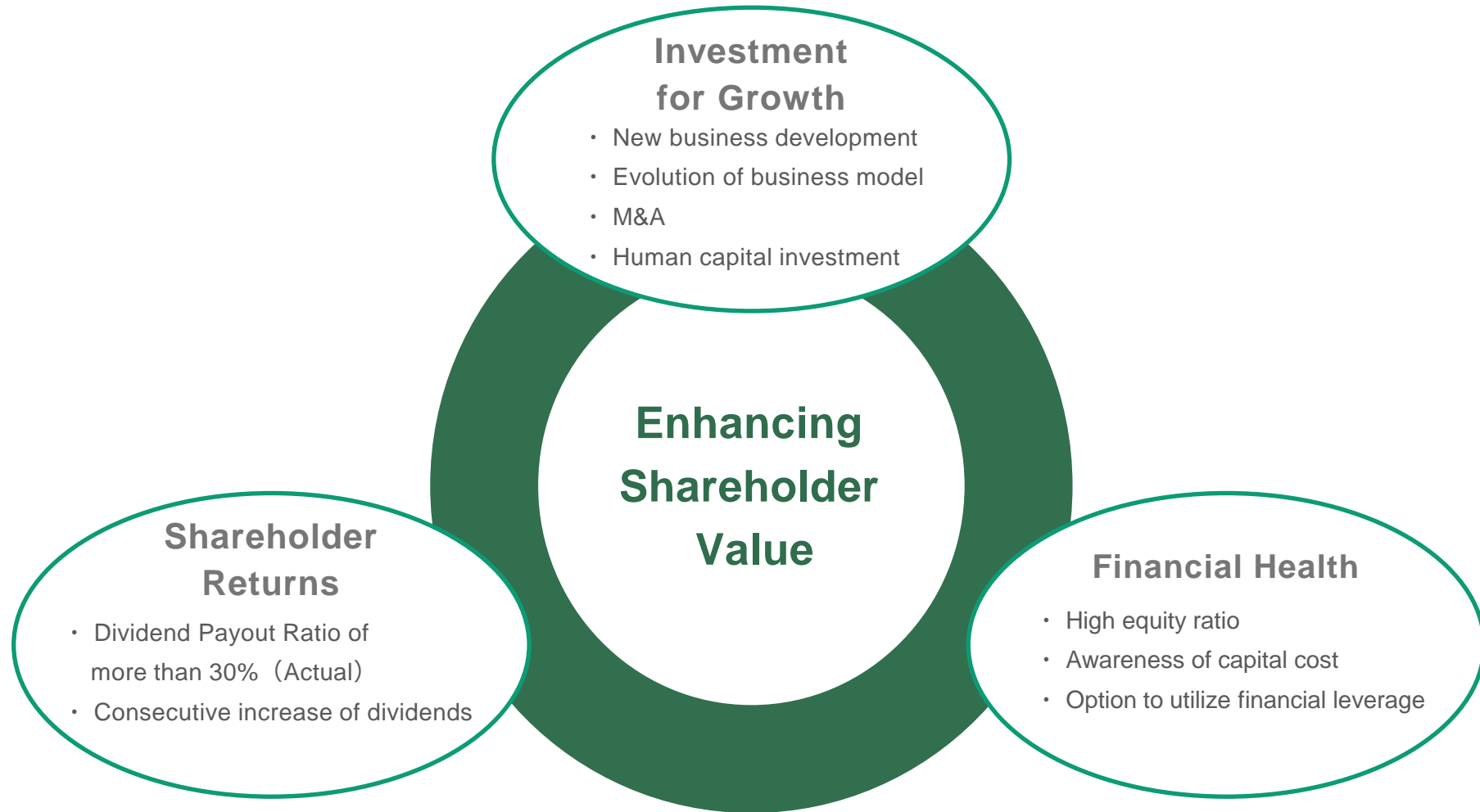
FY2024 Initiatives to Achieve Business Targets

- 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 implement various strategies for business expansion



Medical Business	✓ Address the increase in personnel expenses	Increase is on track with the plan and expected to be absorbed by price increases
	✓ Active recruitment and employment retention	Hiring is progressing well, but ongoing needs remain
	• Accelerate the deployment of cloud-based solutions to large hospitals	The number of deals in the final negotiation stage is increasing
	✓ Execute an appropriate price revisions	Increased product and service prices by 20% from April 2024. Price increases are being implemented, but their effects will be seen from FY2025 during sales and renewals
	✓ Promote cross-selling strategy	Cross-selling for mid-sized hospitals and clinics continues to increase
	✗ Full-scale expansion of <i>Claio</i> overseas sales	As reported in our previous presentation material
Public Sector Business	• Expand medical information consulting services to other industries	Recognized for consulting achievements with large hospitals
	✓ Further secure talent for business expansion	Achieved increase in number of staff. Further accelerating for business expansion
	✓ Build relationships with distributors and partners to pioneer mid-sized projects in earnest	Negotiations via distributors increasing
	• Strengthen collaboration with other company's' software	Continue discussions
	• Enhance support infrastructure with the increase in the number of customers	Considering an optimal structure of organization
	✓ Accumulate expertise through implementation in large-scale facilities	A positive cycle is observed from the adoption at the prefectural office
Health Tech Business	✓ Enhance product features with a user-oriented approach	Repurposing part of the existing medical software for public sector use
	• Improve awareness and understanding of the product, as well as the necessity to explore accelerators	Implementing proactive marketing strategies
	✓ Add intuitive interfaces and guided features for healthcare staffs' ease of use	Understanding needs and selecting functions through demonstrations
	• Add new testing features to the product and commence clinical trials	Continue executing investments for R&D
	• Rebuild the sales structure, including training for sales representatives at distributors	Promote trainings for distributors
	• Execute initiatives to start sales in India and ASEAN countries	Planning to develop partnerships
✓ Publish a research paper in academic journals	A journal released in "Ophthalmology Glaucoma" in May	

