Financial Results Briefing

FINDEX Inc.

FY2020 Second Quarter Financial Results
August,2020
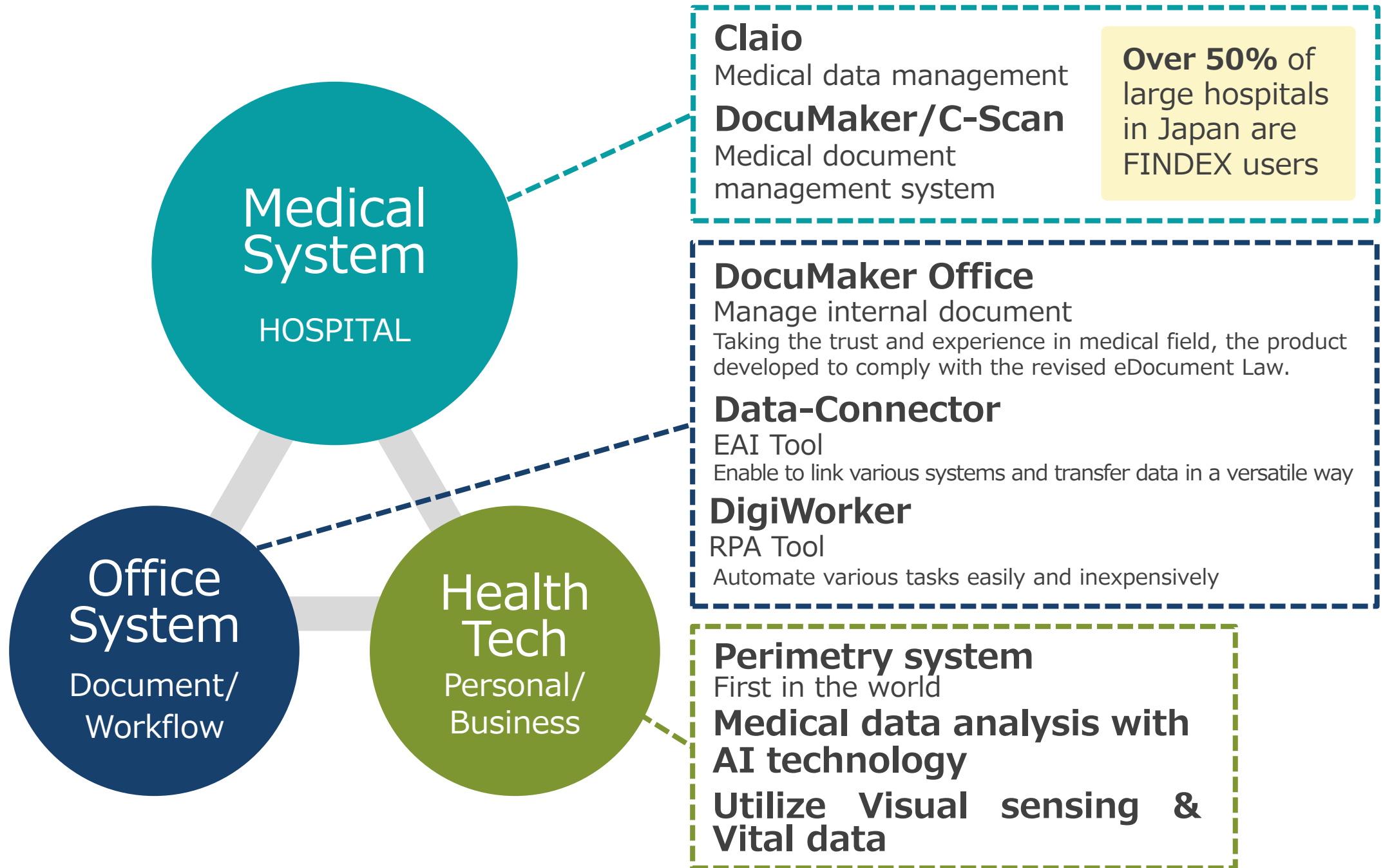
FINDEX

Corporate Profile

Corporate Profile

Company Name	FINDEX Inc.
Representative	President & CEO Teruo Aibara
Head Office	2-4-1, Hamamatsu-cho, Minato-ku, Tokyo 105-6133, Japan TEL: +81-3-5408-3745 FAX: +81-3-5408-3744
Other Branch Offices	Shikoku, Osaka, Fukuoka, Sapporo, Naha
Subsidiary	Eagle Matrix Consulting Co., Ltd.
May 1994	Medical system custom-development business became incorporated
March 1998	PSC Inc. is established as a medical system developer and consultant
March 2011	**The company is listed on Osaka Stock Exchange (JASDAQ)** *** (now Tokyo Stock Exchange)**
November 2014	The company changed its name to FINDEX Inc. **and changed its stock market listing to the First Section of Tokyo Stock Exchange**
URL	https://findex.co.jp
Capital	254 million yen
Employees	278（Consolidated: 291 As of July 2020) *includes 11 part-time (11 consolidated)

Our Business

Medical System HOSPITAL

Office System Document/Workflow

Health Tech Personal/Business

Claio
Medical data management

DocuMaker/C-Scan
Medical document management system

Over 50% of large hospitals in Japan are FINDEX users

DocuMaker Office
Manage internal document
Taking the trust and experience in medical field, the product developed to comply with the revised eDocument Law.

Data-Connector
EAI Tool
Enable to link various systems and transfer data in a versatile way

DigiWorker
RPA Tool
Automate various tasks easily and inexpensively

Perimetry system
First in the world

Medical data analysis with AI technology

Utilize Visual sensing & Vital data

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Powerful Solutions

Medical system solutions

Network Imaging System
Claio

Medical Document Management System
DocuMaker

Radiology Information System
ProRad RIS

Progress Note System
C-Note

Electronic Medical Record
REMORA

Radiological Image Viewing System
ProRad Nadia

Document Integrated Archiving System
C-Scan

PDI Import/Export System
PDI+MoveBy

Radiological Reporting System
ProRad RS

Imaging & Document Filing System Package
ClaioBOX

Perinatal system
MapleNote

DocuMaker
Stress Check System

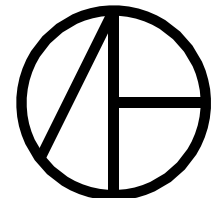## Business solutions

Document Management System
DocuMaker Office

RPA Tool
DigiWorker

Screen Based EAI Tool
Data-Connector

HealthTech

Gaze Analyzing Perimeter
GAP

Vital Sensor
CALM-M

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Agenda

- FY 2020 Q2 Financial Results

- FY 2020 Full Year Outlook

- Initiatives in Medical Field / New Topic

- Health Tech

- Office System

FY2020 Q2 Financial Results

FY2020 Q2　Year to year Comparison (consolidated)

Net sales and profit were both significantly higher than in the same period last year, when sales and profits were heavily weighted toward the second half of the year.

→59 of New installations・ 49 of Clinic cases

→Renewal of existing clients and adding new subjects

Previous year 2019 was heavily weighted toward the second half of the year because of the sales tax increase.

（million yen）

	FY2019 Q1 Actual (consolidated)	FY2020 Q2 Actual (consolidated)	Year-on-year amount	Year-on-year Ratio
Net Sales	1,921	2,260	338	+17.6
Operating Income	273	552	278	+101.8
Ordinary Income	276	555	278	+100.5
Profit Attributable to Shareholders of Parent	185	375	190	+102.9
Earning per Share (yen)	7.23	14.67	–	–

FY2020 Q2 Results by Segment (consolidated)

（million yen）

	Reportable Segment			Total (consolidated) (*2)
	System Development	Health-tech Business	Adjustment (*1)	
Sales to external customer	2,244	15	－	2,260
Intersegment sales / transfer amount	1	0	△1	－
Total	2,245	15	△1	2,260
Segment Profit or Loss（△）(operating income)	653	△100	－	552

*1. Adjustment amount is due to elimination of intersegment sales
*2. Segment profit or loss is matched with operating income in the quarterly consolidated statement of income.

FY2020 Q2　Outlook

- **In spite of the Covid-19 situation, Q2 was normal growth.**

  →New system installation and system renewal were
  determined a year to 18 months in advance.
  Thus, The results were the same as in previous years.

  →No changes or delays in the implementation
  period from our major client, a large hospital.

