

Notice: This document has been translated from Japanese original for reference purpose only, without any warranty as to its accuracy or as to the completeness of the information. The Japanese original version is the sole official version.

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

[Japanese GAAP]

February 10, 2021

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 Hiromasa Kunimitsu, President & Representative Director
 Representative Megumi Seki, Managing director in the company, General
 for inquiries Manager of Administration Headquarters Tel: +81-6-6397-1888
 Scheduled date of Annual General Meeting of Shareholders: March 17, 2021
 Scheduled date of payment of dividend: March 18, 2021
 Scheduled date of filing of Annual Securities Report: March 18, 2021
 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 December 31, 2021 (April 1, 2020 – December 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 Dec. 31, 2020	9,660	—	1,037	—	1,469	—	1,062	—
Fiscal year ended Mar. 31, 2020	14,023	6.8	1,583	(39.6)	2,179	(32.9)	1,393	(29.3)

(refer to) comprehensive income Fiscal year ended Dec. 31, 2020 1,062 Million s of yen — Fiscal year ended Mar. 31, 2020 1,414 Millions of yen (27.2%)

	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 Dec. 31, 2020	14.95		14.88		6.0	6.3	10.7
Fiscal year ended Mar. 31, 2020	19.74		19.47		8.2	9.5	11.3

(Refer to) Equity in earnings of affiliates Fiscal year ended Dec. 31, 2020 — Millions of yen Fiscal year ended Mar. 31, 2020 — 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 January 1st, 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) 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 Dec 31, 2020	23,096	17,734	76.4	248.55
As of Mar. 31, 2019	23,445	17,691	75.1	247.51

(Refer to) Net capital As of Dec. 31, 2020 17,679 Millions of yen As of Mar. 31, 2020 17,599 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 1st, 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.

(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 Dec. 31, 2020	442	(147)	(1,087)	7,982
Fiscal year ended Mar. 31, 2019	2,300	(343)	(668)	8,770

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, 2020	—	8.00	—	6.00	—	708	50.7	4.2
Fiscal year ended Dec. 31, 2020	—	4.00	—	6.00	10.00	710	62.8	4.0
Fiscal year ended Dec. 31, 2021 (estimate)	—	4.00	—	6.00	10.00		52.4	

(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 1st, 2020. Regarding the dividends for 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 10 yen for the March 2020 period.

3. Estimated consolidated results of the Fiscal Year Ending December 31, 2021 (January 1, 2021 – December 31, 2021) (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	6,724	6.3	686	(19.5)	937	(19.1)	622	(22.4)	8.76
Full year	13,974	—	1,508	—	2,017	—	1,357	—	19.10

(Note) The company convened its 37th Ordinary General Meeting of Shareholders on June 16, 2020. Beginning from FY2020, the company's accounting period will end on December 31 instead of March 31. In addition, domestic subsidiaries with fiscal periods ending on dates other than December 31 will make a similar change. Accordingly, consolidated performance for the December 2020 period (the duration after the change to the fiscal period closing date) will be calculated based on the nine-month period from April to December for the company and domestic subsidiaries with fiscal periods closing in March, and based on the twelve-month period from January to December for overseas subsidiaries with fiscal periods closing in December. Therefore, regarding the consolidated performance forecast for the December 2021 period, the year-on-year rate of change will not be listed for the entire fiscal period.

