

# Supplementary Information on FY 2023 1<sup>st</sup> Quarter Business Results Summary

FINDEX Inc.

May 2023



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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.

- Demand on cloud-based solutions supporting medical operations recovering as to improve efficiency, and to enhance management and utilization of medical data are growing trends, stimulating the need for better medical service
- Q1 results in line with plans to achieve full-year guidance

<b>Net Sales</b>	<b>JPY1,251mn</b> (YoY: -1.0%)
<b>Operating Profit</b>	<b>JPY288mn</b> (YoY: -22.2%)
<b>Profit</b>	<b>JPY199mn</b> (YoY: -22.9%)

- Decrease in Net Sales and Profit was largely due to the impact of applying the "Accounting Standard for Revenue Recognition".
- Market environment continues to be favorable. In addition to the trend to reform workstyle in the healthcare industry, there is a rising investment demand for operational solutions coordinating patient traffic.
- The financial results are in line with the guidance. There is no change to the guidance announced at the beginning of the current fiscal year. Financial results showing steady progress toward the plan:  
vs.H1: 58% of Net sales and 90% of Operating Profit achieved in Q1  
vs.Full Year: 25% of Net sales and 22% of Operating Profit achieved in Q1

(¥ Millions)	FY2023 Q1	YoY	FY2022 Q1
<b>Net Sales</b>	<b>1,251</b>	-1.0%	1,264
Medical Business	<b>1,179</b>	-1.3%	1,195
Public Sector Business	<b>35</b>	35.1%	26
Health Tech Business	<b>36</b>	-15.4%	43
<b>Gross Profit</b>	<b>714</b>	-9.6%	791
<b>Operating Profit</b>	<b>288</b>	-22.2%	370
Medical Business	<b>297</b>	-30.2%	426
Public Sector Business	<b>3</b>	-	-12
Health Tech Business	<b>-13</b>	-	-43

## Medical Business

- The newly applied Accounting Standard for Revenue Recognition has a big impact on financial results.
- Accelerated sales of packaged solutions.
- New/Additional software installations to 19 hospitals and 22 clinics.

## Public Sector Business

- Steady sales performance recorded on both targets:  
Public sectors and administrations in Hospitals
- Cumulative number of software installations:  
Public sectors: 24  
Hospitals: 5
- Went into the black at the operating level from FY2022.

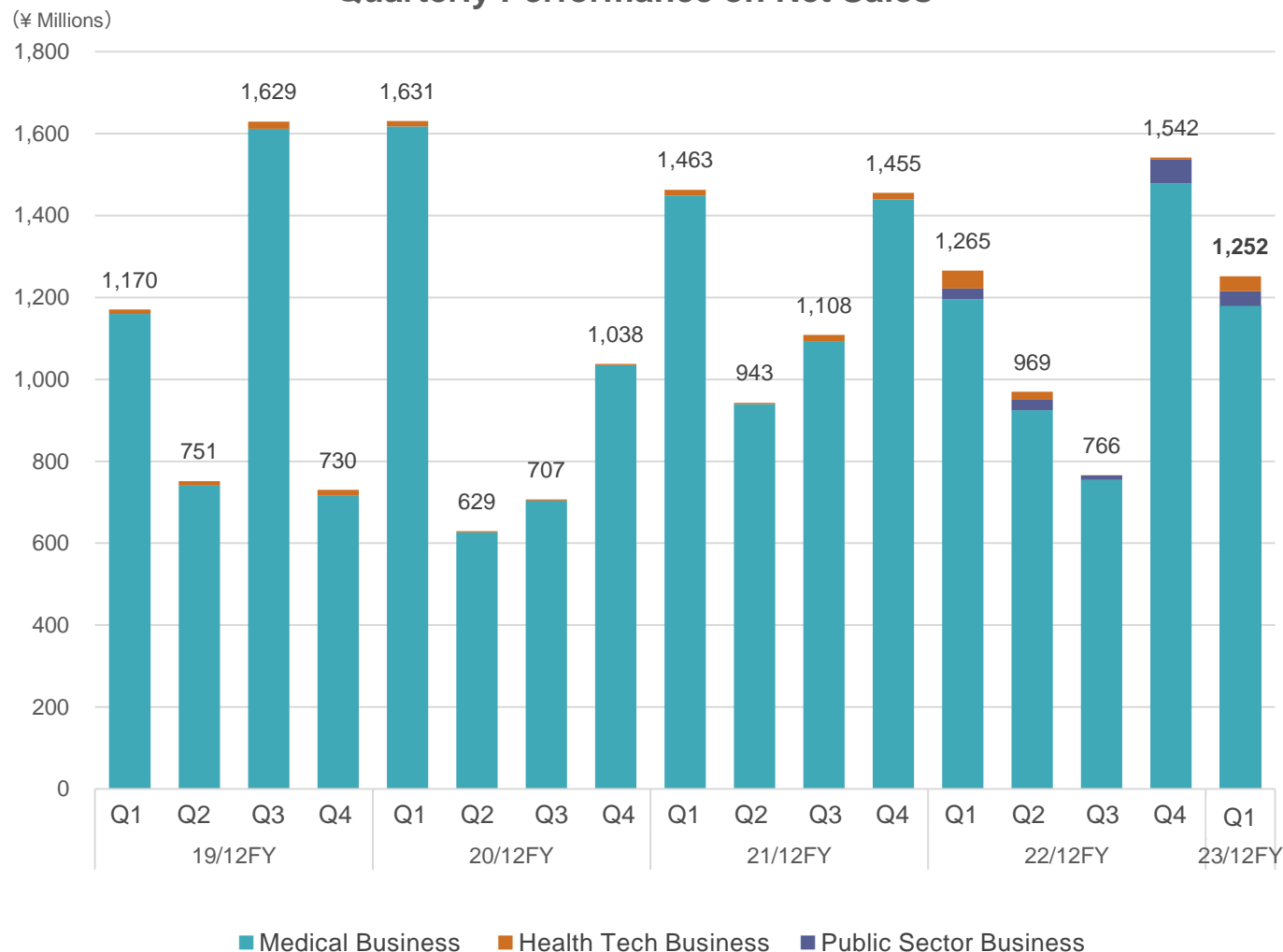
## Health Tech Business

- Segment's loss reduced as EMC Healthcare Co., Ltd had become an equity method affiliate.  
Number of domestic sales of GAP/GAP-screener in Q1: 11

