



May 8, 2018

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

[Japanese GAAP]

Company name: EM SYSTEMS CO., LTD.

Listing: Tokyo Stock Exchange, First Section

Stock code: 4820

URL: <http://www.emsystems.co.jp>

Representative: Kozo Kunimitsu, Chairman and CEO

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Scheduled date of Annual General Meeting of Shareholders: June 19, 2018

Scheduled date of payment of dividend: June 20, 2018

Scheduled date of filing of Annual Securities Report: June 19, 2018

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for securities analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	%
Fiscal year ended Mar. 31, 2018	13,953	2.0	3,063	17.9	3,618	14.4	2,369	12.0
Fiscal year ended Mar. 31, 2017	13,676	3.6	2,597	39.5	3,163	29.3	2,116	30.5

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2018: 2,400 (up 14.8%)

Fiscal year ended Mar. 31, 2017: 2,091 (up 35.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2018	66.72	66.56	15.9	16.7	22.0
Fiscal year ended Mar. 31, 2017	60.30	59.76	16.2	15.2	19.0

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2018: - Fiscal year ended Mar. 31, 2017: -

Note: EM SYSTEMS CO., LTD. (hereafter, the "Company") conducted a common stock split according to a ratio of 1:2 effective on March 1, 2018. 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 fiscal year ended March 31, 2017.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	21,893	16,052	72.7	446.82
As of Mar. 31, 2017	21,348	14,063	65.4	395.48

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 15,906 As of Mar. 31, 2017: 13,964

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on March 1, 2018. Net assets per share is calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2017.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2018	2,324	316	(2,033)	8,528
Fiscal year ended Mar. 31, 2017	2,080	577	(1,091)	7,901

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2017	-	8.00	-	23.00	31.00	546	25.7	4.2
Fiscal year ended Mar. 31, 2018	-	13.00	-	12.00	-	658	27.7	4.4
Fiscal year ending Mar. 31, 2019 (forecast)	-	8.00	-	10.00	18.00		46.0	

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on March 1, 2018. Dividend prior to the second half of the fiscal year ended March 31, 2018 is the actual amount before the stock split. Dividend per share calculated after the stock split for fiscal year ended March 31, 2017 and fiscal year ended March 31, 2018 are 15.5 yen and 18.5 yen, respectively.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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
First half	6,398	(6.9)	1,186	(21.4)	1,500	(17.8)	970	(20.1)	26.49
Full year	12,875	(7.7)	1,509	(50.7)	2,138	(40.9)	1,432	(39.6)	39.11

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

(2) 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

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2018: 36,347,400 shares As of Mar. 31, 2017: 36,111,800 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2018: 747,206 shares As of Mar. 31, 2017: 801,908 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2018: 35,513,775 shares Fiscal year ended Mar. 31, 2017: 35,093,856 shares

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on March 1, 2018. Number of outstanding shares (common stock) is calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2017.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2018	12,294	4.7	2,872	21.4	3,430	17.7	2,276	15.3
Fiscal year ended Mar. 31, 2017	11,746	7.2	2,366	44.8	2,914	32.4	1,975	50.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2018	64.11	63.96
Fiscal year ended Mar. 31, 2017	56.29	55.79

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on March 1, 2018. 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 fiscal year ended March 31, 2017.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	21,034	15,505	73.0	431.45
As of Mar. 31, 2017	20,399	13,646	66.4	383.67

Reference: Shareholders' equity (million yen): As of Mar. 31, 2018: 15,359 As of Mar. 31, 2017: 13,547

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on March 1, 2018. Net assets per share is calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2017.

* The current financial report is not subject to audit by certified public accountants or audit firms.

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

Note concerning forward-looking statements

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, but are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 5 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

The Japanese economy continued to recover at a moderate pace in the fiscal year that ended 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 pharmacy chains and other activities create larger companies. At the same time, the environment surrounding pharmacy business is becoming increasingly difficult. To succeed, pharmacies must provide customers with added value. In April 2018, revisions to medical care and nursing care payments became effective as scheduled. Fortunately, the impact of the revisions toward our financial performance was found to be not as significant as the Company expected. As a result of our efforts to reinforce sales organization and expand system sales, the Company posted the record-high net sales, operating profit, ordinary profit and profit for the fiscal year that ended on March 31, 2018.

In anticipation of super-aging society as symbolized by the so-called "2025 problem" (see note below), the Company took a number of actions. 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 October 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. In March 2018, the Company started collaboration with NEC Corporation with aims and plans to create new services in the health and medical field by utilizing technologies and know-how of both parties.

