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EMMA

# Results of Operations for March 2020, 3<sup>rd</sup> Quarter

 **EM SYSTEMS CO., LTD.**

(TSE 1st Section: 4820)

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- I. “Business Environment / Business Plan for financial year ended March 31 2020”**
  - i. Business Environment
  - ii. Measures of third quarter for year ended March 31 2020
  
- II. “March 2020 third quarter 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
  - v. By Segment Sales Breakdown
  - 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**

Kimiko Date ×YONEX PROJECT~Go for the GRAND SLAM~  
Shared Information System Foundation

## Pharmacies

- Influence of the April 2020 revision to medical fees: The effects were not as severe as the previous revision, but pharmacies with a high concentration of prescriptions from specific medical institutions, such as on-site pharmacies, pharmacies that handle a large number of prescriptions and chain pharmacies will be affected.
- Wholesale-price negotiations with various drug wholesalers relating to new drug prices is resulting in increased difficulties in pharmacy administration. (Distribution improvement guidelines)
- Due to changes in the pharmacy business environment, major pharmacy chains are transitioning to a holding company system one after another, and the various companies are rapidly conducting organizational restructuring through M&A, etc.
- 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, 2019.)  
Investments in automatization are proceeding accompanying introduction of robotics and AI technology: Positive factor for the industry

## Clinics

- The government aims to promote proliferation by conducting online medical system revisions.
- Rate of proliferation of electronic medical records at clinics: Just over 40%
  - ⇒Most newly opened businesses adopt an electronic medical record system, and a cloud-based electronic medical record system is also under consideration.

## 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.
  - ⇒Introduction of lucrative mechanisms: Investment in robotics and systems
- Increase in large-scale chain welfare facilities
- Symbiotic-type services have been newly established in order to make it easier for elderly and disabled individuals to receive services at the same office.

## Marketing

- We have participated in various exhibitions and posted on various forms of media within the clinic industry, pharmacy industry, and nursing care/welfare industry.
- We have been conducting marketing activities that make use of “Medpeer,” a community site for physicians.
- We expanded sales channels through establishment of “MAPs Direct,” an e-commerce site for system sales.
- We have been promoting new contracts through new products (MAPs Series) as well as replacement from competitors.  
⇒ Shipping of MAPs for CLINIC and MAPs for PHARMACY is in full swing
- We built a sales structure exclusively for nursing care chains, and we have been actively expanding our business to include chain offices in the nursing care/ welfare market by making use of M-Win Soft Co., Ltd. assets.
- We have been promoting “Prescription Reader,” a prescription input support system jointly developed with GLORY LTD, among ReceptyNEXT customers.  
⇒ This has expanded subscription-based earnings.
- We expanded sales channels in our OEM and agency businesses.
- Application of M&A
- We have been conducting activities in collaboration with CSI Co., Ltd. aimed at enabling cooperation between hospitals and pharmacies.



## Development activities

- We expanded the functions of MAPs for CLINIC and MAPs for PHARMACY, which have already been released.
- We are strengthening product competitiveness while developing MAPs for NURSING CARE, a nursing care/welfare system.
- We are contributing to standardizing the industry and reducing costs through the OEM provision of shared engine: Expanding to other companies in the same field
- Development of a new headquarters system: Capable of linking with the systems of other companies

## Social contribution activities

- Sponsor participation in the Kimiko Date x YONEX PROJECT
- We contribution to the “Artificial Intelligence in Healthcare” course at the University of Tokyo.
- We cooperated with Ueda Pharmacist Association in “Creation of mechanisms to improve guidance based on information sharing and pharmaceutical knowledge from pharmacists,” a model business under consideration by the Ministry of Health, Labour and Welfare.



## II . i . Highlights of Financial results

### March 2020 3rd Quarter Financial results (consolidated)

	March 31 2019 3 <sup>rd</sup> Quarter	March 31 2020 3 <sup>rd</sup> Quarter (results)	Compared to previous year
Sales	9,617 millions of yen	<b>10,310</b> millions of yen	7.2%
Operating Profits	2,014 millions of yen	<b>1,265</b> millions of yen	(37.2%)
Ordinary Profits	2,495 millions of yen	<b>1,748</b> millions of yen	(29.9%)
Net Income	1,675 millions of yen	<b>1,171</b> millions of yen	(30.0%)