\* The "Accounting Standard for Revenue Recognition" has been applied from FY2022. The same has been applied to the table above

\* Business segments changed from FY2023. As for FY2022 figures are reallocated based on the change made.  
Public Sector Business was included in formerly-called System Development (currently referred as Medical Business) until FY2022.  
Figures above are unaudited.

## Quarterly Performance on Net Sales

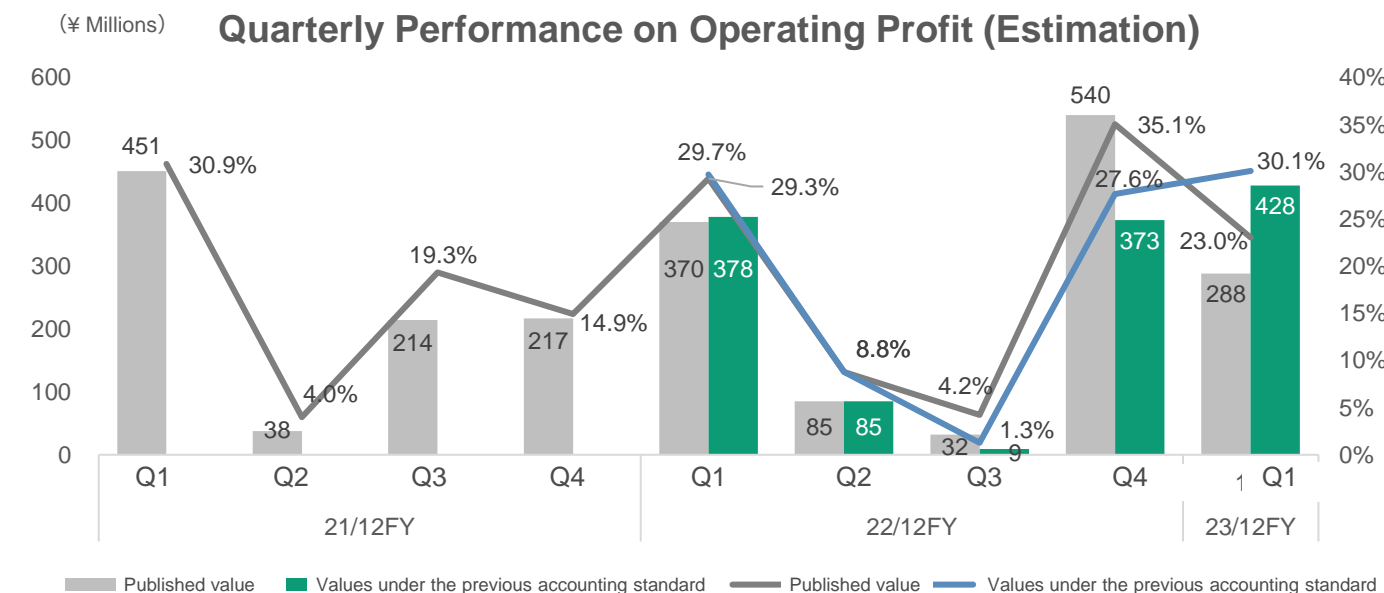
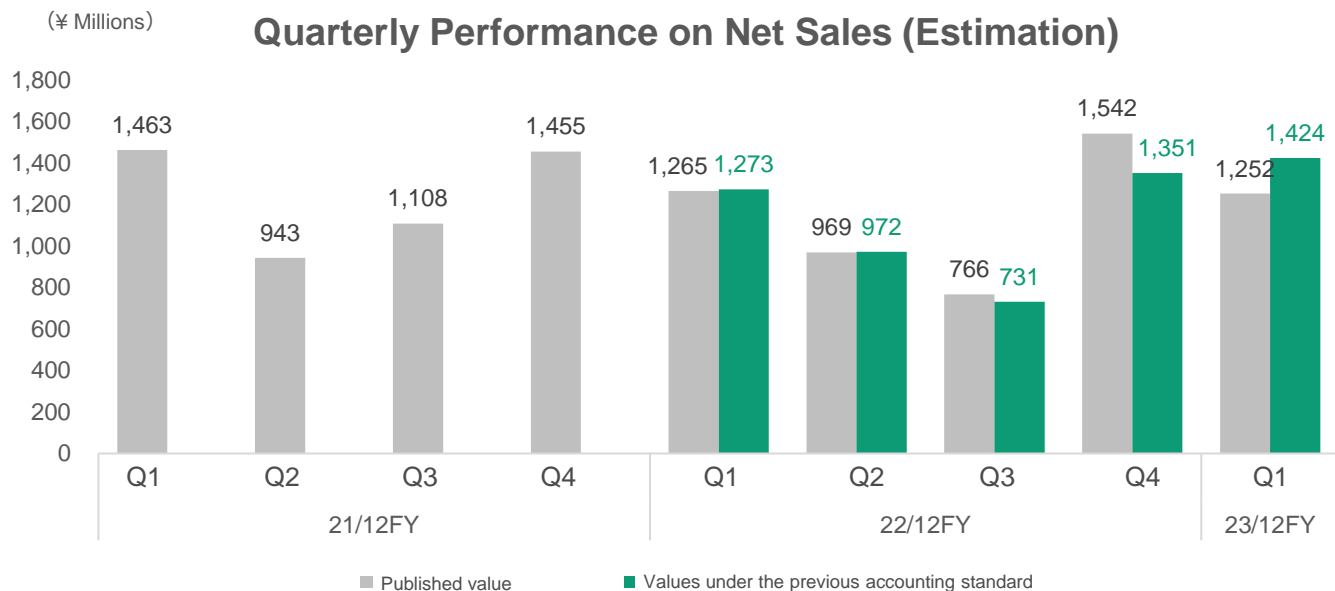


