



August 9, 2017

**Summary of Consolidated Financial Results for the First Quarter
of Fiscal Year Ending March 31, 2018
(Three Months Ended June 30, 2017)**

[Japanese GAAP]

Company name: EM SYSTEMS CO., LTD. Listing: Tokyo Stock Exchange, First Section
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 Scheduled date of filing of Quarterly Report: August 10, 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 First Quarter Ended June 30, 2017

(April 1, 2017 – June 30, 2017)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2017	3,113	2.9	574	10.9	741	11.0	497	12.6
Three months ended Jun. 30, 2016	3,025	9.3	517	192.3	668	117.0	441	23.4

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2017: 488 (up 12.2%)
 Three months ended Jun. 30, 2016: 435 (up 20.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	28.10	27.93
Three months ended Jun. 30, 2016	25.27	25.06

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2017	19,843	14,235	71.2	796.78
As of Mar. 31, 2017	21,348	14,063	65.4	790.96

Reference: Shareholders' equity (million yen) As of Jun. 30, 2017: 14,124 As of Mar. 31, 2017: 13,964

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	8.00	-	23.00	31.00
Fiscal year ending Mar. 31, 2018	-	-	-	-	-
Fiscal year ending Mar. 31, 2018 (forecast)	-	11.00	-	20.00	31.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	7,100	8.9	1,340	16.6	1,643	14.6	1,096	14.5	63.11
Full year	13,835	1.2	2,600	0.1	3,205	1.4	2,137	1.0	123.08

Note: Revisions to the most recently announced consolidated earnings forecasts: None

*** 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

Note: Please refer to "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements" on page 9 of the attachments for further information.

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2017:	18,128,500 shares	As of Mar. 31, 2017:	18,055,900 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2017:	400,977 shares	As of Mar. 31, 2017:	400,954 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2017:	17,700,590 shares	Three months ended Jun. 30, 2016:	17,468,813 shares
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* The current quarterly summary report is not subject to quarterly review procedures.

* 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.

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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 quarter of the fiscal year ending on March 31, 2018 and the performance of Japanese companies continued to improve. The main reason was improvements in corporate earnings and the employment situation due to economic and monetary policy initiatives of the Japanese government and the Bank of Japan. However, the outlook remains unclear due to negative consumer sentiment caused by concerns about the future and other reasons. Major changes are taking place in the operating environment for pharmacies in Japan, the primary market for the products of EM SYSTEMS (the “Company”). Pharmacies are facing challenges due to the saturation of Japan’s pharmacy market and the April 2016 revisions to drug dispensing fees and National Health Insurance (NHI) drug prices. Due to these events, a realignment is occurring due to activities aimed at business expansion that include mergers and acquisitions involving large pharmacy chains. This environment is making the business climate even more difficult for small and midsize pharmacy companies. Revisions to medical care payments planned for 2018 will make the operating environment even more challenging.

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 provide a link between healthcare (clinics and pharmacies) and nursing care data, the Company started the full-scale operation of the IT systems business for nursing care providers in 2016 and launched Hirogaru Care Net for linking healthcare and nursing care data systems in March 2017. The goal is to use a unified three-way network linking the systems that the Company provides to clinics, pharmacies and nursing care providers in order to create an environment for the seamless sharing of healthcare and nursing care information.

For the first quarter, the Company reported consolidated net sales of 3,113 million yen (up 2.9% year on year), operating profit of 574 million yen (up 10.9%), ordinary profit of 741 million yen (up 11.0%) and profit attributable to owners of parent of 497 million yen (up 12.6%).

Results by business segment were as follows.

IT Systems and Related Business for Pharmacies

In this segment, instructors and field service personnel were moved to sales positions, chiefly in the chain pharmacy sales organization. Increasing points of contact with current customers allows identifying their needs and strengthens the ability to supply services that meet customers’ expectations. In addition, this business sector is using sales agents and OEM supply agreements to continue to expand sales channels and focusing on increasing sales of the Receipty NEXT prescription system and the Bungyo-mate system for pharmacies.

