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December 2021 1st Quarter Financial Statement [Japan Standard] (Consolidated)

May 14th, 2021

Listed company name	EM Systems Co., Ltd.		Listed on: Tokyo Stock Exchange
Code No.	4820	URL: http://www.emsystems.co.jp	
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Planned date of submission of quarterly report	May 14 th , 2021	Planned starting date of payment of dividends	—
Supplementary explanatory materials created for quarterly financial statement			: No
Quarterly financial results briefing held (For Use by Analysts)			: No

(Amounts of less than 1 million yen rounded down)

1. Consolidated results of December 2021 1st Quarter Financial Statement (January 1st 2021 through March 31st, 2021)

(1) Consolidated management performance (total) (% refers to rate of change over the same quarter in the previous year)

	Sales		Operating profits		Ordinary profits		Quarterly net income belonging to parent company shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 2021 1 st quarter	3,294	—	322	—	449	—	299	—
December 2020 1 st quarter	2,928	(10.8)	262	(51.8)	412	(41.7)	297	(37.0)
(Note) Comprehensive income	December 2021 1 st Quarter	319	Millions of yen	(—%)	December 2020 1 st Quarter	299	Millions of yen	(38.0%)
			Quarterly net income per share		Quarterly net income per share after potential stock adjustment			
			Yen 100ths of a yen		Yen 100ths of a yen			
	December 2021 1 st quarter		4.22		4.21			
	December 2020 1 st quarter		4.18		4.15			

(Note)

1. Accompanying the change in closing date (from March 31 to December 31), consolidated fiscal year 2020 is an irregular 9-month fiscal period.

2. Due to the change in closing date, the company's 1st accounting period (From January 1st, 2021 to March 31st, 2021) is different from the 1st accounting period (From April 1st, 2020 to June 30th, 2021), the year-on-year rate of change will not be listed for the fiscal period.

(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		
December 2021 1 st quarter	23,238	17,453	74.6	244.12		
December 2020	23,096	17,734	76.4	248.55		
(Refer to) Net capital	December 2021 1 st Quarter	17,340	Millions of yen	December 2020 period	17,655	Millions of yen

2. State of dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of term	Total
	Yen 100ths of a yen				
December 2020	–	4.00	–	6.00	10.00
December 2021	–				
December 2021 (estimate)		4.00	–	6.00	10.00

(Note)1. Revisions from the last published dividend estimates: None

3. Estimated consolidated results of December 2021 period (January 1st, 2021 through December 31st, 2021)

(% refers to rate of change over the previous term)

	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
End of 2nd quarter (total)	6,742	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) 1. Revisions from the last published forecast of financial results: None

2. Following the approval of the "Partial Amendment to the Articles of Incorporation" at the 37th Ordinary General Meeting of Shareholders held on June 16, 2020, as of the year ending December 2020, the company has changed the settlement date from March 31st to December 31st. In addition, domestic subsidiaries with fiscal periods ending on dates other than December 31st 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.

* Addendums

(1) Changes in major subsidiaries during cumulative quarterly consolidated period (changes in designated subsidiaries accompanied by changes within the scope of consolidation): None

(2) Application of special accounts processing in the creation of the quarterly consolidated financial statement: Yes

(Note) For details, please see the attached document P.11 "2. Quarterly consolidated financial statement and major explanatory notes (3) Addendums relating to quarterly consolidated financial statement (application of special accounts processing in the creation of the quarterly consolidated financial statement)".

(3) Changes to accounting policy, changes to estimates in accounting, revised 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

(4) Number of shares outstanding (ordinary stock)

1. Number of shares outstanding at end of term (including own stock)	December 2021 1 st quarter	74,514,800 shares	December 2020 period	74,514,800 shares
2. Number of own shares at end of term	December 2021 1 st quarter	3,483,317 shares	December 2020 period	3,478,870 shares
3. Average number of shares outstanding during term (quarterly total)	December 2021 1 st quarter	71,033,316 shares	December 2020 1 st quarter	71,247,430 shares

* The quarter financial statement is not subject to quarterly review by certified public accountants or auditors.

