



EMMA

Results of Operations for financial year ended March 31 2019



EM SYSTEMS CO., LTD.

(TSE 1st Section: 4820)

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I . i. Financial Highlights for March 2019

Consolidated Results of the March 2019

	Financial year ended March 31 2018	※ Financial year ended March 31 2019 (estimated results)	Financial year ended March 31 2019 (results)	Compared to previous year	Compared to estimated results
Sales	13,953 million yen	13,146 million yen	13,133 million yen	(5.9%)	(0.1%)
Operating Profits	3,063 million yen	2,362 million yen	2,622 million yen	(14.4%)	11.0%
Ordinary Profits	3,618 million yen	2,993 million yen	3,248 million yen	(10.2%)	8.5%
Net Income	2,369 million yen	2,020 million yen	1,971 million yen	(16.8%)	(2.4%)

※ These are the amounts which announced in the financial statement on November 9.

Topics for March 2019

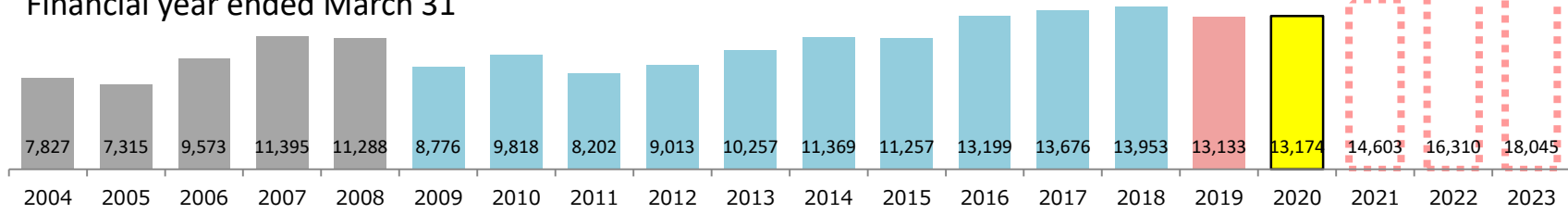
- In November 2018, we announced our “MAPs Series,” ‘a Shared Information System Foundation’ applicable to all healthcare fields (clinic, pharmacies and nursing care/welfare).
- We have commenced entrusting maintenance of hardware to manufacturers with the aim of streamlining maintenance personnel duties.
- Implementation of M&A aimed at enhancing businesses for nursing care/welfare-oriented systems
 - Acquisition of the business of Janis Corporation which possesses advantages in the field of disability welfare services
 - Purchase of M_Win Soft Co., Ltd., which possesses advantages in the facility-based service field and the service field targeting Community-based Integrated Care centers
- We have commenced transitioning from a focus on sales activities to a focus on marketing activities
- Income and profits decreased due to a reduction in initial OEM (Original Equipment Manufacturing) sales

I . ii . Changes in consolidate results by fiscal year



Gross Sales

(Millions of yen)
Financial year ended March 31

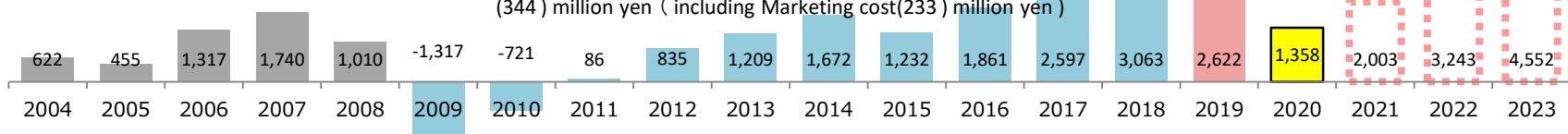


Values after March 2020 are planned values.

