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EMMA

Results of Operations for financial year ended December 31 2020

 **EM SYSTEMS CO., LTD.**
(TSE 1st Section: 4820)

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I. “Business Environment / Company Initiatives ”

- i. Business Environment
- ii. Company Initiatives

II. “Results of Operations for Financial year ended December 31 2020”

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III. New Administrative System

Supporting Date Shared Information System Foundation

Company Initiatives regarding the Novel Coronavirus

We would like to express our heartfelt sympathies to all of you who are dealing first-hand with novel coronavirus infections (Covid-19). We pray that the pandemic comes to an end as soon as possible and we pray for your health.

Our company, which continues to support the healthcare (clinics and pharmacies) and long-term care/welfare industries through our systems, is implementing the following initiatives throughout the entire EM Systems Group in order to minimize the effects on the health and safety of our customers and employees, as well as on our business, and to continuously provide the stable system access and service even during the officially declared State of Emergency.

➤ Working Environments

Utilization of staggered working hours, telecommuting, online meetings and mobile working, as well as creation of office environments that avoid the three Cs.

Installation of sneeze guards at all seats, mask wearing, and thorough disinfection practices, etc.

Implementation of work style reforms that enable employees to work without coming to the office through promotion of digitization, etc.

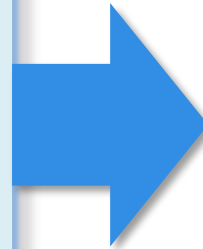
➤ Sale Activities

Sales activities via the Internet and telephones.

Clinics



- Responses to the Post-Covid-19 Status
(Promotion of online medical care, medical consultations by appointment, transition toward cashless systems, etc.)
- Hybridization of exhibitions by academia and private companies, and transition toward holding such exhibitions online
- Standardization of electronic medical records at medical institutions
(with the goal of information sharing as government)
- Transition toward electronic prescriptions, and construction of information viewing environments at medical institutions where Individual Number Cards are used as insurance certificates
(Individual unitization of insurance information, and improvement of patient convenience)



Initiatives



- Transition toward cloud-based systems, and provision of cashless services through our subsidiary ChoQi Co., Ltd.
- Application of online demonstrations and online business negotiation tools, and non-face-to-face sales
- Participation in the government-promoted electronic medical record standardization verification project
- Provision of online qualification confirmation system
(compatible with subsidy system)

Pharmacies



- Responses to the Post-Covid-19 Status
(Optimization of operations within pharmacies, promotion of online medication guidance, delivery of medications, etc.)
- Reorganization, and strong performance in M&A drugstore industry
- Hybridization of exhibitions and transition toward holding such exhibitions online
- Transition toward electronic prescriptions, and construction of information viewing environments at medical institutions where Individual Number Cards are used as insurance certificates
(Individual unitization of insurance information, and improvement of patient convenience)



Initiatives



- Provision of head office systems capable of coordinating with the systems of other companies
- Provision of head office systems capable of coordinating with the systems of other companies
- Application of online demonstrations and online business negotiation tools, and non-face-to-face sales
- Provision of online qualification confirmation system
(compatible with subsidy system)

Long-term care/welfare



- Increase in the number of new facilities accompanying the aging of society, and increase in the number of large-scale chain long-term care facilities
- Responses to the Post-Covid-19 Status
(Provision of non-contact services, limitations on facility usage, strengthening infection countermeasures, etc.)
- Increase in the demand for digitization of long-term care records, and promotion of information utilizations
- Revision of long-term care fees
April, 2021

Initiatives **MAPS** for NURSING CARE

- Development and release of MAPs, and establishment of a specialized organization to operate chain store sales
- Application of online demonstrations and online business negotiation tools, and non-face-to-face sales
- Proposals to promote systemization, and examination of medical and long-term care information sharing

Marketing Activities ,Sale Activities

Clinic	Pharmacy	Long-term care	Implementation of SEO and SEM measures
Clinic	Pharmacy	Long-term care	Application of M&A
Clinic	Pharmacy		Expansion of partnership with Biznet Corporation accompanying breakaway from direct hardware sales
Clinic	Pharmacy		Application of electronic contracts, and estimates and configuration examinations conducted personally by customers through “MAPs DIRECT,” an e-commerce site
Clinic	Pharmacy		Promotion of non-face-to-face sales focusing existing customers
Clinic	Pharmacy	Long-term care	Expansion of sales channels such as OEM and agency businesses
	Pharmacy		Commencement of handling of MAPs for PHARMACY by YUYAMA Co., Ltd.
Clinic	Pharmacy	Long-term care	Regional comprehensive care and collaboration between hospitals and pharmacies → Realization of collaboration between hospitals and pharmacies through cooperation with CSI Co., Ltd.
Clinic	: Clinic Segment		Pharmacy : Pharmacy Segment
			Long-term care : Long-term care/Welfare Segment

Development activities



EM Technology Laboratory Co., Ltd (Common name: EMTLab.)

- System development subsidiary funded entirely by EM Systems; Established in July 2020
 - Consolidates state-of-the-art technologies and environments where cutting-edge innovations are made
 - Creates globally-adaptable development professionals
 - Secures promising human resources by being a company that is attractive to developers
 - Clarifies and optimizes profitability as a development organization
- Strengthening product competitiveness through expanding the functions of the already-released MAPs for CLINIC and MAPs for PHARMACY.
- Development of MAPs for NURSING CARE, a long-term care/welfare system, and preparations for release
- Contribution to standardizing the industry and reducing costs through the OEM provision of a shared engine: Expansion to other companies in the same field

Social contribution activities

- Sponsor participation in the KIMIKO DATE x YONEX PROJECT
- Commencement of engagement in SDGs



- Donations to course for the development of health care AI (Course head: Specially-appointed Assistant Professor Yoshimasa Kawazoe M.D., Ph.D.)
We agree with the purpose of the Artificial Intelligence in Healthcare course at the University of Tokyo, aimed at developing a base for new medical services focused on AI and ICT, and we have been supporting the course's activities through continuous donations since 2017.