Appendix



- Maximize corporate value with balanced attention to investment for growth, shareholder returns, and financial health to meet shareholders' expectation
- Continue growth investments such as new business development, M&A, and Human capital investment; work to create and execute investment opportunities
- Continue management focused on capital cost, aiming to improve ROE and ROIC
- Continue enhancing profitability and corporate value through business expansion



An Overwhelming Penetration Rate of
approx. **75%**
in National University Hospitals Market

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 September 30, 2024)

Changes in the Number of Customers (As of September 30,2024)

Appendix

Medical Solutions – By Type of Medical Facility	(# of Facilities)		
	Q2FY2024	Q3FY2024	QoQ
Large hospitals (400 beds and more)	294	295	+1
Medium sized hospitals (100-399 beds)	328	332	+4
Small hospitals (20-99 beds)	88	89	+1
Clinics (19 beds and less)	1,286	1,306	+20
Other	56	56	+0
Total	2,052	2,078	+26

Solutions for Public Sector – By Product	(# of Facilities)		
	Q2FY2024	Q3FY2024	QoQ
Solutions for Public Sector	38	39	+1
Solutions for Medical Facilities	9	9	+0
Total	47	48	+1

Enriching Society with Technologies and Creation

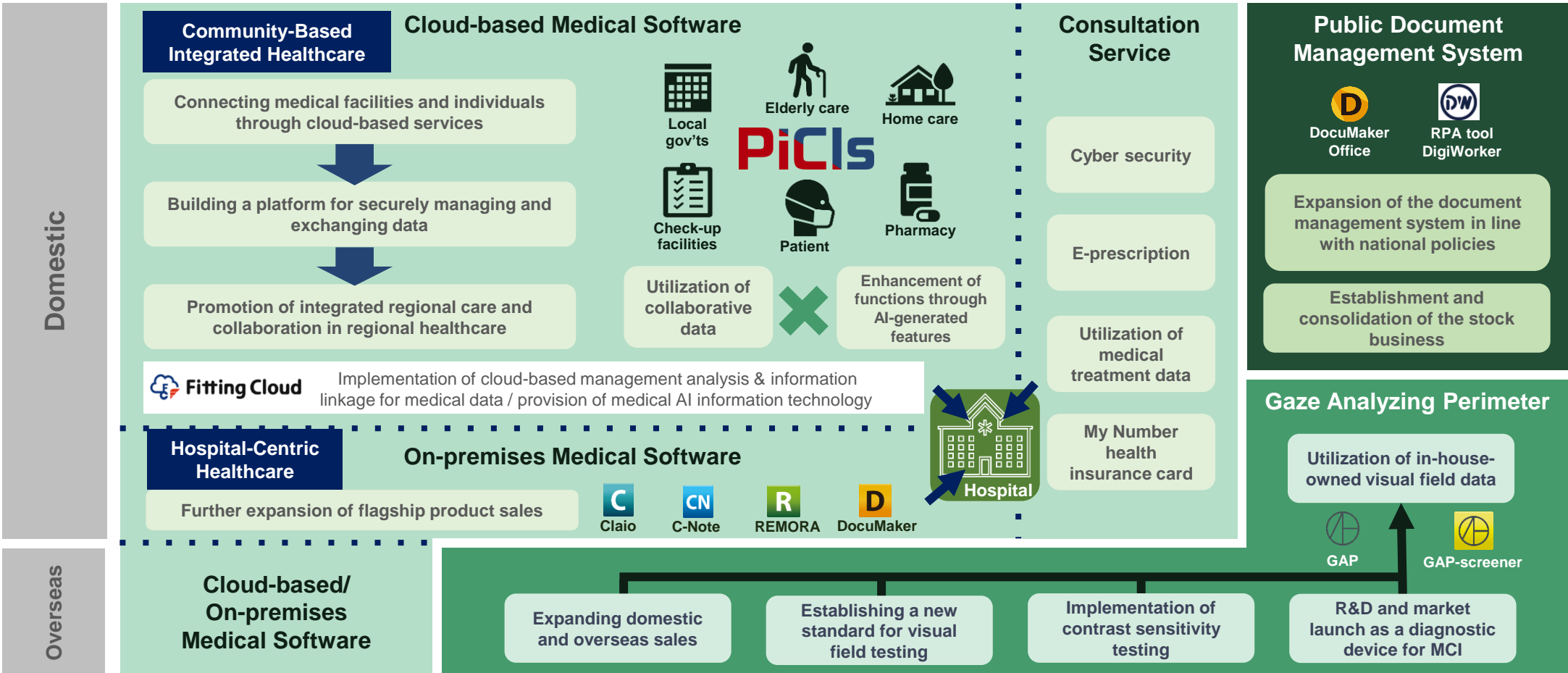
Equal Access to Medical Services

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 (As of September 2024, the adoption rate is approx. 14.6%)
- 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 by the end of 2024 and integrate them into the national My Number identification system (conventional health insurance card to be abolished in Dec 2024)
- About 80% of medical institutions and pharmacies nationwide have started using online qualification verification system

Advantages for hospitals and healthcare industry:

