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EMMA

# Results of Operations for March 2020, 1<sup>st</sup> Half

 **EM SYSTEMS CO., LTD.**

(TSE 1st Section: 4820)

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To everyone who has suffered due to the heavy rains in 2019,

We would like to express our heartfelt sympathies to everyone  
who has suffered due to typhoons and other heavy rains in 2019.

We pray that all victims are able to return to a peaceful lifestyle as soon as possible.

- I. “Business Environment / Business Plan for financial year ended March 31 2020”**
  - i. Business Environment
  - ii. Measures of second half for year ended March 31 2020
  
- II. “March 2020 Second Half Financial results”**
  - i. Highlights of Financial results
  - ii. Changes in consolidate results by fiscal year
  - iii. Balance Sheet Summary
  - iv. By Segment Sales/Operating Profits
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  - vi. IT Systems for Pharmacies (Quarterly Sales /Moving Annual Total)
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  - ix. Market Share and Number of Customers
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## **Supporting Data**

Shared Information System Foundation

## Market environment

### Pharmacies

- The pharmaceutical businesses of major pharmacy chains have achieved a rapid recovery following the April 2018 simultaneous revision to medical and long-term care fees.
- 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.)

### Clinics

- 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
- Proliferation of electronic medical records has exceeded 40% in clinics

### Long-term care/welfare

- The market is growing due to a decrease in the number of hospital beds and an increase in the number of new facilities accompanying the aging of the population
- 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

## Sales strategies

- 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
- Release of our prescription input support system, which we developed jointly with GLORY LTD.
- Expansion of sales channels by establishing an e-commerce site for system sales
- Shift of branch-based sales resources toward the medical and nursing care/welfare markets
- Enhance the consumables lineup and promote sales of consumables through entering into a cooperative business agreement with AS ONE Corporation.

## Development activities

- Commencement of development and improvement of product competitiveness in regard to MAPs for NURCING CARE in our Nursing care/welfare business
- Contribution to industry standardization and cost reduction by provision of OEM through a common engine

## Marketing

- Active investment in branding
- Active promotion of advertising activities



## II . i . Highlights of Financial results

### March 2020 1st Half Financial results (consolidated)

|                   | March 31 2019 1 <sup>ST</sup> Half | ※March 31 2020 1 <sup>ST</sup> Half<br>(estimated results) | March 31 2020 1 <sup>ST</sup> Half<br>(results) | Compared to<br>previous year | Compared to<br>estimated results |
|-------------------|------------------------------------|--|---|------------------------------|----------------------------------|
| Sales             | 6,594 millions of yen              | 6,516 millions of yen                                      | <b>7,086</b> millions of yen                    | 7.5%                         | 8.8%                             |
| Operating Profits | 1,468 millions of yen              | 710 millions of yen  | <b>964</b> millions of yen                      | (34.3%)                      | 35.6%                            |
| Ordinary Profits  | 1,787 millions of yen              | 1,010 millions of yen                                      | <b>1,283</b> millions of yen                    | (28.2%)                      | 27.0%                            |
| Net Income        | 1,197 millions of yen              | 679 millions of yen  | <b>862</b> millions of yen                      | (28.0%)                      | 26.9%                            |

※ These are the amounts which announced in the financial statement on May 8 2019.

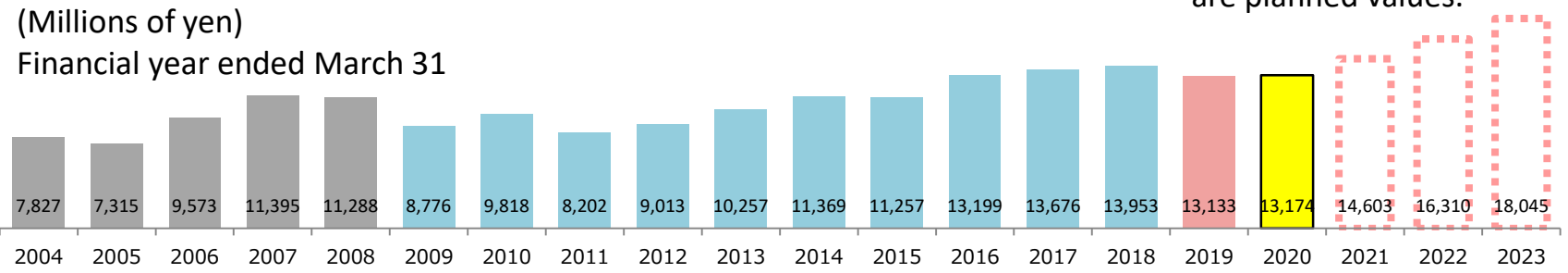
### March 2020 1st Half Topics

- Increase in sales due to a last-minute surge in demand for hardware replacement accompanying the consumption tax hike and termination of support for Windows 7
- Initial costs decreased due to changes to HW provision methods and the number of Receipty NEXT sales greatly increased due to acquisition of major chain stores. (From 304 cases to 448 cases, a 47.4% increase over the same period in the previous year.)
- Subscription-based sales have increased bullishly. (Pharmacy and medical segments)
- From May, in collaboration with GLORY LTD, we began development of a system that automates input of prescription information.
- On July 1, we acquired all shares in Pop-Creation Co., Ltd. (thus acquiring sole ownership of the subsidiary), which conducts clinic and pharmacy-oriented business in the northern region of Kyushu.