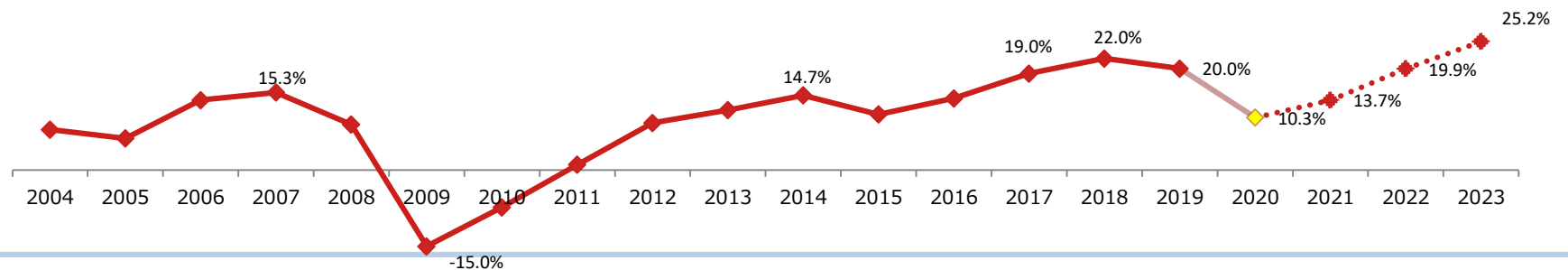
Business Profits

The main reasons why decreased business profit in 2020 compared to the previous year

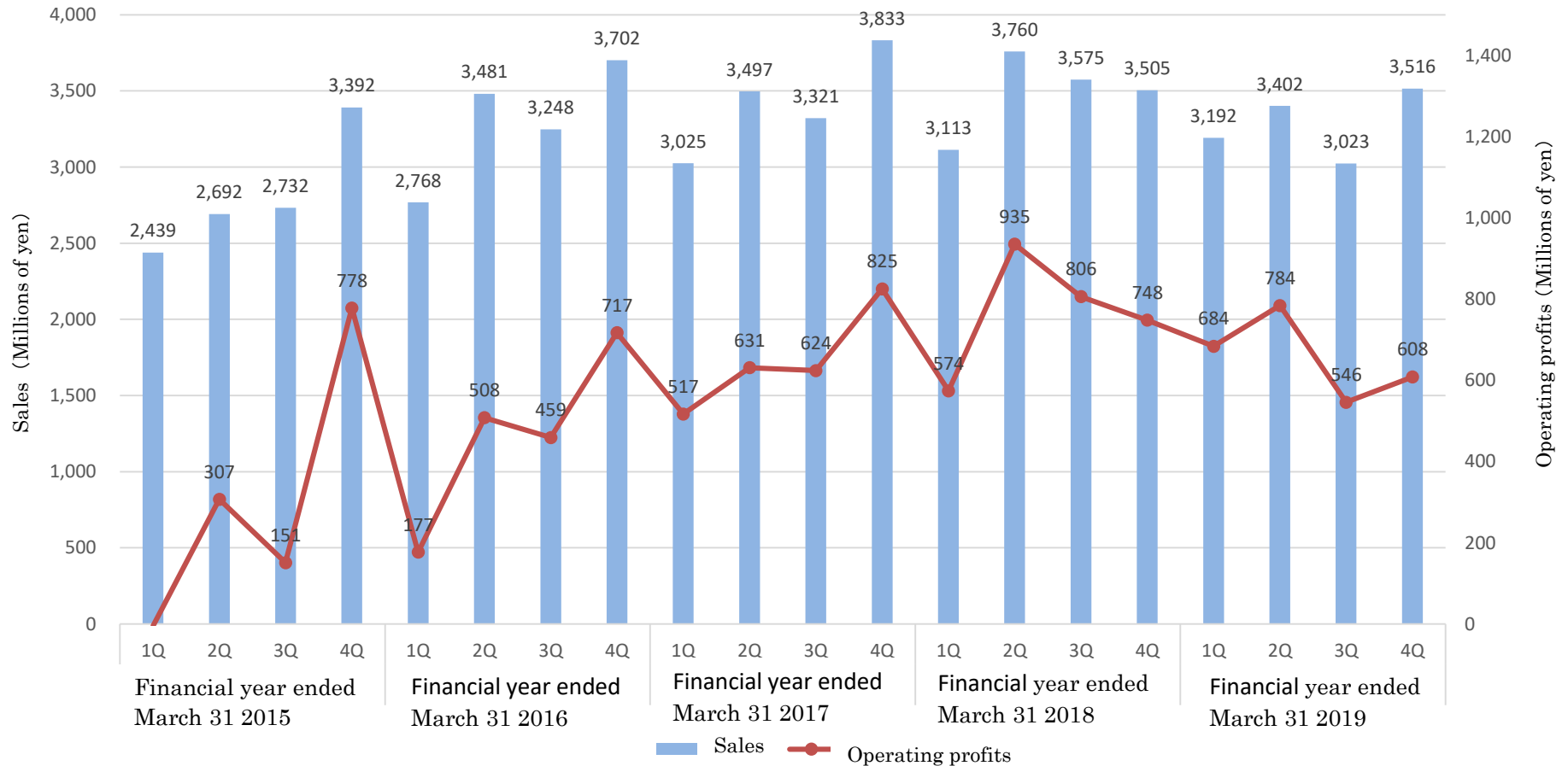
- (1) The business model shift
 - gross margin percentage decrease (198) million yen
 - sales price decline (176) million yen
- (2) manufacturing cost increase (512) million yen (including depreciation (324) million yen)
- (3) selling, general and administrative expenses increase (344) million yen (including Marketing cost(233) million yen)



