# New Medium-Term Management Plan
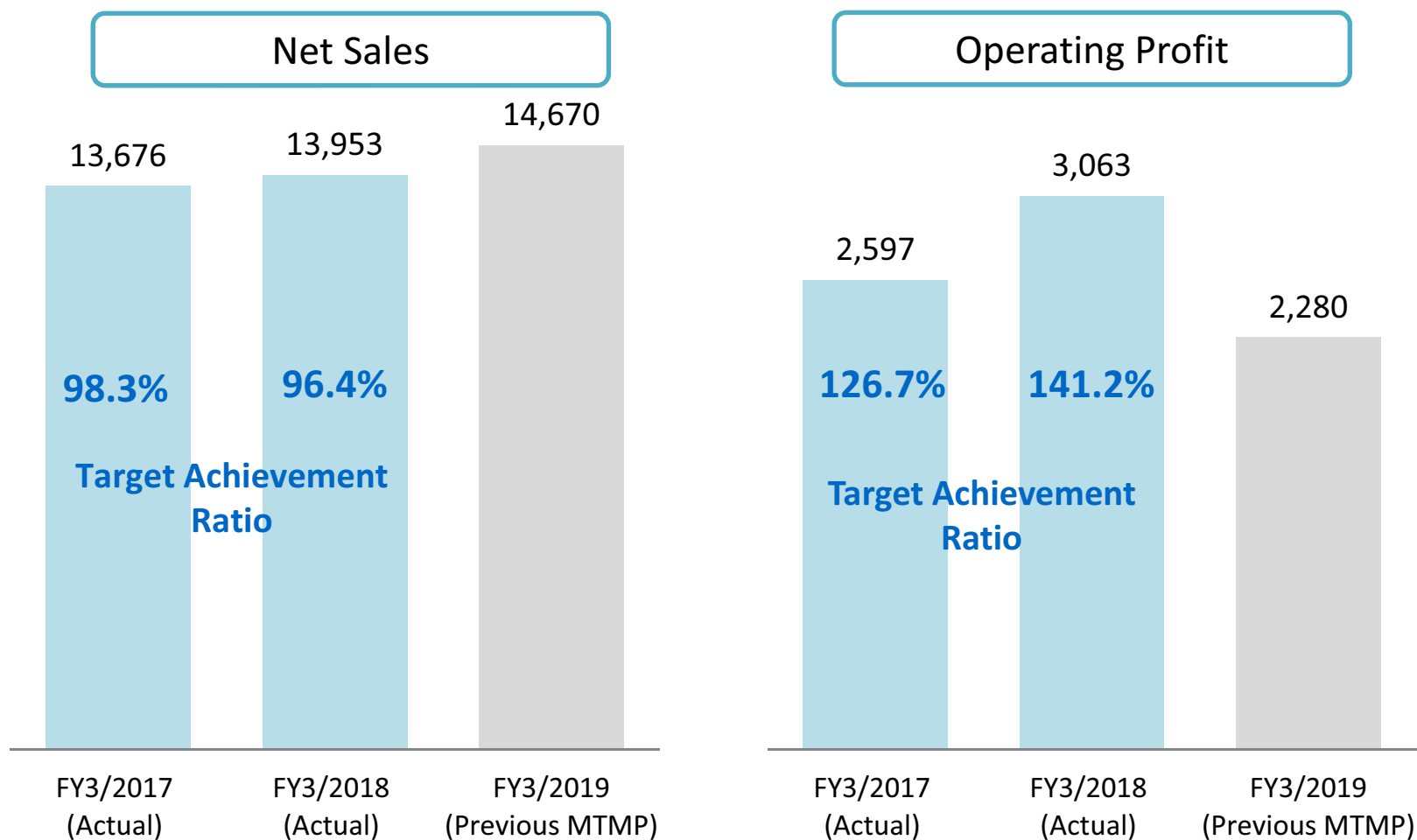## May 2018

**EM SYSTEMS CO., LTD.**
(TSE 1st Section: 4820)

# Contents

# Previous Medium-Term Management Plan and Achievements - 1

## Net Sales

| | | |
|---|---|---|
| 13,676 | 13,953 | 14,670 |

**98.3%** **96.4%**

**Target Achievement Ratio**

| FY3/2017 (Actual) | FY3/2018 (Actual) | FY3/2019 (Previous MTMP) |
|---|---|---|

## Operating Profit

| | | |
|---|---|---|
| 2,597 | 3,063 | 2,280 |

**126.7%** **141.2%**

**Target Achievement Ratio**

| FY3/2017 (Actual) | FY3/2018 (Actual) | FY3/2019 (Previous MTMP) |
|---|---|---|

In terms of profit, we achieved Year 3 target in Year 1.