- **The main part of Medical treatment fee was
  revised upward in 2020.**

  →When the hospital's budget was prepared, medical institutions
  did not anticipate the impact of the Covid-19 as much as the
  current situation, and the willingness to invest in the system
  was very strong.

  →January through March, which is the end of the medical
  institution's 2019 fiscal year, falls in our first quarter 2020.

  →The Second quarter was also stable, each profit marked
  a high year on year figure.

FY2020 Full Year Outlook

Initiative in 2020

Generate Steady Profit from HealthTech Business

Formed All Medical Systems into a Cloud

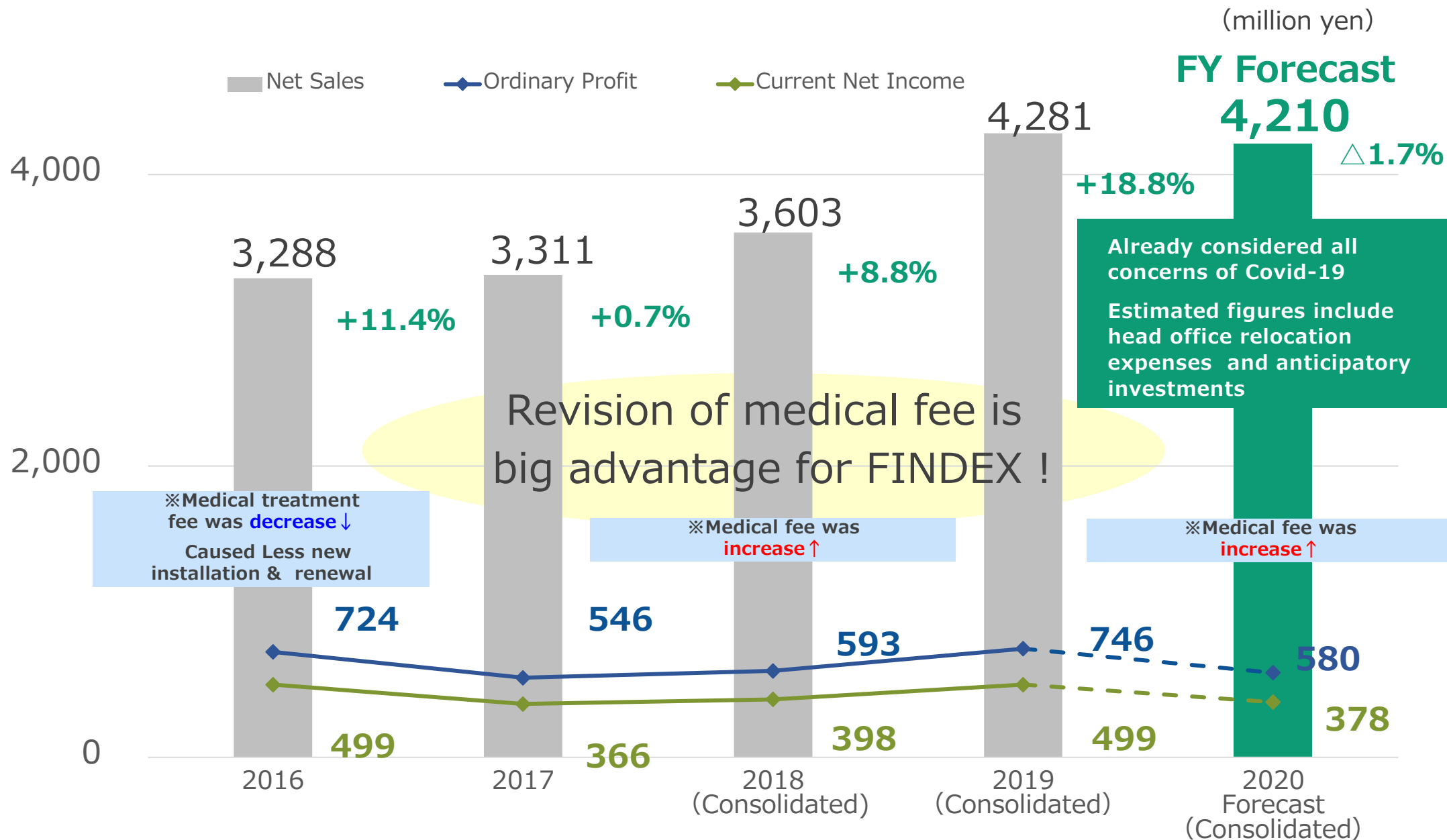|	
Medical System	・ The fee for health care service (Medical department) was increased in this year 2020. ⇨As a result of the spread of Covid-19, the existence of the system will change in the future. ・ Formed all our products into a cloud ・ Selling quality monthly model system
HealthTech	・ Scheduled to start selling GAP and launch the business of visual field test officially ・ Enhancing the strategy which analyzing medical data and assisting AI diagnosis ⇨We are approaching new business by using data
Office System	・ Focus on "Selection and Concentration" to be utilized limited resource maximumly ・ Selling our office system efficiently by using existing vender and medical institution user. ⇨For back office in hospital and mid-sized government

2020 Forecast (Consolidated)

- **The year of 2020 is fewer system updates for existing customer**
- **Delay of manufacturing parts of GAP in China because of COVID-19,the timing of sales has been delayed. (Equivalent to △2.5 billion-yen in sales)**
- **Increase in expenses due to the head office relocation**

(million yen)

	2019 Actual (Consolidated)	2020 Forecast (Consolidated)	
	Amount	Amount	YoY ratio
Net Sales	4,281	4,210	△1.7
Operating Income	743	580	△21.9
Ordinary Income	746	583	△21.9
Profit Attributable to Owners of Parent	499	378	△24.3
Earning per Share (yen)	19.50	14.21	–
Dividend per Share (plan)			
Interim Dividend (yen)	2.50	2.50	–
Year end Dividend（yen）	5.50	5.50	–
Full year Dividend（yen）	8.00	8.00	–

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Net Sales, Ordinary Profit and Net Income Trends

（million yen）

Legend: ■ Net Sales ◆ Ordinary Profit ◆ Current Net Income

FY Forecast
4,210
△1.7%

4,281

3,603

3,288   3,311

+11.4%   +0.7%   +8.8%   +18.8%

Already considered all concerns of Covid-19

Estimated figures include head office relocation expenses and anticipatory investments

Revision of medical fee is
big advantage for FINDEX !

※Medical treatment fee was **decrease**↓
Caused Less new installation & renewal

※Medical fee was **increase**↑

※Medical fee was **increase**↑

724   546   593   746   580

499   366   398   499   378

| 2016 | 2017 | 2018 (Consolidated) | 2019 (Consolidated) | 2020 Forecast (Consolidated) |

※**Medical treatment fee is revised every 2 years.**

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Sales by Product

2019 Consolidated

Net Sales
4,281 **million yen**
Direct sales 79.4%
Distributor 20.5%

Operating Income
743 million yen

Legend:
- ■ Claio
- ■ DocuMaker
- ■ C-Scan
- ■ MoveBy
- ■ REMORA
- ■ Radiology
- ■ OEM
- ■ Maintenance
- ■ License
- ■ Hardware
- ■ Others
- ■ Non-medical
- ■ EMC
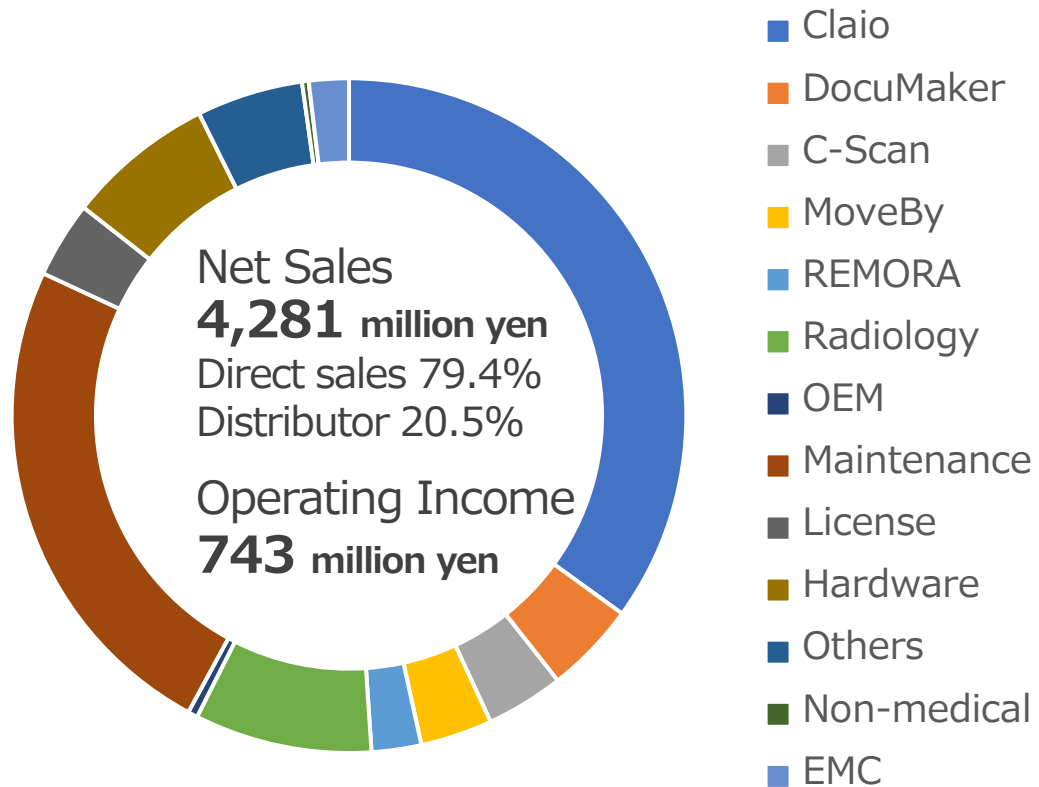
2020 Consolidated (Forecast)

