Notice: This document has been translated from Japanese original for reference purpose only, without any warranty as to its accuracy or as to the completeness of the information. The Japanese original version is the sole official version.

May 13, 2016

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 [Japanese GAAP]

Company name: EM SYSTEMS CO., LTD.
Listing: Tokyo Stock Exchange, First Section
Stock code: 4820
URL: http://www.emsystems.co.jp
Representative: Kozo Kunimitsu, Chairman and CEO
Contact: Ryoko Mitsuhashi, Director
Tel: +81-6-6397-1888

Scheduled date of Annual General Meeting of Shareholders: June 28, 2016
Scheduled date of payment of dividend: June 29, 2016
Scheduled date of filing of Annual Securities Report: June 28, 2016
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for securities analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 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	%
Fiscal year ended Mar. 31, 2016	13,199	17.2	1,861	51.0	2,446	43.7	1,621	68.0
Fiscal year ended Mar. 31, 2015	11,257	(1.0)	1,232	(26.3)	1,702	(25.5)	965	(32.0)

Note: Comprehensive income (million yen): Fiscal year ended Mar. 31, 2016: 1,541 (up 51.8%)
Fiscal year ended Mar. 31, 2015: 1,015 (down 30.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2016	93.38	92.51	14.1	12.4	14.1
Fiscal year ended Mar. 31, 2015	59.82	59.41	9.6	9.1	11.0

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2016: - Fiscal year ended Mar. 31, 2015: (0)

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 previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	20,310	12,172	59.6	693.68
As of Mar. 31, 2015	19,249	11,012	56.8	629.04

Reference: Shareholders' equity (million yen) As of Mar. 31, 2016: 12,107 As of Mar. 31, 2015: 10,940

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 previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2016	2,108	597	(1,277)	6,354
Fiscal year ended Mar. 31, 2015	1,507	425	(3)	4,928

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2015	-	15.00	-	30.00	45.00	381	37.6	3.8
Fiscal year ended Mar. 31, 2016	-	16.00	-	31.00	47.00	409	25.2	3.6
Fiscal year ending Mar. 31, 2017 (forecast)	-	8.00	-	17.00	25.00		25.8	

Note: 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 years ended March 31, 2015 and 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
First half	6,518	4.3	826	20.6	1,083	15.3	726	(9.9)	41.81
Full year	13,900	5.3	2,050	10.1	2,550	4.2	1,680	3.6	96.75

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net income per share forecasts are 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) 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 "5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies" on page 23 of the attachments for further information.

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2016:	17,855,700 shares	As of Mar. 31, 2015:	17,708,300 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2016:	400,954 shares	As of Mar. 31, 2015:	315,754 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2016:	17,366,946 shares	Fiscal year ended Mar. 31, 2015:	16,135,338 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 previous fiscal year.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(1) Non-consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2016	10,956	7.3	1,635	29.7	2,201	24.7	1,312	15.1
Fiscal year ended Mar. 31, 2015	10,213	(4.2)	1,260	(20.9)	1,765	(16.8)	1,140	(14.9)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2016	75.58	74.87
Fiscal year ended Mar. 31, 2015	70.70	70.21

Note: 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 previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2016	19,568	11,871	60.3	676.44
As of Mar. 31, 2015	18,607	10,950	58.5	625.46

Reference: Shareholders' equity (million yen): As of Mar. 31, 2016: 11,807 As of Mar. 31, 2015: 10,878

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 previous fiscal year.

* Indication of audit procedure implementation status

This summary report is exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for the 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. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Operating results for the fiscal year ended March 31, 2016

The Japanese economy continued to recover slowly in the fiscal year that ended on March 31, 2016 along with the improvement of the employment situation and corporate earnings. However, the economic outlook is still unclear due to the prolonged weakness of individual consumption, the weakening economies of emerging countries, lower prices for natural resources, the sharp decline in stock prices and other factors. The operating environment for pharmacies in Japan, the primary market for our products, continued to be challenging. There are concerns about the impact on pharmacy earnings of the April 2016 revisions to drug dispensing fees. Another challenge is posed by the reorganization of the pharmacy industry as companies take actions in order to survive. In this difficult environment, the EM Systems Group remained Japan's leading source of support for upgrading healthcare services by supplying solutions incorporating IT that target the needs of the constantly changing healthcare industry.

For the fiscal year that ended on March 31, 2016, EM SYSTEMS (hereafter, the "Company") reported consolidated net sales of 13,199 million yen (up 17.2% year on year), operating income of 1,861 million yen (up 51.0%), ordinary income of 2,446 million yen (up 43.7%) and profit of 1,621 million yen (up 68.0%).

i) Systems and Related Businesses

The sales operations of this segment were reorganized in April 1, 2015 in order to perform even more effective sales activities. With this new organization, we concentrated on increasing sales of Recepty NEXT, a prescription system for pharmacies, the Medical Recepty NEXT (MRN) Clerk Style, a medical accounting systems, UNI-MEDICAL, and Medical Recepty NEXT Karte Style, an electronic patient record system.

Sales activities for pharmacy prescription systems targeted pharmacies that would be first-time users of these systems and pharmacies currently using systems of other companies. Although the sales volume fell short of our goal, there were increases in sales of OEM systems and sales of consolidated subsidiary COSMOSYSTEMS Co., Ltd. We continued to work on expanding sales channels for medical accounting systems and electronic patient record systems. Despite these activities, sales were lackluster for both systems sold to first-time users and as replacements. Billing service sales and sales of supplies remained strong.

Segment operating income was higher than one year earlier because of the benefits of extensive measures to cut the cost of sales and operating expenses and the full fiscal year contribution to earnings by COSMOSYSTEMS.

There were no vacancies in the leased office section of the Shin-Osaka Brick Building at the end of the fiscal year with five clinics in the clinic mall. We will carefully consider ways to effectively utilize this building while taking into account changes in market conditions.

The Strategic Headquarters for an Advanced Information and Telecommunications Network Society (IT Strategic Headquarters) of the Japanese government announced a new information and telecommunications technology strategy. One part of the plan for the health care sector is creating an infrastructure where people can view any hospital or clinic as their own health care provider. The Company is continuing to participate in R&D and demonstration tests involving the use of personal health records (PHR) and electronic health records (EHR) associated with digital prescription bag data. The aim is to contribute to progress in the health care industry. Currently, more than 260 medical institutions in Japan are using services provided by our EHR business.

The Japanese government is working on the establishment of a Regional Comprehensive Care System with a target of 2025. We plan to develop a support tool that will facilitate the use of Information and Communication Technology (ICT) for efficient links among physicians and nursing care facilities in a particular area. Another project involves the development of an infectious disease outbreak notification service. Originally a joint research project with the National Institute of Infectious Diseases, this is now a joint project with the Japan Medical Association, Japan Pharmaceutical Association and Nihon University. The number of pharmacies using this service is increasing steadily and more than 10,000 people are registered to receive these notices.

As a result, the segment recorded sales of 13,206 million yen (up 15.1% year on year) and operating income of 1,793 million yen (up 52.3 %).

ii) Other Business

This segment includes the LASANTE fitness club, a conference room rental business and the LaLa Kids nursery school, all in the Shin-Osaka Brick Building and operated by LASANTE Co., Ltd. This segment also includes the pharmacy business of new consolidated subsidiary Brick Pharmacy Co., Ltd., which is also in the Shin-Osaka Brick Building and started operating in May 2015.

