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Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

May 8, 2019

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 Securities Code 4820 U R L http://www.emsystems.co.jp
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 Scheduled date of Annual General Meeting of Shareholders: June 18, 2019
 Scheduled date of payment of dividend: June 19, 2019
 Scheduled date of filing of Annual Securities Report: June 19, 2019
 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, 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated management performance (total) (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2019	13,133	(5.9)	2,622	(14.4)	3,248	(10.2)	1,971	(16.8)
Fiscal year ended Mar. 31, 2018	13,953	2.0	3,063	17.9	3,618	14.4	2,369	12.0

(refer to) Equity in earnings of affiliates Fiscal year ended Mar. 31, 2019 1,942 Million s of yen (19.1%) Fiscal year ended Mar. 31, 2018 2,400 Millions of yen (14.8%)

	Net income per share		Diluted net income per share		Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen 100ths of a yen		Yen 100ths of a yen		%	%	%
Fiscal year ended Mar. 31, 2019	55.73		54.91		12.2	14.7	20.0
Fiscal year ended Mar. 31, 2018	66.72		66.56		15.9	16.7	22.0

(Refer to) Equity in earnings of affiliates Fiscal year ended Mar. 31, 2019 – Millions of yen Fiscal year ended Mar. 31, 2018 – Millions of yen

(Note) This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of March 1st, 2018. We have calculated "quarterly net income per share" and "net income after potential stock adjustment" assuming that said stock split was conducted at the beginning of previous fiscal year.

(2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio	Net assets per share	
	Millions of yen		Millions of yen		%	Yen 100ths of a yen	
As of Mar. 31, 2019	22,351		16,618		73.8	469.07	
As of Mar. 31, 2018	21,893		16,052		72.7	446.82	

(Refer to) Net capital As of Mar. 31, 2019 16,489 Millions of yen As of Mar. 31, 2018 15,906 Millions of yen

(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	
	Yen 100ths of a yen		Yen 100ths of a yen		Yen 100ths of a yen		Yen 100ths of a yen	
Fiscal year ended Mar. 31, 2019	1,846		(894)		(1,982)		7,486	
Fiscal year ended Mar. 31, 2018	2,324		316		(2,033)		8,528	

2. State of dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of term	Total			
	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen	Millions of yen	%	%
Fiscal year ended Mar. 31, 2018	—	13.00	—	12.00	—	658	27.7	4.4
Fiscal year ended Mar. 31, 2019	—	8.00	—	11.00	19.00	669	34.1	4.1
Fiscal year ended Mar. 31, 2020 (estimate)	—	8.00	—	11.00	19.00		51.1	

(Note) This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of March 1st, 2018. Regarding the dividends of the 2nd quarter of the March 2018 period, we have included the amounts of actual dividends before said stock split. The annual dividend amount per share calculated under the post-stock split standard is 18.5 yen for the March 2018 period

3. Estimated consolidated results of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen 100ths of a yen
First half	6,516	(1.2)	710	(51.7)	1,010	(43.5)	679	(43.3)	19.31
Full year	13,174	0.3	1,358	(48.2)	1,980	(39.1)	1,307	(33.7)	37.18

* 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 to accounting policies accompanying revision to accounting standards, etc. | : None |
| 2) Changes to accounting policies other than 1. | : None |
| 3) Changes to estimates in accounting | : None |
| 4) Revised restatement | : None |

(3) Number of shares outstanding (ordinary stock)

1. Number of shares outstanding at end of term (including own stock)	As of Mar. 31, 2019	36,649,400 shares	As of Mar. 31, 2018	36,347,400 shares
2. Number of own shares at end of term	As of Mar. 31, 2019	1,495,066 shares	As of Mar. 31, 2018	747,206 shares
3. Average number of shares outstanding during term (quarterly total)	As of Mar. 31, 2019	35,375,368 shares	As of Mar. 31, 2018	35,513,775 shares

(Note) This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of March 1st, 2018. We have calculated the “Average number of shares outstanding during term” for March 2018 2nd quarter assuming that said stock split was conducted at in the previous consolidated fiscal year.