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

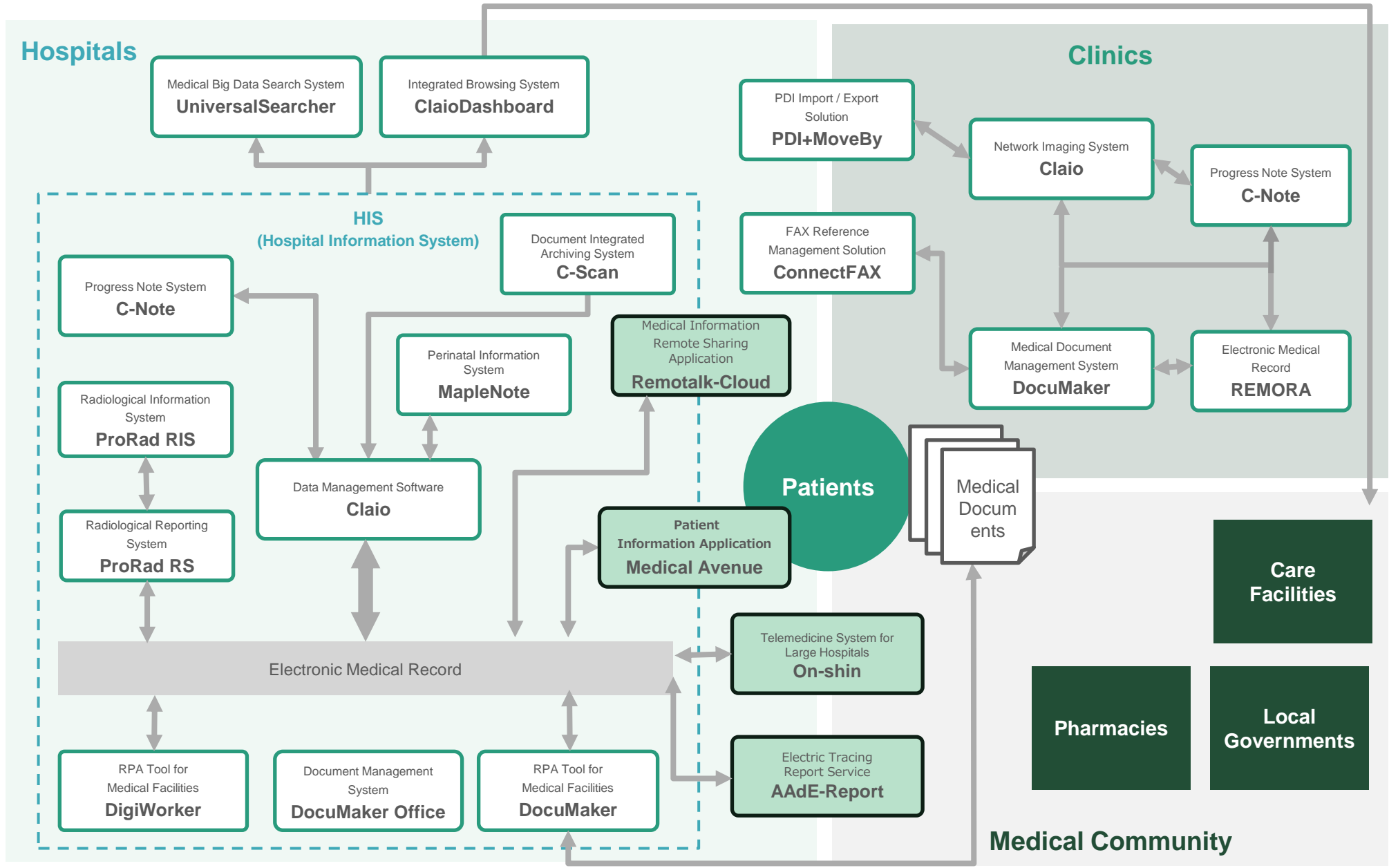
Better Working Environments

- Started in April, overtime work for employed physicians is now 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*



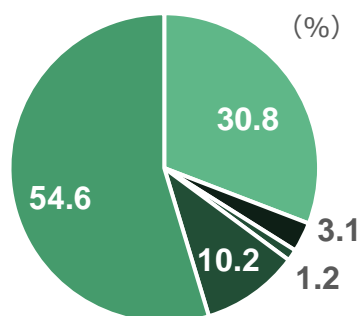
Number of shares and shareholders

Total number of authorized shares	78,336,000
Total number of issued shares	26,608,800
Number of shareholders	4,331

Breakdown of shares by type of shareholder

Type	# of shares	# of shareholders	% of total shares in issue
Japanese financial institutions	8,199,300	13	30.8
Japanese securities companies	827,409	26	3.1
Other Japanese companies	321,001	27	1.2
Foreign investors	2,722,511	77	10.2
Japanese individuals, others (Including treasury shares)	14,538,579	4,188	54.6
Total	26,608,800	4,331	100.0

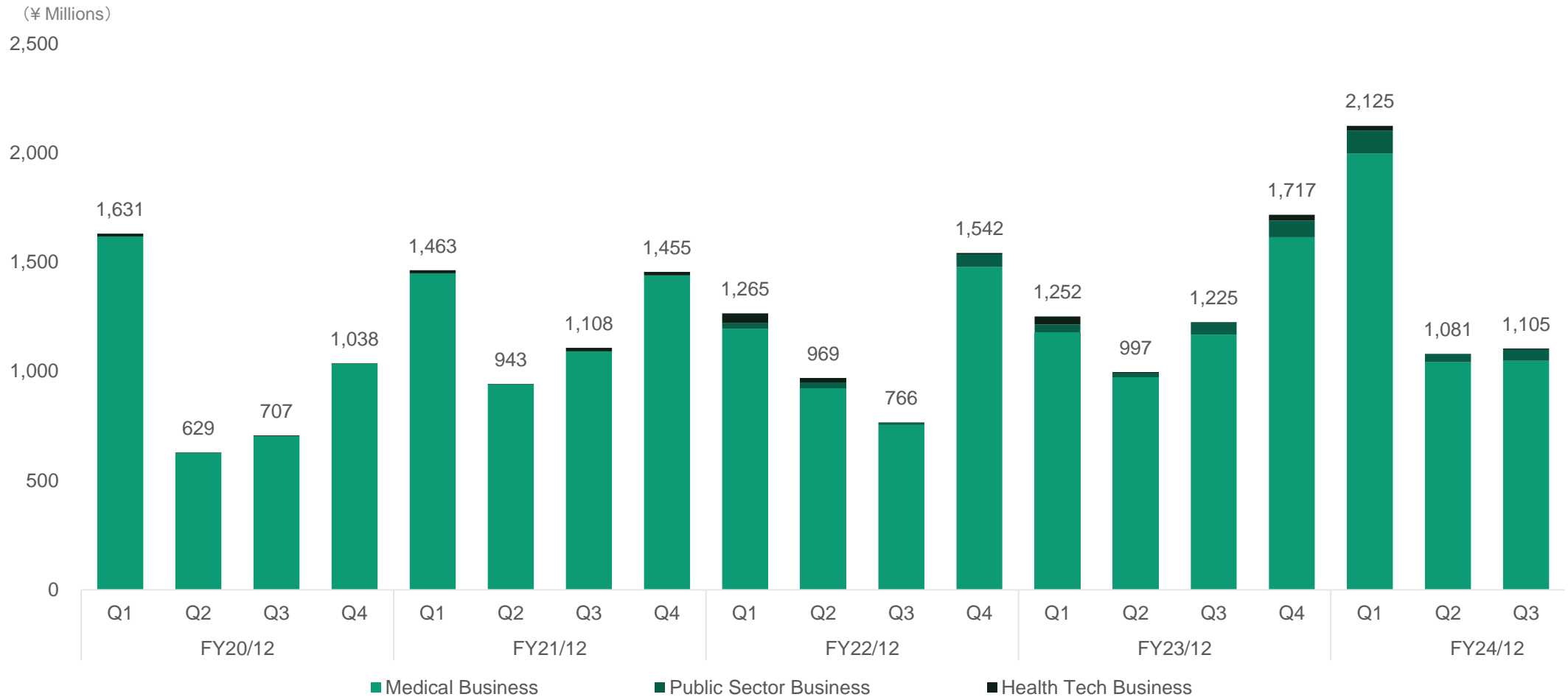
- Japanese financial institutions
- Japanese securities companies
- Other Japanese companies
- Foreign investors
- Japanese individuals, others (Including treasury shares)