Sales in this segment were 1,003 million yen (up 235.6%) and operating income was 92 million yen (up 15.0%). All businesses in this segment will continue to take actions aimed at supplying services with substantial added value.

Segment sales and operating income in this section are before the inter-segment eliminations.

2) Forecasts for the new fiscal year

Even more measures are expected in Japan in order to hold down the cost of health care. Furthermore, the increasing pace of mergers and acquisitions among large pharmacy companies and increasing number of drug stores that also dispense prescriptions are widening the gap between companies with strong earnings and others. As a result, pharmacy operators with only a single store will continue to face difficulties. To succeed, pharmacies will have to become even more efficient, such as by increasing the use of generic drugs and more closely managing left-over drugs. The Ministry of Health, Labour and Welfare no longer prohibits the use of electronic prescription bags when certain requirements are met and more than 35% of clinics in Japan are using electronic patient records. As a company already participating in PHR and EHR demonstration trials in various locations, we believe that our role will become more important as the use of digital data continues to grow. Our goal is to further increase the use of our services that produce a consistent revenue stream. We will make even greater use of solutions that incorporate IT to be a leader in the provision of support for more advances with medical services. Furthermore, we have decided to start developing a nursing care system that will function as a link between health care (medical care and prescriptions) and nursing care facilities.

On April 1, 2016, we revised our organizational structure for the purposes of clarifying authority and responsibilities in order to adapt to the constant changes in our operating environment. The five former divisions of the Development Division, Sales and Marketing Division, Pharmacy Chain Division, Health Care Division, and Medical Data Linkage Promotion Division were reorganized into four business units: the Prescription Systems Business, Medical Systems Business, Health Care-Nursing Care Cooperation Business, and Sales and Service Business. These business units have the following functions.

1. Prescription Systems Business

This business is a manufacturer of prescription systems, with operations that include determining business strategies, product planning and development, establishing new sales channels, and other activities.

2. Medical Systems Business

This business is a manufacturer of medical systems, with operations that include determining business strategies, product planning and development, establishing new sales channels, and other activities.

3. Health Care-Nursing Care Cooperation Business

This business is a manufacturer and marketer of systems for exchanging and sharing nursing care and medical care information. Operations include determining business strategies, product planning and development, establishing new sales channels, and other activities. The primary goal is increasing the use of electronic health records (EHR) to provide a link between medical (prescription and medical care) and nursing care information.

4. Sales and Service Business

By unifying the sales and support services that were previously divided among various divisions and by reorganizing them by function, this business performs sales activities for all products and services. There is a separate organizational unit for each job category in order to strengthen specialized skills and achieve greater customer satisfaction.

The EM Systems Group forecasts FY3/17 consolidated net sales of 13,900 million yen (up 5.3% year on year), operating income of 2,050 million yen (up 10.1%), ordinary income of 2,550 million yen (up 4.2%), and profit of 1,680 million yen (up 3.7%).

Due to the change to this four business unit structure, the Systems and Related Business segment has been divided into the Prescription Systems and Related Operations Business and the Medical Systems and Related Operations Business starting with the fiscal year ending in March 2017. With the Other Business segment, there are now a total of three business segments.

(2) Analysis of Financial Position

1) Financial position

Total assets were 20,310 million yen at the end of the fiscal year, 1,060 million yen more than one year earlier. Cash and deposits and notes and accounts receivable increased. Property, plant and equipment and real estate for investment decreased because of depreciation. There were also decreases resulting from the amortization of Unicon corporation goodwill due to the integration of its medical sales operation with the Company and from the impairment of company-owned employee housing caused by a change in the employee housing system.

Total liabilities decreased 99 million yen from the end of the previous fiscal year to 8,137 million yen, due to a decrease in loans payable and an increase in income taxes payable.

Net assets increased 1,159 million yen to 12,172 million yen mainly because of an increase in retained earnings associated with the fiscal year’s profit.

2) Cash flows

Cash and cash equivalents increased 1,426 million yen to 6,354 million yen at the end of March 2016. This was mainly attributable to increases in profit before income taxes along with the strong earnings in the current fiscal year and proceeds from rental of real estate for investment.

Cash flows from operating activities

Net cash provided by operating activities was 2,108 million yen, compared with 1,507 million yen provided in the previous fiscal year. Strong earnings in the current fiscal year were the primary reason for this increase.

Cash flows from investing activities

Net cash provided by investing activities was 597 million yen compared with 425 million yen provided in the previous fiscal year, mainly because of proceeds from rental of real estate for investment.

Cash flows from financing activities

Net cash used in financing activities was 1,277 million yen compared with 3 million yen used in the previous fiscal year. The repayment of loans payable was the primary use of cash.

Reference: Cash flow indicators

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
Shareholders' equity ratio (%)	42.0	45.6	50.1	56.8	59.6
Shareholders' equity ratio based on market value (%)	90.3	82.6	101.3	82.7	113.4
Ratio of interest-bearing debt to cash flows (years)	7.2	5.4	3.5	2.6	1.4
Interest coverage ratio (times)	14.4	22.2	38.0	48.5	82.1

Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio based on market value: Market capitalization / Total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows
Interest coverage ratio: Cash flows / Interest payments
Notes: 1. All indicators are calculated based on consolidated figures.
2. Market capitalization is calculated based on the number of shares outstanding after the deduction of treasury shares.
3. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.
4. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Distributing earnings to shareholders is one of the highest management priorities of the Company. The basic policy is to pay dividends that reflect performance in each fiscal year while retaining sufficient earnings for future business operations and increasing financial soundness.

For the fiscal year that ended on March 31, 2016, we plan to pay a year-end dividend of 31 yen per share. With the interim dividend of 16 yen per share, this will result in a fiscal year dividend of 47 yen per share. The General Meeting of Shareholders makes decisions about this year-end dividend payment from retained earnings. For the fiscal year ending in March 2017, based on our consolidated payout ratio target of 25%, we plan to pay an interim dividend of 8 yen and a year-end dividend of 17 yen, resulting in a fiscal year dividend of 25 yen per share.

We use retained earnings for strengthening the foundation for business operations, funding mergers and acquisitions for business expansion, reinforcing our product and technology development capabilities to meet new market needs and keep up with information technology progress, adding sales bases to become more competitive, and other actions that will contribute to shareholder distributions in the future.

(4) Business and Other Risks

This section explains risk factors that may have an effect on the performance of the EM Systems Group.

1) Health insurance revisions in Japan

Japan is continuing to enact health care system reforms as the population ages and the number of children declines. Depending on the types and size of revisions to the health care system, there may be a decline in capital expenditures at dispensing pharmacy companies. For example, there may be reforms that reduce the profit margin on drugs or that raise the amount people pay in addition to health insurance premiums, thus lowering the number of people who see a doctor. These events may affect the EM Systems Group's performance.

2) Changes to computer programs resulting from health insurance revisions

Japan may make major changes to the health care system in association with health insurance revisions. If these changes encompass a broad range of computer programs, the resulting growth in the volume of work due to the complexity of creating revised programs may affect the EM Systems Group's performance.

