

# Supplementary Information on Q3 FY2023 Financial Results Summary

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FINDEX Inc.

13<sup>th</sup> November 2023



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- Our Medical Business drove the financial performance. Large scale projects made progress and the consulting unit performed well
- The achievement rate reached approx. 60% for operating profit

Cumulative net sales and operating profit for 9m turned positive

Net Sales YoY: **+15.8 %**

Operating Profit YoY: **+63.2 %**

Achieved one of the highest net sales and operating profit levels in Q3 alone

Q3 Net Sales: JPY **1,225**mn YoY **+59.9 %**

Q3 Operating Profit: JPY **399**mn YoY **+12.3 times**

- The core Medical Business led sales growth

The achievement rate exceeded the same in the previous year

9m Achievement Rate on Net Sales:

**68.6 %**

(9m FY2022 achievement rate: 66.1%)

9m Achievement Rate on Operating Profit:

**60.7 %**

(9m FY2022 achievement rate: 47.5%)

- Backlog orders have reached their highest historical levels
- If Q4 operating profit remains steady compared to the previous year, our financial performance will be at a level where we can achieve our annual plan

# Q3 FY2023 Financial Performance Highlights

- Significant increase in net sales and operating profit, mainly due to strong demand in Medical Business
- Cumulative operating profit for 9m turned positive, achieving one of the highest net sales and operating profit levels

- Cumulative sales for 9m increased by 15.8% YoY
- Operating profit decreased in H1 but turned positive with a 63.2% increase on a YoY basis

(¥ Millions)	FY2021 Jan-Sep	FY2022 Jan-Sep	FY2023 Jan-Sep	YoY	FY2022 Q3	FY2023 Q3	YoY
Net Sales	3,513	2,999	<b>3,474</b>	15.8%	766	<b>1,225</b>	59.9%
Gross Profit	1,920	1,751	<b>2,132</b>	21.8%	424	<b>852</b>	100.7%
Gross Profit Margin	54.7%	58.4%	<b>61.4%</b>	-	55.4%	<b>69.5%</b>	-
Operating Profit	703	488	<b>796</b>	63.2%	32	<b>399</b>	1128.9%
Operating Profit Margin	20.0%	16.3%	<b>22.9%</b>	-	4.2%	<b>32.6%</b>	-
Recurring Profit	721	523	<b>820</b>	56.7%	42	<b>405</b>	862.4%
Profit Attributable to Owners of the Parent	485	349	<b>567</b>	62.2%	29	<b>283</b>	852.2%

- In Q3 alone net sales increased by 59.9%, while operating profit increased 12.3 times compared to the previous year
- The gross profit margin remained high at 69.5% in Q3
- Operating profit in Q3 is the second highest, following FY2019 when demand was exceptionally high due to the rise in Japanese consumption tax (Q3 FY2019 operating profit: JPY 569mn)
- Q3FY2022 was still affected by the impact of COVID-19, resulting in YoY decreases of 30.9% in net sales and 84.9% in operating profit
- On the other hand, Q3 FY2023 saw strong orders, which led to a significant number of billable projects for FY2024 and a high volume of revenue recognition under the new accounting standards
- Public Sector Business came back into the black at the operating level in Q3, and the loss has diminished in Health Tech Business

# Balance Sheet

- No significant changes in the balance sheet
- Equity ratio remains at a high level of 86.0%

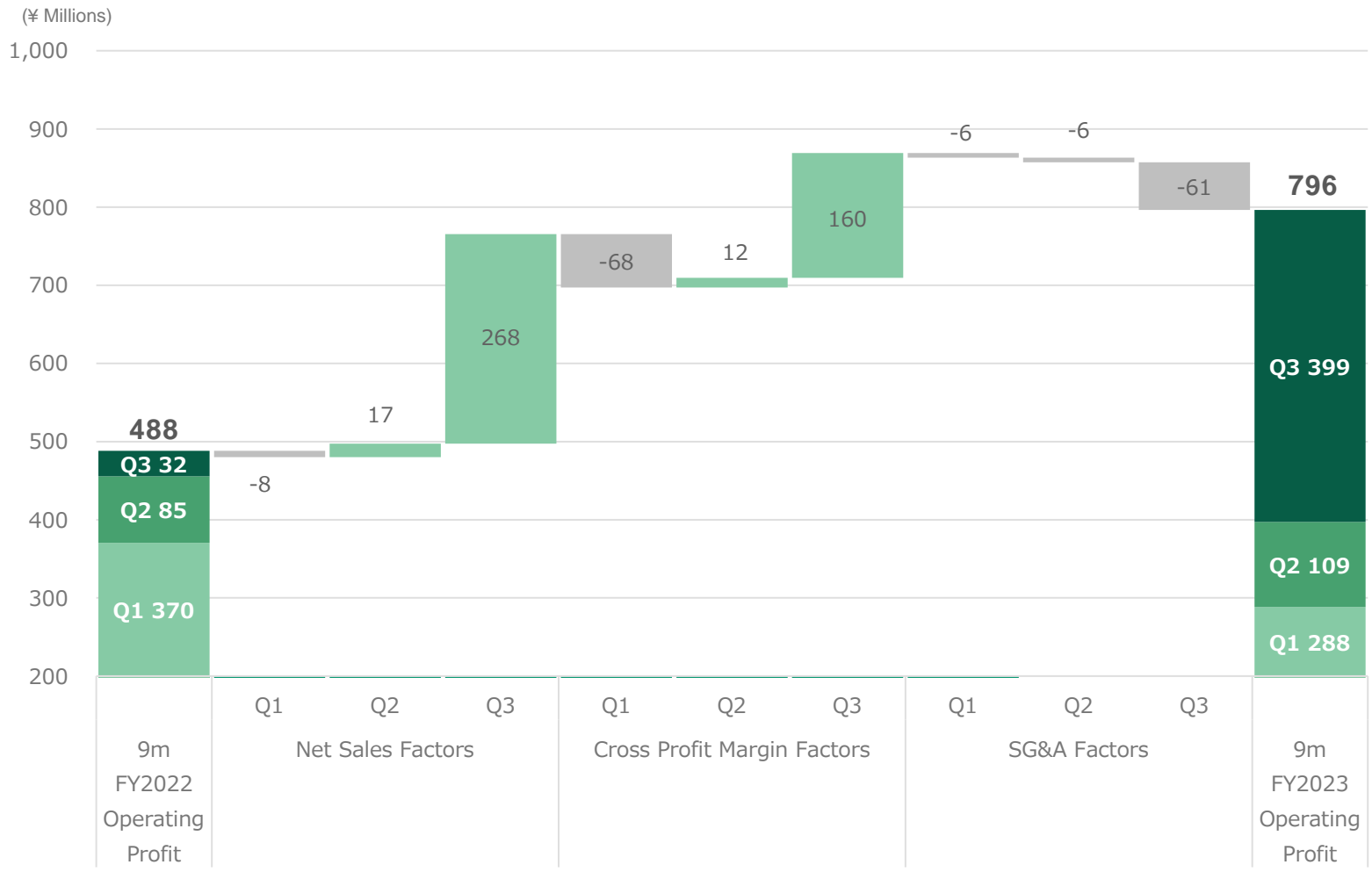
B/S	Q4 FY2022 Amount (¥ Millions)	Q3 FY2023		Mainly caused by
		Amount	Changes	
Cash and deposits	2,414	2,703	289	Accumulation in profit
Notes, accounts receivable - trade and contract assets	1,361	1,102	-259	Decrease in accounts receivable and contract assets
Merchandise and finished goods, work in progress	169	203	34	
Raw materials and supplies	147	147	0	
Other	37	49	12	
<b>TOTAL CURRENT ASSETS</b>	<b>4,128</b>	<b>4,205</b>	<b>77</b>	
Tangible assets	103	92	-11	
Intangible assets	251	272	20	
Software	251	271	20	
Investments and other assets	498	506	9	
<b>TOTAL ASSETS</b>	<b>4,981</b>	<b>5,075</b>	<b>94</b>	
<b>TOTAL CURRENT LIABILITIES</b>	<b>654</b>	<b>439</b>	<b>-215</b>	Decrease in income taxes payable
<b>LONG-TERM LIABILITIES</b>	<b>284</b>	<b>278</b>	<b>-6</b>	
(long-term and short-term interest-bearing liabilities)	0	0	0	
<b>TOTAL LIABILITIES</b>	<b>938</b>	<b>717</b>	<b>-221</b>	
<b>NET ASSETS</b>	<b>4,043</b>	<b>4,359</b>	<b>316</b>	
Shareholders' equity	4,039	4,352	314	Accumulation in profit
<b>TOTAL LIABILITIES and NET ASSETS</b>	<b>4,981</b>	<b>5,075</b>	<b>94</b>	

- Deposits and cash increased to JPY 2.7bn with the cumulative profits from the past
- Strategizing on effective uses of capital including M&A

# 9m Factors Contributing to Changes in Operating Profit

- Significant increase in sales and profit were recorded in Q3, offsetting the decrease in Q1
- Above was led by an increased number of projects and partial revenue recognitions of Q4FY2023-Q1FY2024, following the new accounting standards

Factors Contributing to Changes in Consolidated Operating Profit 9m FY2023



- An increase in profit registered in Q3, offsetting the decrease in Q1
- Both the increase in sales and the improvement in profit margins made positive contributions in Q3. The favorable performance of the consulting business was the underlying factor
- Gross profit margin decreased in Q1 as outsourcing costs increased, in relation to data migration
- SG&A expenses are under control

# 9m FY2023 Trends in Each Business Segment

- Sales in Medical Business remained strong
- Public Sector Business turned profitable with a steady growth and reduced Health Tech Business losses contributed to improved financial performance

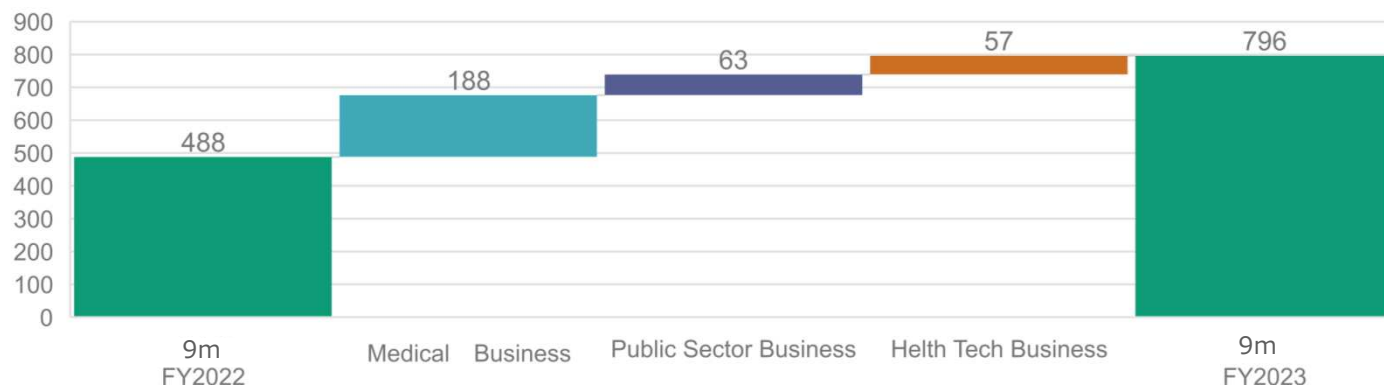
(¥ Millions)	FY2022 Jan-Sep	FY2023 Jan-Sep	YoY	FY2022 Q3	FY2023 Q3	YoY
Net Sales	2,999	3,474	15.8%	766	1,225	59.9%
Medical Business	2,874	3,321	15.5%	754	1,168	54.9%
Public Sector Business	62	112	79.5%	10	55	407.4%
Health Tech Business	64	40	-36.3%	1	1	43.8%
Operating Profit	488	796	63.2%	32	399	1128.9%
Medical Business	704	892	26.7%	107	423	294.1%
Public Sector Business	-53	9	-	-29	20	-
Health Tech Business	-162	-105	-	-45	-45	-

\* 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

Segment-wise Changes in Operating Profit



## Medical Business

- Sales expanded steadily in Q3, leading to a 15.5% YoY increase in net sales for 9m
- Profit was boosted by maintenance revenue from new customers, revenue from consulting, and the progression of large-scale projects
- Profit growth offset the increase of personnel costs, resulting in a high level of operating profit margin in Q3
- Number of installations and add-ons during 9m : 34 for hospitals and 83 for clinics

