



February 9, 2017

**Summary of Consolidated Financial Results for the Third Quarter
of Fiscal Year Ending March 31, 2017
(Nine Months Ended December 31, 2016)**

[Japanese GAAP]

Company name: EM SYSTEMS CO., LTD.
Stock code: 4820
Representative: Kozo Kunimitsu, Chairman and CEO
Contact: Takeshi Shigeyama, Director
Tel: +81-6-6397-1888

Listing: Tokyo Stock Exchange, First Section
URL: <http://www.emsystems.co.jp>

Scheduled date of filing of Quarterly Report: February 13, 2017
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the Third Quarter Ended December 31, 2016
(April 1, 2016 – December 31, 2016)**

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 31, 2016	9,843	3.6	1,773	54.9	2,189	42.8	1,436	19.5
Nine months ended Dec. 31, 2015	9,497	20.8	1,144	152.1	1,533	76.8	1,202	122.6

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2016: 1,422 (up 17.4%)

Nine months ended Dec. 31, 2015: 1,212 (up 111.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2016	82.01	81.28
Nine months ended Dec. 31, 2015	69.32	68.69

Note: EM SYSTEMS CO., LTD. (hereafter, the "Company") conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2016	20,077	13,325	65.9	752.61
As of Mar. 31, 2016	20,310	12,172	59.6	693.68

Reference: Shareholders' equity (million yen) As of Dec. 31, 2016: 13,237 As of Mar. 31, 2016: 12,107

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net assets per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2016	-	16.00	-	31.00	47.00
Fiscal year ending Mar. 31, 2017	-	8.00	-		
Fiscal year ending Mar. 31, 2017 (forecast)				17.00	25.00

Notes: 1. Revisions to the most recently announced dividend forecast: None

2. The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Dividend per share for the fiscal year ended March 31, 2016 is the actual amount before the stock split.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	13,900	5.3	2,050	10.1	2,550	4.2	1,680	3.6	96.75

Notes: 1. Revisions to the most recently announced consolidated earnings forecasts: None

2. The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net income per share forecast is calculated based on the number of shares outstanding (excluding treasury shares) after the stock split.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to "2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements" on page 4 of the attachments for further information.

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Dec. 31, 2016:	17,989,500 shares	As of Mar. 31, 2016:	17,855,700 shares
----------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at the end of period

As of Dec. 31, 2016:	400,954 shares	As of Mar. 31, 2016:	400,954 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2016:	17,521,634 shares	Nine months ended Dec. 31, 2015:	17,349,280 shares
----------------------------------	-------------------	----------------------------------	-------------------

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Number of outstanding shares (common stock) is calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

* Information regarding the implementation of quarterly review procedures

This quarterly summary report is exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly consolidated financial statements have not been completed.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of reasons.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements	4
2. Matters Related to Summary Information (Notes)	4
(1) Changes in Significant Subsidiaries during the Period	4
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	4
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	4
3. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statement of Income	
For the Nine-month Period	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-month Period	8
(3) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy continued to recover at a moderate pace in the first nine months of the fiscal year that ending on March 31, 2017 as economic and monetary policy initiatives of the Japanese government and the Bank of Japan contributed to improvements in corporate earnings and employment situation. However, the outlook remains unclear due to negative consumer sentiment caused by concerns about the future and other reasons. The operating environment for dispensing pharmacies in Japan, the primary market for products of EM SYSTEMS (hereafter, the “Company”), is challenging. A realignment of this business sector is taking place as pharmacy companies use mergers, acquisitions and other actions in response to the April 2016 revisions to drug dispensing fees and National Health Insurance (NHI) drug prices. As a result, many companies are suspending or postponing new investments. Revisions to medical care payments planned for 2018 will make the operating environment even more challenging. To help pharmacies overcome these challenges so they can continue using the Company’s products for many more years, the monthly basic fee was reduced by 10% beginning with January 2017 invoices. In addition, customers using the Company’s products for more than six years are receiving additional basic monthly fee discounts that increase depending on the length of use.

One significant source of change is Japan’s aging population. This is symbolized by the so-called 2025 problem, which is about when the cost of senior healthcare is expected to start to skyrocket. To achieve closer ties between healthcare (clinics and dispensing pharmacies) and senior nursing care, the Company started a full-scale operation of the systems for nursing care operators. The Company aims for realizing efficient ties between healthcare and senior nursing care by newly developing Solutions for Linking Healthcare and Senior Nursing Care and creating functions for seamless ties with systems that the Company provides to clinics, pharmacies and senior nursing care operators.

For the first nine months, the Company reported consolidated net sales of 9,843 million yen (up 3.6% year on year), operating income of 1,773 million yen (up 54.9%), ordinary income of 2,189 million yen (up 42.8%) and profit attributable to owners of parent of 1,436 million yen (up 19.5%).

Results by business segment were as follows. Segment sales and operating income (loss) in this section are before the inter-segment eliminations.