For the fiscal year that ended on March 31, 2018, the Company reported consolidated net sales of 13,953 million yen (up 2.0% year on year), operating profit of 3,063 million yen (up 17.9%), ordinary profit of 3,618 million yen (up 14.4%), and profit attributable to owners of parent of 2,369 million yen (up 12.0%).

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

IT Systems and Related Business for Pharmacies

Major activities in this segment included measures to strengthen sales activities targeting pharmacy chains, using distributors and OEM supply agreements to continuously expand sales channels, and increasing sales of the Receipty NEXT prescription system and the Bungyo-mate system for pharmacies.

Although the number of systems sold was below the fiscal year plan, there was a steady growth in billing service sales. Replacement of hardware that went as planned and continuing growth in sales of supplies also contributed to this segment's performance. As a result, sales met the fiscal year plan. Earnings benefited from ongoing measures to curtail the cost of sales and operating expenses.

As a result, for the fiscal year that ended on March 31, 2018, the segment recorded sales of 11,307 million yen (up 1.7% year on year) and operating profit of 2,870 million yen (up 8.5%).

IT Systems and Related Business for Clinics

There were activities to increase interest in the Company's products at clinics through the use of distributors in order to expand sales channels throughout Japan. 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 and Ortia.

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 and growth in sales of supplies. As a result, the segment recorded sales of 1,765 million yen (up 5.7% year on year) and operating profit of 237 million yen (compared with operating profit of 17 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 to continue the provision of 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 2017, 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, both sales and operating profit were higher than one year earlier.

In the business activities that LASANTE Co., Ltd. operates, operating profit was down from one year earlier although sales was higher than one year earlier.

Sales and earnings in the IT systems business for nursing care providers were substantially below the fiscal year plan because of a delay in the planned launch of the functional addition. In the pharmacy business, sales and operating profit exceeded both the results of one year earlier and the fiscal year plan due to persistent management efforts, although revisions to drug dispensing fees and National Health Insurance (NHI) drug prices partially affected the business performance. LASANTE's performance exceeded the fiscal year plan due to management efforts including change in the operation policies, although operating profit were down from one year earlier with sales up from one year earlier. Sales in this segment were 1,029 million yen (up 4.8% year on year) and operating profit was 9 million yen (compared with operating loss of 32 million yen one year earlier).

Note: The 2025 problem refers to a social problem caused by an increase in the number of the elderly in the latter stage of life. In 2025, approximately 8 million baby boomers in Japan will have reached the elderly in the latter stage of life, which is expected to cause serious problems including skyrocketing public-sector insurance payments for medical and nursing care and shortages of nursing care workers.

(2) Financial Position

Total assets increased 545 million yen from the end of the previous fiscal year to 21,893 million yen at the end of the current fiscal year. This was due to increases of 627 million yen in cash and deposits and 169 million yen in investment securities, which were partly offset by decreases of 83 million yen in property, plant and equipment as a result of depreciation, and 197 million yen in real estate for investment.

Total liabilities decreased 1,444 million yen from the end of the previous fiscal year to 5,840 million yen. This was due to decreases of 270 million yen in notes and accounts payable-trade and 1,426 million yen in loans payable primarily as a result of the early repayment of loans made during the first quarter of the current fiscal year, which were partly offset by an increase of 217 million yen in income taxes payable.

Net assets increased 1,989 million yen to 16,052 million yen mainly because of a 1,738 million yen increase in retained earnings associated with the fiscal year's profit.

(3) Cash flows

Cash and cash equivalents increased 627 million yen from the end of the previous fiscal year to 8,528 million yen at the end of the current fiscal year. This was mainly attributable to increases in profit before income taxes along with the strong earnings in the current fiscal year and proceeds from rental of real estate for investment.

Cash flows from operating activities

Net cash provided by operating activities was 2,324 million yen, compared with 2,080 million yen provided in the previous fiscal year. Strong earnings in the current fiscal year were the primary reason for this increase.

Cash flows from investing activities

Net cash provided by investing activities was 316 million yen compared with 577 million yen provided in the previous fiscal year, mainly because of proceeds from rental of real estate for investment.

Cash flows from financing activities

Net cash used in financing activities was 2,033 million yen compared with 1,091 million yen used in the previous fiscal year. The repayment of loans payable was the primary use of cash.