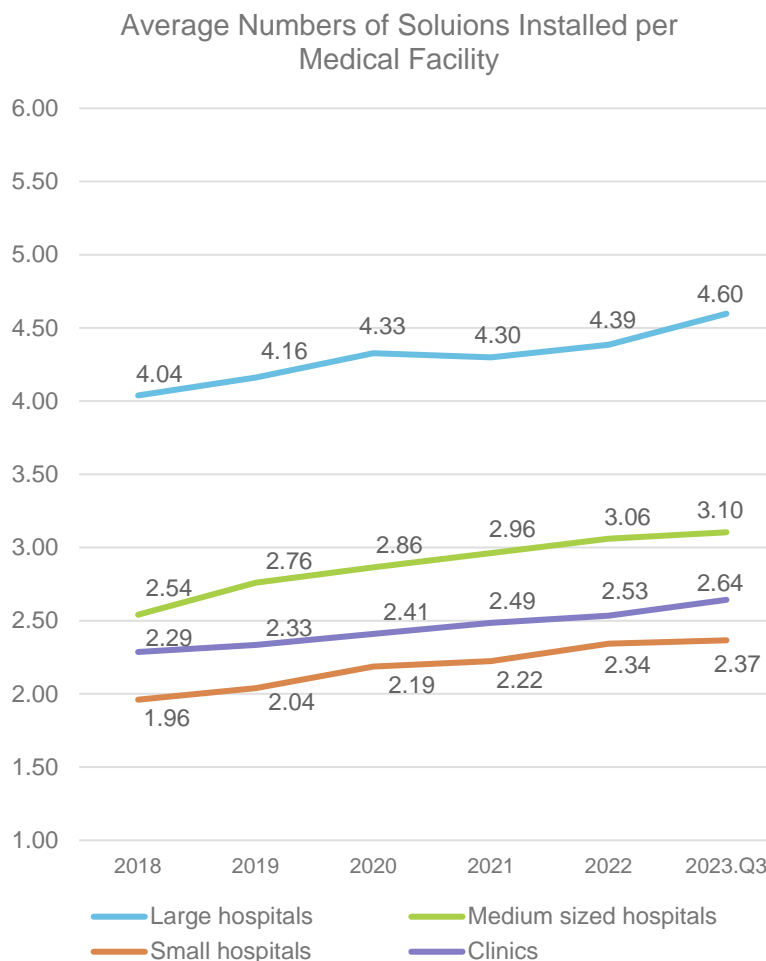
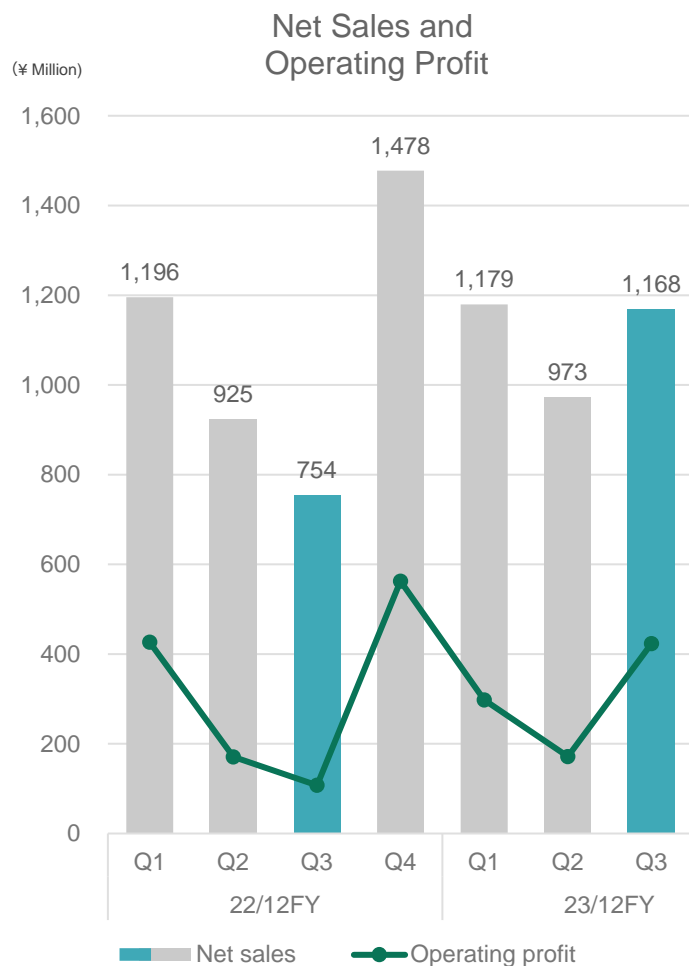
## Public Sector Business

- Q2 saw decline in revenue but returned to a positive in Q3. Operating profit is also in the black for 9m
- Bidding for local governments and other public entities performed well
- The cumulative numbers of installations since the service launch: 26 for public sector organizations and 6 for hospitals

## Health Tech Business

- Continued investing in R&D, resulting in ongoing deficits
- Domestic sales of *GAP/GAP-screener* during 9m : 13 units

- Demand is strong, driven by momentum of work-style reforms in healthcare institutions
- Providing cloud-based solutions to large hospitals



\*Definitions are unified due to the presence of mixed definitions in some of the previously disclosed data

- Software was selling well and newly established consulting department received continuous orders. Large scale projects proceeded smoothly (resulting in an increase of revenue recognitions under the new accounting standards)
- Launched our in-house brand *PiCIs*, offering various cloud services like *Medical Avenue*, and developed several products to support collaborations of medical facilities
- Cross selling for the existing customers, mainly the large hospitals was strong. Delivery of comprehensive services including maintenance also increased
- Profit margin increased as packaged solutions with low implementation costs were preferentially sold

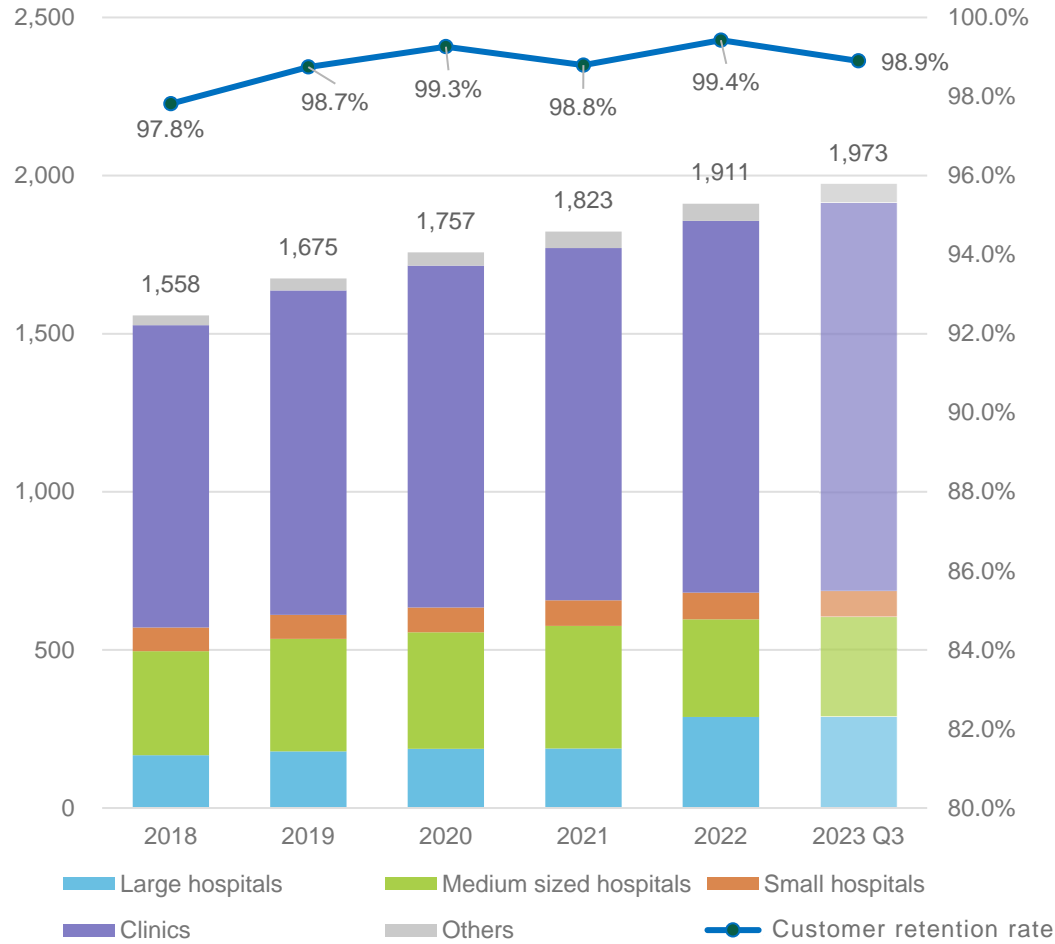
## Key Initiatives

- Expanding cloud-based services
- Utilization of generative AI and preparation for data business
- Subsidiary Fitting Cloud inc. has initiated R&D in collaboration with Kyoto University Hospital on medical documentation creation support using generative AI.
- Regarding the sales of medical software in India, ongoing discussions with Toyota Tsusho Corporation are focused on the product's sales timing and pricing

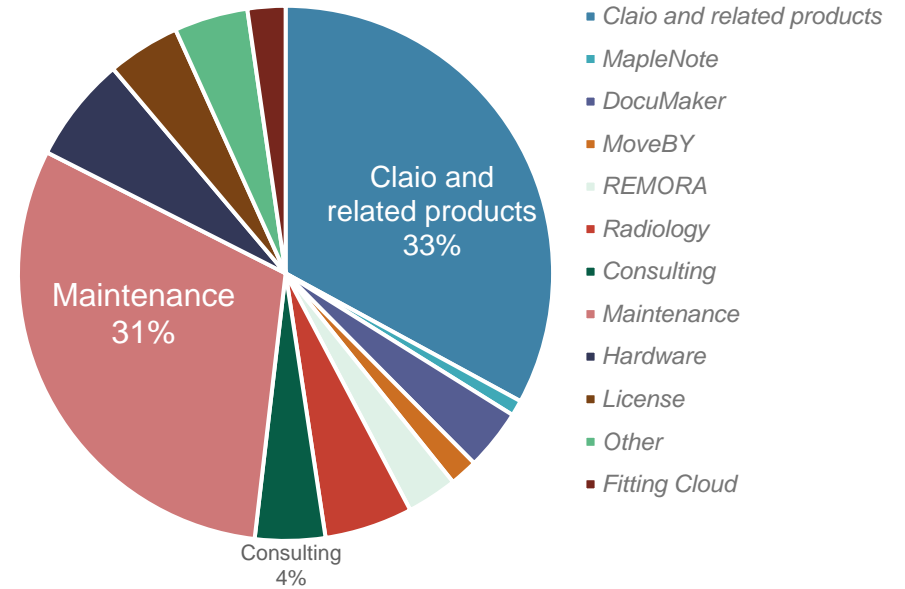


- Number of medical solutions users steadily growing, reaching 2,000 soon
- Customer Retention Rate is 99%

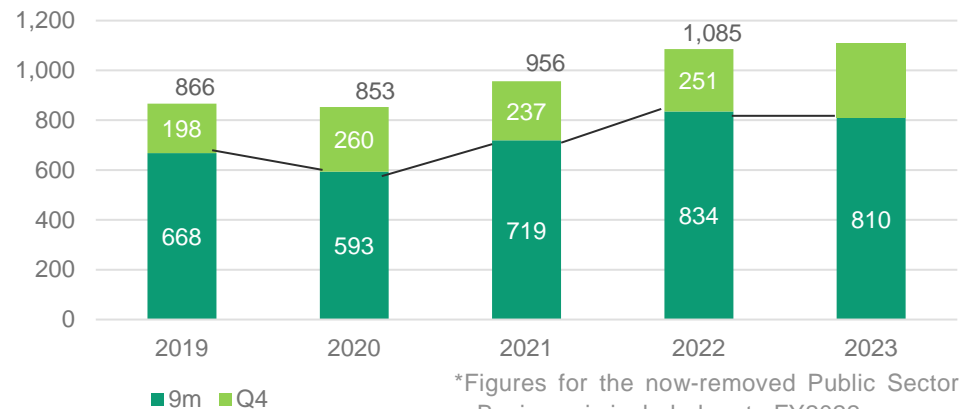
(# of Facilities) Changes in the Number of Medical Solutions Users



9m Medical Business - Composition of Sales by Products



(¥ Millions) Trends in Distributor Sales



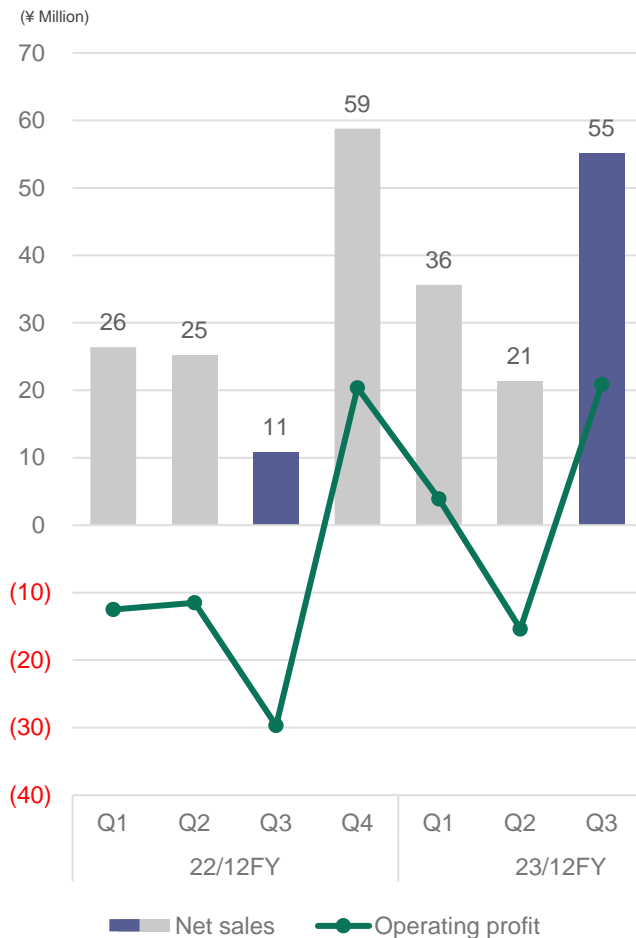
\*Calculation changed as categorization of large hospitals revised from 500 or more beds to 400 or more beds following the revision of medical service fees in 2018.