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)	3,366,100	13.0
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)	1,021,600	4.0
Ehime Bank, Ltd.	967,200	3.7
Keiji Takemura	830,100	3.2
THE BANK OF NEW YORK MELLON 140040 (Standing proxy: Settlement Sales Division, Mizuho Bank, Ltd.)	743,546	2.9
Custody Bank of Japan, Ltd. (Trust Account)	713,700	2.8
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG (Standing proxy: MUFG Bank, Ltd.)	275,000	1.1

(As of June 30, 2024)

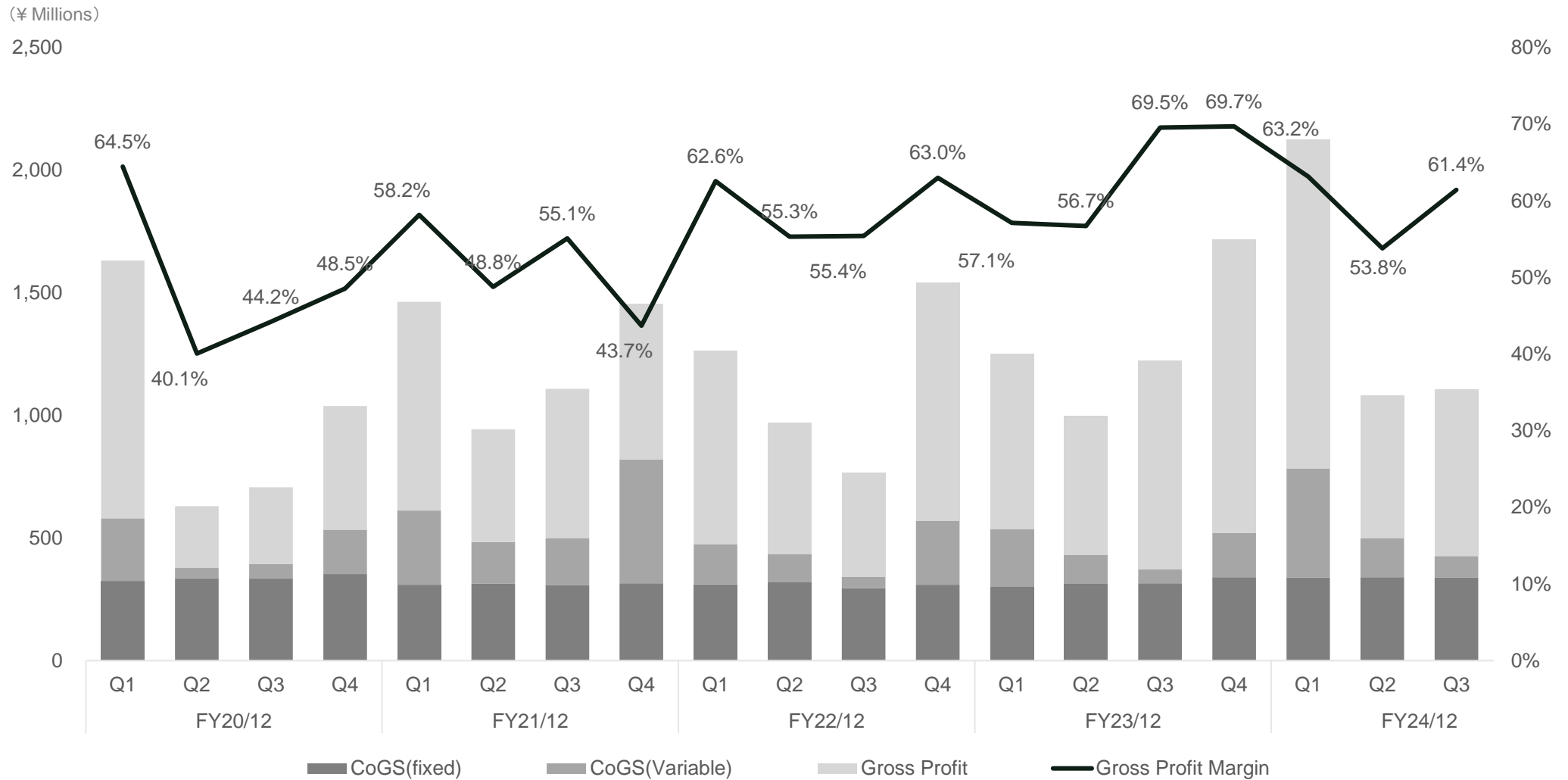


- Q3 total sales decreased by 9.8%, with high benchmarks set in FY2023 Q3
- Q3 is typically a slow period, as seen in FY2020 and FY2022, but current levels remain relatively strong by comparison
- Q3 sales in Public Sector Business decreased by 3.5% YoY, but stable monthly subscription revenues are growing steadily
- While orders were briefly delayed due to revised medical fees, trends returned to normal in August, with strong demand for medical software to improve physician work conditions and hospital operation efficiency