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

### March 2020 3rd Quarter Topics

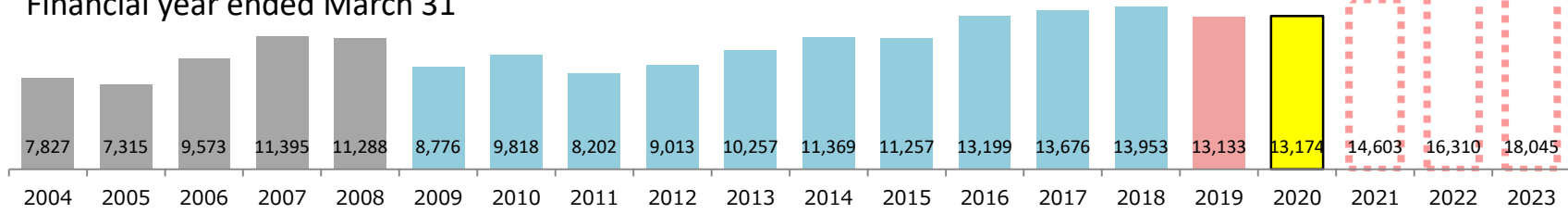
- Sales increased accompanying expansion of our system businesses targeting nursing care service providers.
- This contributed to sales due to a last-minute surge in demand for hardware replacement accompanying the termination of support for Windows 7.
- Subscription-based sales have increased bullishly. (Pharmacy and medical segments)
- We experienced a drop in profits due to a reduction in gross profits accompanying changes in hardware provision methods. (Maintenance is guaranteed by the manufacturer.)
- We commenced shipping MAPs for CLINIC from Osaka and Tokyo, and we are in turn expanding operations into other administrative districts.
- In collaboration with GLORY LTD, we launched "Prescription Reader," a prescription input support system, and we are proceeding with implementation.

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



Sales

(Millions of yen)  
Financial year ended March 31

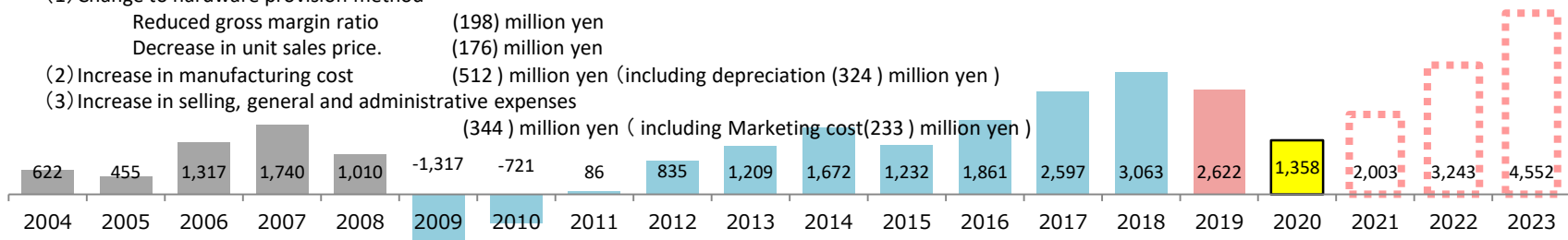


Values after March 2020 are planned values.

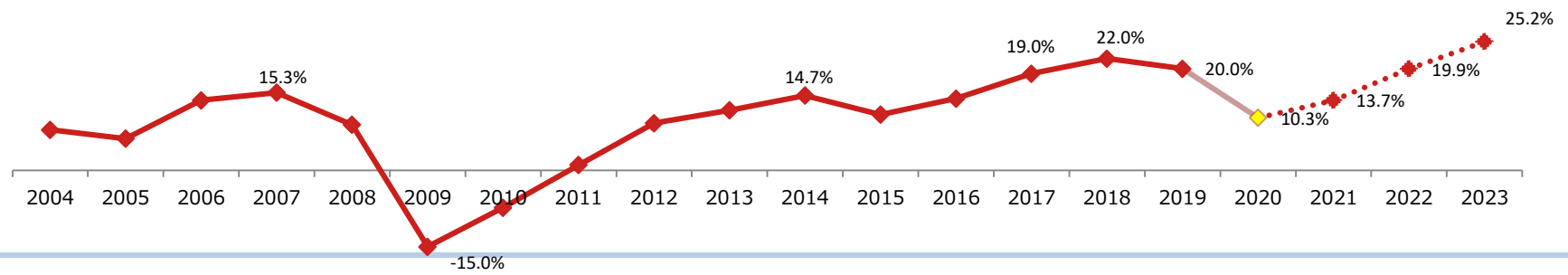
Operating Profits

Major factors in decreased operating profits regarding March 2019 and March 2020.

- (1) Change to hardware provision method
  - Reduced gross margin ratio (198) million yen
  - Decrease in unit sales price. (176) million yen
- (2) Increase in manufacturing cost (512) million yen (including depreciation (324) million yen)
- (3) Increase in selling, general and administrative expenses (344) million yen (including Marketing cost(233) million yen)



Profit Margin ratio





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

### Major YoY Changes

	March 31 2019	March 31 2020 3rd Quarter	YoY change	YoY % change
<b>Assets</b>	22,351	22,545	193	0.9%
Current assets	10,930	10,860	(70)	(0.6%)
Fixed assets	11,421	11,685	264	2.3%
Tangible fixed assets	1,676	1,662	(13)	(0.8%)
Intangible fixed assets	1,930	2,408	478	24.8%
Investments and other assets	7,814	7,614	(199)	(2.6%)
<b>Liabilities</b>	5,733	5,307	(425)	(7.4%)
Current liabilities	3,665	3,383	(281)	(7.7%)
Fixed liabilities	2,067	1,924	(143)	(7.0%)
<b>Net assets</b>	16,618	17,238	619	3.7%
Shareholder's equity	16,536	17,172	636	3.8%
Cumulative amount of other comprehensive	(46)	(38)	8	(17.4%)
Stock acquisition rights	128	103	(24)	(19.3%)

