



August 9, 2016

**Summary of Consolidated Financial Results for the First Quarter
of Fiscal Year Ending March 31, 2017
(Three Months Ended June 30, 2016)**

[Japanese GAAP]

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Listing: Tokyo Stock Exchange, First Section
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Scheduled date of filing of Quarterly Report: August 10, 2016
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, 2016 (April 1, 2016 – June 30, 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	%
Three months ended Jun. 30, 2016	3,025	9.3	517	192.3	668	117.0	441	23.4
Three months ended Jun. 30, 2015	2,768	13.5	177	-	307	94.1	357	271.4

Note: Comprehensive income (million yen):
Three months ended Jun. 30, 2016: 435 (up 20.8%)
Three months ended Jun. 30, 2015: 360 (up 297.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2016	25.27	25.06
Three months ended Jun. 30, 2015	20.62	20.44

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 Jun. 30, 2016	19,457	12,365	63.2	703.46
As of Mar. 31, 2016	20,310	12,172	59.6	693.68

Reference: Shareholders' equity (million yen) As of Jun. 30, 2016: 12,301 As of Mar. 31, 2016: 12,107

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

2. Dividends

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

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

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
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

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

2. The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net income per share 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) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

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

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

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

3) Changes in accounting-based estimates: None

4) Restatements: None

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

(4) Number of outstanding shares (common stock)

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

As of Jun. 30, 2016:	17,888,300 shares	As of Mar. 31, 2016:	17,855,700 shares
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2) Number of treasury shares at the end of period

As of Jun. 30, 2016:	400,954 shares	As of Mar. 31, 2016:	400,954 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2016:	17,468,813 shares	Three months ended Jun. 30, 2015:	17,344,546 shares
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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.

* Information regarding the implementation of quarterly review procedures

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

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

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

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy continued to recover slowly in the first quarter of the fiscal year that ending on March 31, 2017 as corporate earnings improved backed by economic and monetary policy initiatives of the Japanese government and the Bank of Japan. However, the economic outlook is still unclear due to the effect of the volatile stock and foreign exchange markets. In April, drug dispensing fees and the National Health Insurance (NHI) drug prices were revised. The operating environment for dispensing pharmacies in Japan, the primary market for products of EM SYSTEMS (hereafter, the “Company”), major dispensing pharmacy chains are expanding through M&As, and capital and business tie-ups. But the level of progress in operational reforms required by the government at individual pharmacies has led to differences in their profitability.

In response to changing market conditions, the Company realigned sales organization by switching to a business unit structure. One significant source of change is Japan’s aging population. This is symbolized by the so-called 2025 problem, which is about when the cost of senior healthcare is expected to start to skyrocket. To achieve closer ties between healthcare (hospitals, clinics and dispensing pharmacies) and senior nursing care, the Health Care-Nursing Care Cooperation Business Division started full-scale operations for the development and sales of systems for nursing care operators. The Company is dedicated to making even greater use of solutions incorporating IT in order to supply even more and better support for upgrading healthcare services.

For the first quarter, the Company reported consolidated net sales of 3,025 million yen (up 9.3% year on year), operating income of 517 million yen (up 192.3%), ordinary income of 668 million yen (up 117.0%) and profit attributable to owners of parent of 441 million yen (up 23.4%).

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

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

Prescription Systems and Related Operations Business

The operations of this segment were reorganized in response to the new fee structure introduced following the revision of dispensing fees in April. The Sales and Service Business Division responsible for marketing was strengthened to increase sales of the Recepty NEXT, a prescription system for pharmacies, by stepping-up approaches to dispensing pharmacy chains, sales agents and expanding sales channels for OEM supplies.

Segment sales and operating income were favorable as we were able to secure orders from first-time users and pharmacies currently using systems of other companies and also win more orders for hardware replacement (PCs, etc.). Consolidated subsidiary COSMOSYSTEMS Co., Ltd. also contributed to higher sales and operating income. Billing service sales increased along with rising user numbers and sales of supplies remained strong.

As a result, the segment recorded sales of 2,484 million yen (up 12.5% year on year) and operating income of 557 million yen (up 125.7%).

