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## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

[Japanese GAAP]

April 28, 2020

Company name EM SYSTEMS CO., LTD. Listed on: Tokyo Stock Exchange, First Section  
 Securities Code 4820 U R L http://www.emsystems.co.jp  
 Representative Kozo Kunimitsu, Chairman and CEO  
 Representative Gen Aota, Managing director in the company, executive officer  
 for inquiries and chief of the Administrative Planning HQ Tel: +81-6-6397-1888  
 Scheduled date of Annual General Meeting of Shareholders: June 16, 2020  
 Scheduled date of payment of dividend: June 17, 2020  
 Scheduled date of filing of Annual Securities Report: June 17, 2020  
 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, 2020 (April 1, 2019 – March 31, 2020)

#### (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, 2020	14,023	6.8	1,583	(39.6)	2,179	(32.9)	1,393	(29.3)
Fiscal year ended Mar. 31, 2019	13,133	(5.9)	2,622	(14.4)	3,248	(10.2)	1,971	(16.8)

(refer to) Equity in earnings of affiliates Fiscal year ended Mar. 31, 2020 1,399 Million s of yen (28.0%) Fiscal year ended Mar. 31, 2019 1,942 Millions of yen (19.1%)

	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, 2020	19.74	19.47	8.2	9.5	11.3
Fiscal year ended Mar. 31, 2019	27.87	27.46	12.2	14.7	20.0

(Refer to) Equity in earnings of affiliates Fiscal year ended Mar. 31, 2020 — Millions of yen Fiscal year ended Mar. 31, 2019 — Millions of yen  
 ((Note))

1. This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of January 1<sup>st</sup>, 2020. 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. During the 4th quarter consolidated accounting period for the fiscal year ending in March 2020, the Company finalized provisional accounting processes relating to corporate combination and reflected the results of these in the various values relating to the fiscal year ending in March 2019.

#### (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, 2020	23,451	17,676	75.0	247.30
As of Mar. 31, 2019	22,396	16,618	73.6	234.53

(Refer to) Net capital As of Mar. 31, 2020 17,584 Millions of yen As of Mar. 31, 2019 16,489 Millions of yen  
 ((Note))

1. This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of January 1<sup>st</sup>, 2020. 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. During the 4th quarter consolidated accounting period for the fiscal year ending in March 2020, the Company finalized provisional accounting processes relating to corporate combination and reflected the results of these in the various values relating to the fiscal year ending in March 2019.

## (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, 2020	2,300	(343)	(668)	8,770
Fiscal year ended Mar. 31, 2019	1,846	(894)	(1,982)	7,486

## 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, 2019	—	8.00	—	11.00	19.00	669	34.1	4.1
Fiscal year ended Mar. 31, 2020	—	8.00	—	6.00	—	708	50.7	4.2
Fiscal year ended Dec. 31, 2020 (estimate)	—	4.00	—	6.00	10.00		66.0	

(Note) This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of January 1<sup>st</sup>, 2020. Regarding the dividends of the 2nd quarter, end of term of the March 2019 period, the 2nd quarter of the March 2020 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 9.5 yen for the March 2019 period, 10 yen for the March 2020 period.

3. Estimated consolidated results of the Fiscal Year Ending December 31, 2020 (April 1, 2020 – December 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	6,728	(5.1)	751	(22.0)	1,037	(19.1)	721	(16.3)	10.15
Full year	10,092	—	1,127	—	1,556	—	1,082	—	15.22

(Note) On the condition that the Matter of Partial Revision to the Articles of Incorporation is approved at the regular meeting of shareholders for the 37th fiscal year, scheduled for June 16, 2020, the Company plans to change the fiscal year end from March 31 to December 31 starting from 2020. The Company also plans to make the same change within domestic subsidiaries for which the fiscal year end is a date other than December 31. Accordingly, in regard to consolidated performance forecasts for the fiscal year ending in December 2020, which encompasses the duration of the fiscal year after the aforementioned changes, the period subject to consolidation for both the Company and all domestic subsidiaries for which the fiscal year end had been in March shall be the 9-month period from April to December, and for overseas subsidiaries for which the fiscal year end is in December, it shall be the 12-month period from January to December. Therefore, the forecasts will not list rates of fluctuation in comparison to the same period of the previous year for the entire fiscal year.