* Explanation regarding appropriate use of estimated results and other special notes

The descriptions of the future such as estimated results contained in this document are based on information possessed by this company at the present time and certain assumptions this company deems reasonable, and they may differ greatly to actual results due to a variety of factors.

○Table of contents of attached materials

1. QUALITATIVE INFORMATION RELATING TO THIS QUARTER'S FINANCIAL RESULTS	4
(1) Explanation regarding operating results	4
(2) Explanation regarding financial position	5
(3) Explanation regarding information on future prospects such as forecast of consolidated financial results	6
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND MAJOR EXPLANATORY NOTES	7
(1) Quarterly consolidated balance sheet	7
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	9
(3) Addendums relating to quarterly consolidated financial statement	11

1. Qualitative information relating to this quarter's financial results

(1) Explanation regarding operating results

Following the approval of the "Partial Amendment to the Articles of Incorporation" at the 37th Ordinary General Meeting of Shareholders held on June 16, 2020, as of the year ending December 2020, the Group has changed the settlement date from March 31st to December 31st. For this reason, each segment comparison is based on the reference figures calculated as "YoY change" for the three months from April to June 2020.

The outlook of Japan's economy during 1st quarter of the current consolidated cumulative period remains uncertain due to the spread of COVID-19, and the end of the pandemic is still nowhere in sight despite recurring state of emergencies and the implementation of priority measures to prevent infection.

In the pharmacy industry, a major customer of the Group, the number of prescriptions has decreased because of postponed prescriptions due to the spread of COVID-19, and the environment surrounding small and medium-sized pharmacies is becoming more severe. In the medical (clinic) industry, the number of patients has decreased due to restrictions in consultations of medical care subjects, and in the long-term care/welfare-related industry, changes in the business environment of our customers, such as an increase in outpatient care and temporary closures of short-term accommodation facilities, have had a considerable impact on the Group. Under such circumstances, the Group has endeavored to continue its business activities and maintain its activity level while taking measures to prevent infection.

In addition, as part of the introduction of ICT in the medical field, the government is developing a system that enables My Number or health insurance card chips to be used at medical institution reception desks for checking credentials online. Although full-scale operation has been postponed, the Group has received orders from a large number of customers as planned, and will continue to introduce and install this online credential confirmation system for its customers.

As a result, our performance for this 1st quarter consolidated cumulative period was 3,294million yen in sales (a 12.5% increase compared to the same period in the previous year), 322million yen in operating profits (a 23.2% increase), 449million yen in ordinary profits (a 8.9% increase), and 299 million yen in this quarterly net income belonging to parent company shareholders (a 0.6% increase).

Although sales were affected by a revision of new business openings and capital investment timing in light of the spread of COVID-19, both initial sales and billed sales increased on a Year-over-Year basis as a result of an increase in the number of existing products sold. On the other hand, selling, general and administrative expenses are increasing due to increased business activity and maintenance of the activity level.

By-segment results are as follows.

(ITS Systems and Related Business for Pharmacies)

In the IT systems and related business for pharmacies, initial sales are increasing due to an increase in the number of existing system sales. On a Year-over-Year basis, the main reason for the decrease in operating income was an increase in depreciation expenses from the release of new functions for "MAPs for PHARMACY" and an increase in selling, general and administrative expenses due to increased sales activity.

Consequently, IT Systems and Related Business for Pharmacies for this 1st quarter consolidated cumulative period resulted in 2,487 million yen in sales (a 11.4% increase compared with the same period in the previous year) and 274 million yen in operating profits (a 8.8% decrease).

In addition, the Group has started a business partnership with Good Cycle System Inc. and received OEM provision from them for "Smart Medication History GooCo," an electronic medication history tool, and for "Followcare," a follow-up support tool for patients during their medication period. Accordingly, we will combine this with our Group's existing reception system, "ReceptyNext," to start selling "ReceptyNext TYPE GooCo."

(IT Systems and Related Business for Clinics)

Regarding IT systems and related business for Clinics, in order to expand the sales channels nationwide, we are taking a wide range of approaches by utilizing web marketing in addition to the conventional method of developing the clinic market.

