



November 10, 2017

**Summary of Consolidated Financial Results for the Second Quarter
of Fiscal Year Ending March 31, 2018
(Six Months Ended September 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: November 13, 2017
 Scheduled date of payment of dividend: December 4, 2017
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for securities analysts)

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

**1. Consolidated Financial Results for the Second Quarter Ended September 30, 2017
(April 1, 2017 – September 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	%
Six months ended Sep. 30, 2017	6,873	5.4	1,509	31.4	1,825	27.3	1,214	26.8
Six months ended Sep. 30, 2016	6,522	4.4	1,148	67.7	1,434	52.6	957	18.8

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2017: 1,215 (up 29.3%)
 Six months ended Sep. 30, 2016: 939 (up 15.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	68.47	68.14
Six months ended Sep. 30, 2016	54.72	54.24

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2017	20,945	15,012	71.1	837.87
As of Mar. 31, 2017	21,348	14,063	65.4	790.96

Reference: Shareholders' equity (million yen) As of Sep. 30, 2017: 14,891 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	-	13.00	-	-	-
Fiscal year ending Mar. 31, 2018 (forecast)	-	-	-	20.00	33.00

Note: Revisions to the most recently announced dividend forecast: Yes

Regarding revisions to the dividend forecast, please refer to the press release "Announcement for dividends from surplus (interim dividend)" (Japanese version only) that was announced today (November 10, 2017).

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
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 Sep. 30, 2017:	18,173,700 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 Sep. 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

Six months ended Sep. 30, 2017:	17,736,489 shares	Six months ended Sep. 30, 2016:	17,494,146 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 half of the fiscal year ending on March 31, 2018. The main reason was improvements in corporate earnings and jobs due to economic and monetary policy initiatives by the Japanese government and the Bank of Japan. This recovery is now the second longest in the postwar era. Furthermore, consumer sentiment is strong. All these factors point to a continuation of the slow recovery of the Japanese economy.

Japan's pharmacy sector, the primary market for the products of EM SYSTEMS (the "Company"), is undergoing a realignment as M&A activity at major chains and other activities create larger companies. At the same time, the environment for small and midsize pharmacy companies is becoming increasingly difficult. To succeed, pharmacies must provide customers with added value. Revisions to medical care and nursing care payments that are to be enacted in 2018 are likely to create more challenges for pharmacies. Realignments of the medical care and nursing care sectors are expected to accelerate as a result. Furthermore, the Japanese government plans to take many actions to increase the use of ICT in the healthcare sector. Consequently, the need for information links and sharing among nursing care and other categories of healthcare is expected to become even greater.

Japan's population is aging rapidly. There is much talk about the so-called "2025 problem." In 2025, all of the approximately 8 million baby boom generation people in Japan will have reached advanced old age. This is expected to create serious problems like skyrocketing public-sector insurance payments for medical and nursing care and shortages of nursing care workers. To provide a link between healthcare (clinics and pharmacies) and nursing care data, the Company started the full-scale operation of an IT systems business for nursing care providers in 2016. Next was the March 2017 launch of the Hirogaru Care Net, which links healthcare and nursing care data systems. In August 2017, sales of Tsunagaru Care NEXT started to meet the needs of companies in the at-home nursing care sector. 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 half, the Company reported consolidated net sales of 6,873 million yen (up 5.4% year on year), operating profit of 1,509 million yen (up 31.4%), ordinary profit of 1,825 million yen (up 27.3%) and profit attributable to owners of parent of 1,214 million yen (up 26.8%).

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 Recepty NEXT prescription system and the Bungyo-mate system for pharmacies.

Although the number of systems sold was below the first half plan, there was steady growth in billing service sales due to the increasing number of users. Continuing growth in sales of supplies and maintenance services also contributed to this segment's performance. In addition, the OEM business is growing steadily. Due to these activities, this segment continued to record consistent sales and earnings.

As a result, the segment recorded sales of 5,623 million yen (up 4.9% year on year) and operating profit of 1,420 million yen (up 14.1%).

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. In addition, the Company increased referrals from existing clients and from websites specializing in medical services, and 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 and Ortia. Also, increasing the number of visitors to the Company website is producing growth in the number of requests for product information and 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 were also a steady increase in billing service sales along with the rising number of users and growth in sales of supplies.

As a result, the segment recorded sales of 851 million yen (up 17.4% year on year) and operating profit of 76 million yen (compared with operating loss of 76 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. The initial contract for this project has been extended and the Company is continuing to provide these services.

To contribute to progress in the healthcare industry, the Company will be participating 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.

In August, the IT systems business for nursing care providers started selling Tsunagaru Care NEXT, which has functions required by providers of services for at-home nursing care. Sales of this new product have been increasing slowly.

The pharmacy business is performing well with sales and operating profit higher than planned. In addition, operating profit was higher than one year earlier.

Sales and earnings in the business operated by LASANTE were down from one year earlier.