## \* 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, 2020	74,063,600 shares	As of Mar. 31, 2019	73,298,800 shares
2. Number of own shares at end of term	As of Mar. 31, 2020	2,957,970 shares	As of Mar. 31, 2019	2,990,012 shares
3. Average number of shares outstanding during term (quarterly total)	As of Mar. 31, 2020	70,600,893 shares	As of Mar. 31, 2019	70,750,736 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 January 1<sup>st</sup>, 2020. We have calculated the “Average number of shares outstanding during term” for March 2019 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, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	12,274	6.6	1,441	(39.4)	2,047	(32.1)	1,301	(29.0)
Fiscal year ended Mar. 31, 2019	11,517	(6.3)	2,378	(17.2)	3,016	(12.1)	1,833	(19.5)

	Net income per share		Diluted net income per share	
	Yen	100ths of a yen	Yen	100ths of a yen
Fiscal year ended Mar. 31, 2020		18.44		18.19
Fiscal year ended Mar. 31, 2019		25.92		25.54

(Note) This company implemented a stock split at a rate of 2 shares per 1 share of ordinary stock with an effective date of January 1<sup>st</sup>, 2020. 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, 2020	22,104	16,923	76.1	236.71
As of Mar. 31, 2019	21,265	15,962	74.5	225.21

(Refer to)	As of Mar.	16,831	Millions of	As of Mar.	15,830	Millions of
Shareholders' equity	31, 2020		yen	31, 2019		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

Although the Japanese economy during the consolidated accounting period concerned, backed by improvements in employment and income environments, had transitioned toward gradual recovery, the novel coronavirus pandemic has started to have a major economic impact, and prospects have become uncertain within industries related to healthcare (clinics and pharmacies) and long-term care/ welfare as well.

In the pharmacy industry, our main clients, major pharmacy chains and drug store chains have been expanding business scale and revenue through M&A, and it is thought that there will be a prolonged period of even more intense competition as the industry becomes dominated by a small number of large companies. Prescriptions are being issued for longer periods of time due to the novel coronavirus pandemic, which has reduced the number of prescription slips. In addition, revisions to the medical system were conducted in April 2020, and although these were not as extensive as the previous revisions, harsh conditions are expected to continue.

In this environment, shifting our business model in October 2018 has enabled us to concentrate administrative resources with the aim of moving further toward a subscription business model, and we are greatly contributing to reducing the operating costs of our customers by providing products and services with high added value at lower prices.

In regard to “MAPs for CLINIC,” a diagnostic support system for clinics from October 2019, we commenced shipping from Osaka and Tokyo and are in turn expanding operations into other administrative districts. We have received high praise from customers that have used to service. In regard to “MAPs for PHARMACY,” our pharmacy-oriented business support system, we commenced shipping from Osaka from February 2020 and are in turn expanding operations into other administrative districts. We have also begun installations at pharmacies that newly start their business. In addition, we have begun development of “MAPs for NURSING CARE,” and expectations from the market have further increased as we work to provide support for improving the quality of clinicians, pharmacists and nursing care/welfare service providers through the functions possessed by our “MAPs Series,” a cloud-based system that integrates other systems within the health care field.

Also, we conducted business collaboration with Internet Infinity Inc. in March 2020. Our Group coordinated with “Care Management Online,” Japan’s largest dedicated site for care managers which is operated by Internet Infinity Inc. We promoted online marketing aimed at introducing long-term care/welfare systems provided by our Group. The aforementioned site provides care manager-focused information as well as a variety of other contents, and coordination between the site and the long-term care/welfare systems provided by our Group will support further improvements in productivity for the long-term care/welfare service facilities and offices that are customers of our Group.

