

H1FY2024 Financial Results Presentation

FINDEX Inc.

Aug 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.

- Upward revision of H1 Plan: High sales and profit in Medical and Public Sector Business
- Q2 operating profit fell due to HR investments but is as expected

H1 Net Sales

YoY **+42.5** %
(Q1 Net Sales YoY **69.7** %)

H1 Operating Profit

YoY **2.37** times
(Q1 Operating Profit YoY **2.99** times)

- Exceeded initial plan (upward revision disclosed on July 26)
- Absorbed cost increases, including personnel expenses, due to significant revenue growth
- Recruitment and personnel investment progressed as planned, with 13 more employees since the beginning of the period

Q2 Net Sales

YoY **+8.4** %
(1.081 billion yen)

Q2 Operating Profit

YoY **- 28.2** %
(78 million yen)

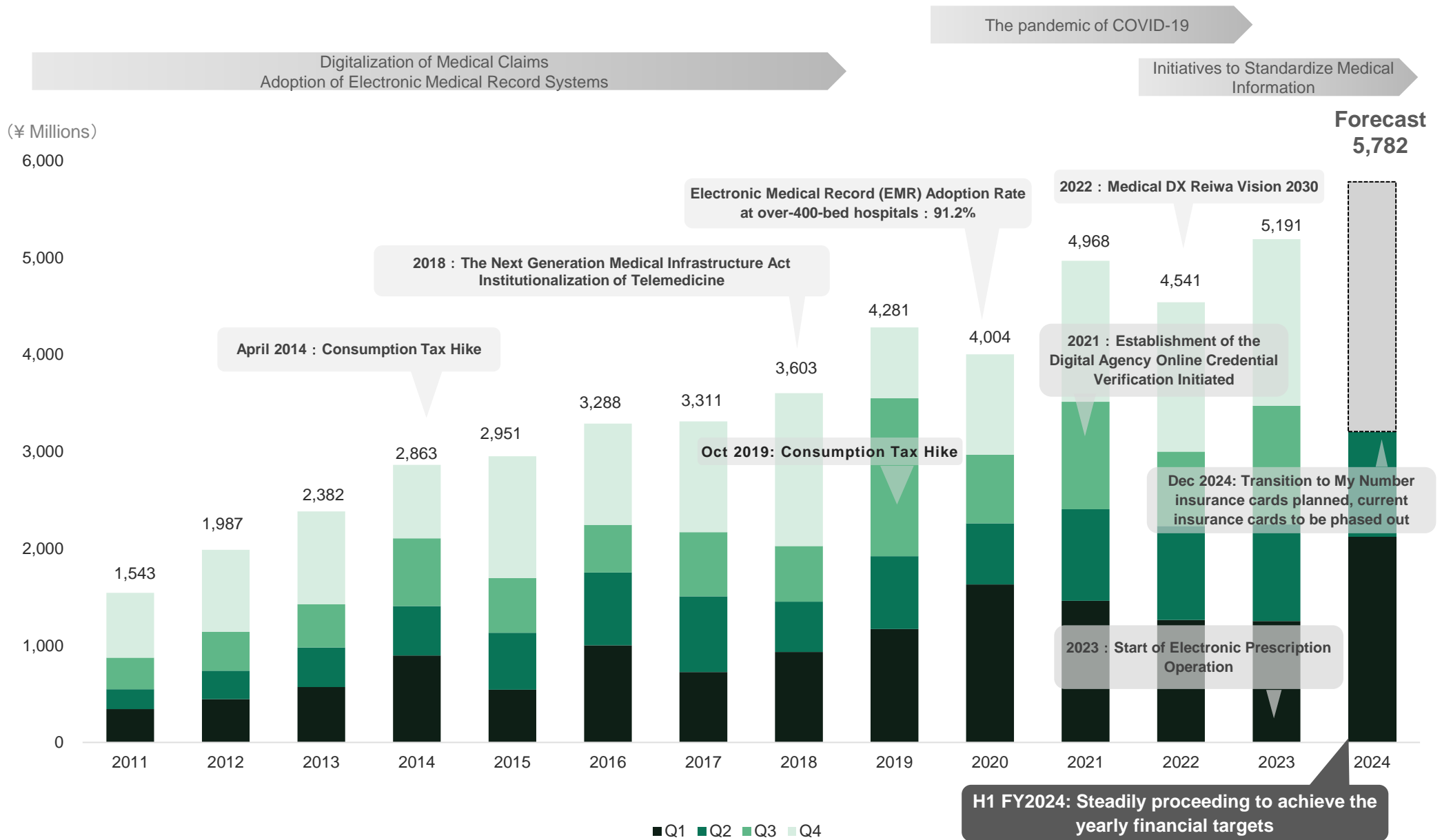
- Q2 sales hit a record high despite the typical slow period
- Decrease in Q2 operating profit mainly due to HR investments, but within expectations
- Order backlog at 1.129 billion yen, decreased by 21% YoY but increased by 30.9% QoQ

- 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

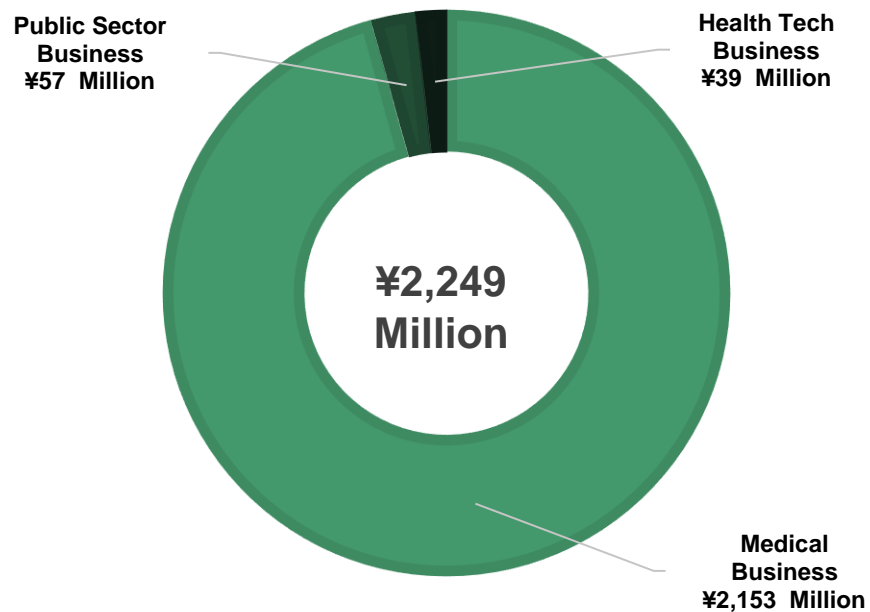
(¥ Millions)	H1 FY2023	H1 FY2024	YoY	FY2024 Forecast
Net sales	2,249	3,205	42.5%	5,782
Medical Business	2,152	3,038	41.4%	-
Public Sector Business	57	143	152.5%	-
Health Tech Business	39	23	(41.6%)	-
Cost of sales	968	1,282	32.4%	-
Gross profit	1,280	1,923	50.2%	-
Gross profit margin	56.9%	60.0%	-	-
SG&A	883	982	11.3%	-
Operating profit	397	940	136.7%	1,574
Medical Business	469	976	108.1%	-
Public Sector Business	(11)	48	-	-
Health Tech Business	(60)	(84)	-	-
Operating profit Margin	17.7%	29.3%	-	-
Recurring profit	414	945	128.1%	1,591
Profit attributable to owners of parent	283	701	147.0%	1,097

(Note) Profit attributable to owners of parent includes tax adjustments resulting from the salary increase promotion tax system

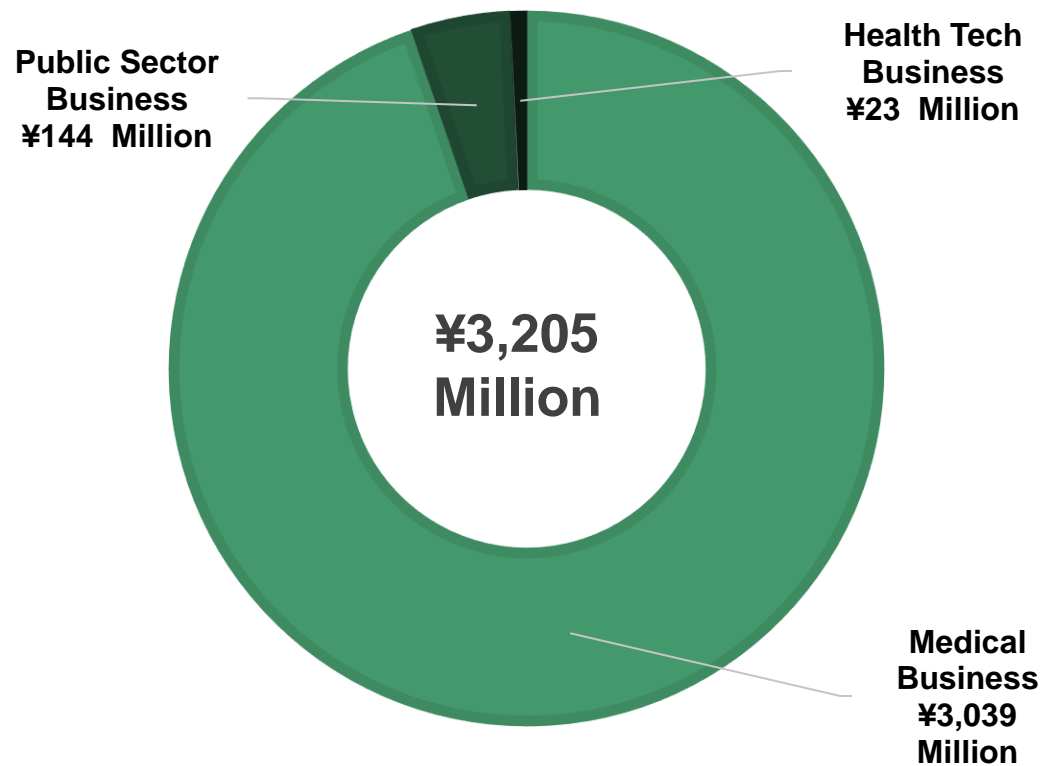
Market Trends and Our Financial Performance



H1FY2023



H1FY2024



Balance Sheet

- Cash up from debt recovery: Need for effective use
- Equity ratio remains at a high level of 83.2%