Cash on hand and in banks	289	millions of yen
notes receivables and accounts receivable	(430)	millions of yen

Software	806	millions of yen
Software in progress	(223)	millions of yen
Goodwill	(104)	millions of yen

deferred income	378	millions of yen
notes payable and accounts payable	(152)	millions of yen
Income taxes payable, etc.	(476)	millions of yen

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

(Millions of yen)

	March 31 2019 3rd Quarter		March 31 2020 3rd Quarter					
	Sales	Operating Profits	Sales			Operating Profits		
			Results	Increase/ decrease amounts	Increase/ decrease rates	Results	Increase/ decrease amounts	Increase/ decrease rates
IT Systems for Pharmacy	<b>7,686</b>	<b>1,850</b>	<b>8,012</b>	325	4.2%	<b>1,344</b>	(505)	(27.3%)
IT Systems for Clinic	<b>1,246</b>	<b>178</b>	<b>1,335</b>	88	7.1%	<b>158</b>	(20)	(11.5%)
IT Systems for long-term care/welfare	<b>27</b>	<b>(82)</b>	<b>335</b>	-	-	<b>(305)</b>	-	-
Other Business	<b>738</b>	<b>74</b>	<b>705</b>	(32)	(4.5%)	<b>74</b>	0	-

※In our nursing care system business, we acquired the former Janis Corporation from February 2019, and we are turning M-Win Soft Co., Ltd. into a subsidiary.

※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.
- ✓ IT Systems for long-term care/welfare.....Sales have greatly increased accompanying expansion of our system Businesses targeting nursing care service providers.