Social contribution activities

- Participation in examination of next-generation electronic medical record base (Representative: Professor Kazuhiko Ohe, M.D., Ph.D. at the University of Tokyo)
We cooperate in examinations of “research and development of standards to ensure interoperability between medical information provision forms, electronic prescriptions and other electronic medical documents,” a research project by the Ministry of Health, Labour and Welfare, and we participate in verification tests of uploading electronic prescriptions generated according to HL7 FHIR standards into pharmacy receipt computers.
- Cooperation in a project by the Ministry of Health, Labour and Welfare (Researcher: Professor Kazuhiko Ohe, M.D., Ph.D. at the University of Tokyo)
We cooperate in examinations of “research and development of standards to ensure interoperability between medical information provision forms, electronic prescriptions and other electronic medical documents,” a research project by the Ministry of Health, Labour and Welfare, and we participate in verification tests of uploading electronic prescriptions generated according to HL7 FHIR standards into pharmacy receipt computers.
- Support for polypharmacy measures (Representative: Professor Hirohisa Imai Ph.D. at the University of Tokyo)
We agree with the purpose of the polypharmacy measures promoted by the Society for the Promotion of Proper Drug Usage, and we support its activities as a special member.

II . i . Financial Highlights for December 31 2020

consolidated results of December 31 2020

	Financial year ended March 31 2020	※Financial year ended December 31 2020 (estimated results)	※Financial year ended December 31 2020 (results)	Compared to estimated results
Sales	14,023 millions of yen	10,092 millions of yen	9,660 millions of yen	(4.3%)
Operating Profits	1,583 millions of yen	1,127 millions of yen	1,037 millions of yen	(8.0%)
Ordinary Profits	2,179 millions of yen	1,556 millions of yen	1,469 millions of yen	(5.6%)
Net Income	1,393 millions of yen	1,082 millions of yen	1,062 millions of yen	(1.8%)

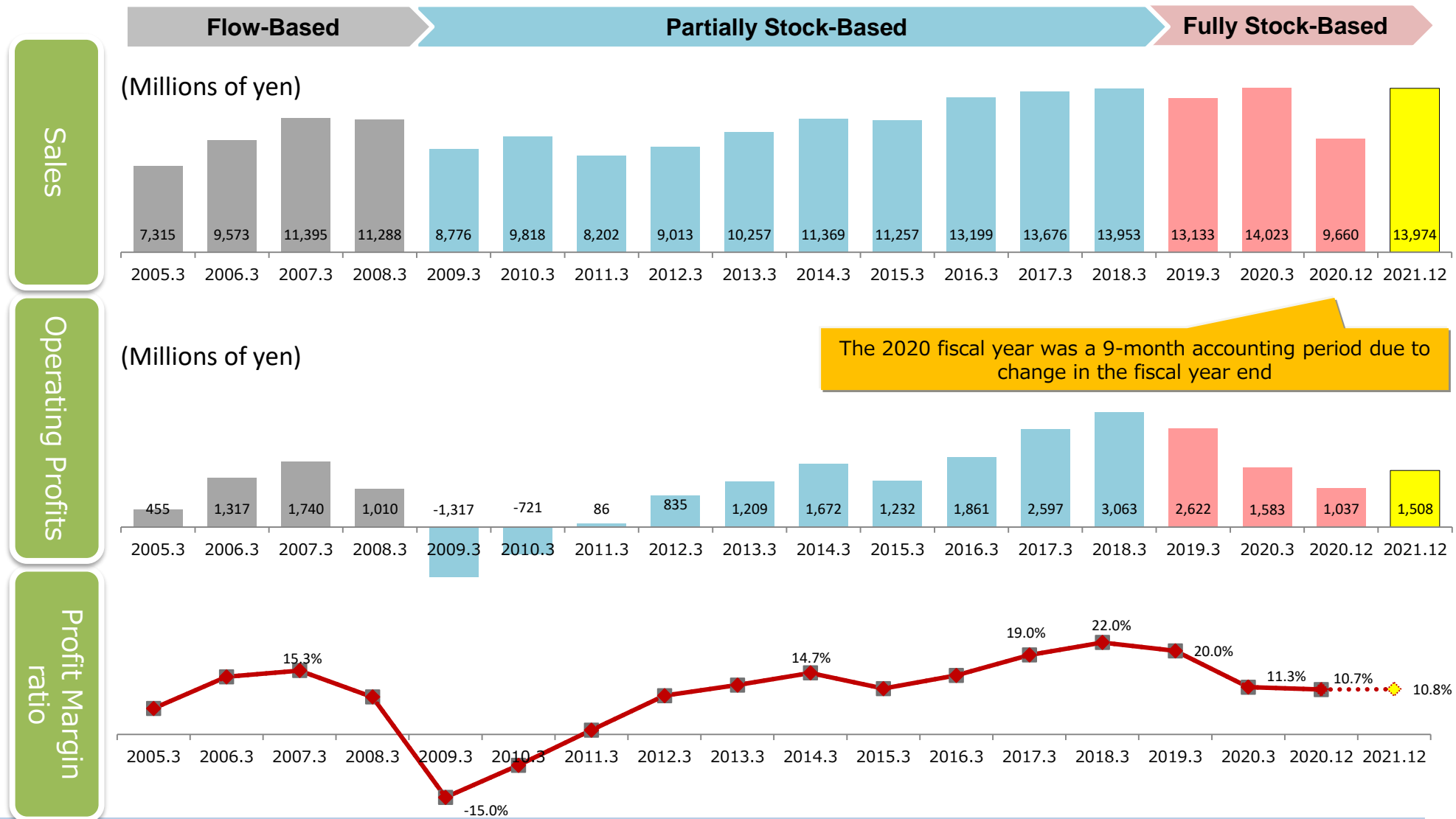
※ These are the amounts which announced in the financial statement on April 28 2020.

※ Accompanying the change in closing date, this consolidated fiscal period is an irregular 9-month fiscal period.
As such, this does not list year-on-year general performance comparisons.

Topics for December 31 2020

- ☐ The initial sales target for services was not reached due to delays in shipping and expansion of MAPs.
- ☐ Depreciation costs increased due to the release of new functions for the MAPs series.
- ☐ Sales of existing products increased in the pharmacy and medical segments.
- ☐ We contributed to business taking large-scale SI project orders from major chain stores.
- ☐ Billing sales steadily increased.