# Previous Medium-Term Management Plan and Achievements - 2

## ■ Key Points

1. Strengthened our solution offerings, expanded distribution channels, and realized data linkage in the prescription, medical care and nursing care sectors.

2. Explored and expanded new businesses as well as enhanced visibility of management.

3. Achieved further cost reduction by promoting business process reengineering (BPR) within the Group.

4. Smaller-than-expected impact from April 2018 revisions to medical and nursing care national health insurance payments on our operating results

| (Millions of yen) | FY3/2017 | | FY3/2018 | | FY3/2019 |
| --- | --- | --- | --- | --- | --- |
| | (Previous MTMP) | (Actual) | (Previous MTMP) | (Actual) | (Previous MTMP) |
| Net sales | 13,900 | 13,676 | 14,470 | 13,953 | 14,670 |
| Operating profit | 2,050 | 2,597 | 2,170 | 3,063 | 2,280 |
| Ordinary profit | 2,550 | 3,163 | 2,720 | 3,618 | 2,830 |
| Net Profit | 1,680 | 2,116 | 1,820 | 2,369 | 1,890 |

# Our Vision

## Management Philosophy

Appreciation, Inspiration and Empathy

We are committed to continue:
- Contributing to the health of people and the earth.
- Earning the trust of our customers and providing inspiration.
- Taking on a challenge to build a cheerful, spirited and warm company.
- Securing adequate profits and maintaining sound management.
- Growing ourselves by acknowledging each other with "Thank you" as a watchword.

## Corporate Policy

Updated on January 23, 2018

We will become an indispensable company in the world that contributes to improving citizen's health with the use of advanced technology.
We aim to be a company that can make people happy through work.

# Industry Environment and Future Initiatives

## Industry Environment

- 2025 Problem and super-aged society

- Extending (enhancing) healthy life span of Japanese people

- Utilizing and leveraging IT

- Providing regional support for staying healthy

- Personal care physicians and pharmacists

## Our Initiatives

- Link regional healthcare and nursing care data

- Support improvement in healthcare standards by leveraging AI and big data

- Respond to the needs for electronic prescriptions

- Provide support functions for pharmacies which are a source of support for staying healthy

- Simplify and automate system operation, and dramatically reduce system costs

# Our Basic Strategies

By March 2023 we aim to …

- Provide medical and nursing care data linkage

- Provide high-value added products through advanced technology

- Simplify and automate operations and dramatically reduce system costs

Increased number of customers

|  | Number of Customers | Market Share |
|---|---|---|
| **Medical Clinic Software** | 2,548 | 3% |
|  | 10,000 | 10% |
| **Pharmacy Software** | 15,879 | 32% |
|  | 25,000 | 50% |
| **Nursing Care Software** | 1,314 | 0.7% |
|  | 10,000 | 5% |

# Medium-Term Strategies

Differentiate products and services

Expand distribution channels (through support dealers/OEMs)

Energize human resources

Promote data linkage with other companies' products

Actively pursue M&A opportunities

# Transition of Our Business Model

Developing and providing next-generation systems. Putting a next-generation growth model in place by 2022

**Next-generation business model**

Full subscription model
Fully cloud-based services

Full subscription business
Fully cloud-based services: solutions to support healthcare and nursing care data linkage

**Present business model**

Partial subscription model

Initial cost ＋ subscription fee

**Business model at start-up**

Product sales model

**2008**　　　　　　　　**2018**　　　　　　　　**2022**

# Next-Generation Business Model

■ Changing transaction format

**FROM**

Customers ⟷ **Negotiation** ⟷ Sales

Adopt new formats on demand of customers

Shift from sales to marketing

**TO**

EC sites ⟵ **Request for quote/ Place orders** ⟵ Customers/ Market ⟵ Create demand ⟵ Sales