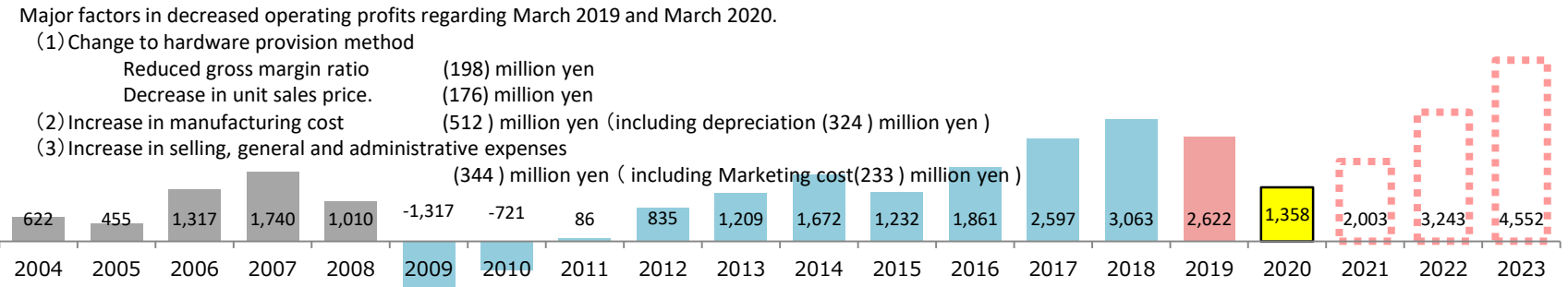
# II. ii. Changes in consolidate results by fiscal year



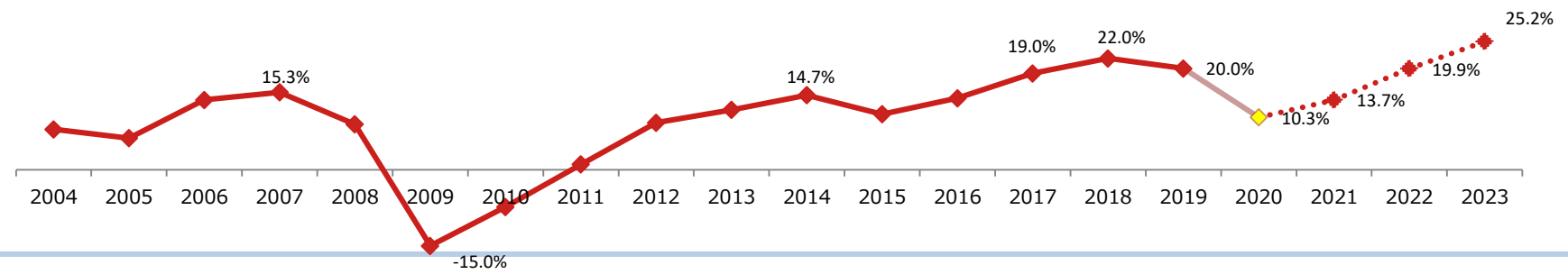
Sales



Operating Profits



Profit Margin ratio





## II . iii . . Balance Sheet Summary (Units: Millions of yen)



|  | March 31 2019 | March 31 2020<br>1st half | YoY change | YoY % change |
|--|---------------|---------------------------|------------|--------------|
| <b>Assets</b>                            | 22,351        | 23,169                    | 818        | 3.7%         |
| Current assets                           | 10,930        | 11,608                    | 678        | 6.2%         |
| Fixed assets                             | 11,421        | 11,561                    | 140        | 1.2%         |
| Tangible fixed assets                    | 1,676         | 1,682                     | 6          | 0.4%         |
| Intangible fixed assets                  | 1,930         | 2,208                     | 278        | 14.4%        |
| Investments and other assets             | 7,814         | 7,670                     | (144)      | (1.8%)       |
| <b>Liabilities</b>                       | 5,733         | 6,017                     | 284        | 5.0%         |
| Current liabilities                      | 3,665         | 4,084                     | 419        | 11.4%        |
| Fixed liabilities                        | 2,067         | 1,933                     | (134)      | (6.5%)       |
| <b>Net assets</b>                        | 16,618        | 17,152                    | 533        | 3.2%         |
| Shareholder's equity                     | 16,536        | 17,078                    | 542        | 3.3%         |
| Cumulative amount of other comprehensive | (46)          | (39)                      | 7          | (16.2%)      |
| Stock acquisition rights                 | 128           | 112                       | (16)       | (12.8%)      |

### Major YoY Changes

|                           |                     |
|---------------------------|---------------------|
| Cash on hand and in banks | 672 millions of yen |
|---------------------------|---------------------|

|                      |                     |
|----------------------|---------------------|
| Software in progress | 391 millions of yen |
|----------------------|---------------------|

|          |                      |
|----------|----------------------|
| Goodwill | (75) millions of yen |
|----------|----------------------|

|          |                      |
|----------|----------------------|
| Software | (37) millions of yen |
|----------|----------------------|

|                 |                     |
|-----------------|---------------------|
| deferred income | 395 millions of yen |
|-----------------|---------------------|

|                         |                    |
|-------------------------|--------------------|
| Consumption Tax payable | 71 millions of yen |
|-------------------------|--------------------|

|                            |                      |
|----------------------------|----------------------|
| Income taxes payable, etc. | (65) millions of yen |
|----------------------------|----------------------|