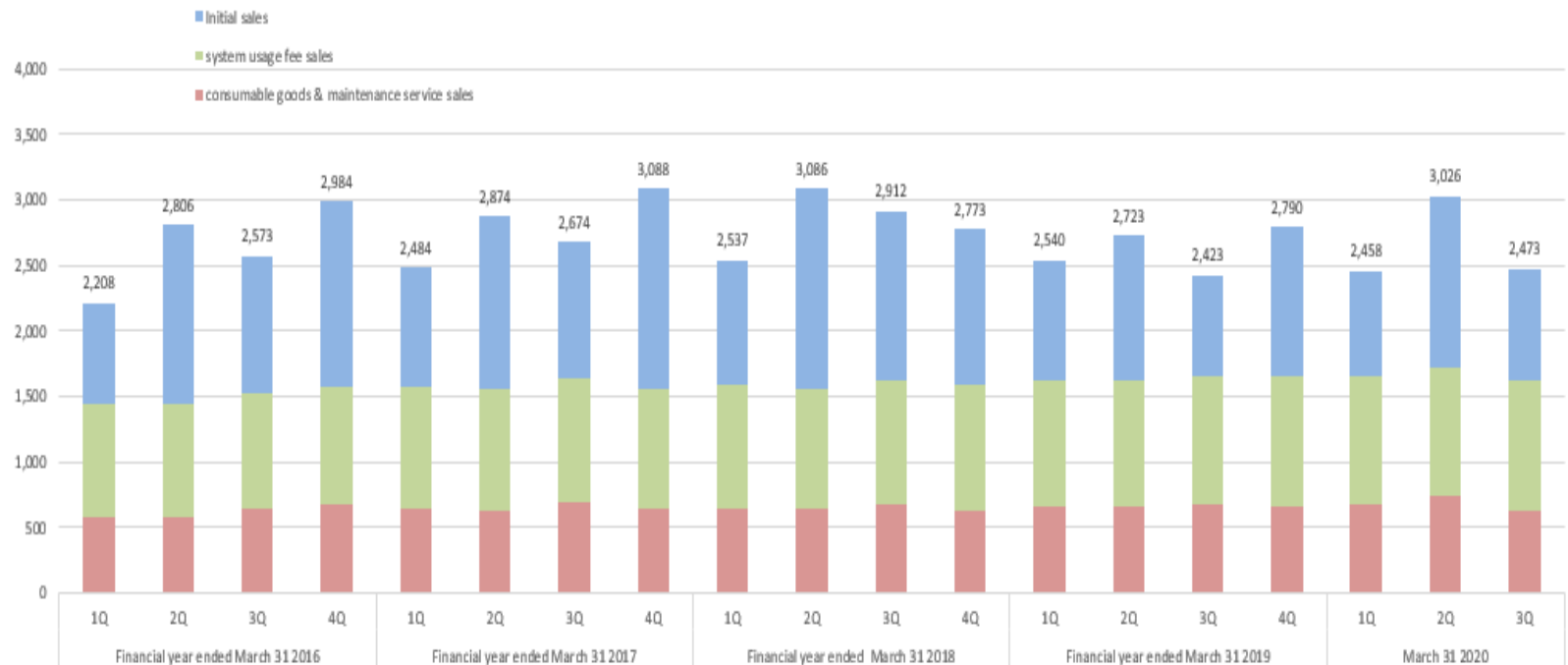
## Ⅱ . v . . By Segment Sales Breakdown

	(Millions of yen)			
	2019 March 3Q	2020 March 3Q	YoY change	YoY % change
<b>Net sales</b>	<b>9,617</b>	<b>10,310</b>	<b>692</b>	<b>7.2%</b>
<b>IT Systems for Pharmacies</b>	<b>7,686</b>	<b>8,012</b>	<b>325</b>	<b>4.2%</b>
(initial sales)	2,796	3,011	215	7.7%
(system usage fee sales)	2,904	2,965	60	2.1%
(consumable goods sales)	1,553	1,528	(24)	(1.6%)
(maintenance service sales)	432	506	74	17.3%
<b>IT Systems for Clinics</b>	<b>1,246</b>	<b>1,335</b>	<b>88</b>	<b>7.1%</b>
(initial sales)	575	629	54	9.4%
(system usage fee sales)	358	415	57	16.1%
(consumable goods sales)	72	70	(2)	(3.3%)
(maintenance service sales)	239	219	(20)	(8.5%)
<b>IT Systems for long-term care/welfare</b>	<b>27</b>	<b>335</b>	<b>-</b>	<b>-</b>
(initial sales)	6	46	-	-
(system usage fee sales)	18	41	-	-
(consumable goods sales)	0	0	-	-
(maintenance service sales)	1	246	-	-
<b>Other Businesses</b>	<b>738</b>	<b>705</b>	<b>(32)</b>	<b>(4.5%)</b>
<b>Adjustments</b>	<b>(80)</b>	<b>(77)</b>	<b>2</b>	<b>(3.1%)</b>

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

## II . vi . IT Systems for Pharmacies

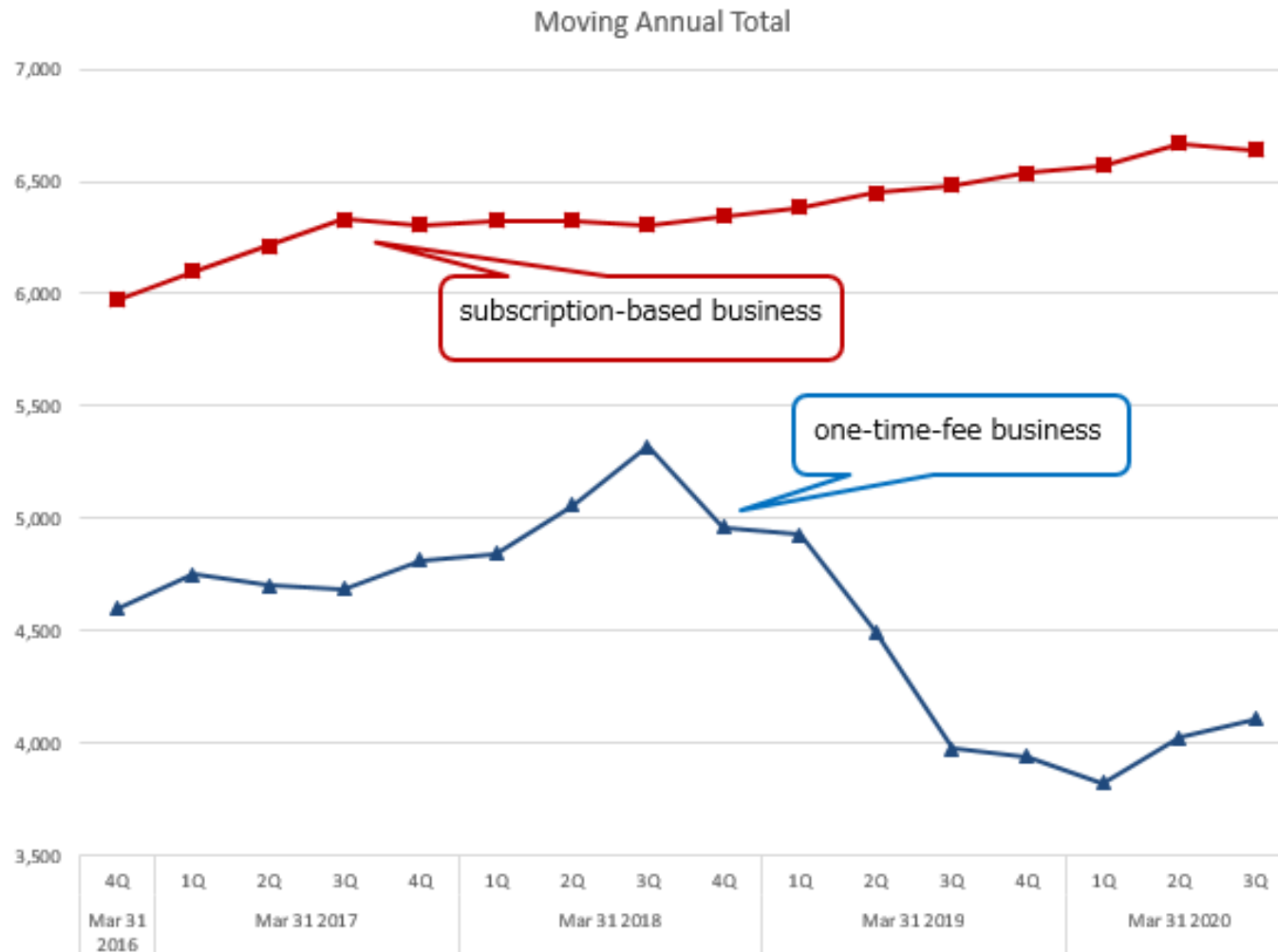
### Quarterly Sales (Units: Millions of yen)