Medical Systems and Related Operations Business

In this segment, we developed “Ortia,” an electronic patient record system software, reinforced our sales organization for improving sales and service, stepped up sales through the sales agency channel while increasing referrals from existing clients and through websites specializing in medical services. Simultaneously, we focused on expanding sales of medical accounting systems Medical Recepty NEXT (MRN) Clerk Style and UNI-MEDICAL, and electronic patient record systems Medical Recepty NEXT Karte Style and UNI-KARTE.

Billing service sales rose along with the increase in number of users and sales of supplies also remained strong. However, we were unable to win adequate level of orders for systems sold to first-time users and for replacements from pharmacies currently using systems of other companies.

As a result, the segment recorded sales of 326 million yen (down 10.6% year on year) and operating loss of 51 million yen (compared with operating loss of 108 million yen one year earlier).

Other Business

In this segment, the Health Care-Nursing Care Cooperation Business Division is preparing for development and marketing activities for the August start of sales of new systems for senior nursing care operators. In addition, consolidated subsidiary LASANTE Co., Ltd. continues to operate fitness clubs, a conference room rental business and a nursery school business. This segment also includes consolidated subsidiary Brick Pharmacy Co., Ltd., which operates a dispensing pharmacy. Both of these subsidiaries are performing well. In addition, the revised 2015 Japan Revitalization Strategy of the Japanese government positions the period from now until 2020 as a period for concentrated activities. The goal is to make extensive use of Information and Communication Technology (ICT) in the healthcare sector. This includes two key initiatives. First is establishing regional healthcare information sharing networks and increasing the use of electronic records for patients. Second is further increasing the use of data for various measures in the healthcare sector. To contribute to progress in the healthcare industry, the Company will participate in R&D and demonstration projects for increasing the use of ICT by healthcare service providers. These projects will involve 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, about 10,000 pharmacies in Japan are using this service.

Sales in this segment were 245 million yen (up 4.0% year on year) and operating income was 20 million yen (down 58.4%).

(2) Explanation of Financial Position

Assets

At the end of the first quarter of the current fiscal year, current assets were 8,982 million yen, a decrease of 775 million yen from the end of the previous fiscal year. This was mainly due to a 598 million yen decrease in cash and deposits. Non-current assets decreased 76 million yen to 10,472 million yen, mainly because of a 50 million yen decrease in real estate for investment.

As a result, total assets decreased 852 million yen to 19,457 million yen.

Liabilities

Current liabilities decreased 911 million yen to 3,698 million yen. The main factors were decreases of 261 million yen in notes and accounts payable-trade, 484 million yen in income taxes payable and 197 million yen in provision for bonuses. Non-current liabilities decreased 134 million yen to 3,394 million yen, mainly due to a 128 million yen decrease in long-term loans payable.

As a result, total liabilities decreased 1,045 million yen to 7,092 million yen.

Net assets

Net assets increased 192 million yen to 12,365 million yen mainly because of an increase in retained earnings.

Consequently, the equity ratio was 63.2% (compared with 59.6% 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, 2016 [Japanese GAAP]” on May 13, 2016.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) 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.

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

Changes in Accounting Policies

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

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

This change has no effect on profit/loss.

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

(Millions of yen)

	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
Assets		
Current assets		
Cash and deposits	6,354	5,756
Notes and accounts receivable-trade	2,622	2,085
Merchandise and finished goods	172	187
Raw materials and supplies	1	1
Other	609	955
Allowance for doubtful accounts	(2)	(2)
Total current assets	9,757	8,982
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	862	855
Land	670	670
Leased assets, net	99	98
Rental assets, net	25	23
Construction in progress	3	3
Other, net	98	88
Total property, plant and equipment	1,761	1,740
Intangible assets		
Software	313	297
Software in progress	6	36
Goodwill	368	354
Other	7	7
Total intangible assets	696	696
Investments and other assets		
Investment securities	35	-
Real estate for investment, net	7,418	7,367
Net defined benefit asset	132	129
Other	506	538
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,091	8,035
Total non-current assets	10,549	10,472
Deferred assets	3	2
Total assets	20,310	19,457