## II . iv . By Segment Sales/Operating Profits



(Millions of yen)

|                         | March 31 2019<br>1st Half |                   | March 31 2020 1st Half |                                  |                                |                   |                                  |                                |
|-------------------------|---------------------------|-------------------|------------------------|----------------------------------|--------------------------------|-------------------|----------------------------------|--------------------------------|
|                         | Sales                     | Operating Profits | Sales                  |                                  |                                | Operating Profits |                                  |                                |
|                         |                           |                   | Results                | Increase/<br>decrease<br>amounts | Increase/<br>decrease<br>rates | Results           | Increase/<br>decrease<br>amounts | Increase/<br>decrease<br>rates |
| IT Systems for Pharmacy | <b>5,263</b>              | <b>1,365</b>      | <b>5,484</b>           | 220                              | 4.2%                           | <b>960</b>        | (404)                            | (29.6%)                        |
| IT Systems for Clinic   | <b>871</b>                | <b>122</b>        | <b>924</b>             | 52                               | 6.1%                           | <b>94</b>         | (27)                             | (22.2%)                        |
| Other Business          | <b>513</b>                | <b>(17)</b>       | <b>729</b>             | 216                              | 42.2%                          | <b>(139)</b>      | (122)                            | -                              |

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

- ✓IT Systems for Pharmacies・・・Income and profits have fallen due to decreases in initial sales and gross profits accompanying change to hardware provision method.
- ✓IT Systems for Clinics・・・・・・・The number of MRN customers has steadily increased. Accompanying this, system usage fee sales have also smoothly increased.
- ✓Other Businesses・・・・・・・Drop in initial sales of Hibiki and Symphony due to switching our business model from one-time fee-based to subscription-based

## Ⅱ. v . . By Segment Sales Breakdown

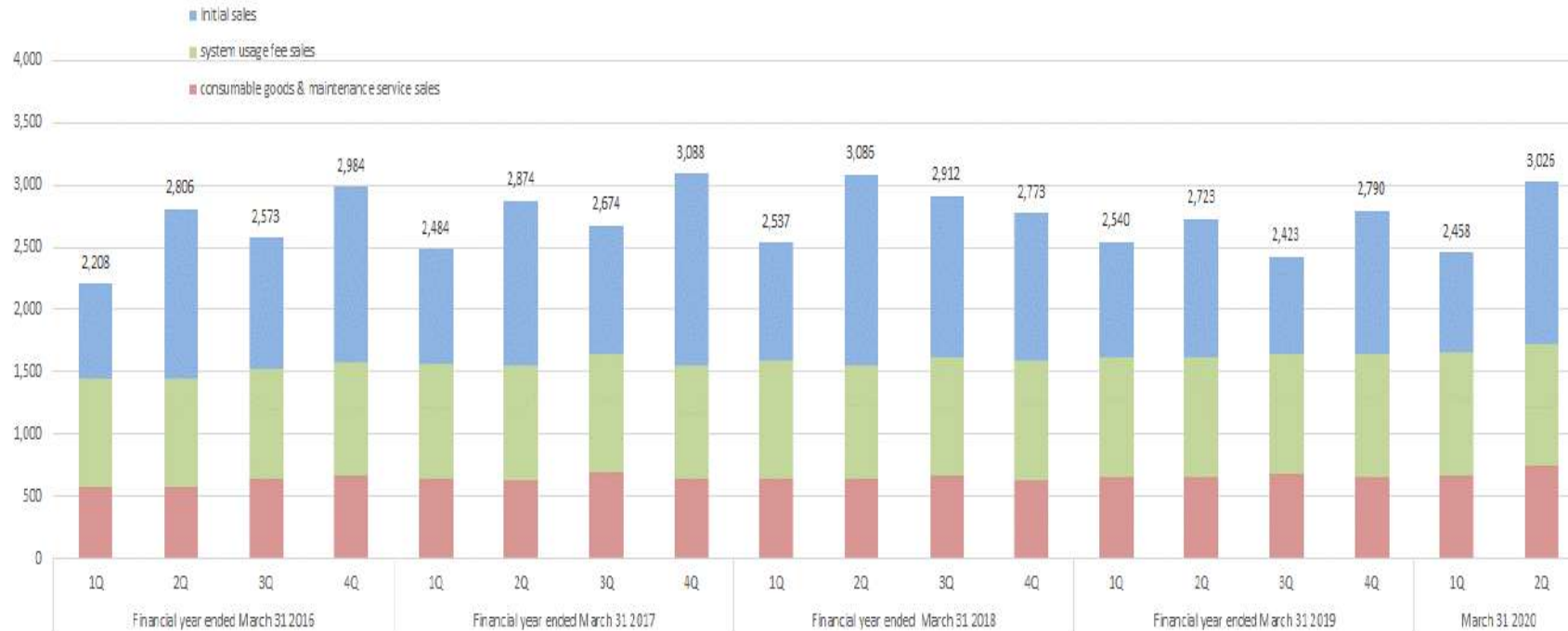
(Millions of yen)