	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	3Q
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	858
system usage fee sales	862	866	884	907	928	925	951	910	946	920	948	964	969	964	972	987	989	981	995
consumable goods & maintenance service sales	578	575	634	668	636	630	686	642	638	634	667	630	652	657	675	659	668	741	620
<b>Total</b>	<b>2,208</b>	<b>2,806</b>	<b>2,573</b>	<b>2,984</b>	<b>2,484</b>	<b>2,874</b>	<b>2,674</b>	<b>3,088</b>	<b>2,537</b>	<b>3,086</b>	<b>2,912</b>	<b>2,773</b>	<b>2,540</b>	<b>2,723</b>	<b>2,423</b>	<b>2,790</b>	<b>2,458</b>	<b>3,026</b>	<b>2,473</b>

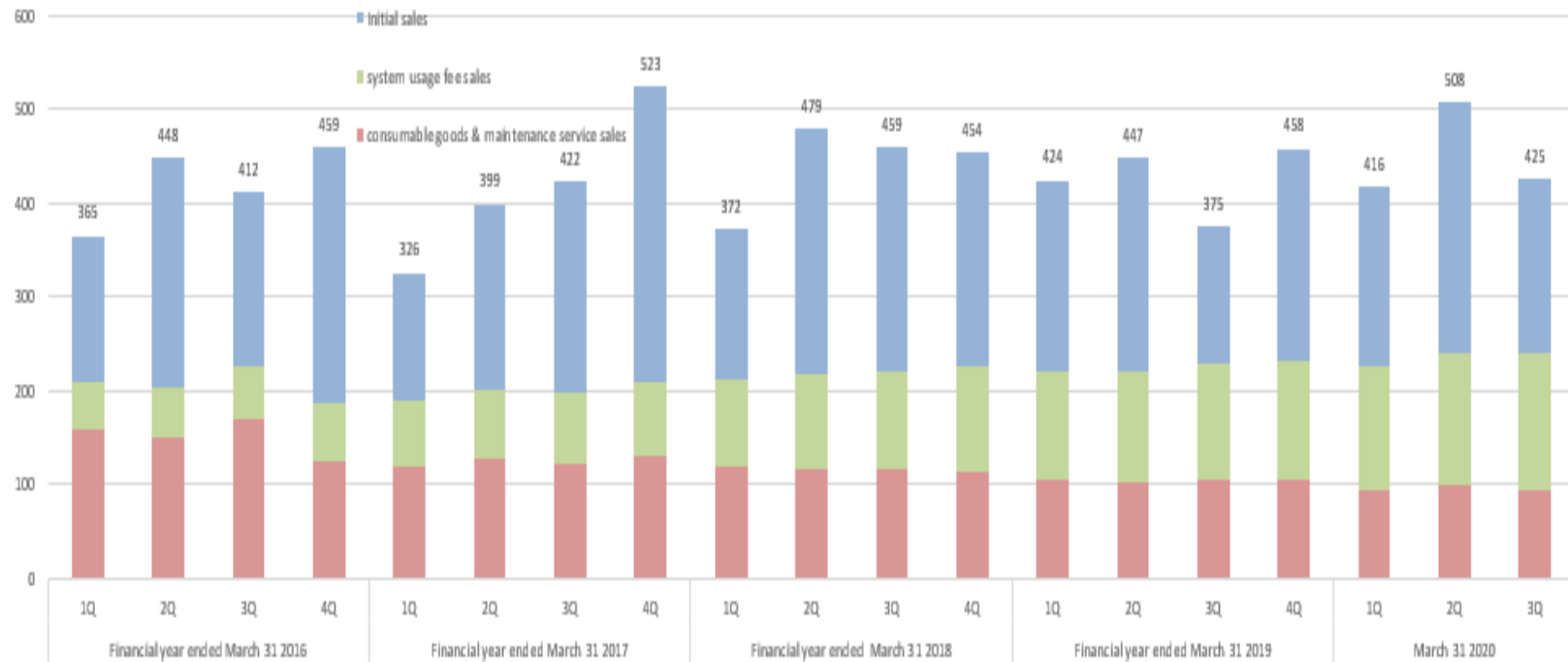
## II . vi . IT Systems for Pharmacies

Moving Annual Total (Units: Millions of yen)