In addition, there was a surge in demand for hardware replacement accompanying Microsoft’s termination of support for Windows7 on January 14, 2020, which contributed to an increase in sales during consolidated accounting period.

As a result, our performance was 14,023 million yen in sales (a 6.8% increase compared to the same period in the previous year) 1,583 million yen in operating profits (a 39.6% decrease) 2,179 million yen in ordinary profits (a 32.9% decrease), and 1,393 million yen in quarterly net income attributable to shareholders in parent company (a 29.3% decrease).

We achieved our planned sales and operating profits. In comparison with the same period in the previous year, sales increased due to an increase in hardware replacements due to the termination of support for Windows 7 as well as due to receipt of business from Janis Corporation in the long-term care/welfare system business and acquisition of M-Win Soft Co., Ltd. as a subsidiary and major factors behind the decrease in profits are a switch in hardware maintenance from maintenance conducted by us to maintenance conducted by manufactures accompanying our change in business model as well as a change in sales price to further reduce customer burden.

By-segment results are as follows. In addition, we have changed the description of “IT Systems for Long-term Care/Welfare” belonged to “other business” as the report segment owing to the increasing quantitative importance from this 3rd quarter consolidated fiscal period. The results compared to the same period in the previous year were published according to the part of report segment of this 3rd quarter consolidated cumulative period.

### (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 our market share relating to systems for pharmacies.

We also received numerous referrals regarding “MAPs for PHARMACY,” our pharmacy-oriented business support system, which has commenced shipping. The number of times that the trial version has been downloaded is also steadily increasing.

Under such circumstances, the number of systems sales and the amount of system usage fee sales increased compared to the same period in the previous year. As a result, we achieved our planned sales and operating profits.

Consequently, IT Systems and Related Business for Pharmacies for this consolidated cumulative year resulted in 10,823 million yen in sales (a 3.3% increase compared with the same period in the previous year) and 1,336 million yen in operating profits (a 30.2% 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 the clinic market by taking a broad approach using online marketing as well as conventional methods. Furthermore, we have continued to focus efforts on sales of the medical accounting systems "MRN (\*1) Clerk Style" as well as the electronic medical records systems "MRN Karte Style" and "Ortia."

Customers have begun full-scale operation of “MAPs for CLINIC,” our diagnostic support system for clinics, and we are receiving high praise from them. We are actively utilizing online marketing, and an increasing number of people are requesting materials and registering for our e-zine. Customer interest is growing, and sales are increasing bullishly.

Billing sales are increasing smoothly due to a steady increase in the number of customers due to introduction of “MAPs for CLINIC,” but operating profits have dropped in comparison with the same period of the previous year. The main reason for this is because we have provided systems at sales prices that reduced the burden on customers.

Consequently, IT Systems and Related Business for Clinics in the current consolidated cumulative year resulted in 1,881 million yen in sales (a 10.4% increase from the same period in the previous year) and 161 million yen in operating profits (a 32.7% decrease).

#### (\*1) MRN: Medical Receipty NEXT

#### (IT Systems and Related Business for Long-term Care/Welfare)

Regarding IT Systems for nursing care/welfare, we reorganized our sales scheme and restructured our systems for achieving future growth. We commenced development of “MAPs for NURSING CARE,” and we are working toward achieving synergy with clinics and pharmacies. In addition, in regard to long-term care/welfare-related systems, we changed initial sales from five-year gross sales to monthly sales. Also, operating losses were due to the effects of transitioning to a subscription business model.

Consequently, IT Systems and Related Business for Long-term Care/Welfare for this consolidated cumulative year resulted in 497 million yen in sales (previous period : 85 million yen in sales) and 348 million yen in operating losses (previous period: 129 million yen in operating losses).

#### (Other businesses)

Sales and operating profits in our pharmacy operation business have been according to plan. Our sports gyms and nursery schools were closed during the consolidated accounting period concerned.