Net Sales
4,210 million yen

Operating Income
580 million yen
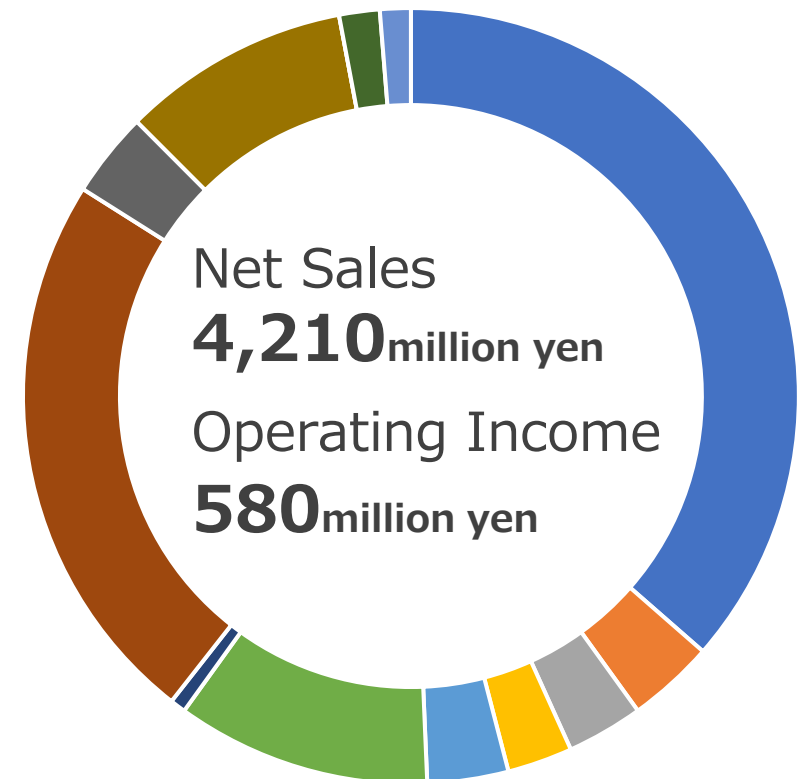
Initiatives in Medical Field

Increase of our Medical Institution in 2020 Q2

Number of User in the end of term in 2020 Q2

Scale	End of 2019	End of 2020 Q2	Increase
Large-sized Hospitals (More than 500 Beds)	250	253	3
Medium-sized Hospitals (100 – 499 Beds)	554	565	11
Small-sized Hospitals (20 – 99 Beds)	130	130	0
Clinic (Less than 20 Beds)	1,113	1,148	35
Non-Medical Field	85	84	(1)
Total	2,132	2,180	48

※These number of Increase mean new gain only.
We also have system renewals.

Medical Market Size

Implementation rate at university hospitals becomes the benchmark for FINDEX!

University Hospitals

Implemented hospitals/
public and private hospitals

114/**149** institutions
*including branch hospitals

Target of potential customer

Large hospitals

90%

Medium-sized hospitals

60~70%

Small hospitals / Clinics

15~20%
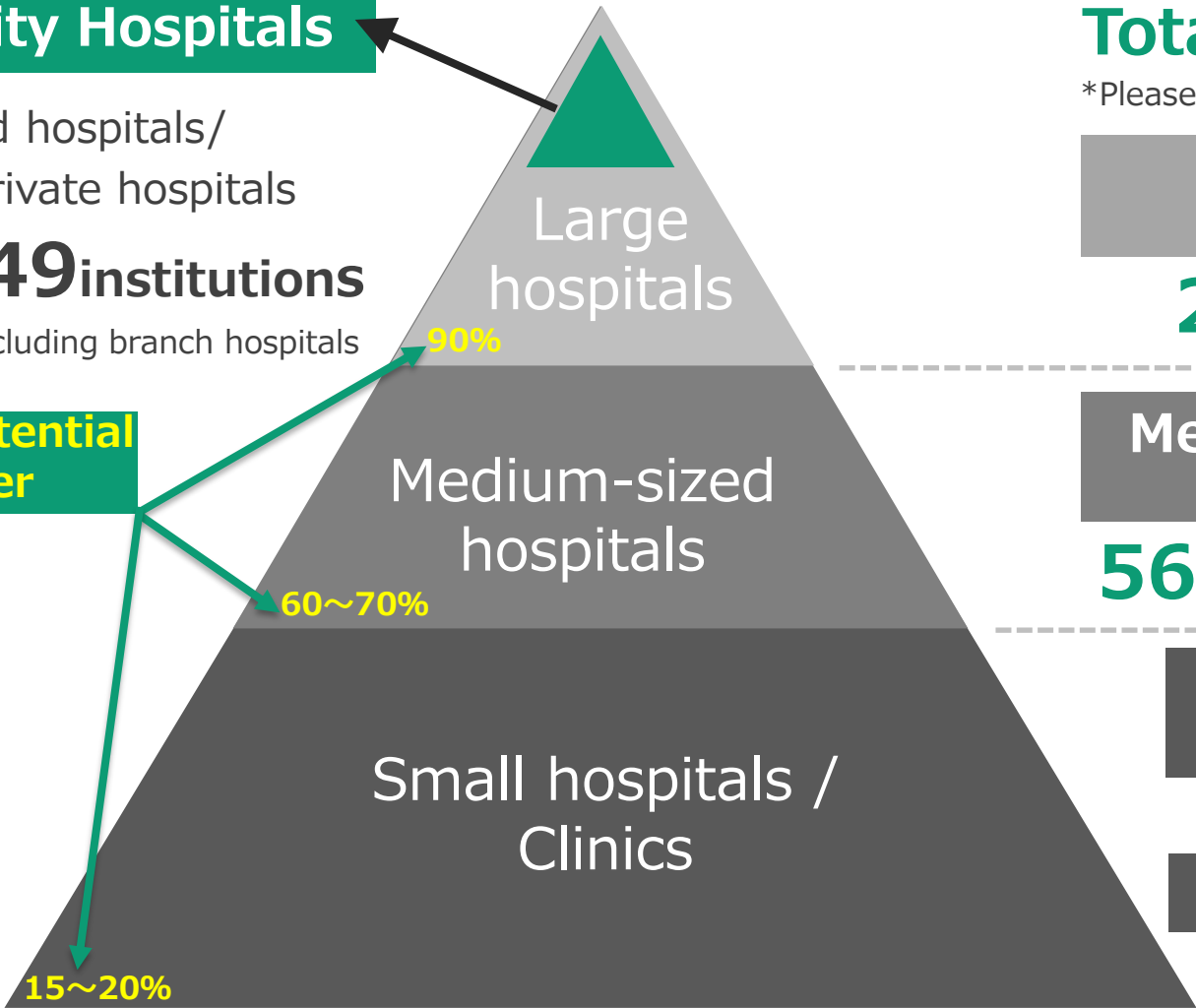
Total users 2,162
*Please see our home page for user details.