(Refer to) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Mar. 31, 2019	11,517	(6.3)	2,378	(17.2)	3,016	(12.1)	1,833	(19.5)
Fiscal year ended Mar. 31, 2018	12,294	4.7	2,872	21.4	3,430	17.7	2,276	15.3

	Net income per share	Diluted net income per share
	Yen 100ths of a yen	Yen 100ths of a yen
Fiscal year ended Mar. 31, 2019	51.83	51.07
Fiscal year ended Mar. 31, 2018	64.11	63.96

(Note) This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of March 1st, 2018. We have calculated "net income per share" and "Diluted net income per share" assuming that said stock split was conducted at the beginning of previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen 100ths of a yen
As of Mar. 31, 2019	21,265	15,962	74.5	450.42
As of Mar. 31, 2018	21,034	15,505	73.0	431.45

(Refer to) Shareholders' equity As of Mar. 31, 2019 15,830 Millions of yen As of Mar. 31, 2018 15,359 Millions of yen

* 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

Estimates 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 management performance, etc.

(1) Overview of management performance in the current period

In the healthcare (clinics and pharmacies) and nursing care industries, the 2018 simultaneous revision of medical service and long-term care fee was conducted. As a result, we continue to face difficulties in the field of pharmacies, which are our company's major sales outlet, due to medicine dispensing fees and drug price reforms. In addition, major pharmacy chains and drug stores are expanding business scale and profit through M&As, etc.

In the healthcare industry, operation of online diagnoses and online guidance on taking medicine commenced as it became possible to use public insurance for the service last year. In regard to electronic prescriptions, demonstration testing is proceeding, and we expect the service to enter full operation. In addition, in the nursing care and welfare industries, symbiotic-type services were newly established in systems for both nursing care insurance and disability welfare in order to make it easier for elderly and disabled individuals to receive services at the same office.

Amidst this market environment, in November 2018, our group announced the "MAPs Series," a shared information system base applicable to all healthcare fields (medical departments, pharmacies and nursing care/welfare). It is a completely cloud-based system that unifies systems in health care fields. Through the various functions of this system, we will continue to support the operations of clinicians, pharmacists and nursing care / welfare service providers.

Our group aims to provide an environment that enables seamless information coordination between the medical and nursing care fields, including hospitals, and in collaboration with NEC Corporation (NEC) and CSI Co., Ltd., we are engaged in the creation of new services with a focus on the coming super-aging society by promoting utilization and application of ICT in the healthcare and medical fields.

In addition, in January 2019, we initiated cooperation between our medical-oriented systems and other services such as the drug evaluation bulletin board maintained by MedPeer Co., Ltd. in order to provide an additional level of safety for patients and create further social value.

We acquired businesses targeting nursing care service providers from Janis Co., Ltd., which possesses advantages in the field of disability welfare services, on February 1, 2019. We acquired all shares of M-Win Soft Co., Ltd., which possesses advantages in the facility-based service field as well as the service field targeting Community-based Integrated Care centers, on February 28. We are now able to provide services covering a broad range of fields, including the fields of nursing care service businesses, disability welfare businesses and comprehensive support businesses. Moving forward, this will enable us to further improve our system businesses targeting nursing care service providers.

From October, we have been implementing business model reforms to strongly promote transition toward subscription business model of our services and products with high levels of added value.

In regard to performance in the current consolidated fiscal year, we achieved our sales goals due to orders related to large chain franchises and bullish potential demand for hardware purchases. In addition, by focusing on the development of our MAPs Series, we increased capitalization. This kept manufacturing costs were lower than estimated, which resulted in operating profits higher than estimated.

As a result, our performance was 13,133 million yen in sales (a 5.9% decrease compared to the same period in the previous year) 2,622 million yen in operating profits (a 14.4% decrease) 3,248 million yen in ordinary profits (a 10.2% decrease), and 1,971 million yen in quarterly net income attributable to shareholders in parent company (a 16.8% decrease). As such, we failed to achieve performance equal to the previous consolidated fiscal year

By-segment results are as follows. In addition, the by-segment sales and operating profits and losses listed are the amounts before elimination of internal transactions between segments.