Furthermore, in the "commissioned project to install an online qualification checking system into the 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 regard to "infectious disease outbreak detection services," a joint research project between the Japan Medical Association, , and the Japan Pharmaceutical Association, the number of pharmacies using the services were beyond 12,000 nationwide.

Consequently, other business for this consolidated cumulative year resulted in 934 million yen in sales (a 4.4% decrease compared to the same period in the previous year) and 127 million yen in operating profits (a 2.8% decrease).

#### (\*2) EHR: Electronic Health Record

## (2) Overview of financial position in the current period

#### (Assets)

Current assets at the end of this consolidated fiscal year were 11,556 million yen, a 626 million yen decrease compared to the end of the previous consolidated fiscal year. Primarily, this is due to the fact that, although the company paid corporate taxes, etc. and allotted year-end dividends, there was a 1,283 million yen increase in cash and savings due to smooth collection of accounts receivable, even though there was a 336 million yen decrease in notes receivables and accounts receivable. Fixed assets were 11,894 million yen, a 429 million yen increase compared to the end of the previous consolidated fiscal year. This is due mainly to increase software a 1,562 million yen and to a decrease accompanying a 868 million yen software in progress and a 194 million yen depreciation in investment real estate depreciation and a 113 million yen depreciation in goodwill.

As a result, total assets were 23,451 million yen, a 1,055 million yen increase compared to the end of the previous consolidated fiscal year.

#### (Liabilities)

Current liabilities at the end of this consolidated fiscal year were 3,816 million yen, a 150 million yen increase compared to the end of the previous consolidated fiscal year. This was primarily due to a increase of 482 million yen in deferred income for maintenance service, 292 million yen decreased in accrued corporate taxes due to a reduction in taxable income and a decrease of 73 million yen in notes payable. Fixed liabilities were 1,959 million yen, a 152 million yen decrease compared to the end of the previous consolidated fiscal year. This is due mainly to respective decreases of 75 million yen in provision for product warranties due to the transfer of maintenance activities to manufacturers was promoted.

As a result, total liabilities were 5,775 million yen, a 1 million yen decrease compared to the end of the previous consolidated fiscal year.

#### (Net assets)

Net assets at the end of this consolidated fiscal year were 17,676 million yen, a 1,057 million yen increase compared to the end of the previous consolidated fiscal year. This is due mainly to an increase of 724 million yen in earned surplus due to bullish performance and respective increase on 142 million yen in capital and 250 million yen in capital surplus due to exercise of subscription rights and decrease on 36 million yen in treasury stock due to acquisition of treasury stock.

As a result, our capital adequacy ratio was 75.0% (compared to 73.6% at the end of the previous consolidated fiscal year).

### (3) Cash flows

The amount of cash and cash equivalents during the consolidated accounting period concerned (hereinafter “funds”) totaled 8,770 million yen, an increase of 1,284 million yen over the end of the previous consolidated accounting period.

The status of each type of cash flow during the consolidated accounting period concerned as well as their main factors are as follows.

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

Funds acquired through sales activities totaled 2,300 million yen (1,846 million yen in income in the previous period). Although net profits for the fiscal year concerned prior to adjustment for taxes, etc. totaled 2,131 million yen accompanying robust performance during the consolidated accounting period concerned, this was mainly due to the fact that payments of corporate taxes, etc. came to 1,030 million yen and collection of receivables proceeded smoothly.

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

Funds expended as a result of investment activities totaled 343 million yen (894 million yen in expenditures in the previous period). Although income from rental of investment properties totaled 1,033 million yen, this was mainly due to the fact that expenditures due to acquisition of intangible fixed assets relating to software development came to 860 million yen, expenditures due to acquisition of tangible fixed assets came to 256 million yen, and expenditures due to rental of investment properties came to 234 million yen.

