



February 9, 2018

**Summary of Consolidated Financial Results for the Third Quarter
of Fiscal Year Ending March 31, 2018
(Nine Months Ended December 31, 2017)**

[Japanese GAAP]

Company name: EM SYSTEMS CO., LTD. Listing: Tokyo Stock Exchange, First Section
 Stock code: 4820 URL: <http://www.emsystems.co.jp>
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 Scheduled date of filing of Quarterly Report: February 13, 2018
 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 Third Quarter Ended December 31, 2017
(April 1, 2017 – December 31, 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	%
Nine months ended Dec. 31, 2017	10,448	6.2	2,315	30.6	2,785	27.2	1,861	29.6
Nine months ended Dec. 31, 2016	9,843	3.6	1,773	54.9	2,189	42.8	1,436	19.5

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2017: 1,870 (up 31.5 %)
 Nine months ended Dec. 31, 2016: 1,422 (up 17.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	104.89	104.43
Nine months ended Dec. 31, 2016	82.01	81.28

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	21,014	15,441	72.8	861.28
As of Mar. 31, 2017	21,348	14,063	65.4	790.96

Reference: Shareholders' equity (million yen) As of Dec. 31, 2017: 15,307 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)	-	-	-	12.00	-

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 (dividend increase)" (Japanese version only) that was announced today (February 9, 2018). Moreover, the company plans to conduct a 2-for-1 stock split effective March 1, 2018 as announced in the release titled "Stock split and partial revision to Articles of Incorporation" (Japanese version only) announced on the same day (February 9, 2018). The dividend forecast for the fiscal year ending March 2018 is calculated based on the number of shares after the stock split. The dividend forecast calculated based on the number of shares before the stock split is as follows: Year-end dividend: ¥24, Annual dividend: ¥37.

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 Dec. 31, 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 Dec. 31, 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

Nine months ended Dec. 31, 2017:	17,748,568 shares	Nine months ended Dec. 31, 2016:	17,521,634 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 nine months 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. AI is one option that the Company is considering in order to enable the development and provision of products and services that contribute to people and the healthcare industry. In December 2017, the Company invested in MICIN, Inc. to strengthen EM Systems ability to commercialize its products. The acquisition of capital interest in MICIN will help maintain a lasting relationship with MICIN. The Company expects to further increase the added value of its products by integrating MICIN's various medical technologies with EM System's technologies and know-how.

For the first nine months, the Company reported consolidated net sales of 10,448 million yen (up 6.2% year on year), operating profit of 2,315 million yen (up 30.6%), ordinary profit of 2,785 million yen (up 27.2%) and profit attributable to owners of parent of 1,861 million yen (up 29.6%).

Results by business segment were as follows.

1) 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 distributors 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 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 8,534 million yen (up 6.2% year on year) and operating profit of 2,184 million yen (up 16.8%).

2) IT Systems and Related Business for Clinics

There were activities to expand sales channels throughout Japan centered on the use of distributors 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 1,310 million yen (up 14.2% year on year) and operating profit of 129 million yen (compared with operating loss of 75 million yen one year earlier).

3) 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 in this segment were 724 million yen (down 1.7% year on year) and operating loss was 6 million yen (compared with operating loss of 8 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 first nine months of the current fiscal year, current assets were 10,831 million yen, a decrease of 390 million yen from the end of the previous fiscal year. This was mainly due to a 729 million yen decrease in cash and deposits resulting primarily from payments of income taxes, the year-end dividend and the early repayment of loans. Non-current assets increased 58 million yen to 10,182 million yen. The main factors were increases of 185 million yen in investment securities, 166 million yen in software in progress, 62 million yen in leased assets and a decrease of 405 million yen in depreciation.

As a result, total assets decreased 333 million yen to 21,014 million yen.

Liabilities

Current liabilities decreased 818 million yen to 3,431 million yen. The main factors were decreases of 247 million yen in notes and accounts payable-trade, 300 million yen in short-term loans payable and 190 million yen in provision for bonuses. Non-current liabilities decreased 892 million yen to 2,141 million yen, mainly due to a 1,023 million yen decrease in long-term loans payable and increases in lease obligations and net defined benefit liability.

As a result, total liabilities decreased 1,711 million yen to 5,573 million yen.

Net assets

Net assets increased 1,378 million yen to 15,441 million yen mainly because of increases of 1,230 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 72.8% 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)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	7,901	7,172
Notes and accounts receivable-trade	2,582	2,572
Merchandise and finished goods	159	168
Raw materials and supplies	0	0
Other	581	938
Allowance for doubtful accounts	(3)	(19)
Total current assets	11,221	10,831
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	827	792
Land	632	612
Leased assets, net	57	119
Rental assets, net	21	17
Other, net	124	90
Total property, plant and equipment	1,663	1,631
Intangible assets		
Software	259	194
Software in progress	39	205
Goodwill	311	268
Other	5	5
Total intangible assets	616	674
Investments and other assets		
Investment securities	35	221
Net defined benefit asset	107	112
Real estate for investment, net	7,215	7,067
Other	486	475
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	7,844	7,876
Total non-current assets	10,124	10,182
Deferred assets	1	0
Total assets	21,348	21,014