Provide self-service options to customers
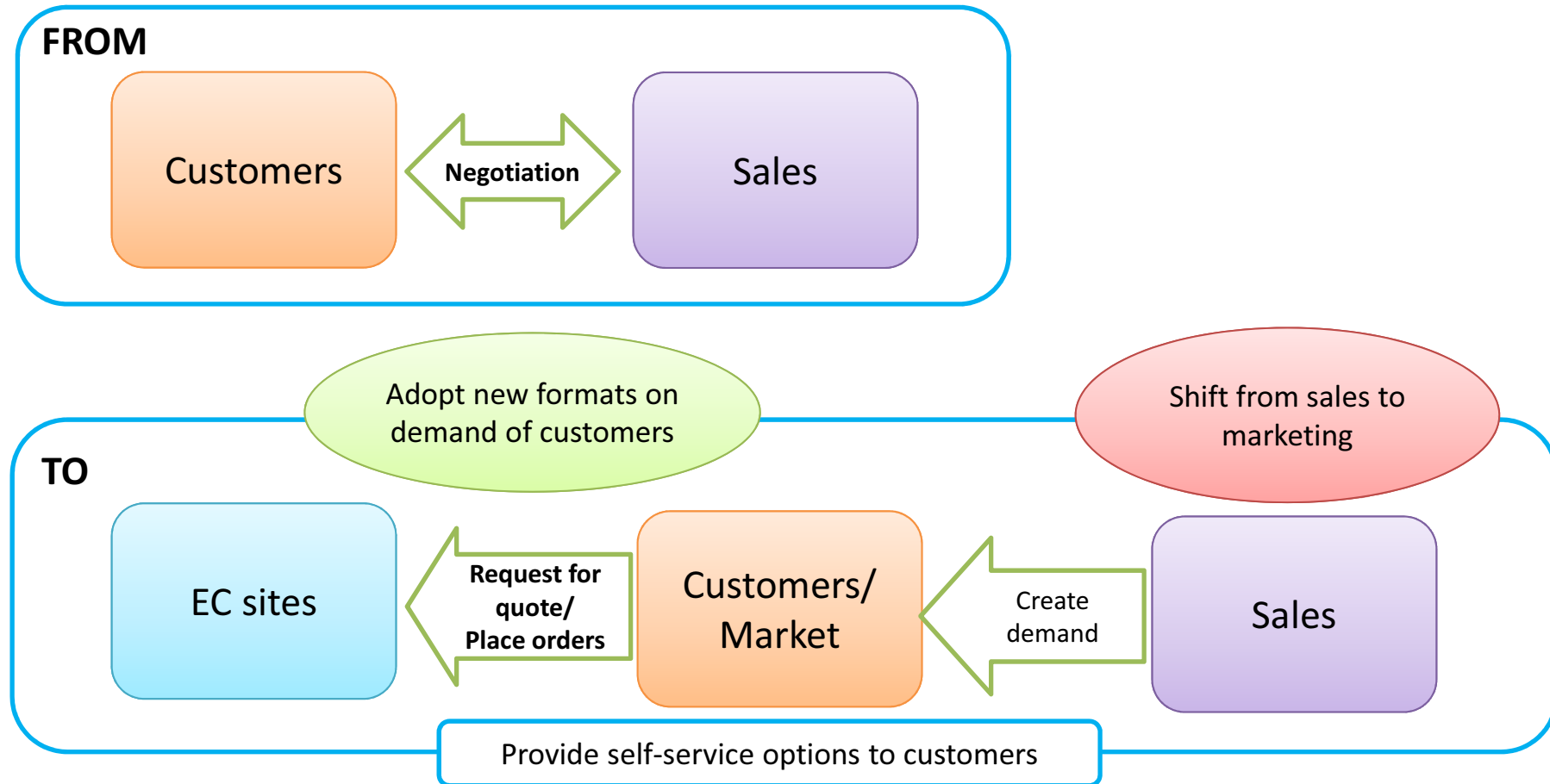
# New Medium-Term Management Plan / Trends in the Number of Customers

Partial subscription model — Full subscription model

Number of customers in Medical Care sector
Number of customers in Prescription sector
Number of customers in Nursing Care sector