Reference: Cash flow indicators

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Shareholders' equity ratio (%)	50.1	56.8	59.6	65.4	72.7
Shareholders' equity ratio based on market value (%)	101.3	82.7	113.4	149.5	214.0
Ratio of interest-bearing debt to cash flows (years)	3.5	2.6	1.4	1.0	0.3
Interest coverage ratio (times)	38.0	48.5	82.1	121.1	389.6

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. All indicators are calculated based on consolidated figures.

2. Market capitalization is calculated based on the number of shares outstanding after the deduction of treasury shares.

3. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.

4. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(4) Outlook

The revisions on pharmacies, the Company's main customers, are likely to create more challenges particularly for major pharmacy chains as examination of the revisions shows. Furthermore, the lowering of National Health Insurance (NHI) drug prices is expected to affect them gradually. Even more measures are expected in Japan in order to hold down the healthcare costs as part of the government's fiscal policy. Consequently, the operating environment for pharmacies in Japan will continue to be challenging.

Realignments of the medical care and nursing care sectors are expected to accelerate as a result. Furthermore, the Japanese government has clearly indicated its intention to thoroughly promote the use of ICT in the healthcare sector. Consequently, it is expected that the need for information links and sharing among nursing care and other categories of healthcare will become even greater.

Pharmacies must contribute proactively to community support by various measures, such as developing appropriate pharmaceutical management and guidance system offered by personal care pharmacists, sharing case information to improve safety, and putting in place prescription systems to accommodate any prescription at any time. The Ministry of Health, Labour and Welfare no longer prohibits the use of electronic prescription bags when certain requirements are met and more than 35% of clinics in Japan are using electronic patient records. As a company already participating in EHR and PHR demonstration trials in various locations, we believe that our role will become more important as the use of digital data continues to grow. We will make greater use of solutions that incorporate IT to be a leader in the provision of support for more advances with medical services. To create a link for healthcare (clinics and pharmacies) and nursing care data, we are promoting increased use of the Hirogaru Care Net, which links healthcare and nursing care data systems, by making it a standard component of all our IT systems for clinics, pharmacies and nursing care providers.

Our goals are more establishment of our group's business activities that generate consistent fee income, and R&D activities involving advanced technologies that will lead to development of innovative next-generation products. We will also take an aggressive stance concerning mergers and acquisitions. Our specific goals are to gain market shares of 50% for the IT systems for pharmacies, 10% for the IT systems for clinics and 5% for the IT systems for nursing care providers.

The EM SYSTEMS Group forecasts FY3/19 consolidated net sales of 12,875 million yen (down 7.7% year on year), operating profit of 1,509 million yen (down 50.7%), ordinary profit of 2,138 million yen (down 40.9%), and profit attributable to owners of parent of 1,432 million yen (down 39.6%).

The above projections are based on information available at the time of release of this report. Actual results may differ from these forecasts for a number of reasons.

2. Basic Approach to the Selection of Accounting Standards

The EM SYSTEMS Group currently applies Japanese accounting standards for its consolidated financial statements. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	7,901	8,528
Notes and accounts receivable-trade	2,582	2,189
Merchandise and finished goods	159	130
Raw materials and supplies	0	0
Deferred tax assets	190	170
Other	391	762
Allowance for doubtful accounts	(3)	(19)
Total current assets	11,221	11,763
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,506	1,494
Accumulated depreciation	(679)	(717)
Buildings and structures, net	827	777
Land	632	608
Leased assets	163	195
Accumulated depreciation	(106)	(92)
Leased assets, net	57	102
Rental assets	63	44
Accumulated depreciation	(41)	(29)
Rental assets, net	21	15
Other	651	532
Accumulated depreciation	(527)	(454)
Other, net	124	77
Total property, plant and equipment	1,663	1,580
Intangible assets		
Software	259	167
Software in progress	39	255
Goodwill	311	254
Other	5	5
Total intangible assets	616	682
Investments and other assets		
Investment securities	35	205
Real estate for investment	9,960	9,960
Accumulated depreciation	(2,744)	(2,942)
Real estate for investment, net	7,215	7,018
Lease and guarantee deposits	147	143
Deferred tax assets	316	328
Net defined benefit asset	107	109
Other	22	61
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	7,844	7,866
Total non-current assets	10,124	10,129
Deferred assets		
Share issuance cost	1	-
Total deferred assets	1	-
Total assets	21,348	21,893