Profit Margin



I . iii . Changes in consolidate results by quarter



I . iv . Balance Sheet Summary (Units: Millions of yen)



Major YoY Changes

	March 31 2018	March 31 2019	YoY change	YoY % change
Assets	21,893	22,352	459	2.1%
Current assets	11,592	10,930	(662)	(5.7%)
Fixed assets	10,300	11,421	1,121	10.9%
Tangible fixed assets	1,580	1,676	95	6.0%
Intangible fixed assets	682	1,930	1,248	182.9%
Investments and other assets	8,037	7,814	(222)	(2.8%)
Liabilities	5,840	5,733	(107)	(1.8%)
Current liabilities	3,782	3,665	(117)	(3.1%)
Fixed liabilities	2,058	2,067	9	0.5%
Net assets	16,052	16,619	566	3.5%
Shareholder's equity	15,924	16,536	612	3.8%
Cumulative amount of other comprehensive	(17)	(46)	(28)	164.1%
Stock acquisition rights	145	128	(17)	(11.7%)

Cash on hand and in banks	(1,000) millions of yen
Notes and accounts receivable	266 millions of yen

Software in progress	916 millions of yen
Goodwill	416 millions of yen

I . v . By Segment Sales/Operating Profits

(Millions of yen)

	Financial year ended March 31 2018		Financial year ended March 31 2019					
	Sales	Operating Profits	Sales			Operating Profits		
			Results	Increase/ decrease amounts	Increase/ decrease rates	Results	Increase/ decrease amounts	Increase/ decrease rates
Business for Pharmacy	11,307	2,870	10,476	(831)	(7.3%)	2,389	(480)	(16.7%)
Business for Clinic	1,765	237	1,704	(61)	(3.5%)	239	2	1.1%
Other Business	1,029	9	1,063	33	3.2%	0	(8)	(90.2%)

※Segmented sales and operating profits and losses are the amounts before elimination of internal transactions between segments.

- ✓ Business for Pharmacy ... Income and profits decreased due to a reduction in initial OEM sales.
- ✓ Business for Clinic ... The number of MRN (Medical Recepty NEXT) customers steadily increased.
Accompanying this, billing sales have also smoothly increased.
- ✓ Other business... Our pharmacy operation business is bullish. Our system businesses targeting nursing care / welfare providers have enabled active development of business through M&As.
Acquisitions through purchase increased sales, general and administrative expenses.

I . vi . By Segment Sales Breakdown



(Millions of yen)