25,000
20,000
15,000
10,000
5,000
0

FY3/12 FY3/13 FY3/14 FY3/15 FY3/16 FY3/17 FY3/18 FY3/19 FY3/20 FY3/21 FY3/22 FY3/23
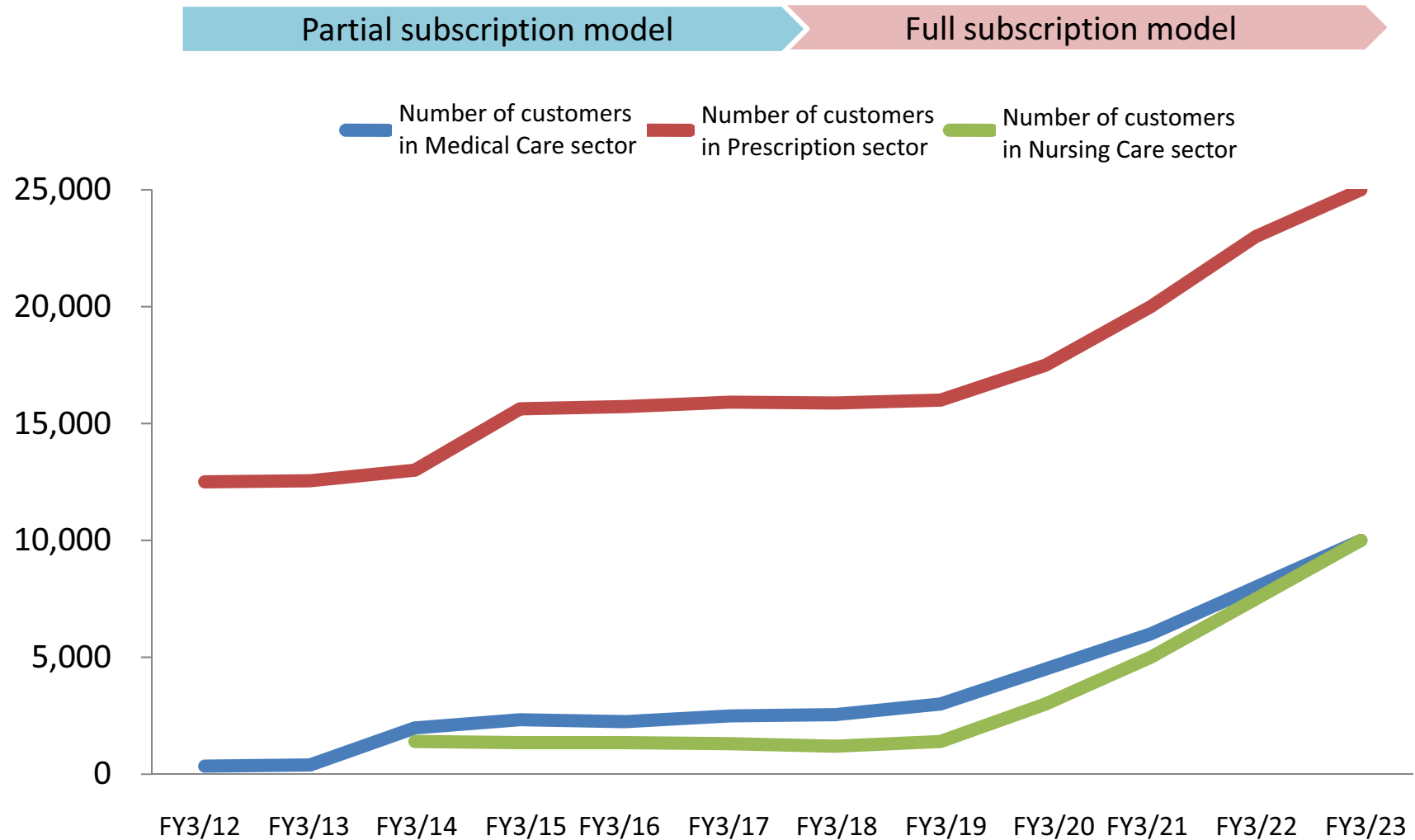
The figures for FY3/19 and thereafter are projections.