	(Millions of yen)	
	FY3/16 (As of Mar. 31, 2016)	First quarter of FY3/17 (As of Jun. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	915	653
Short-term loans payable	500	500
Current portion of long-term loans payable	590	556
Accounts payable-other	401	353
Lease obligations	61	60
Income taxes payable	718	233
Provision for bonuses	394	197
Provision for point card certificates	2	2
Other	1,024	1,140
Total current liabilities	4,609	3,698
Non-current liabilities		
Long-term loans payable	1,778	1,650
Lease obligations	61	62
Net defined benefit liability	797	805
Provision for product warranties	220	199
Long-term guarantee deposited	671	676
Total non-current liabilities	3,528	3,394
Total liabilities	8,137	7,092
Net assets		
Shareholders' equity		
Capital stock	2,306	2,320
Capital surplus	2,614	2,628
Retained earnings	7,435	7,606
Treasury shares	(223)	(223)
Total shareholders' equity	12,132	12,331
Accumulated other comprehensive income		
Foreign currency translation adjustment	56	45
Remeasurements of defined benefit plans	(80)	(75)
Total accumulated other comprehensive income	(24)	(29)
Subscription rights to shares	64	63
Total net assets	12,172	12,365
Total liabilities and net assets	20,310	19,457

(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 FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Net sales	2,768	3,025
Cost of sales	1,251	1,296
Gross profit	1,516	1,729
Selling, general and administrative expenses	1,339	1,211
Operating income	177	517
Non-operating income		
Interest income	0	0
Dividend income	1	-
Rent income of real estate	237	244
Reversal of provision for product warranties	-	5
Other	0	0
Total non-operating income	240	250
Non-operating expenses		
Interest expenses	7	4
Rent expenses on real estates	95	89
Other	5	5
Total non-operating expenses	109	100
Ordinary income	307	668
Extraordinary income		
Gain on sales of investment securities	226	-
Gain on sales of non-current assets	-	0
Total extraordinary income	226	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on cancellation of leases	8	-
Total extraordinary losses	8	0
Profit before income taxes	525	668
Income taxes	168	226
Profit	357	441
Profit attributable to owners of parent	357	441

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

(Millions of yen)

	First three months of FY3/16 (Apr. 1, 2015 – Jun. 30, 2015)	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)
Profit	357	441
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	-
Foreign currency translation adjustment	1	(10)
Remeasurements of defined benefit plans, net of tax	4	4
Total other comprehensive income	2	(5)
Comprehensive income	360	435
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	360	435
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.

Subsequent Events

Issuance of stock options (stock acquisition rights)

The Company's Board of Directors decided on July 5, 2016 to establish terms and conditions regarding the offering of stock acquisition rights and these rights were granted to directors and employees of the Company and its subsidiaries on July 19, 2016.

1. Total number of stock acquisition rights

5,877 rights

2. Persons to be allotted the stock acquisition rights and the number thereof, and the number of stock acquisition rights to be allotted

Persons to be allotted the stock acquisition rights	Number of persons to be allotted	Number of stock acquisition rights
Directors of the Company	9	1,350
Employees of the Company	365	4,161
Directors of subsidiaries of the Company	5	100
Employees of subsidiaries of the Company	21	266

3. Class and number of shares to be issued upon exercise of stock acquisition rights

587,700 shares of the Company's common stock

4. Amount to be paid upon allocation of the stock acquisition rights

18,700 yen per stock acquisition right (187 yen per share)

The above amounts are the fair value of the stock acquisition rights that is calculated by using the Black-Scholes model on the allotment date. For individuals who receive these rights, the amount that is receivable as remuneration from the Company, which corresponds to the total amount paid for these rights, offsets the amount that is owed to the Company for these rights.

5. Amount to be paid upon the exercise of stock acquisition rights

The value of the assets to be granted upon exercise of each stock acquisition right shall be the amount calculated by multiplying the amount to be paid per share granted upon the exercise of each stock acquisition right (the "exercise price") by the number of shares granted. Exercise price shall be 1,304 yen.

6. Total issue price for shares to be issued upon exercise of stock acquisition rights

766,360,800 yen

7. Issue price for shares issued due to the exercise of stock acquisition rights and amount to be added to capital stock

1) In the case that shares are 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 rounded up.

2) In the case that shares are 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.

8. Allotment date of stock acquisition rights

July 19, 2016

9. Exercise period of stock acquisition rights

From July 6, 2018 to June 30, 2020

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.