	(Millions of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,030	760
Short-term loans payable	300	-
Current portion of long-term loans payable	526	517
Accounts payable-other	434	418
Lease obligations	45	48
Income taxes payable	545	763
Accrued consumption taxes	148	115
Provision for bonuses	394	350
Provision for point card certificates	2	3
Other	823	805
Total current liabilities	4,250	3,782
Non-current liabilities		
Long-term loans payable	1,255	137
Lease obligations	31	72
Net defined benefit liability	875	917
Provision for product warranties	177	214
Long-term guarantee deposited	695	715
Total non-current liabilities	3,034	2,058
Total liabilities	7,284	5,840
Net assets		
Shareholders' equity		
Capital stock	2,394	2,445
Capital surplus	2,702	2,808
Retained earnings	9,140	10,878
Treasury shares	(223)	(208)
Total shareholders' equity	14,013	15,924
Accumulated other comprehensive income		
Foreign currency translation adjustment	36	48
Remeasurements of defined benefit plans	(85)	(66)
Total accumulated other comprehensive income	(48)	(17)
Share acquisition rights	99	145
Total net assets	14,063	16,052
Total liabilities and net assets	21,348	21,893

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Net sales	13,676	13,953
Cost of sales	6,062	6,077
Gross profit	7,614	7,876
Selling, general and administrative expenses		
Promotion expenses	35	33
Packing and transportation expenses	27	23
Advertising expenses	51	52
Provision of allowance for doubtful accounts	1	15
Provision for product warranties	25	119
Directors' compensations	259	254
Salaries and allowances	1,883	1,824
Bonuses	297	230
Provision for bonuses	356	306
Share-based compensation expenses	35	45
Retirement benefit expenses	143	99
Legal welfare expenses	390	370
Traveling and transportation expenses	125	128
Communication expenses	88	64
Depreciation	138	116
Amortization of goodwill	57	57
Rents	254	245
Research and development expenses	34	42
Other	812	783
Total selling, general and administrative expenses	5,017	4,813
Operating profit	2,597	3,063
Non-operating income		
Interest income	1	0
Rent income of real estate	974	1,006
Miscellaneous income	12	22
Total non-operating income	988	1,029
Non-operating expenses		
Interest expenses	16	5
Commission fee	1	1
Rent expenses on real estates	379	443
Amortization of share issuance cost	1	1
Miscellaneous loss	22	22
Total non-operating expenses	422	474
Ordinary profit	3,163	3,618

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Extraordinary income		
Gain on sales of non-current assets	26	12
Gain on reversal of share acquisition rights	-	0
Total extraordinary income	26	13
Extraordinary losses		
Loss on retirement of non-current assets	3	1
Loss on sales of non-current assets	11	-
Impairment loss	-	20
Loss on cancellation of leases	3	-
Loss on liquidation of subsidiaries and associates	-	7
Expenses for advanced repayment of loans	-	8
Total extraordinary losses	18	38
Profit before income taxes	3,171	3,593
Income taxes - current	999	1,224
Income taxes - deferred	55	(0)
Total income taxes	1,055	1,223
Profit	2,116	2,369
Profit attributable to owners of parent	2,116	2,369

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	2,116	2,369
Other comprehensive income		
Foreign currency translation adjustment	(19)	12
Remeasurements of defined benefit plans, net of tax	(5)	19
Total other comprehensive income	(24)	31
Comprehensive income	2,091	2,400
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,091	2,400
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,306	2,614	7,435	(223)	12,132
Changes of items during period					
Exercise of share acquisition rights	87	87			175
Dividends of surplus			(411)		(411)
Profit attributable to owners of parent			2,116		2,116
Purchase of treasury shares					-
Disposal of treasury shares					-
Change of scope of consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during period	87	87	1,705	-	1,881
Balance at end of current period	2,394	2,702	9,140	(223)	14,013

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	56	(80)	(24)	64	12,172
Changes of items during period					
Exercise of share acquisition rights					175
Dividends of surplus					(411)
Profit attributable to owners of parent					2,116
Purchase of treasury shares					-
Disposal of treasury shares					-
Change of scope of consolidation					-
Net changes of items other than shareholders' equity	(19)	(5)	(24)	34	10
Total changes of items during period	(19)	(5)	(24)	34	1,891
Balance at end of current period	36	(85)	(48)	99	14,063

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,394	2,702	9,140	(223)	14,013
Changes of items during period					
Exercise of share acquisition rights	51	51			103
Dividends of surplus			(637)		(637)
Profit attributable to owners of parent			2,369		2,369
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		54		15	69
Change of scope of consolidation			6		6
Net changes of items other than shareholders' equity					
Total changes of items during period	51	105	1,738	15	1,911
Balance at end of current period	2,445	2,808	10,878	(208)	15,924