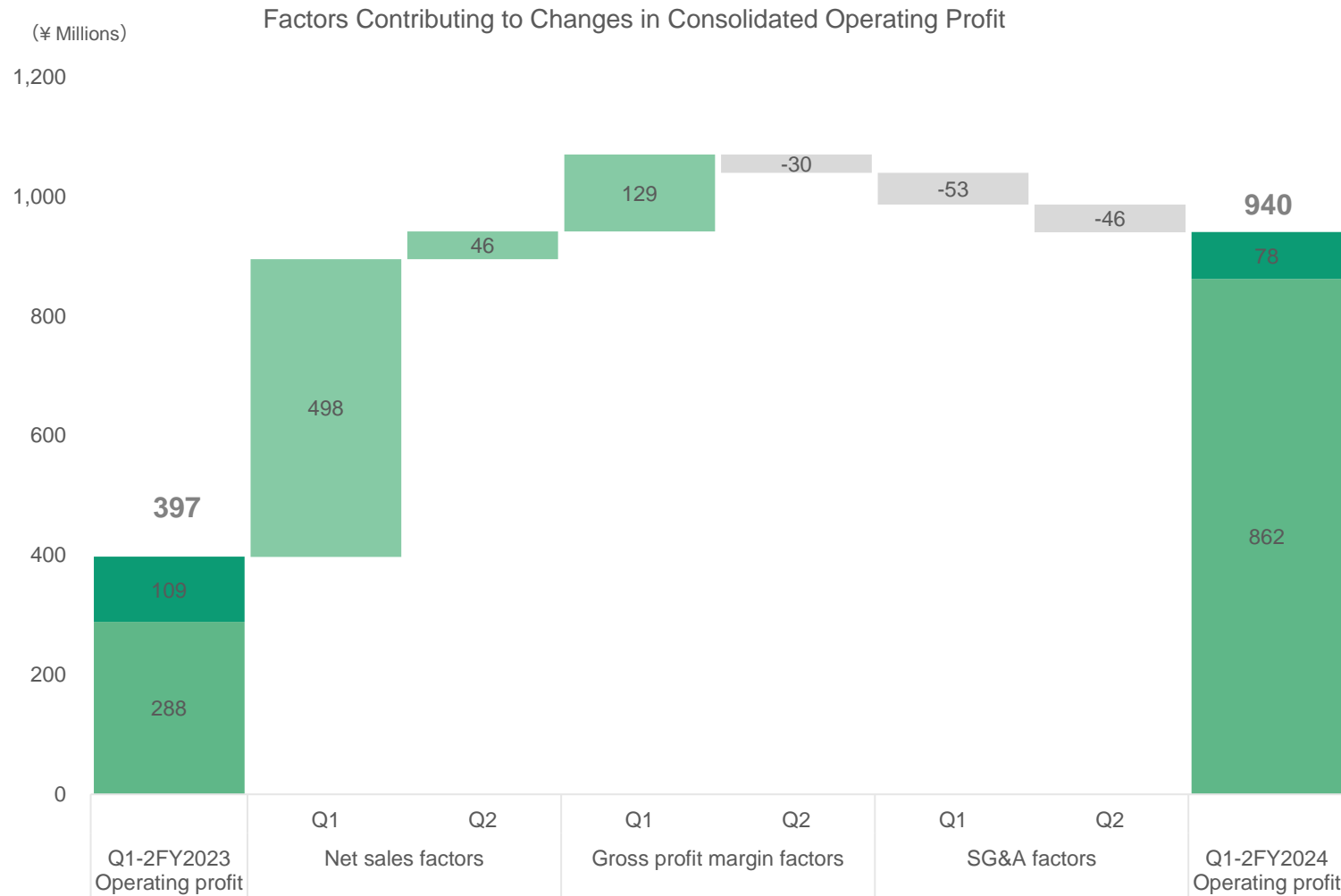
(¥ Millions)	FY2023	H1FY2024	Changes
B/S			
Cash and deposits	2,693	4,435	1,742
Notes and accounts receivable - trade and contract assets	1,924	735	(1,188)
Merchandise and finished goods, work in progress	221	125	(95)
Raw materials and supplies	118	116	(1)
Other	50	55	5
TOTAL CURRENT ASSETS	5,006	5,468	461
Tangible assets	89	89	0
Intangible assets	290	296	5
Software	290	295	5
Investments and other assets	547	560	12
TOTAL ASSETS	5,934	6,414	479
TOTAL CURRENT LIABILITIES	772	797	25
Non-current LIABILITIES	316	270	(45)
(long-term and short-term interest-bearing liabilities)	0	0	0
TOTAL LIABILITIES	1,088	1,068	(20)
NET ASSETS	4,845	5,345	499
Shareholders' equity	4,844	5,331	486
TOTAL LIABILITIES and NET ASSETS	5,934	6,414	479

- Accumulated past profits and improved collection of receivables at the end of Q1 have increased cash and deposits to 4.4 billion yen. The receivables collection terms remain unchanged

- Recognizing effective use of capital, including M&A, as a key challenge

FY2024- Factors Contributing to Changes in Operating Profit

- Q1: Recorded significant improvements in net sales and gross profit
- Q2: Profit decreased YoY due to higher COGS and SG&A expenses

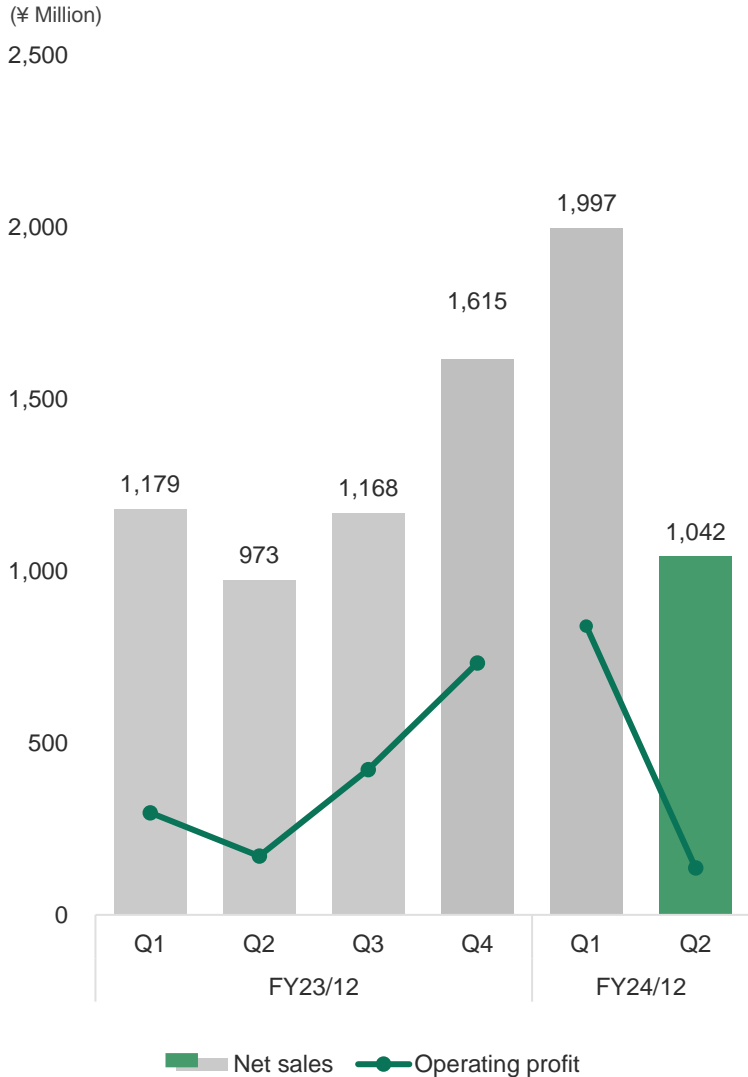


- Q2: Slight decline in gross profit due to increased procurement and labor costs from large projects
- Increased personnel expenses due to hiring reinforcement and salary raises
- H1 personnel expenses in COGS and SG&A increased by 1.124 billion yen (YoY 12.4%)
- Increase in SG&A expenses considered under control

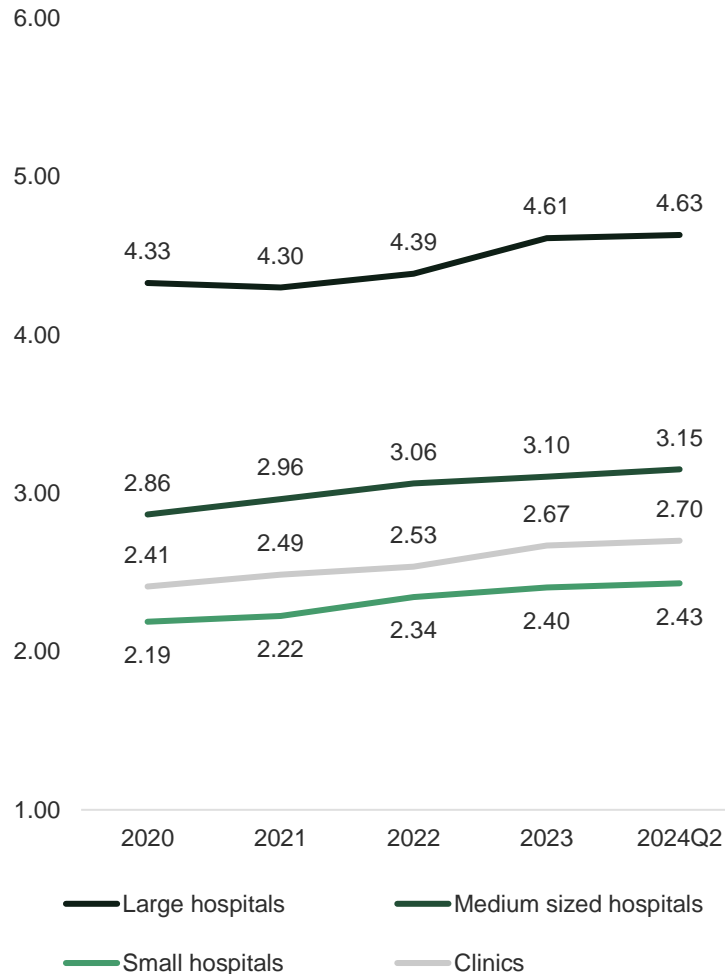
(Note) Personnel expenses include labor costs in COGS, and in SG&A: executive compensation, salaries and allowances including overtime, share-based compensation expenses, statutory welfare expenses, employee benefits, and recruitment and training expenses

- Achieved record-high profits in Q1 due to strong demand, all within our planned scope
- Released a solution utilizing generative AI and a cloud-based service

