



November 8, 2016

**Summary of Consolidated Financial Results for the Second Quarter
of Fiscal Year Ending March 31, 2017
(Six Months Ended September 30, 2016)**

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: November 11, 2016
Scheduled date of payment of dividend: December 2, 2016
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, 2016
(April 1, 2016 – September 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	%
Six months ended Sep. 30, 2016	6,522	4.4	1,148	67.7	1,434	52.6	957	18.8
Six months ended Sep. 30, 2015	6,249	21.8	685	126.3	939	59.3	805	113.1

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2016: 939 (up 15.3 %)
Six months ended Sep. 30, 2015: 814 (up 117.4 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2016	54.72	54.24
Six months ended Sep. 30, 2015	46.47	46.06

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 Sep. 30, 2016	20,330	12,946	63.3	732.90
As of Mar. 31, 2016	20,310	12,172	59.6	693.68

Reference: Shareholders' equity (million yen) As of Sep. 30, 2016: 12,871 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	-	8.00			
Fiscal year ending Mar. 31, 2017 (forecast)			-	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
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 forecast is 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 Sep. 30, 2016:	17,962,700 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 Sep. 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

Six months ended Sep. 30, 2016:	17,494,146 shares	Six months ended Sep. 30, 2015:	17,341,846 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 at a moderate pace in the first half of the fiscal year that ending on March 31, 2017 as economic and monetary policy initiatives of the Japanese government and the Bank of Japan contributed to improvements in corporate earnings and employment situation. However, the outlook remains unclear due to negative consumer sentiment caused by concerns about the future and other reasons. The operating environment for dispensing pharmacies in Japan, the primary market for products of EM SYSTEMS (hereafter, the “Company”), is challenging due to the effects of drug dispensing fees and the National Health Insurance (NHI) drug price revisions in April 2016 and of mergers, acquisitions and other reorganization activities in the dispensing pharmacy sector.

In response to changing market conditions, the Company realigned sales organization by switching to a business unit structure in April 2016. 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 (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 aims for realizing efficient ties between healthcare and senior nursing care by newly developing Solutions for Linking Healthcare and Senior Nursing Care and creating functions for seamless ties with systems that the Company provides to clinics, pharmacies and senior nursing care operators.

For the first half, the Company reported consolidated net sales of 6,522 million yen (up 4.4% year on year), operating income of 1,148 million yen (up 67.7%), ordinary income of 1,434 million yen (up 52.6%) and profit attributable to owners of parent of 957 million yen (up 18.8%).

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 half of the previous fiscal year has been restated based on these new segments.

Prescription Systems and Related Operations Business

Major activities in this segment included measures to strengthen sales activities targeting dispensing pharmacy chains, using sales agents and OEM supply agreements to continuously expand sales channels, and increasing sales of the Receipty NEXT prescription system and the Bungyo-mate system for dispensing 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 also contributed to this segment’s performance. As a result, sales met the first half plan. Earnings benefited from ongoing measures to cut the cost of sales and operating expenses. COSMOSYSTEMS Co., Ltd., which became a consolidated subsidiary two years ago, continued to make a contribution to sales and earnings.

As a result, the segment recorded sales of 5,358 million yen (up 6.9% year on year) and operating income of 1,244 million yen (up 60.0%).

Medical Systems and Related Operations Business

Sales of Ortia, software for an electronic patient record system, began in July 2016 and there were numerous activities for establishing sales channels for this software throughout Japan. The Company participated in industry exhibitions to maximize the exposure of our products while increasing referrals from existing clients and from websites specializing in medical services. 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.

These activities have started to expand sales channels, resulting in higher sales of MRN products than in the previous fiscal year. However, a decrease in UNI-MEDICAL replacement orders negatively affected segment performance. Measures to lower the cost of sales and operating expenses continued during the first half.

As a result, the segment recorded sales of 725 million yen (down 10.8% year on year) and operating loss of 76 million yen (compared with operating loss of 142 million yen one year earlier).

Other Business

The Health Care-Nursing Care Cooperation Business Division is working on the development of Solutions for Linking Healthcare and Senior Nursing Care, which is provided to clinics, pharmacies and senior nursing care operators for supporting the Regional Comprehensive Care System of the Japanese government. Development activities are also under way for Tsunagaru Care NEXT, an ASP system for supporting senior nursing care operators. However, the Company was unable to start sales of this product in the first half of this fiscal year. Shipments started at the end of October 2016. Research and development activities as well as demonstration projects for electronic prescriptions, electronic health records (EHR) and personal health records (PHR) were completed in the previous fiscal year. To contribute to progress in the healthcare industry, the Company will continue to participate in these activities for increasing the use of information and communication technologies in the healthcare sector. 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. In addition, consolidated subsidiary Brick Pharmacy Co., Ltd. operates a dispensing pharmacy, and consolidated subsidiary LASANTE Co., Ltd. operates fitness clubs, a conference room rental business and a nursery school business.