\*Consumers of one-time products are excluded. Definitions are unified due to the presence of mixed definitions in some of the previously disclosed data

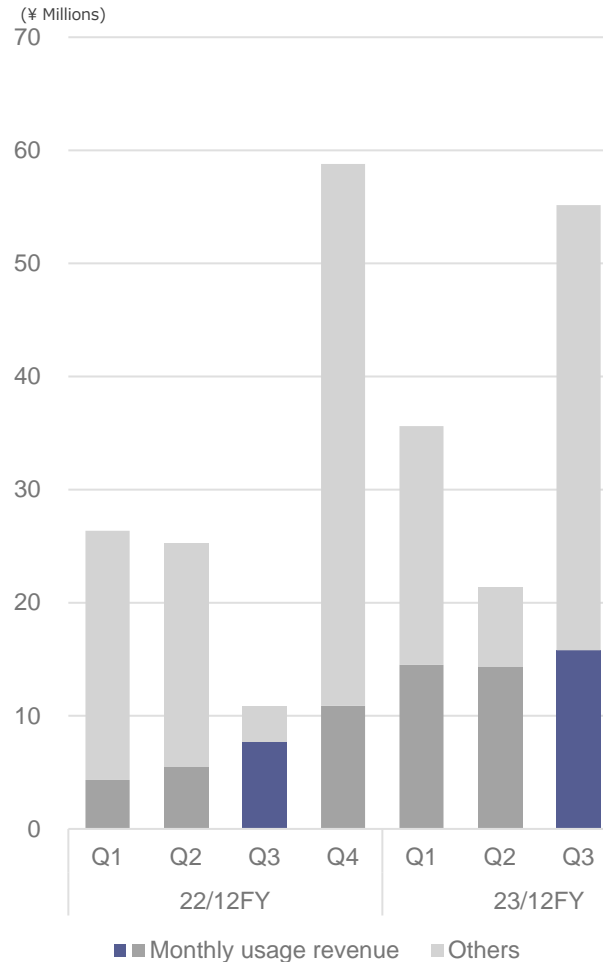
\*Figures for the now-removed Public Sector Business is included up to FY2022

- Revenue significantly increased in Q3 as ongoing projects are progressing well and the number of new projects consistently grew, operating profit returned to a positive
- Monthly usage revenue steadily growing

### Net Sales and Operating Profit



### Breakdown of Net Sales

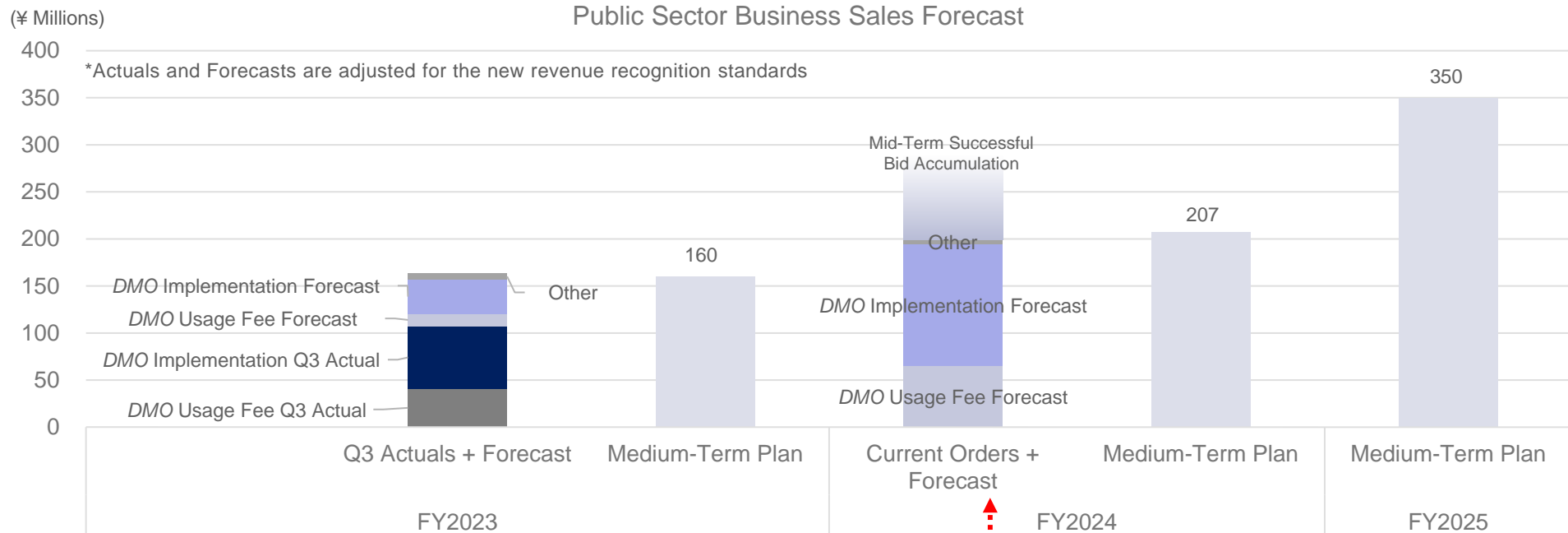


- Proactively participating in bidding for projects on municipalities and public organizations
- Received 4 orders from a prefectural government and national universities in Q3, summing up to a total of 7 ongoing projects. These revenue will be recognized in FY2024
- Mid to small sized projects are handled by the distributors, large projects by FINDEX
- Accelerate sales for administration offices in hospitals, leveraging our existing sales channel in medical industry

## Key Initiatives

- Further expand the organization and internal resources for anticipated large scale projects. Properly prepare for upcoming large projects

- Stronger than expected demand has led to multiple orders for 2024 and 2025
- High-confidence projects are in place and workforce reinforcement is being carried out for securing them



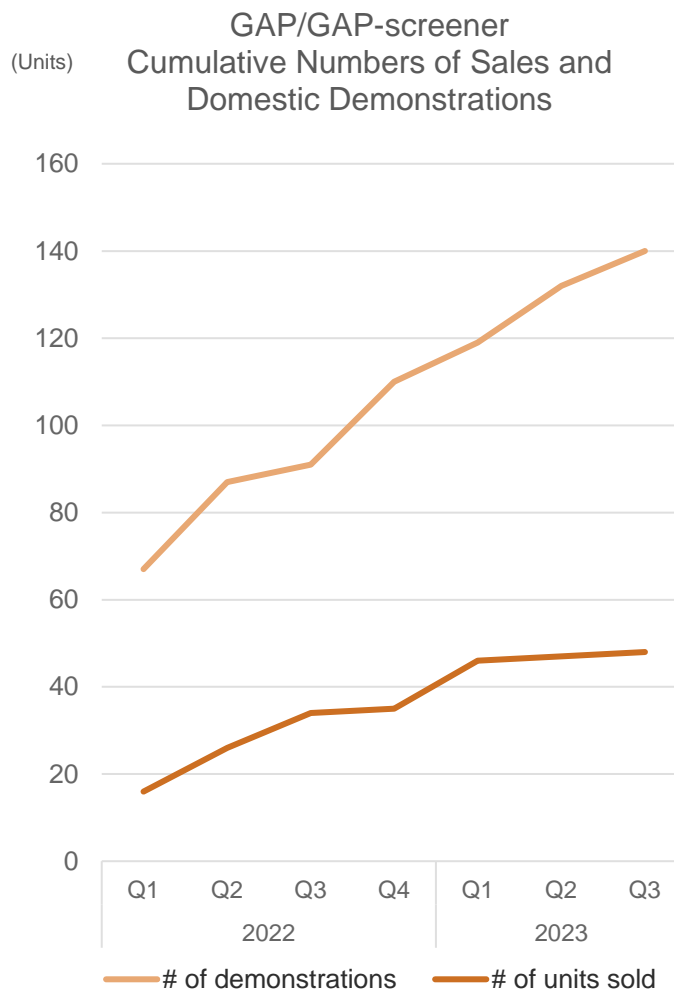
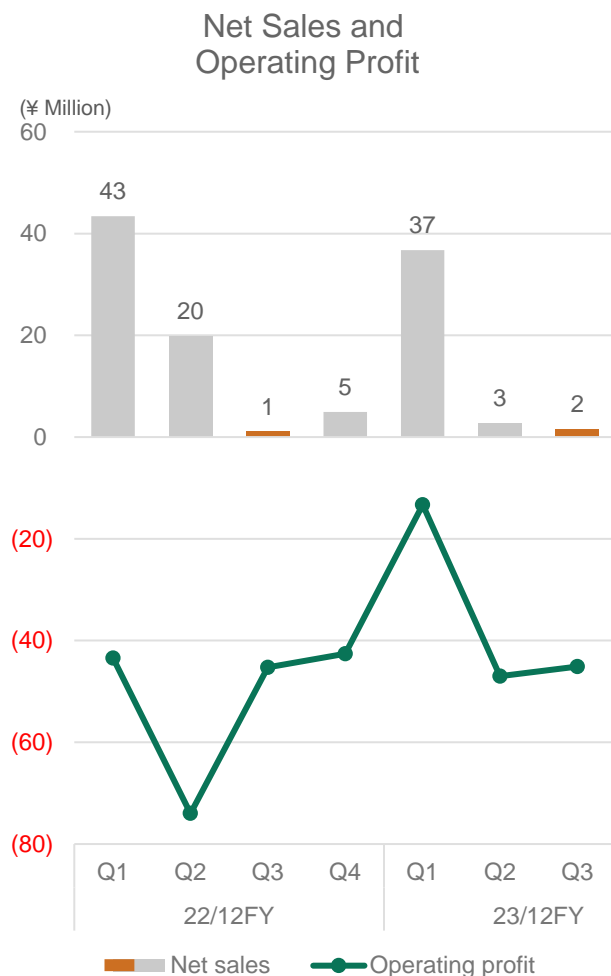
List of Confirmed Orders and Backlog

Winning bid in	Customers	Solutions	Implementation scheduled in	# of expected users
MAR2023	City A	Public document management & e-Approval	OCT2023	900
MAY2023	Prefecture B	Public document management & e-Approval	MAR2024	5,000
JUN2023	National University C	Public document management & e-Approval e-Application (public document excluded)	APR2024	1,000
AUG2023	Organization D	Public document management & e-Approval	DEC2023	30
SEP2023	National University E	Public document management & e-Approval	APR2024	450
SEP2023	Foundation F	Public document management & e-Approval	APR2024	150
SEP2023	Organization G	Public document management & e-Approval	APR2024	500

\*Public Document Management & e-Approval: Document management and electronic approval in accordance with the Public Document Management Act

\*e-Application (public document excluded): Application of documents other than public documents (e.g. Notification of commuting)

- Struggled for domestic sales of *GAP*. Continuing to strengthen the sales structure while conducting product marketing, prioritizing the improvement of product recognition
- Mass-Manufacturing process of *GAP* being carried out for sales in Europe



## Domestic Sales

- Continuing to expand sales to hospitals, eye clinics and checkup facilities
- Undergoing organizational development to achieve the sales targets of 20 units to hospitals and 40 units to checkup facilities in FY2023
- Creating a new market among checkup facilities together with Toyota Tsusho Corporation, focusing on the early detections of eye diseases
- Well-received at the 77<sup>th</sup> Annual Congress of Japan Clinical Ophthalmology
- Conducting additional studies with Kyoto University. Posted an academic paper to a journal (currently in review)

## International Sales

- Making final adjustments with Rexam to start sales in the EU within FY2023. Mass-manufacturing process started
- Continuing the preparations for medical approvals in India and ASEAN countries to start sales

## Key Initiatives

- Conduct further R&D to target additions of different eye test functions to the device
- *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

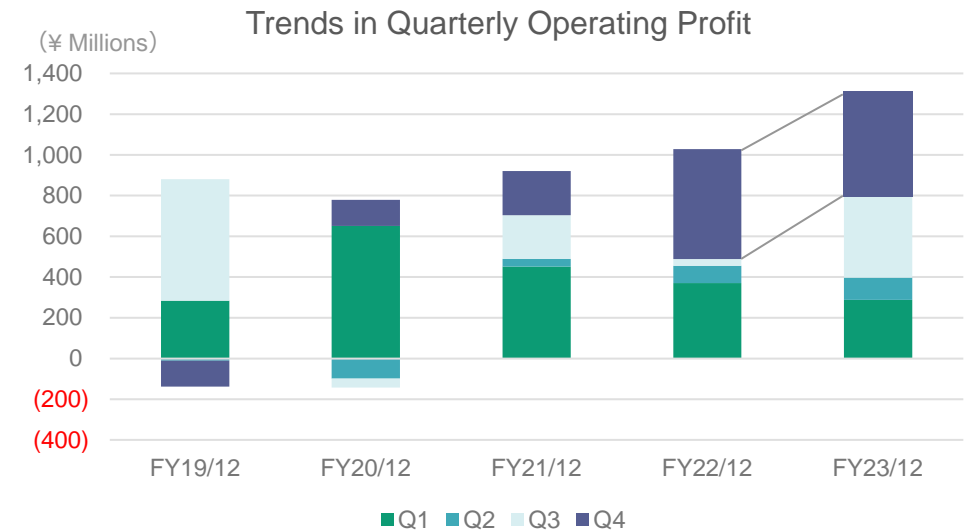
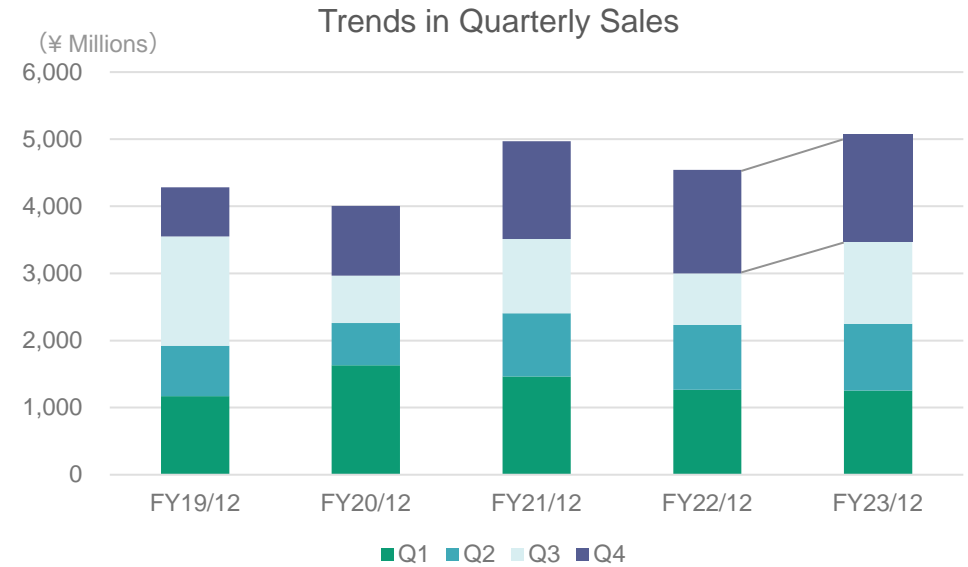
\*Only the numbers of demonstrations by Findex are aggregated