Net Sales and Operating Profit



Average Numbers of Solutions Installed per Medical Facility



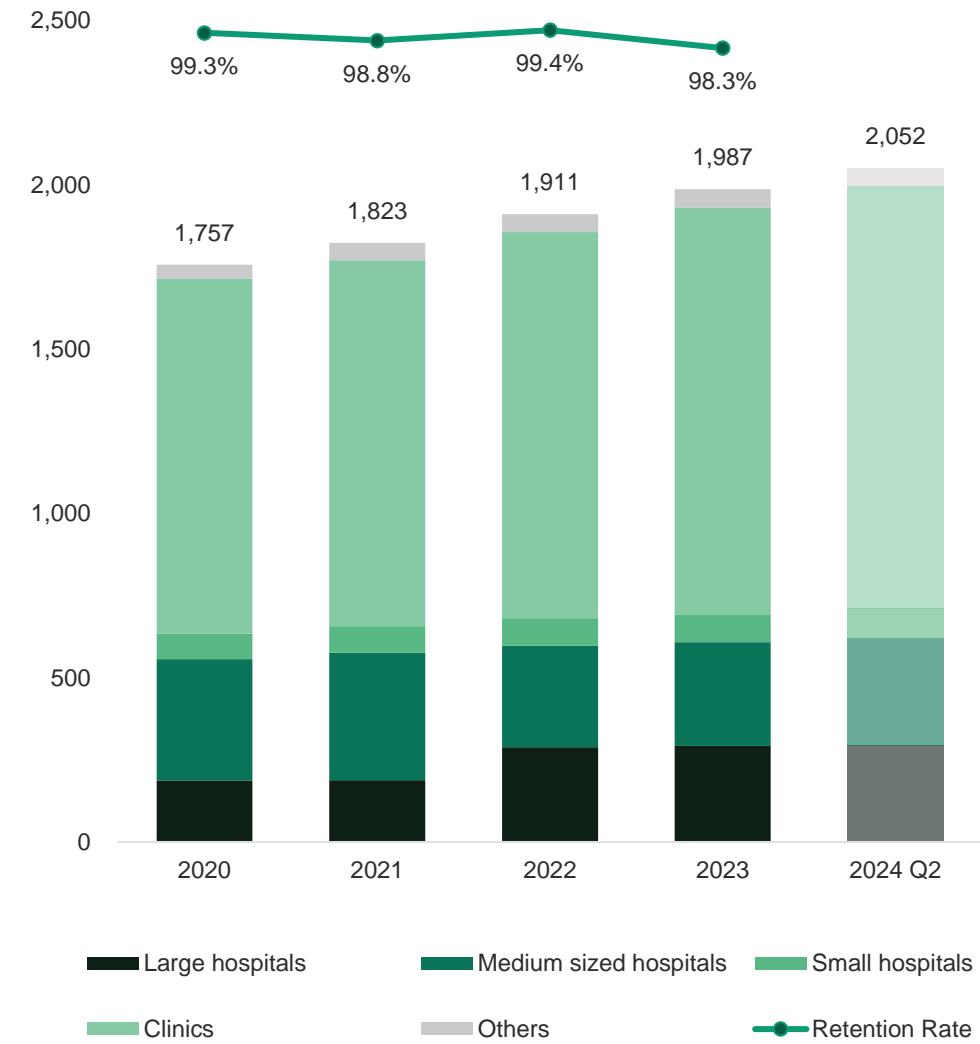
- Q2 is typically a slow period. Focusing on sales activities for year-end and next-term replacements and establishing the SE system
- Multiple new product development projects are underway
- Consulting department steadily received orders
- There is minimal resistance to the current proposed price increase
- Continued cross-selling to existing customers
- A subsidiary Fitting Cloud Inc., has released "CocktailAI," a solution that supports operational efficiency using generative AI
- Started providing "DocuMaker Cloud," a cloud-based document management, targeting small medical institutions and clinics

Key Initiatives

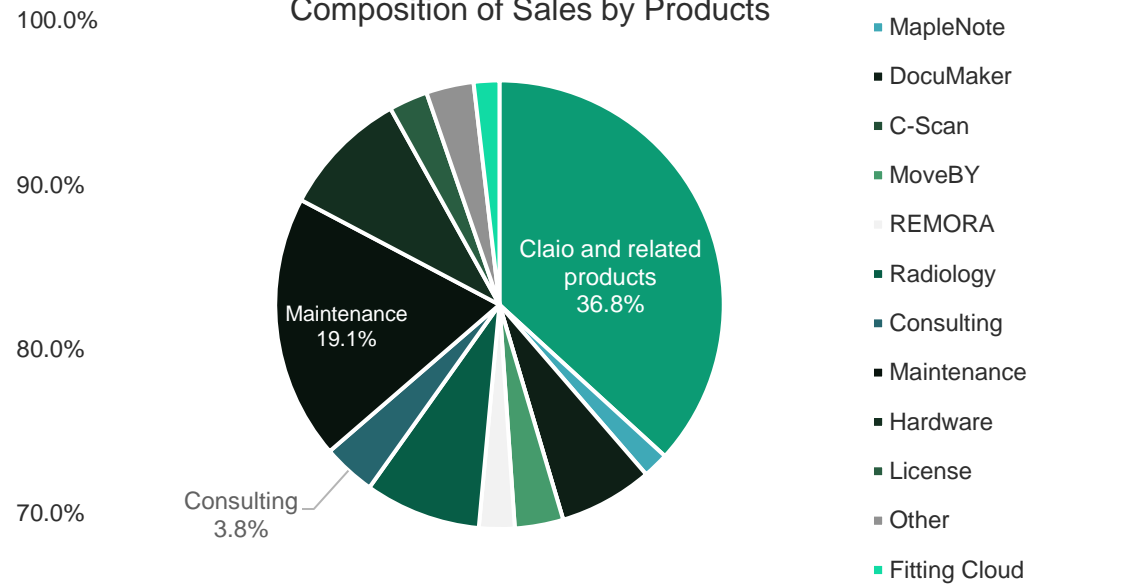
- Expansion of cloud-based services
- Strengthening promotions through collaboration between our sales unit and corporate communications

- The number of implemented facilities has steadily been increasing
- Balanced orders for various products and services through a cross-selling strategy

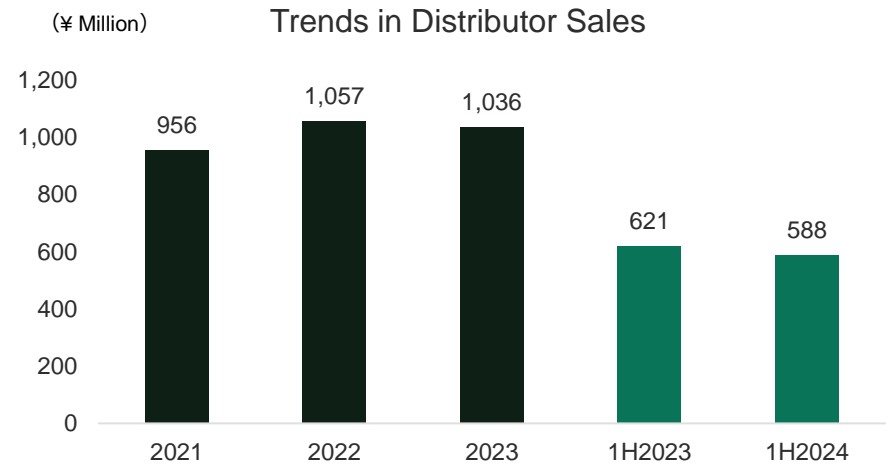
Changes in the Number of Medical Solutions Users



Medical Business Composition of Sales by Products



Trends in Distributor Sales



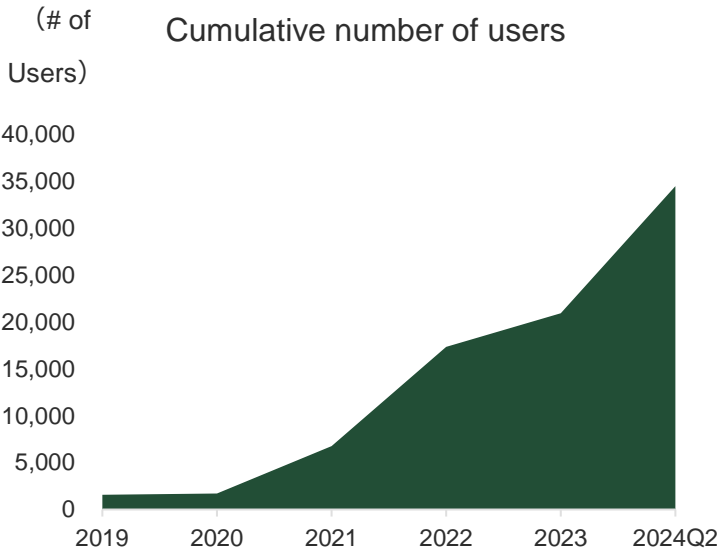
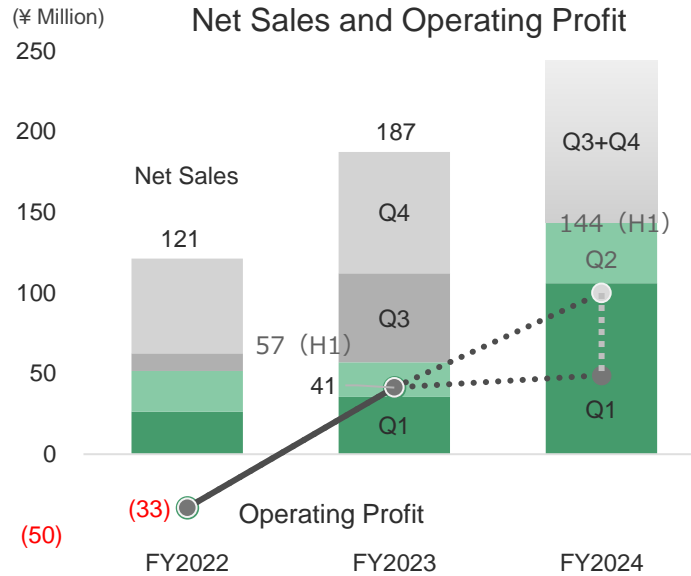
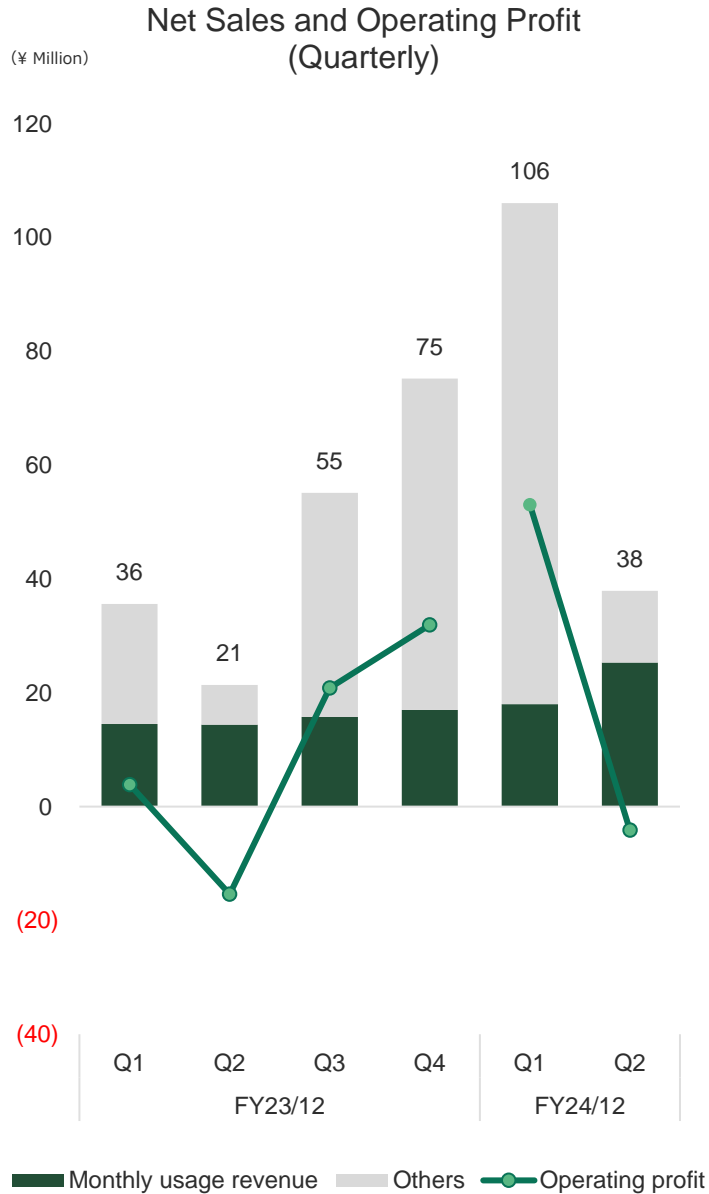
*Calculation changed as categorization of large hospitals revised from 500 or more beds to 400 or more beds following the revision of medical service fees in 2018