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

Funds expended as a result of financial activities totaled 668 million yen (1,982 million yen in expenditures in the previous period). Although income from issuing shares totaled 249 million yen, this was mainly due to the fact that paid dividends came to 668 million yen, expenditures due to repayment of long-term loans came to 117 million yen, and expenditures due to acquisition of treasury shares came to 96 million yen.

### (4) Outlook

Looking forward, prescriptions are being issued for longer periods of time due to the novel coronavirus pandemic, which has reduced the number of prescription slips. In addition, revisions to the medical system were conducted in April 2020, and although these were not as extensive as the previous revisions, harsh conditions are expected to continue. We expect that actions will continue to be taken to control medical fees overall within the country. The government has expressed its intention to thoroughly promote ICT in medical

related fields, and demand for coordination of information among various professions, including in the long-term care/welfare fields, is expected to rise higher than ever before. 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,” our shared information system base.

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

As was publically announced on March 10, 2020, the Company will implement changes to the fiscal year end on the condition that the matter is approved at the regular meeting of shareholders scheduled for June 16, 2020. The 38th fiscal year (April 1 to December 31, 2020) will be a 9-month fiscal period, and we expect 10,092 million yen in sales, 1,127 million yen in operating profits, 1,556 million yen in ordinary profits, and 1,082 million yen in net income for the period attributable to parent company shareholders.

In addition, in regard to the Interim Management Plan publicized on May 8, 2018, in consideration of the novel coronavirus pandemic, if changes are necessary, we intend to release a revised plan as soon as it is deemed possible to formulate such a plan. The aforementioned performance forecasts 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, 2019	As of March 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	7,487	8,770
Notes and accounts receivable	2,456	2,119
Merchandise and products	164	181
Raw materials and supplies	0	0
Others	842	500
Allowance for bad debts	(20)	(16)
<b>Total current assets</b>	<b>10,930</b>	<b>11,556</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	1,495	1,445
Accumulated depreciation	(758)	(747)
Buildings and structures (net)	737	697
Land	589	562
Lease assets	143	125
Accumulated depreciation	(86)	(94)
Lease assets (net)	57	30
Rental assets	47	50
Accumulated depreciation	(36)	(42)
Rental assets (net)	10	8
Construction in progress	210	165
Others	546	813
Accumulated depreciation	(476)	(531)
Others (net)	70	282
<b>Total tangible fixed assets</b>	<b>1,676</b>	<b>1,747</b>
<b>Intangible fixed assets</b>		
Software	82	1,645
Software in progress	1,172	303
Goodwill	570	456
Others	149	127
<b>Total intangible fixed assets</b>	<b>1,974</b>	<b>2,532</b>
<b>Investments and other assets</b>		
Investment securities	7	19
Investment real estate	9,960	9,960
Accumulated depreciation	(3,137)	(3,331)
Investment real estate (net)	6,823	6,628
Allowance for bad debts	145	139
Deferred tax asset	572	524
Net defined benefit asset	123	115
Other	143	188
Allowance for bad debts	(0)	(0)
<b>Total investments and other assets</b>	<b>7,814</b>	<b>7,615</b>
<b>Total fixed assets</b>	<b>11,465</b>	<b>11,894</b>
<b>Total assets</b>	<b>22,396</b>	<b>23,451</b>

(Units: millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	1,011	937
Current portion of long-term loans payable	104	34
Accounts payable-other	516	578
Lease obligations	34	33
Income taxes payable, etc.	530	237
Accrued consumption taxes	15	100
Provision for bonuses	399	358
Provision for points card certificates	4	4
Others	1,049	1,531
Total current liabilities	3,665	3,816
Non-current liabilities		
Long-term loans payable	34	—
Lease obligations	53	20
Net defined benefit liability	1,029	1,041
Provision for product warranties	221	146
Long-term guarantee deposited	721	721
Long-term Accounts payable-other	7	16
Total non-current liabilities	2,112	1,959
Total liabilities	5,777	5,775
<b>Net assets</b>		
Shareholder's equity		
Capital stock	2,558	2,700
Capital surplus balance	2,935	3,185
Retained earnings	12,140	12,864
Treasury stock	(1,097)	(1,125)
Total shareholder's equity	16,536	17,625
Cumulative amount of other comprehensive income		
Foreign currency translation adjustments	34	27
Remeasurements of defined benefit plans	(81)	(68)
Total other cumulative comprehensive income	(46)	(40)
Subscription rights to shares	128	91
Total net assets	16,618	17,676
Total liabilities and net assets	22,396	23,451