# 9m FY2023 Progress Report

- Achievement rate for operating profit against the guidance: 60.7%, exceeding the same of the previous year
- Flat Q4 sales and profit results YoY would still meet the annual guidance

FY2023	Jan-Sep Actual	FY (Plan)	Achievement rate
Net sales	3,474	5,065	68.6%
Operating profit	796	1,313	60.7%
Recurring profit	820	1,330	61.7%
Profit attributable to owners of the parent	567	923	61.5%

FY2022	Jan-Sep Actual	FY (Plan)	Achievement rate
Net sales	2,999	4,541	66.1%
Operating profit	488	1,028	47.5%
Recurring profit	523	1,055	49.6%
Profit attributable to owners of the parent	349	722	48.4%

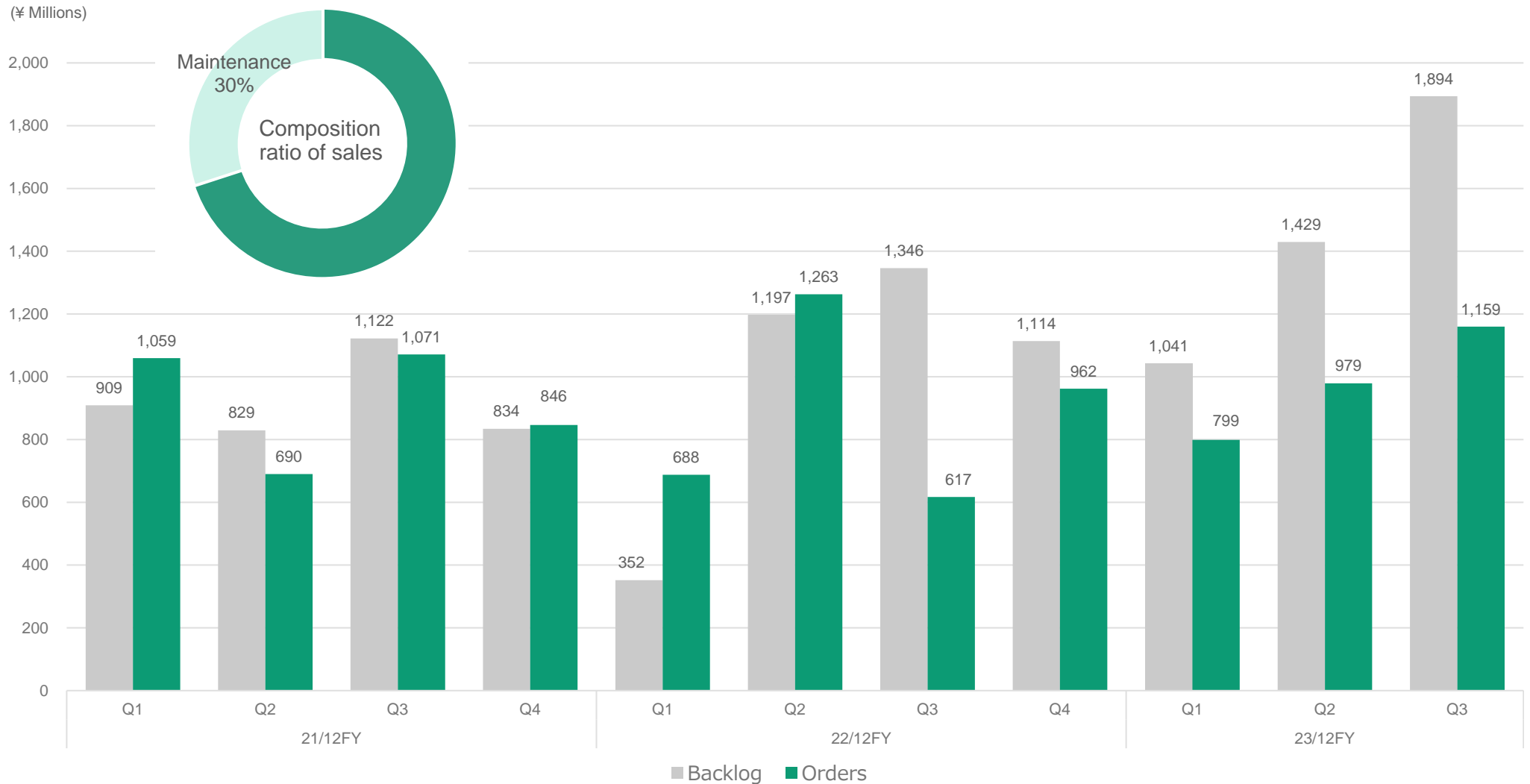


- There is no change to the financial guidance announced at the beginning of the current fiscal year
- Continue to develop profitable business and further increase profit margins

	FY2022 Actual	FY2023 Guidance	
	(¥ Millions)	Amount	YoY(%)
Net sales	4,541	<b>5,065</b>	<b>+11.5%</b>
Operating profit	1,028	<b>1,313</b>	<b>+27.7%</b>
Recurring profit	1,055	<b>1,330</b>	<b>+26.1%</b>
Profit attributable to owners of the parent	722	<b>923</b>	<b>+27.8%</b>
Earning per share (Yen)	28.21	<b>36.03</b>	—
Dividend per share			
Interim dividend (Yen)	3.00	<b>4.00</b>	—
Year-end Dividend (Yen)	6.50	<b>7.00</b>	—
Full-year dividend (Yen)	9.50	<b>11.00</b>	—

# Backlog and Orders (Excluding Maintenance)

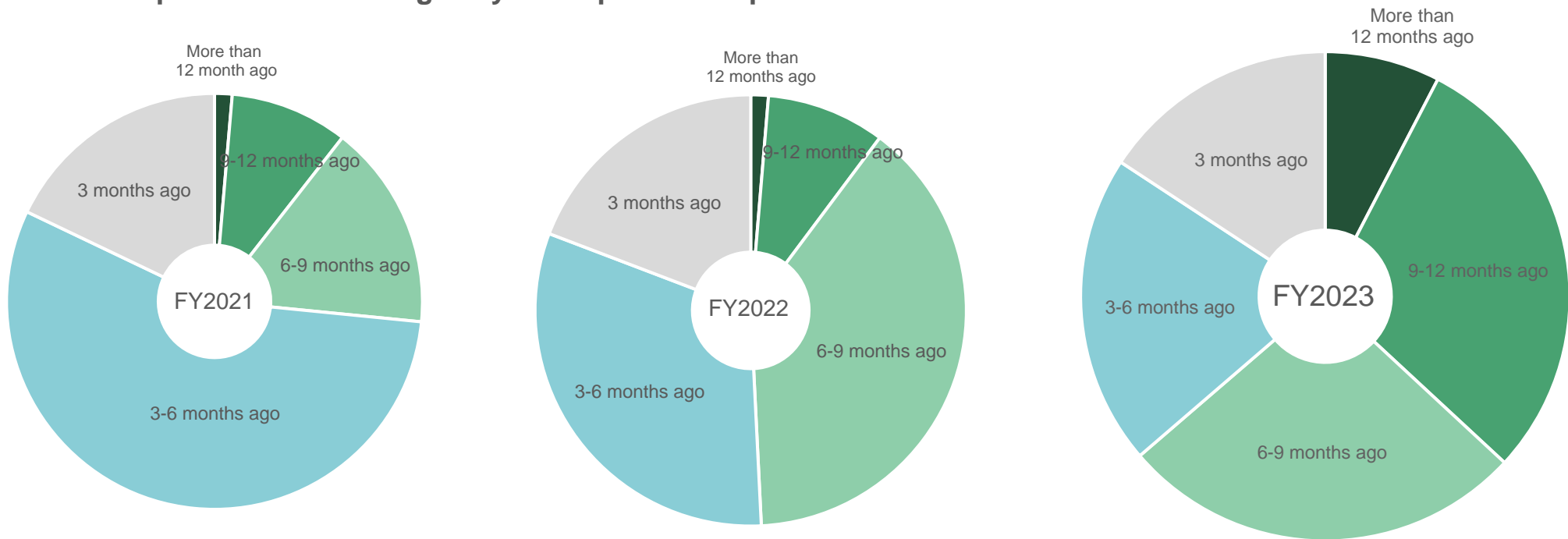
- Amount of backlog is at one of the highest levels
- Besides the strong order demand, the expedited timing of orders is a significant factor



# Order-to-Acceptance Timeline

- The adoption of new revenue recognition standards has led to longer order-to-acceptance periods
- The increase in orders and the second-half emphasis in the initial guidance are partially due to this change in practice
- From the outset, FY2023 was projected to have higher earnings in the second half of the year
- Order placement timings have shifted to be earlier due to changes in commercial practices
- Some of the sales from large-scale projects in Q1FY2024 will be recognized in Q4FY2023 due to the adoption of the new accounting standard

## Revenue composition ratio changes by order placement period






\*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



# FY2023 Steps to Achieve Our Goals – Status and Strategies

	FY2023 Objectives	9m Evaluation	Details on Evaluation	Market Environments and Our Perceptions	Our Strategies for Q4 and Beyond
Medical Business	Establish a Consulting Department to launch a new business model, providing consulting services for medical facilities		<ul style="list-style-type: none"> <li>The newly established consulting department <u>largely</u> contributed to the profit</li> <li>Cross-selling progressing favorably primarily to large hospitals</li> <li>Delivery of comprehensive services including maintenance increasing</li> <li>Improved profit margin by prioritizing sales of existing packaged solutions with low implementation costs</li> </ul>	<ul style="list-style-type: none"> <li>Investment in improvement of workstyle for medical professionals continues</li> <li>Discussions for digitalization in medical industry seem to be gaining momentum</li> <li>Collaboration needs are rising among hospitals and neighboring areas</li> <li>Time required until medical treatment data can be utilized outside of medical facilities</li> </ul>	<ul style="list-style-type: none"> <li>Continue to deliver consulting services, proposing effective problem-solving</li> <li>Explore business in real medical data, leveraging the advantage of having many acute care hospitals as our customers</li> <li>Aim to expand cloud-based solutions to stimulate collaborations</li> <li>Secure and train software developers</li> <li>Branding of cloud-based solutions</li> <li><u>Work towards the utilization of generative AI together with our subsidiary Fitting Cloud Inc.</u></li> </ul>
Public Sector Business	Roll out a new business from the project to accelerate sales of <i>DocuMaker Office</i> , targeting municipalities and public organizations		<ul style="list-style-type: none"> <li>Bidding for municipality projects progressing as participating actively</li> <li>Revenue from the monthly usage increasing</li> <li>Product recognition improving as number of implementations increasing</li> <li>Secured human resources to support business expansion</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Internal Affairs and Communications promoting digitalization</li> <li>Demand for official documents management software remains strong</li> <li>Digitalization of back-office is lagging behind</li> </ul>	<ul style="list-style-type: none"> <li>Focus on large projects</li> <li>Product improvement with new functions</li> <li>Strengthen marketing, leveraging brand recognition</li> <li>Secure necessary personnel to accommodate business growth</li> </ul>
Health Tech Business	Continue to cooperate with sales partners to catch up domestic /overseas sales of <i>GAP</i> , aiming to install 260 units in and outside Japan		<ul style="list-style-type: none"> <li><u>GAP project behind the planned schedule</u></li> <li><u>Started mass-manufacture process for sales in the EU.</u> Currently finalizing export process with the distributor</li> <li>Continuing R&amp;D to maximize utilization of GAP</li> </ul>	<ul style="list-style-type: none"> <li>Exhibitions and demonstrations well received, confirming market needs</li> <li>No change in aging trends and recognition for eye diseases rising</li> </ul>	<ul style="list-style-type: none"> <li>Product launch in the EU</li> <li>Preparations for the medical approval in India</li> <li>Promotion activities to raise awareness and strengthen distributor sales</li> <li>Create a market focusing on the early detections of eye diseases</li> <li>Advance research with domestic and international research institutions and publish academic papers</li> </ul>

## “Enriching Society with Technologies and Creation”

	FY2022	FY2023	FY2024	FY2025	CAGR FY2025/FY2022
( ¥ Millions)	Actual	Medium-Term Business Plan			
<b>Net sales</b>	4,541	<b>5,065</b>	<b>5,754</b>	<b>6,330</b>	11.7%
Medical Business	4,352	4,705	5,066	5,320	6.9%
Public Business	121	160	207	330	39.7%
Health Tech Business	69	200	480	680	114.4%
<b>Ordinary profit</b>	1,055	<b>1,330</b>	<b>1,710</b>	<b>2,100</b>	25.8%
Ordinary profit margin	23.2%	26.3%	29.7%	33.2%	
<b>Annual cash dividends per share</b>	9.50	<b>11.00</b>	<b>15.00</b>	<b>18.00</b>	23.7%
<b>Payout ratio</b>	33.7%			31.2%	

1	Concentration of Management Resources	<ul style="list-style-type: none"> <li>Restructure medical solutions business to sustain growth</li> <li>Prioritize M&amp;A as a key growth strategy</li> <li>Strengthen partner sales</li> </ul>
2	Acceleration of Advanced R&D	<ul style="list-style-type: none"> <li>Reconceptualize our presence as a R&amp;D-oriented company</li> <li>Improve internal training system and enable dynamic staffing including management levels</li> <li>Acquire and retain the right talent</li> </ul>
3	Addressing Key Sustainability Challenges	<ul style="list-style-type: none"> <li>Support and engage in international initiatives for climate change (E)</li> <li>Contribute to reducing disparities in health care and improving wellbeing of people (S)</li> <li>Ensure good corporate governance and foster a diverse and inclusive workplace culture (G)</li> </ul>