Large hospitals (More than 500 beds)

253/**408** institutions

Medium sized hospitals (100~499 beds)

565/**4,987** institutions

Small hospitals (20~99 beds)

196 / **2,977** institutions

Clinics

1,148/**102,105** institutions

Integrated community care product : 18

(As of end of June 2020)
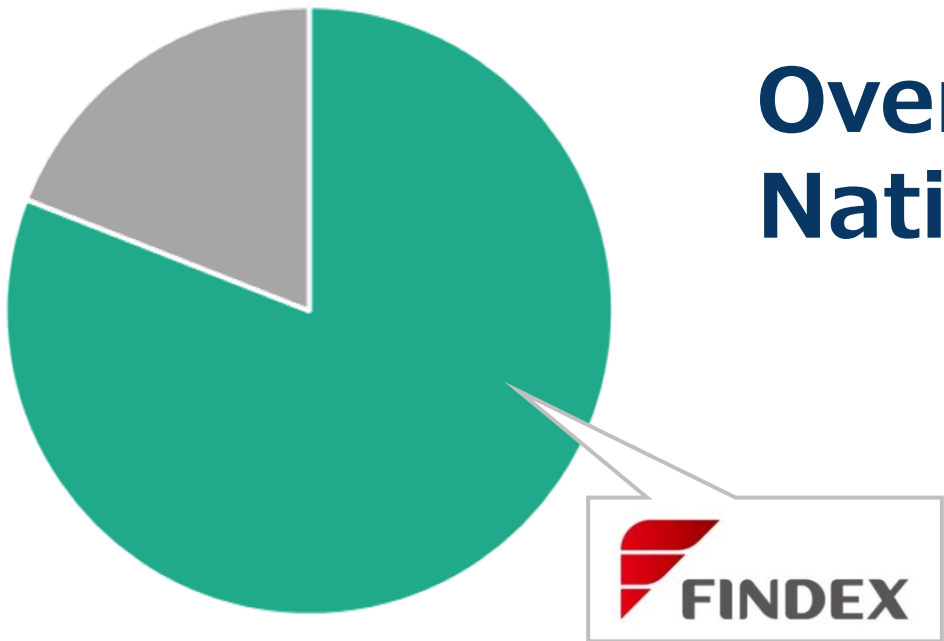
Our Market Share

Overwhelming share of National University Hospitals

= **78.6%**

FINDEX

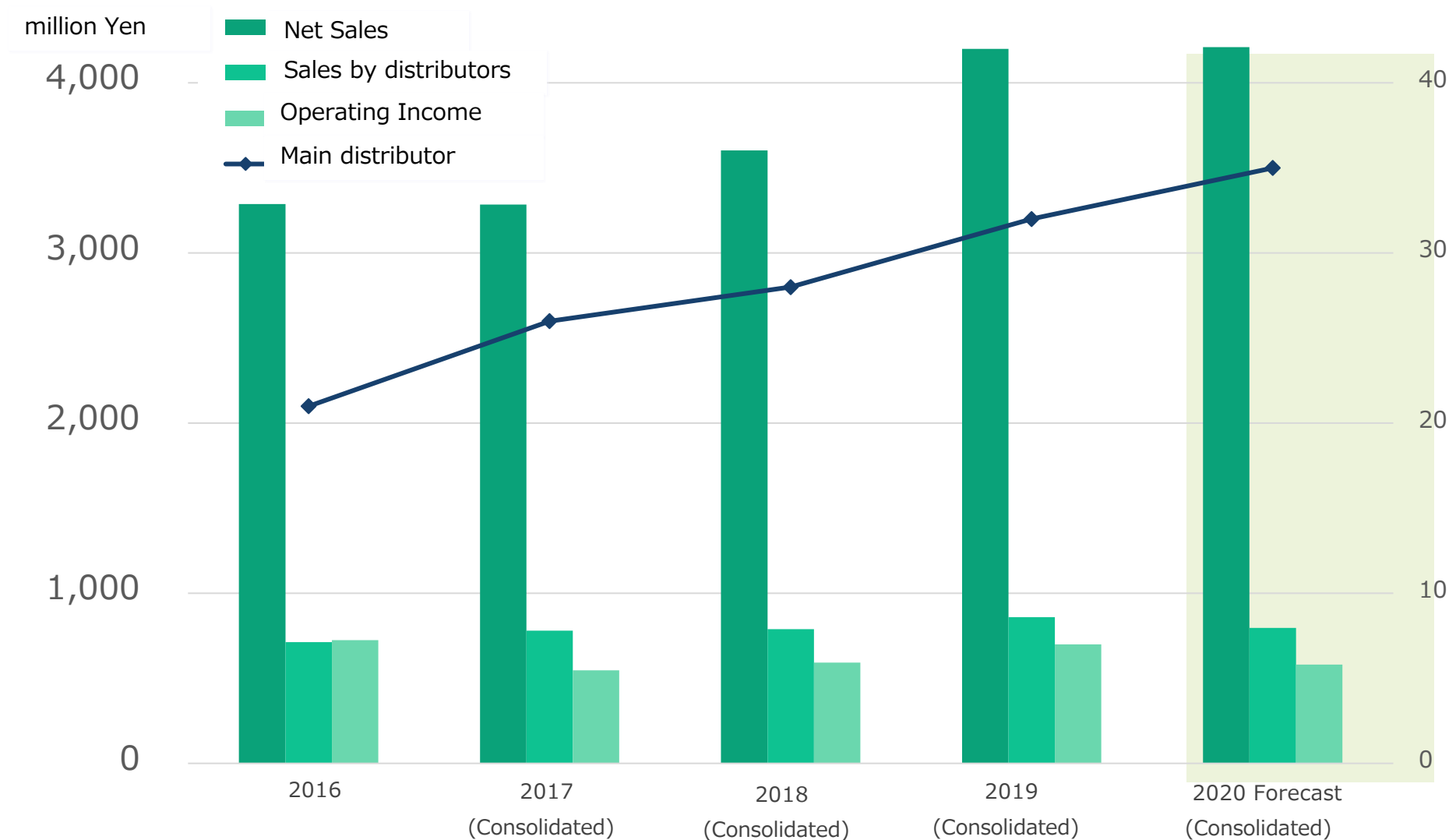**Market share in large hospitals with more than 500 beds** = **62.0%**

Other hospitals and clinics ➡ **Over 1,900**

Change in the Number of FINDEX users

- ■ Univ.Hospital
- ■ General Hospital
- ■ Clinic

(As of end of June 2020)

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Strategy
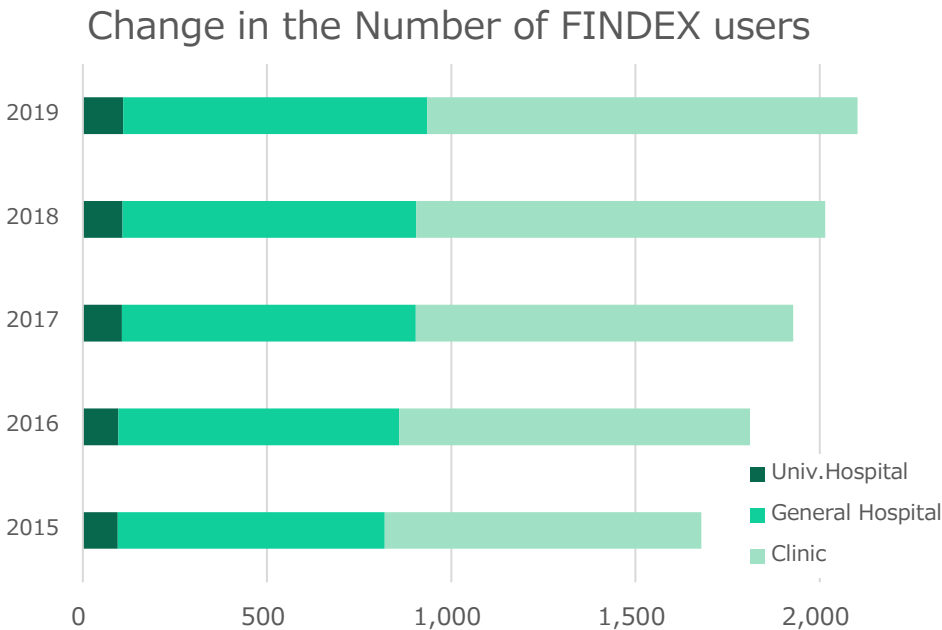
University hospitals lead other hospitals