In addition, if a computer program that has already been distributed to customers requires corrections, then depending on the size and difficulty of the corrections, there may be an effect on the EM Systems Group's performance.

3) Development of new products

To compete successfully against other companies, we are concentrating on the development of accounting systems for clinics and nursing care facilities that use electronic patient records and systems for nursing care operators. For example, one goal is the development of a network system for an Internet-linked prescription insurance billing support system. However, work on the development of these systems may not proceed as planned and it may not be possible to offer these services to customers. If there is a delay in launching a service due to revisions, reexaminations or other actions required during the development stage or if development work is suspended, there may be an effect on the EM Systems Group's performance.

Most activities involving the development of application software are performed by EM SOFTWARE SYSTEMS DEVELOPMENT (NANJING) Co.,Ltd. and EM SOFTWARE SYSTEMS DEVELOPMENT (SHANGHAI) Co.,Ltd. Operating expenses at these companies may increase due to the rising wages of engineers associated with economic growth in China and to tax revisions in China. In addition, if there is a major revision to the current insurance billing system or a dramatic shift in market conditions caused by the use of a new technology that was unforeseen by the EM Systems Group, EM SOFTWARE SYSTEMS DEVELOPMENT (NANJING) Co.,Ltd. and EM SOFTWARE SYSTEMS DEVELOPMENT (SHANGHAI) Co.,Ltd. may be unable to adapt to these changes. If these events cause software and services of the EM Systems Group to become outdated and group companies can no longer meet customers' requirements, there may be an effect on the Group's performance.

The EM Systems Group may use business alliances, mergers and acquisitions for the purpose of increasing the use of its highly advanced systems for medical institutions. However, there is no assurance that these activities will help the Group achieve its goals or contribute to results of operations. Consequently, there may be an effect on the EM Systems Group's performance.

4) Protection of personal information

The major IT systems used for business operations at the EM Systems Group handle information about patients and other personal information because of the nature of the Group's activities. At the Group's data centers, access to computer rooms is strictly controlled and individuals who operate data center equipment are carefully selected. Furthermore, servers are operated in accordance with rules prescribed strictly in a manual. For local systems, customer (dispensing pharmacies) data are encrypted and other measures are used to protect personal information as much as possible. If there is a leak of personal information, the resulting loss of public confidence and other significant damage to the Group's operations may have a substantial effect on results of operations of the EM Systems Group.

5) Shin-Osaka Brick Building

The EM Systems Group purchased land in Osaka's Yodogawa-ku in February 2005 and constructed the Shin-Osaka Brick Building on the site to serve as the new head office building. Construction was completed in March 2008. This building houses the head office departments. In addition, there are tenants that include health care providers in the building's clinic mall and companies in the office space.

Due to the following risk factors, the revenue and expenditure plan for the Shin-Osaka Brick Building may differ from the initial assumption. If this building does not perform as anticipated, there may be a substantial effect on the EM Systems Group's performance, financial condition and cash flows.

i) Risk concerning leasing income

The revenue and expenditure plan for the Shin-Osaka Brick Building includes the risk of vacancies to a certain degree. However, if vacancies are higher than expected or space is leased at rates that are lower than expected, there may be an effect on the EM Systems Group's performance and financial condition.

ii) Risk concerning impairment

Changes in the Japanese economy may cause higher vacancies, lower leasing rates or other difficulties that require a reduction in the book value of the Shin-Osaka Brick Building. An impairment charge may have an effect on the EM Systems Group’s performance and financial condition.

iii) Risk concerning natural disasters and other events

If the Shin-Osaka Brick Building is damaged, destroyed or deteriorated by an earthquake, fire, accident, terrorism or some other event, there may be an effect on the EM Systems Group’s performance and financial condition.

6) Changes in interest rates

The EM Systems Group used loans from a number of financial institutions through over-the-counter transactions to fund the construction of the Shin-Osaka Brick Building. Some of these loans have a floating interest rate. Depending on future changes in interest rates, there may be an effect on the EM Systems Group’s performance and financial condition.

2. Corporate Group

The EM Systems Group consists of EM SYSTEMS CO., LTD., five consolidated subsidiaries, one affiliate not accounted for using the equity method and two non-consolidated subsidiaries. These companies operate systems and related businesses, and other businesses.

The major product is computer systems that perform health care administrative tasks at dispensing pharmacies. Group companies also sell associated supplies and provide maintenance services.

(1) Systems and Related Businesses

Group companies develop and sell computer systems that perform health care administrative tasks for medical institutions. Dispensing pharmacies are the primary market for these systems. Group companies also sell supplies for these systems and provide maintenance services.

1) Prescription systems

The core product is computer systems that perform administrative tasks for dispensing pharmacies. These systems are supplied with the installation of software developed by the Company on customers’ PCs. The Company and its consolidated subsidiary COSMOSYSTEMS Co., Ltd. sell these systems and software and there are also sales through agents. Consolidated subsidiary EM SOFTWARE SYSTEMS DEVELOPMENT (NANJING) Co.,Ltd. performs development activities that are outsourced from the Company.

2) Medical systems

In this category, the core products are computer systems for administrative tasks at clinics and electronic patient record systems. These systems are supplied with the installation of software developed by the Company and its consolidated subsidiary Unicon corporation on customers’ PCs. EM Systems and its agents sell these systems. EM SOFTWARE SYSTEMS DEVELOPMENT (SHANGHAI) Co.,Ltd. and EM SOFTWARE SYSTEMS DEVELOPMENT (ZHENJIANG) Co.,Ltd., which are non-consolidated subsidiaries, perform development activities that are outsourced from the Company.

3) Network systems

This business is mostly an application service provider (ASP) for a prescription support system that uses the Internet. This business also includes a system for exchanging data among a company’s pharmacies and for the centralized oversight of pharmacies by the head office. Another system allows sharing inventory and other data about pharmacies operated by other companies.

4) Supplies

The major products in this category, which are sold by the Company, are insurance billing forms used by prescription dispensing systems and medical systems, bags used when selling drugs to individuals, printer ink and other items.