* 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

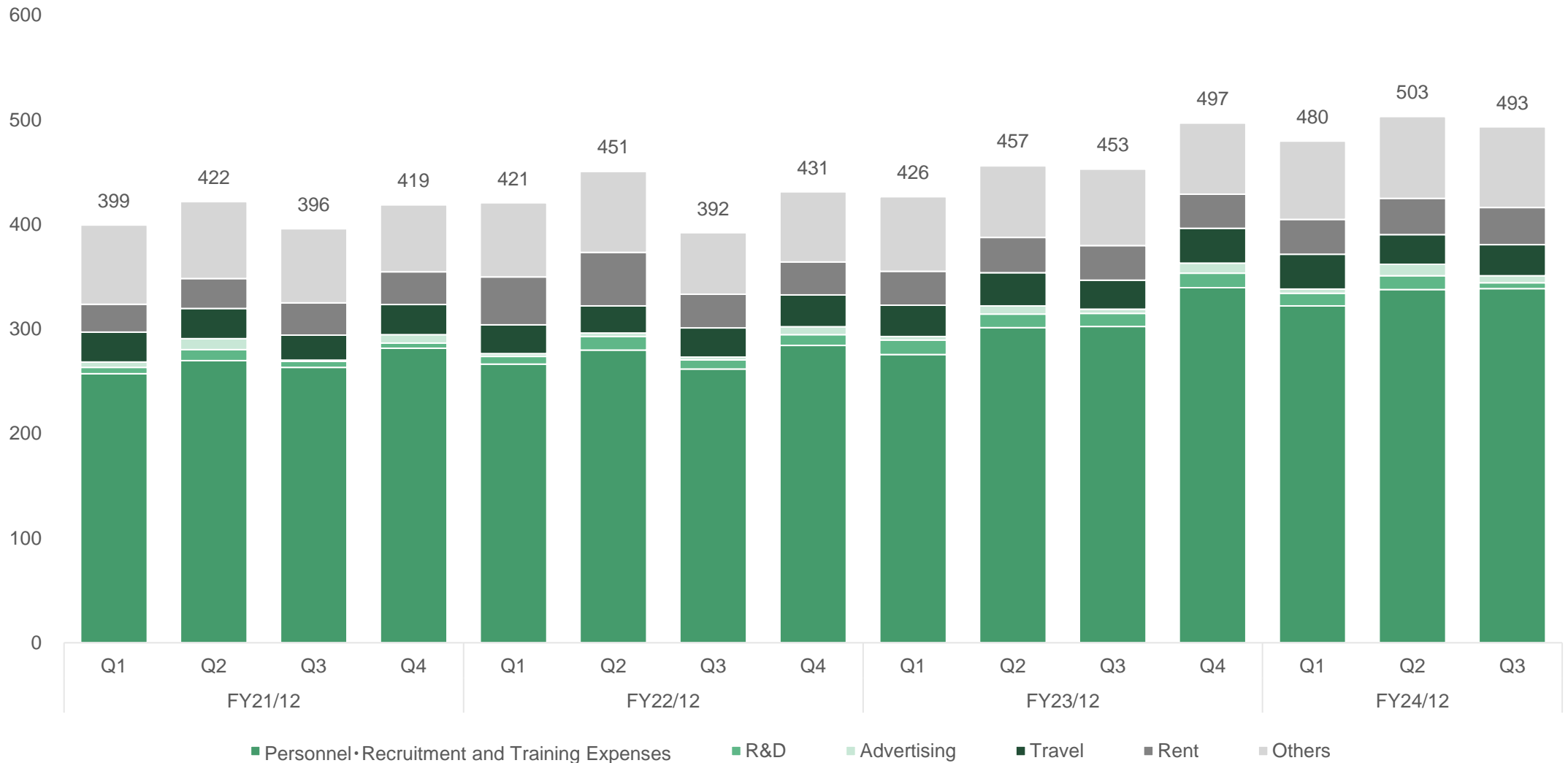
Gross Profit Margin and CoGS (Fixed/Variable)