The Health Care-Nursing Care Cooperation Business Division made no contribution to first half sales and earnings because full-scale operations started in the second half of the fiscal year. Sales in the dispensing pharmacy business increased because there were more business days than in the first half of the previous fiscal year. However, earnings were lower than one year earlier in part because of revisions to drug dispensing fees and NHI drug prices. LASANTE's performance exceeded the first half plan, although sales and earnings were down from one year earlier due to the reorganization of this company's operations. Sales in this segment were 489 million yen (down 2.8% year on year) and operating loss was 9 million yen (compared with operating income of 70 million yen one year earlier).

(2) Explanation of Financial Position

Assets

At the end of the second quarter of the current fiscal year, current assets were 9,929 million yen, an increase of 171 million yen from the end of the previous fiscal year. This was mainly due to a 147 million yen increase in cash and deposits. Non-current assets decreased 150 million yen to 10,399 million yen, mainly because of a 101 million yen decrease in real estate for investment.

As a result, total assets increased 20 million yen to 20,330 million yen.

Liabilities

Current liabilities decreased 490 million yen to 4,119 million yen. The main factors were decreases of 197 million yen in notes and accounts payable-trade and 228 million yen in income taxes payable. Non-current liabilities decreased 262 million yen to 3,265 million yen, mainly due to a 259 million yen decrease in long-term loans payable.

As a result, total liabilities decreased 753 million yen to 7,384 million yen.

Net assets

Net assets increased 774 million yen to 12,946 million yen mainly because of an increase in retained earnings.

Consequently, the equity ratio was 63.3% (compared with 59.6% 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 13, 2016 because of uncertainty about the performance in the fiscal year's second half 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. 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 reasonably 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)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	6,354	6,502
Notes and accounts receivable-trade	2,622	2,289
Merchandise and finished goods	172	156
Raw materials and supplies	1	0
Other	609	983
Allowance for doubtful accounts	(2)	(3)
Total current assets	9,757	9,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	862	844
Land	670	670
Leased assets, net	99	83
Rental assets, net	25	23
Construction in progress	3	63
Other, net	98	86
Total property, plant and equipment	1,761	1,772
Intangible assets		
Software	313	284
Software in progress	6	32
Goodwill	368	340
Other	7	5
Total intangible assets	696	661
Investments and other assets		
Investment securities	35	-
Real estate for investment, net	7,418	7,316
Net defined benefit asset	132	131
Other	506	516
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,091	7,965
Total non-current assets	10,549	10,399
Deferred assets	3	2
Total assets	20,310	20,330

	(Millions of yen)	
	FY3/16 (As of Mar. 31, 2016)	Second quarter of FY3/17 (As of Sep. 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	915	718
Short-term loans payable	500	500
Current portion of long-term loans payable	590	526
Accounts payable-other	401	433
Lease obligations	61	54
Income taxes payable	718	490
Provision for bonuses	394	416
Provision for point card certificates	2	2
Other	1,024	977
Total current liabilities	4,609	4,119
Non-current liabilities		
Long-term loans payable	1,778	1,518
Lease obligations	61	51
Net defined benefit liability	797	809
Provision for product warranties	220	193
Long-term guarantee deposited	671	692
Total non-current liabilities	3,528	3,265
Total liabilities	8,137	7,384
Net assets		
Shareholders' equity		
Capital stock	2,306	2,353
Capital surplus	2,614	2,661
Retained earnings	7,435	8,121
Treasury shares	(223)	(223)
Total shareholders' equity	12,132	12,912
Accumulated other comprehensive income		
Foreign currency translation adjustment	56	25
Remeasurements of defined benefit plans	(80)	(66)
Total accumulated other comprehensive income	(24)	(41)
Subscription rights to shares	64	75
Total net assets	12,172	12,946
Total liabilities and net assets	20,310	20,330

(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 FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Net sales	6,249	6,522
Cost of sales	2,965	2,827
Gross profit	3,284	3,695
Selling, general and administrative expenses	2,599	2,546
Operating income	685	1,148
Non-operating income		
Interest income	0	0
Dividend income	2	-
Rent income of real estate	471	482
Other	4	4
Total non-operating income	478	487
Non-operating expenses		
Interest expenses	13	9
Rent expenses on real estates	193	180
Other	17	12
Total non-operating expenses	224	202
Ordinary income	939	1,434
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of investment securities	226	-
Gain on reversal of subscription rights to shares	2	-
Total extraordinary income	228	0
Extraordinary losses		
Loss on retirement of non-current assets	0	2
Loss on cancellation of leases	8	0
Total extraordinary losses	8	2
Profit before income taxes	1,159	1,431
Income taxes	354	474
Profit	805	957
Profit attributable to owners of parent	805	957

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

(Millions of yen)

	First six months of FY3/16 (Apr. 1, 2015 – Sep. 30, 2015)	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)
Profit	805	957
Other comprehensive income		
Valuation difference on available-for-sale securities	(7)	-
Foreign currency translation adjustment	8	(30)
Remeasurements of defined benefit plans, net of tax	9	13
Total other comprehensive income	9	(17)
Comprehensive income	814	939
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	814	939
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.

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.