|  | 2019 March 1H | 2020 March 1H | YoY change | YoY % change   |
|--|---------------|---------------|------------|----------------|
| <b>Net sales</b>                             | <b>6,594</b>  | <b>7,086</b>  | <b>492</b> | <b>7.5%</b>    |
| <b>IT Systems for Pharmacies</b>             | <b>5,263</b>  | <b>5,484</b>  | <b>220</b> | <b>4.2%</b>    |
| (initial sales)                              | 2,020         | 2,104         | 84         | 4.2%           |
| (system usage fee sales)                     | 1,932         | 1,970         | 37         | 1.9%           |
| (consumable goods sales)                     | 1,020         | 1,076         | 56         | 5.5%           |
| (maintenance service sales)                  | 289           | 332           | 43         | 14.9%          |
| <b>IT Systems for Clinics</b>                | <b>871</b>    | <b>924</b>    | <b>52</b>  | <b>6.1%</b>    |
| (initial sales)                              | 430           | 458           | 27         | 6.4%           |
| (system usage fee sales)                     | 232           | 270           | 37         | 16.3%          |
| (consumable goods sales)                     | 46            | 49            | 2          | 6.0%           |
| (maintenance service sales)                  | 161           | 145           | (15)       | (9.7%)         |
| <b>Other Businesses</b>                      | <b>513</b>    | <b>729</b>    | <b>216</b> | <b>42.2%</b>   |
| <b>IT Systems for long-term care/welfare</b> | <b>19</b>     | <b>222</b>    | <b>202</b> | <b>1030.3%</b> |
| (initial sales)                              | 5             | 33            | 28         | 492.2%         |
| (system usage fee sales)                     | 12            | 25            | 12         | 103.6%         |
| (consumable goods sales)                     | 0             | 0             | 0          | 313.1%         |
| (maintenance service sales)                  | 1             | 162           | 161        | 11644.6%       |
| <b>Other Businesses</b>                      | <b>493</b>    | <b>507</b>    | <b>13</b>  | <b>2.8%</b>    |
| <b>Adjustments</b>                           | <b>(53)</b>   | <b>(51)</b>   | <b>2</b>   | <b>(4.9%)</b>  |

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

## II . vi . IT Systems for Pharmacies

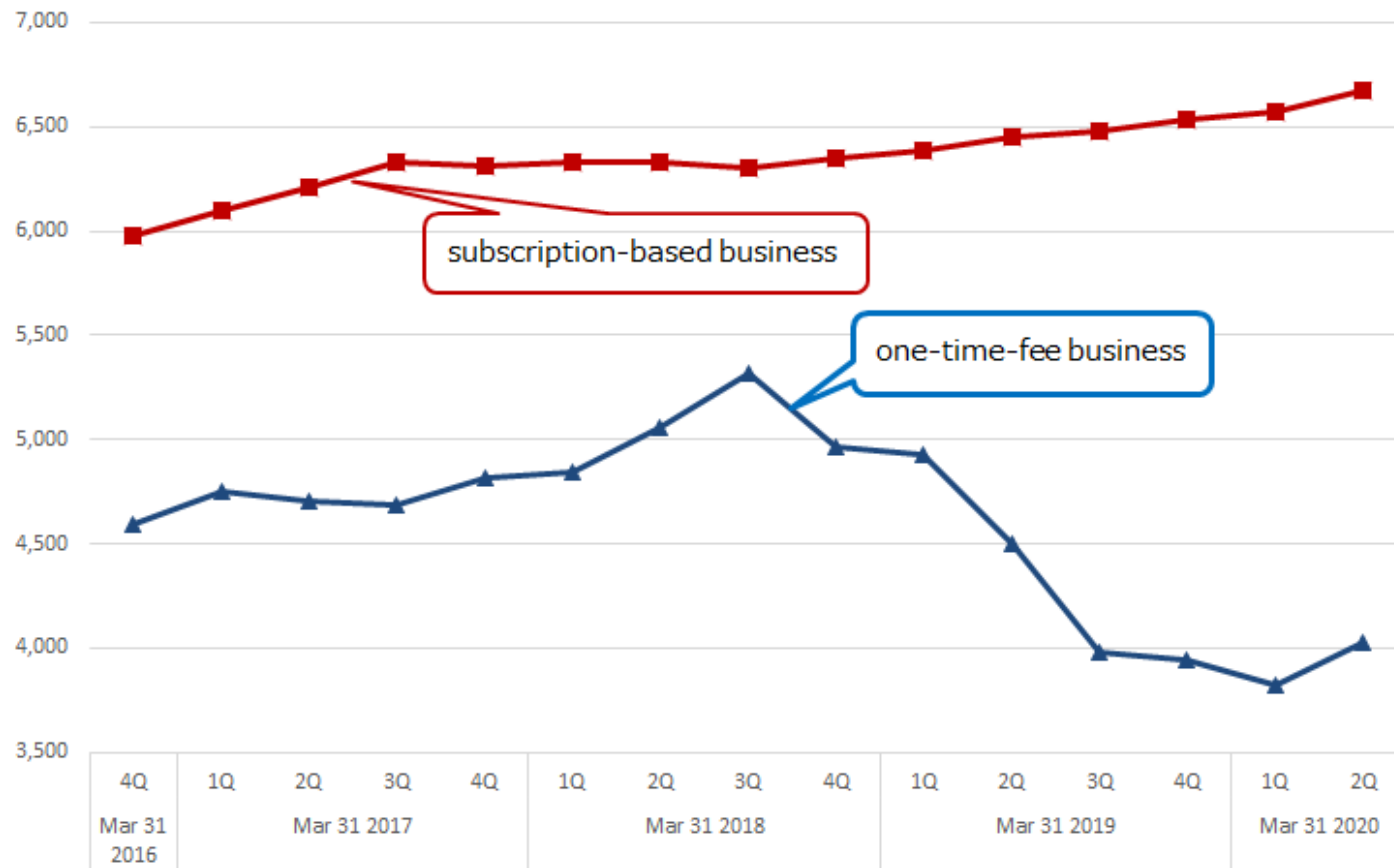
### Quarterly Sales (Units: Millions of yen)