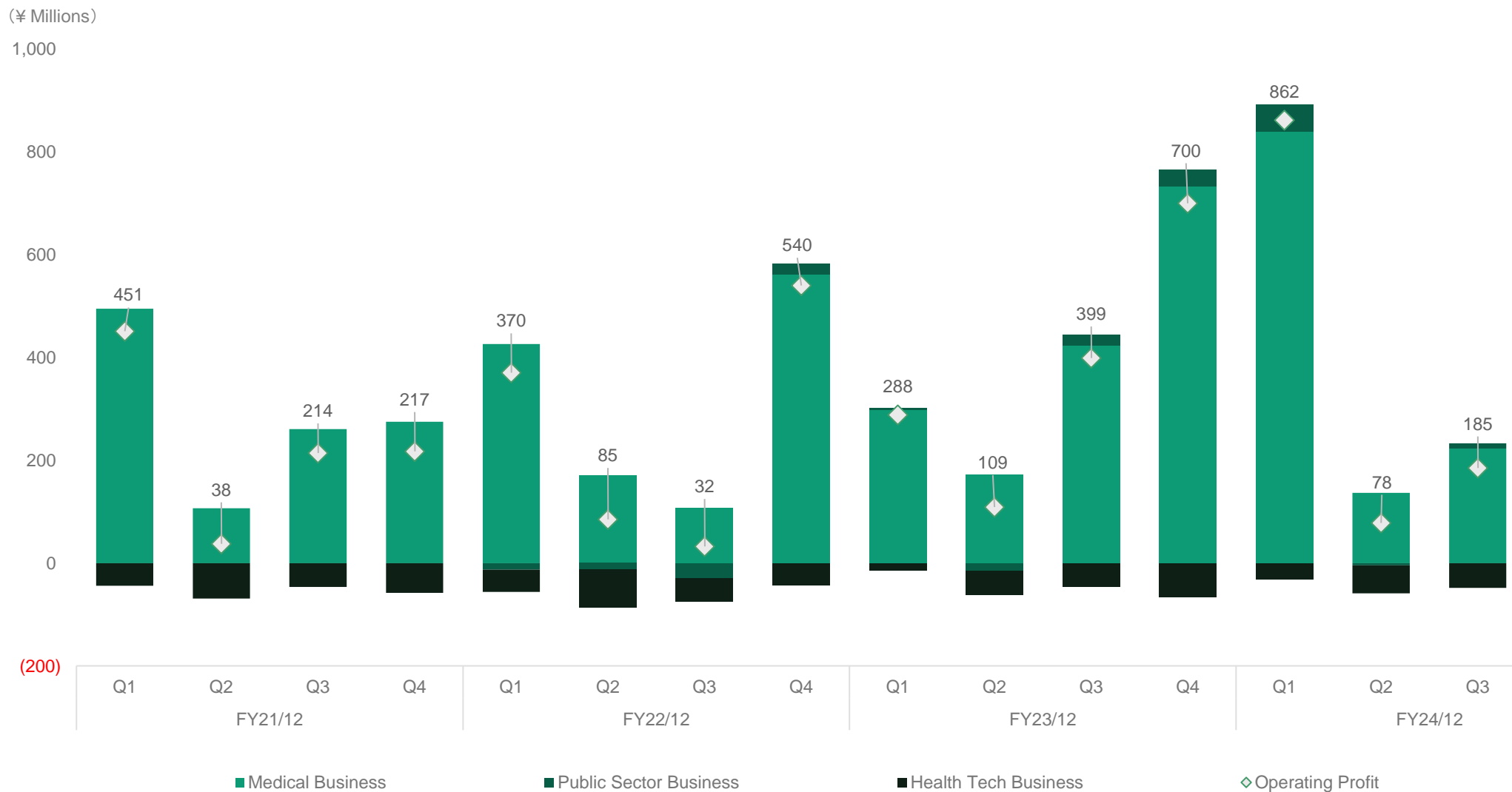
- In Q3, lower revenue and higher purchases and labor costs reduced gross profit
- Gross profit improved compared to Q2, when variable costs rose due to large projects
- In Medical Business, the expansion of profitable cross-selling, growth in consulting services, and increased package sales performed well

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

(¥ Millions)



- Personnel and recruitment expenses increased due to strengthening hiring efforts but are within expectation
- Personnel and recruitment training expenses increased by 13.6% YoY
- Consolidated number of employees for Q3FY2024, including directors and temporary staff, was 331