Although the number of systems sold was below the fiscal year plan, there was steady growth in billing service sales due to the increasing number of users. Continuing growth in sales of supplies also contributed to this segment’s performance. Due to these activities, this segment continued to record consistent sales and earnings.

As a result, the segment recorded sales of 2,537 million yen (up 2.1% year on year) and operating profit of 568 million yen (up 1.9%).

IT Systems and Related Business for Clinics

There were activities to expand sales channels throughout Japan centered on the use of sales agents to increase interest in the Company’s products at clinics. This segment also conducted sales activities for the Ortia electronic patient record system. Sales of Ortia software separately from the hardware started in 2016 to sales agents. In addition, the Company continued to focus on increasing sales of the Medical Receipty NEXT (MRN) Clerk Style and UNI-MEDICAL medical accounting systems and the Medical Receipty NEXT (MRN) Karte Style electronic patient record system. On the Company’s website, measures to provide easier access are expected to increase

requests for product information. Easier access has also produced steady growth in the number of online product demonstration reservations and demonstrations performed. These demonstrations allow prospective customers to obtain information from almost anywhere and at any time.

These activities resulted in steady growth in sales channels. Furthermore, the realignment of sales resources to focus on key categories produced consistent growth in the number of MRN systems sold. There was also an increase in billing service sales along with the rising number of users.

As a result, the segment recorded sales of 372 million yen (up 14.0% year on year) and operating profit of 5 million yen (compared with operating loss of 51 million yen one year earlier).

Other Businesses

The medical and nursing care linkage business launched Hirogaru Care Net in March 2017, which is provided to clinics, pharmacies and nursing care providers. In October 2016, this business started shipments of Tsunagaru Care NEXT, an ASP nursing care provider support system. Work is proceeding on the development of more functions for this system in order to continue to increase sales.

On December 13, 2016, the Hiroshima office of the Japan Health Insurance Association selected the Company to establish an online insurance coverage qualification verification system used to help produce forms for health insurance claims at pharmacies. Work has also started on a system for use by clinics and this project is expected to start yielding benefits.

To contribute to progress in the healthcare industry, the Company will be actively engaged in research and development activities as well as demonstration projects for electronic prescriptions, electronic health records (EHR) and personal health records (PHR). 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, over 10,000 pharmacies in Japan are using this service. In addition, consolidated subsidiary Brick Pharmacy Co., Ltd. operates a pharmacy, and consolidated subsidiary LASANTE Co., Ltd. operates fitness clubs, a conference room rental business and a nursery school business.

The IT systems business for nursing care providers is not yet contributing to sales and earnings, in part because the full-scale launch of this business is behind schedule. However, the pharmacy business is performing well with sales and operating profit higher than one year earlier. In addition, although sales and earnings at LASANTE were down from one year earlier, operating profit was higher than planned. Sales in this segment were 241 million yen (down 1.5% year on year) and operating profit was 0 million yen (down 96.9%).

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

(2) Explanation of Financial Position

Assets

At the end of the first quarter of the current fiscal year, current assets were 9,700 million yen, a decrease of 1,521 million yen from the end of the previous fiscal year. This was mainly due to a 1,369 million yen decrease in cash and deposits mainly due to the payments of income taxes and year-end dividend and the early repayment of loans. Non-current assets increased 16 million yen to 10,140 million yen, mainly because of a 107 million yen increase in software in progress and a decrease due to depreciation.

As a result, total assets decreased 1,504 million yen to 19,843 million yen.

Liabilities

Current liabilities decreased 976 million yen to 3,273 million yen. The main factors were decreases of 308 million yen in notes and accounts payable-trade, 300 million yen in short-term loans payable, 305 million yen in income taxes payable and 199 million yen in provision for bonuses. Deposits payable increased mainly because of income tax withheld from year-end dividend payments and summer employee bonuses. Non-current liabilities decreased 699 million yen to 2,334 million yen, mainly due to a 747 million yen decrease in long-term loans payable.

As a result, total liabilities decreased 1,676 million yen to 5,607 million yen.