University hospitals

Reliability of products being used at university Hospitals

Having the same system is convenient for doctors

Because of the high implementation rate in university hospitals, other hospitals ask for our product naturally

Large hospitals

Medium-sized hospitals

Small hospitals and clinics

Implement by direct sales

Implement by distributors (High profit margin)

Referral from a medical school which the doctors are graduated

Systems expand to affiliated hospitals / medical office

Distributor Business

million Yen

Legend:
- Net Sales
- Sales by distributors
- Operating Income
- Main distributor

Years: 2016, 2017 (Consolidated), 2018 (Consolidated), 2019 (Consolidated), 2020 Forecast (Consolidated)

Aim for sales expansion and high profit business model

Sales Cycle of Medical System (Initial & Running Cost)

Medical system is replaced every 5 to 6 years depending on the server/PC's life cycle

⇒**In recent years, more institutions are extending their system renewal time to 6 to 7 years**

Direct Sales by FINDEX
*Testbed of package development

50% of initial cost

30% of support cost

Sold by distributors/ alliance partners

| University hospitals |
| Large hospitals |

Initial cost ※Except equipment
100mil〜200mil yen

Aim at additional items when the renewal

Cross sell

initial cost

Maintenance fee 7mil〜15mil/year

5〜6yrs · **renewal**

6〜7yrs

| Large hospitals |
| Midsize Hospitals |
| Small hospitals / clinics |

Initial cost ※Except equipment
20mil〜100mil yen
(30% of this amount is our profit)

Cross sell

initial cost

Maintenance fee 1.5mil〜7mil/year

5〜6yrs · **renewal**

6〜7yrs

Cross sell Strategy to Outdistance Competitors

*Claio is a computing platform

Not necessary to buy every medical examination equipment! It is cost effective because of shared infrastructure!

TOTAL 125million yen

Endoscopy system	Software only	15million yen
Obstetrics medical record	Software only	30million yen
Ophthalmology medical record	Software only	30million yen

basic Claio 50million yen

Claio *Software manage any kind of test data | Systems cooperation function | Server storage

*The most basic data filing feature of departments' test data

Composition of Findex system

TOTAL 190million yen

Firm C Endoscopy system 30million yen
Software | Systems cooperation function | Server storage

Firm B Obstetrics medical record 80million yen
Software | Systems cooperation function | Server storage

Firm A Ophthalmology medical record 80million yen
Software | Systems cooperation function | Server storage

Composition of another company

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New Topics

Started providing web-based services for the cases where patients do not go to hospitals, such as online medical care.

Web communication tool for patients and hospitals

➢ Patients can use the Internet to process and verify the information themselves

➢ Hospitals automatically send the information (e.g. Notes on inspections)

and reminders for their next visit

➢ Supporting two-way communication between large hospitals and patients to improve the quality of medical services

FAX sending and receiving management service

➢ Extensive use of faxes for patient referrals in community collaborations and for sending prescriptions in online clinics

➢ Manage faxes as data without printing them on paper and link them to patient IDs

➢ Supporting the efficiency of transmission and reception, reducing the workload of medical staff and strengthening connection between facilities

DocuMaker Contents online publishing service

➢ The latest forms of medical reports and official documents created in the document creation system Documaker are published online and provided quickly

➢ Contributing to reducing the load of paperwork at medical institutions and, by extension, reforming the way of medical institutions work