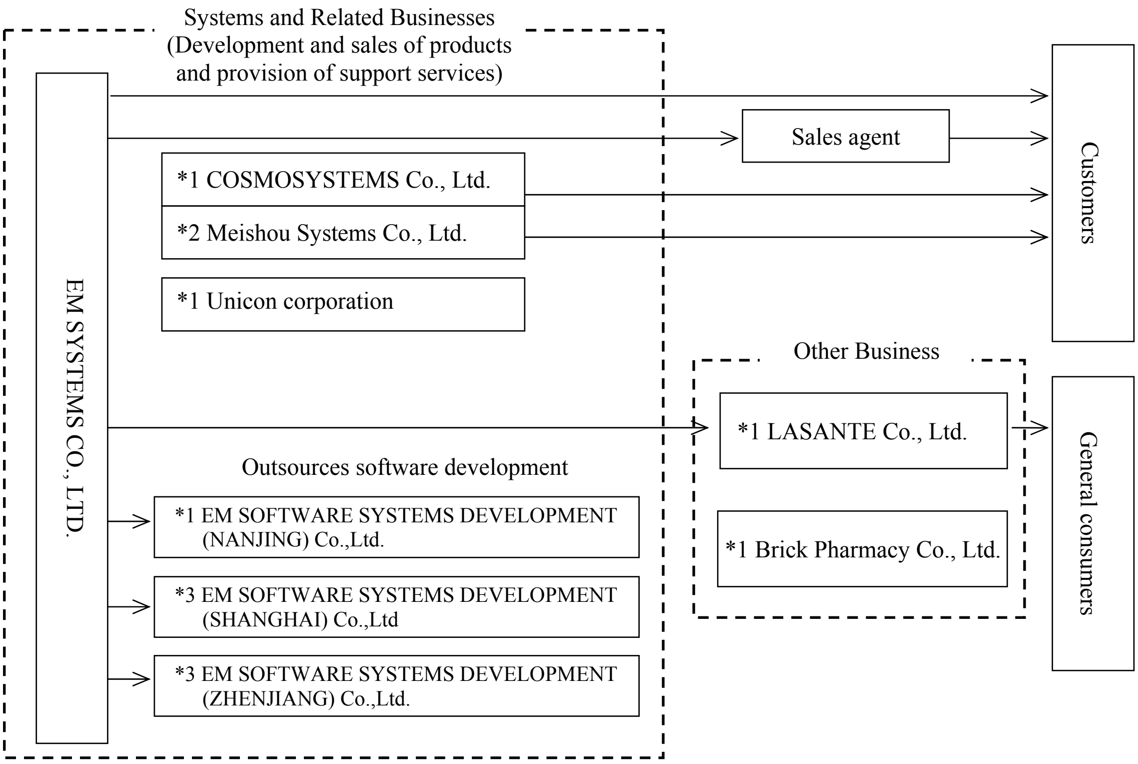
5) Maintenance services

This business provides maintenance services to customers that use a system purchased from the Company.

(2) Other Business

Consolidated subsidiary LASANTE Co., Ltd. manages the LASANTE fitness club and the LaLa Kids nursery school, and operates a rental conference room. Brick Pharmacy Co., Ltd. operates a dispensing pharmacy.

The discussion above can be illustrated by the following business diagram.



Notes: *1 Consolidated subsidiaries
*2 Affiliates not accounted for using the equity method
*3 Non-consolidated subsidiaries not accounted for using the equity method

3. Management Policies

(1) Basic Management Policy

Since the start of operations at the Company and its group companies, operating as an organization that provides benefits for the public has been the basic management policy. The EM Systems Group is dedicated to making the greatest possible contribution to society. Group companies create products and software that reflects a broad spectrum of demands from customers and society. Training the people needed to perform these tasks is another central element of operations. Supplying advanced technologies and expertise is not the only goal of the Group. The ultimate objective is to supply products, systems and services that precisely match the requirements of customers.

The EM Systems Group has always focused on capturing market share and constantly meeting the changing needs of customers to achieve the highest possible satisfaction. Group companies accomplish this by supplying a distinctive and fully integrated lineup that begins with the development of products and includes IT system construction, sales activities and maintenance. Through these activities, the Group has established an infrastructure capable of accurately responding to customers' needs. Group companies are dedicated to supplying products and systems with even better quality and convenience as well as developing a workforce that responds to changes in the health care and nursing care industries by using an aggressive stance and creative thinking to meet the needs of customers. The EM Systems Group's goal is to meet the expectations and earn the trust of the public while continuing to fulfill our corporate citizen responsibilities for the realization of a better society.

The EM Systems Group is guided by the following policies.

Establish an environment in which medical institutions and individuals can view at any time and place the "medical information that individuals have received." This will allow people to receive the best possible health care with confidence.

Furthermore, in the spirit of the following slogan, the EM Systems Group wants to enable people to use a medical data network for viewing past medical records whenever necessary. Group companies are constantly working on this goal, which will make it possible for people to select the best possible health care.

CHALLENGE M.I.N.D. (**M**edical **I**nformation **N**etwork **D**esign)

(2) Performance Targets

The goal of the EM Systems Group is becoming highly profitable in order to maintain the stability of business operations while aggressively evolving and advancing. Consequently, the key performance targets are operating income growth and a high return on equity.

(3) Medium- and Long-term Business Plan

The operations of the EM Systems Group are closely linked with the dispensing pharmacy industry and the medical care and nursing care industries. Significant changes are foreseen in these industries. Japan's consumption tax rate is expected to rise to 10%, there is an urgent need for more measures by the national government to hold down health care expenses, and revisions to health care and nursing care national health insurance payments are planned for 2018. Due to these events, all medical care and nursing care organizations will have to cut costs and become more efficient.

The EM Systems Group plans to respond quickly to changes in these markets by launching new products for the prescription, medical and nursing care systems with the goal of capturing larger shares of these markets.

We are using the Recepty NEXT prescription insurance billing computer to streamline administrative procedures at pharmacies. Furthermore, we are using our NET-α, infectious disease outbreak notification service, and the Medical Recepty NEXT and UNI-MEDICAL medical systems as a base for making advances in step with progress involving IT and the IT infrastructure. Our corporate mission is creating networks for medical data and facilitating the sharing of data.

Our goal is to accomplish this by achieving the seamless integration of systems for pharmacies and systems for medical and nursing care.

The utilization of electronic patient records in Japan is increasing, although at a very slow pace. We will continue to build and enlarge our technology and product development and our sales infrastructures. We will also aggressively target opportunities in the market for nursing care systems as we continue to aim for more growth.

(4) Challenges

The EM Systems Group is aiming for even higher customer satisfaction while continuing to contribute to society as rapid changes take place in the operating environment. Accomplishing these goals will require reinforcing training programs to maintain a workforce that can drive growth. The Group will also concentrate on increasing sales of medical systems for the purpose of building a stronger business model capable of consistent earnings growth.

4. Basic Approach to the Selection of Accounting Standards

The EM Systems Group currently applies Japanese accounting standards for its consolidated financial statements. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	4,828	6,354
Notes and accounts receivable-trade	2,271	2,622
Securities	211	-
Merchandise and finished goods	415	172
Raw materials and supplies	3	1
Consumption taxes receivable	6	-
Income taxes receivable	10	-
Deferred tax assets	136	244
Other	368	365
Allowance for doubtful accounts	(1)	(2)
Total current assets	8,251	9,757
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,586	1,545
Accumulated depreciation	(640)	(682)
Buildings and structures, net	945	862
Land	702	670
Leased assets	545	225
Accumulated depreciation	(374)	(126)
Leased assets, net	170	99
Lease asset	37	52
Accumulated depreciation	(14)	(26)
Lease asset-net	23	25
Construction in progress	12	3
Other	690	673
Accumulated depreciation	(569)	(574)
Other, net	121	98
Total property, plant and equipment	1,976	1,761
Intangible assets		
Software	392	313
Software in progress	19	6
Goodwill	316	368
Other	7	7
Total intangible assets	735	696
Investments and other assets		
Investment securities	45	35
Real estate for investment	9,962	9,960
Accumulated depreciation	(2,316)	(2,542)
Real estate for investment, net	7,645	7,418
Lease and guarantee deposits	150	146
Deferred tax assets	247	315
Net defined benefit asset	145	132
Other	46	43
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,281	8,091
Total non-current assets	10,993	10,549
Deferred assets		
Share issuance cost	5	3
Total deferred assets	5	3
Total assets	19,249	20,310