- The newly applied Accounting Standard for Revenue Recognition has a big impact on financial results.
- Performance recovering after covid19 restrictions are lifted.
- Hospitals willing to invest in software solutions as to improve efficiency in medical operation and to reassess its information management are growing trends.
- A new reportable segment “Public Sector Business” started up well.
- After the application of the Accounting Standard for Revenue Recognition, there will still remain seasonal factors that favor the fourth quarter because of concentrations in the timing of software acceptance.

\* The "Accounting Standard for Revenue Recognition" has been applied from FY2022. The same has been applied to the graph above

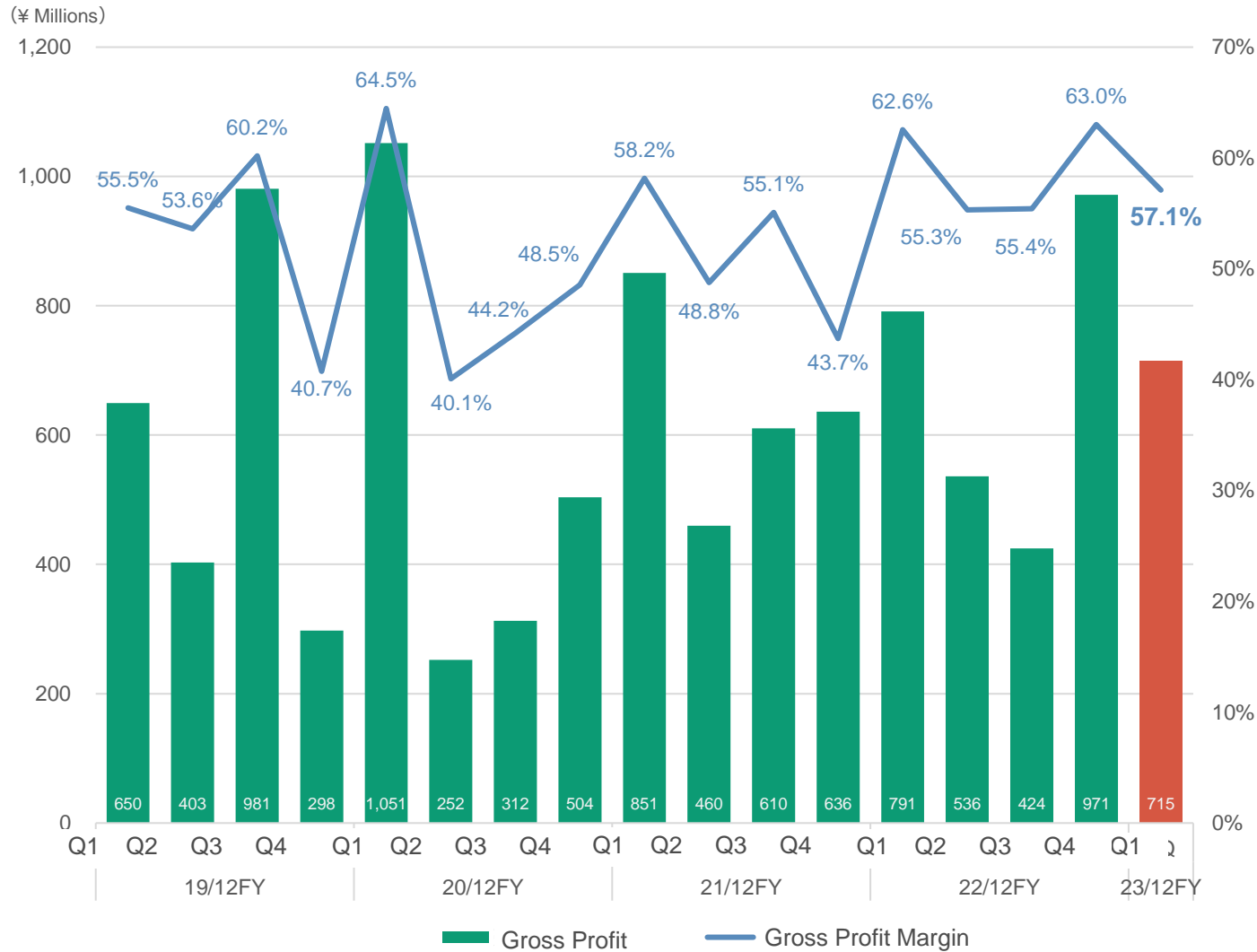
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- Under the previous accounting standards, Net Sales would have increased by 12% and Operating Profit would have increased by 13% in Q1 FY2023.
- In Q1 FY2023, there was a large impact of the timing of revenue recognition due to the application of the Accounting Standard of Revenue Recognition. The amount of sales recognized in the Q4 FY2022 was large, and the amount of sales recorded in the Q1 FY2023 appears to be small.
- The amount recorded in advance in the previous Q4 of each year:
  - Net Sales:**  
Q1 FY2022: JPY35 mn  
Q1 FY2023: JPY251 mn
  - Operating Profit:**  
Q1 FY2022: JPY29 mn  
Q1 FY2023: JPY210 mn
- Business performance in Q1 FY2023 was strong and sales are considered to be progressing as planned.
- Under the previous accounting standards, the operating margin was 30%, maintaining the same level as in Q1 and Q4 in FY2022.