## II . vii. IT Systems for Clinics

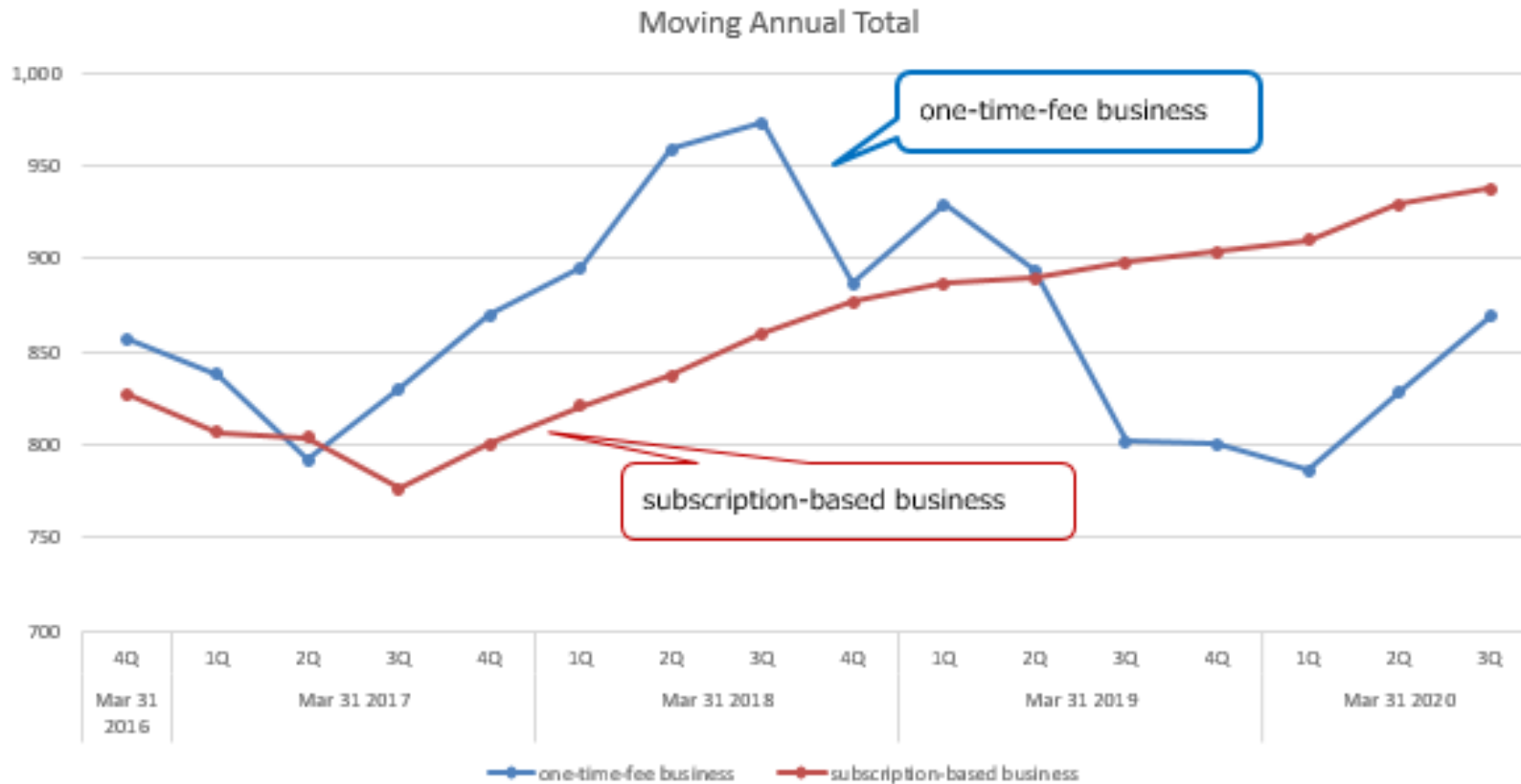
### Quarterly Sales (Units: Millions of yen)



	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	3Q
Initial sales	155	244	185	273	136	198	223	313	161	262	237	227	203	227	145	225	189	269	186
system usage fee sales	51	53	56	61	70	73	78	80	91	101	104	113	115	118	126	127	132	139	145
consumable goods & maintenance service sales	159	151	171	125	120	128	121	130	120	116	118	114	106	102	104	106	95	100	94
Total	365	448	412	459	326	399	422	523	372	479	459	454	424	447	375	458	416	508	425

## II . vii. IT Systems for Clinics

Moving Annual Total (Units: Millions of yen)



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

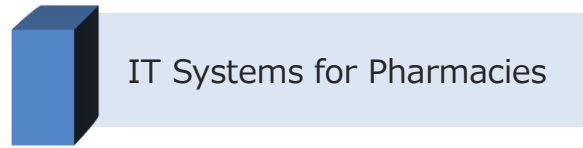
(Millions of yen)

	Fiscal year ended March 31 2019 (actual)	Fiscal year ended March 31 2020 (forecast)	Compared to 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>

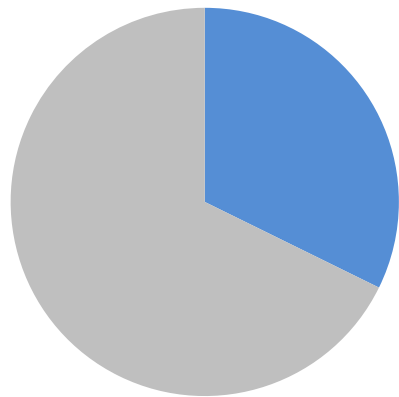
※Segmented sales and operating profits and losses are the amounts before elimination of internal transactions between segments.