* 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 Dec. 31, 2020	74,514,800 shares	As of Mar. 31, 2020	74,063,600 shares
2. Number of own shares at end of term	As of Dec. 31, 2020	3,478,870 shares	As of Mar. 31, 2020	2,957,970 shares
3. Average number of shares outstanding during term (quarterly total)	As of Dec. 31, 2020	74,421,556 shares	As of Mar. 31, 2020	70,600,893 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 1st, 2020. We have calculated the "Number of shares outstanding (ordinary shares)" 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 December 31, 2020 (April 1, 2020 – December 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 Dec. 31, 2020	8,862	—	783	—	1,242	—	894	—
Fiscal year ended Mar. 31, 2020	12,274	6.6	1,441	(39.4)	2,047	(32.1)	1,301	(29.0)

	Net income per share	Diluted net income per share
	Yen 100ths of a yen	Yen 100ths of a yen
Fiscal year ended Dec. 31, 2020	12.59	12.53
Fiscal year ended Mar. 31, 2020	18.44	18.19

(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 1st, 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 Dec. 31, 2020	21,606	16,768	77.4	235.28
As of Mar. 31, 2019	22,104	16,923	76.1	236.71

(Refer to) Shareholders' equity As of Dec. 31, 2020 16,750 Millions of yen As of Mar. 31, 2020 16,831 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.

TABLE OF CONTENTS OF ATTACHED MATERIALS

1. OVERVIEW OF MANAGEMENT PERFORMANCE, ETC	5
(1) OVERVIEW OF MANAGEMENT PERFORMANCE IN THE CURRENT PERIOD	5
(2) OVERVIEW OF FINANCIAL POSITION IN THE CURRENT PERIOD	6
(3) CASH FLOWS	7
(4) OUTLOOK	7
2. BASIC APPROACH TO THE SELECTION OF ACCOUNTING STANDARDS	7
3. CONSOLIDATED FINANCIAL STATEMENTS AND MAJOR EXPLANATORY NOTES	8
(1) CONSOLIDATED BALANCE SHEET	8
(2) CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	10
(3) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	13
(4) CONSOLIDATED STATEMENT OF CASH FLOWS	15
(5) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	17

1. Overview of management performance, etc.

(1) Overview of management performance in the current period

The Japanese economy during the consolidated fiscal year concerned has undergone a massive curtailment of corporate activities and private consumption due to the spread of Covid-19 infections, and although economic activities have begun to reopen following the lifting of the State of Emergency, the outlook remains uncertain as there are no signs of Covid-19 infections coming to an end.

In the pharmacy industry, our main clients, amidst the effects of revisions to the medical system conducted in April 2020, prescriptions are being issued for longer periods of time due to the influence of the Covid-19 pandemic, which has reduced the overall number of prescription slips issued, and the environment surrounding medium and small-scale pharmacies is increasing in severity. In the healthcare (clinic) industry, there has been a decrease in the number of patients due to restraints on medical examinations for some medical specialties, and in the long-term care/welfare industry, there have been changes in our clients' management environments, including an increase in temporary closings of facilities that provide care during daytime visits or over short-term stays, and these have had a considerable influence on our group as well.

In this environment, our group has implemented telecommuting and switched from conventional face-to-face business activities to online meetings, etc. Other improvements include conducting online demonstrations, offering trial versions downloadable from the e-commerce site "MAPs DIRECT," and providing tools that enable clients to engage in estimate creation and configuration examinations on their own. Taking active steps to improve our non-face-to-face business activities has also led reduced costs. In addition, our group has commenced initiatives relating to SDGs with the goal of realizing a sustainable society.

As a result, performance during the consolidated fiscal year concerned was 9,660 million yen in sales, 1,037 million yen in operating profits, 1,469 million yen in ordinary profits, and 1,062 million yen in quarterly net income attributable to parent company shareholders.

Accompanying the change in closing date (from March 31 to December 31), this consolidated fiscal year is an irregular 9-month fiscal period. As such, descriptions in this document do not list year-on-year performance comparisons.

In terms of sales, although planned initial sales of services were not reached due to delays in shipping and launching MAPs in addition to moves to revise the commencement of new businesses and the timing of capital investments in response to the Covid-19 pandemic, sales of existing products exceeded plans, and orders for large-scale SI projects from major chain stores also contributed to sales. In addition, there was a decrease in business and administrative expenses due to implementation of teleworking, non-face-to-face business activities, and transferring exhibitions online.