*Consumers of one-time products are excluded

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

Public Sector Business

- Demand is sustained and expanding, with further business growth expected
- Implementation in a prefectural office fosters a virtuous cycle of winning similar municipal projects



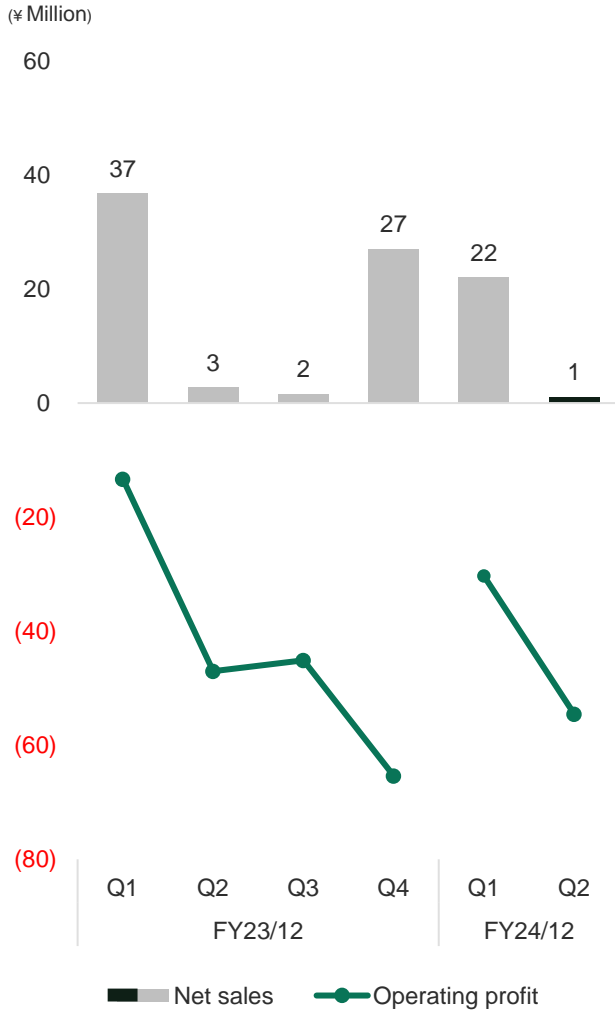
- 10 package installed for a municipality and 1 packages installed for hospitals during Q2
- Cumulative number of installations is 47. Cancellation of the service is zero since the service launch
- Order backlog stands at 72.7% YoY
- Started cross-selling to large facilities
- The monthly fee has increased 1.8 times YoY
- Increase in inquiries from potential distributors. Enhancing and strengthening the sales structure

Key Initiatives

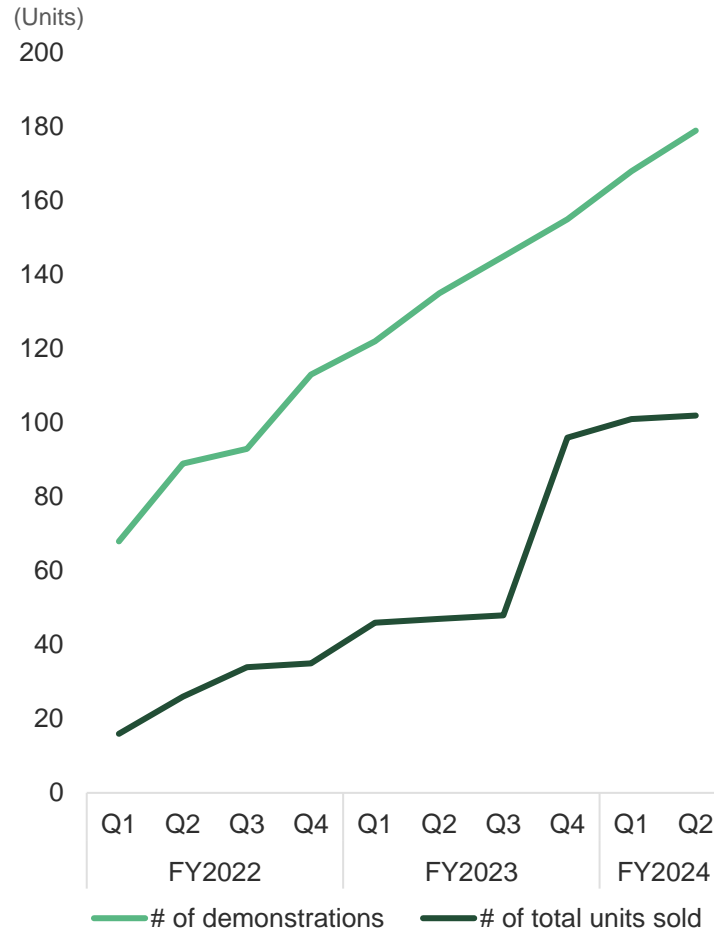
- Strengthen recruitment and employee trainings to enhance our internal resources for further business expansion
- Advance in securing new distributors and enhance partnerships
- Continuing to expand sales channels targeting large-scale organizations

- Positive elements are aligning, including media exposure and journal publications
- Continuing efforts in overseas sales, aiming to expand sales channels in the ASEAN region

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

- One GAP unit was sold in Q2
- Joint research result on GAP performance with Kyoto University was published in a journal by the American Academy of Ophthalmology
- Increased inquiries thanks to articles in ophthalmology specialty magazines and media exposure
- Continuing training sessions for distributors

Overseas

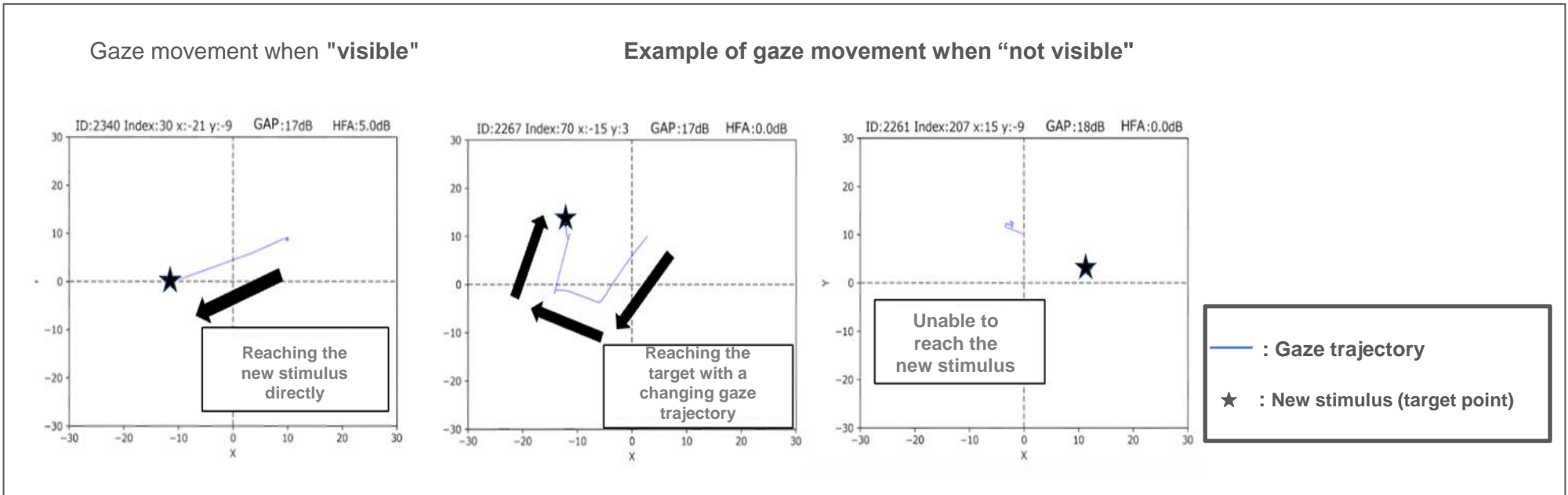
- Conducting market research on sales in the ASEAN region with a medical device distributor on site
- Coordinating with REXXAM Co., Ltd for lot shipments in the second half of the fiscal year

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

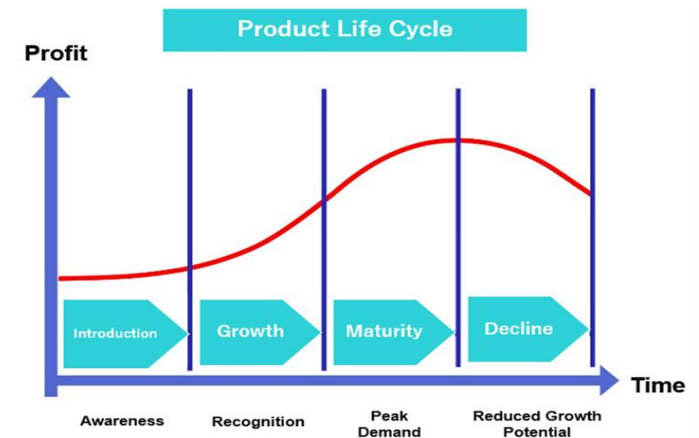
Abstract:

A comparison between the GAP and the most commonly used Humphrey Field Analyzer (HFA) was conducted to evaluate the performance of GAP. The results showed a high correlation



Sales Progress of GAP:

The accuracy of GAP has been objectively and academically proved, contributing to the improvement of its product recognition and performance assurance, resulting in the accelerations of promotional activities. Media exposure has also increased. Publication of case study based on feedback from our users and patients also shows favorable evaluations of GAP. Although overseas shipments are significantly delayed from the original plan, adjustments are being made with REXXAM Co., Ltd for shipments in the second half of the year.