(IT Systems and Related Business for Pharmacies)

Regarding IT Systems and Related Business for Pharmacies, we have continued to strengthen our approaches to pharmacy chains and our sales channels through OEM provision, etc., and we have focused our efforts on expanding sales in systems for pharmacies, namely "Recepty NEXT" and "Bungyo Mate."

Billing sales increased favorably and sales of consumables continued to be bullish. As a result, we achieved our goals for sales and operating profits. However, we failed to achieve sales and operating profits equal to the previous consolidated fiscal year.

Consequently, IT Systems and Related Business for Pharmacies in the current consolidated fiscal year resulted in 10,476 million yen in sales (a 7.3% decrease compared with the same period in the previous year) and 2,389 million yen in operating profits (a 16.7% decrease).

(IT Systems and Related Business for Clinics)

Regarding IT Systems and Related Business for Clinics, in order to expand our nation-wide sales channels, we have been cultivating markets in clinics through retail outlets. Furthermore, we have continued to focus efforts on sales of the medical accounting systems "MRN (*1) Clerk Style" and "Uni-Medical," as well as the electronic medical records systems "MRN Karte Style" and "Ortia."

"Maps for CLINIC," a diagnostic support system for clinics and one of the products in our "MAPs Series" (a

shared information system base that we announced in November), has been extremely well-received.

Billing sales and sales of consumables were bullish due to sound increases in numbers of customers who newly started MRN or replaced from the competitors.

On the other hand, we failed to achieve the same number of sales as in the previous fiscal year, and as a result, we failed by a small margin to achieve sale proceeds equal to the previous consolidated fiscal year.

Consequently, IT Systems and Related Business for Clinics in the current consolidated fiscal year resulted in 1,704 million yen in sales (a 3.5% decrease from the same period in the previous year) and 239 million yen in operating profits (a 1.1% increase).

(*1) MRN: Medical Receipty NEXT

(Other businesses)

Regarding IT Systems for Nursing Care, we were able to develop a proactive business strategy through M&A and business acquisition. However, we were not able to contribute to sales or profits for the current consolidated fiscal year.

Our pharmacy operation business was partially impacted by medicine dispensing fees and drug price reforms, but sales and operating profits were above initial estimates. Furthermore, Lasante Co., Ltd. achieved planned sales and operating profits.

Furthermore, in the "commissioned project to install online qualification checking system into receipt creation support system for pharmacies," with which we were commissioned by the Hiroshima Branch of the Japan Health Insurance Association (Kyokaikenpo), we extended the initial contract periods to continue providing the service.

At our company, we are proactively engaged in the realization of electronic prescriptions and research and development as well as verification projects relating to EHR (*2), in order to contribute to future developments in the healthcare industry. In the "infectious disease outbreak detection services," which is a joint research project between the Japan Medical Association, the Japan Pharmaceutical Association, and Nihon University, the number of pharmacies using it has reached nearly 12,000 nationwide.

Consequently, other business in the current consolidated fiscal year resulted in 1,063 million yen in sales (a 3.2% increase over the same period in the previous year) and 0 million yen in operating losses (a 90.2% decrease).

(*2) EHR: Electronic Health Record

(2) Overview of financial position in the current period

(Assets)

Current assets decreased 662 million yen from the end of the previous fiscal year to 10,930 million yen at the end of the current fiscal year. This was mainly due to decreases of 1,041 million yen in cash on hand and in banks. They were paid for the business transfer, acquisition of company by M&A and paid for treasury stock. Fixed assets increased 1,120 million yen from the end of the previous fiscal year to 11,421 million yen at the end of the current fiscal year. This was mainly due to increases of 916 million yen in software in progress and 415 million yen in goodwill.

Consequently, total assets was 22,351 million yen. (a 458 million yen increase over in the previous year.)

(Liabilities)

Current liabilities decreased 117 million yen from the end of the previous fiscal year to 3,665 million yen at the end of the current fiscal year. This was mainly due to increases of 251 million yen in notes and accounts payable-trade, but decreases of 412 million yen in current portion of long-term loans payable. Noncurrent liabilities increased 9 million yen from the end of the previous fiscal year to 2,067 million yen at the end of the current fiscal year. This was mainly due to increases of 111 million yen in net defined benefit liability, but decreases of 102 million yen in long-term loans payable.