Sales in this segment were 481 million yen (down 1.6% year on year) and operating profit was 3 million yen (compared with operating loss of 9 million yen one year earlier).

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 second quarter of the current fiscal year, current assets were 10,902 million yen, a decrease of 319 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 resulting primarily from payments of income taxes, the year-end dividend and the early repayment of loans in the first quarter. The collection of receivables contributed to an increase in current assets. Non-current assets decreased 81 million yen to 10,042 million yen, mainly because of a 164 million yen increase in software in progress and a decrease due to depreciation.

As a result, total assets decreased 402 million yen to 20,945 million yen.

Liabilities

Current liabilities decreased 539 million yen to 3,710 million yen. The main factors were decreases of 255 million yen in notes and accounts payable-trade and 300 million yen in short-term loans payable. Non-current liabilities decreased 811 million yen to 2,222 million yen, mainly due to an 894 million yen decrease in long-term loans payable.

As a result, total liabilities decreased 1,351 million yen to 5,933 million yen.

Net assets

Net assets increased 949 million yen to 15,012 million yen mainly because of increases of 820 million yen in retained earnings and 51 million yen each in capital stock and capital surplus resulting from the exercise of stock options.

Consequently, the equity ratio was 71.1% compared with 65.4% at the end of the previous fiscal year.

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

There are no revisions at this time to the full-year consolidated earnings forecast that was announced on May 9, 2017 in the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 [Japanese GAAP]” because of uncertainty about the performance after the first nine months of the current fiscal year of dispensing pharmacies, which are the primary market for products of the Company. An announcement will be made promptly if the Company decides that the forecast needs to be revised.

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

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	7,901	7,246
Notes and accounts receivable-trade	2,582	2,579
Merchandise and finished goods	159	163
Raw materials and supplies	0	0
Other	581	933
Allowance for doubtful accounts	(3)	(20)
Total current assets	11,221	10,902
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	827	803
Land	632	612
Leased assets, net	57	85
Rental assets, net	21	17
Other, net	124	100
Total property, plant and equipment	1,663	1,619
Intangible assets		
Software	259	201
Software in progress	39	204
Goodwill	311	282
Other	5	5
Total intangible assets	616	693
Investments and other assets		
Investment securities	35	23
Real estate for investment, net	7,215	7,116
Net defined benefit asset	107	110
Other	486	487
Allowance for doubtful accounts	(0)	(8)
Total investments and other assets	7,844	7,729
Total non-current assets	10,124	10,042
Deferred assets	1	0
Total assets	21,348	20,945

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,030	774
Short-term loans payable	300	-
Current portion of long-term loans payable	526	587
Accounts payable-other	434	336
Lease obligations	45	46
Income taxes payable	545	615
Provision for bonuses	394	384
Provision for point card certificates	2	3
Other	971	962
Total current liabilities	4,250	3,710
Non-current liabilities		
Long-term loans payable	1,255	361
Lease obligations	31	50
Net defined benefit liability	875	906
Provision for product warranties	177	191
Long-term guarantee deposited	695	713
Total non-current liabilities	3,034	2,222
Total liabilities	7,284	5,933
Net assets		
Shareholders' equity		
Capital stock	2,394	2,445
Capital surplus	2,702	2,753
Retained earnings	9,140	9,960
Treasury shares	(223)	(223)
Total shareholders' equity	14,013	14,937
Accumulated other comprehensive income		
Foreign currency translation adjustment	36	35
Remeasurements of defined benefit plans	(85)	(81)
Total accumulated other comprehensive income	(48)	(45)
Subscription rights to shares	99	121
Total net assets	14,063	15,012
Total liabilities and net assets	21,348	20,945

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

	(Millions of yen)	
	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	6,522	6,873
Cost of sales	2,827	2,956
Gross profit	3,695	3,917
Selling, general and administrative expenses	2,546	2,408
Operating profit	1,148	1,509
Non-operating income		
Interest income	0	0
Rent income of real estate	482	498
Other	4	13
Total non-operating income	487	512
Non-operating expenses		
Interest expenses	9	3
Rent expenses on real estates	180	188
Other	12	4
Total non-operating expenses	202	196
Ordinary profit	1,434	1,825
Extraordinary income		
Gain on sales of non-current assets	0	-
Gain on reversal of subscription rights to shares	-	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	2	0
Impairment loss	-	20
Expenses for advanced repayment of loans	-	8
Loss on cancellation of leases	0	-
Total extraordinary losses	2	29
Profit before income taxes	1,431	1,796
Income taxes	474	581
Profit	957	1,214
Profit attributable to owners of parent	957	1,214

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

(Millions of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Profit	957	1,214
Other comprehensive income		
Valuation difference on available-for-sale securities	-	-
Foreign currency translation adjustment	(30)	(3)
Remeasurements of defined benefit plans, net of tax	13	3
Total other comprehensive income	(17)	0
Comprehensive income	939	1,215
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	939	1,215
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.

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.

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.