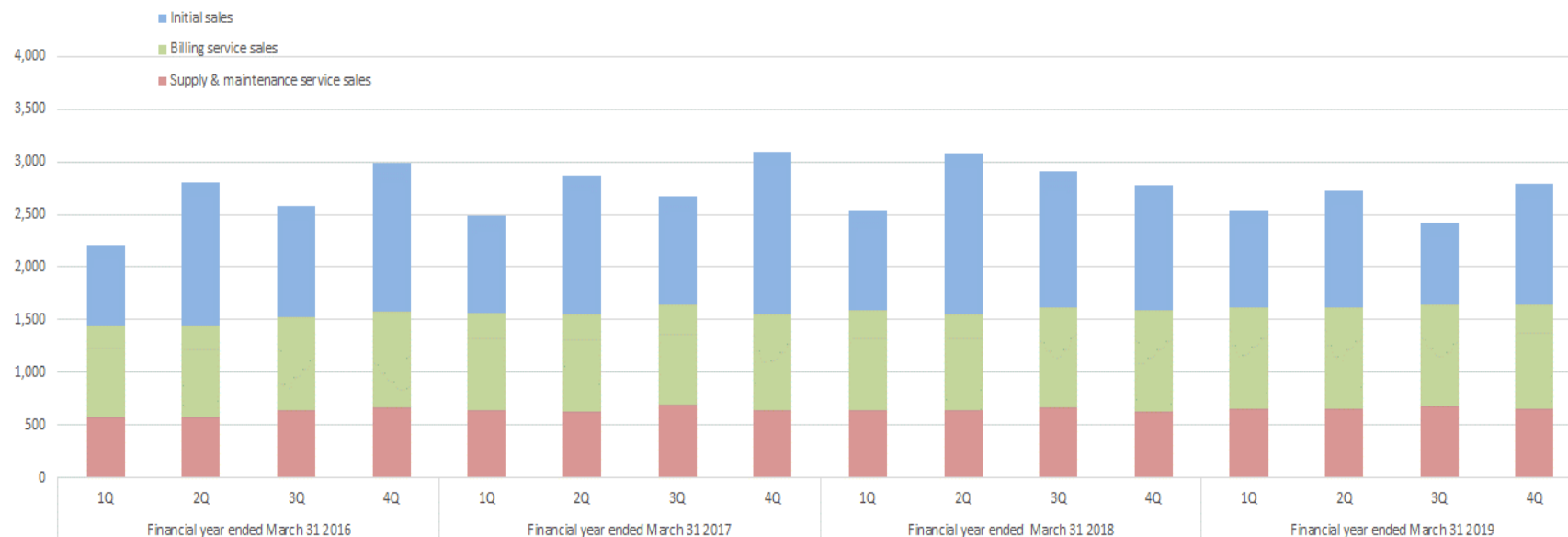
	Financial year ended March 31 2018	Financial year ended March 31 2019	YoY change	YoY % change
Net sales	13,953	13,133	(819)	(5.9%)
Business for Pharmacy and related business	11,307	10,476	(831)	(7.3%)
(o/w initial sales)	4,960	3,940	(1,019)	(20.5%)
(o/w billing service sales)	3,778	3,891	113	3.0%
(o/w supply sales)	1,995	2,058	62	3.1%
(o/w maintenance service sales)	573	585	12	2.2%
Business for Clinic and related business	1,765	1,704	(61)	(3.5%)
(o/w initial sales)	889	800	(89)	(10.0%)
(o/w billing service sales)	407	485	78	19.2%
(o/w supply sales)	94	97	3	3.4%
(o/w maintenance service sales)	374	320	(53)	(14.3%)
Other Businesses	1,029	1,063	33	3.2%
Adjustments	(148)	(109)	39	(5.9%)

* Net sales by segment are the amounts before elimination of inter-segment transactions.

I .vii. Business for Pharmacy and related business



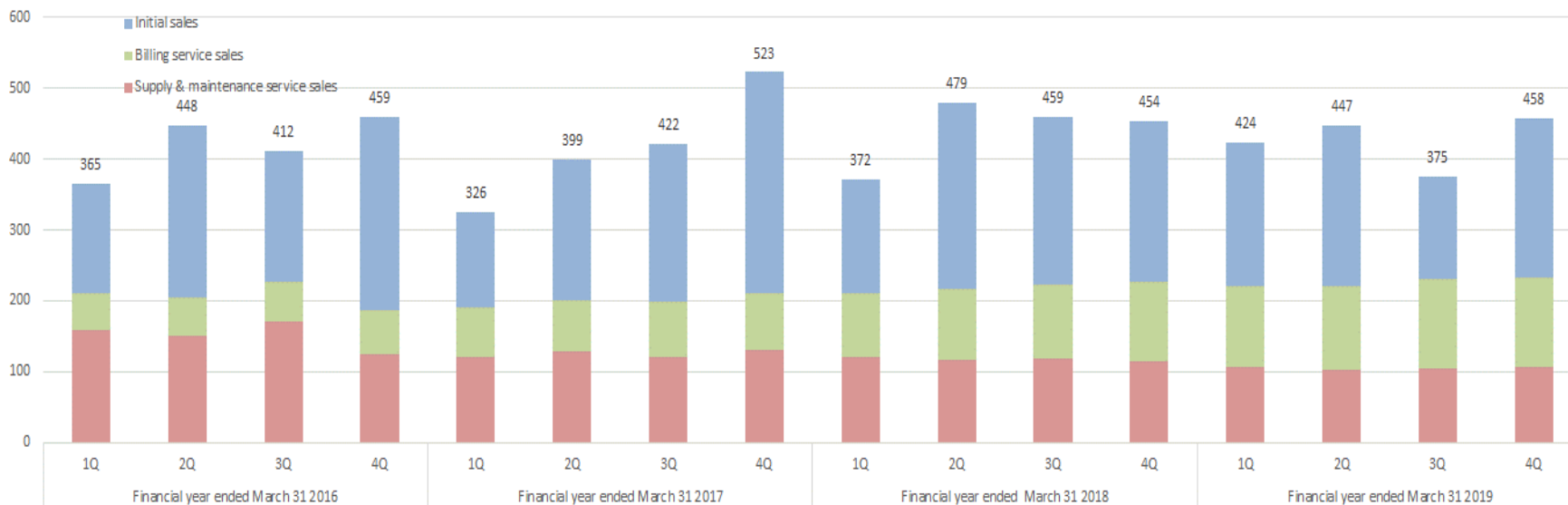
Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2016				Financial year ended March 31 2017				Financial year ended March 31 2018				Financial year ended March 31 2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Initial sales	768	1,365	1,055	1,409	920	1,319	1,037	1,536	953	1,532	1,297	1,179	919	1,102	776	1,144
Billing service sales	862	866	884	907	928	925	951	910	946	920	948	964	969	964	972	987
Supply & maintenance service sales	578	575	634	668	636	630	686	642	638	634	667	630	652	657	675	659