By-segment business results are as follows. In addition, "IT Systems for Long-term Care/Welfare," which had previously belonged to "Other Business," increased in quantitative importance beginning from the previous 3rd quarter consolidated fiscal year, and as such, the report segment in which it is listed has been changed.

(IT Systems and Related Business for Pharmacies)

Regarding IT systems and related business for pharmacies, although there was a decrease in sales resulting from low initial sales of services due to delays in the shipping and expansion of MAPs, sales of existing products exceeded initial plans. While there was a reduction in business and administrative expenses, the decrease in operating income was, in addition to decreased profits due to fewer sales, the result of depreciation costs incurred during this consolidated fiscal year accompanying full-scale operation of MAPs for PHARMACY.

In addition, 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 exceeded 12,000 nationwide.

Furthermore, within our group, we have begun joint provision of EHR-related projects together with CSI Co., Ltd., hospitals and health insurance pharmacies in order to contribute to future developments in the healthcare industry.

Consequently, IT Systems and Related Business for Pharmacies for this consolidated fiscal year resulted in 7,450 million yen in sales and 1,079 million yen in operating profits.

(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 channels for MRN, a medical accounting system.

In addition, billing sales are increasing smoothly due to a steady increase in the number of customers accompanying the introduction of “MAPs for CLINIC,” etc. The company entered into an operating deficit during this consolidated fiscal year due to an increase in depreciation fees accompanying full-scale operation of “MAPs for CLINIC.”

Consequently, IT Systems and Related Business for Clinics in the current consolidated fiscal year resulted in 1,296 million yen in sales and 35 million yen in operating profits.

(*1) MRN: Medical Receipty NEXT

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

Regarding IT Systems and Related Business for Long-term Care/Welfare, during the previous 2nd quarter consolidated cumulative period, the company changed initial sales of the “Hibiki” series and “Symphony” from five-year gross sales to monthly sales, and entered into an operating deficit due to accrual of assets during this consolidated fiscal year accompanying development of “MAPs for NURSING CARE” in addition to smoothly transitioning subscription sales resulting from an increase in licenses.

Consequently, IT Systems and Related Business for Long-term Care/Welfare for this consolidated fiscal year resulted in 376 million yen in sales and 14 million yen in operating losses.

(Other businesses)

In our pharmacy operation business, due to the Covid-19 pandemic and closures of sports gyms and nursery schools in the March 2020 period, there was a decrease in the number of prescriptions issued, and in our rental conference room business, in addition to a decrease in revenue following reservation cancellations, there was an increase in business and administrative expenses accompanying initial launch of cashless projects by consolidated subsidiaries.

Consequently, Other Businesses for this consolidated fiscal year resulted in 576 million yen in sales and 7 million yen in operating profits.

(*2) EHR: Electronic Health Record

(The aforementioned by-segment sales and operating profits (losses) are the amounts prior to erasure of internal transactions between segments.)

(2) Overview of financial position in the current period

(Assets)

Current assets at the end of this consolidated fiscal year were 11,191 million yen, a 365 million yen decrease compared to the end of the previous consolidated fiscal year. Primarily, this is due to the fact that, although collection of accounts receivable proceeded smoothly, there was a decrease of 787 million yen in cash and savings due to payments of corporate taxes, etc., allotments of year-end dividends, and acquisition of treasury shares. Simultaneously, it is also due to an increase of 467 million yen in other current assets resulting from lags, etc. in monthly deposits of accrued revenue. Fixed assets were 11,905 million yen, a 17-million-yen increase compared to the end of the previous consolidated fiscal year. Primarily, this was due to an increase of 252 million yen in software in progress accompanying full-scale development, etc. of “MAPs for NURSING CARE,” an increase of 309 million yen in investment real estate due to extensions to the conference rooms at the Osaka Main Office Shin-Osaka Brick Building, a decrease of 112 million yen in software due to depreciation accompanying full-scale operation of “MAPs for PHARMACY,” a business support system for pharmacies, and “MAPs for CLINIC,” a diagnostic support system for clinics, as well as a 305-million-yen depreciation in tangible fixed assets and a 73-million-yen depreciation in goodwill.