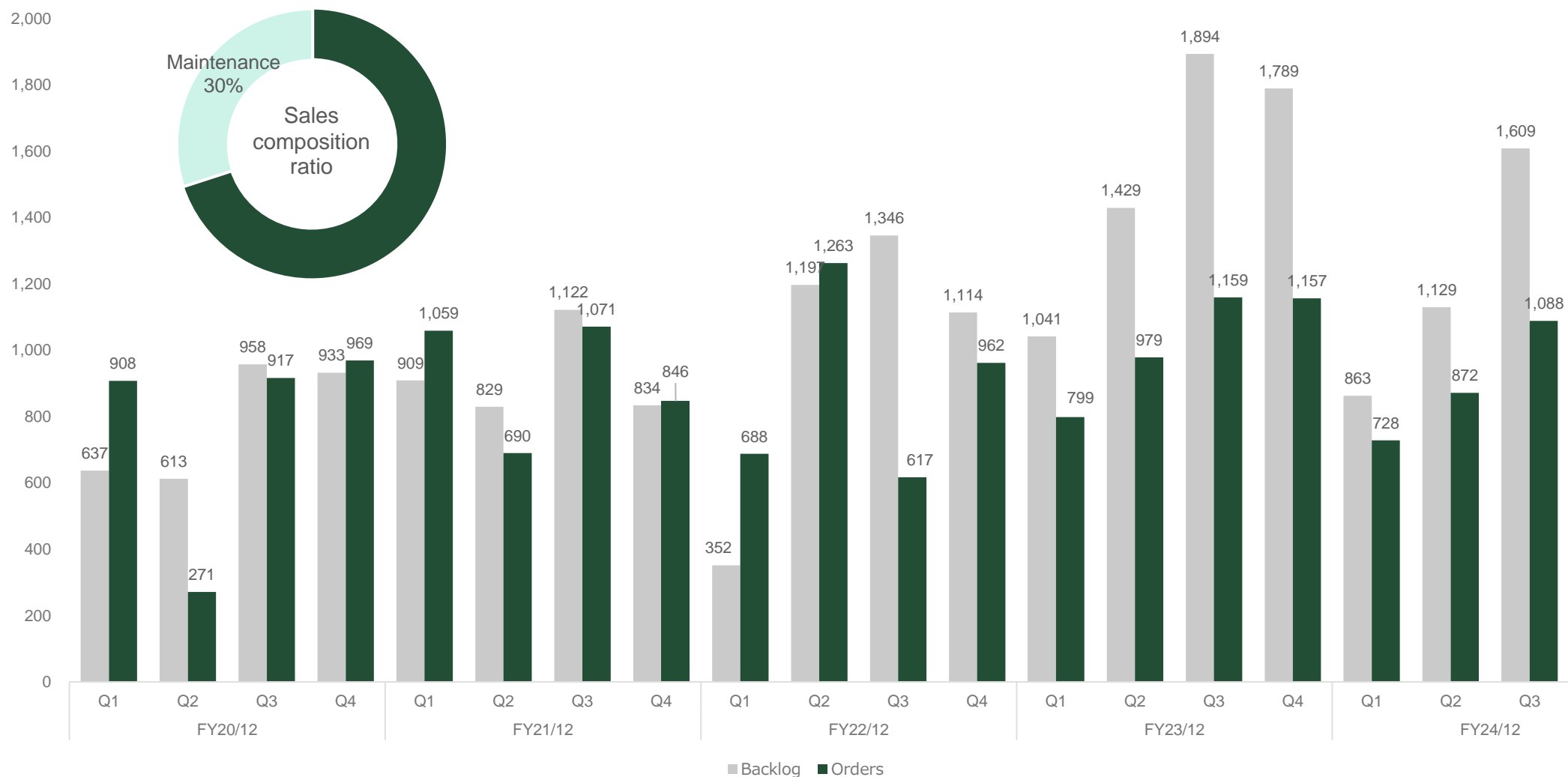


* The "Accounting Standard for Revenue Recognition" has been applied from FY2022

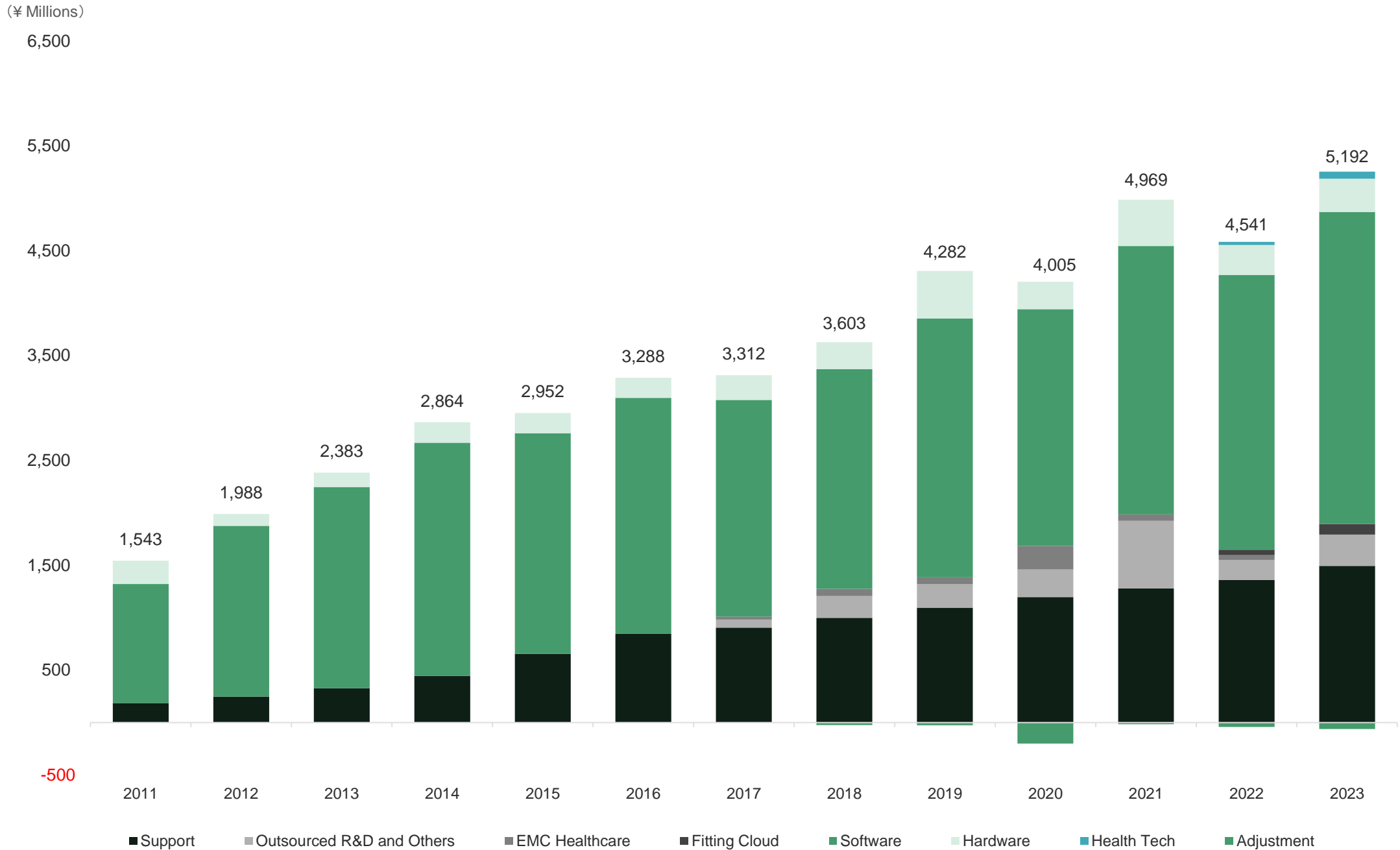
* Business segments changed from FY2023. As for FY2022 figures are reallocated based on the change made
 Until FY2022 Public Business was included in Medical Business. Figures above are unaudited

(¥ Millions)