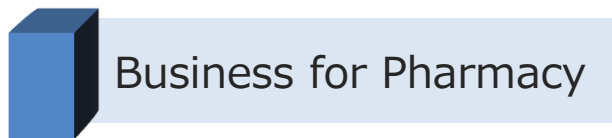
I .viii. Business for Clinic and related business

Quarterly Sales (Units: Millions of yen)



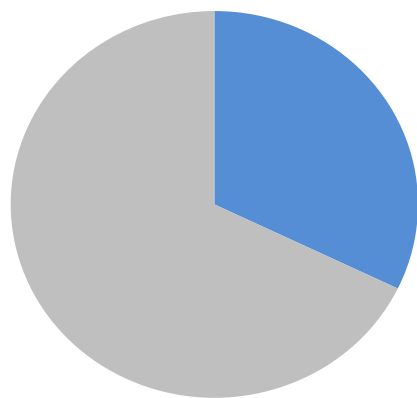
	Financial year ended March 31 2016				Financial year ended March 31 2017				Financial year ended March 31 2018				Financial year ended March 31 2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Initial sales	155	244	185	273	136	198	223	313	161	262	237	227	203	227	145	225
Billing service sales	51	53	56	61	70	73	78	80	91	101	104	113	115	118	126	127
Supply & maintenance service sales	159	151	171	125	120	128	121	130	120	116	118	114	106	102	104	106
Total	365	448	412	459	326	399	422	523	372	479	459	454	424	447	375	458