As a result, total assets were 23,096 million yen, a decrease of 348 million yen compared to the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of this consolidated fiscal year were 3,476 million yen, a decrease of 339 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to a decrease of 103 million yen in notes payable and accounts payable, a decrease of 96 million yen in other current liabilities, and a decrease of 71 million yen in arrears. Fixed liabilities were 1,885 million yen, a decrease of 52 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to a decrease of 59 million yen in provision for product warranties due to promoting the transfer of maintenance activities to manufacturers.

As a result, total liabilities were 5,362 million yen, a decrease of 391 million yen compared to the end of the

previous consolidated fiscal year.

(Net assets)

Net assets at the end of this consolidated fiscal year were 17,734 million yen, an increase of 43 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to an increase of 352 million yen in earned surplus due to bullish performance, respective increases of 84 million yen in capital and 97 million yen in capital surplus due to exercise of subscription rights, etc., a decrease of 484 million yen due to acquisition of treasury stock, and a decrease of 36 million yen in stock option.

As a result, the capital adequacy ratio was 76.4% (compared to 75.1% at the end of the previous consolidated fiscal year).

(3) Cash flows

The amount of cash and cash equivalents (hereinafter “funds”) during the consolidated fiscal year concerned totaled 7,982 million yen, a decrease of 787 million yen compared to the end of the previous consolidated fiscal year.

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

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

Funds acquired through sales activities totaled 442 million yen. Although net profits for the fiscal period concerned prior to adjustment for taxes, etc. totaled 1,520 million yen accompanying robust performance during the consolidated fiscal year, this was mainly due to the fact that payments of corporate taxes, etc. came to 530 million yen.

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

Funds expended as a result of investment activities totaled 147 million yen. Although income from rental of investment properties totaled 731 million yen, this was mainly due to the fact that expenditures due to acquisition of intangible fixed assets relating to software development came to 475 million yen, and expenditures due to acquisition of tangible fixed assets came to 373 million yen.

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

Funds expended as a result of financial activities totaled 1,087 million yen. Although income from issuing shares totaled 147 million yen, this was mainly due to the fact that paid dividends came to 707 million yen, and expenditures due to acquisition of treasury shares came to 499 million yen.

(4) Outlook

Looking forward, prescriptions are being issued for longer periods of time due to the Covid-19 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,” a 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.

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, 2020	As of December 31, 2020
Assets		
Current assets		
Cash on hand and in banks	8,770	7,982
Notes and accounts receivable	2,119	2,004
Merchandise and products	181	248
Raw materials and supplies	0	0
Others	500	968
Allowance for bad debts	(16)	(14)
Total current assets	11,556	11,191
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,445	1,393
Accumulated depreciation	(747)	(733)
Buildings and structures (net)	697	660
Land	562	525
Lease assets	125	122
Accumulated depreciation	(94)	(109)
Lease assets (net)	30	13
Rental assets	50	49
Accumulated depreciation	(42)	(44)
Rental assets (net)	8	5
Construction in progress	165	—
Others	813	841
Accumulated depreciation	(531)	(603)
Others (net)	282	237
Total tangible fixed assets	1,747	1,441
Intangible fixed assets		
Software	1,645	1,532
Software in progress	303	555
Goodwill	456	383
Others	127	119
Total intangible fixed assets	2,532	2,591
Investments and other assets		
Investment securities	19	9
Investment real estate	9,960	10,444
Accumulated depreciation	(3,331)	(3,505)
Investment real estate (net)	6,628	6,938
Allowance for bad debts	139	142
Deferred tax asset	517	519
Net defined benefit asset	115	120
Other	188	143
Allowance for bad debts	(0)	(0)
Total investments and other assets	7,609	7,872
Total fixed assets	11,888	11,905
Total assets	23,445	23,096