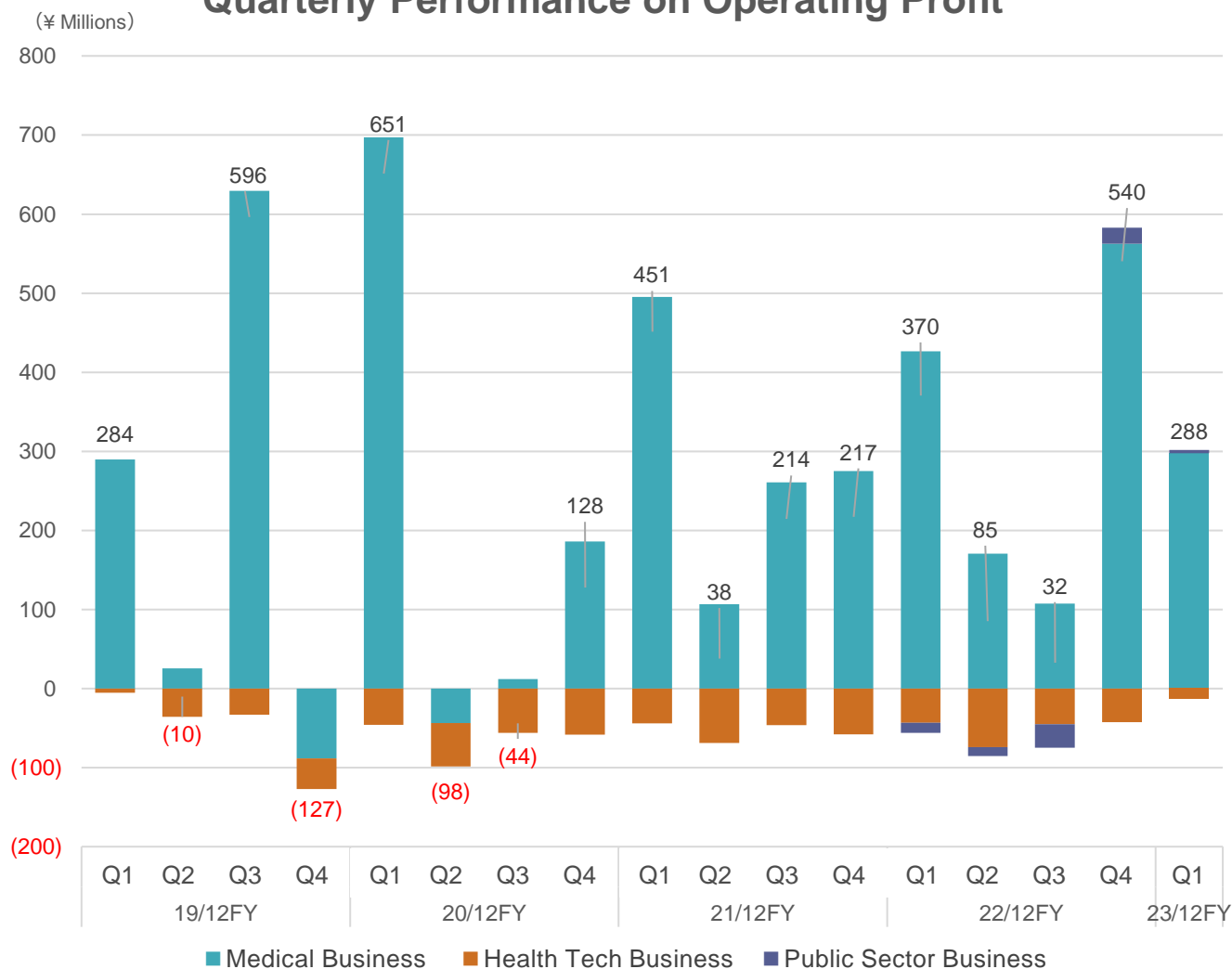
Quarterly Performance on Gross Profit and Gross Profit Margin



- Maintaining a high Gross Profit Margin.
- By applying the Accounting Standard for Revenue Recognition, the performance appears to have declined comparing to the same of Q1 FY2022 and Q4 FY2022, but Gross Profit Margin remains at a high level.
- Distributor sales on packaged solutions and acceleration of cross-selling contributed to the performance.

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

## Quarterly Performance on Operating Profit



### Medical Business

Application of the Accounting Standard for Revenue Recognition had a significant impact on Medical Business, and its Operating Profit had decreased.

### Public Sector Business

Public Sector Business went into the black at the operating level from Q4 FY2022.