# New Medium-Term Management Plan / Net Sales, Operating Profit and Operating Margin

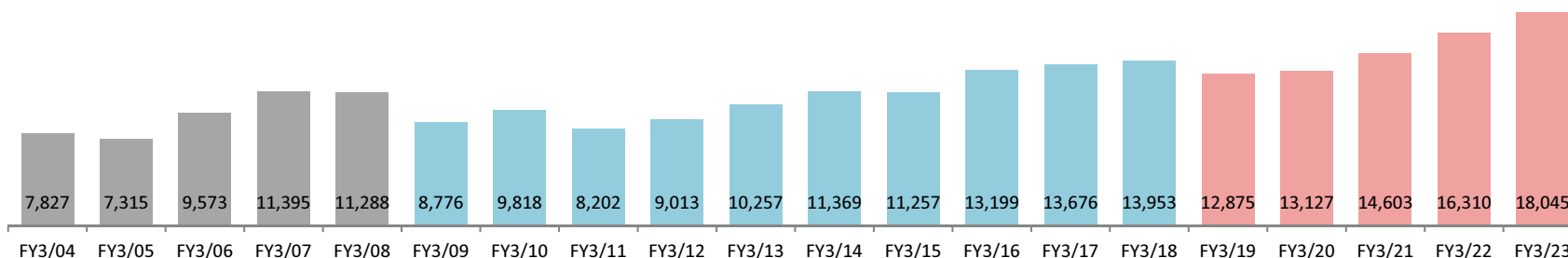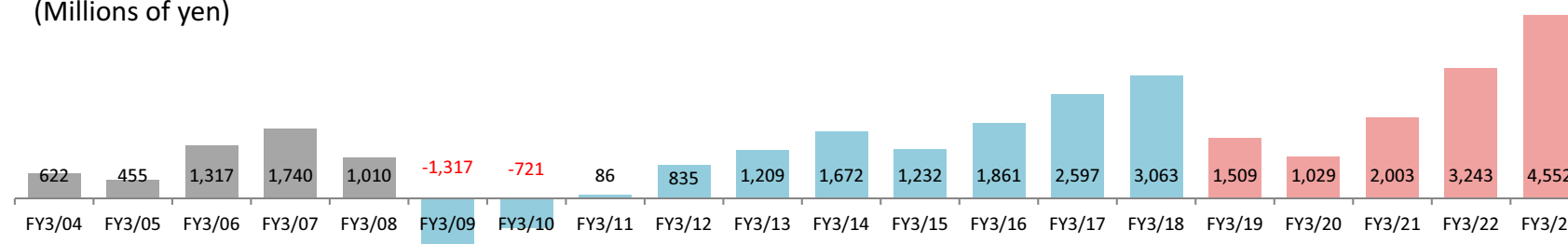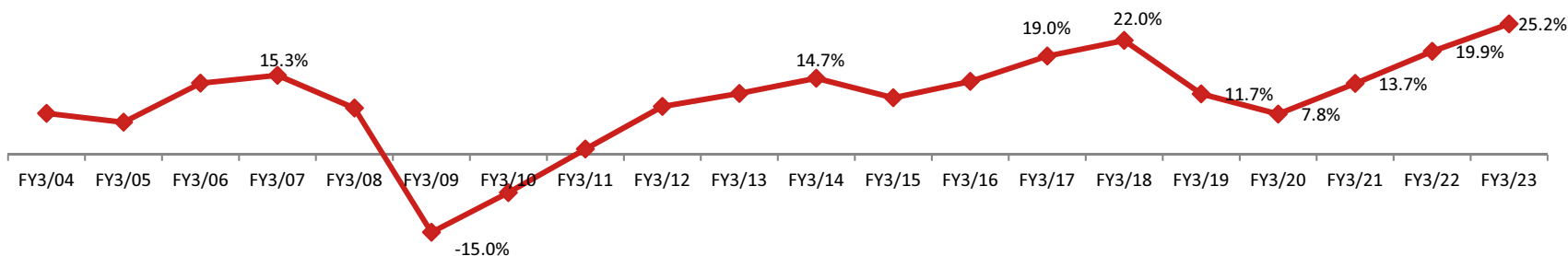| Product Sales Model | Partial Subscription Model | Full Subscription Model |

The figures for FY3/19 and thereafter are projections.

**Net sales** (Millions of yen)

| FY3/04 | FY3/05 | FY3/06 | FY3/07 | FY3/08 | FY3/09 | FY3/10 | FY3/11 | FY3/12 | FY3/13 | FY3/14 | FY3/15 | FY3/16 | FY3/17 | FY3/18 | FY3/19 | FY3/20 | FY3/21 | FY3/22 | FY3/23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 7,827 | 7,315 | 9,573 | 11,395 | 11,288 | 8,776 | 9,818 | 8,202 | 9,013 | 10,257 | 11,369 | 11,257 | 13,199 | 13,676 | 13,953 | 12,875 | 13,127 | 14,603 | 16,310 | 18,045 |