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	36	(85)	(48)	99	14,063
Changes of items during period					
Exercise of share acquisition rights					103
Dividends of surplus					(637)
Profit attributable to owners of parent					2,369
Purchase of treasury shares					(0)
Disposal of treasury shares					69
Change of scope of consolidation					6
Net changes of items other than shareholders' equity	12	19	31	46	78
Total changes of items during period	12	19	31	46	1,989
Balance at end of current period	48	(66)	(17)	145	16,052

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	3,171	3,593
Depreciation	611	539
Amortization of goodwill	57	57
Amortization of share issuance cost	1	1
Impairment loss	-	20
Loss on liquidation of subsidiaries and associates	-	7
Expenses for advanced repayment of loans	-	8
Decrease (increase) in net defined benefit asset	(3)	(2)
Increase (decrease) in net defined benefit liability	98	42
Increase (decrease) in provision for product warranties	(43)	37
Increase (decrease) in provision for bonuses	(0)	(43)
Increase (decrease) in provision for point card certificates	(0)	1
Increase (decrease) in allowance for doubtful accounts	1	14
Interest and dividend income	(1)	(0)
Rent income of real estate	(974)	(1,006)
Expenses of real estate rent	153	246
Interest expenses	16	5
Loss on retirement of non-current assets	3	1
Share-based compensation expenses	40	51
Gain on reversal of share acquisition rights	-	(0)
Loss (gain) on sales of non-current assets	(15)	(12)
Decrease (increase) in notes and accounts receivable-trade	39	399
Decrease (increase) in inventories	13	29
Decrease (increase) in other current assets	(25)	(339)
Increase (decrease) in notes and accounts payable-trade	115	(270)
Increase (decrease) in accrued consumption taxes	(14)	(23)
Increase (decrease) in other current liabilities	(4)	(22)
Other, net	54	0
Subtotal	3,296	3,336
Interest and dividend income received	1	0
Interest expenses paid	(17)	(5)
Income taxes paid	(1,200)	(1,006)
Net cash provided by (used in) operating activities	2,080	2,324

	(Millions of yen)	
	FY3/17	FY3/18
	(Apr. 1, 2016 – Mar. 31, 2017)	(Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from investing activities		
Purchase of property, plant and equipment	(95)	(11)
Proceeds from sales of property, plant and equipment	54	21
Purchase of intangible assets	(228)	(304)
Purchase of investment securities	-	(198)
Proceeds from rental of real estate for investment	977	1,008
Payments for rental of real estate for investment	(148)	(246)
Collection of loans receivable	5	13
Payments of loans receivable	(10)	(10)
Proceeds from guarantee deposits received	31	19
Repayments of guarantee deposits received	(7)	(0)
Other, net	-	23
Net cash provided by (used in) investing activities	577	316
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(200)	(300)
Repayments of long-term loans payable	(586)	(1,126)
Repayments of lease obligations	(64)	(71)
Proceeds from issuance of common shares	170	100
Purchase of treasury shares	-	(0)
Cash dividends paid	(411)	(636)
Net cash provided by (used in) financing activities	(1,091)	(2,033)
Effect of exchange rate change on cash and cash equivalents	(19)	5
Net increase (decrease) in cash and cash equivalents	1,547	612
Cash and cash equivalents at beginning of period	6,354	7,901
Increase in cash and cash equivalents from newly consolidated subsidiary	-	14
Cash and cash equivalents at end of period	7,901	8,528

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the EM SYSTEMS Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The EM SYSTEMS Group consists of business units organized according to product categories and business operations that are divided among different companies. For the purpose of financial reporting, there are three reportable segments: IT Systems and Related Business for Pharmacies, IT Systems and Related Business for Clinics, and Other Businesses.

Major products for each reportable segment are as follows:

Reportable segment	Major products
IT Systems and Related Business for Pharmacies	Development and sales of systems for pharmacies
IT Systems and Related Business for Clinics	Development and sales of systems for clinics
Other Businesses	Development and sales of systems for nursing care providers, management of a fitness club, nursery school and pharmacy

2. Calculation methods for net sales, profit/loss, assets, liabilities and other items for each reportable segment

The accounting methods for reportable segments comply with accounting policies used for the preparation of the consolidated financial statements.

Profit for reportable segments is operating profit figures.

Inter-segment sales and transfers are based on prevailing market prices.