### Health Tech Business

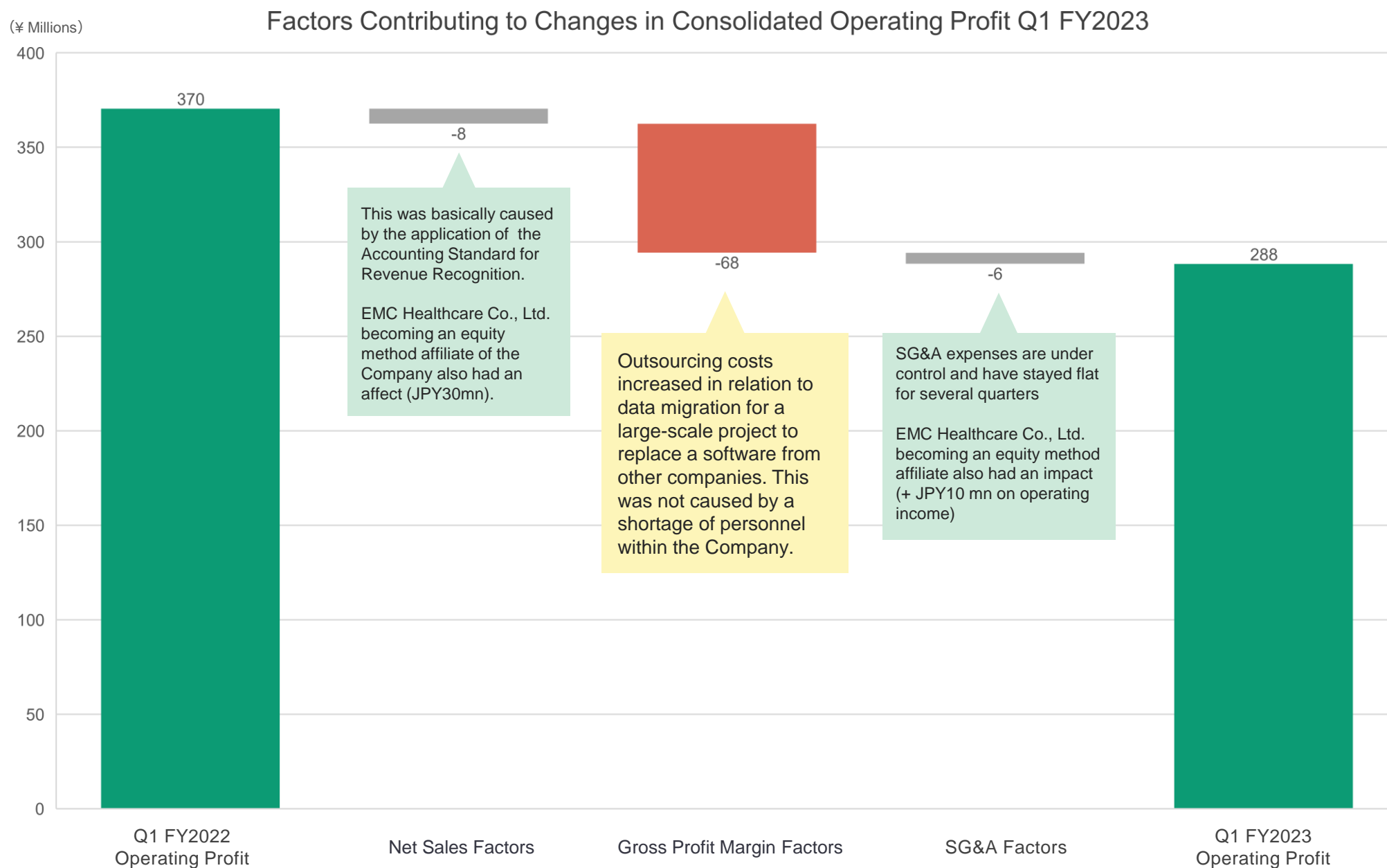
Segment's loss reduced in Health Tech Business.

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Progress in Q1 was generally as planned

Q1 Financial results vs. the guidance:  
vs.H1: 90% of Operating Profit already achieved  
vs.Full Year: 22% of Operating Profit achieved

(¥ Millions)

FY2023	Q1(Actual)	H1(Guidance)	Progress Rate Q1	FY Guidance	Progress Rate Q1
Net Sales	1,251	2,145	58.4%	5,065	24.7%
Operating Profit	288	322	89.5%	1,313	22.0%
Recurring Profit	292	329	88.8%	1,330	22.0%
Profit Attributable to Owners of the Parent	199	228	87.5%	923	21.6%

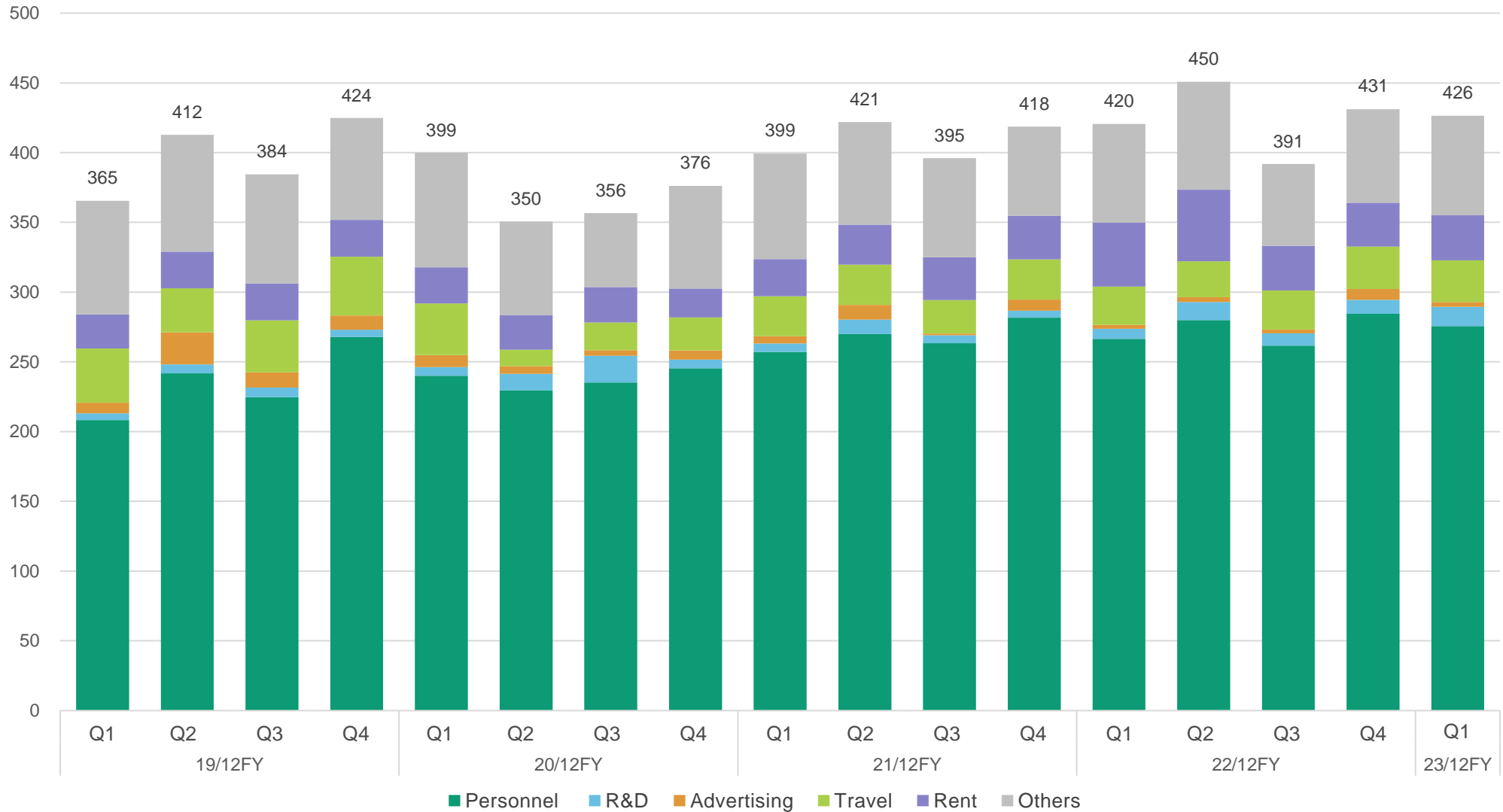
(Reference)