In addition to the increase in sales of existing systems, the number of customers has steadily increased due to the introduction of “MAPs for CLINIC,” etc., and billing sales are also steadily increasing.

Consequently, IT Systems and Related Business for Clinics for this 1st quarter consolidated cumulative period resulted in 462 million yen in sales (a 17.5% increase compared to the same period in the previous year) and 3 million yen in operating profits (previous period: 15 million yen in operating losses).

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

In the IT systems and related business for long-term care/welfare, in addition to the introduction of “Sukoyaka Sun” by large-scale facilities, billing sales are steadily increasing due to an increase in the number of licenses.

In addition, the development of “MAPs for NURSING CARE” resulted in capitalization which led to operating profit.

Consequently, IT Systems and Related Business for Long-term Care/Welfare for this 1st quarter consolidated cumulative period resulted in 166 million yen in sales (a 41.7% increase compared with the same period in the previous year) and 44 million yen in operating profits (previous period: 38 million yen in operating losses).

(Other businesses)

In addition to an increase in selling, general and administrative expenses from the initial development of the cashless business, due to the change in the rental conference room operating system, rental conference room sales are no longer included in the calculation of sales and operating income of other businesses, and both sales and operating income are decreasing.

Consequently, other business for this 1st quarter consolidated cumulative period resulted in 179 million yen in sales (a 7.1% decrease compared to the same period in the previous year) and 0 million yen in operating profits (a 94.9% decrease).

On the other hand, in order to accelerate the business and management support of pharmacies using statistical information and enhance its valuable services, ChoQi Co., Ltd., a subsidiary of the Group, has formed a business partnership with PRESUS CUBE, which provides BI tools for pharmacies and analyzes information. Through this partnership, the Group will further contribute to medical society.

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

(2) Explanation regarding financial position

(Assets)

Current assets at the end of 1st quarter of the current consolidated fiscal year were 10,759 million yen, a decrease of 431 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 483 million yen in other current assets due to the difference in the payment month of accounts receivable. Fixed assets were 12,478 million yen, an increase of 573 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in investment securities of 670 million yen from the acquired shares of NHOSA Corporation.

As a result, total assets were 23,238 million yen, an increase of 141 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of 1st quarter of the current consolidated fiscal year were 3,898 million yen, an increase of 422 million yen from the end of the previous consolidated fiscal year. This was mainly the result of an increase in other current liabilities of 113 million yen due to an increase in bonus reserves of 168 million yen, an increase in notes and accounts payable of 150 million yen, and an increase in advance payments of 158 million yen. Fixed liabilities were 1,885 million yen, an increase of 0 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in retirement benefit liabilities of 18 million yen and a decrease in long-term deposits of 14 million yen.

As a result, total liabilities were 5,784 million yen, an increase of 422 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of 1st quarter of the current consolidated fiscal year were 17,453 million yen, a decrease of 281 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in retained earnings of 345 million yen and an increase in non-controlling interests of 34 million yen from the payment of dividends.

As a result, equity ratio was 74.6% (76.4% at the end of the whole consolidated fiscal year).

(3) Explanation regarding information on future prospects such as forecast of consolidated financial results

Estimated consolidated results for the full year ending December 2021 are unchanged from the information provided in estimated Consolidated Results for the Full Year announced via the Summary of Accounts that was released on February 10, 2021. In the future, if it becomes necessary to revise estimated results, we plan to disclose said revisions immediately.

2. Quarterly consolidated financial statements and major explanatory notes

(1) Quarterly consolidated balance sheet

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 st , 2020)	This 1 st quarter consoli- dated fiscal period (March 31 st , 2021)
Assets		
Current assets		
Cash on hand and in banks	7,982	7,905
Notes and accounts receivable	2,004	1,920
Merchandise and products	248	462
Raw materials and supplies	0	0
Others	968	485
Allowance for bad debts	(14)	(14)
Total current assets	11,191	10,759
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	660	640
Land	525	474
Lease assets (net)	13	7
Rental assets (net)	5	4
Construction in progress	—	40
Others (net)	237	203
Total tangible fixed assets	1,441	1,371
Intangible fixed assets		
Software	1,532	1,533
Software in progress	555	597
Reputation	383	358
Others	119	117
Total intangible fixed assets	2,591	2,606
Investments and other assets		
Investment securities	9	679
Investment real estate (net)	6,938	6,930
Net defined benefit asset	120	123
Others	805	767
Allowance for bad debts	(0)	(0)
Total investments and other assets	7,872	8,499
Total fixed assets	11,905	12,478
Total assets	23,096	23,238