(Units: millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable	937	833
Current portion of long-term loans payable	34	—
Accounts payable-other	578	506
Lease obligations	33	24
Income taxes payable, etc.	237	176
Accrued consumption taxes	100	150
Provision for bonuses	358	344
Provision for points card certificates	4	3
Others	1,531	1,435
Total current liabilities	3,816	3,476
Non-current liabilities		
Lease obligations	20	5
Net defined benefit liability	1,041	1,065
Provision for product warranties	146	86
Long-term guarantee deposited	721	728
Long-term Accounts payable-other	16	—
Deferred tax liabilities	14	—
Total non-current liabilities	1,937	1,885
Total liabilities	5,754	5,362
Net assets		
Shareholder's equity		
Capital stock	2,700	2,785
Capital surplus balance	3,185	3,283
Retained earnings	12,864	13,216
Treasury stock	(1,125)	(1,610)
Total shareholder's equity	17,625	17,675
Cumulative amount of other comprehensive income		
Foreign currency translation adjustments	27	31
Remeasurements of defined benefit plans	(53)	(51)
Total other cumulative comprehensive income	(26)	(19)
Subscription rights to shares	91	55
Non-Controlling Interest	—	23
Total net assets	17,691	17,734
Total liabilities and net assets	23,445	23,096

(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, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To December 31, 2021)
Sales	14,023	9,660
Cost of sales	6,971	4,757
Gross profit	7,051	4,903
Selling, general and administrative expenses		
Promotion expenses	20	14
Packing and transportation expenses	29	18
Advertising expenses	225	99
Provision of allowance for doubtful accounts	(3)	(2)
Provision for product warranties	4	(15)
Directors' compensations	260	202
Salaries and allowances	2,125	1,596
Bonuses	218	233
Provision for bonuses	322	279
Share-based compensation expenses	61	65
Retirement benefit expenses	120	85
Legal welfare expenses	404	323
Traveling and transportation expenses	151	66
Communication expenses	69	53
Depreciation	48	31
Amortization of goodwill	113	73
Rents	227	161
Research and development expenses	48	18
Other	1,018	559
Total selling, general and administrative expenses	5,468	3,865
Operating profit	1,583	1,037
Non-operating income		
Interest income	0	1
Rent income of real estate	1,022	730
Miscellaneous income	17	18
Total non-operating income	1,040	750
Non-operating expenses		
Interest expenses	0	0
Commission fee	5	0
Rent expenses on real estates	429	307
Amortization of share issuance cost	—	—
Miscellaneous loss	8	11
Total non-operating expenses	444	318
Ordinary profit	2,179	1,469

(Units: millions of yen)

	Previous fiscal year (From April 1, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To December 31, 2020)
Extraordinary income		
Gain on sales of non-current assets	0	40
Gain on reversal of share acquisition rights	1	15
Gain on negative goodwill	4	—
Total extraordinary income	5	55
Extraordinary losses		
Loss on retirement of non-current assets	4	2
Loss on sales of non-current assets	—	0
Impairment loss	31	—
Loss on cancellation of leases	17	1
Total extraordinary losses	53	4
Profit before income taxes	2,131	1,520
Income taxes - current	725	481
Income taxes - deferred	12	(16)
Total income taxes	738	465
Net income	1,393	1,055
Profit(Loss) attributable to Non-controlling shareholders	—	(6)
Profit attributable to owners of parent	1,393	1,062

(Consolidated statements of comprehensive income)

(Units: millions of yen)

	Previous fiscal year (From April 1, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To December 31, 2020)
Net income	1,393	1,055
Other comprehensive income		
Foreign currency translation adjustments	(7)	4
Remeasurements of defined benefit plans	28	2
Total other comprehensive income	20	6
Comprehensive income	1,414	1,062
(Breakdown)		
Comprehensive income concerning parent company shareholders	1,414	1,068
Comprehensive income concerning non-controlling shareholders	—	(6)