|  | Financial year ended March 31 2016 |       |       |       | Financial year ended March 31 2017 |       |       |       | Financial year ended March 31 2018 |       |       |       | Financial year ended March 31 2019 |       |     |       | March 31 2020 |       |
|--|------------------------------------|-------|-------|-------|------------------------------------|-------|-------|-------|------------------------------------|-------|-------|-------|------------------------------------|-------|-----|-------|---------------|-------|
|  | 1Q                                 | 2Q    | 3Q    | 4Q    | 1Q                                 | 2Q    | 3Q    | 4Q    | 1Q                                 | 2Q    | 3Q    | 4Q    | 1Q                                 | 2Q    | 3Q  | 4Q    | 1Q            | 2Q    |
| 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 | 801           | 1,304 |
| system usage fee sales                       | 862                                | 866   | 884   | 907   | 928                                | 925   | 951   | 910   | 946                                | 920   | 948   | 964   | 969                                | 954   | 972 | 987   | 989           | 981   |
| consumable goods & maintenance service sales | 578                                | 575   | 634   | 668   | 636                                | 630   | 686   | 642   | 638                                | 634   | 667   | 630   | 652                                | 657   | 675 | 659   | 668           | 741   |

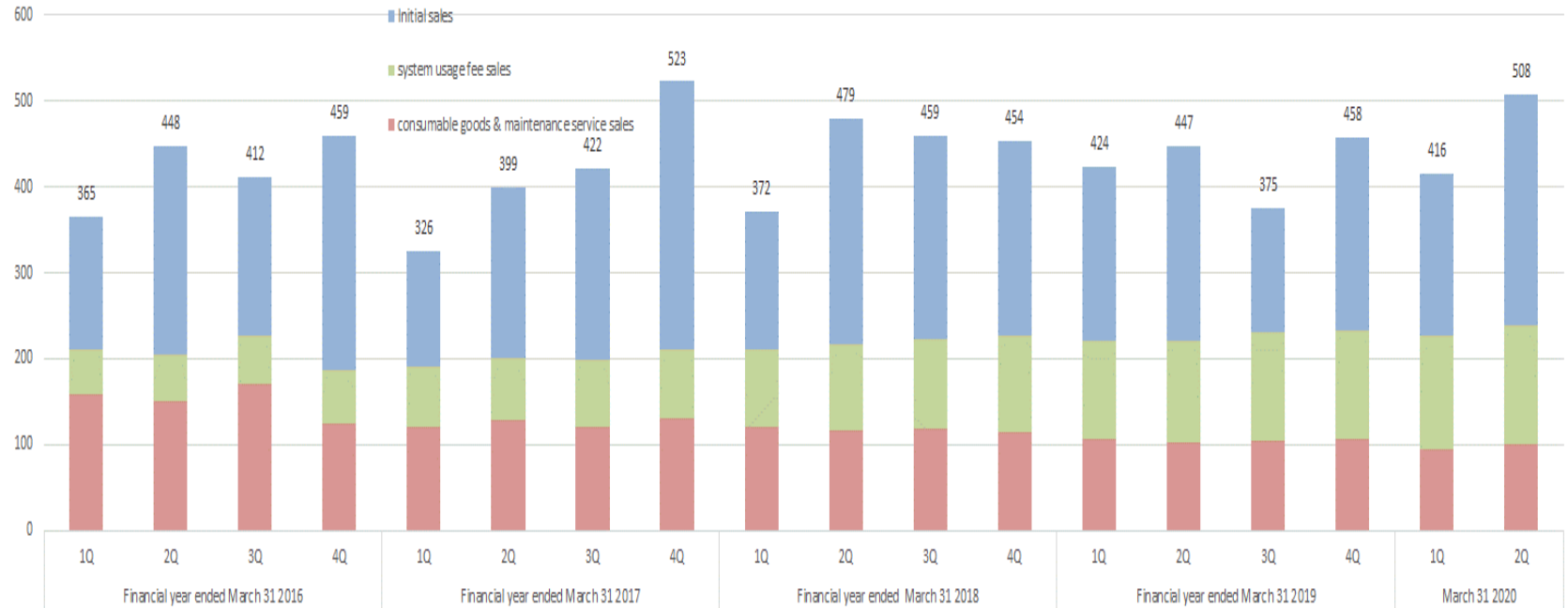
## II . vi . IT Systems for Pharmacies

Moving Annual Total (Units: Millions of yen)