I .ix . Market Share and Number of Customers

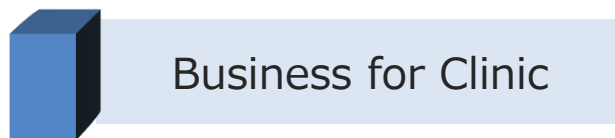


Number of customers 16,082

Market share **32.2%**

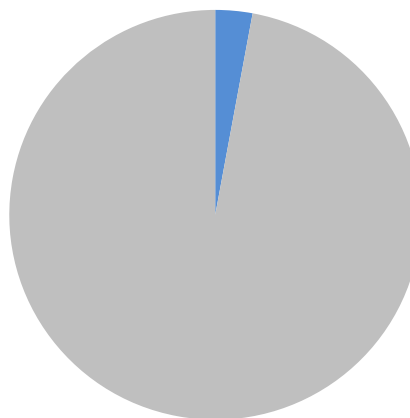


Target population: 50,000

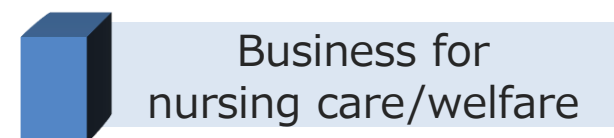


Number of customers 2,618

Market share **2.9%**

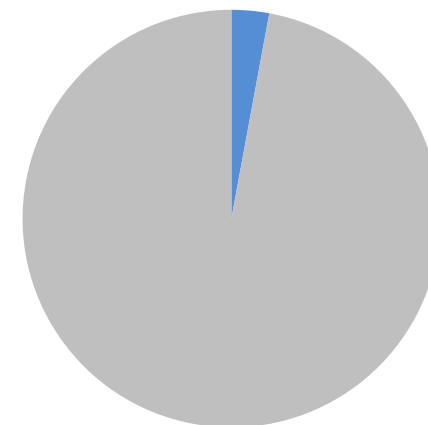


Target population: 90,000



Number of customers 13,500

Market share **5.4%**



Target population: 250,000

- *1 The number of customers indicates the number of pharmacies and clinics that purchased our system products.
- *2 The above target populations represent the number of pharmacies and clinics that we considered as our potential customers, and differ from the actual number of registered pharmacies and clinics.
- *3 The number of nursing care/welfare customers handled by our company after conducting a detailed examination may differ from the number prior to said examination.

(as of March 31 , 2019)

Market environment

- The government has announced efforts toward spreading and expanding online examinations and online medication instructions.
However they grow at a sluggish rise.
- ⇒ Online examinations.....The regulatory reform conference proposed raising medical fee prices
- ⇒ Online medication instructions...Major chain pharmacies have declared their participation one after another through the application of public medical insurance to special wards
- Proliferation of electronic medical records has exceeded 40% in clinics

- Due to the influence of the simultaneous reforms to medical fees and nursing fees in April 2018, our major pharmacy operations business has seen decreased profits across the board
- Due to changes in the pharmacy operations environment, pharmacies chains have been hurriedly transitioning to holding companies restructuring through M&A, etc., one after another
- Wholesale-price negotiations with various drug wholesalers relating to new drug prices is resulting in increased difficulties in pharmacy administration. (Guidelines from Ministry of Health, Labour and Welfare)
- It is possible for non-pharmacists to conduct picking and packaging operations (based on pharmacist instructions) (The General Affairs Division of the Pharmaceutical Safety and Environmental Health Bureau within the Ministry of Health, Labour and Welfare issued a notification to all administrative divisions dated April 2.)

- Increase in large-scale chain welfare facilities
- Symbiotic-type services have newly been established in order to make it easier for elderly and disabled individuals to receive services at the same office



Ⅱ . ii .Measures of first half for year ended March 31 2020

- Acquisition of new customers or those replaced from competitors through our new product (MAPs Series)
- Active development of sales in the nursing care/welfare market utilizing the powerful business tool of EM Solutions and M-Win Soft
- Commencement of development and improvement of product competitiveness in regard to MAPs for NURSING CARE in our Nursing care/welfare business
- Contribution to industry standardization and cost reduction by provision of OEM through a common engine
- Active investment in branding
- Active development of marketing activities
- Shift of branch-based sales resources toward the medical and nursing care/welfare markets
- Collaboration with GLORY LTD. on a system to support input of prescriptions (Commencement of provision from Oct. 2019)
- Promotion of work-style reform and improvement of work productivity