(3) Consolidated Statement of Changes in Equity

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

(Units: millions of yen)

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

Current fiscal year (From April 1st, 2020 to December 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	2,700	3,185	12,864	(1,125)	17,625
Changes of items during period					
Exercise of share acquisition rights	84	84			168
Dividends of surplus			(710)		(710)
Profit attributable to owners of parent			1,062		1,062
Purchase of treasury shares				(499)	(499)
Disposal of treasury shares		13		15	29
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period	84	97	351	(484)	49
Balance at end of current period	2,785	3,283	13,216	(1,610)	17,675

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	27	(53)	(26)	91	-	17,691
Changes of items during period						
Exercise of share acquisition rights						168
Dividends of surplus						(710)
Profit attributable to owners of parent						1,062
Purchase of treasury shares						(499)
Disposal of treasury shares						29
Net changes of items other than shareholders' equity	4	2	6	(36)	23	(6)
Total changes of items during period	4	2	6	(36)	23	43
Balance at end of current period	31	(51)	(19)	55	23	17,734

(4) Consolidated Statement of Cash Flows

(Units: millions of yen)

	Previous fiscal year (From April 1, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	2,131	1,520
Depreciation	539	610
Amortization of goodwill	113	73
Impairment loss	31	—
Gain on negative goodwill	(4)	—
Decrease (increase) in net defined benefit asset	7	(4)
Increase (decrease) in net defined benefit liability	(9)	45
Increase (decrease) in provision for product warranties	(75)	(59)
Increase (decrease) in provision for bonuses	(41)	(13)
Increase (decrease) in provision for point card certificates	0	(0)
Increase (decrease) in allowance for doubtful accounts	(3)	(2)
Interest and dividend income	(0)	(1)
Rent income of real estate	(1,022)	(730)
Expenses of real estate rent	234	133
Interest expenses	0	0
Loss on retirement of non-current assets	4	2
Share-based compensation expenses	66	67
Gain on reversal of share acquisition rights	(1)	(15)
Loss (gain) on sales of non-current assets	—	(40)
Decrease (increase) in notes and accounts receivable-trade	355	115
Decrease (increase) in inventories	(16)	(50)
Decrease (increase) in other current assets	396	(487)
Increase (decrease) in notes and accounts payable-trade	(80)	(123)
Increase (decrease) in accrued consumption taxes	83	50
Increase (decrease) in other current liabilities	514	150
Other, net	128	31
Subtotal	3,331	971
Interest and dividend income received	0	1
Interest expenses paid	(0)	(0)
Income taxes paid	(1,030)	(530)
Net cash provided by (used in) operating activities	2,300	442

(Units: millions of yen)

	Previous fiscal year (From April 1, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To December 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(256)	(373)
Proceeds from sales of property, plant and equipment	—	89
Purchase of intangible assets	(860)	(475)
Purchase of investment securities	(10)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	3	—
Proceeds from rental of real estate for investment	1,033	731
Payments for rental of real estate for investment	(234)	(133)
Collection of loans receivable	13	21
Payments of loans receivable	(15)	(19)
Proceeds from guarantee deposits received	—	6
Repayments of guarantee deposits received	(0)	—
Other, net	(16)	6
Net cash provided by (used in) investing activities	(343)	(147)
Cash flows from financing activities		
Repayments of long-term loans payable	(117)	(34)
Repayments of lease obligations	(34)	(23)
Proceeds from issuance of common shares	249	147
Purchase of treasury shares	(96)	(499)
Cash from Non-controlling shareholders	—	30
Cash dividends paid	(668)	(707)
Net cash provided by (used in) financing activities	(668)	(1087)
Effect of exchange rate change on cash and cash equivalents	(4)	4
Net increase (decrease) in cash and cash equivalents	1,284	(787)
Cash and cash equivalents at beginning of period	7,486	8,770
Increase in cash and cash equivalents from newly consolidated subsidiary	—	—
Cash and cash equivalents at end of period	8,770	7,982