## II . vii. IT Systems for Clinics

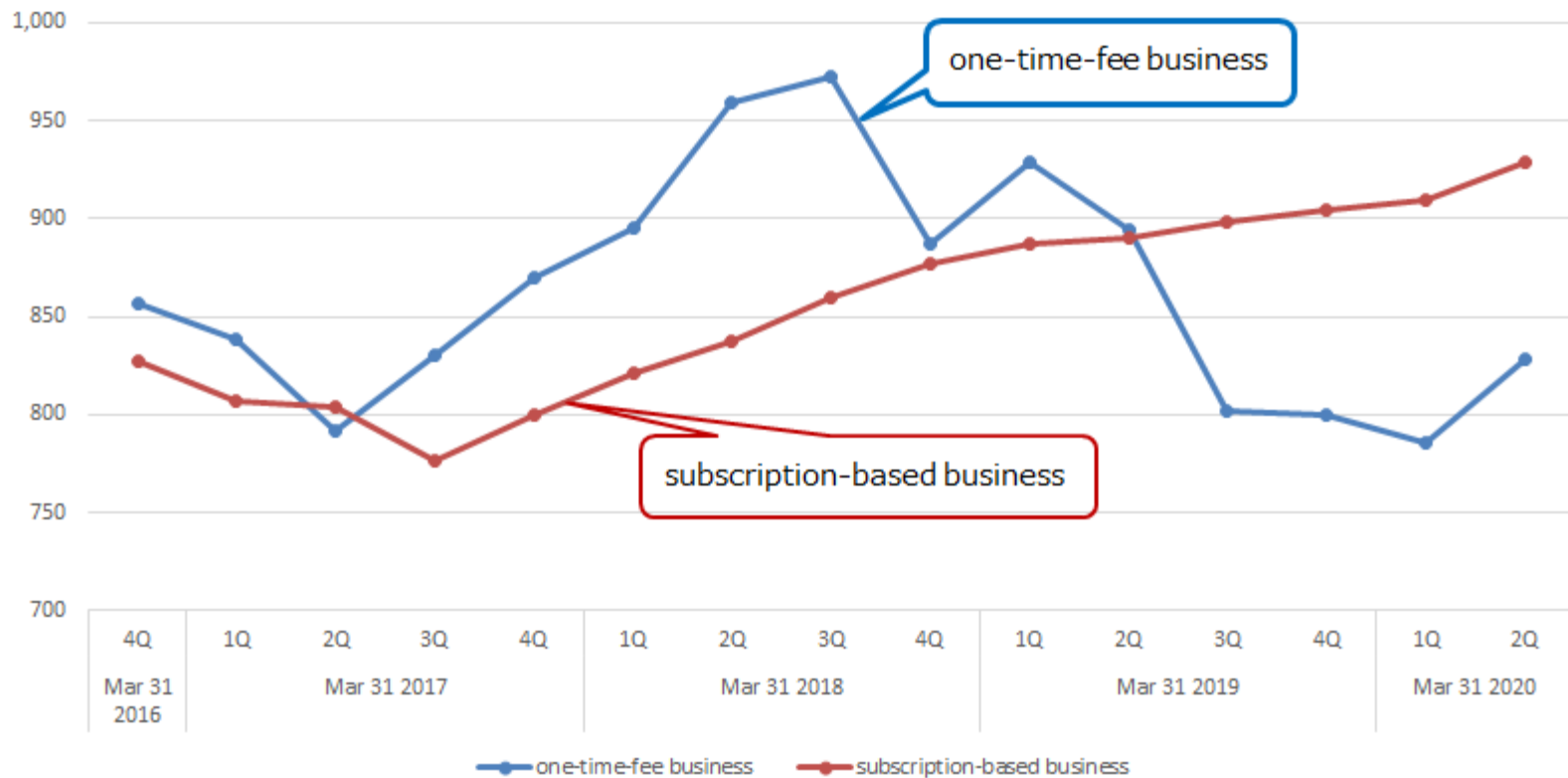
### Quarterly Sales (Units: Millions of yen)



|  | Financial year ended March 31 2016 |     |     |     | Financial year ended March 31 2017 |     |     |     | Financial year ended March 31 2018 |     |     |     | Financial year ended March 31 2019 |     |     |     | March 31 2020 |     |
|--|------------------------------------|-----|-----|-----|------------------------------------|-----|-----|-----|------------------------------------|-----|-----|-----|------------------------------------|-----|-----|-----|---------------|-----|
|  | 1Q                                 | 2Q  | 3Q  | 4Q  | 1Q                                 | 2Q  | 3Q  | 4Q  | 1Q                                 | 2Q  | 3Q  | 4Q  | 1Q                                 | 2Q  | 3Q  | 4Q  | 1Q            | 2Q  |
| Initial sales                                | 155                                | 244 | 185 | 273 | 136                                | 198 | 223 | 313 | 161                                | 262 | 237 | 227 | 203                                | 227 | 145 | 225 | 189           | 269 |
| system usage fee sales                       | 51                                 | 53  | 56  | 61  | 70                                 | 73  | 78  | 80  | 91                                 | 101 | 104 | 113 | 115                                | 118 | 126 | 127 | 132           | 139 |
| consumable goods & maintenance service sales | 159                                | 151 | 171 | 125 | 120                                | 128 | 121 | 130 | 120                                | 116 | 118 | 114 | 106                                | 102 | 104 | 106 | 95            | 100 |

## II . vii. IT Systems for Clinics

Moving Annual Total (Units: Millions of yen)





## II . viii. Forecast for the fiscal year ending March 2020

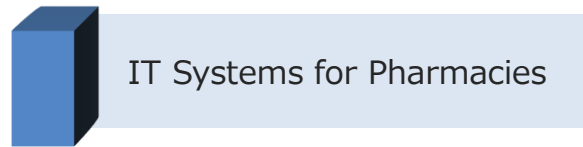
(Millions of yen)

|                          | Fiscal year ended<br>March 31 2019<br>(actual) | Fiscal year ended<br>March 31 2020<br>(forecast) | Compared to<br>previous year |
|--------------------------|--|--|------------------------------|
| <b>Sales</b>             | <b>13,133</b>                                  | <b>13,174</b>                                    | <b>0</b>                     |
| Business for Pharmacy    | 10,476   | 9,423  | (0)                          |
| Business for Clinic      | 1,704  | 2,202  | 0                            |
| Other Business           | 1,063  | 1,648  | 1                            |
| Adjustment               | (109)  | (99)   | (0)                          |
| <b>Operating Profits</b> | <b>2,623</b>                                   | <b>1,358</b>                                     | <b>(0)</b>                   |
| Business for Pharmacy    | 2,389  | 1,086  | (1)                          |
| Business for Clinic      | 239  | 258  | 0                            |
| Other Business           | 0  | 20   | —                            |
| Adjustment               | (7)  | (7)  | (0)                          |
| <b>Ordinary Profits</b>  | <b>3,248</b>                                   | <b>1,980</b>                                     | <b>(0)</b>                   |
| <b>Net Income</b>        | <b>1,971</b>                                   | <b>1,307</b>                                     | <b>(0)</b>                   |