HealthTech

Collect & analyze various data with high technology

Perimetry Business
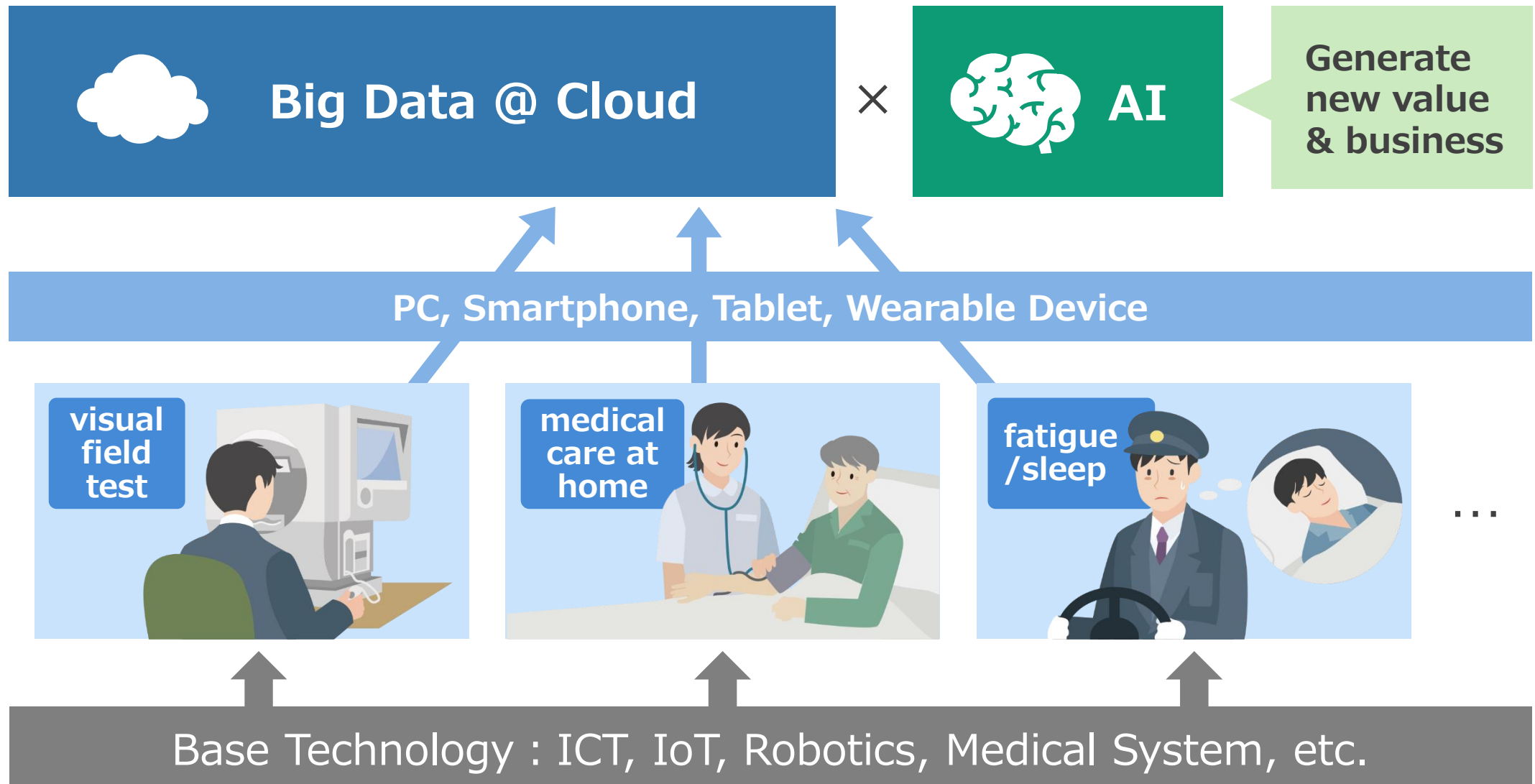
Visual Field Test

Establishing a new method of visual field test, aim for early detection of visual field abnormalities and create new business by utilizing big data.
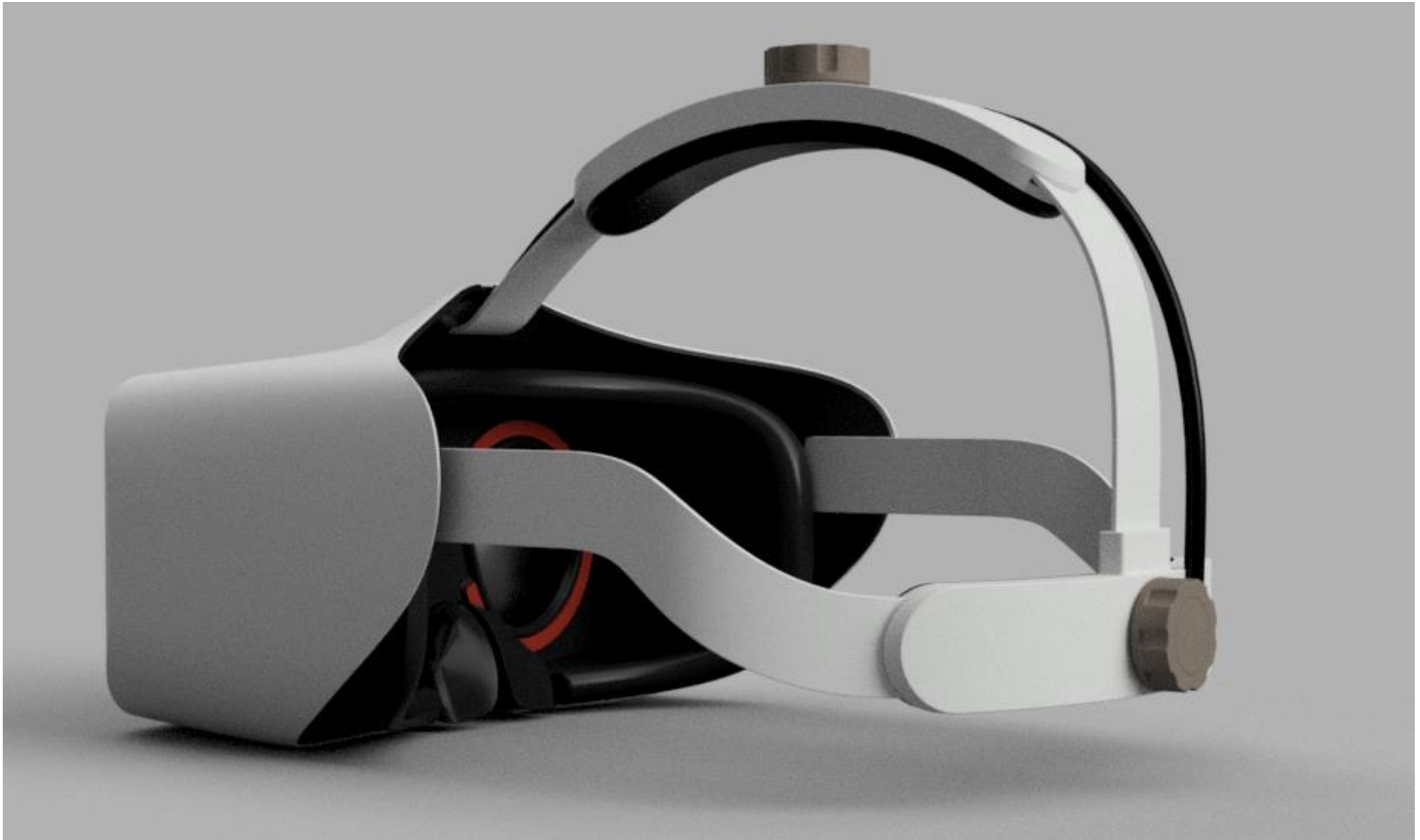
Roll out the business from two aspects

Development of a perimetry system

- Built the world's first perimetry system
- Enabling the test not only at medical institutions but also at health checkup facilities
- Business plan at the eyewear shops

Collect & analyze visual field defects data

- Distribute our system as a freeware
- Gathering visual field defects data from all over the world
- Use the data for disease prevention,
- drug discovery, and health management

GAP　Gaze Analyzing Perimeter

GAP Gaze Analyzing Perimeter

Calibration↓

Examinee's Screen

Examinee's Eyes

Perimetry system with new test method GAP

Innovation of
Visual-Line analyze typed Perimetry

GAP	Existing Products
Possible to judge examinee's visibility automatically ➡No mistaking & misunderstanding	Examinees must judge visibility by itself ➡Caused mistaking & misunderstanding
It takes for 3-5 minute to take test (Both eyes) ➡Available to Increase examinees a day	It takes for long more than 20 minute usually ➡Must need booking before taking a test
Head-mounted Type ➡Available to test Anywhere even Waiting Room	Must need to install big sized instrument ➡Demerit of installing place & 　　Only for Ophthalmological clinic
Take a test while examinee move both eyes ➡ Easy for Kids and aged person	Not allowed to move eye & must look a point strongly ➡Too much obligation for elderly person
Not rely on Orthoptist's skill when we get a test result ➡It could utilize new place(Glass wear store etc..)	Basically the result rely on Orthoptist's skill ➡Must take a test by Orthoptist ※1
Possible to find glaucoma more than Retinal disease ➡Progress research of Neurologic disease & Dementia	Possible to find only for Glaucoma & Retinal disease ➡Unable to examine versatilely

※1　Only Orthoptist is possible to conduct visual field test in Japan.

Business Advantages

Almost ophthalmologic instrument distributers were already registered!!

- Evaluated high quality assessment and got strong desire to buy from Medical institution, Possible to remark high Net Sales

- We create all instrument and system (include modeling & assembling) by ourselves. We will keep remarking high ratio of profit

- It is possible to collect various data within one time, We could accumulate it to cloud, in addition It is even use it for second analyzed data

- If GAP could register as new category of medical instrument officially and adjust with law, We will be able to contribute to eye's health care Moreover, It could be sold it even non-medical field

- Already complete to demonstrate GAP at Ophthalmology international conference.(Under considering) It is possible to sell GAP in the world by utilizing international license

- Sole distributor for Europe has been selected and preparing for sale

Highly competitive product in the world Originated in Japan!
Creating Innovation & good benefit
for eye test with using AI & Visual sensing!

Automatic perimeter market

- Medical checkup facilities with eye exam
- Hospitals/clinics with ophthalmology
- Eyewear chain stores

Domestic market size of the test equipment

Medical checkup facility : ~1,200 facilities x ¥1.5M = ~¥**1.8 B**（physical checkup ver.）
Hospital/clinic   : ~6,000 facilities x ¥2M   = ~¥**12 B**（medical ver.）
Eyewear chain store   : ~2,000 stores   x ¥500K = ~¥ **1 B**（If the market is ready）

Sales forecast based on the market share assumption in 5 years

Medical checkup facility   30%   ¥**1.8 B**
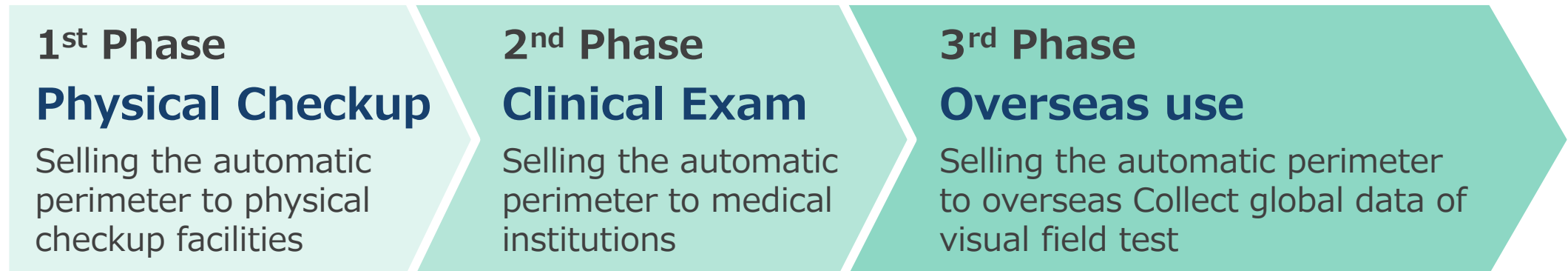Medical institution   30%   ¥**3.6 B**
Eyewear chain store   20%   ¥**200 M**

Selling flow

FINDEX → **Selling 2 mil** → Distributers → **Selling 3 mil** → Hospital, Medical check up facility Glass wear store

The overseas market size is assumed to be approx. 90 billion yen, just the medical institutions alone

Commercialize the system and data utilization in three steps of physical checkup, clinical exam, and overseas use

1st Phase **Physical Checkup** Selling the automatic perimeter to physical checkup facilities	2nd Phase **Clinical Exam** Selling the automatic perimeter to medical institutions	3rd Phase **Overseas use** Selling the automatic perimeter to overseas Collect global data of visual field test

1st phase	• February 2019 : **GAP-screener** Domestic medical device registration completed, product launched
2nd phase	• January 2019 : **GAP** Domestic medical device registration completed • Receiving application for Trial before purchase, preparing for shipment (in 2020)
3rd phase	• Looking for overseas partners
Other	• The business with **pharmaceutical companies** and **large eyewear store group** is under discussion

Collecting Global Data of Visual Field Disease by Cloud

Global data collection & analysis of visual field test, including healthy people's data

Provide application → **Collect data from worldwide** → **Utilize Big Data for healthcare, medical cost reduction, and drug discovery**

By providing our system as an easy to use free application, we support people's health management, and also collect data through the app which to be utilized as a Big Data for new business

Global data collection & analysis business of visual field test, which also includes healthy people's data

IoT Devices in Telemedicine / Healthcare

Wearable Vital Sensor CALM.