## (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, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Sales	13,133	14,023
Cost of sales	5,723	6,971
Gross profit	7,410	7,051
Selling, general and administrative expenses		
Promotion expenses	21	20
Packing and transportation expenses	23	29
Advertising expenses	92	225
Provision of allowance for doubtful accounts	(0)	(3)
Provision for product warranties	91	4
Directors' compensations	259	260
Salaries and allowances	1,823	2,125
Bonuses	226	218
Provision for bonuses	314	322
Share-based compensation expenses	46	61
Retirement benefit expenses	115	120
Legal welfare expenses	366	404
Traveling and transportation expenses	132	151
Communication expenses	75	69
Depreciation	91	48
Amortization of goodwill	59	113
Rents	226	227
Research and development expenses	13	48
Other	808	1,018
Total selling, general and administrative expenses	4,787	5,468
Operating profit	2,622	1,583
Non-operating income		
Interest income	0	0
Rent income of real estate	1,020	1,022
Miscellaneous income	10	17
Total non-operating income	1,031	1,040
Non-operating expenses		
Interest expenses	1	0
Commission fee	8	5
Rent expenses on real estates	381	429
Amortization of share issuance cost	—	—
Miscellaneous loss	14	8
Total non-operating expenses	405	444
Ordinary profit	3,248	2,179

(Units: millions of yen)

	Previous fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on reversal of share acquisition rights	—	1
Total extraordinary income	—	4
Extraordinary losses		5
Loss on retirement of non-current assets	0	4
Loss on sales of non-current assets	0	—
Impairment loss	20	31
Loss on liquidation of subsidiaries and associates	—	—
Expenses for advanced repayment of loans	—	—
loss on revaluation of investments in securities	198	—
Total extraordinary losses	218	53
Profit before income taxes	3,030	2,131
Income taxes - current	1,089	725
Income taxes - deferred	(30)	12
Total income taxes	1,058	738
Net income	1,971	1,393
Profit attributable to owners of parent	1,971	1,393

## (Consolidated statements of comprehensive income)

(Units: millions of yen)

	Previous fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Net income	1,971	1,393
Other comprehensive income		
Foreign currency translation adjustments	(13)	(7)
Remeasurements of defined benefit plans	(15)	13
Total other comprehensive income	(29)	5
Comprehensive income	1,942	1,399
(Breakdown)		
Comprehensive income concerning parent company shareholders	1,942	1,399
Comprehensive income concerning non-controlling shareholders	—	—

### (3) Consolidated Statement of Changes in Equity

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

(Units: millions of yen)

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

Current fiscal year (From April 1st, 2019 to March 31st, 2020)

(Units: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,558	2,935	12,140	(1,097)	16,536
Changes of items during period					
Exercise of share acquisition rights	142	142			285
Dividends of surplus			(668)		(668)
Profit attributable to owners of parent			1,393		1,393
Purchase of treasury shares				(96)	(96)
Disposal of treasury shares		107		67	175
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period	142	250	724	(28)	1,088
Balance at end of current period	2,700	3,185	12,864	(1,125)	17,625

	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	34	(81)	(46)	128	16,618
Changes of items during period					
Exercise of share acquisition rights					285
Dividends of surplus					(668)
Profit attributable to owners of parent					1,393
Purchase of treasury shares					(96)
Disposal of treasury shares					175
Change of scope of consolidation					-
Net changes of items other than shareholders' equity	(7)	13	5	(36)	(31)
Total changes of items during period	(7)	13	5	(36)	1,057
Balance at end of current period	27	(68)	(40)	91	17,676