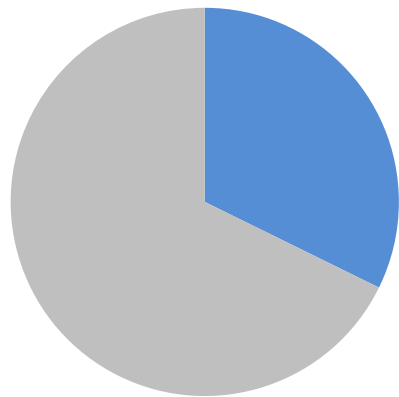
※Segmented sales and operating profits and losses are the amounts before elimination of internal transactions between segments.



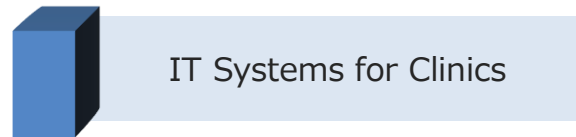
# I . viii. Market Share and Number of Customers



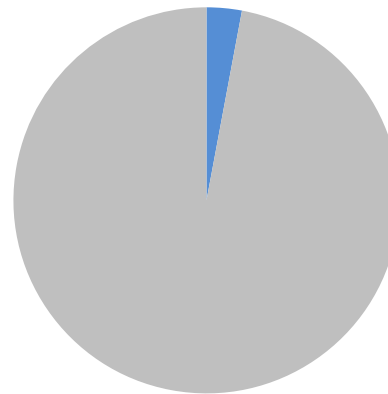
**Market share 32.4%**



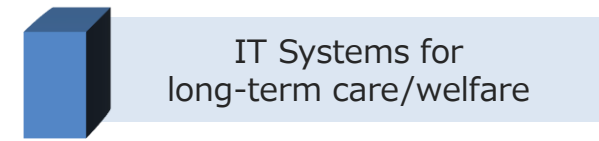
Number of customers : 16,195  
 Target population : 50,000  
 Mid-term goals : 25,000



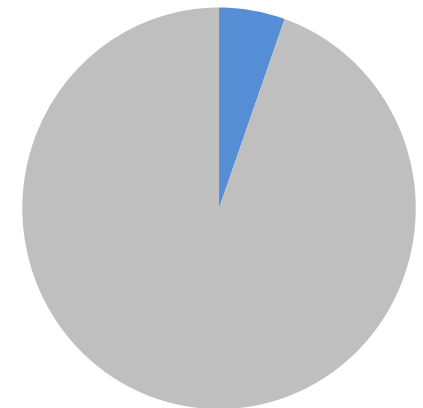
**Market share 3.1%**



Number of customers : 2,756  
 Target population : 90,000  
 Mid-term goals : 10,000



**Market share 5.4%**



Number of customers : 13,581  
 Target population : 250,000  
 Mid-term goals : 10,000

\*1 The number of customers indicates the number of pharmacies and clinics that purchased our system products.

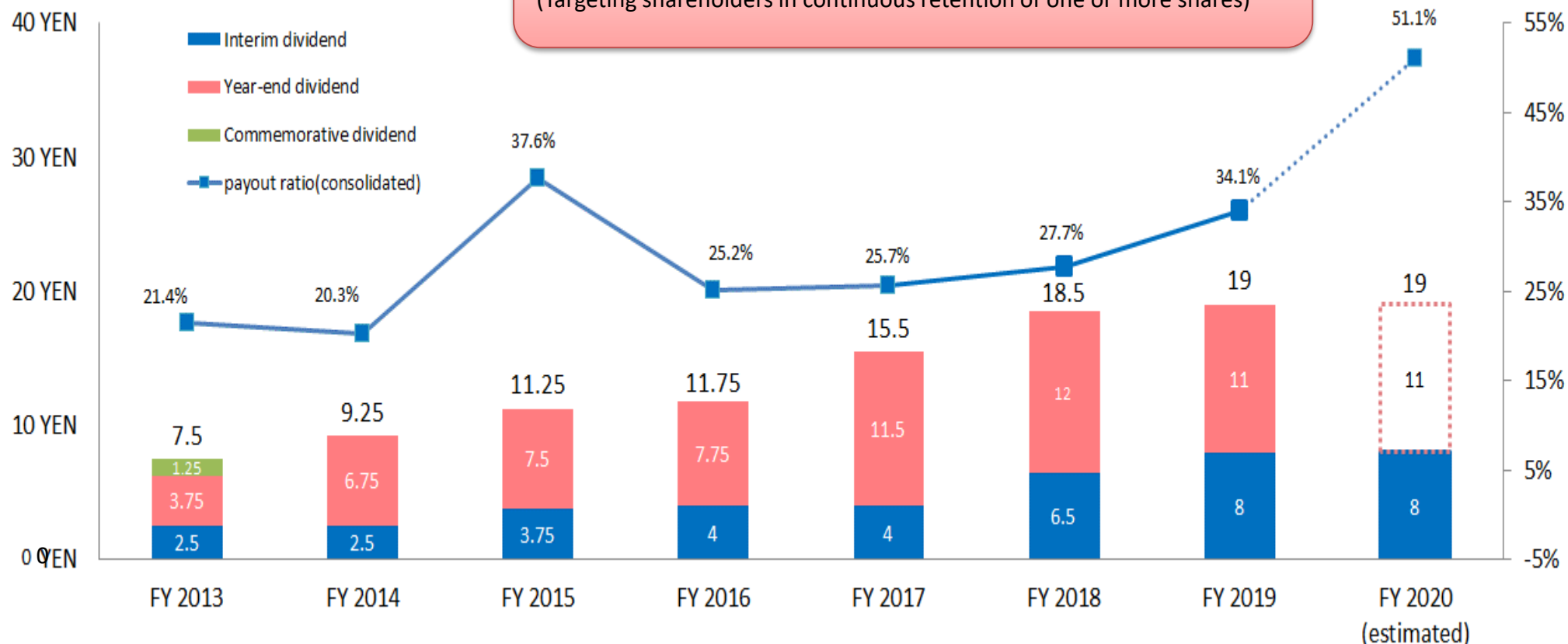
\*2 The above target populations represent the number of pharmacies and clinics that we considered as our potential customers, and differ from the actual number of registered pharmacies and clinics.