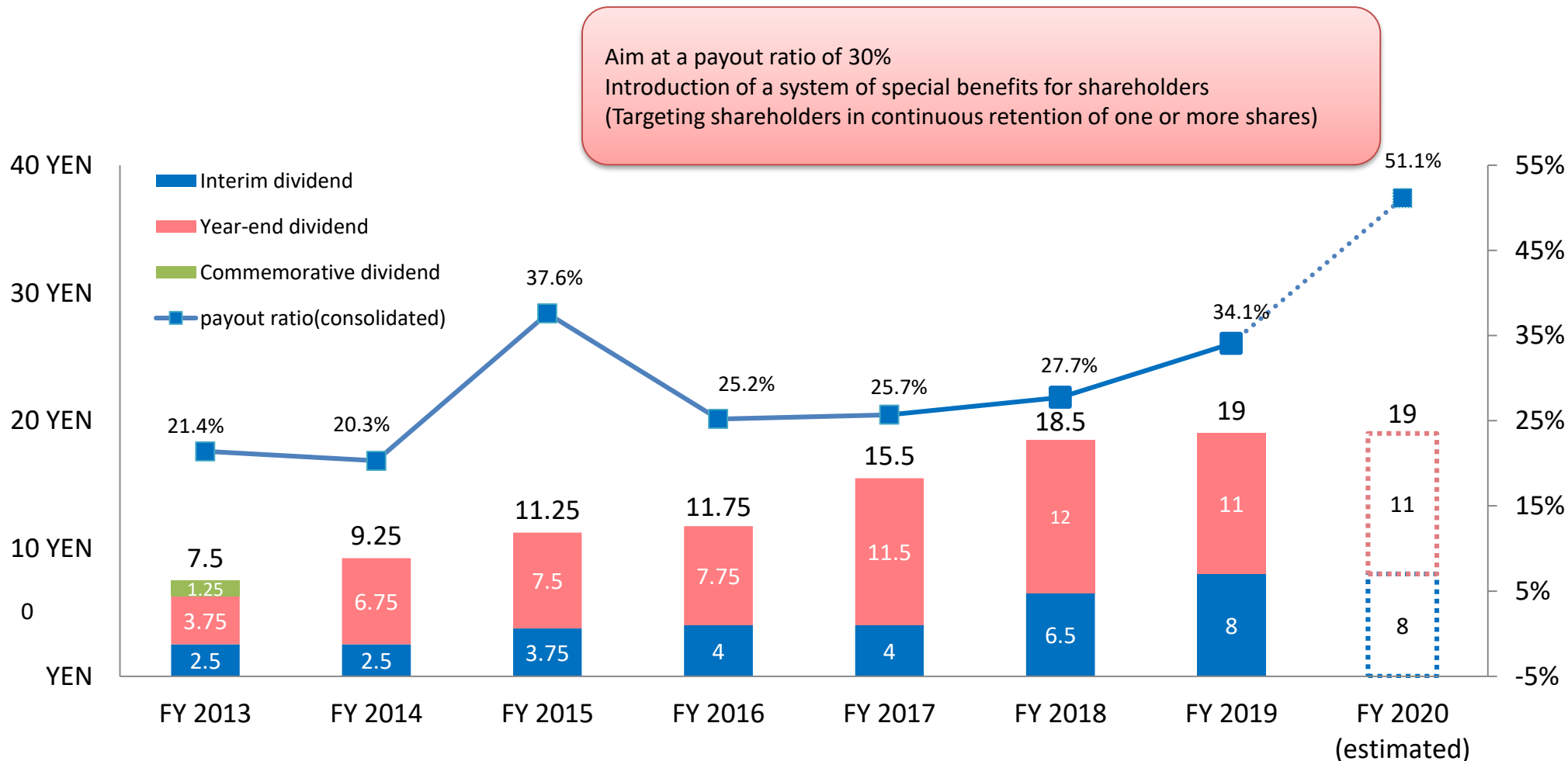
II . iii . Forecast for the fiscal year ending March 2020

(Millions of yen)

	Fiscal year ended March 31 2019 (actual)	Fiscal year ended March 31 2020 (forecast)	Compared to previous year
Sales	13,133	13,174	0.3%
Business for Pharmacy	10,476	9,423	△10.1%
Business for Clinic	1,704	2,202	29.2%
Other Business	1,063	1,648	55.0%
Adjustment	△ 109	△ 99	△9.3%
Operating Profits	2,623	1,358	△48.2%
Business for Pharmacy	2,389	1,086	△54.5%
Business for Clinic	239	258	7.9%
Other Business	0	20	—
Adjustment	(7)	(7)	△2.8%
Ordinary Profits	3,248	1,980	△39.1%
Net Income	1,971	1,307	△33.7%