## (4) Consolidated Statement of Cash Flows

(Units: millions of yen)

	Previous fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	3,030	2,131
Depreciation	485	539
Amortization of goodwill	59	113
Amortization of share issuance cost	—	—
Impairment loss	20	31
Loss on liquidation of subsidiaries and associates	—	—
Expenses for advanced repayment of loans	—	—
(Gains) and losses on revaluation of investments in securities	198	—
Decrease (increase) in net defined benefit asset	(13)	7
Increase (decrease) in net defined benefit liability	111	12
Increase (decrease) in provision for product warranties	6	(75)
Increase (decrease) in provision for bonuses	49	(41)
Increase (decrease) in provision for point card certificates	0	0
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Interest and dividend income	(0)	(0)
Rent income of real estate	(1,020)	(1,022)
Expenses of real estate rent	186	234
Interest expenses	1	0
Loss on retirement of non-current assets	0	4
Share-based compensation expenses	51	66
Gain on reversal of share acquisition rights	—	(1)
Loss (gain) on sales of non-current assets	—	—
Decrease (increase) in notes and accounts receivable-trade	(248)	355
Decrease (increase) in inventories	(33)	(16)
Decrease (increase) in other current assets	(41)	396
Increase (decrease) in notes and accounts payable-trade	239	(80)
Increase (decrease) in accrued consumption taxes	(100)	83
Increase (decrease) in other current liabilities	308	514
Other, net	(118)	85
Subtotal	3,171	3,331
Interest and dividend income received	0	0
Interest expenses paid	(1)	(0)
Income taxes paid	(1,323)	(1,030)
Net cash provided by (used in) operating activities	1,846	2,300



(Units: millions of yen)

	Previous fiscal year (From April 1, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(254)	(256)
Proceeds from sales of property, plant and equipment	—	—
Purchase of intangible assets	(970)	(860)
Purchase of investment securities	—	(10)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	58	3
Payments from transfer of business	(125)	—
Proceeds from rental of real estate for investment	1,019	1,033
Payments for rental of real estate for investment	(186)	(234)
Collection of loans receivable	8	13
Payments of loans receivable	(458)	(15)
Proceeds from guarantee deposits received	8	—
Repayments of guarantee deposits received	(1)	(0)
Other, net	7	(16)
Net cash provided by (used in) investing activities	(894)	(343)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—	—
Repayments of long-term loans payable	(517)	(117)
Repayments of lease obligations	(48)	(34)
Proceeds from issuance of common shares	196	249
Purchase of treasury shares	(903)	(96)
Cash dividends paid	(708)	(668)
Net cash provided by (used in) financing activities	(1,982)	(668)
Effect of exchange rate change on cash and cash equivalents	(13)	(4)
Net increase (decrease) in cash and cash equivalents	(1,042)	1,284
Cash and cash equivalents at beginning of period	8,528	7,486
Increase in cash and cash equivalents from newly consolidated subsidiary	—	—
Cash and cash equivalents at end of period	7,486	8,770

(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 four reportable segments: IT Systems and Related Business for Pharmacies, IT Systems and Related Business for Clinics, IT Systems for Long-term care/welfare 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
IT Systems for Long-term care/welfare	Development and sales of systems for nursing care service providers
Other Businesses	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, 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	IT Systems for Long-term care/welfare	Other Businesses	Total		
Net sales							
External sales	10,472	1,704	85	972	13,234	(100)	13,133
Inter-segment sales and transfers	4	—	—	5	9	(9)	—
Total	10,476	1,704	85	977	13,243	(109)	13,133
Segment profit	2,389	239	(129)	130	2,630	(7)	2,622
Segment assets	4,219	1,155	1,093	590	7,058	15,337	22,396
Other items							
Depreciation	187	62	34	5	290	195	485
Increase in property, plant and equipment and intangible assets	717	477	561	2	1,758	—	1,758