Net assets

Net assets increased 171 million yen to 14,235 million yen mainly because of increases of 100 million yen in retained earnings and 31 million yen each in capital stock and capital surplus resulting from the exercise of stock options.

Consequently, the equity ratio was 71.2% compared with 65.4% at the end of the previous fiscal year.

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

The Company currently maintains the first-half and full-year consolidated earnings forecasts that we disclosed in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP]” on May 9, 2017.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	7,901	6,532
Notes and accounts receivable-trade	2,582	2,065
Merchandise and finished goods	159	190
Raw materials and supplies	0	0
Other	581	923
Allowance for doubtful accounts	(3)	(10)
Total current assets	11,221	9,700
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	827	815
Land	632	632
Leased assets, net	57	101
Rental assets, net	21	18
Other, net	124	114
Total property, plant and equipment	1,663	1,682
Intangible assets		
Software	259	230
Software in progress	39	146
Goodwill	311	297
Other	5	5
Total intangible assets	616	679
Investments and other assets		
Investment securities	35	23
Real estate for investment, net	7,215	7,166
Net defined benefit asset	107	104
Other	486	485
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	7,844	7,778
Total non-current assets	10,124	10,140
Deferred assets	1	1
Total assets	21,348	19,843

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,030	722
Short-term loans payable	300	-
Current portion of long-term loans payable	526	587
Accounts payable-other	434	367
Lease obligations	45	52
Income taxes payable	545	239
Provision for bonuses	394	194
Provision for point card certificates	2	3
Other	971	1,105
Total current liabilities	4,250	3,273
Non-current liabilities		
Long-term loans payable	1,255	508
Lease obligations	31	59
Net defined benefit liability	875	889
Provision for product warranties	177	173
Long-term guarantee deposited	695	702
Total non-current liabilities	3,034	2,334
Total liabilities	7,284	5,607
Net assets		
Shareholders' equity		
Capital stock	2,394	2,425
Capital surplus	2,702	2,734
Retained earnings	9,140	9,240
Treasury shares	(223)	(223)
Total shareholders' equity	14,013	14,177
Accumulated other comprehensive income		
Foreign currency translation adjustment	36	33
Remeasurements of defined benefit plans	(85)	(86)
Total accumulated other comprehensive income	(48)	(52)
Subscription rights to shares	99	110
Total net assets	14,063	14,235
Total liabilities and net assets	21,348	19,843

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

(Millions of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	3,025	3,113
Cost of sales	1,296	1,327
Gross profit	1,729	1,786
Selling, general and administrative expenses	1,211	1,212
Operating profit	517	574
Non-operating income		
Interest income	0	0
Rent income of real estate	244	249
Reversal of provision for product warranties	5	-
Other	0	12
Total non-operating income	250	261
Non-operating expenses		
Interest expenses	4	2
Rent expenses on real estates	89	90
Other	5	1
Total non-operating expenses	100	93
Ordinary profit	668	741
Extraordinary income		
Gain on sales of non-current assets	0	-
Total extraordinary income	0	-
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on cancellation of leases	-	8
Total extraordinary losses	0	8
Profit before income taxes	668	733
Income taxes	226	236
Profit	441	497
Profit attributable to owners of parent	441	497

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

	(Millions of yen)	
	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Profit	441	497
Other comprehensive income		
Foreign currency translation adjustment	(10)	(7)
Remeasurements of defined benefit plans, net of tax	4	(0)
Total other comprehensive income	(5)	(8)
Comprehensive income	435	488
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	435	488
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.

Changes in Significant Subsidiaries during the Period

Not applicable.

While it is not subject to the disclosure requirement regarding changes in specified subsidiaries, the Company newly included EM SOFTWARE SYSTEMS DEVELOPMENT (SHANGHAI) Co.,Ltd., which was a non-consolidated subsidiary, in the scope of consolidation due to an increase in its monetary materiality in the first quarter of the current fiscal year.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

The tax expense was calculated by first 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.

Subsequent Events

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.