3. Information related to net sales, profit/loss, assets, liabilities and other items for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Reportable segment				Adjustment	Amounts recorded in consolidated financial statements (Note)
	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total		
Net sales						
External sales	11,121	1,670	976	13,768	(92)	13,676
Inter-segment sales and transfers	1	-	5	6	(6)	-
Total	11,122	1,670	982	13,775	(98)	13,676
Segment profit	2,644	17	(32)	2,629	(32)	2,597
Segment assets	4,110	711	778	5,600	15,747	21,348
Other items						
Depreciation	245	129	29	403	207	611
Increase in property, plant and equipment and intangible assets	157	130	57	346	-	346

Note: Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	Reportable segment				Adjustment	Amounts recorded in consolidated financial statements (Note)
	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total		
Net sales						
External sales	11,261	1,760	1,025	14,048	(94)	13,953
Inter-segment sales and transfers	45	4	3	54	(54)	-
Total	11,307	1,765	1,029	14,102	(148)	13,953
Segment profit	2,870	237	9	3,116	(53)	3,063
Segment assets	3,506	859	870	5,236	16,656	21,893
Other items						
Depreciation	212	99	24	337	202	539
Increase in property, plant and equipment and intangible assets	185	197	38	421	-	421

Note: Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

4. Reconciliation of amounts recorded in consolidated financial statements with total reportable segments

(Millions of yen)

Net sales	FY3/17	FY3/18
Total for reportable segments	13,775	14,102
Transfer to non-operating income	(92)	(94)
Eliminations for inter-segment transactions	(6)	(54)
Net sales on the consolidated financial statements	13,676	13,953

(Millions of yen)

Profit	FY3/17	FY3/18
Total for reportable segments	2,629	3,116
Transfer to non-operating income	(16)	(21)
Eliminations for inter-segment transactions	(16)	(31)
Operating profit on the consolidated financial statements	2,597	3,063

(Millions of yen)

Assets	FY3/17	FY3/18
Total for reportable segments	5,600	5,236
Corporate assets (Note)	16,361	17,249
Eliminations for inter-segment transactions	(614)	(592)
Total assets on the consolidated financial statements	21,348	21,893

Note: Corporate assets mainly include cash and deposits and real estate for investment that are not attributable to reportable segments.

(Millions of yen)

Other items	Total reportable segment		Adjustment		Amounts recorded in consolidated financial statements	
	FY3/17	FY3/18	FY3/17	FY3/18	FY3/17	FY3/18
Depreciation	403	337	207	202	611	539
Increase in property, plant and equipment and intangible assets	346	421	-	-	346	421

Related information

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

1. Information about products and services

Descriptions of products and services are omitted because this information is presented in the segment information.

2. Geographical information

(1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceeded 90% of property, plant and equipment in the consolidated balance sheet.

3. Information of specific major customer

This information is omitted because no specific customers accounted for 10% or more of net sales in the consolidated statement of income.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

1. Information about products and services

Descriptions of products and services are omitted because this information is presented in the segment information.

2. Geographical information

(1) Net sales

This information is omitted because sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceeded 90% of property, plant and equipment in the consolidated balance sheet.

3. Information of specific major customer

This information is omitted because no specific customers accounted for 10% or more of net sales in the consolidated statement of income.

Impairment loss of non-current assets by reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total
Impairment loss	17	2	0	20

Amortization of goodwill and unamortized balance by reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total
Amortization for the period	34	-	22	57
Unamortized balance at the period-end	85	-	226	311

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Millions of yen)

	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total
Amortization for the period	34	-	22	57
Unamortized balance at the period-end	50	-	203	254

Gain on bargain purchase by reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

Not applicable.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

Per Share Information

(Yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	395.48	446.82
Net income per share	60.30	66.72
Diluted net income per share	59.76	66.56

Notes: 1. The Company conducted a common stock split according to a ratio of 1:2 effective on March 1, 2018. Net assets per share, 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 fiscal year ended March 31, 2017.

2. The basis of calculating net income per share and diluted net income per share is as follows:

(Millions of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent	2,116	2,369
Amounts not available to common stock shareholders	-	-
Profit attributable to owners of parent available to common stock	2,116	2,369
Average number of shares of common stock outstanding during the period (Shares)	35,093,856	35,513,775
Diluted net income per share		
Adjusted profit attributable to owners of parent	-	-
Increase in the number of shares of common stock (Shares)	316,468	82,699
Summary of potential stock not included in the calculation of “Diluted net income per share” since there was no dilutive effect	-	-

Subsequent Events

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.