### Business Strategy 2023-2025

#### Medical Business

- Proactively cross-sell software solutions, to more than 1,900 existing customers (as of December 2022) mainly the large hospitals
- Extensively install packaged solutions via distributors to achieve higher profit margin
- Promptly penetrate the market with self-developed data infrastructure which support medical digitalization

#### Public Sector Business

- Set our legally compliant *DocuMaker Office* the public records management solution as the core product, focusing the target on municipalities, public companies, and external organizations of ministries and agencies

#### Health Tech Business

- Overseas: Establish sales structures not only in the EU countries but also in India, ASEAN countries, and the U.S. to boost sales of *GAP*, a perimeter equipped with eye tracking technologies
- Domestic: Establish a consulting sales system at medical equipment dealers by training and assigning sales professionals capable of explaining the technical aspects of *GAP*

## 「 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\*

## Enriching Society with Technologies and Creation

Equal Access to Medical Services

Digitally Connecting Medical Communities

Developing New Technologies for Healthy Livings

Paper-based operations  
On-premises Solutions

Electronic operations  
Cloud-based services

### FINDEX Our Strengths:

- Having variety of products that drive digital transformation (DX) within and outside medical institutions
- Specialized in the processing of diverse patient data owned by large hospitals
- Being an expert in hospital software, we extract valuable information from a vast amount of medical data and providing consulting services to medical institutions

Encourage digital transformation (DX) in local governments and public organizations through the expansion of our **public document management system**

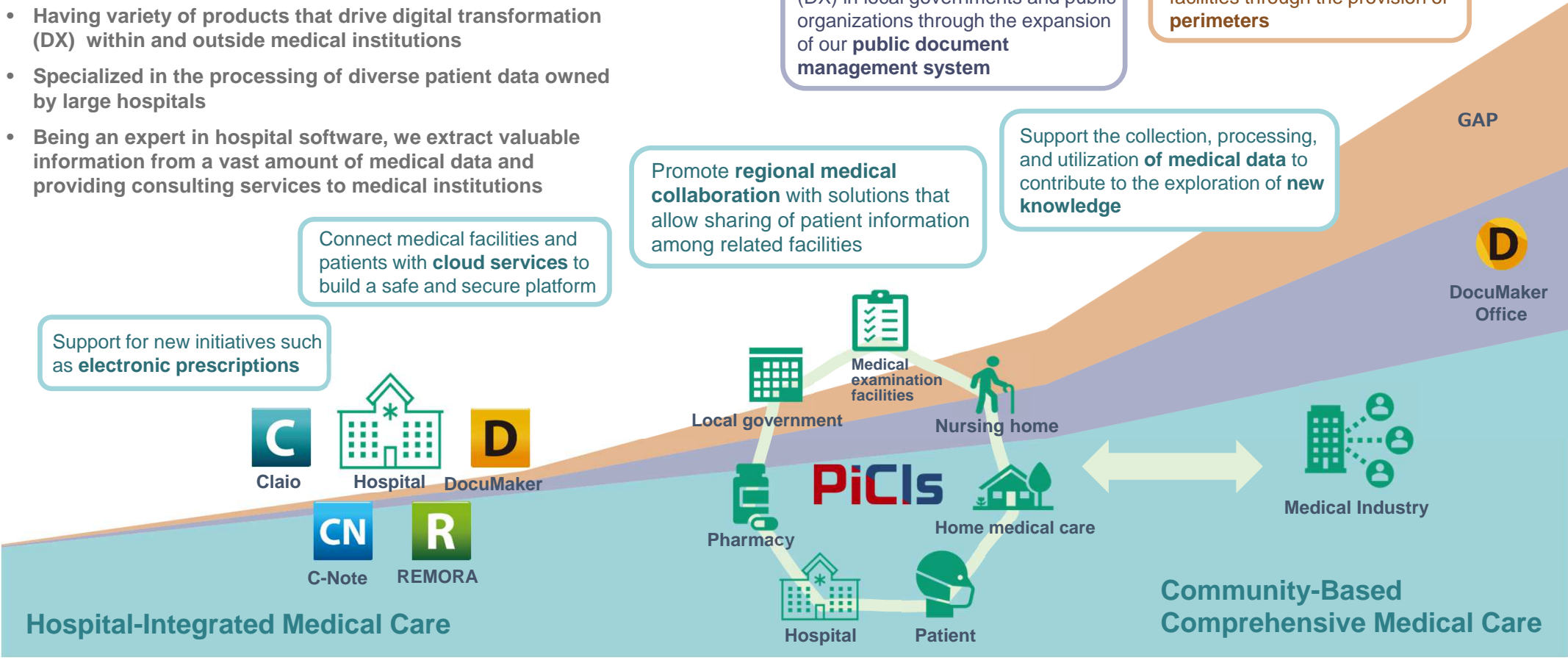
Enlighten the necessity of visual field tests in medical examination facilities through the provision of **perimeters**

Promote **regional medical collaboration** with solutions that allow sharing of patient information among related facilities

Support the collection, processing, and utilization of **medical data** to contribute to the exploration of **new knowledge**

Connect medical facilities and patients with **cloud services** to build a safe and secure platform

Support for new initiatives such as **electronic prescriptions**



## 〈Topics on Sustainability for Q3 FY2023〉

- CDP questionnaire submitted
- TCFD initiatives: Identifying key risks and opportunities; assessing business impacts
- Engaged in preparing responses for Corporate Sustainability Assessment (CSA) conducted by S&P Global

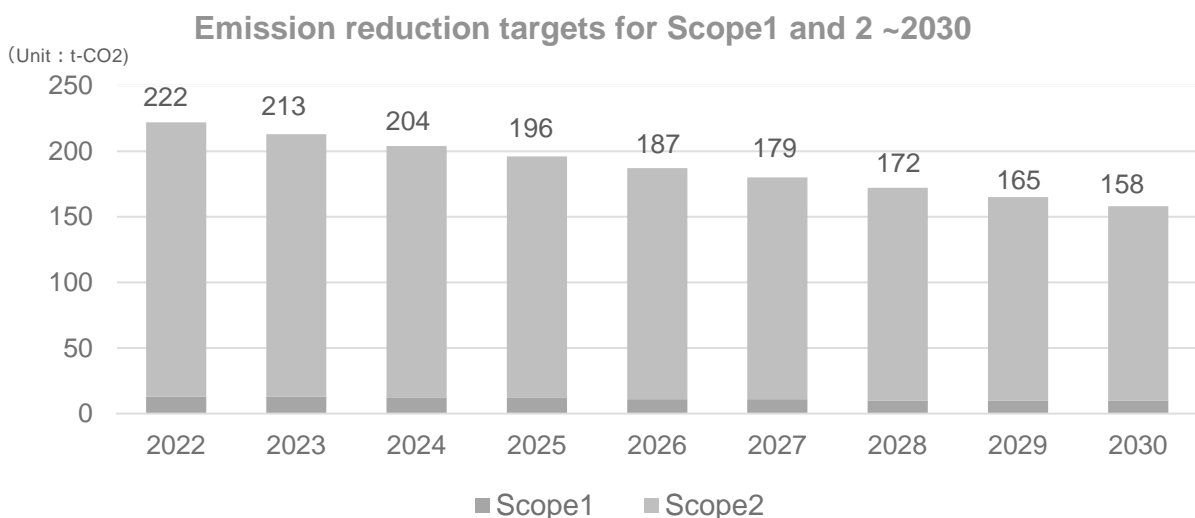
### Environment (E) Support and engage in international initiatives for climate change

#### 〈Emission Calculations for FY 2022 and Future Reduction Goals〉

##### Scope1,2

In accordance with the SBT 1.5°C target, we will annually reduce GHG emissions by 4.2% compared to the previous years.

GHG Emissions	FY2022 (Actual)	FY2030 (Target)
Scope1	13 t-CO2	10 t-CO2
Scope2	209 t-CO2	148 t-CO2



##### Scope3

The aim is to achieve a 50% reduction in emissions by 2030, using a sales-based unit target (Emissions/Sales).

GHG Emissions	FY2022 (Actual)
Category 1	2447 t-CO2
Category 2	164 t-CO2
Category 3	36 t-CO2
Category 4	4 t-CO2
Category 5	10 t-CO2
Category 6	289 t-CO2
Category 7	148 t-CO2
Category 9	5 t-CO2
Category 11	965 t-CO2
Category 12	27 t-CO2

\*There are no emission sources for Scope 3, Categories 8/10/13/14/15.

## Social (S)

Contribute to reducing disparities in health care and improving well-being of people

### External

- Increase access to early detection of glaucoma and other eye diseases by promoting the use of *GAP*, an in-house developed perimeter
  - ▶ Visual field tests using the *GAP/GAP-screener* gaze analysis type of perimeter are being performed at health screening sites sponsored by the city of Iyo in Ehime Prefecture, as well as other local governments
- Realize a framework that allows any person to receive smooth and efficient medical care at large hospitals, introducing telemedicine and utilizing location information

### Internal

- Create and maintain a healthy work environment with high levels of employee engagement
  - ▶ Annual stress checks are conducted for all employees
  - ▶ Introduced a fully remote work option for employees based in distant areas and overseas

Our benchmark initiatives	FY2022 (Actual)	As of Sep 30, 2023	FY2025 (Target)
Total number of visual field tests performed with <i>GAP</i> at checkups organized by local governments	7,070	8,676	10,000
Total number of <i>GAP</i> units sold	35	48	1,550
Total number of facilities implemented <i>Medical Avenue</i>	1	1	5
Employee Survey Response Rate	96%	—	96%
Stress Check Survey Response Rate	88%	—	100%

## Governance (G)

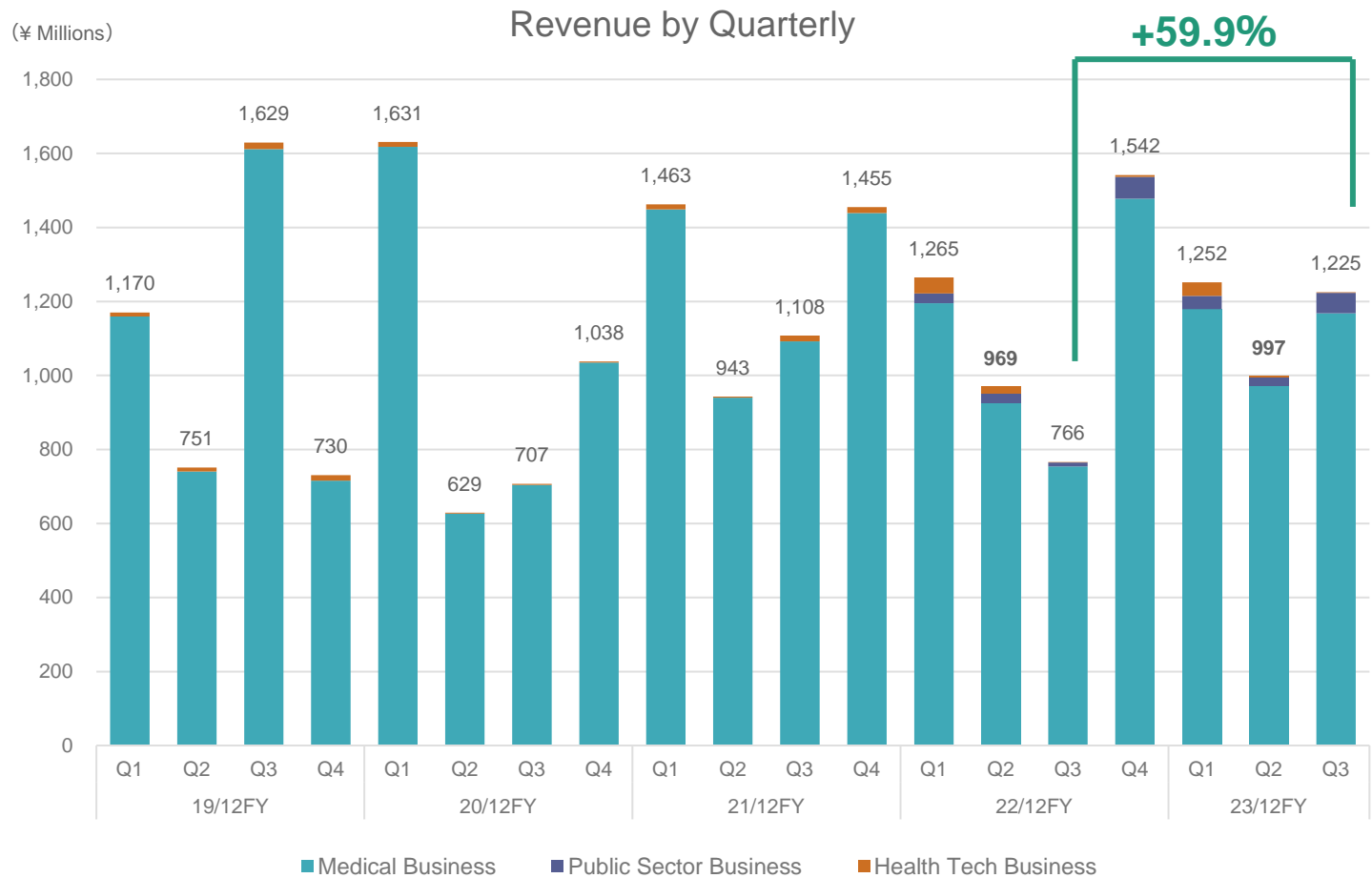
Ensure good corporate governance and foster a diverse and inclusive workplace culture

- Strengthen information security
  - ▶ All employees are required to participate in an annual information security seminar and to respond to a security checklist on a monthly basis
- Ensure compliance
  - ▶ Commitment is made to eradicate harassment, strengthen the protection of personal information, promote work styles that are in compliance with the Labor Standards Act, and enhance mental health support for full-time employees, contract workers, and part-time staff
  - ▶ Annual participation in compliance-related e-learning is mandatory for all employees
- Foster an organizational culture that can withstand changes in the external environment by facilitating diversity in hiring and promotion
- Supporting employees in developing their talents in line with their career goals through internal programs, making necessary adjustments for promotions
  - ▶ Increase the proportion of women in managerial positions to 9% by 2026 and raise it to 18% by 2030