(¥ Millions)

FY2022	Q1(Actual)	H1(Actual)	Progress Rate Q1	FY2022	Progress Rate Q1
Net Sales	1,264	2,233	56.6%	4,541	27.8%
Operating Profit	370	455	81.3%	1,028	36.0%
Recurring Profit	381	481	79.2%	1,055	36.1%
Profit Attributable to Owners of the Parent	258	319	80.9%	722	35.8%

**SG&A expenses are under control and have stayed flat for several quarters**

(¥ Millions)



■ Personnel ■ R&D ■ Advertising ■ Travel ■ Rent ■ Others

No significant changes in the balance sheet

Equity ratio remains at a high level of 82.5%

(¥ Millions)

	4Q FY2022	1Q FY2023		
	Amount	Amount	Changes	Mainly Caused by
Cash and deposits	2,414	2,469	55	Profit accumulation
Notes, accounts receivable – trade and contract assets	1,361	1,261	-100	Decrease in contract assets
Merchandise and finished goods, work in process	169	193	24	
Raw materials and supplies	147	146	-1	
Other current assets	37	20	-17	
<b>TOTAL CURRENT ASSETS</b>	<b>4,128</b>	<b>4,090</b>	<b>-39</b>	
Tangible assets	103	106	3	
Intangible assets	251	253	1	
Investments and other assets	498	486	-12	
<b>TOTAL ASSETS</b>	<b>4,981</b>	<b>4,934</b>	<b>-47</b>	
<b>TOTAL CURRENT LIABILITIES</b>	<b>654</b>	<b>571</b>	<b>-83</b>	Decrease in income taxes payable
LONG-TERM LIABILITIES	284	281	-2	
(long-term and short-term interest-bearing liabilities)	0	0	0	
<b>TOTAL LIABILITIES</b>	<b>938</b>	<b>853</b>	<b>-85</b>	
NET ASSETS	4,043	4,081	38	
Shareholders' equity	4,039	4,072	33	
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b>4,981</b>	<b>4,934</b>	<b>-47</b>	

## There is no change to the financial guidance announced at the beginning of the current fiscal year

- Expand our business in three segments : Medical Business, Office Business, Health Tech Business
- Continue to develop profitable business and further increase profit margins

(¥ Millions)

	FY2022	FY2023	
	Amount	Amount	YoY (%)
Net Sales	4,541	5,065	+11.5
Operating Profit	1,028	1,313	+27.7
Recurring Profit	1,055	1,330	+26.1
Profit Attributable to Owners of the Parent	722	923	+27.8
Earnings per Share (Yen)	28.21	36.03	—
Dividend per Share			
Interim Dividend (Yen)	3.00	4.00	—
Year-end Dividend (Yen)	6.50	7.00	—
Full-year Dividend (Yen)	9.50	11.00	—

# Appendix

## Changes in reporting business segments

- System Development and Health Tech divided into three segments: “Medical Business,” “Public Business” and “Health Tech Business.”

## Establishment of new departments

- “Consulting Department” separated from the Hospital solutions Department
- “Public Solution Department” separated from the Business Strategy Department

## Changes in organizational structure

- System Development Department divided into “Software Package Development” and “Product Planning & Development”
- A new business unit “Customer Support” established

## HR Regulations partially revised

- Working hours changed from 8 hrs to 7.5 hrs per day, from 40 hrs to 37.5 hrs per week
- Introduced a fully remote work option for employees based in distant areas and overseas