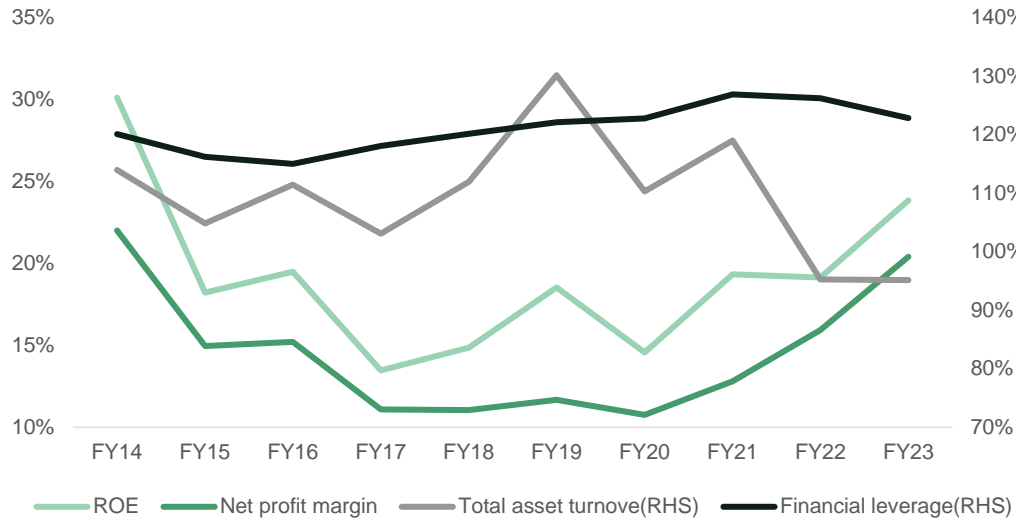
Orders and Backlog



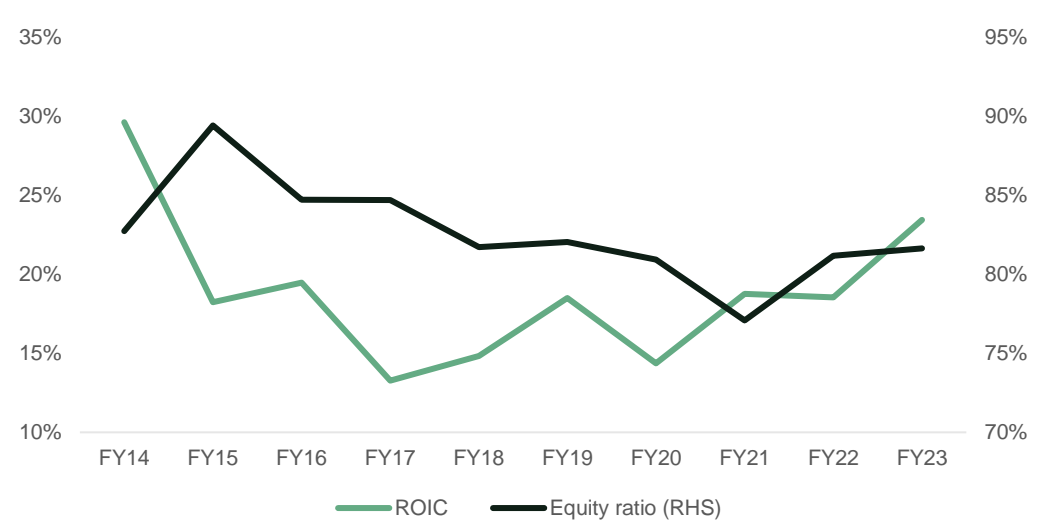
- Q3 order backlog decreased 15.1% YoY but reached a record-high JPY 1,609 million, up 42.4% QoQ and continuing to rise
- Revisions to medical fees and workstyle reforms for doctors delayed hospital system investments, but orders increased from summer onward after these changes were implemented



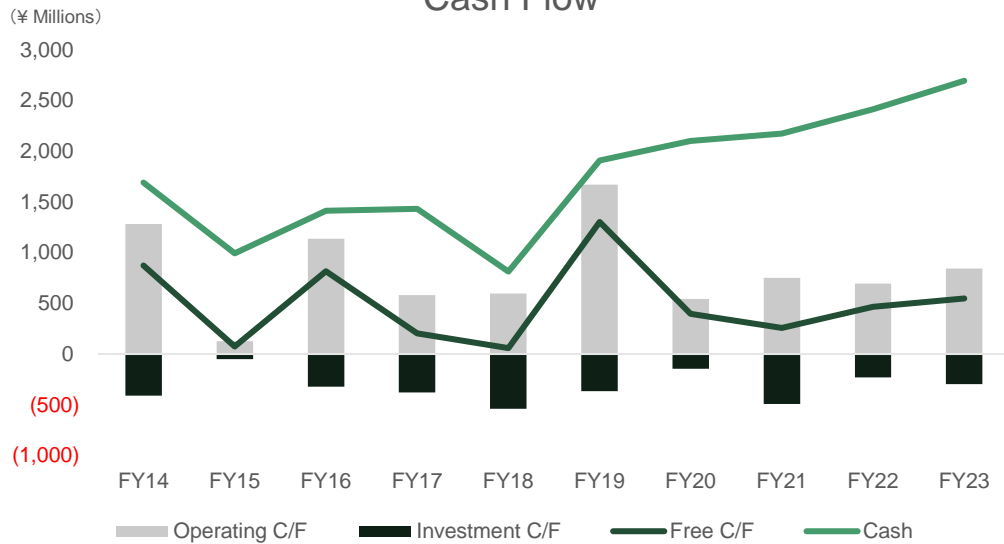
ROE and DuPont Analysis



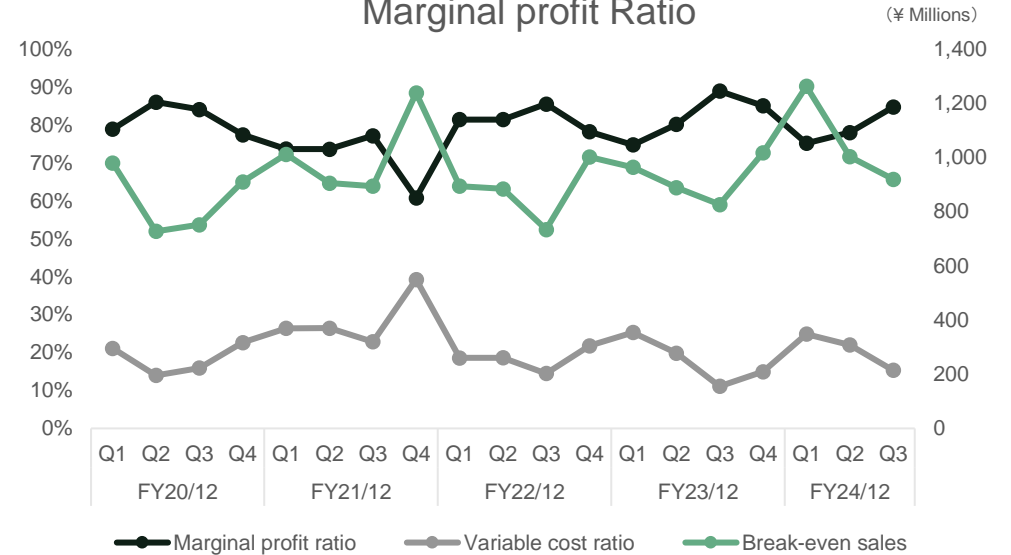
ROIC and Equity Ratio



Cash Flow



Marginal profit Ratio



Progressive Software Creators

Always have, Always will.