II. ii. Changes in consolidate results by fiscal year



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

	March 31 2020	December 31 2020	YoY change	YoY % change
Assets	23,445	23,096	(348)	(1.5%)
Current assets	11,556	11,191	(365)	(3.2%)
Fixed assets	11,888	11,905	17	0.1%
Tangible fixed assets	1,747	1,441	(305)	(17.5%)
Intangible fixed assets	2,532	2,591	59	2.3%
Investments and other assets	7,609	7,872	263	3.5%
Liabilities	5,754	5,362	(391)	(6.8%)
Current liabilities	3,816	3,476	(339)	(8.9%)
Fixed liabilities	1,937	1,885	(52)	(2.7%)
Net assets	17,691	17,734	43	0.2%
Shareholder's equity	17,625	17,675	50	0.3%
Cumulative amount of other comprehensive	(26)	(19)	6	(25.2%)
Stock acquisition rights	91	55	(36)	(39.6%)
Non-controlling interests	0	23	23	-

Major YoY Changes

Cash on hand and in banks	(787)	millions of yen
accounts receivable	445	millions of yen

Construction in progress	(165)	millions of yen
Software	(112)	millions of yen
Software in progress	252	millions of yen
Investment real estate	483	millions of yen

notes payable and accounts payable	(103)	millions of yen
deferred income	(170)	millions of yen
Provision for product warranties	(59)	millions of yen

II . iv . By Segment Sales/Operating Profits

	(Millions of yen)			
	Financial year ended March 31 2019		Financial year ended December 31 2020※	
	Sales	Operating Profits	Sales	Operating Profits
IT Systems for Pharmacy	10,823	1,667	7,450	1,079
IT Systems for Clinic	1,881	161	1,296	(35)
IT Systems for long-term care/welfare	497	(348)	376	(14)
Other Business	934	127	576	(7)

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

※Accompanying the change in closing date, this consolidated fiscal period is an irregular 9-month fiscal period. As such, this does not list year-on-year general performance comparisons.

- ✓IT Systems for Pharmacies···Initial sales decreased due to a decrease in the number of existing systems sold.
Initial sales target for services was not reached due to delays in shipping and expansion of MAPs.
- ✓IT Systems for Clinics·······The number of new systems sold decreased, although billing sales increased steadily.
Operating losses due to increase in depreciation cost accompanying full-scale operation of MAPs
- ✓IT Systems for long-term care/welfare····· In regard to “the Hibiki” series and “Symphony,” in addition to changing initial sales from five-year gross sales to monthly sales during the previous 2nd quarter consolidated cumulative period, subscription sales are transitioning smoothly and operating losses are down due to asset accrual owing to new development of “MAPs for NURSING CARE.”
- ✓Other Business ········Operating losses were incurred due to an increase in expenses relating to sales and administration accompanying the initial launch of cashless projects by subsidiaries, in addition to closures of sports gyms and nursery schools, as well as cancellations of rental conference room reservations.

Ⅱ . v . By Segment Sales Breakdown

	(Millions of yen)	
	Financial year ended March 31 2020	Financial year ended December 31 2020※
Net sales	14,023	9,660
IT Systems for Pharmacies	10,823	7,450
(initial sales)	4,149	2,578
(system usage fee sales)	4,004	2,978
(consumable goods sales)	1,985	1,324
(maintenance service sales)	683	569
IT Systems for Clinics	1,881	1,296
(initial sales)	929	565
(system usage fee sales)	565	482
(consumable goods sales)	93	48
(maintenance service sales)	292	200
IT Systems for long-term care/welfare	497	376
(initial sales)	65	36
(system usage fee sales)	62	109
(consumable goods sales)	0	0
(maintenance service sales)	368	230
Other Businesses	934	576
Adjustments	(114)	(38)

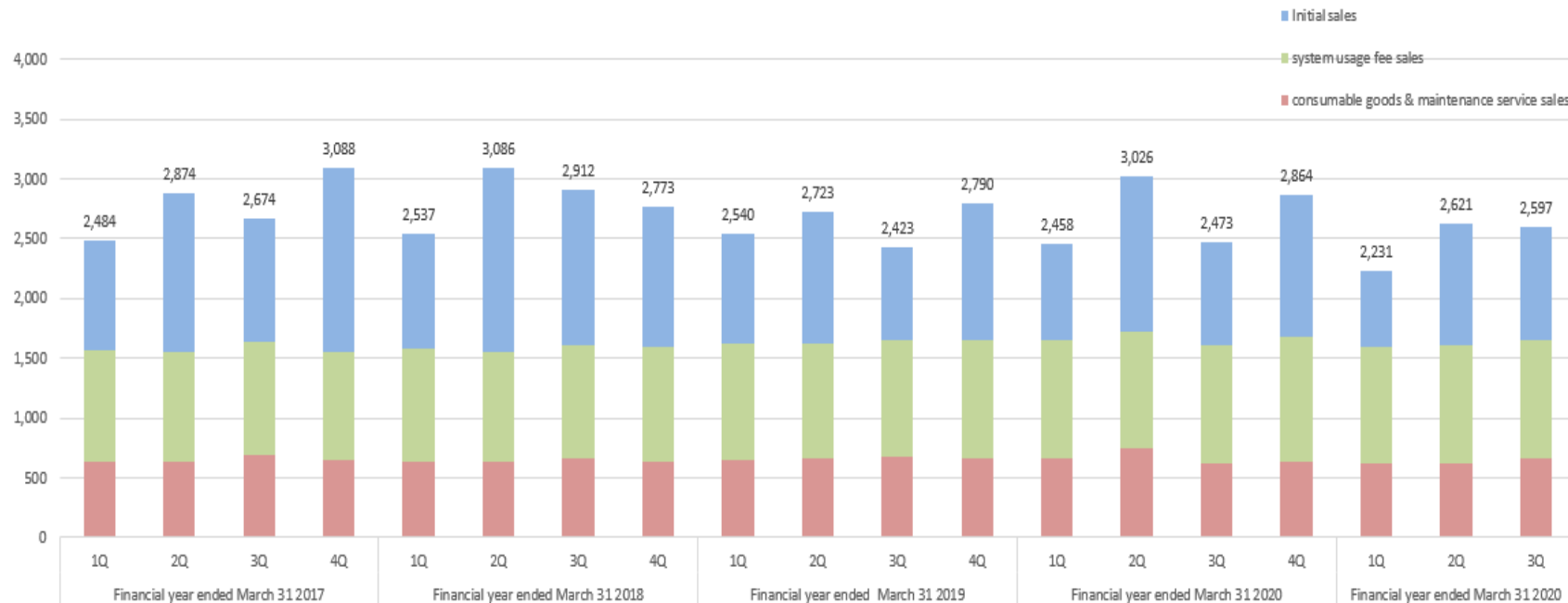
※Net sales by segment are the amounts before elimination of inter-segment transactions.