Consequently, total liabilities was 5,733 million yen. (a 107 million yen decrease over in the previous year.)

(Net assets)

Net assets increased 566 million yen to 16,618 million yen mainly because of a 1,261 million yen increase in retained earnings associated with the fiscal year's profit.

Consequently, Capital adequacy ratio was 73.8% (72.7% at the same period in the previous year).

(3) Cash flows

Cash and cash equivalents decreased 1,042 million yen from the end of the previous fiscal year to 7,486 million yen at the end of the current fiscal year. .

The status of each cash flow in the current fiscal year and their factors are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities was 1,846 million yen, compared to 2,324 million yen in the previous year. This was mainly due to an expenditure of 1,323 million yen in income taxes, an incomes of 3,030 million yen in income before income taxes and others in the current fiscal year.

(Net cash provided by (used in) investing activities)

Net cash used in investment activities was 894 million yen, compared to 316 million yen in the previous year. This is mainly due to an incomes of 1,019 million yen in investment property rental, an expenditure of 970 million yen for purchase of intangible fixed assets, an expenditure of 458 million yen in cash out on loans, an expenditure of 254 million yen for purchase of tangible fixed asset, an expenditure of 186 million yen for the cost of investment property rental and an expenditure of 125 million yen for business transfer.

(Net cash provided by (used in) financial activities)

Net cash used in financing activities was 1,982 million yen, compared to 2,033 million yen used in the previous year. This was mainly due to incomes of 196 million yen for the issuance of shares, an expenditure of 517 million yen for the repayment of long-term debt, an expenditure of 903 million yen for the purchase of treasury stock, and an expenditure of 708 million yen for the payment of dividends.

(Refer to) Cash flow indicators

	Fiscal year ended Mar. 31, 2015	Fiscal year ended Mar. 31, 2016	Fiscal year ended Mar. 31, 2017	Fiscal year ended Mar. 31, 2018	Fiscal year ended Mar. 31, 2019
Shareholders' equity ratio (%)	56.8	59.6	65.4	72.7	73.8
Shareholders' equity ratio based on market value (%)	82.7	113.4	149.5	214.0	209.2
Ratio of interest-bearing debt to cash flows (years)	2.6	1.4	1.0	0.3	0.4
Interest coverage ratio (times)	48.5	82.1	121.1	389.6	1,080.2

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

Looking forward, the status of pharmacies, our company's major sales outlet, in particular large pharmacies right outside a hospital, appears severe due to the 2018 simultaneous revision of medical service and Long-term care fees. It is expected that the government will continue to place limitations on medical fees overall.

It is predicted that there will be more of a need for information coordination than ever before in other occupations, including nursing care, as the government has expressed the intention to promote thorough integration of ICT in the medical and other fields.

In our medical and pharmacy businesses, our group will provide a higher level of support to medical providers to improve safety and business efficiency by sharing information through the "MAPs Series," a shared information system base.

In our nursing care business, we will be active in the fields of disability welfare business, facility-based service field and the service field targeting Community-based Integrated Care centers, and we will continue to support service providers in the fields of nursing care service businesses, disability welfare businesses and comprehensive support businesses.

Estimates for our consolidated performance at the end of Year Ending in March 2020 are 13,174 million yen in sales (a 0.3% increase compared to the same period in the previous year), 1,358 million yen in operating profits (a 48.2% decrease compared to the same period in the previous year), 1,980 million yen in ordinary profits (a 39.1% decrease), and 1,307 million yen in net income for the period attributable to shareholders in

parent company (a 33.7% decrease). In addition, the aforementioned performance predictions are calculated based on information available as of the date of release of this document. Actual performance may vary from predicted values due to various future factors.