FY2024 - Forecast for Financial Performance and Dividends

- H1 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

(¥ Million)	FY2023 Actual	FY2024 Forecast	YoY	H1FY2024 Progress rate
Net sales	5,191	5,782	+11.4%	55.4%
Operating profit	1,496	1,574	+5.2%	59.7%
Recurring profit	1,527	1,591	+4.2%	59.4%
Profit attributable to owner of parent	1,059	1,097	+3.6%	63.9%
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	-	-

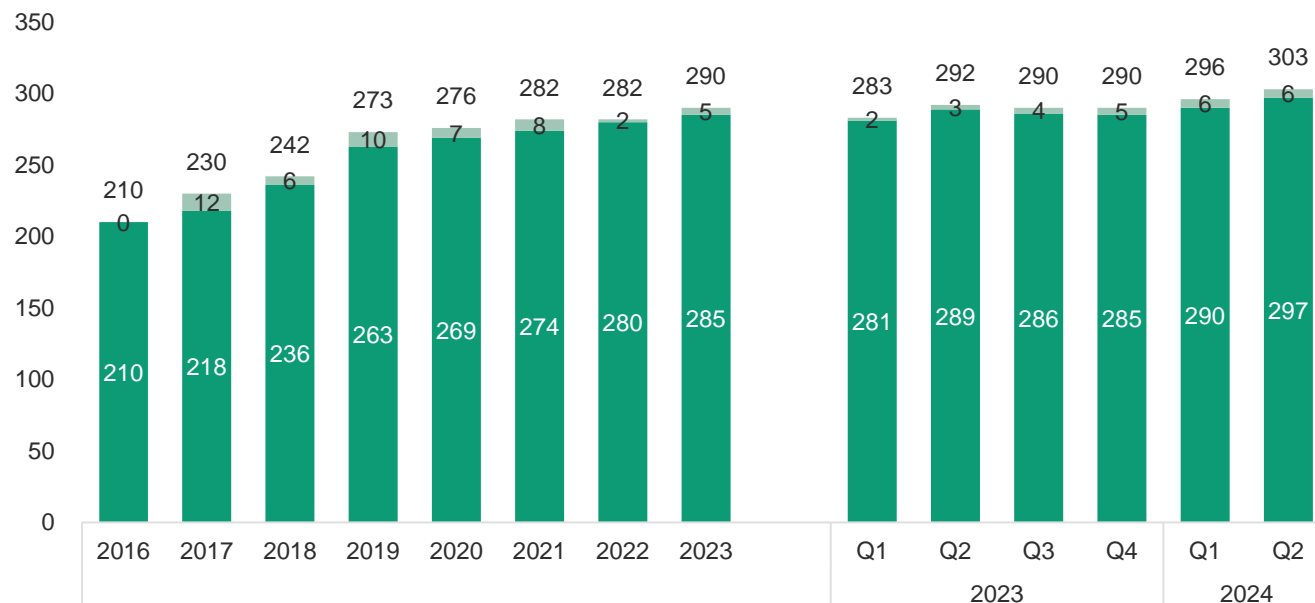
Changes in Numbers of Employees

- HR investment in recruitment and talent is progressing smoothly
- Employee count up by 13; full-year target is 20
- Annual personnel costs per employee are expected to increase by 6.0% YoY



(# of Employee)

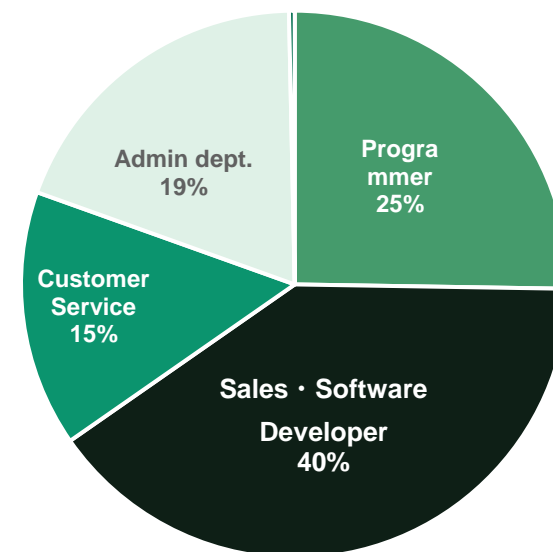
Changes in Numbers of Employees (Consolidated)



- 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

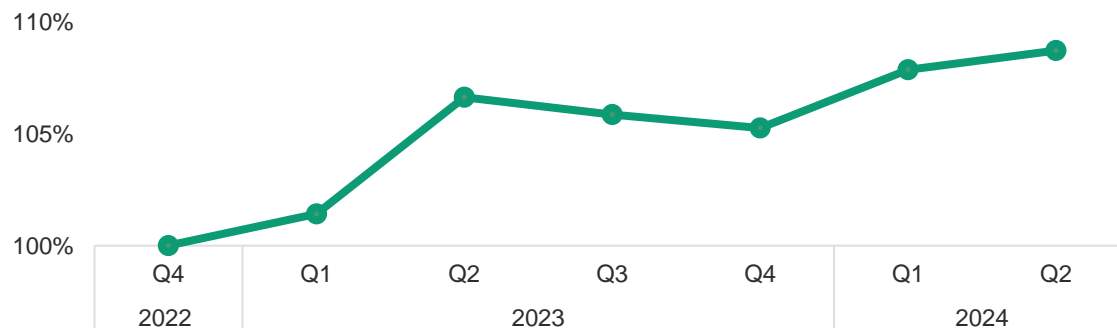
■ Subsidiary ■ FINDEX

Employees composition ratio



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

Growth Rate of Personnel Expenses per Capita



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

(As of June 30, 2024)

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
 - 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
 - Due to the acquisition of TTC's Indian sales partner by another company, which has made sales and maintenance uncertain, the project is being withdrawn
- Expand medical information consulting services to other industries

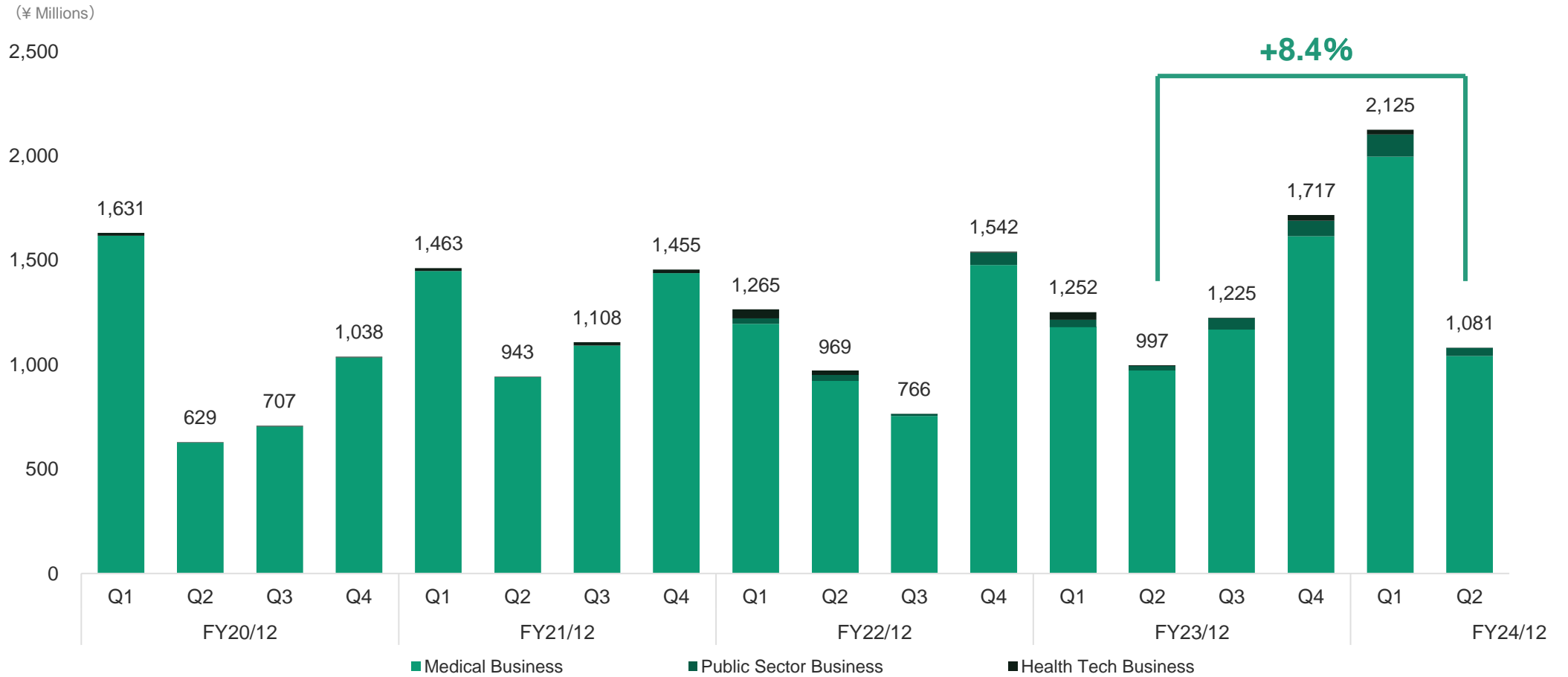
Public Sector Business

- Further secure talent for business expansion
- Build relationships with distributors 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

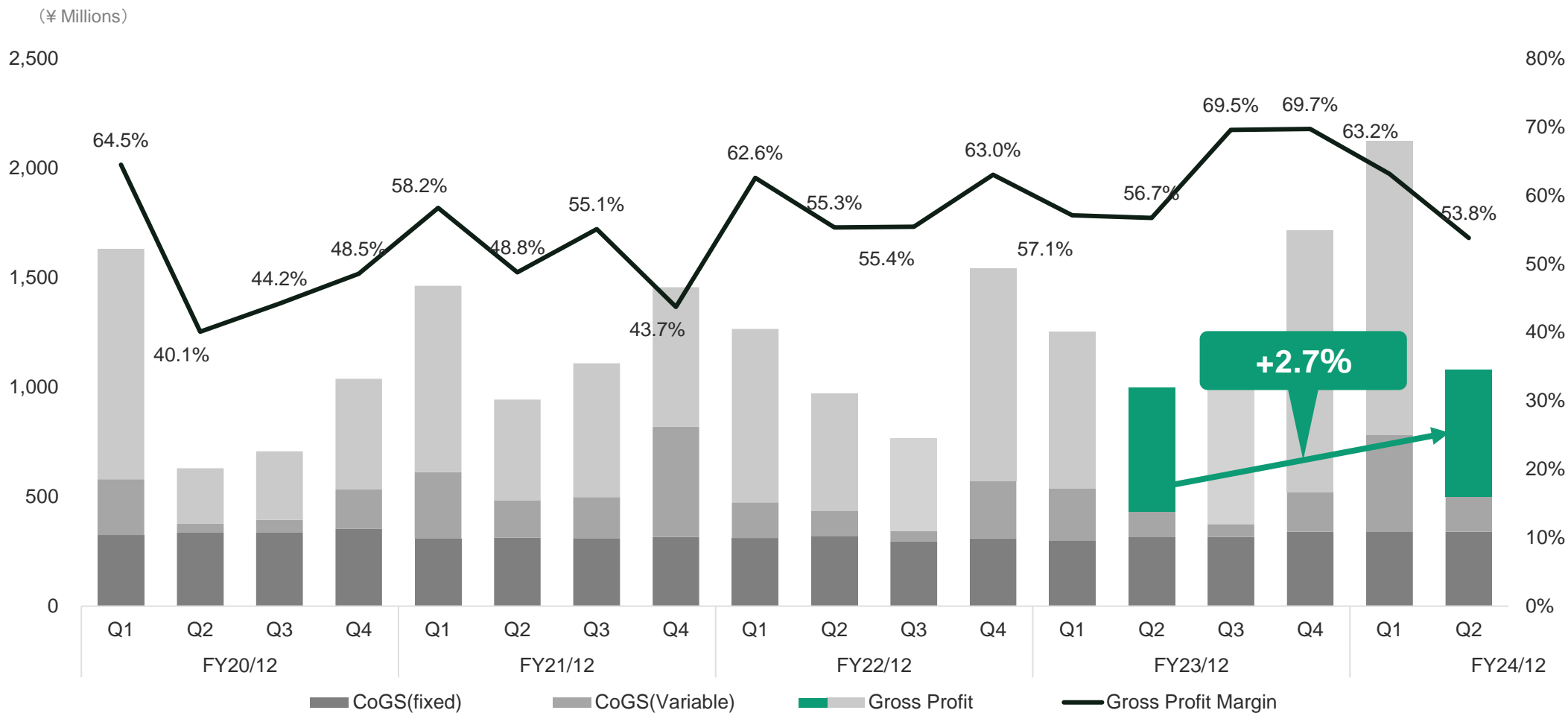
Appendix



- H1 net sales exceeded last year's
- Mainly driven by the Medical Business
- Net sales of Public Sector Business significantly increased by 77% YoY
- Demand was high in medical solutions aimed at improving the working conditions of doctors, as well as optimizing hospital operations