- Tracking body motion and pulse wave by using a wearable vital sensor developed by EMC Healthcare Co., Ltd.

- Grasp patient status and detect abnormalities in telemedicine, get hold of health condition of corporate employees

- Besides the price advantage, it is better than competitors' products in device size, uptime, and data analysis

Contribute to telemedicine, commercial and personal healthcare

Put a Camera on the ceiling & Checking children's sleeping position by using AI

- Possible to check some kids at the same time by using only a camera

- No need to install and remove every time we use it

- No risk to cause accidental ingestion

Office System

Office System Products

Document management system: DocuMaker Office
- A system that is **well proven** in the field of medical document management is introduced to "the non-medical field"
- Core part is already developed; **low risk & high profit margin**
- Expanding our business to **local government & medical institution**

RPA tool : DigiWorker
- Productized with the technology that we already have
- Provides **office process automation tool at low cost**

Documaker Stress Check System
- Developed a system for stress check service providers
- Expanding our business mainly to large business operators, medical institution, and medical examination facilities

FY2020 Q2: Initiatives in Office System Field

- **Steadily securing new project**
  - DocuMaker Office: 8 cases Installed, 16 cases Under consideration
- **Focused on selling DocuMaker Office**

  -Medical facilities(admin. dept.)

  Launch full scale deployment
  - Proposing aggressively along with the medical solution

  -Local governments

  Collaborate with core system vendors to sell efficiently
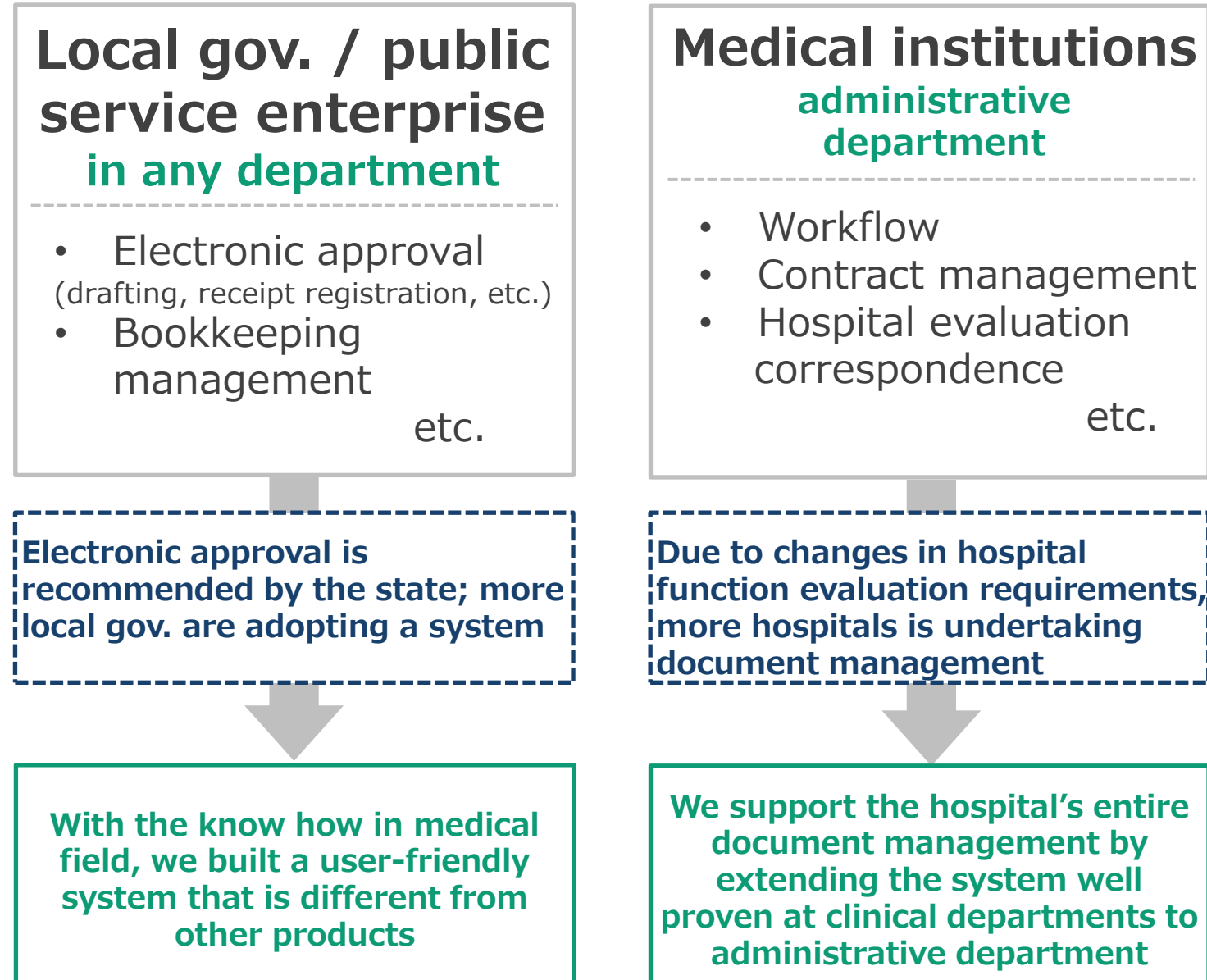 - Installation is on going for the project go live in 2020, and new opportunities in 2021 are in discussion
  - Increased inquiries from public companies that operate similarly to local governments
- **RPA tool : DigiWorker**
  - Increased inquiries from medical institutions

DocuMaker Office's Markets

Mainly targeting local governments and medical institutions where Documaker's strengths can be utilized.

Local gov. / public service enterprise
in any department

- Electronic approval
(drafting, receipt registration, etc.)
- Bookkeeping management

etc.

> Electronic approval is recommended by the state; more local gov. are adopting a system

With the know how in medical field, we built a user-friendly system that is different from other products

Medical institutions
administrative department

- Workflow
- Contract management
- Hospital evaluation correspondence

etc.

> Due to changes in hospital function evaluation requirements, more hospitals is undertaking document management

We support the hospital's entire document management by extending the system well proven at clinical departments to administrative department

SDM＝Database design of medical & healthcare data

- Enable to utilize medical/healthcare data without depending on system vendors
- Enable to reduce data migration cost at the time of system replacement
- Demand for SDM will increase in the medical/healthcare industry where data utilization is progressing

Without SDM…

Firm A EMR → Only Firm A's EMR data can be analyzed

Firm B EMR → Only Firm B's EMR data can be analyzed

Can not analyze data across vendors

With SDM…

Firm A EMR — convert → SDM DWH → **Can analyze EMR data Of both firm A and B**

Firm B EMR — convert → SDM DWH
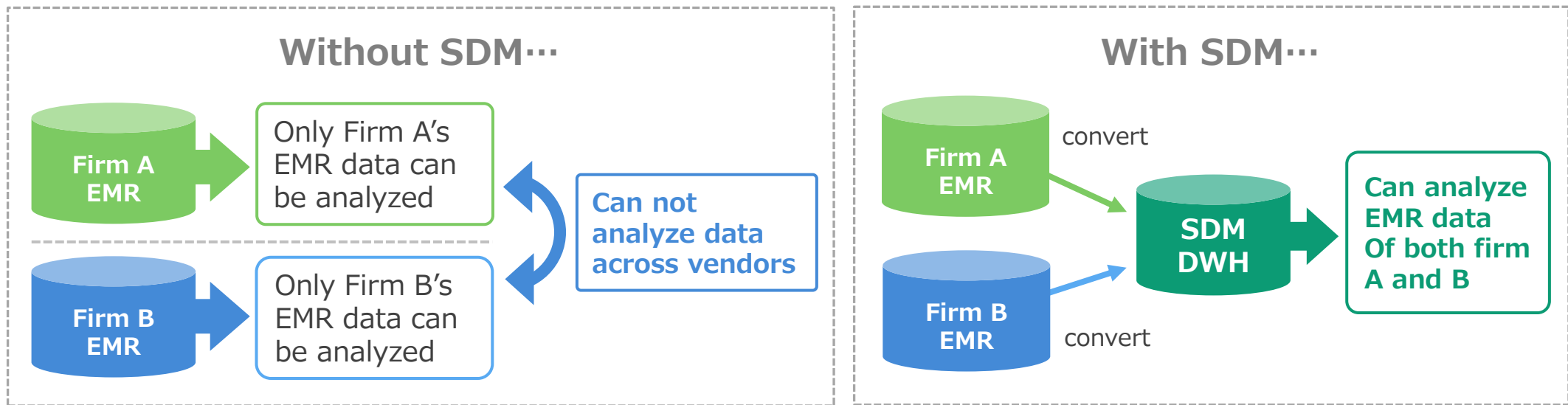
SDM + FINDEX solution

In addition to the image and document already managed by FINDEX solution, more data can be added for integrated management.