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 major explanatory notes

(1) Consolidated balance sheet

(Units: millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash on hand and in banks	8,528	7,487
Notes and accounts receivable	2,189	2,456
Merchandise and products	130	164
Raw materials and supplies	0	0
Others	762	842
Allowance for bad debts	(19)	(20)
Total current assets	11,592	10,930
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,494	1,495
Accumulated depreciation	(717)	(758)
Buildings and structures (net)	777	737
Land	608	589
Lease assets	195	143
Accumulated depreciation	(92)	(86)
Lease assets (net)	102	57
Rental assets	44	47
Accumulated depreciation	(29)	(36)
Rental assets (net)	15	10
Construction in progress	—	210
Others	532	546
Accumulated depreciation	(454)	(476)
Others (net)	77	70
Total tangible fixed assets	1,580	1,676
Intangible fixed assets		
Software	167	82
Software in progress	255	1,172
Goodwill	254	669
Others	5	5
Total intangible fixed assets	682	1,930
Investments and other assets		
Investment securities	205	7
Investment real estate	9,960	9,960
Accumulated depreciation	(2,942)	(3,137)
Investment real estate (net)	7,018	6,823
Allowance for bad debts	143	145
Deferred tax asset	499	572
Net defined benefit asset	109	123
Other	61	143
Allowance for bad debts	(0)	(0)
Total investments and other assets	8,037	7,814
Total fixed assets	10,300	11,421
Total assets	21,893	22,351

(Units: millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable	760	1,011
Current portion of long-term loans payable	517	104
Accounts payable-other	418	516
Lease obligations	48	34
Income taxes payable, etc.	763	530
Accrued consumption taxes	115	15
Provision for bonuses	350	399
Provision for points card certificates	3	4
Others	805	1,049
Total current liabilities	3,782	3,665
Non-current liabilities		
Long-term loans payable	137	34
Lease obligations	72	53
Net defined benefit liability	917	1,029
Provision for product warranties	214	221
Long-term guarantee deposited	715	721
Long-term Accounts payable-other	—	7
Total non-current liabilities	2,058	2,067
Total liabilities	5,840	5,733
Net assets		
Shareholder's equity		
Capital stock	2,445	2,558
Capital surplus balance	2,808	2,935
Retained earnings	10,878	12,140
Treasury stock	(208)	(1,097)
Total shareholder's equity	15,924	16,536
Cumulative amount of other comprehensive income		
Foreign currency translation adjustments	48	34
Remeasurements of defined benefit plans	(66)	(81)
Total other cumulative comprehensive income	(17)	(46)
Subscription rights to shares	145	128
Total net assets	16,052	16,618
Total liabilities and net assets	21,893	22,351

(2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(Units: millions of yen)

	Previous fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Sales	13,953	13,133
Cost of sales	6,077	5,723
Gross profit	7,876	7,410
Selling, general and administrative expenses		
Promotion expenses	33	21
Packing and transportation expenses	23	23
Advertising expenses	52	92
Provision of allowance for doubtful accounts	15	(0)
Provision for product warranties	119	91
Directors' compensations	254	259
Salaries and allowances	1,824	1,823
Bonuses	230	226
Provision for bonuses	306	314
Share-based compensation expenses	45	46
Retirement benefit expenses	99	115
Legal welfare expenses	370	366
Traveling and transportation expenses	128	132
Communication expenses	64	75
Depreciation	116	91
Amortization of goodwill	57	59
Rents	245	226
Research and development expenses	42	13
Other	783	808
Total selling, general and administrative expenses	4,813	4,787
Operating profit	3,063	2,622
Non-operating income		
Interest income	0	0
Rent income of real estate	1,006	1,020
Miscellaneous income	22	10
Total non-operating income	1,029	1,031
Non-operating expenses		
Interest expenses	5	1
Commission fee	1	8
Rent expenses on real estates	443	381
Amortization of share issuance cost	1	—
Miscellaneous loss	22	14
Total non-operating expenses	474	405
Ordinary profit	3,618	3,248

(Units: millions of yen)

	Previous fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Extraordinary income		
Gain on sales of non-current assets	12	—
Gain on reversal of share acquisition rights	0	—
Total extraordinary income	13	—
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Loss on sales of non-current assets	—	0
Impairment loss	20	20
Loss on liquidation of subsidiaries and associates	7	—
Expenses for advanced repayment of loans	8	—
loss on revaluation of investments in securities	—	198
Total extraordinary losses	38	218
Profit before income taxes	3,593	3,030
Income taxes - current	1,224	1,089
Income taxes - deferred	(0)	(30)
Total income taxes	1,223	1,058
Net income	2,369	1,971
Profit attributable to owners of parent	2,369	1,971