Our benchmark initiatives	FY2022 (Actual)	As of Sep 30, 2023	FY2025 (Target)
# of incidents related to information security	1	0	0
Security Checklist Response Rate	100%	100%	100%
e-learning participation rate	100%	—	100%
% of employees with disabilities	1.0%	0.7%	2.0%
% of foreign employees	0.3%	1.0%	1.5%
% of female managers	3.8%	3.8%	8.0%
% of independent outside Directors	33.3%	33.3%	44.4%

# Appendix

- Medical Business flourishes, Q3 net sales hits second highest on record
- Significant net sales increase within initial H2-focused plan range



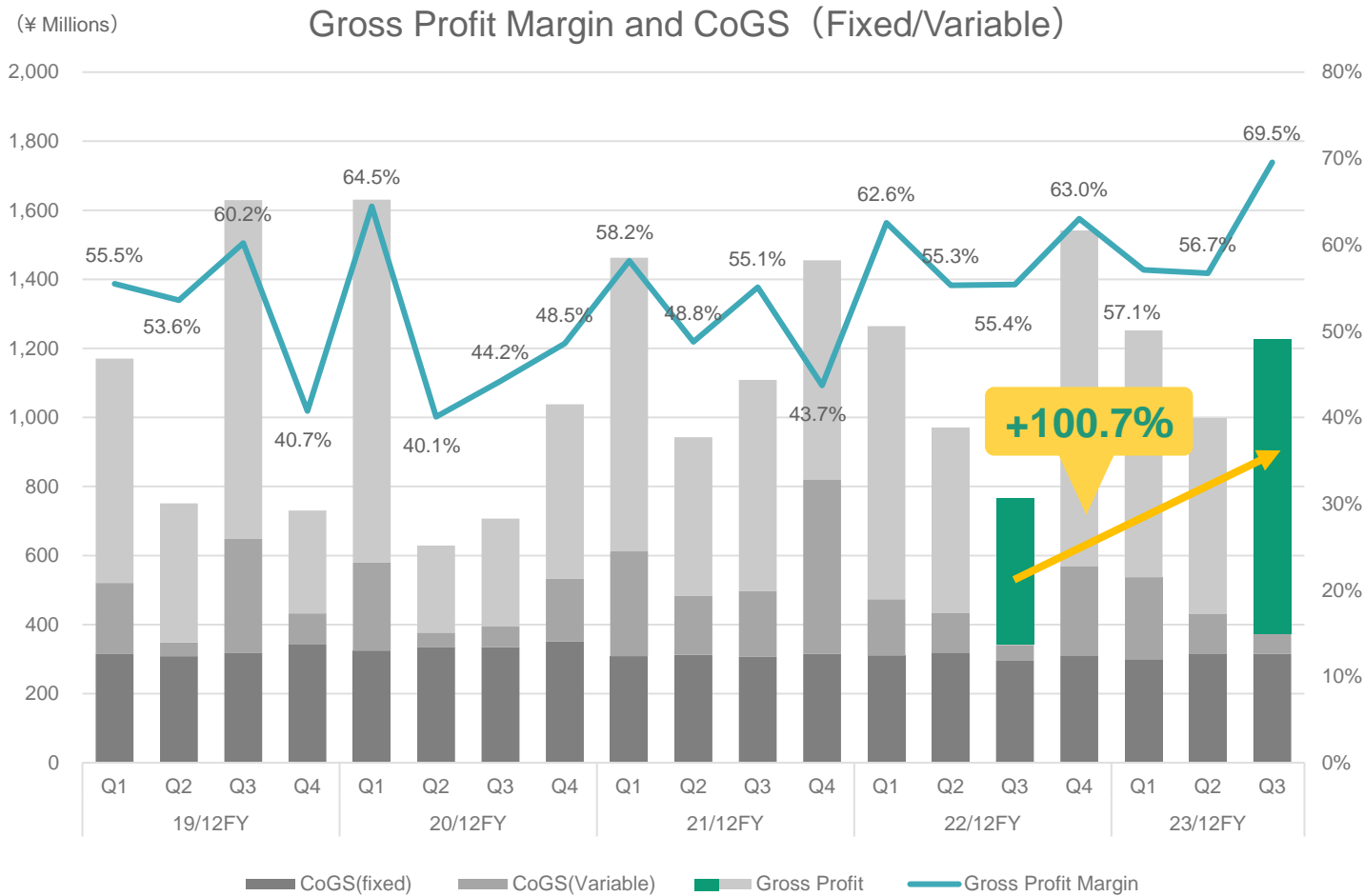
- Net sales increased by 59.9% YoY
- Medical Business led this financial performance
- Continued recovery trend from the COVID-19 restriction period
- Investment interest in solutions to support medical practices for improving working environment and hospital operational efficiency shows continued recovery
- Record high sales achieved in Q3 FY2019 . A surge in demand occurred before the consumption tax hike in October 2019

\* 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



- Significant revenue growth and high gross profit margin
- Sales of packaged solutions by distributors and cross selling contributed



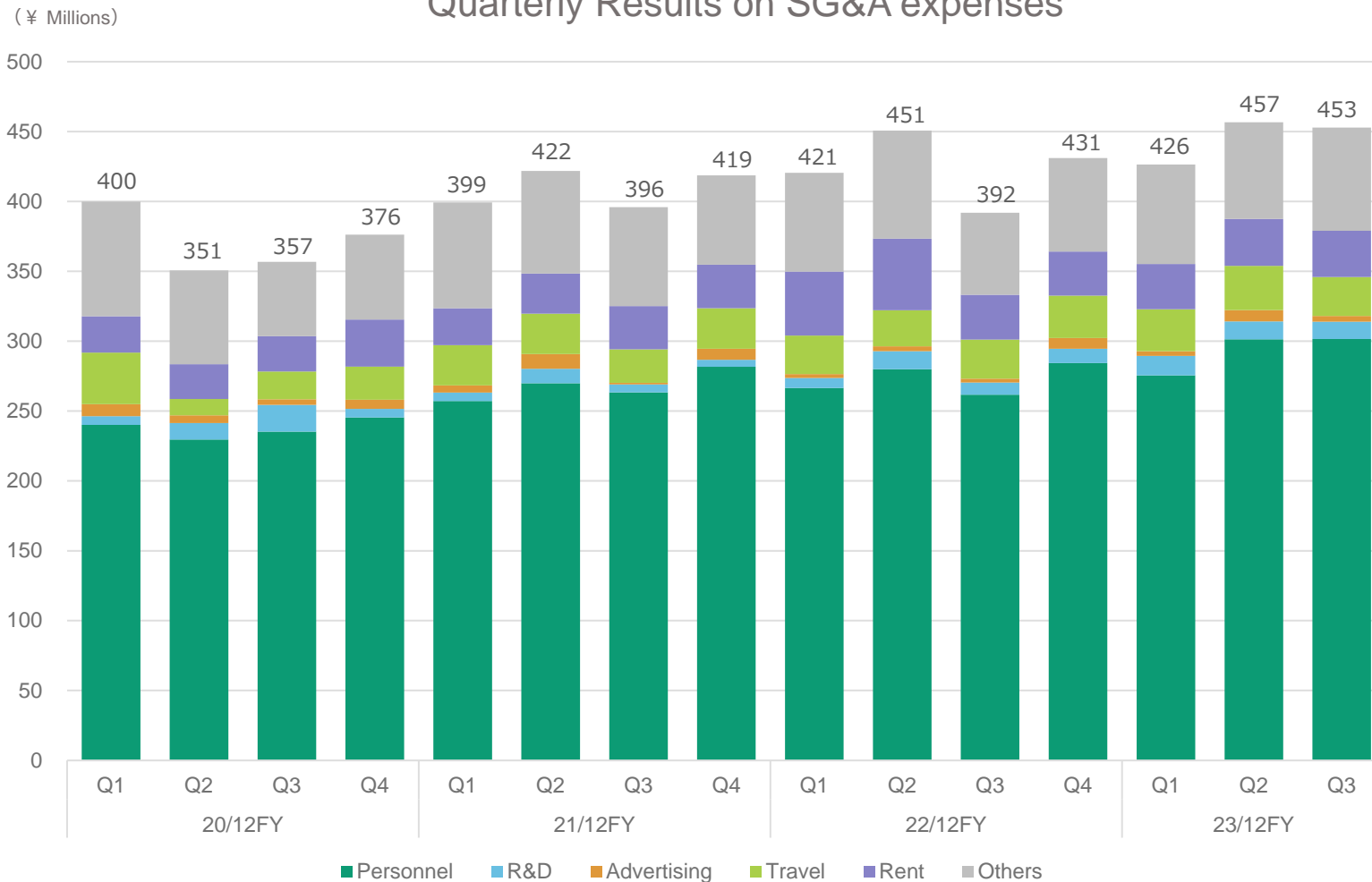
- Significant improvement in gross profit margin to 69.5% in Q3
- No major changes in fixed costs. Variable costs such as outsourcing fees remained marginally increased
- Expanding high profit cross selling and consulting services contributed to Medical Business

\* 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

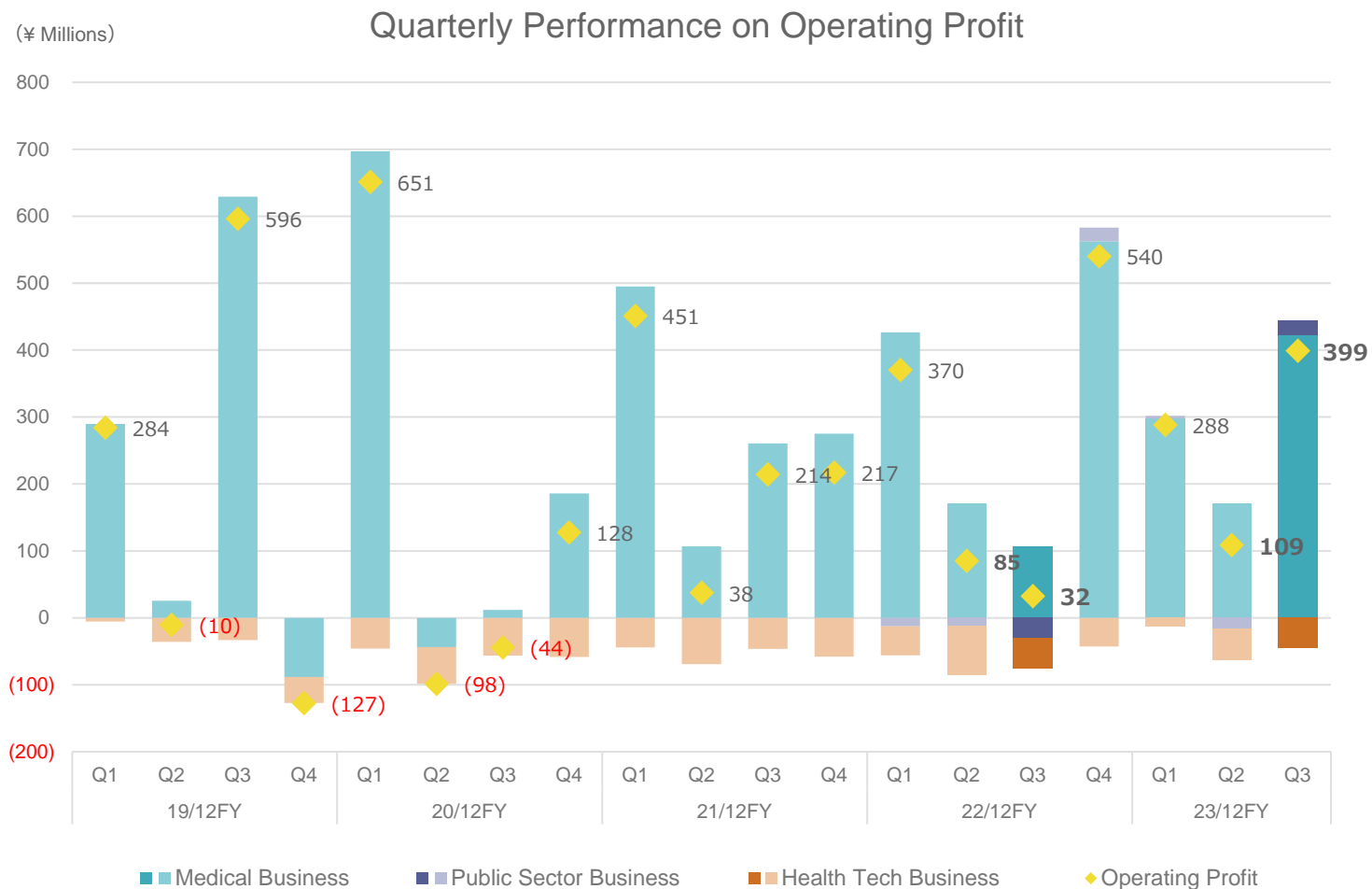
- Increased in SG&A expenses driven by rising personnel costs, yet within control
- Increased personnel and advertising expenses by normalized sales operations
- Q3 net sales growth leads to a significant YoY reduction in the SG&A expense ratio

### Quarterly Results on SG&A expenses



- Personnel costs increased due to the strengthening of hiring
- The number of employees at the end of Q3 is 306, an increase of 10 employees YoY
- Advertising costs increased as academic congresses and exhibitions have returned to the conditions before the COVID-19 pandemic period
- Q3 net sales growth led to a reduction in the SG&A expense ratio, bringing it down to 37.0%

- Q3 operating profit landed at the highest level following Q3FY2019
- Medical Business drove earnings. Public Sector Business came back into the black, and the loss has been diminished in Health Tech Business