※Accompanying the change in closing date, this consolidated fiscal period is an irregular 9-month fiscal period.

As such, this does not list year-on-year general performance comparisons.

II . vi . IT Systems for Pharmacies

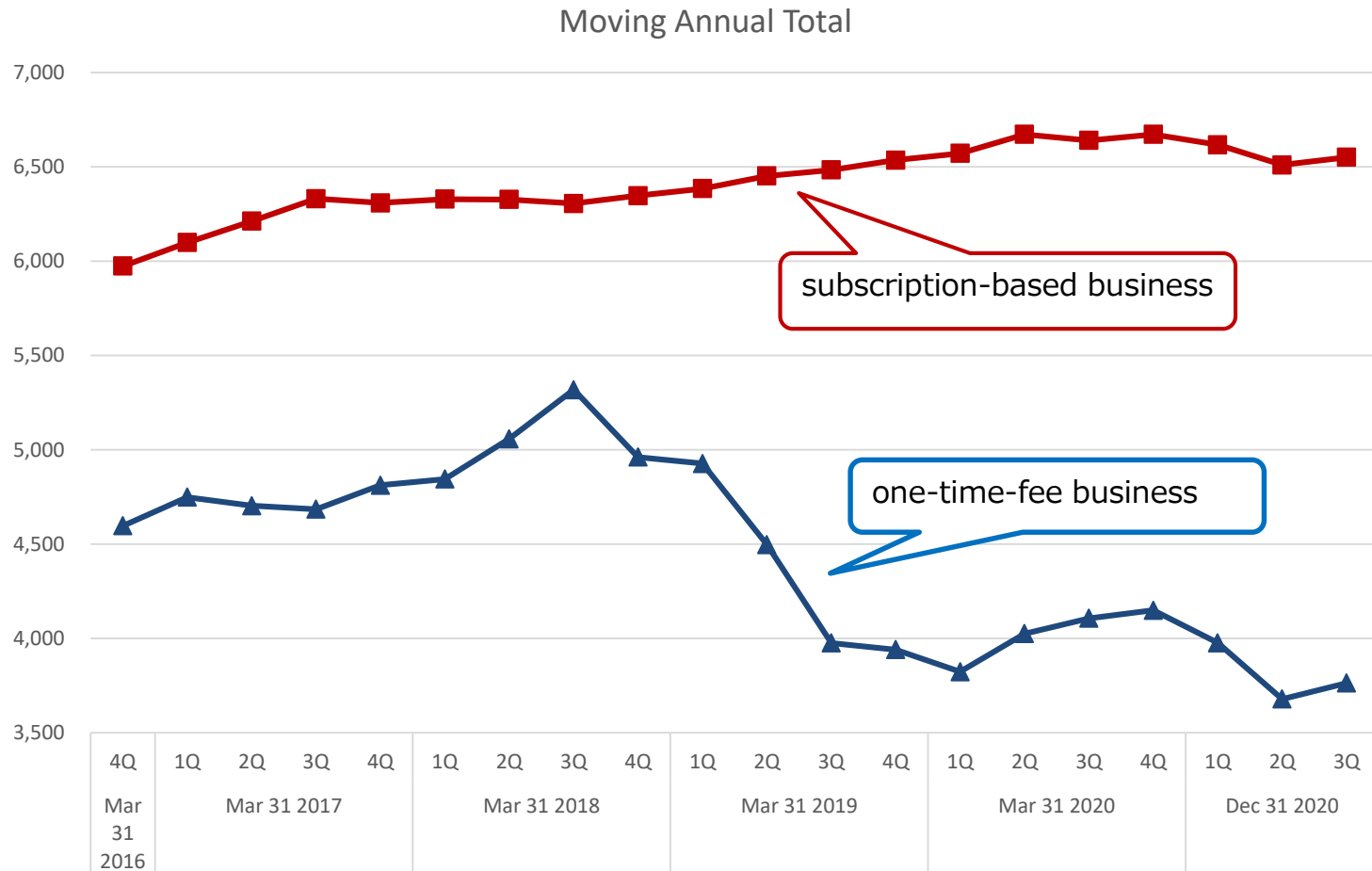
Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2017				Financial year ended March 31 2018				Financial year ended March 31 2019				Financial year ended March 31 2020				Financial year ended March 31 2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Initial sales	920	1,319	1,037	1,536	953	1,532	1,297	1,179	919	1,102	776	1,144	801	1,304	858	1,186	629	1,006	942
system usage fee sales	928	925	951	910	946	920	948	964	969	964	972	987	989	981	995	1,039	988	994	996
consumable goods & maintenance service sales	636	630	686	642	638	634	667	630	652	657	675	659	668	741	620	639	614	621	659
Total	2,484	2,874	2,674	3,088	2,537	3,086	2,912	2,773	2,540	2,723	2,423	2,790	2,458	3,026	2,473	2,864	2,231	2,621	2,597