**Operating profit** (Millions of yen)

| FY3/04 | FY3/05 | FY3/06 | FY3/07 | FY3/08 | FY3/09 | FY3/10 | FY3/11 | FY3/12 | FY3/13 | FY3/14 | FY3/15 | FY3/16 | FY3/17 | FY3/18 | FY3/19 | FY3/20 | FY3/21 | FY3/22 | FY3/23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 622 | 455 | 1,317 | 1,740 | 1,010 | -1,317 | -721 | 86 | 835 | 1,209 | 1,672 | 1,232 | 1,861 | 2,597 | 3,063 | 1,509 | 1,029 | 2,003 | 3,243 | 4,552 |

**Operating margin**

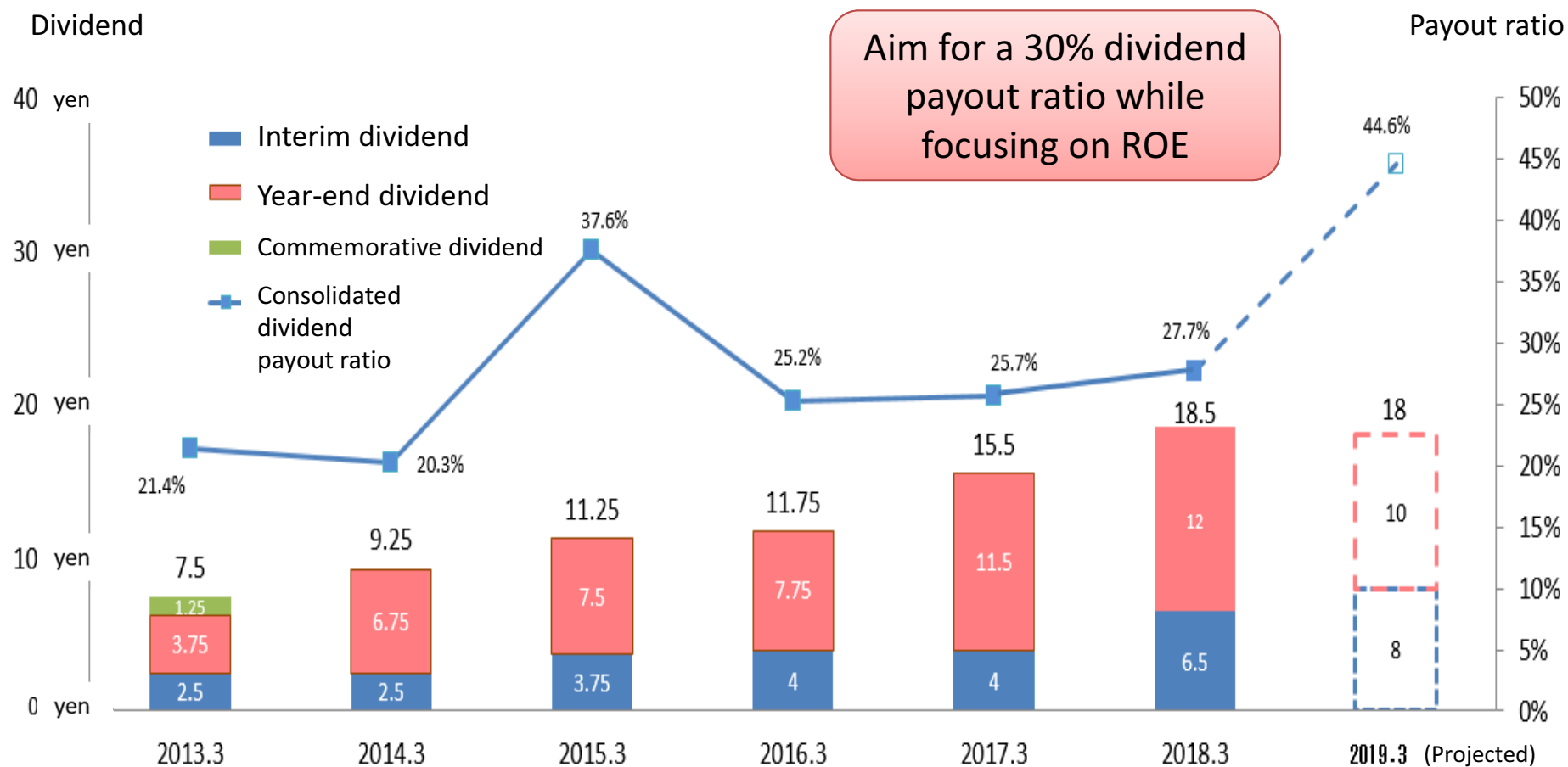| FY3/04 | FY3/05 | FY3/06 | FY3/07 | FY3/08 | FY3/09 | FY3/10 | FY3/11 | FY3/12 | FY3/13 | FY3/14 | FY3/15 | FY3/16 | FY3/17 | FY3/18 | FY3/19 | FY3/20 | FY3/21 | FY3/22 | FY3/23 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 15.3% | | -15.0% | | | | | 14.7% | | | 19.0% | 22.0% | 11.7% | 7.8% | 13.7% | 19.9% | 25.2% |