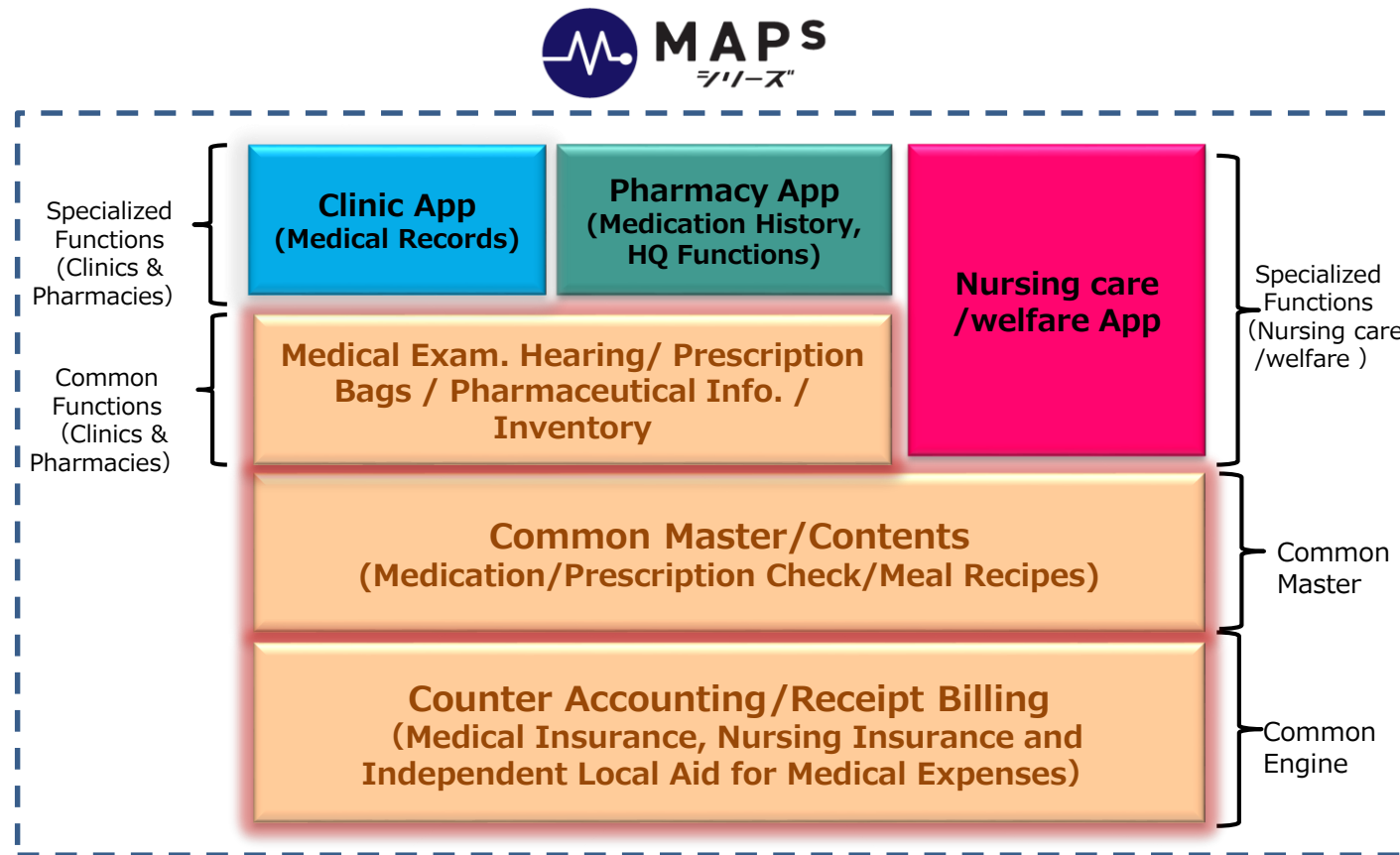
※Segmented sales and operating profits and losses are the amounts before elimination of internal transactions between segments.

II . iii . shareholder returns



*We conducted stock splits on April 1st, 2016 and March 1st, 2018 at a ratio of two shares per one ordinary share. The aforementioned information assumes that each stock split occurred at the beginning of March 2013.

II . iv . Shared Information System Foundation



- Cloud-based systems and system integration within healthcare fields (clinics , pharmacies and nursing care/welfare)
- Ability to link together those engaged in clinics, pharmacies and nursing care/welfare
- Reduction in customer burden at time of introduction by enabling customers to procure desired equipment, learn how to operate the system and decide initial settings, etc. on their own
- Medical examination function that combines “information from family doctors (in close contact with patients)” and “expertise in each field of medicine”
- Functions that provide suggestions utilizing the latest technologies (A feature in which the system offers suggestions to customers)
- Functions to support creation of medical records, medication records, etc
- Reduction in customer burden by realizing no-cost initial licensing and reduced monthly costs

Ⅲ. Ms. Kimiko Date is appointed as Ambassador of EM Systems co.,LTD.



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As forecasts contained herein are based on assumptions of numerous uncertain factors, actual results may differ significantly from these forecasts for a number of reasons.