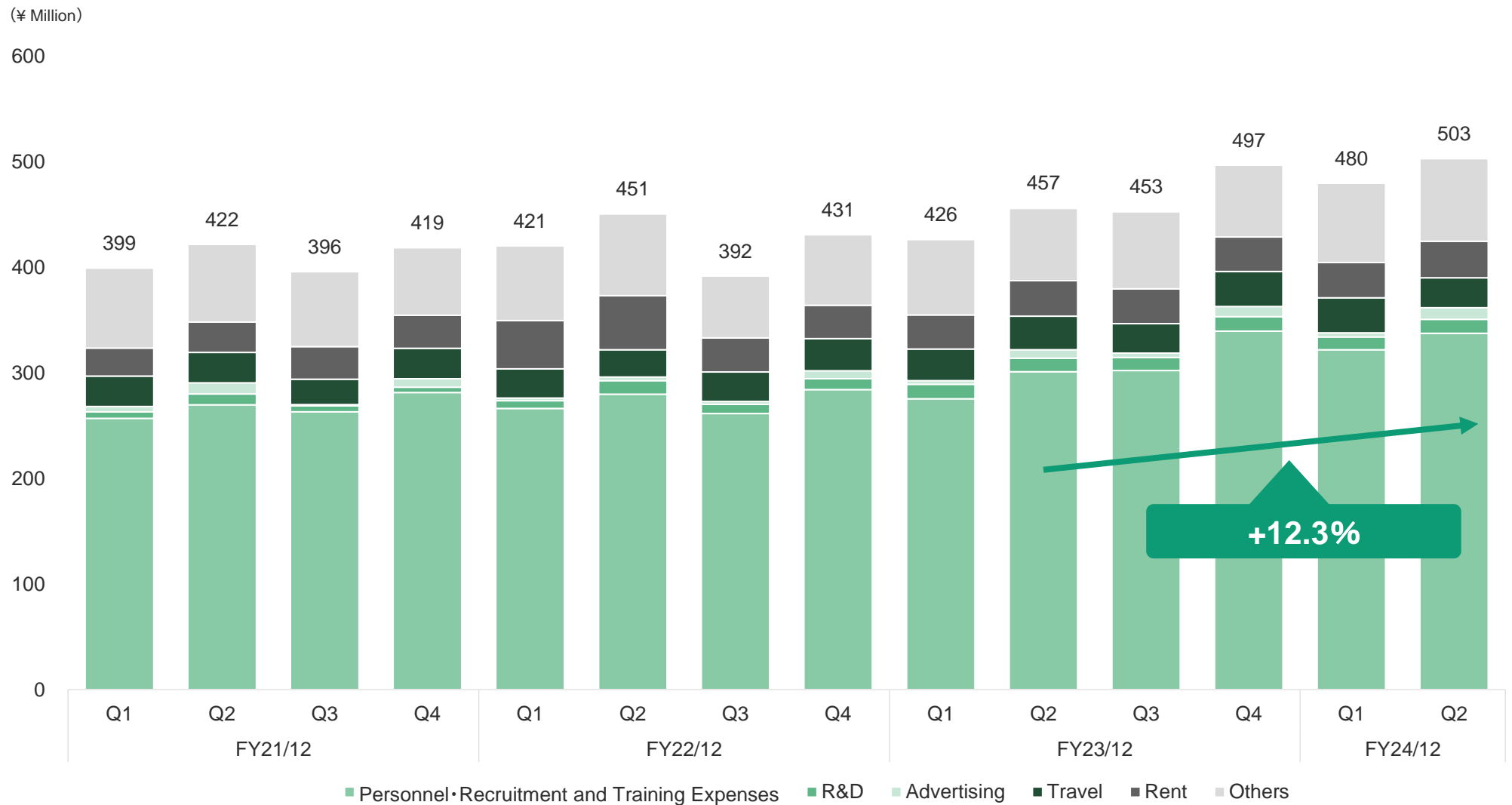
* The "Accounting Standard for Revenue Recognition" has been applied from FY2022

* 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

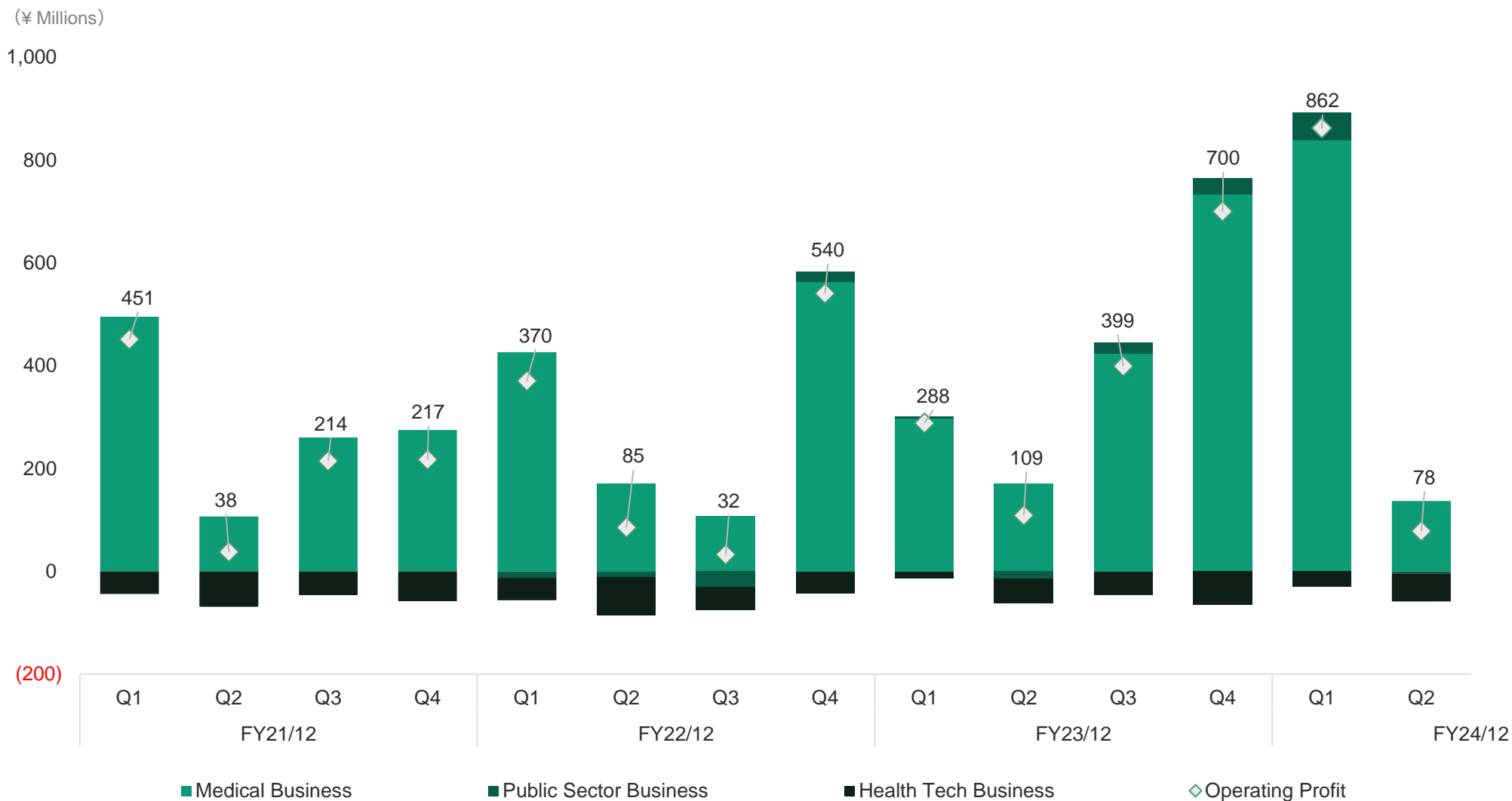


- The change in fixed costs is not significant, but there is an increase in variable costs such as procurement costs and labor costs due to large projects
- In Medical Business, the expansion of profitable cross-selling, growth in consulting services, and increased package sales have contributed to profitability

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



- Increased personnel and recruitment expenses due to strengthening hiring efforts
- Personnel and recruitment training expenses increased by 12.3% YoY
- Employee count (consolidated) for Q2 FY2024, including directors and temporary staff, was 329