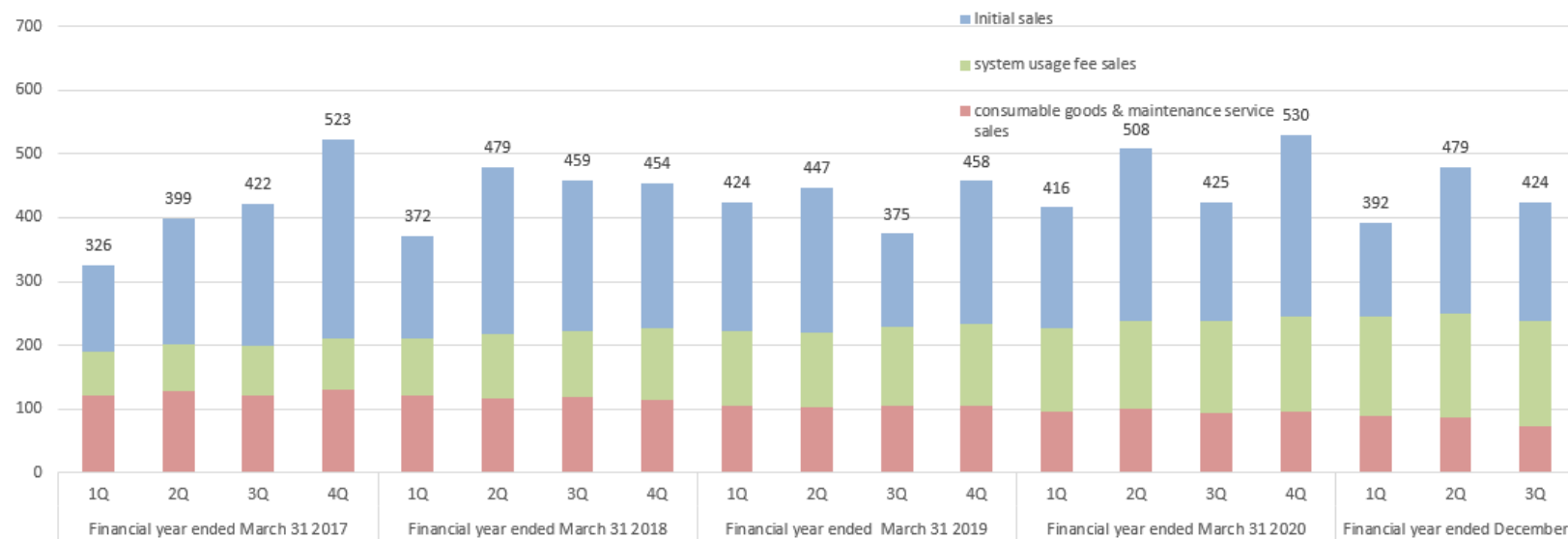
Ⅱ . vi . IT Systems for Pharmacies

Moving Annual Total (Units: Millions of yen)



II . vii. IT Systems for Clinics

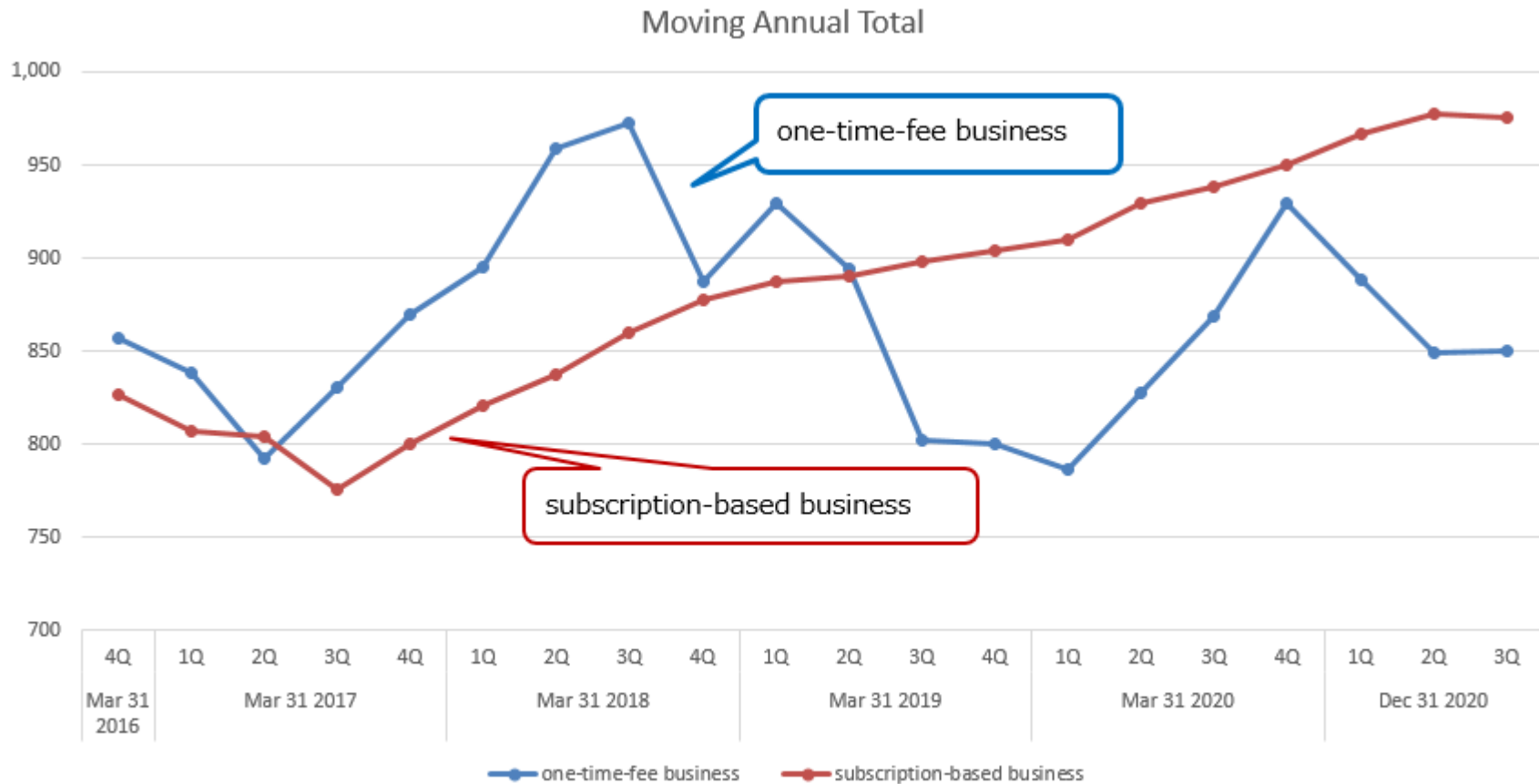
Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2017				Financial year ended March 31 2018				Financial year ended March 31 2019				Financial year ended March 31 2020				Financial year ended December 31 2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Initial sales	136	198	223	313	161	262	237	227	203	227	145	225	189	269	186	285	148	230	187
system usage fee sales	70	73	78	80	91	101	104	113	115	118	126	127	132	139	145	149	154	163	165
consumable goods & maintenance service sales	120	128	121	130	120	116	118	114	106	102	104	106	95	100	94	96	90	86	72
Total	326	399	422	523	372	479	459	454	424	447	375	458	416	508	425	530	392	479	424