(Millions of yen)

	FY3/15 (As of Mar. 31, 2015)	FY3/16 (As of Mar. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	895	915
Short-term loans payable	598	500
Current portion of long-term loans payable	675	590
Accounts payable-other	382	401
Lease obligations	112	61
Income taxes payable	191	718
Accrued consumption taxes	216	169
Provision for bonuses	343	394
Provision for point card certificates	1	2
Other	751	855
Total current liabilities	4,167	4,609
Non-current liabilities		
Long-term loans payable	2,385	1,778
Lease obligations	83	61
Net defined benefit liability	691	797
Provision for directors’ retirement benefits	70	-
Provision for product warranties	183	220
Long-term guarantee deposited	656	671
Total non-current liabilities	4,069	3,528
Total liabilities	8,237	8,137
Net assets		
Shareholders’ equity		
Capital stock	2,243	2,306
Capital surplus	2,551	2,614
Retained earnings	6,212	7,435
Treasury shares	(123)	(223)
Total shareholders’ equity	10,884	12,132
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9	-
Foreign currency translation adjustment	68	56
Remeasurements of defined benefit plans	(21)	(80)
Total accumulated other comprehensive income	56	(24)
Subscription rights to shares	71	64
Total net assets	11,012	12,172
Total liabilities and net assets	19,249	20,310

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net sales	11,257	13,199
Cost of sales	4,992	6,119
Gross profit	6,264	7,080
Selling, general and administrative expenses		
Promotion expenses	23	30
Packing and transportation expenses	27	38
Advertising expenses	45	43
Provision of allowance for doubtful accounts	-	1
Provision for product warranties	79	116
Directors' compensations	226	240
Salaries and allowances	2,116	2,011
Bonuses	218	252
Provision for bonuses	330	373
Retirement benefit expenses	107	115
Legal welfare expenses	376	395
Traveling and transportation expenses	159	160
Communication expenses	97	101
Depreciation	177	164
Amortization of goodwill	64	101
Rents	297	292
Research and development expenses	1	-
Other	680	779
Total selling, general and administrative expenses	5,032	5,218
Operating income	1,232	1,861
Non-operating income		
Interest income	2	1
Dividend income	16	26
Rent income of real estate	956	946
Reversal of allowance for doubtful accounts	0	-
Gain on sales of securities	-	33
Miscellaneous income	25	15
Total non-operating income	1,000	1,023
Non-operating expenses		
Interest expenses	30	24
Commission fee	70	5
Rent expenses on real estates	422	386
Share of loss of entities accounted for using equity method	0	-
Amortization of share issuance cost	0	1
Miscellaneous loss	6	20
Total non-operating expenses	531	439
Ordinary income	1,702	2,446

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Extraordinary income		
Gain on sales of investment securities	-	226
Gain on reversal of subscription rights to shares	7	2
Total extraordinary income	7	228
Extraordinary losses		
Loss on retirement of non-current assets	15	19
Loss on sales of non-current assets	0	-
Impairment loss	55	80
Amortization of goodwill	-	115
Loss on cancellation of leases	0	8
Loss on liquidation of subsidiaries and associates	-	1
Total extraordinary losses	72	225
Profit before income taxes	1,637	2,449
Income taxes-current	597	977
Income taxes-deferred	75	(149)
Total income taxes	672	827
Profit	965	1,621
Profit attributable to owners of parent	965	1,621

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Profit	965	1,621
Other comprehensive income		
Valuation difference on available-for-sale securities	9	(9)
Foreign currency translation adjustment	26	(12)
Remeasurements of defined benefit plans, net of tax	14	(58)
Total other comprehensive income	49	(80)
Comprehensive income	1,015	1,541
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,015	1,541
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,674	1,982	5,584	(123)	9,117
Changes of items during period					
Issuance of new shares	544	544			1,088
Exercise of subscription rights to shares	24	24			49
Dividends of surplus			(336)		(336)
Profit attributable to owners of parent			965		965
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	569	569	628	(0)	1,767
Balance at end of current period	2,243	2,551	6,212	(123)	10,884

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	-	42	(35)	6	81	9,205
Changes of items during period						
Issuance of new shares						1,088
Exercise of subscription rights to shares						49
Dividends of surplus						(336)
Profit attributable to owners of parent						965
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	9	26	14	49	(9)	40
Total changes of items during period	9	26	14	49	(9)	1,807
Balance at end of current period	9	68	(21)	56	71	11,012

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,243	2,551	6,212	(123)	10,884
Changes of items during period					
Issuance of new shares					-
Exercise of subscription rights to shares	62	62			125
Dividends of surplus			(399)		(399)
Profit attributable to owners of parent			1,621		1,621
Purchase of treasury shares				(99)	(99)
Net changes of items other than shareholders' equity					
Total changes of items during period	62	62	1,222	(99)	1,247
Balance at end of current period	2,306	2,614	7,435	(223)	12,132

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	9	68	(21)	56	71	11,012
Changes of items during period						
Issuance of new shares						-
Exercise of subscription rights to shares						125
Dividends of surplus						(399)
Profit attributable to owners of parent						1,621
Purchase of treasury shares						(99)
Net changes of items other than shareholders' equity	(9)	(12)	(58)	(80)	(7)	(88)
Total changes of items during period	(9)	(12)	(58)	(80)	(7)	1,159
Balance at end of current period	-	56	(80)	(24)	64	12,172

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	1,637	2,449
Depreciation	668	673
Amortization of goodwill	64	216
Amortization of share issuance cost	0	1
Impairment loss	55	80
Loss on liquidation of subsidiaries and associates	-	1
Decrease (increase) in net defined benefit asset	(12)	(3)
Increase (decrease) in net defined benefit liability	61	42
Increase (decrease) in provision for directors' retirement benefits	-	(70)
Increase (decrease) in provision for product warranties	14	36
Increase (decrease) in provision for bonuses	(26)	50
Increase (decrease) in provision for point card certificates	(8)	0
Increase (decrease) in allowance for doubtful accounts	1	1
Interest and dividend income	(18)	(28)
Rent income of real estate	(956)	(946)
Expenses of real estate rent	182	161
Interest expenses	30	24
Loss on retirement of non-current assets	15	19
Loss on cancellation of leases	0	8
Gain on reversal of subscription rights to shares	(7)	(2)
Share of (profit) loss of entities accounted for using equity method	0	-
Loss (gain) on sales of securities	-	(33)
Loss (gain) on sales of non-current assets	0	-
Loss (gain) on sales of investment securities	-	(226)
Decrease (increase) in notes and accounts receivable-trade	511	(350)
Decrease (increase) in inventories	1	285
Decrease (increase) in other current assets	308	28
Increase (decrease) in notes and accounts payable-trade	(133)	20
Decrease (increase) in consumption taxes refund receivable	(6)	6
Increase (decrease) in accrued consumption taxes	115	(47)
Increase (decrease) in other current liabilities	(33)	132
Other, net	17	29
Subtotal	2,485	2,564
Interest and dividend income received	18	28
Interest expenses paid	(31)	(25)
Income taxes paid	(964)	(458)
Net cash provided by (used in) operating activities	1,507	2,108