(Consolidated statements of comprehensive income)

(Units: millions of yen)

	Previous fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Net income	2,369	1,971
Other comprehensive income		
Foreign currency translation adjustments	12	(13)
Remeasurements of defined benefit plans	19	(15)
Total other comprehensive income	31	(29)
Comprehensive income	2,400	1,942
(Breakdown)		
Comprehensive income concerning parent company shareholders	2,400	1,942
Comprehensive income concerning non-controlling shareholders	—	—

(3) Consolidated Statement of Changes in Equity

Previous fiscal year (From April 1st, 2017 to March 31st, 2018)

(Units: millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
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

Current fiscal year (From April 1st, 2018 to March 31st, 2019)

(Units: millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	2,445	2,808	10,878	(208)	15,924
Changes of items during period					
Exercise of share acquisition rights	112	112			225
Dividends of surplus			(710)		(710)
Profit attributable to owners of parent			1,971		1,971
Purchase of treasury shares				(903)	(903)
Disposal of treasury shares		14		15	29
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period	112	127	1,261	(888)	612
Balance at end of current period	2,558	2,935	12,140	(1,097)	16,536

	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	48	(66)	(17)	145	16,052
Changes of items during period					
Exercise of share acquisition rights					225
Dividends of surplus					(710)
Profit attributable to owners of parent					1,971
Purchase of treasury shares					(903)
Disposal of treasury shares					29
Change of scope of consolidation					-
Net changes of items other than shareholders' equity	(13)	(15)	(29)	(17)	(46)
Total changes of items during period	(13)	(15)	(29)	(17)	566
Balance at end of current period	34	(81)	(46)	128	16,618

(4) Consolidated Statement of Cash Flows

(Units: millions of yen)

	Previous fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Cash flows from operating activities		
Profit before income taxes	3,593	3,030
Depreciation	539	485
Amortization of goodwill	57	59
Amortization of share issuance cost	1	—
Impairment loss	20	20
Loss on liquidation of subsidiaries and associates	7	—
Expenses for advanced repayment of loans	8	—
(Gains) and losses on revaluation of investments in securities	—	198
Decrease (increase) in net defined benefit asset	(2)	(13)
Increase (decrease) in net defined benefit liability	42	111
Increase (decrease) in provision for product warranties	37	6
Increase (decrease) in provision for bonuses	(43)	49
Increase (decrease) in provision for point card certificates	1	0
Increase (decrease) in allowance for doubtful accounts	14	(0)
Interest and dividend income	(0)	(0)
Rent income of real estate	(1,006)	(1,020)
Expenses of real estate rent	246	186
Interest expenses	5	1
Loss on retirement of non-current assets	1	0
Share-based compensation expenses	51	51
Gain on reversal of share acquisition rights	(0)	—
Loss (gain) on sales of non-current assets	(12)	—
Decrease (increase) in notes and accounts receivable-trade	399	(248)
Decrease (increase) in inventories	29	(33)
Decrease (increase) in other current assets	(339)	(41)
Increase (decrease) in notes and accounts payable-trade	(270)	239
Increase (decrease) in accrued consumption taxes	(23)	(100)
Increase (decrease) in other current liabilities	(22)	308
Other, net	0	(118)
Subtotal	3,336	3,171
Interest and dividend income received	0	0
Interest expenses paid	(5)	(1)
Income taxes paid	(1,006)	(1,323)
Net cash provided by (used in) operating activities	2,324	1,846

(Units: millions of yen)