## Revision of Medium-Term Business Plan

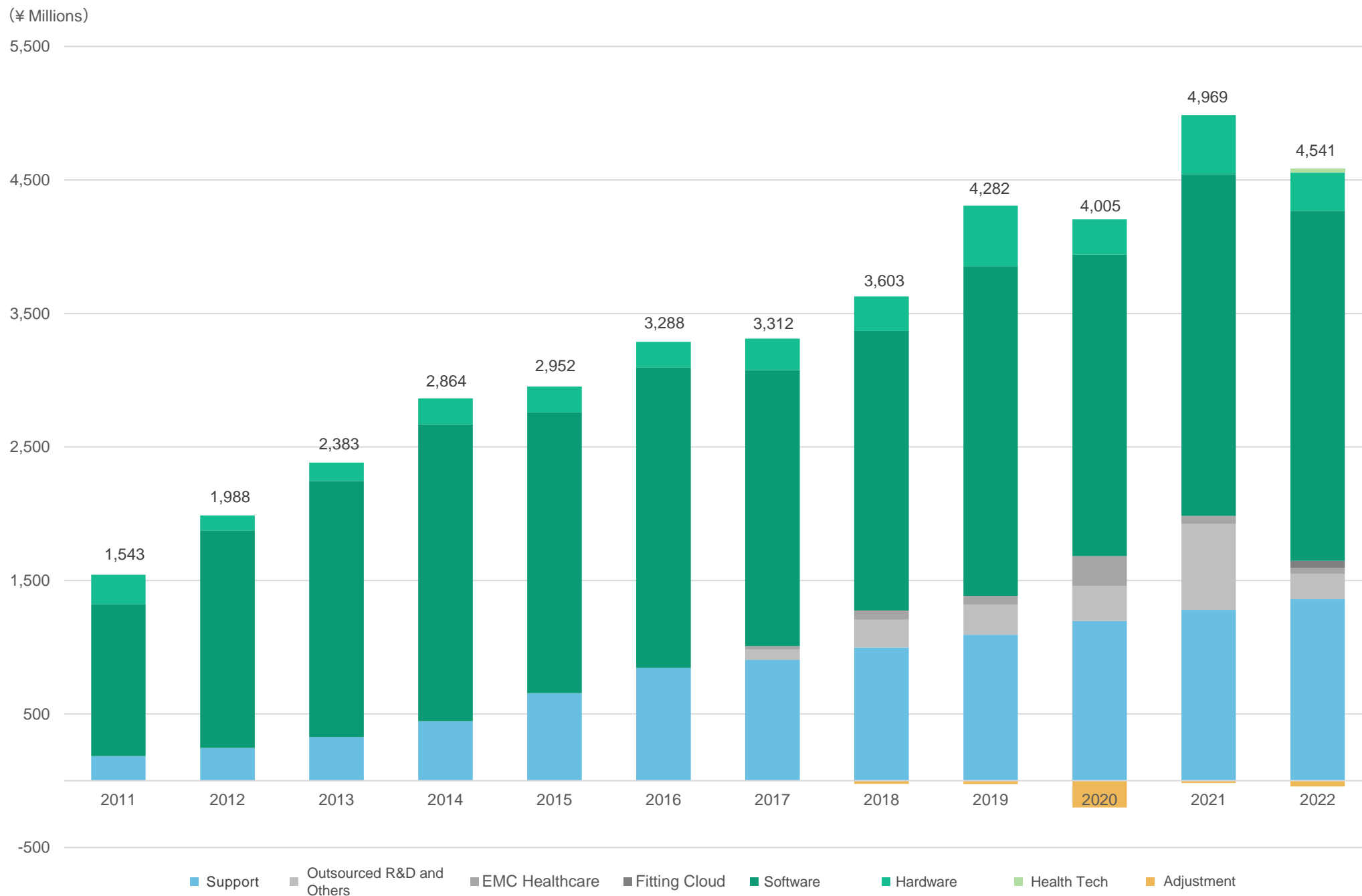
## Introduction of a Restricted Stock Compensation Plan

## A subsidiary Fitting Cloud Inc. released three new solutions

- Webri : Internet Browsing Virtualization Service
- Bricks : Cloud-based general-purpose EDC/Questionnaire system
- Vallon : Closed-cloud data storage

## Released a new product “AAde-Report”

- A cloud-based service that links tracing reports between hospitals and their neighboring pharmacies
- Jointly developed with Kyoto University Hospital, with a support from MEDICEO CORPORATION







An Overwhelming Market Share of

**75.0 %**

in National University Hospitals

Market share in large hospitals with more than 400 beds = **38.3%**

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, 2023)

(# of Facilities)

Categories	FY2022	FY2023 Q1	Changes
Large hospitals (>400 beds)	288	290	2
Medium sized hospitals (100 to 399 beds)	309	314	5
Small hospitals (20 to 99 beds)	84	82	-2
Clinics (<19 beds)	1,176	1,188	12
Other medial-related facilities	19	19	0
Non-medical facilities	10	10	0
Community-based comprehensive care	25	26	1
<b>Total</b>	<b>1,911</b>	<b>1,929</b>	<b>18</b>