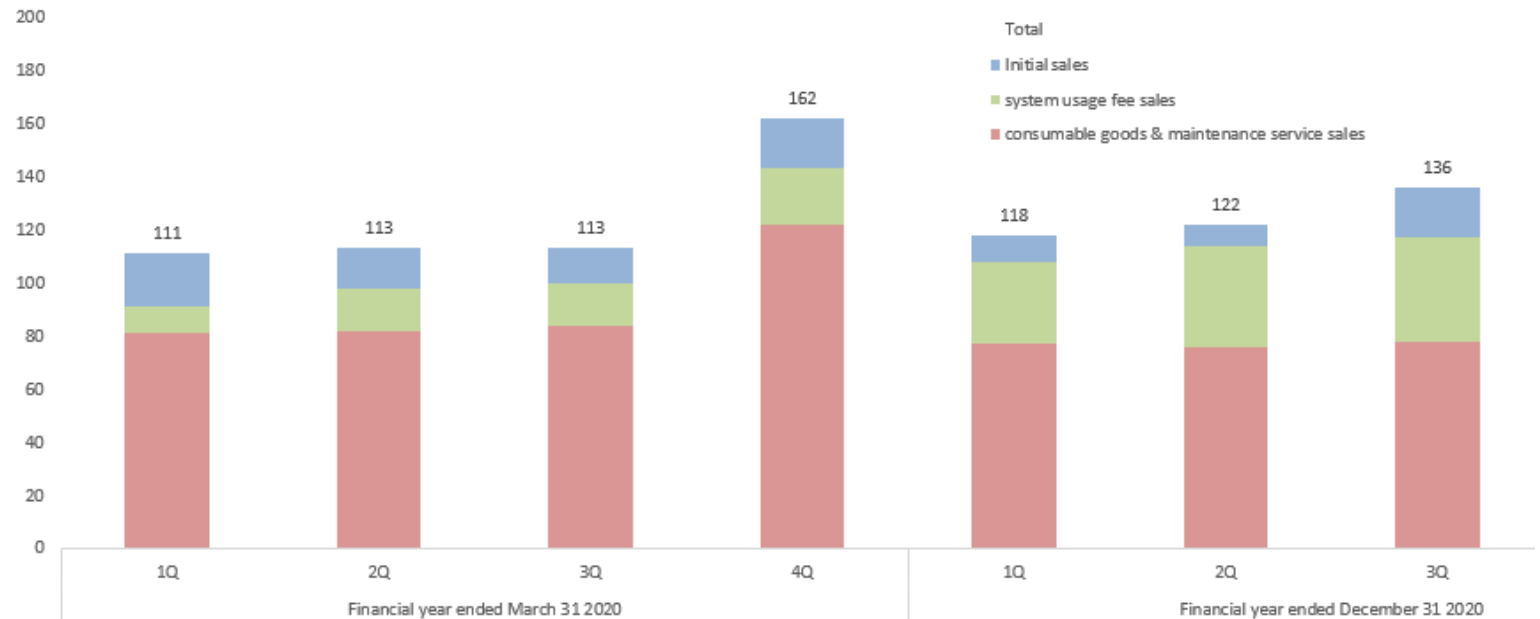
II . vii. IT Systems for Clinics

Moving Annual Total (Units: Millions of yen)



II . viii. IT Systems for Long-term care/Welfare

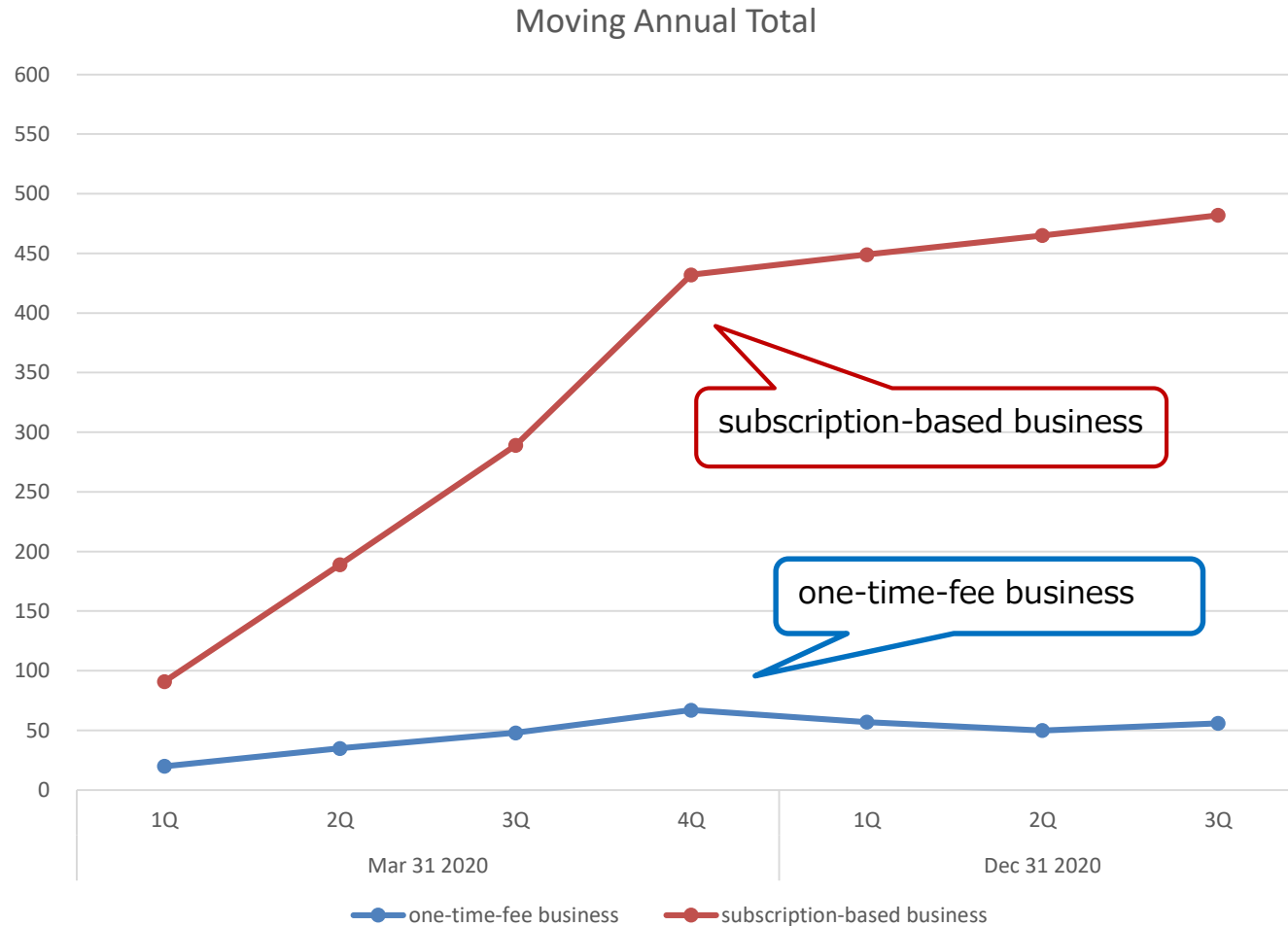
Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2020				Financial year ended December 31 2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Initial sales	20	15	13	19	10	8	19
system usage fee sales	10	16	16	21	31	38	39
consumable goods & maintenance service sales	81	82	84	122	77	76	78
Total	111	113	113	162	118	122	136