Starting in the first quarter of the current fiscal year, the Company is using revised reportable segments in association with the new organizational structure. In prior years there were two segments: Systems and Related Businesses and Other Business. Now there are three segments: Prescription Systems and Related Operations Business, Medical Systems and Related Operations Business, and Other Business. Segment information for the first nine months of the previous fiscal year has been restated based on these new segments.

Prescription Systems and Related Operations Business

Major activities in this segment included measures to strengthen sales activities targeting dispensing pharmacy chains, using sales agents and OEM supply agreements to continuously expand sales channels, and increasing sales of the Recepty NEXT prescription system and the Bungyo-mate system for dispensing pharmacies.

Although the number of systems sold was below the first nine-month plan, there was steady growth in billing service sales due to the increasing number of users. Steady replacement demand for hardware and continuing growth in sales of supplies also contributed to this segment’s performance. As a result, sales met the first nine-month plan. Earnings benefited from ongoing measures to cut the cost of sales and operating expenses. Consolidated subsidiary COSMOSYSTEMS Co., Ltd. continued to make a contribution to sales and earnings.

As a result, the segment recorded sales of 8,034 million yen (up 5.8% year on year) and operating income of 1,869 million yen (up 45.2%).

Medical Systems and Related Operations Business

Sales of Ortia, software for an electronic patient record system, began in July 2016 and there were numerous activities for establishing sales channels for this software throughout Japan. The Company proactively participated in industry exhibitions to maximize the exposure of our products while increasing referrals from existing clients and from websites specializing in medical services. In addition, the Company continued to focus on increasing sales of the Medical Recepty NEXT (MRN) Clerk Style and UNI-MEDICAL medical accounting systems and the Medical Recepty NEXT (MRN) Karte Style electronic patient record system.

These activities have started to expand sales channels, resulting in higher sales of MRN products than in the previous fiscal year. A decrease in UNI-MEDICAL replacement orders negatively affected segment performance. However, growth in billing service sales reduced the segment loss. Measures to lower the cost of sales and operating expenses continued during the first nine months.

As a result, the segment recorded sales of 1,147 million yen (down 6.1% year on year) and operating loss of 75 million yen (compared with operating loss of 213 million yen one year earlier).

Other Business

The Health Care-Nursing Care Cooperation Business Division is working on the development of Solutions for Linking Healthcare and Senior Nursing Care, which is provided to clinics, pharmacies and senior nursing care operators for supporting the Regional Comprehensive Care System of the Japanese government. Development activities also under way for Tsunagaru Care NEXT, an ASP system for supporting senior nursing care operators, was completed and its shipments started at the end of October 2016. On December 2, 2016, the Hiroshima office of the Japan Health Insurance Association asked for bids for the establishment of an online insurance coverage qualification verification system for systems used to help produce forms for health insurance claims at dispensing pharmacies. The Company was selected on December 13 to conduct this project. Using this system allows pharmacies to confirm the qualifications of an individual with the Japan Health Insurance Association coverage on a computer screen on a real-time basis as part of standard procedures. This improves pharmacy efficiency by eliminating the need to deal with insurance claims rejected due to ineligibility and reissue invoices. Research and development activities as well as demonstration projects for electronic prescriptions, electronic health records (EHR) and personal health records (PHR) were completed in the previous fiscal year. To contribute to progress in the healthcare industry, the Company will continue to participate in these activities for increasing the use of information and communication technologies in the healthcare sector. The Company has been participating in a joint research program with the Japan Medical Association, Japan Pharmaceutical Association and Nihon University concerning an infectious disease outbreak notification service. Currently, about 10,000 pharmacies in Japan are using this service. In addition, consolidated subsidiary Brick Pharmacy Co., Ltd. operates a dispensing pharmacy, and consolidated subsidiary LASANTE Co., Ltd. operates fitness clubs, a conference room rental business and a nursery school business.

The Health Care-Nursing Care Cooperation Business Division made no contribution to sales and earnings in the first nine months of the current fiscal year because full-scale operations started in the second half of the fiscal year. Sales in the dispensing pharmacy business increased because there were more business days than in the first nine months of the previous fiscal year. However, earnings were lower than one year earlier in part because of revisions to drug dispensing fees and NHI drug prices. LASANTE's performance exceeded the first nine-month plan, although sales and earnings were down from one year earlier due to the reorganization of this company's operations. Sales in this segment were 737 million yen (down 6.8% year on year) and operating loss was 8 million yen (compared with operating income of 90 million yen one year earlier).

(2) Explanation of Financial Position

Assets

At the end of the first nine months of the current fiscal year, current assets were 9,813 million yen, an increase of 55 million yen from the end of the previous fiscal year. This was mainly due to a 30 million yen increase in cash and deposits. Non-current assets decreased 287 million yen to 10,262 million yen, mainly because of a 151 million yen decrease in real estate for investment.