\*3 Mid-term goals are as announced in May 2018.

(as of September 30 , 2019)

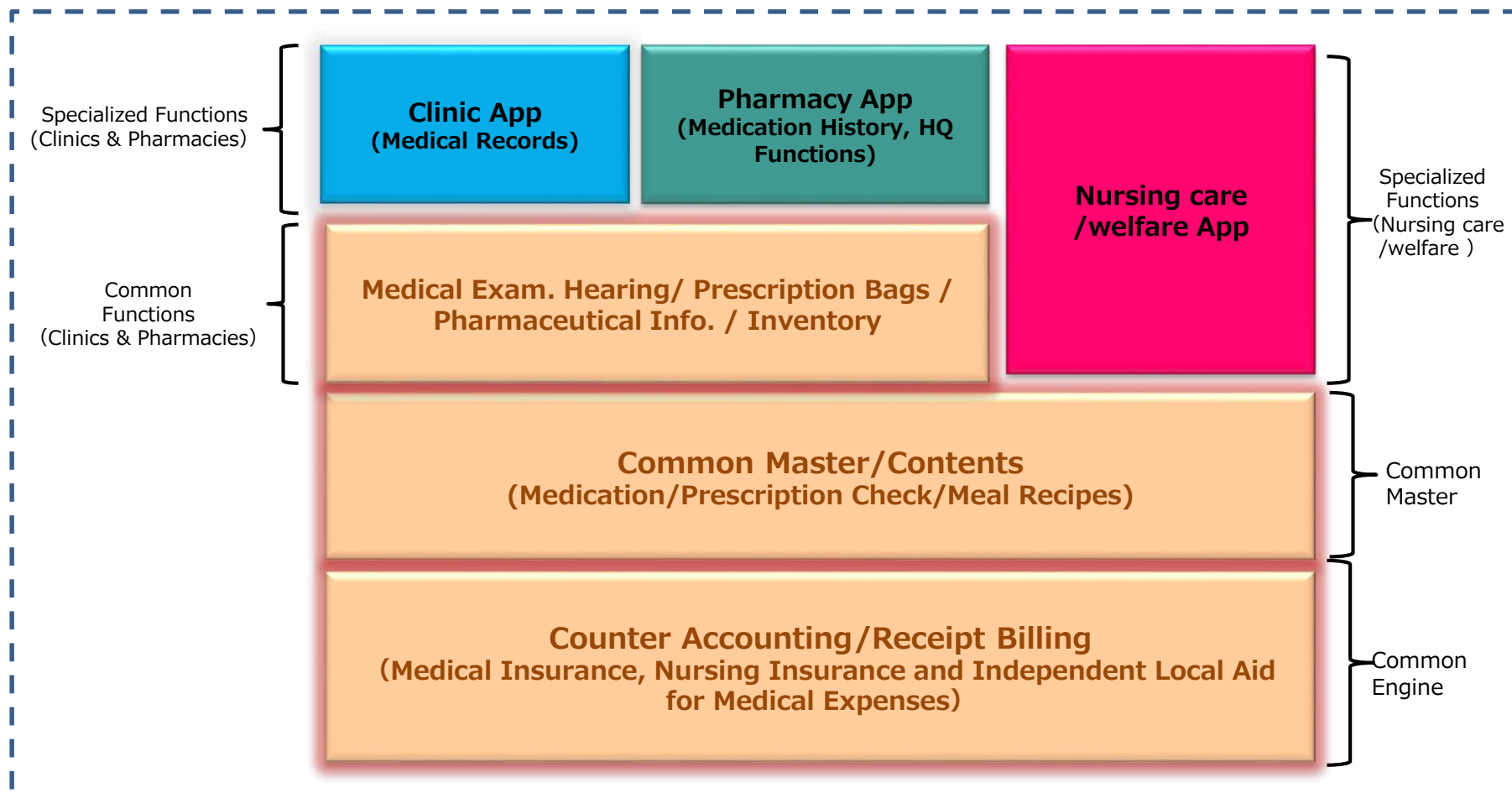
## II . iv . shareholder returns

Aim at a payout ratio of 30%  
 Introduction of a system of special benefits for shareholders  
 (Targeting shareholders in continuous retention of one or more shares)



\*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.

# Supporting Data



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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.