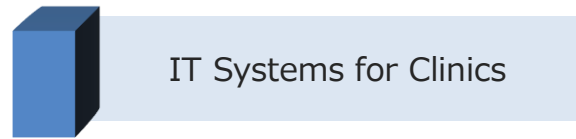
# I . viii. Market Share and Number of Customers



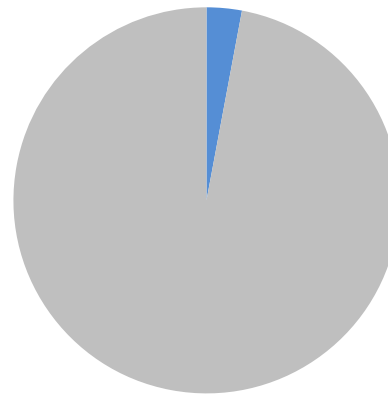
**Market share 32.4%**



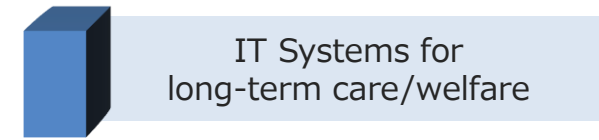
Number of customers : 16,207  
 Target population : 50,000  
 Mid-term goals : 25,000



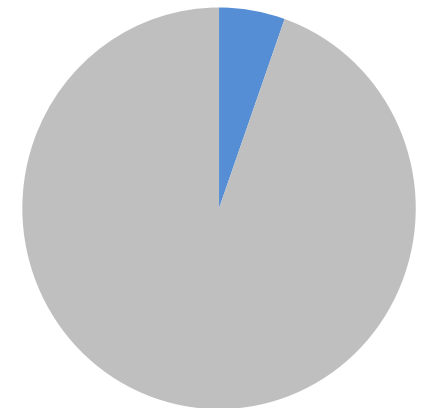
**Market share 3.1%**



Number of customers : 2,777  
 Target population : 90,000  
 Mid-term goals : 10,000



**Market share 5.5%**



Number of customers : 13,665  
 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.

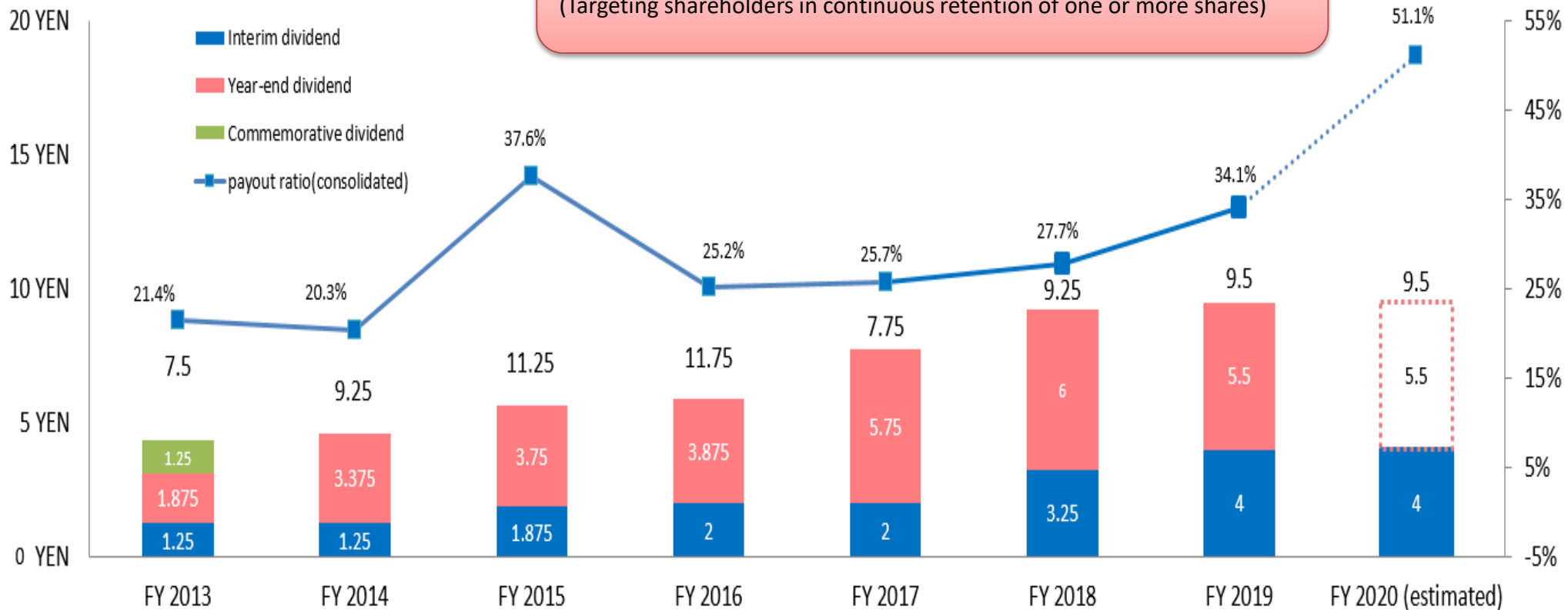
\*2 The above target populations represent the number of pharmacies and clinics that we considered as our potential customers, and differ from the actual number of registered pharmacies and clinics.