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,030	783
Short-term loans payable	300	-
Current portion of long-term loans payable	526	570
Accounts payable-other	434	344
Lease obligations	45	53
Income taxes payable	545	416
Provision for bonuses	394	203
Provision for point card certificates	2	3
Other	971	1,056
Total current liabilities	4,250	3,431
Non-current liabilities		
Long-term loans payable	1,255	232
Lease obligations	31	83
Net defined benefit liability	875	918
Provision for product warranties	177	195
Long-term guarantee deposited	695	713
Total non-current liabilities	3,034	2,141
Total liabilities	7,284	5,573
Net assets		
Shareholders' equity		
Capital stock	2,394	2,445
Capital surplus	2,702	2,753
Retained earnings	9,140	10,370
Treasury shares	(223)	(223)
Total shareholders' equity	14,013	15,347
Accumulated other comprehensive income		
Foreign currency translation adjustment	36	39
Remeasurements of defined benefit plans	(85)	(79)
Total accumulated other comprehensive income	(48)	(39)
Subscription rights to shares	99	134
Total net assets	14,063	15,441
Total liabilities and net assets	21,348	21,014

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

	(Millions of yen)	
	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	9,843	10,448
Cost of sales	4,310	4,561
Gross profit	5,532	5,887
Selling, general and administrative expenses	3,759	3,571
Operating profit	1,773	2,315
Non-operating income		
Interest income	0	0
Rent income of real estate	727	751
Other	7	25
Total non-operating income	735	778
Non-operating expenses		
Interest expenses	13	4
Rent expenses on real estates	282	294
Other	23	9
Total non-operating expenses	319	308
Ordinary profit	2,189	2,785
Extraordinary income		
Gain on reversal of subscription rights to shares	-	0
Gain on sales of non-current assets	11	-
Total extraordinary income	11	0
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Loss on sales of non-current assets	11	-
Loss on cancellation of leases	0	-
Impairment loss	-	20
Expenses for advanced repayment of loans	-	8
Total extraordinary losses	15	29
Profit before income taxes	2,185	2,755
Income taxes	748	894
Profit	1,436	1,861
Profit attributable to owners of parent	1,436	1,861

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

	(Millions of yen)	
	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Profit	1,436	1,861
Other comprehensive income		
Foreign currency translation adjustment	(35)	2
Remeasurements of defined benefit plans, net of tax	21	5
Total other comprehensive income	(14)	8
Comprehensive income	1,422	1,870
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,422	1,870
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.

Subsequent Events

Stock split and partial revision to Articles of Incorporation following the split

The Board of Directors of the Company approved a resolution on February 9, 2018 concerning a stock split and an associated revision to the Articles of Incorporation.

(1) Purpose of the stock split

Using this split to lower the cost of an investment unit of the Company stock will make this stock accessible to a broader range of investors. This is expected to increase the stock's liquidity and expand stock ownership to more investor segments.

(2) Summary of the stock split

1) Method of the stock split

Shareholders listed or recorded in the final shareholder register on the record date of February 28, 2018 will receive two shares of common stock for each share held on the same day.

2) Increase in the number of shares due to the stock split

Number of shares outstanding before the stock split:	18,173,700 shares
Increase in the number of shares due to the stock split:	18,173,700 shares
Number of shares outstanding after the stock split:	36,347,400 shares
Total number of authorized shares after the stock split:	66,000,000 shares

Note: Following the exercise of subscription rights to shares, there may be an increase in the above number of shares outstanding until the record date of the stock split.

3) Schedule

Announcement of record date:	February 9, 2018
Record date:	February 28, 2018
Effective date:	March 1, 2018

4) Effect of these changes on per share information

Per-share information calculated as if this split had taken place at the beginning of previous fiscal year is presented below.

(Yen)

	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Net income per share	41.00	52.44
Diluted net income per share	40.64	52.21

(3) Partial revision to the Articles of Incorporation following the stock split

1) Reasons for the revision

In association with this stock split, Article 6 of the Company's Articles of Incorporation will be amended on March 1, 2018 to revise the total number of authorized shares in accordance with Article 184, Paragraph 2 of the Companies Act.

2) Amendment details

(Underlined parts are amended.)

Current	After revision
(Total number of authorized shares) Article 6 The total number of shares authorized to be issued by the Company shall be <u>33 million</u> shares.	(Total number of authorized shares) Article 6 The total number of shares authorized to be issued by the Company shall be <u>66 million</u> shares.

3) Schedule

Effective date: March 1, 2018

(4) Other

1) Change in capital stock

The stock split will have no effect on the capital stock.

2) Adjustment to the exercise price for subscription rights to shares

As a result of the above stock split, the exercise price for subscription rights to shares issued by the Company shall be adjusted as follows on or after March 1, 2018.

(Yen)

	Board of Directors' resolution	Previous exercise price	Adjusted exercise price
Stock option No. 7	July 5, 2016	1,304	652

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.