	Previous fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(11)	(254)
Proceeds from sales of property, plant and equipment	21	—
Purchase of intangible assets	(304)	(970)
Purchase of investment securities	(198)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	58
Payments from transfer of business	—	(125)
Proceeds from rental of real estate for investment	1,008	1,019
Payments for rental of real estate for investment	(246)	(186)
Collection of loans receivable	13	8
Payments of loans receivable	(10)	(458)
Proceeds from guarantee deposits received	19	8
Repayments of guarantee deposits received	(0)	(1)
Other, net	23	7
Net cash provided by (used in) investing activities	316	(894)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(300)	—
Repayments of long-term loans payable	(1,126)	(517)
Repayments of lease obligations	(71)	(48)
Proceeds from issuance of common shares	100	196
Purchase of treasury shares	(0)	(903)
Cash dividends paid	(636)	(708)
Net cash provided by (used in) financing activities	(2,033)	(1,982)
Effect of exchange rate change on cash and cash equivalents	5	(13)
Net increase (decrease) in cash and cash equivalents	612	(1,042)
Cash and cash equivalents at beginning of period	7,901	8,528
Increase in cash and cash equivalents from newly consolidated subsidiary	14	—
Cash and cash equivalents at end of period	8,528	7,486

(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
Previous fiscal year (From April 1st, 2017 to March 31st, 2018)

(Units: 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.

Current fiscal year (From April 1st, 2018 to March 31st, 2019)

(Units: 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	10,472	1,704	1,057	13,234	(100)	13,133
Inter-segment sales and transfers	4	-	5	9	(9)	-
Total	10,476	1,704	1,063	13,243	(109)	13,133
Segment profit	2,389	239	0	2,630	(7)	2,622
Segment assets	4,219	1,155	1,248	6,623	15,728	22,351
Other items						
Depreciation	187	62	40	290	195	485
Increase in property, plant and equipment and intangible assets	717	477	44	1,239	-	1,239

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

(Units: millions of yen)

Net sales	Previous fiscal year	Current fiscal year
Total for reportable segments	14,102	13,243
Transfer to non-operating income	(94)	(100)
Eliminations for inter-segment transactions	(54)	(9)
Net sales on the consolidated financial statements	13,953	13,133

(Units: millions of yen)

Profit	Previous fiscal year	Current fiscal year
Total for reportable segments	3,116	2,630
Transfer to non-operating income	(21)	(25)
Eliminations for inter-segment transactions	(31)	17
Net sales on the consolidated financial statements	3,063	2,622

(Units: millions of yen)

Assets	Previous fiscal year	Current fiscal year
Total for reportable segments	5,236	6,623
Transfer to non-operating income	17,249	16,486
Eliminations for inter-segment transactions	(592)	(757)
Net sales on the consolidated financial statements	21,893	22,351

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

(Units: millions of yen)

Other items	Total reportable segment		Adjustment		Amounts recorded in consolidated financial statements	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	337	290	202	195	539	485
Increase in property, plant and equipment and intangible assets	421	1,239	—	—	421	1,239

Related information

Previous fiscal year (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.

Current fiscal year (Apr. 1, 2018 – Mar. 31, 2019)

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】

Previous fiscal year (Apr. 1, 2017 – Mar. 31, 2018)

(Units: 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

Current fiscal year (Apr. 1, 2018 – Mar. 31, 2019)

(Units: millions of yen)

	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total
Impairment loss	13	2	4	20

【Amortization of goodwill and unamortized balance by reportable segment】

Previous fiscal year (Apr. 1, 2017 – Mar. 31, 2018)

(Units: 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

Current fiscal year (Apr. 1, 2018 – Mar. 31, 2019)

(Units: 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	-	25	59
Unamortized balance at the period-end	16	-	653	669

【Gain on negative goodwill by reportable segment】

Previous fiscal year (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

Current fiscal year (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

(Per Share Information)

(Units: Yen 100ths of a yen)

Previous fiscal year (From April 1, 2017 To March 31, 2018)		Current fiscal year (From April 1, 2018 To March 31, 2019)	
Net assets per share	446.82	Net assets per share	469.07
Net income per share	66.72	Net income per share	55.73
Diluted net income per share	66.56	Diluted net income per share	54.91

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:

(Units: millions of yen)

	Previous fiscal year (From April 1, 2017 To March 31, 2018)	Current fiscal year (From April 1, 2018 To March 31, 2019)
Net income per share		
Profit attributable to owners of parent	2,369	1,971
Amounts not available to common stock shareholders	—	—
Profit attributable to owners of parent available to common stock	2,369	1,971
Average number of shares of common stock outstanding during the period (Shares)	35,513,775	35,375,368
Diluted net income per share		
Adjusted profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (Shares)	82,699	527,479
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.