Ⅱ . viii. IT Systems for Long-term care/Welfare

Moving Annual Total (Units: Millions of yen)



Ⅱ . ix . Forecast for the fiscal year ending December 2021

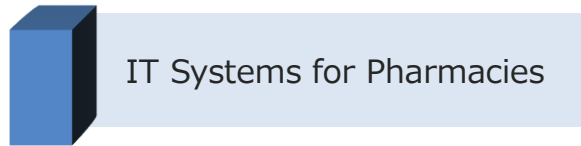
(Millions of yen)

	Fisical year ended December 31 2020 (actual)	Fisical year ended December 31 2021 (forecast)
Sales	9,660	13,974
Business for Pharmacy	7,450	10,760
Business for Clinic	1,296	1,891
Business for long-term care/welfare	376	564
Other Business	576	763
Adjustment	(38)	(5)
Operating Profits	1,037	1,508
Business for Pharmacy	1,079	1,492
Business for Clinic	(35)	(81)
Business for long-term care/welfare	(14)	146
Other Business	(7)	(83)
Adjustment	16	34
Ordinary Profits	1,469	2,017
Net Income	1,062	1,357

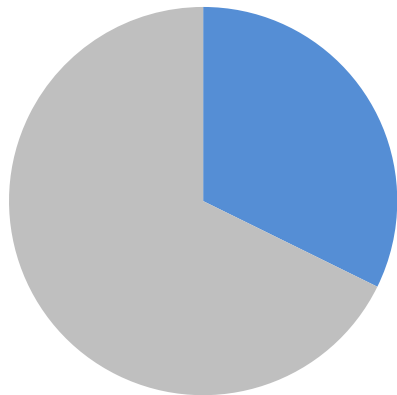
※Segmented sales and operating profits and losses are the amounts before elimination of internal transactions between segments.

※ The Company has changed the fiscal year end from March 31 to December 31 starting from the 2020 fiscal year.

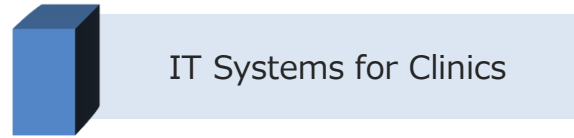
Ⅱ . x . Market Share and Number of Customers



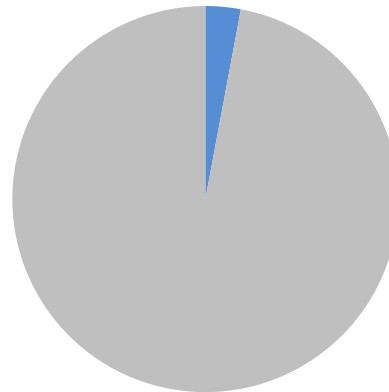
Market share 32.4%



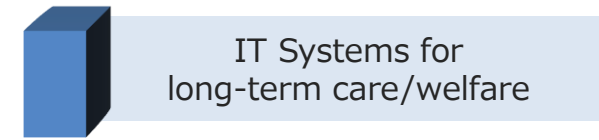
Number of customers : 16,164
Target population : 50,000
Mid-term goals : 25,000