➡ **Support integrated management and further utilization of a wide range of medical data**

(Reference) RPA tool: What is DigiWorker?

RPA（Robotic Process Automation）

It refers to the program and software of business process automation, such as to collect, process and register data into a system As the work style reform is getting attention, more companies are adopting it to deal with a worker shortage and improve productivity

Application examples…

| Smooth starting	Sharing Data	Data Transfer
A click on the patient information opened in the electronic medical record activates the system to take over the data	You can automatically post the information that was input in the system into another system just with a click	Data migration is possible at low cost without depending on the current system vendor

- **DigiWorker is already used by many medical institutions, but the demand is expected to grow further as RPA garners more attention.**
- **Because we know all about the operation of medical institutions, we will actively deploy DigiWorker as a tool to improve operational efficiency and reduce inter-system data migration costs.**

(Reference) Sales Channel and Projection Method

2020 forecast

Legend:
- Large
- Medium-sized
- Small
- Non-medical
- Health-tech
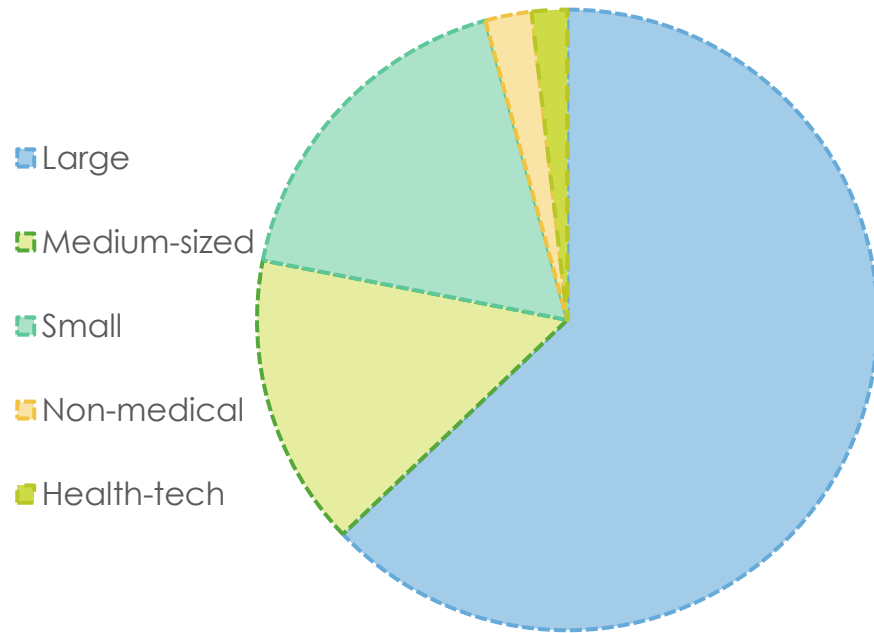
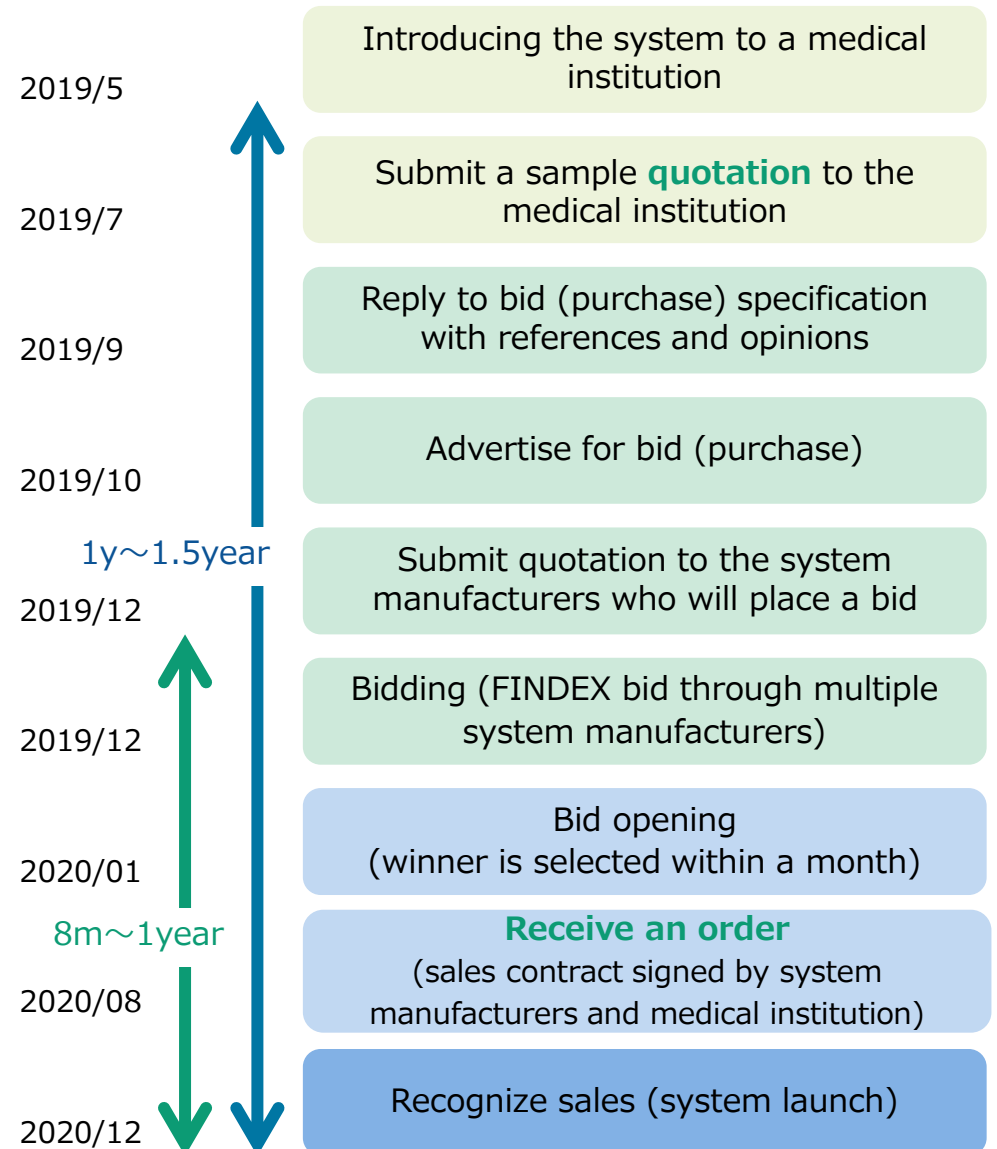**Most sales come from large medical institutions**

Because a large medical institution installs a large system, the project is usually subject to an international competitive bidding. In many cases, the discussion with the candidate system manufacturers starts more than a year before receiving the order.

For this reason, FINDEX uses a "**quotation backlog**" instead of an "**order backlog**" to make following year's projection.

*When a purchase size is small, the deal can be completed within few months

In recent years, negotiations tend to take longer time

Medical: Negotiation flow for a large facility (example)

Date	Step
2019/5	Introducing the system to a medical institution
2019/7	Submit a sample **quotation** to the medical institution
2019/9	Reply to bid (purchase) specification with references and opinions
2019/10	Advertise for bid (purchase)
2019/12	Submit quotation to the system manufacturers who will place a bid
2019/12	Bidding (FINDEX bid through multiple system manufacturers)
2020/01	Bid opening (winner is selected within a month)
2020/08	**Receive an order** (sales contract signed by system manufacturers and medical institution)
2020/12	Recognize sales (system launch)

1y~1.5year

8m~1year

Progressive Software Creators

Always have, Always will.

FINDEX