(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 pharmacies, operation of rental conference rooms, and cashless projects

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, 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	3,310	722	1,489	701	6,231	17,220	23,445
Other items							
Depreciation	152	90	88	5	335	194	530
Increase in property, plant and equipment and intangible assets	743	419	284	2	1,449	—	1,449

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

Current fiscal year (From April 1st, 2020 to December 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	7,446	1,296	376	574	9,694	(33)	9,660
Inter-segment sales and transfers	3	—	—	1	4	(4)	—
Total	7,450	1,296	376	576	9,699	(38)	9,660
Segment profit	1,079	(35)	(14)	(7)	1,020	16	1,037
Segment assets	3,404	889	585	958	5,839	17,257	23,096
Other items							
Depreciation	239	100	84	2	427	173	601
Increase in property, plant and equipment and intangible assets	378	24	180	10	593	—	593

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	14,137	9,699
Transfer to non-operating income	(92)	(33)
Eliminations for inter-segment transactions	(21)	(4)
Net sales on the consolidated financial statements	14,023	9,660

(Units: millions of yen)

Profit	Previous fiscal year	Current fiscal year
Total for reportable segments	1,607	1,020
Transfer to non-operating income	(27)	(13)
Eliminations for inter-segment transactions	3	30
Net sales on the consolidated financial statements	1,583	1,037

(Units: millions of yen)

Assets	Previous fiscal year	Current fiscal year
Total for reportable segments	6,225	5,839
Transfer to non-operating income	18,420	17,904
Eliminations for inter-segment transactions	(1,199)	(647)
Net sales on the consolidated financial statements	23,445	23,096

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	335	427	194	173	530	601
Increase in property, plant and equipment and intangible assets	1,449	593	—	—	1,449	593

Related information

Previous 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.

Current fiscal year (Apr. 1, 2020 – December. 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, 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

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

Not applicable.

【Amortization of goodwill and unamortized balance by reportable segment】

Previous 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

Current fiscal year (Apr. 1, 2020 – Dec. 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	-	-	56	16	73
Unamortized balance at the period-end	-	-	241	142	383

【Gain on negative goodwill by reportable segment】

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

Not applicable.

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

Not applicable.

(Per Share Information)

(Units: Yen 100ths of a yen)

Previous fiscal year (From April 1, 2019 To March 31, 2020)		Current fiscal year (From April 1, 2020 To December 31, 2020)	
Net assets per share	247.30	Net assets per share	248.55
Net income per share	19.74	Net income per share	14.95
Diluted net income per share	19.47	Diluted net income per share	14.88

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, 2020.

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, 2019 To March 31, 2020)	Current fiscal year (From April 1, 2020 To December 31, 2020)
Net income per share		
Profit attributable to owners of parent	1,393	1,062
Amounts not available to common stock shareholders	—	—
Profit attributable to owners of parent available to common stock	1,393	1,062
Average number of shares of common stock outstanding during the period (Shares)	70,600,893	71,086,475
Diluted net income per share		
Adjusted profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (Shares)	967,774	325,921
Summary of potential stock not included in the calculation of "Diluted net income per share" since there was no dilutive effect	—	—

(Subsequent Events)

(Acquisition of investment securities)

At a meeting held on January 13, 2021, the board of directors resolved to acquire a portion of the shares in NHOSA Corporation, and said shares were acquired on January 29, 2021.

(1) Purpose: Net investment

(2) Time of contract: January 20, 2021

(3) Overview of NHOSA Corporation

① Establishment: April 28, 1979

② Capital: 95,000,000 yen

③ Location: Nakano City, Tokyo

④ Representative: CEO Hitoki Ishihama

⑤ Main businesses: Research, development, manufacture, sale and maintenance of receipt computers for dental clinics and dialysis service support systems for hospitals

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.