# New Medium-Term Management Plan / 5-Year Plan

| (Millions of Yen) | FYE March 2019 (New MTMP) | FYE March 2020 (New MTMP) | FYE March 2021 (New MTMP) | FYE March 2022 (New MTMP) | FYE March 2023 (New MTMP) |
|---|---|---|---|---|---|
| **Net sales** | 12,875 | 13,127 | 14,603 | 16,310 | 18,045 |
| **Operating profit** | 1,509 | 1,029 | 2,003 | 3,243 | 4,552 |
| **Ordinary profit** | 2,138 | 1,637 | 2,598 | 3,808 | 5,122 |
| **Net Income** | 1,432 | 1,100 | 1,729 | 2,586 | 3,500 |

Target numbers of customers in FYE March 2023:
Medical Clinic 10,000 / Pharmacy 25,000 / Nursing Care 10,000

# Shareholder Returns



Dividend

Payout ratio

Aim for a 30% dividend payout ratio while focusing on ROE

Legend:
- Interim dividend
- Year-end dividend
- Commemorative dividend
- Consolidated dividend payout ratio

| | 2013.3 | 2014.3 | 2015.3 | 2016.3 | 2017.3 | 2018.3 | 2019.3 (Projected) |
|---|---|---|---|---|---|---|---|
| Total | 7.5 | 9.25 | 11.25 | 11.75 | 15.5 | 18.5 | 18 |
| Year-end | 3.75 | 6.75 | 7.5 | 7.75 | 11.5 | 12 | 10 |
| Interim | 2.5 | 2.5 | 3.75 | 4 | 4 | 6.5 | 8 |
| Commemorative | 1.25 | | | | | | |
| Payout ratio | 21.4% | 20.3% | 37.6% | 25.2% | 25.7% | 27.7% | 44.6% |

*   The company conducted 2-for-1 splits of common stock on April 1, 2016 and March 1, 2018.

    The above-mentioned figures have been calculated assuming both stock splits had been conducted at the beginning of FYE March 2013.

# What we are aiming to achieve with the next-generation system

| Next-Generation System | | |
|---|---|---|
| Easy purchase | <u>Selecting</u> configurations and options <u>from a screen menu allows users to make estimates and configurations.</u> | |
| Easy installation | <u>Setting from the screen</u> with tutorial functions <u>allows users to install and setup the system.</u> | |
| Easy learning | <u>The system operability is unified</u> by task and by function, allowing users to learn how to use the system simply by operating along with it. | ➢ **Reducing cost** |
| Easy maintenance | Standardizing programs and DB structures based on <u>module and class</u> makes <u>maintenance easier.</u> | ➢ **Provide self-service options to customers** |
| Easy operation | <u>Ingenious user interface and various input methods</u> including tablets, images and cameras as well as output systems such as maps, graphs and sounds | |
| Smart | <u>Check & Recommend Function utilizing AI function</u> facilitates operations and improves quality. | |
| Cost-effective | All in One.<br>Users can perform all tasks with a single device and enjoy <u>platform-free access to services utilizing the cloud technology.</u> | |

| Providing a common engine to other companies<br>(Functions commonly required for health and nursing care industry) | | |
|---|---|---|
| Cost-effective | Contributing to <u>the cost reduction for the entire industry.</u> | ➢ **Reducing cost** |
| Easy installation | Passing parameters using <u>the interface predefined by the 3rd party</u> allows for obtaining calculation results. | ➢ **Improving quality** |
| Easy maintenance | <u>Maintenance upon system update & upgrade becomes easier</u> by separating computation logic from user program. | |
| Easy maintenance | <u>Computation logic described according to the business rule</u> enables even non-developers to perform maintenance work. | |