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Cash flows from investing activities		
Purchase of securities	(96)	(1,084)
Proceeds from sales of securities	-	1,213
Purchase of property, plant and equipment	(138)	(63)
Proceeds from sales of property, plant and equipment	0	1
Purchase of intangible assets	(74)	(132)
Proceeds from sales of investment securities	-	226
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(23)	-
Purchase of shares of subsidiaries and associates	(17)	(10)
Payments for transfer of business	-	(367)
Proceeds from rental of real estate for investment	954	948
Payments for rental of real estate for investment	(190)	(173)
Collection of loans receivable	20	24
Payments of loans receivable	(1)	-
Proceeds from guarantee deposits received	33	19
Repayments of guarantee deposits received	(42)	(3)
Net cash provided by (used in) investing activities	425	597
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1)	(98)
Repayments of long-term loans payable	(672)	(692)
Repayments of lease obligations	(145)	(106)
Payments for long-term accounts payable-other	(1)	-
Proceeds from sales and leasebacks	21	-
Proceeds from issuance of common shares	1,130	119
Purchase of treasury shares	(0)	(99)
Cash dividends paid	(336)	(399)
Net cash provided by (used in) financing activities	(3)	(1,277)
Effect of exchange rate change on cash and cash equivalents	13	(11)
Net increase (decrease) in cash and cash equivalents	1,942	1,416
Cash and cash equivalents at beginning of period	2,985	4,928
Increase in cash and cash equivalents from newly consolidated subsidiary	-	10
Cash and cash equivalents at end of period	4,928	6,354

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 5

Names of consolidated subsidiaries:

LASANTE Co., Ltd.
Unicon corporation
COSMOSYSTEMS Co., Ltd.
Brick Pharmacy Co., Ltd.
EM SOFTWARE SYSTEMS DEVELOPMENT (NANJING) Co.,Ltd.

Brick Pharmacy Co., Ltd., which was established in February 2015, is newly included in the scope of consolidation due to the start of operations in the current fiscal year.

(2) Number of non-consolidated subsidiaries: 2

Names of consolidated subsidiaries:

EM SOFTWARE SYSTEMS DEVELOPMENT (SHANGHAI) Co.,Ltd.
EM SOFTWARE SYSTEMS DEVELOPMENT (ZHENJIANG) Co.,Ltd.

Reason for exclusion from the scope of consolidation

These subsidiaries are not included in the scope of consolidation since they are small-scale businesses whose total assets, net sales, profit/loss (equity in earnings) and retained earnings (equity in earnings) have no significant effect on the overall results of consolidated financial statements.

2. Application of the equity method

(1) Affiliates accounted for using the equity method

Not applicable.

(2) Number of non-consolidated subsidiaries and affiliates not accounted for using the equity method: 3

Names of non-consolidated subsidiaries and affiliates:

EM SOFTWARE SYSTEMS DEVELOPMENT (SHANGHAI) Co.,Ltd.
EM SOFTWARE SYSTEMS DEVELOPMENT (ZHENJIANG) Co.,Ltd.
Meishou Systems Co., Ltd.

Reason for not accounted for using the equity method

These non-consolidated subsidiaries and affiliates are not accounted for using the equity method, since they have a very minor effect on profit/loss (equity in earnings) and retained earnings (equity in earnings) and are relatively insignificant in the context of the consolidated financial statements.

3. Fiscal year of consolidated subsidiaries

The fiscal year-end of EM SOFTWARE SYSTEMS DEVELOPMENT (NANJING) Co.,Ltd. is December 31.
The consolidated financial statements include the financial statements of this consolidated subsidiary as of December 31, and necessary adjustments have been made for the consolidation concerning material transactions arising between January 1 and March 31.

The fiscal year-end of Unicon corporation is February 28.
The consolidated financial statements include the financial statements of this consolidated subsidiary as of February 28, and necessary adjustments have been made for the consolidation concerning material transactions arising between March 1 and March 31.

The fiscal year-end of Brick Pharmacy Co., Ltd. is December 31.
The consolidated financial statements include the preliminary financial statements of this consolidated subsidiary as of March 31, 2016.

4. Accounting standards

(1) Valuation standards and methods for principal assets

1) Marketable securities

Available-for-sale securities

Securities with market quotations

Stated at market value at the end of the fiscal year. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)

Securities without market quotations

Stated at cost determined by the moving-average method.

2) Inventories

Merchandise, finished goods and raw materials

Stated at cost determined by the gross average method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

(2) Depreciation and amortization of significant depreciable assets

1) Property, plant and equipment, and real estate for investment (excluding lease assets)

Calculated by using the declining-balance method, except for buildings (excluding attached structures) acquired on or after April 1, 1998 and assets for rent on which depreciation is calculated by the straight-line method.

Useful life of principal assets:

Buildings and structures:	8-52 years
Others:	4-15 years

2) Intangible assets (excluding lease assets)

Software for sale is amortized during the fiscal year in which it was acquired because the expected useful life is one year. Software for internal use is amortized over an expected useful life of five years by the straight-line method.

3) Lease assets

Depreciation of finance lease transaction where there is transfer of ownership is calculated by the same method as depreciation method used for non-current assets held by the Company.
Depreciation of finance lease transaction where there is no transfer of ownership is calculated based on the straight-line method, assuming the lease period to be the useful lives and a residual value of zero.

(3) Recognition of significant allowances

1) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are booked for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability.

2) Provision for bonuses

To provide for employee bonus obligation, an amount accrued for the current fiscal year within the estimated future obligations is designated in the reserve account.

3) Provision for point card certificates

To provide for expenses resulting from future utilization of the EM Online Shop, a provision is made in the amount required for the points that would be used in or after the next fiscal year based on the actual utilization rate in the past.

4) Provision for product warranties

To provide for expenses for after-sales services for finished goods and merchandise sold with warranties at no extra cost that are performed during the warranty period, a provision is made in the amount required based on an estimate using actual expenses in the current fiscal year.

(4) The accounting treatment methods for retirement benefits

1) Method of attributing estimated retirement benefit obligations to periods

In calculation of retirement benefit obligations, the Company uses the straight-line method for attributing estimated retirement benefit obligations to periods.

2) Amortization of actuarial differences

Actuarial differences are amortized and charged to expenses in the year following the fiscal year in which such gain or loss is recognized by the straight-line method over a certain period (five years) which is within the average remaining years of service of the eligible employees.

3) Adoption of simplified method by small-scale companies, etc.

Domestic consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which the retirement benefit obligations are equal to the amount that would be paid if all employees voluntarily requested retirement benefits at the end of the fiscal year.

(5) Accounting for hedges

1) Hedging method

The Company applies exceptional accounting treatment for interest rate swaps when certain conditions are fulfilled.

2) Hedging instruments and hedged items

Heading instruments and hedged items to which the hedge accounting is applied are as follows:

Hedging instruments: Interest rate swaps
Hedged items: Interest on loans payable

3) Hedging policy

The Company enters into interest rate swaps for the purpose of mitigating future interest rate fluctuation risks or reducing interest expenses.
The Company conducts derivative transactions only in the scope of actual demand, and does not enter into derivative transactions for speculative purposes.

4) Evaluation method for the effectiveness of hedges

Hedge effectiveness is evaluated every six months by each transaction based on contract amounts, market value and the basis for the market value calculation.

(6) Amortization method and amortization period of goodwill

Goodwill is amortized over five years or 12 years by the straight-line method.