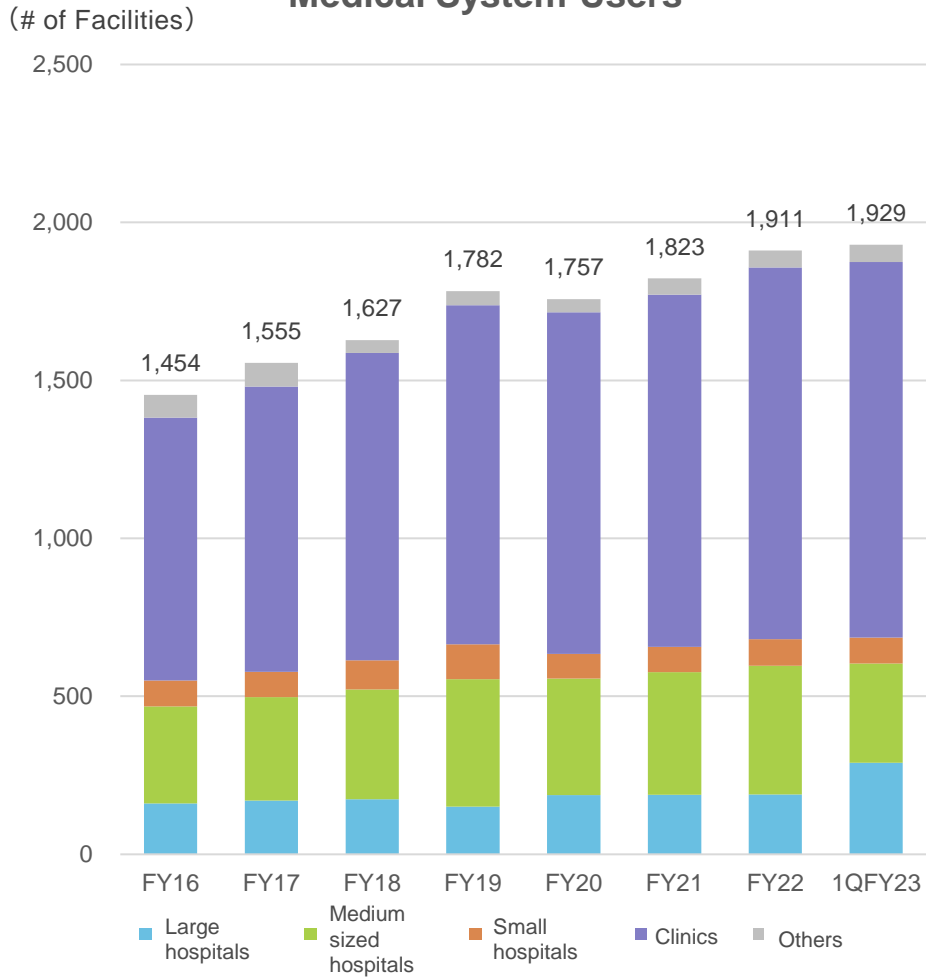
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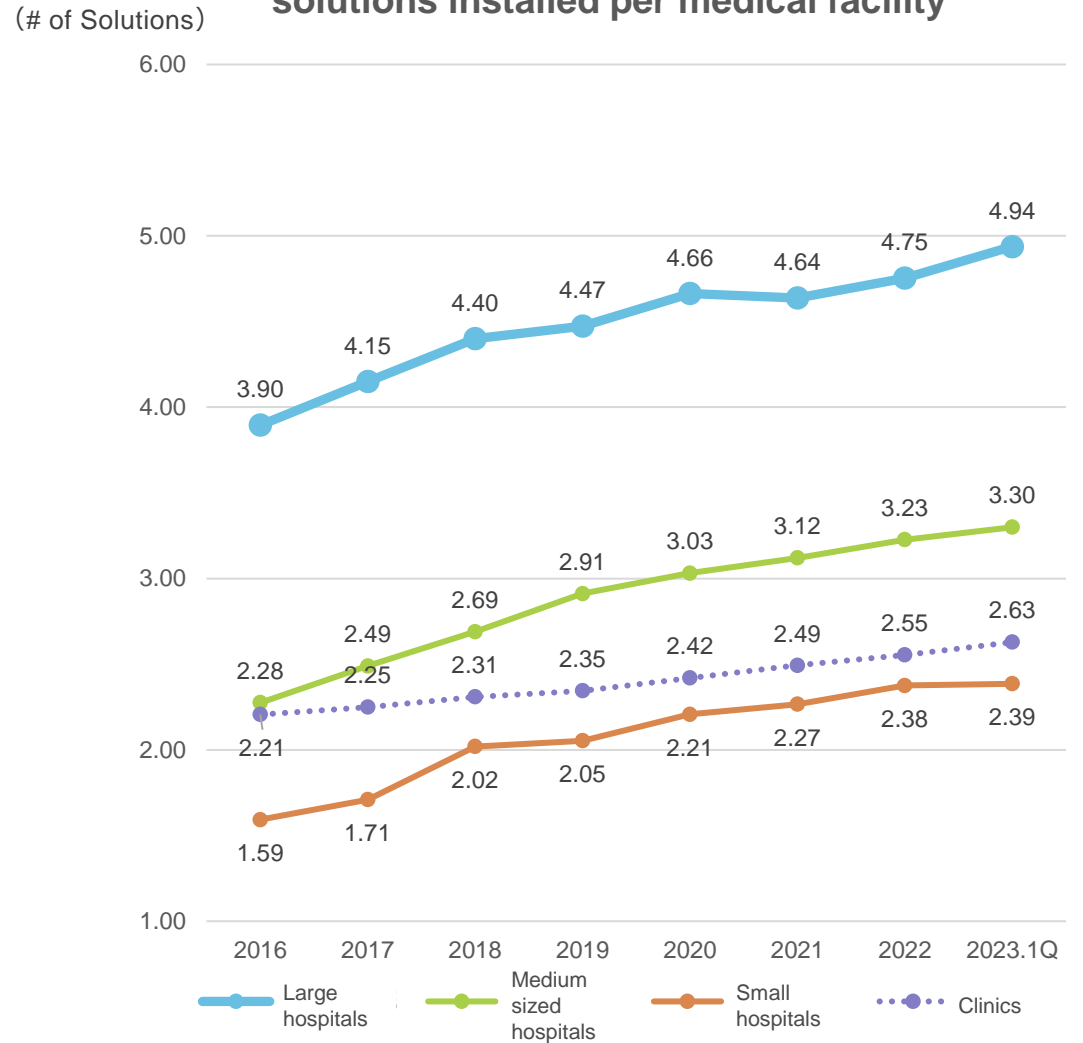
\*# of increase is the net increase of new users (including changes of categories), and software renewals are excluded from the chart above.

(As of March 31, 2023)

### Changes in the Number of Medical System Users



### Average numbers of solutions installed per medical facility



\*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. The average numbers of solutions installed per medical facility are calculated under the previous categorization of large hospitals (500 or more beds).

\*Consumers of one-time products are excluded.

\*# of increase is the net increase of new users (including changes of categories), and software renewals are excluded from the chart above.