- Significant increase in Q3 operating profit achieved by increased revenues and improved gross profit margin
- Medical Business, which accounts for the majority of profit, saw a significant increase in profit in Q3
- Public Sector Business rebounds from Q2 operating loss to profit in Q3
- Investing in R&D continues in Health Tech Business, widening the deficit amount QoQ. But the same has been narrowing YoY as EMC Healthcare Co., Ltd. became an equity method affiliate in July 2022

\* 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

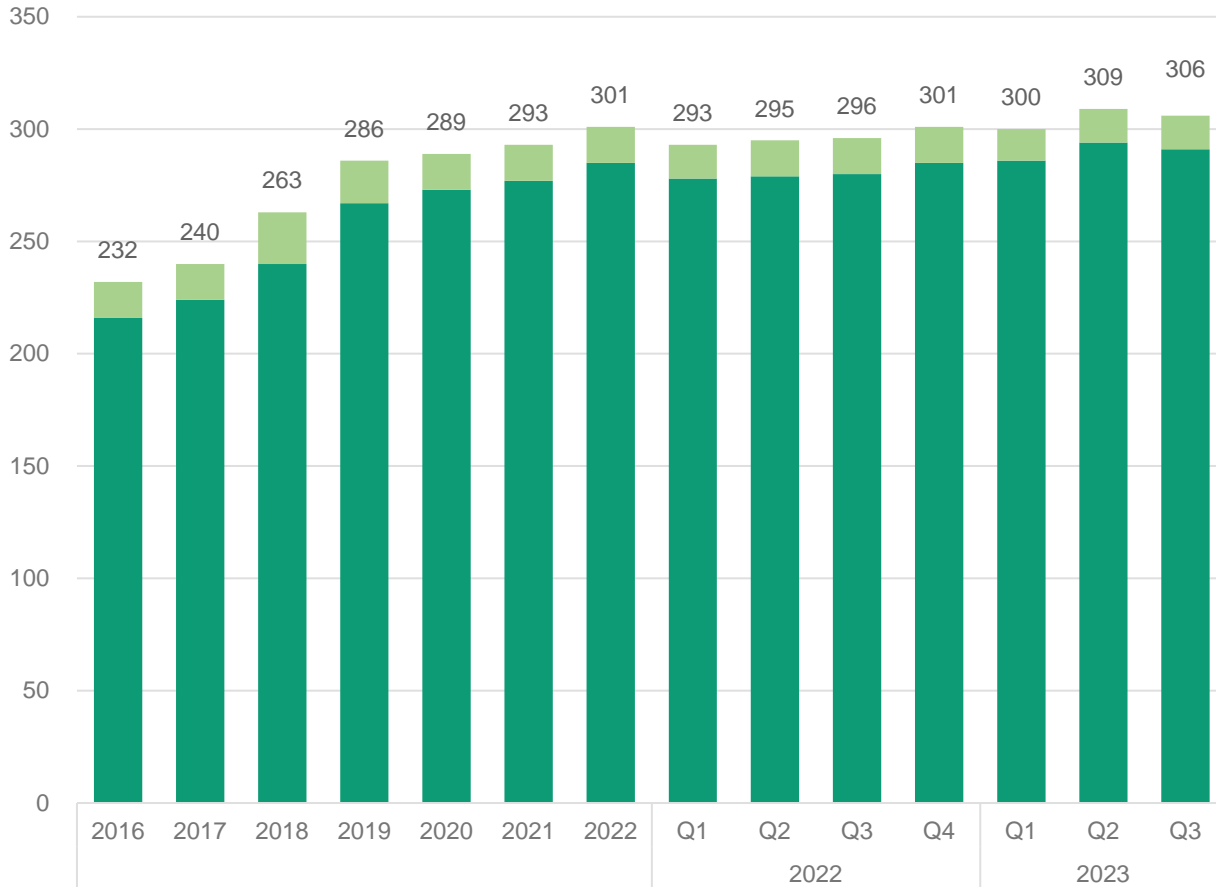
( # of Facilities )

Categories	Q3 FY2022	Q2 FY2023	Q3 FY2023	QoQ
Large hospitals (>400 beds)	286	289	290	+1
Medium sized hospitals (100 to 399 beds)	302	319	317	-2
Small hospitals (20 to 99 beds)	83	82	82	0
Clinics (<19 beds)	1,166	1,212	1,227	+15
Other medial-related facilities	54	56	57	+1
<b>Total</b>	<b>1,891</b>	<b>1,958</b>	<b>1,973</b>	<b>+ 15</b>

( As of September 30, 2023 )

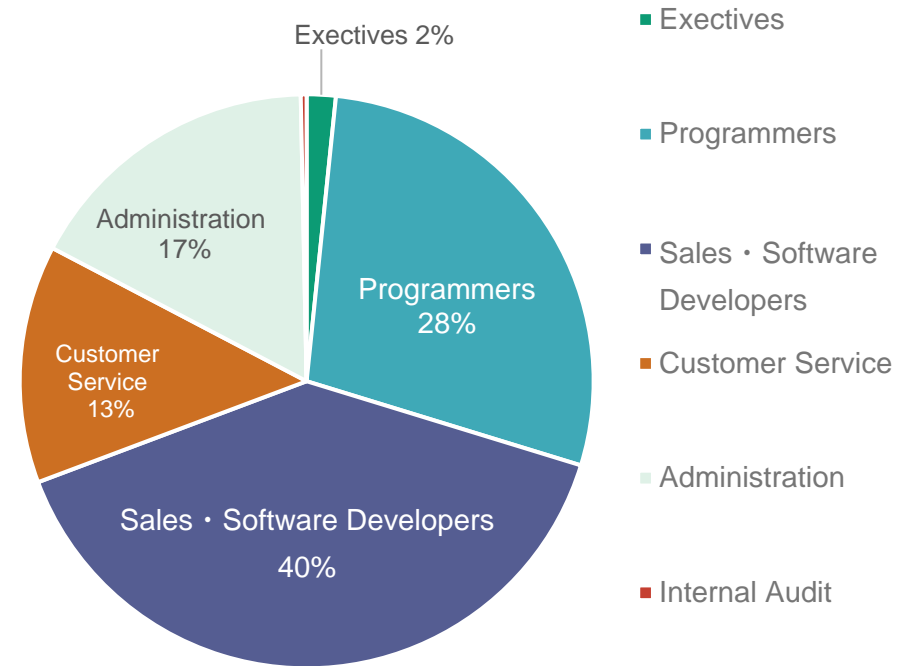
## Changes in Numbers of Employees

(# of Employees)



■ Employees ■ Part-time & Temporary

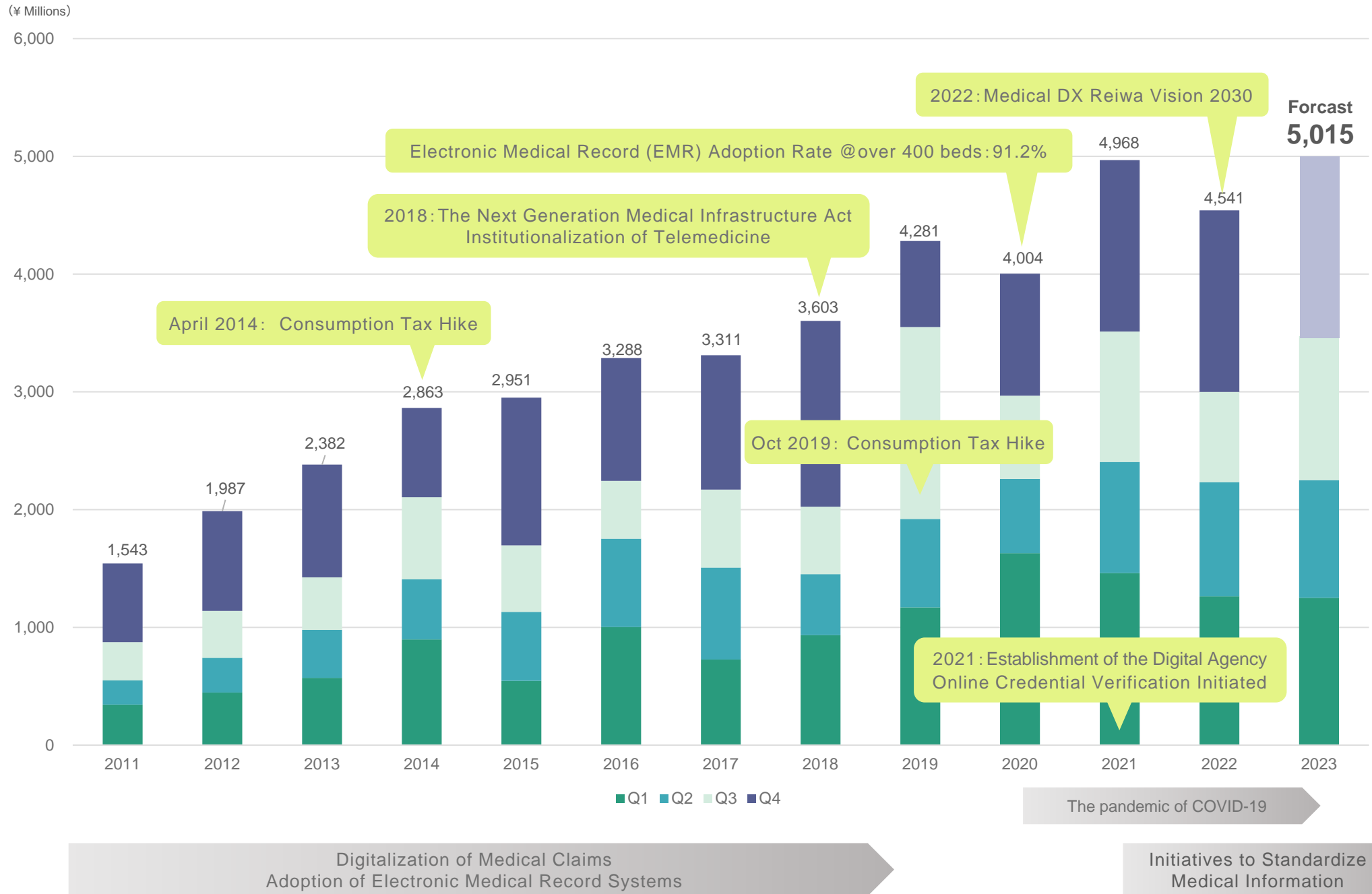
## Employees composition ratio

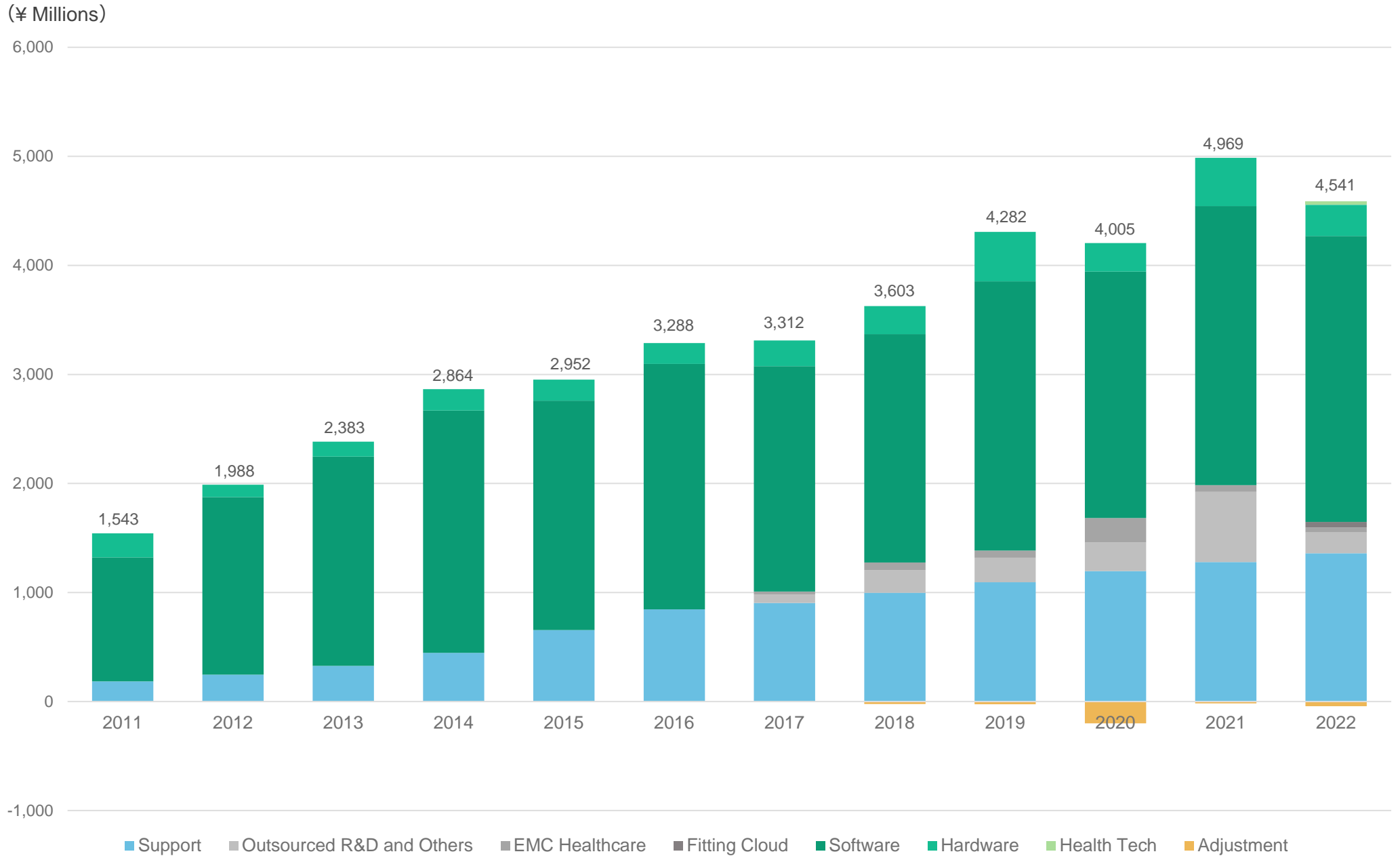


Note: This includes 15 part-time/temporary staff

( As of September 30, 2023 )