(7) Scope of cash and cash equivalents on the consolidated statement of cash flows

Cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

(8) Other significant accounting policies in the preparation of the consolidated financial statements

Accounting for consumption taxes

National and local consumption taxes are accounted by the tax-exclusion method.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no impact on the consolidated financial statements.

Segment and Other Information

[Segment information]

1. Overview of reportable segment

Segments used for financial reporting are the EM Systems Group’s constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

In the EM Systems Group, the Company, COSMOSYSTEMS Co., Ltd., Unicon corporation and EM SOFTWARE SYSTEMS DEVELOPMENT (NANJING) Co.,Ltd. are engaged in the Systems and Related Businesses segment, and LASANTE Co., Ltd. and Brick Pharmacy Co., Ltd. operate activities in the Other Business segment.

The business operations of the Group are categorized by businesses conducted by each group companies. Consequently, there are two reportable segments: “Systems and Related Businesses” and “Other Business.”

Major products for each reportable segment are as follows:

Reportable segment	Major products
Systems and Related Businesses	Prescription insurance billing system, medical care insurance billing system, network systems, prescription drug bag printer, supplies and maintenance services
Other Business	Management of a fitness club, nursery school and pharmacy

2. Calculation methods for net sales, profit/loss, assets, liabilities and other items for each reportable segment

The accounting methods for reportable segments are the same as those listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profit for reportable segments is operating income figures.

Inter-segment sales and transfers are based on prevailing market prices.

3. Information related to net sales, profit/loss, assets, liabilities and other items for each reportable segment

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (Millions of yen)

	Reportable segment			Adjustment	Amounts recorded in consolidated statement of income (Note)
	Systems and Related Businesses	Other Business	Total		
Net sales					
External sales	11,106	226	11,332	(74)	11,257
Inter-segment sales and transfers	365	72	438	(438)	-
Total	11,471	298	11,770	(513)	11,257
Segment profit	1,177	80	1,258	(25)	1,232
Segment assets	11,941	195	12,137	7,112	19,249
Other items					
Depreciation	429	3	432	235	668
Increase in property, plant and equipment and intangible assets	447	2	449	65	514

Note: Segment profit is adjusted to be consistent with operating income recorded in the consolidated statement of income.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016) (Millions of yen)

	Reportable segment			Adjustment	Amounts recorded in consolidated statement of income (Note)
	Systems and Related Businesses	Other Business	Total		
Net sales					
External sales	12,325	962	13,288	(88)	13,199
Inter-segment sales and transfers	881	40	922	(922)	-
Total	13,206	1,003	14,210	(1,011)	13,199
Segment profit	1,793	92	1,886	(24)	1,861
Segment assets	20,553	715	21,269	(959)	20,310
Other items					
Depreciation	446	8	455	218	673
Increase in property, plant and equipment and intangible assets	222	29	252	(0)	251

Note: Segment profit is adjusted to be consistent with operating income recorded in the consolidated statement of income.

4. Reconciliation of reported consolidated financial statements with total profit (or loss) for reportable segments

(Millions of yen)

Net sales	FY3/15	FY3/16
Total for reportable segments	11,770	14,210
Transfer to non-operating income	(74)	(88)
Eliminations for inter-segment transactions	(438)	(922)
Net sales on the consolidated financial statements	11,257	13,199

(Millions of yen)

Profit	FY3/15	FY3/16
Total for reportable segments	1,258	1,886
Transfer to non-operating income	(14)	(15)
Eliminations for inter-segment transactions	(10)	(9)
Operating income on the consolidated financial statements	1,232	1,861

(Millions of yen)

Assets	FY3/15	FY3/16
Total for reportable segments	12,137	21,269
Corporate assets (Note)	7,645	7,418
Eliminations for inter-segment transactions	(532)	(8,377)
Total assets on the consolidated financial statements	19,249	20,310

Note: Corporate assets mainly include real estate for investment that is not attributable to reportable segments.

(Millions of yen)

Other items	Total reportable segment		Adjustment		Amounts recorded in consolidated financial statements	
	FY3/15	FY3/16	FY3/15	FY3/16	FY3/15	FY3/16
Depreciation	432	455	235	218	668	673
Increase in property, plant and equipment and intangible assets	449	252	65	(0)	514	251

Note: The adjustment to increase in property, plant and equipment and intangible assets includes eliminations for inter-segment transactions.

[Related information]

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan exceeded 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

This information is omitted because no specific external client accounts for more than 10% of net sales in the consolidated statement of income.

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan exceeded 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment in the consolidated balance sheet.

3. Information by major client

(Millions of yen)

Name	Net sales	Related segments
MEDICEO CORPORATION	1,345	Systems and Related Businesses

[Information related to impairment loss of non-current assets for each reportable segment]

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (Millions of yen)

	Systems and Related Businesses	Other Business	Total
Impairment loss	55	-	55

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016) (Millions of yen)

	Systems and Related Businesses	Other Business	Total
Impairment loss	80	-	80

[Information related to goodwill amortization and unamortized balance for each reportable segment]

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015) (Millions of yen)

	Systems and Related Businesses	Other business	Total
Amortization for the period	64	-	64
Balance at the end of period	316	-	316

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016) (Millions of yen)

	Systems and Related Businesses	Other business	Total
Amortization for the period	196	20	216
Balance at the end of period	120	248	368

Note: Amortization of goodwill in the Systems and Related Businesses for FY3/16 includes amortization of goodwill under extraordinary losees in the consolidated statement of income.

[Information related to gain on bargain purchase for each reportable segment]

FY3/15 (Apr. 1, 2014－Mar. 31, 2015)

Not applicable.

FY3/16 (Apr. 1, 2015－Mar. 31, 2016)

Not applicable.

Per Share Information

(Yen)

FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)		FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	
Net assets per share	629.04	Net assets per share	693.68
Net income per share	59.82	Net income per share	93.38
Diluted net income per share	59.41	Diluted net income per share	92.51

Notes: 1. The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net assets per share, 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 previous fiscal year.

2. The basis of calculating net income per share and diluted net income per share is as follows:

(Millions of yen)

	FY3/15 (Apr. 1, 2014 – Mar. 31, 2015)	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)
Net income per share		
Profit attributable to owners of parent	965	1,621
Amounts not available to common stock shareholders	-	-
Profit attributable to owners of parent available to common stock	965	1,621
Average number of shares outstanding during the period (Shares)	16,135,338	17,366,946
Diluted net income per share		
Adjusted profit attributable to owners of parent	-	-
Increase in the number of shares of common stock (Shares)	112,113	164,442
Summary of potential stock not included in the calculation of “Diluted net income per share” since there was no dilutive effect	-	-

Subsequent Events

Granting of stock options (stock acquisition rights)

In accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, the Board of Directors approved a resolution on May 13, 2016 to submit a proposal at the 33rd Annual General Meeting of Shareholders to be held on June 28, 2016 for the delegation to the Board of Directors of the determination of terms for stock acquisition rights to be issued as stock options for the directors and employees of the Company and its subsidiaries as follows. Stock acquisition rights granted to the Company's directors are remuneration, etc. as defined in Article 361, Paragraph 1-3 of the Companies Act.