\*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 and January 1st, 2020 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.

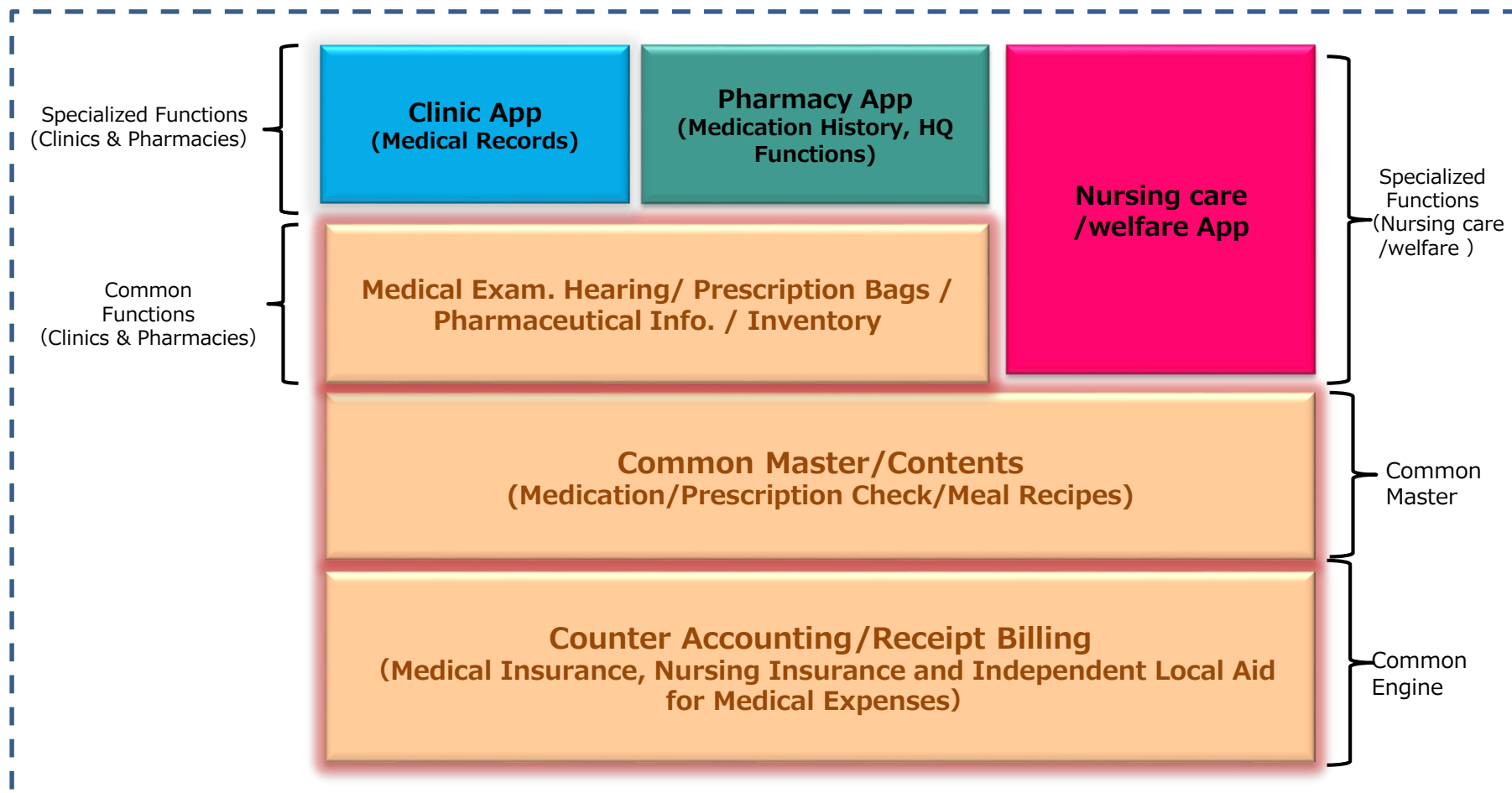
# Supporting Data

## ～Go for the GRAND SLAM～

Kimiko Date, our company's ambassador, is participating as an instructor in "Kimiko Date × YONEX PROJECT ~Go for the GRAND SLAM~," a tennis training program for young top-class female elementary and junior high school girls 15 years old or younger (consisting of four tennis athletes selected via written applications and auditions).

Our company has become an official sponsor of this program.





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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.