* 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

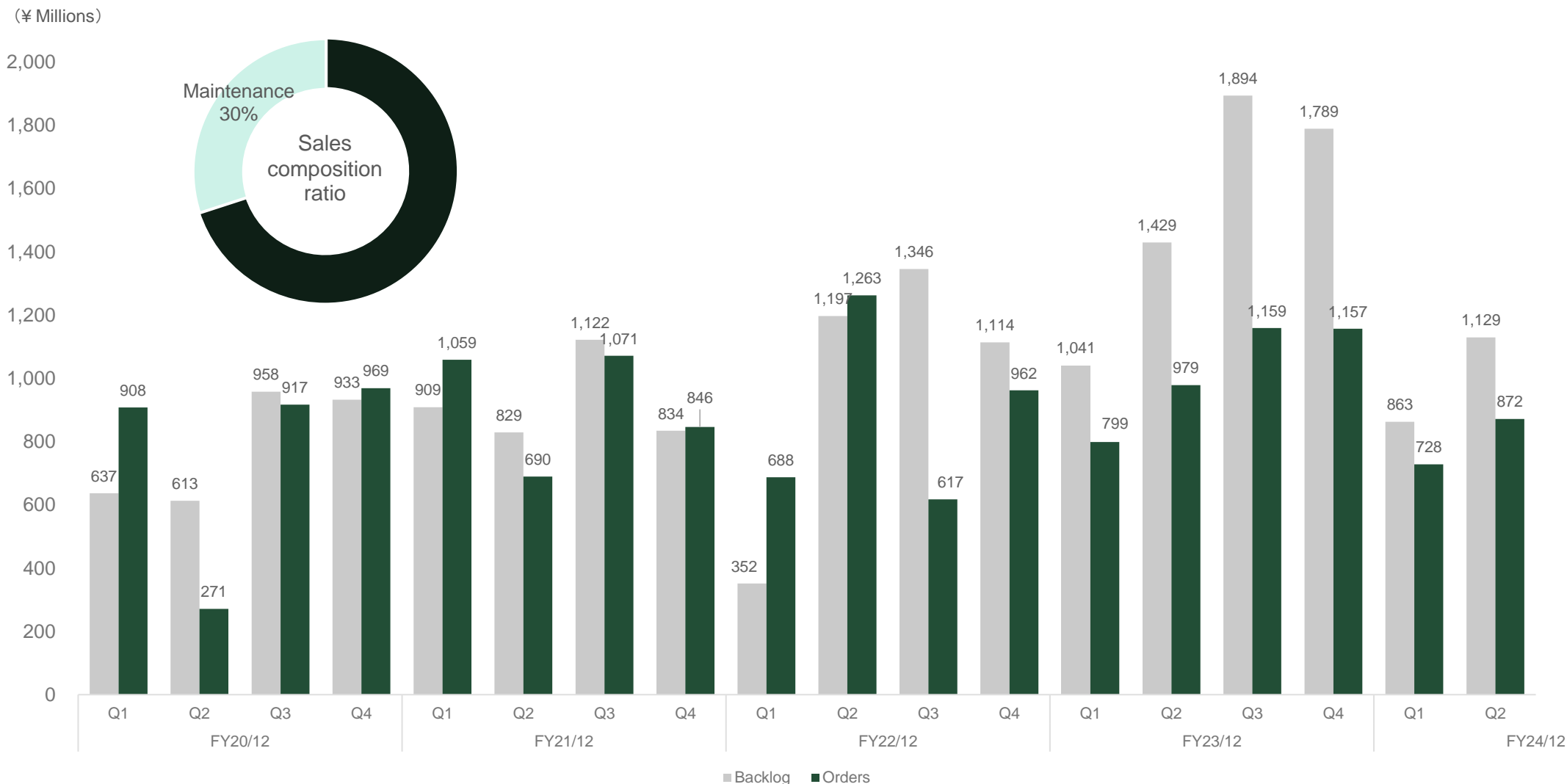
Revenue Composition Ratio Changes by Order Placement Period



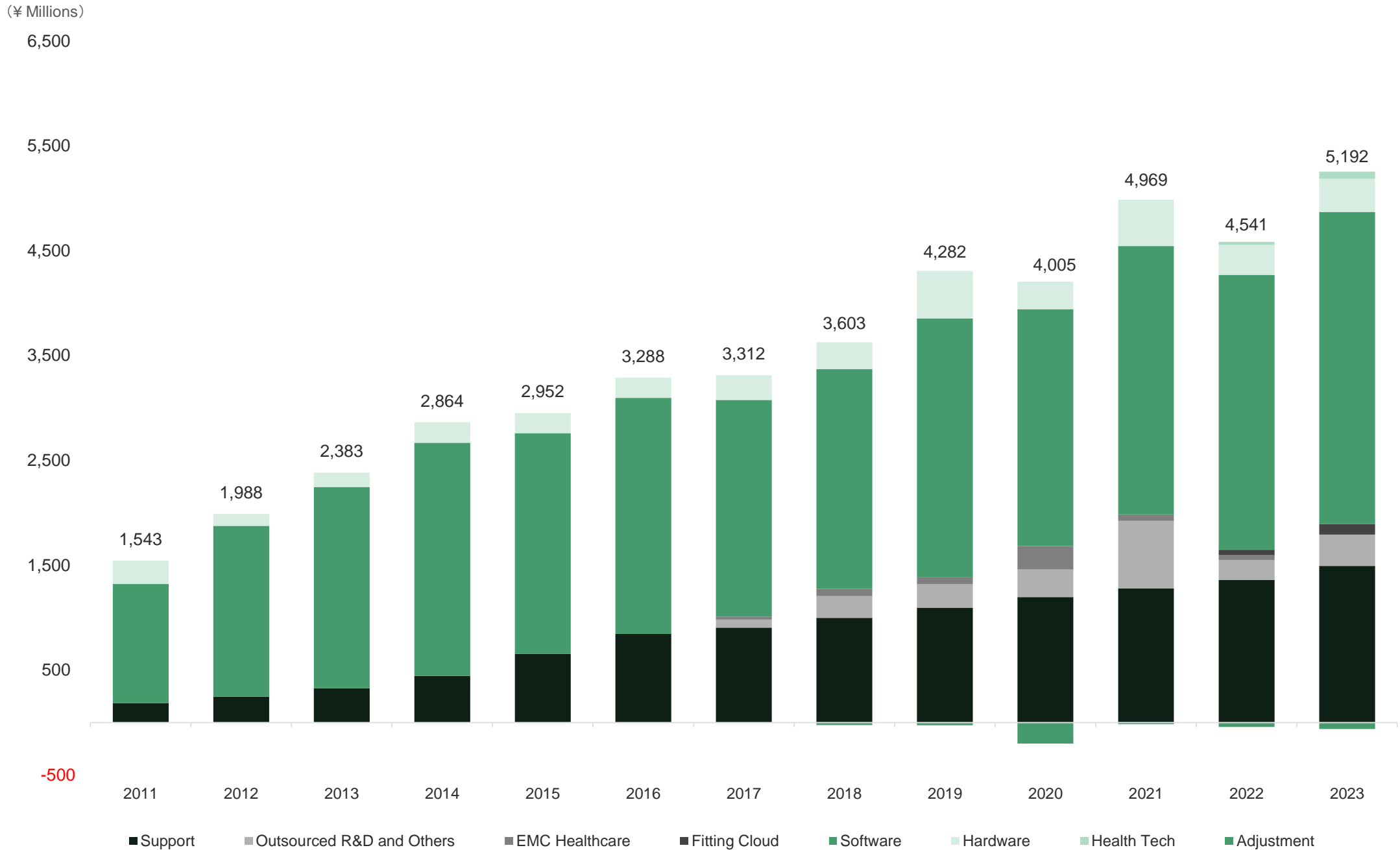
- The application of revenue recognition standards has led to a change in business practices
- The period from order placement to product acceptance has become longer compared to before
- Due to the change in business practices, there was a trend towards earlier receipt of purchase orders, which peaked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



- Order backlog decreased by 21% YoY, settling at the usual level. On a QoQ basis, it turned to an increase.
- 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





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 June 30, 2024)

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

Appendix

Medical Solutions – By Type of Medical Facility	(# of Facilities)		
	Q1FY2023	Q2FY2024	QoQ
Large hospitals (400 beds and more)	293	294	+1
Medium sized hospitals (100~399 beds)	326	328	+2
Small hospitals (20~99 beds)	88	88	+0
Clinics (19 beds and less)	1,250	1,286	+36
Other	56	56	+0
Total	2,013	2,052	+39

Solutions for Public Sector – By Product	(# of Facilities)		
	Q1FY2023	Q2FY2024	QoQ
Solutions for Public Sector	28	38	+10
Solutions for Medical Facilities	8	9	+1
Total	36	47	+11

Enriching Society with Technologies and Creation

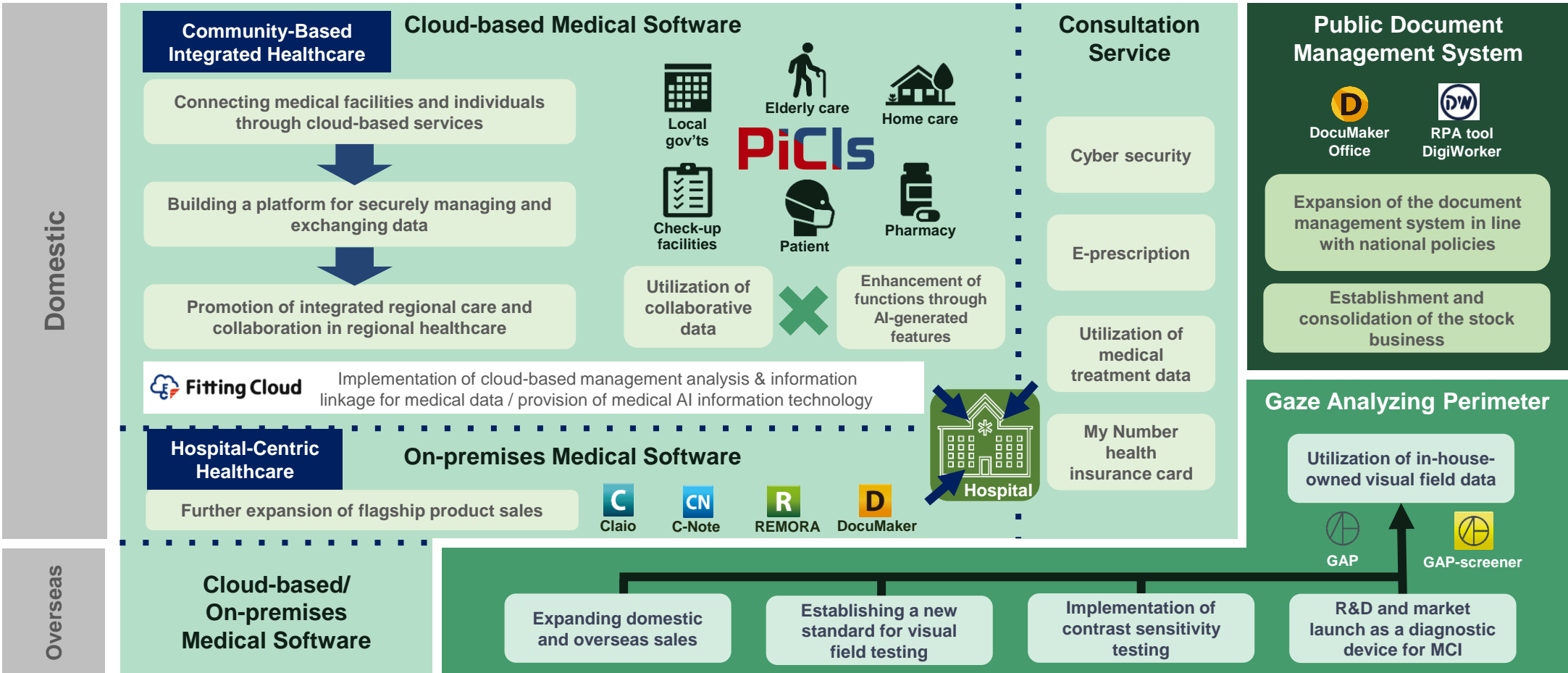
Equal Access to Medical Services

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 March 2024, the adoption rate is approx. 20%)
- 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