1. Reason for need to grant stock acquisition rights at particularly favorable terms

Stock acquisition rights are granted at no cost to the directors and employees of the Company and its subsidiaries for the purpose of further motivating these individuals to improve the performance of the EM Systems Group. In addition, stock acquisition rights granted to directors for the purpose of granting stock options are regarded as remuneration for these directors. The fair price of the stock acquisition rights granted as remuneration, etc. is calculated by using the stock option price calculation model in the ASBJ Statement "Accounting Standards for Stock Options, Etc." on the terms as of the date the rights are granted.

2. Amounts to be paid upon allocation of the stock acquisition rights

No monetary payment is required for the stock acquisition rights.

3. Allotment date of stock acquisition rights

Each allotment date is determined by the Board of Directors of the Company that is issuing the corresponding stock acquisition rights.

4. Details of stock acquisition rights

(1) Class and number of shares to be issued upon exercise of stock acquisition rights

Up to 600,000 shares of the Company's common stock.

The number of shares will be adjusted by using the following formula if there is a split or consolidation of the Company' stock. However, this adjustment will be performed only for shares applicable to stock acquisition rights that have not been exercised at the time of the split or consolidation. Any fraction of one share resulting from the adjustment is discarded.

Number of shares after adjustment = Number of shares before adjustment x Ratio of the split or consolidation

In the event of a merger, divestiture, or exchange or transfer of stock (hereafter, "merger, etc."), a gratis distribution of stock, or any other action that requires an adjustment in the number of shares for stock acquisition rights, the number of shares may be adjusted within a reasonable scope based on the terms of the merger, etc. or gratis stock distribution, and on other applicable factors.

(2) Total number of stock acquisition rights

Maximum of 6,000 rights, including a maximum of 2,400 rights that are granted to the directors of the Company. (The number of shares per stock acquisition right is 100, but this number is instead the adjusted number if an adjustment described in item (1) above is performed.)

(3) Value of the assets to be contributed upon the exercise of stock acquisition rights

The monetary payment upon the exercise of a stock acquisition right is the amount to be paid per share upon the exercise of a stock acquisition right (hereafter, "exercise price") multiplied by the number of shares of stock for each stock acquisition right. The exercise price is the average closing price of the Company' common stock on the Tokyo Stock Exchange on each day of the month (except days when there was no trading of the Company's stock) prior to the month in which the applicable stock acquisition rights were allotted multiplied by 1.05, with any fraction of one yen rounded up. However, if this amount is lower than the closing price (if there is no closing price, the most recent closing price prior to this date) of the Company' common stock on the Tokyo Stock Exchange on the date of allotment of the stock acquisition rights, the closing price on this date shall apply. If there is a split or a consolidation of the Company' common stock, the exercise price will be adjusted using the following formula in accordance with the split or consolidation and any fraction of one yen resulting from the adjustment is rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split or consolidation}}$$

If the Company issues new common stock or disposes of treasury shares at a price below market price (except sales of treasury shares in accordance with the Article 194 of the Companies Act (request from odd-lot shareholder for sale of shares of less than one unit ("tangen")) and the conversion or exercise of securities that will or can be converted into the Company' common stock and stock acquisition rights (including stock acquisition rights attached to bonds) with the right to demand delivery of the Company' common stock), the exercise price will be adjusted using the following formula and any fraction of one yen resulting from the adjustment is rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Market price}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}$$

In the above formula, "Number of issued shares" is defined as the total number of shares of the Company' common stock less the number of shares of common stock held by the Company as treasury shares. In addition, in case that the Company disposes its treasury shares, "Number of newly issued shares" shall be replaced by "Number of treasury shares to be disposed."

Furthermore, in the event of a merger, etc., a gratis distribution of stock or any other event that requires an adjustment to the exercise price as shown above, the exercise price will be adjusted within a reasonable scope based on the terms of the merger, etc. or gratis stock distribution.

(4) Exercise period of stock acquisition rights

From July 1, 2018 to June 30, 2020

(5) Increases in capital stock and legal capital surplus resulting from stock issued upon exercise of stock acquisition rights

1) In the case that stock is issued due to the exercise of stock acquisition rights, the amount added to capital stock shall be half of the maximum increase in capital stock, etc. as prescribed in Company Calculation Rules Article 17, Paragraph 1 with any fraction of one yen resulting from the calculation is rounded up.

2) In the case that stock is issued due to the exercise of stock acquisition rights, the amount added to the legal capital surplus shall be the maximum increase in capital stock in item 1) above less the amount added to capital stock described in item 1) above.

(6) Conditions for exercise of stock acquisition rights

1) An individual who received stock acquisition rights (hereafter, a "rights holder(s)") must still be a director, auditor or employee of the Company or its subsidiary when exercising the rights. However, an individual who has retired at the end of his or her term or reached the mandatory retirement age, or who has obtained an approval from the Board of Directors, shall be able to exercise stock acquisition rights continuously.

2) Upon the death of rights holders, their heirs shall not be entitled to exercise their stock acquisition rights.

3) Other conditions for the exercise of the stock acquisition rights will be determined in the Stock Acquisition Rights Contract signed by the Company and right holders in accordance with resolutions approved at the Annual General Meeting of Shareholders and resolutions of the Board of Directors covering the granting of stock acquisition rights.

(7) Terms on acquisition of stock acquisition rights by the Company

1) The Company may acquire the stock acquisition rights at no cost in the event that a rights holder no longer fulfills the requirements for eligibility to exercise the rights as listed in item (6) above.

2) The Company may acquire the stock acquisition rights at no cost in the event that the shareholders approve a resolution for a merger in which the Company will be dissolved or that the shareholders approve a resolution for the exchange or transfer of stock in which the Company will become a wholly owned subsidiary of another company.

(8) Restriction on acquisition of stock acquisition rights through transfer

Acquisition of stock acquisition rights through transfer requires the approval of the Board of Directors.

(9) Handling of stock acquisition rights following a reorganization of the Company

If the contract, plan or other document that prescribes a reorganization of the Company stipulates that the company defined below shall distribute stock acquisition rights, the company defined below shall distribute stock acquisition rights in proportion to the applicable reorganization ratio.

1) Merger (only when the Company is dissolved)

The company that remains after the merger or the company that is established by the merger

2) Absorption or divestiture

The company that inherits all or part of the rights and obligations concerning the business activities of the company that is absorbed or divested.

3) Divestiture that creates a new company

The company established due to the divestiture

4) Exchange of stock

The company that receives all of the stock issued by the company that conducts the exchange of stock

5) Transfer of stock

The company established due to the transfer of stock

(10) Discarding fractions of shares resulting from exercise of stock acquisition rights

Any fraction of one share of stock that is to be delivered to a rights holder shall be discarded.

(11) Other items concerning the stock acquisition rights

Other items concerning the stock acquisition rights will be determined along with other offering items at the upcoming meeting of the Board of Directors concerning the offering of stock acquisition rights.

6. Others

Changes in directors

Changes in directors scheduled for June 28, 2016 are as follows.

1) Changes in representative

Not applicable.

2) Changes in other officers

1. Candidates for new directors
Director and Executive Officer: Hirokazu Kawanohara
Director and Executive Officer: Takeshi Shigeyama

2. Change in director
Managing Director and Executive Officer: Motoki Nishimura (current Director and Executive Officer)