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

Current fiscal year (From April 1st, 2019 to March 31st, 2020)

(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	IT Systems for Long-term care/welfare	Other Businesses	Total		
Net sales							
External sales	10,821	1,881	497	914	14,115	(92)	14,023
Inter-segment sales and transfers	1	—	—	20	21	(21)	—
Total	10,823	1,881	497	934	14,137	(114)	14,023
Segment profit	1,667	161	(348)	127	1,607	(24)	1,583
Segment assets	3,317	722	1,438	753	6,231	17,220	23,451
Other items							
Depreciation	144	85	108	6	344	194	539
Increase in property, plant and equipment and intangible assets	734	412	282	2	1,432	—	1,432

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

In addition, we have changed the description of “IT Systems for Long-term Care/Welfare” belonged to “other business” as the report segment owing to the increasing quantitative importance from this 3rd quarter consolidated fiscal period.

## 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	13,243	14,137
Transfer to non-operating income	(100)	(92)
Eliminations for inter-segment transactions	(9)	(21)
Net sales on the consolidated financial statements	13,133	14,023

(Units: millions of yen)

Profit	Previous fiscal year	Current fiscal year
Total for reportable segments	2,630	1,607
Transfer to non-operating income	(25)	(27)
Eliminations for inter-segment transactions	17	3
Net sales on the consolidated financial statements	2,622	1,583

(Units: millions of yen)

Assets	Previous fiscal year	Current fiscal year
Total for reportable segments	7,058	6,231
Transfer to non-operating income	16,486	18,420
Eliminations for inter-segment transactions	(1,148)	(1,199)
Net sales on the consolidated financial statements	22,396	23,451

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	290	344	195	194	485	539
Increase in property, plant and equipment and intangible assets	1,758	1,432	—	—	1,758	1,432

## Related information

Previous 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.

Current fiscal year (Apr. 1, 2019 – Mar. 31, 2020)

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, 2018 – Mar. 31, 2019)

(Units: millions of yen)

	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	IT Systems for Long- term care/welfare	Other Businesses	Total
Impairment loss	13	2	4	-	20

Current fiscal year (Apr. 1, 2019 – Mar. 31, 2020)

(Units: millions of yen)

	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	IT Systems for Long- term care/welfare	Other Businesses	Total
Impairment loss	15	2	13	-	31

【Amortization of goodwill and unamortized balance by reportable segment】

Previous 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	IT Systems for Long-term care/welfare	Other Businesses	Total
Amortization for the period	34	-	2	22	59
Unamortized balance at the period-end	16	-	372	181	570

Current fiscal year (Apr. 1, 2019 – Mar. 31, 2020)

(Units: millions of yen)

	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	IT Systems for Long-term care/welfare	Other Businesses	Total
Amortization for the period	16	-	75	22	113
Unamortized balance at the period-end	-	-	297	158	456

【Gain on negative goodwill by reportable segment】

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

Not applicable.

Current fiscal year (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

## (Per Share Information)

(Units: Yen 100ths of a yen)

Previous fiscal year (From April 1, 2018 To March 31, 2019)		Current fiscal year (From April 1, 2019 To March 31, 2020)	
Net assets per share	234.53	Net assets per share	247.30
Net income per share	27.87	Net income per share	19.74
Diluted net income per share	27.46	Diluted net income per share	19.47

Notes: 1. The Company conducted a common stock split according to a ratio of 1:2 effective on January 1, 2020.

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, 2019.

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, 2018 To March 31, 2019)	Current fiscal year (From April 1, 2019 To March 31, 2020)
Net income per share		
Profit attributable to owners of parent	1,971	1,393
Amounts not available to common stock shareholders	—	—
Profit attributable to owners of parent available to common stock	1,971	1,393
Average number of shares of common stock outstanding during the period (Shares)	70,750,736	70,600,893
Diluted net income per share		
Adjusted profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (Shares)	1,054,958	967,774
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.*