As a result, total assets decreased 232 million yen to 20,077 million yen.

Liabilities

Current liabilities decreased 984 million yen to 3,624 million yen. The main factors were decreases of 444 million yen in income taxes payable and 200 million yen in short-term loans payable. Non-current liabilities decreased 401 million yen to 3,127 million yen, mainly due to a 390 million yen decrease in long-term loans payable.

As a result, total liabilities decreased 1,385 million yen to 6,752 million yen.

Net assets

Net assets increased 1,153 million yen to 13,325 million yen mainly because of an increase in retained earnings.

Consequently, the equity ratio was 65.9% (compared with 59.6% at the end of the previous fiscal year).

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

There are no revisions at this time to the full-year consolidated earnings forecast that was announced on May 13, 2016 because of uncertainty about the performance after the first nine months of the current fiscal year of dispensing pharmacies, which are the primary market for products of the Company. An announcement will be made promptly if the Company decides that the forecast needs to be revised.

2. Matters Related to Summary Information (Notes)**(1) Changes in Significant Subsidiaries during the Period**

Not applicable to specified subsidiaries.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

The tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit/loss is insignificant.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

	(Millions of yen)	
	FY3/16 (As of Mar. 31, 2016)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	6,354	6,385
Notes and accounts receivable-trade	2,622	2,289
Merchandise and finished goods	172	157
Raw materials and supplies	1	0
Other	609	983
Allowance for doubtful accounts	(2)	(3)
Total current assets	9,757	9,813
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	862	839
Land	670	647
Leased assets, net	99	69
Rental assets, net	25	20
Construction in progress	3	73
Other, net	98	75
Total property, plant and equipment	1,761	1,726
Intangible assets		
Software	313	288
Software in progress	6	3
Goodwill	368	325
Other	7	5
Total intangible assets	696	622
Investments and other assets		
Real estate for investment, net	7,418	7,266
Net defined benefit asset	132	134
Other	541	513
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,091	7,913
Total non-current assets	10,549	10,262
Deferred assets	3	2
Total assets	20,310	20,077

	(Millions of yen)	
	FY3/16 (As of Mar. 31, 2016)	Third quarter of FY3/17 (As of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	915	747
Short-term loans payable	500	300
Current portion of long-term loans payable	590	526
Accounts payable-other	401	335
Lease obligations	61	50
Income taxes payable	718	274
Provision for bonuses	394	245
Provision for point card certificates	2	2
Other	1,024	1,142
Total current liabilities	4,609	3,624
Non-current liabilities		
Long-term loans payable	1,778	1,387
Lease obligations	61	38
Net defined benefit liability	797	827
Provision for product warranties	220	178
Long-term guarantee deposited	671	695
Total non-current liabilities	3,528	3,127
Total liabilities	8,137	6,752
Net assets		
Shareholders' equity		
Capital stock	2,306	2,364
Capital surplus	2,614	2,673
Retained earnings	7,435	8,460
Treasury shares	(223)	(223)
Total shareholders' equity	12,132	13,275
Accumulated other comprehensive income		
Foreign currency translation adjustment	56	20
Remeasurements of defined benefit plans	(80)	(58)
Total accumulated other comprehensive income	(24)	(38)
Subscription rights to shares	64	88
Total net assets	12,172	13,325
Total liabilities and net assets	20,310	20,077

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Nine-month Period)**

(Millions of yen)

	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Net sales	9,497	9,843
Cost of sales	4,445	4,310
Gross profit	5,052	5,532
Selling, general and administrative expenses	3,907	3,759
Operating income	1,144	1,773
Non-operating income		
Interest income	1	0
Dividend income	9	-
Rent income of real estate	707	727
Gain on sales of securities	4	-
Other	9	7
Total non-operating income	732	735
Non-operating expenses		
Interest expenses	19	13
Rent expenses on real estates	290	282
Other	34	23
Total non-operating expenses	343	319
Ordinary income	1,533	2,189
Extraordinary income		
Gain on sales of investment securities	226	-
Gain on reversal of subscription rights to shares	2	-
Gain on sales of non-current assets	-	11
Total extraordinary income	228	11
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Loss on sales of non-current assets	-	11
Loss on cancellation of leases	8	0
Loss on liquidation of subsidiaries and associates	1	-
Total extraordinary losses	9	15
Profit before income taxes	1,752	2,185
Income taxes	549	748
Profit	1,202	1,436
Profit attributable to owners of parent	1,202	1,436

Quarterly Consolidated Statement of Comprehensive Income
(For the Nine-month Period)

(Millions of yen)

	First nine months of FY3/16 (Apr. 1, 2015 – Dec. 31, 2015)	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)
Profit	1,202	1,436
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	-
Foreign currency translation adjustment	(1)	(35)
Remeasurements of defined benefit plans, net of tax	13	21
Total other comprehensive income	9	(14)
Comprehensive income	1,212	1,422
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,212	1,422
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.