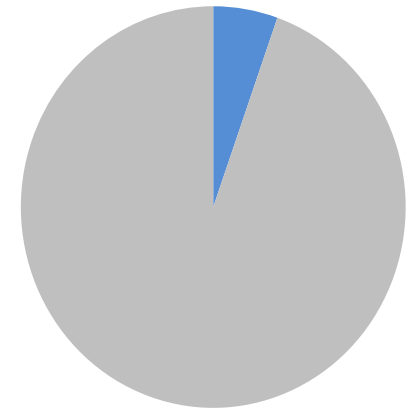
Market share 3.3%



Number of customers : 2,929
Target population : 90,000
Mid-term goals : 10,000



Market share 5.5%



Number of customers : 13,840
Target population : 250,000
Mid-term goals : 10,000

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

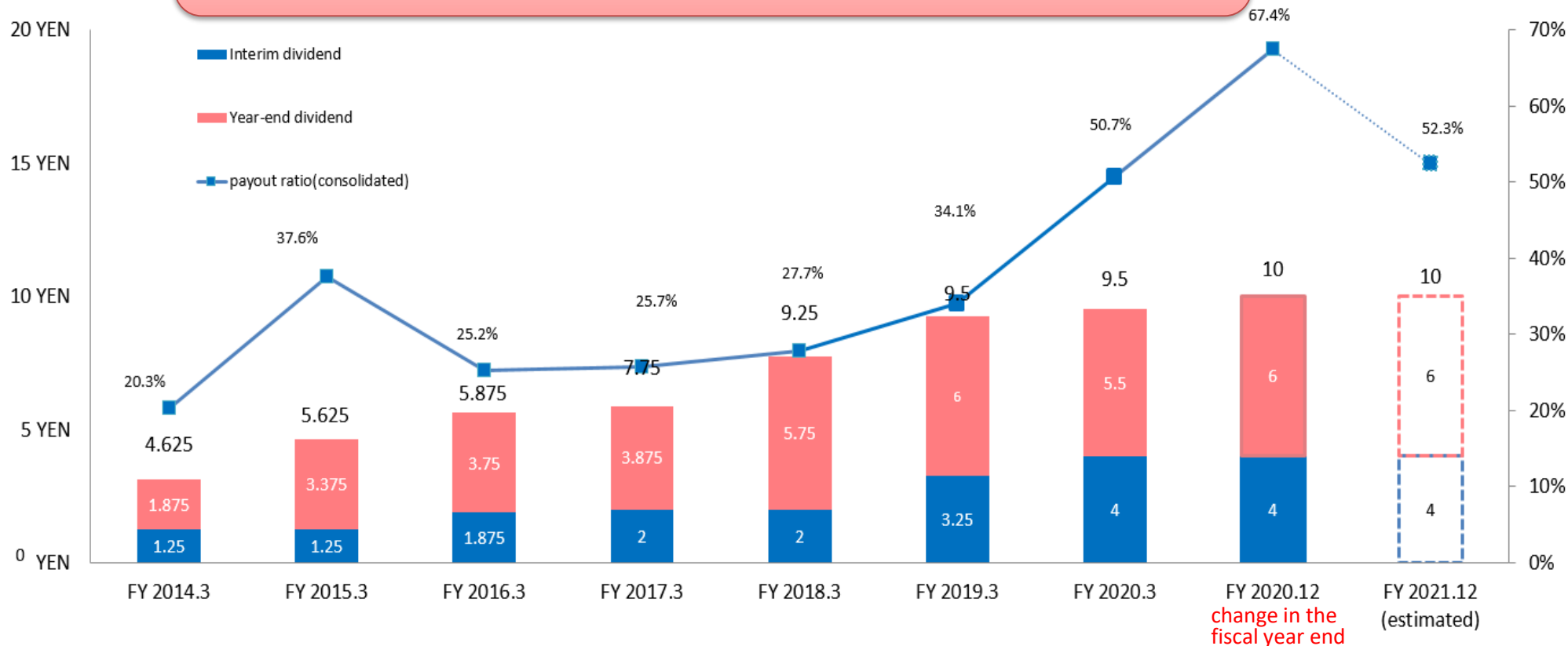
*2 The above target populations represent the number of pharmacies and clinics that we considered as our potential customers, and differ from the actual number of registered pharmacies and clinics.

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

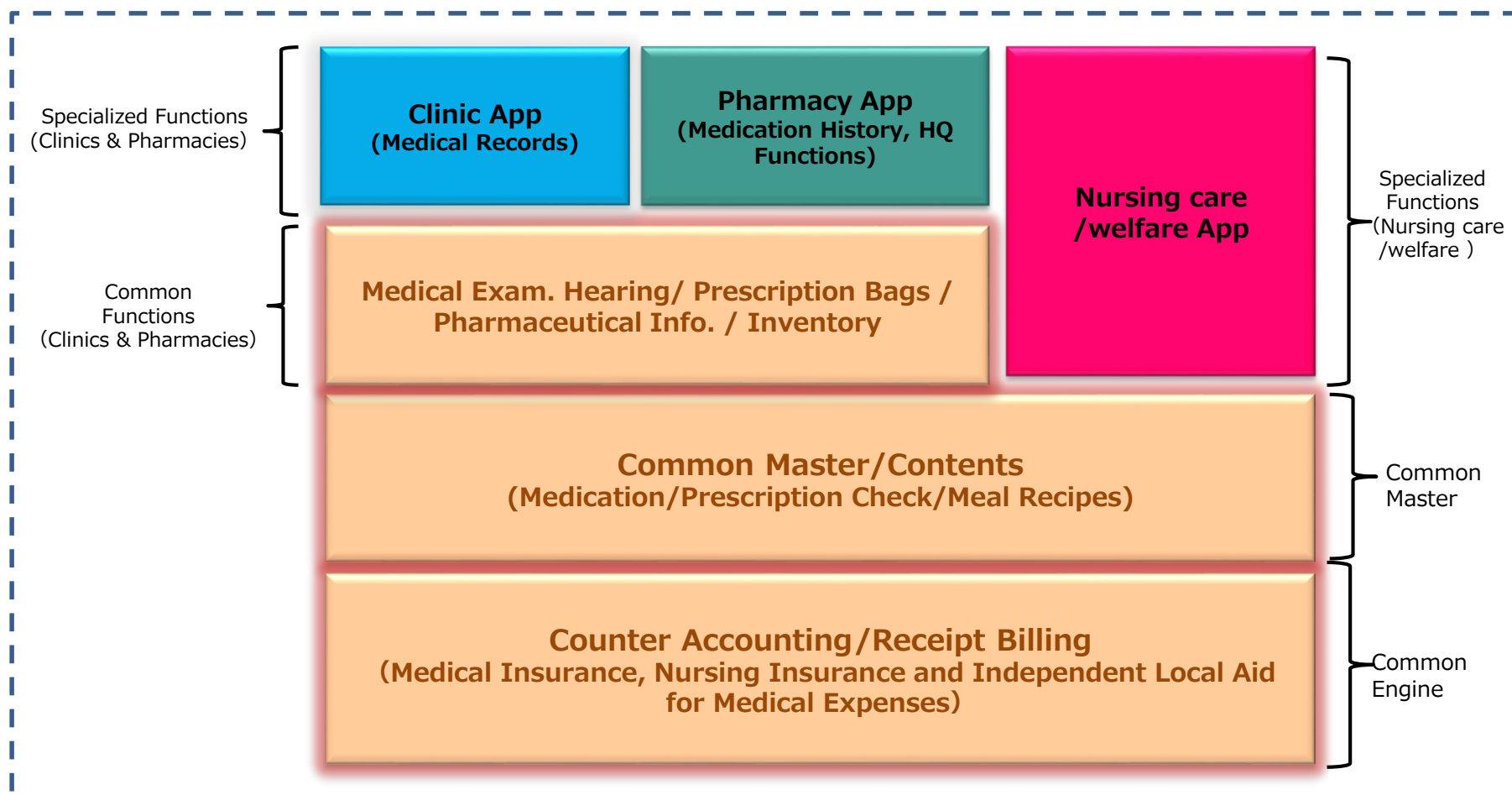
(as of December 31 , 2020)

II . xi. shareholder returns

- Aim at a payout ratio of 30%
- Changing the fiscal year ended from March 31 to December 31 starting from the 2020 fiscal year



*We conducted stock splits on April 1st, 2016 and March 1st, 2018 and January 1st, 2020 at a ratio of two shares per one ordinary share. The aforementioned information assumes that each stock split occurred at the beginning of March 2014.



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As forecasts contained herein are based on assumptions of numerous uncertain factors, actual results may differ significantly from these forecasts for a number of reasons.