	<b>Changes made in reporting business segments</b>	Changed to three segments: “Medical Business,” “Public Business” and “Health Tech Business”
<b>Jan</b>	<b>A subsidiary Fitting Cloud Inc. released three new solutions</b>	<ul style="list-style-type: none"> <li>• Weberi: Internet Browsing Virtualization Service</li> <li>• Bricks: Cloud-based general-purpose EDC/Questionnaire system</li> <li>• Valloon: Closed-cloud data storage</li> </ul>
	<b>Changes made in organizational structure</b>	<ul style="list-style-type: none"> <li>• System Development Department divided into “Software Package Development” and “Product Planning &amp; Development”</li> <li>• Established “Consulting Department” “Public Solution Department” “Customer Support”</li> </ul>
<b>Feb</b>	<b>Revision of Medium-Term Business Plan</b>	The targets were revised due to changes in the business environment and delays in the schedule for obtaining European Medical Device Regulation
<b>Mar</b>	<b>Introduced a Restricted Stock Compensation Plan</b>	Strengthen the link between board of directors' compensation and stock value to further promote value sharing with shareholders
	<b>Released a new product “AAde-Report”</b>	An electronic tracing report service to digitally connect hospitals and pharmacies with patient information
<b>Apr</b>	<b>HR regulations partially revised</b>	<ul style="list-style-type: none"> <li>• Working hours reduced from 8 hrs to 7.5 hrs per day</li> <li>• Introduced a fully remote work option for employees based in distant areas and overseas</li> </ul>
	<b>Released a new product “Remotalk-Cloud”</b>	Application for Sharing Medical Examination Information Remotely
<b>Jun</b>	<b>Perimeter “GAP” presented at 10th World Glaucoma Congress®</b>	Perimeter "GAP" presented as "FIELDNavigator" under Rexam's OEM brand in a congress held in Italy
	<b>Established the M&amp;A section</b>	Founded with the objective of enhancing business capacity through the efficient utilization of capital
<b>Jul</b>	<b>Revamped “Sustainability” webpage</b>	Enhancement of disclosure content in accordance with various guidelines
<b>Aug</b>	<b>Introduced the First Step Reward System and Referral Reward Program</b>	Introduced Financial Incentives for Applicants and Referrers
<b>Sep</b>	<b>Launched a new brand 'PiCIs'</b>	<p>A brand specializing in cloud-based services</p> <p>Our product lineup includes:</p> <ul style="list-style-type: none"> <li>• AAdE-Report      An Electronic Tracing Report Service</li> <li>• On-Shin          Online Medical Consultation Support System</li> <li>• Medical Avenue    Next Generation Patient Guidance Application</li> <li>• Booking Assistant    Online Appointment Reservation Service</li> <li>• Referral            Medical Information Transfer System</li> </ul>
<b>Oct</b>	<b>Co-hosted a Luncheon Seminar on 6th October 2023 at the 77th Annual Congress of Japan Clinical Ophthalmology</b>	Dr. Masahiro Miyake from the Department of Ophthalmology at Kyoto University Graduate School of Medicine, Kyoto University Hospital, chaired our seminar titled “Cutting-edge Practice and Insights: Eye-tracking Perimeter and Data Preservation of Electronic Medical Records (EMR).”









An Overwhelming Market Share of

approx. **75%**

in National University Hospitals

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

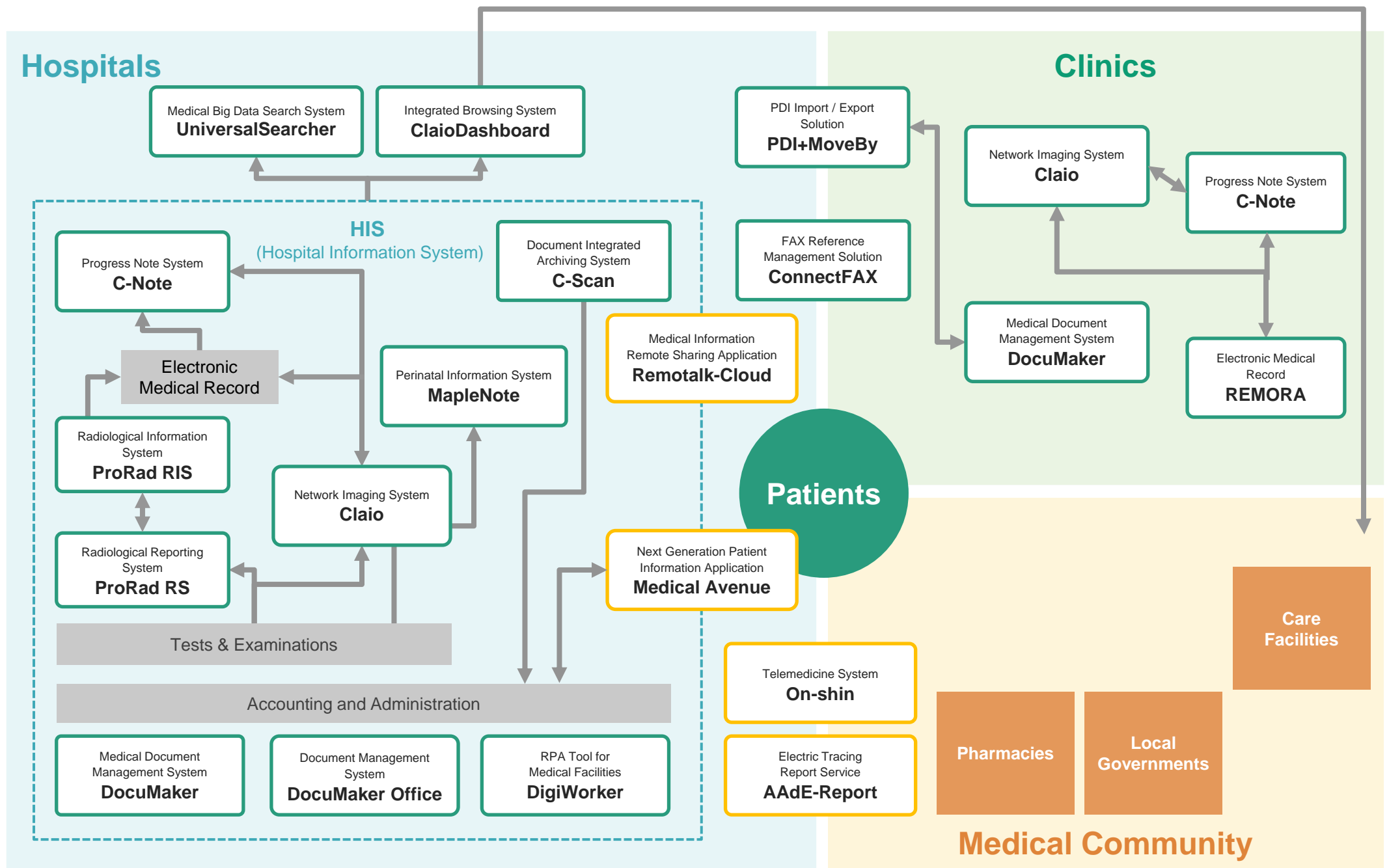
Other hospitals and clinics ► **Over 1,500 facilities**

\*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

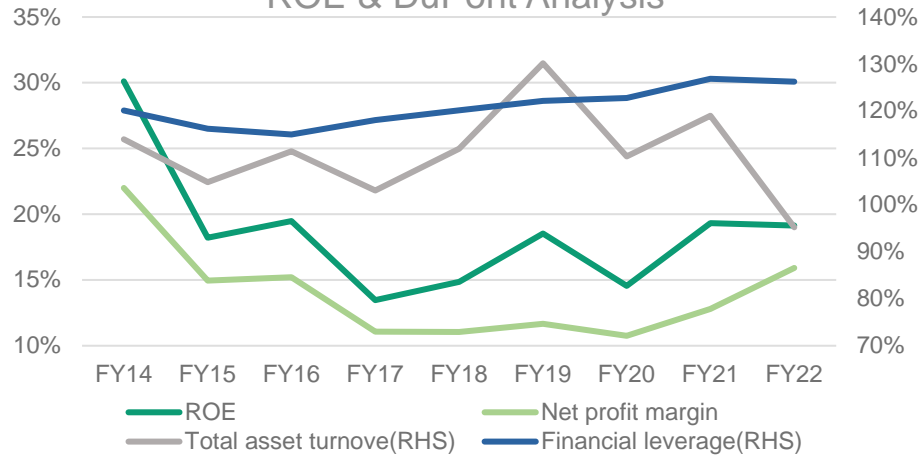
\*Consumers of one-time products are excluded from 2021

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

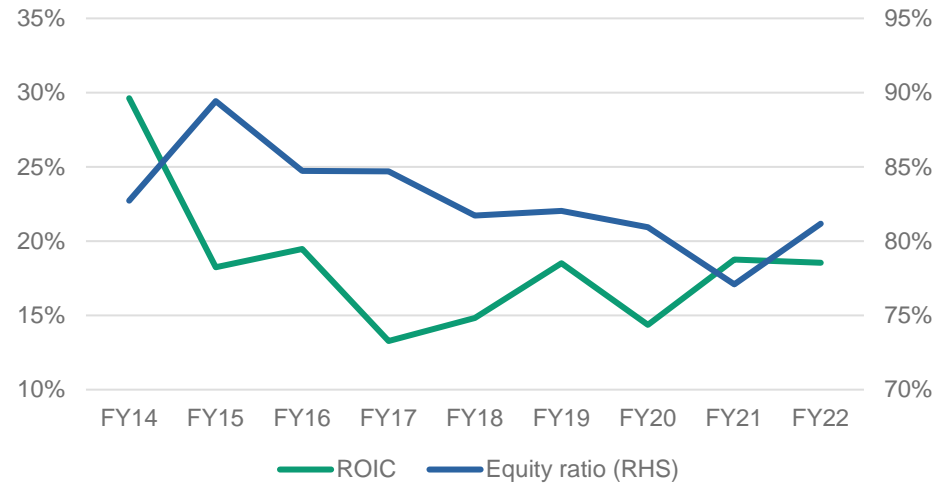
( As of September 30, 2023 )



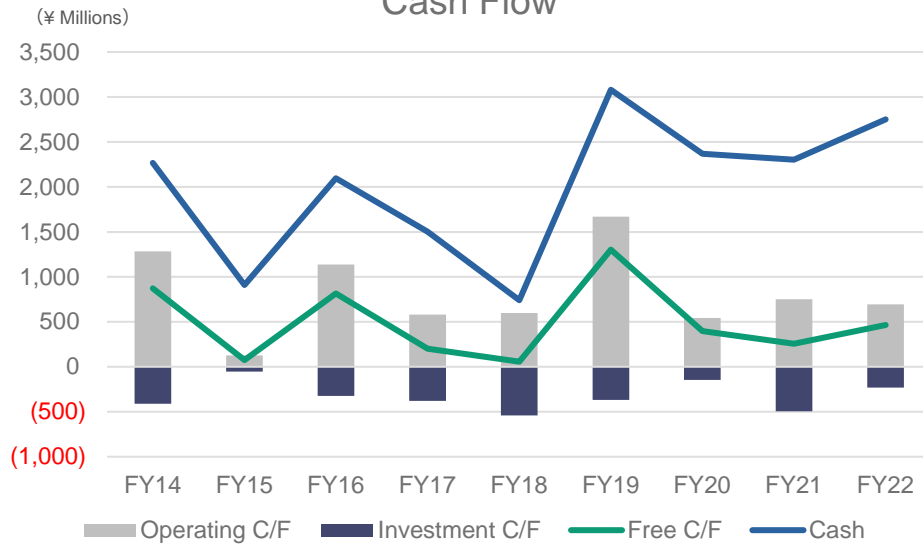
### ROE & DuPont Analysis



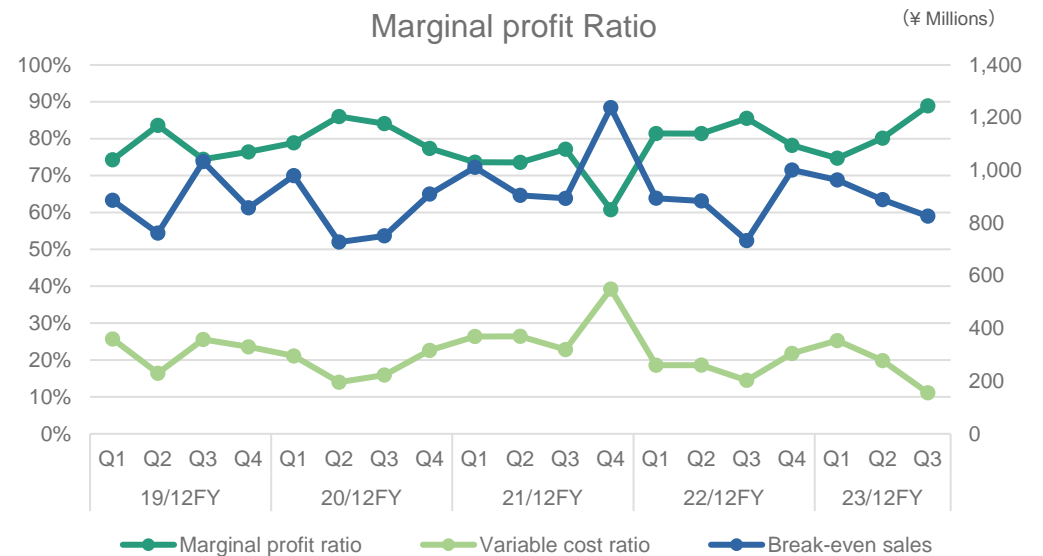
### ROIC and Equity Ratio



### Cash Flow



### Marginal profit Ratio



# Progressive Software Creators

Always have, Always will.