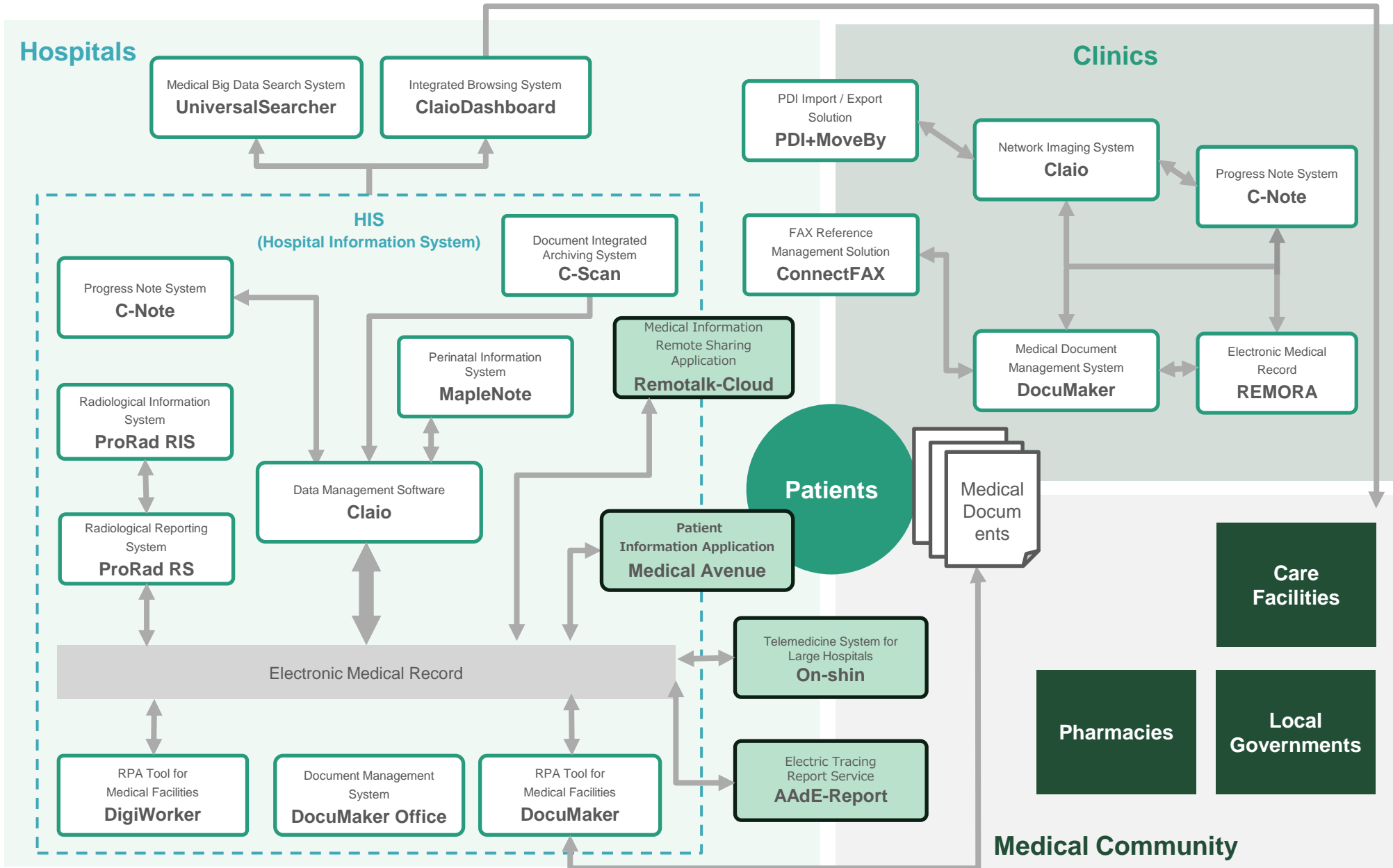
- Starting next April, overtime work for employed physicians will be limited to no more than 960 hours per year
→Proper management of working hours is necessary
- Digitalization has also been accelerated for improvement of efficiency in medical practices

Advantages for hospitals and healthcare industry:

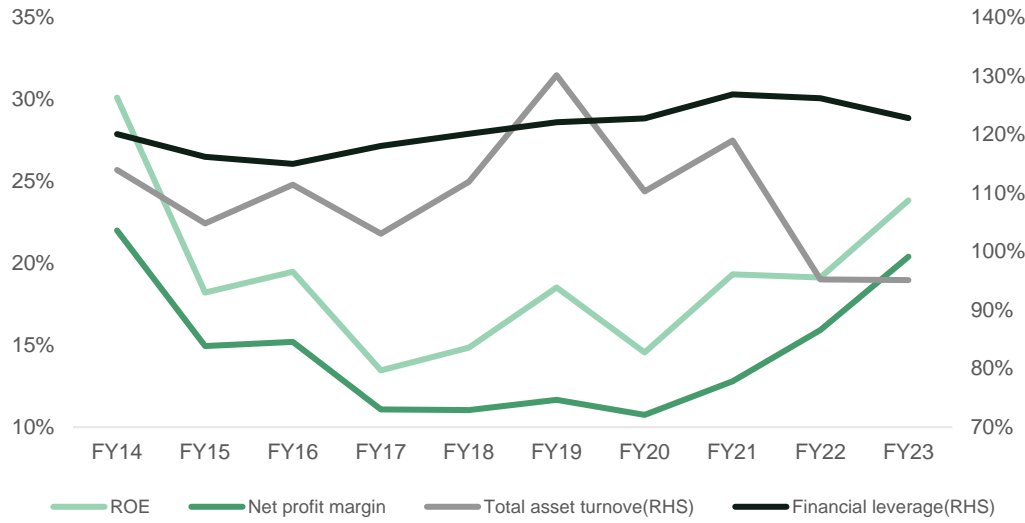
- Improvement in long working hours of physicians
- Sales opportunities for attendance management solutions

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

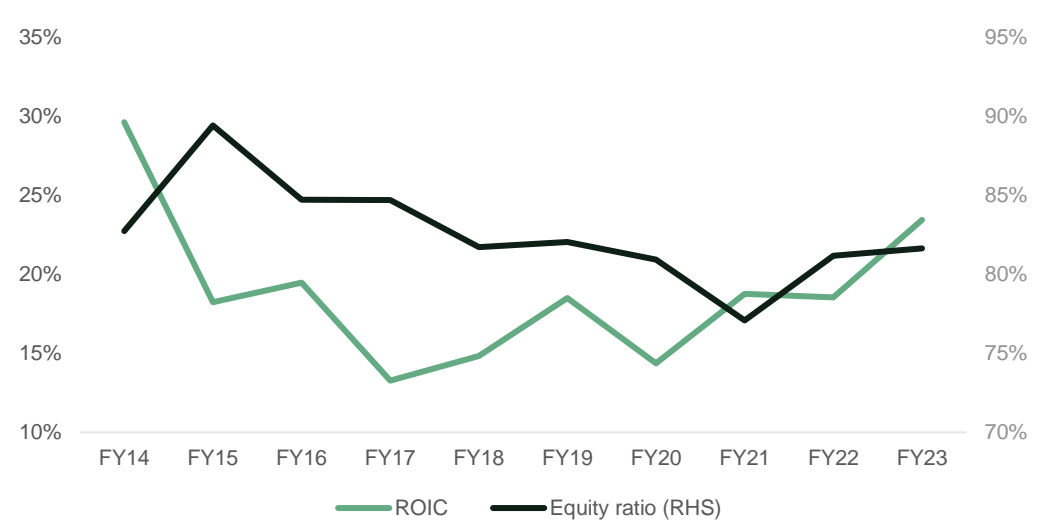
* excerpted from NIKKEI COMPASS October 3, 2023



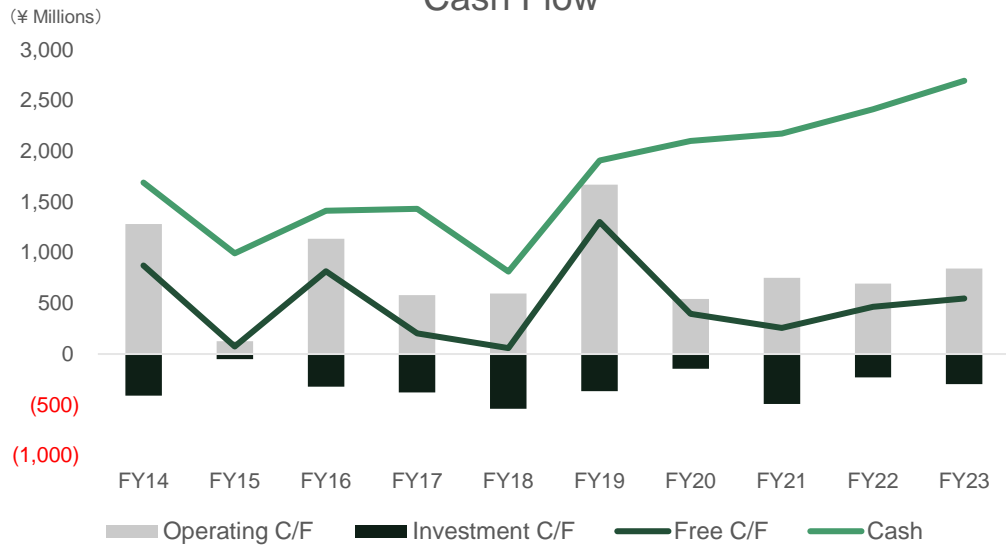
ROE and DuPont Analysis



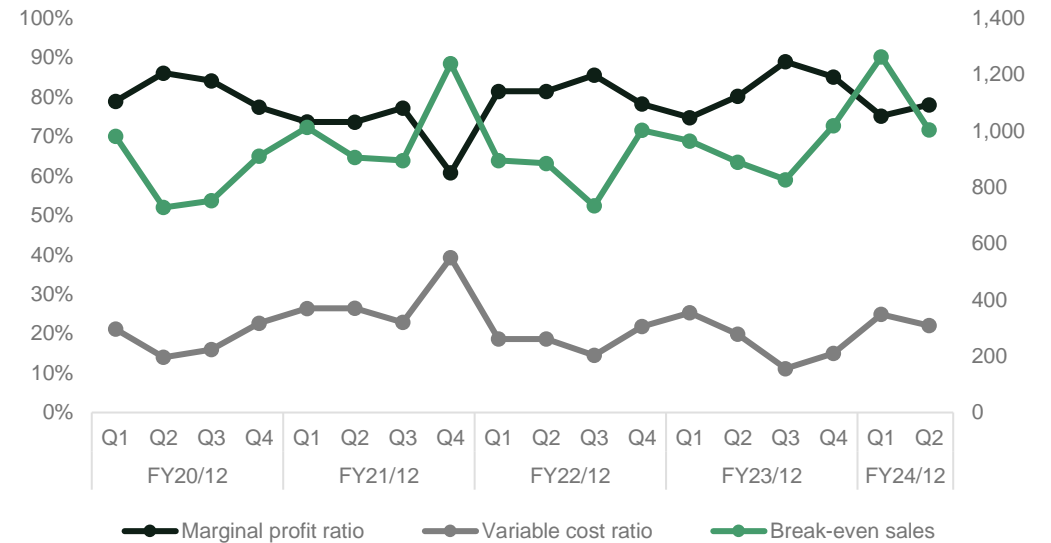
ROIC and Equity Ratio



Cash Flow



Marginal profit Ratio



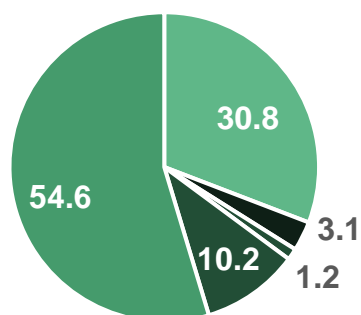
Number of shares and shareholders

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

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

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