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 st , 2020)	This 1 st quarter consoli- dated fiscal period (March 31 st , 2021)
Liabilities		
Current liabilities		
Notes and accounts payable	833	984
Accounts payable-other	506	487
Lease obligations	24	17
Income taxes payable, etc.	176	190
Provision for bonuses	344	513
Provision for points card certificates	3	4
Others	1,586	1,700
Total current liabilities	3,476	3,898
Fixed liabilities		
Lease obligations	5	4
Net defined benefit liability	1,065	1,084
Provision for product warranties	86	83
Long-term guarantee deposits	728	713
Total fixed liabilities	1,885	1,885
Total liabilities	5,362	5,784
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,283	3,292
Retained earnings	13,216	12,871
Treasury stock	(1,610)	(1,610)
Total shareholder's equity	17,675	17,338
Cumulative amount of other comprehensive income		
Foreign currency translation adjustments	31	48
Remeasurements of defined benefit plans	(51)	(46)
Total other cumulative comprehensive income	(19)	2
Subscription rights to shares	55	55
Minority interests	23	57
Total net assets	17,734	17,453
Total liabilities and net assets	23,096	23,238

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(1st quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 1 st quarter consolidated cumulative period (From April 1 st , 2020 To June 30 th , 2020)	This 1 st quarter consolidated cumulative period (From January 1 st , 2021 To March 31 st , 2021)
Sales	2,928	3,294
Cost of sales	1,460	1,666
Gross profit	1,467	1,628
Selling, general and administrative expenses	1,205	1,305
Operating profits	262	322
Non-operating profits		
Interest income	0	0
Real estate rental income	240	244
Others	2	6
Total non-operating profits	243	251
Non-operating expenses		
Interest expense	0	0
Real estate rental expenses	90	120
Others	2	4
Total non-operating expenses	92	125
Ordinary profits	412	449
Special profits		
Gain on reversal of subscription rights to shares	15	—
Total special profits	15	—
Special losses		
Losses on disposal of fixed assets	0	1
Total special losses	0	1
Quarterly net income before adjustment for taxes, etc.	427	447
Corporation tax, etc.	129	149
Quarterly net income	297	297
Loss attributable to non-controlling interests	—	(1)
Profit attributable to owners of parent	297	299

(Quarterly consolidated statements of comprehensive income)

(1st quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 1 st quarter consolidated cumulative period (From April 1 st , 2020 To June 30 th , 2020)	This 1 st quarter consolidated cumulative period (From January 1 st , 2021 To March 31 st , 2021)
Quarterly net income	297	297
Other comprehensive income		
Foreign currency translation adjustments	(6)	16
Remeasurements of defined benefit plans	7	5
Total other comprehensive income	1	21
Quarterly comprehensive income	299	319
(Breakdown)		
Quarterly comprehensive income concerning parent company shareholders	299	321
Quarterly comprehensive income concerning non-controlling shareholders	–	(1)

(3) Addendums relating to quarterly consolidated financial statement

(Explanatory notes regarding prerequisites of going concern)

There is no applicable information.

(Explanatory notes for cases of considerable changes in amounts of shareholder's equity)

There is no applicable information.

(Application of special accounts processing in the creation of the quarterly consolidated financial statement)

We have calculated tax expenses by multiplying quarterly net income before taxes and effective tax rate that were reasonably estimated, following application of tax effect accounting for the income before taxes of the consolidated accounting period including this 1st quarter consolidated cumulative period.

(Segment and Other Information)

Segment information

I. Previous first quarter consolidated cumulative period (From April 1st, 2020 to June 30th, 2020)

1. Information related to net sales, profit/loss for each reportable segment

(Units: millions of yen)

	Reportable segment					Adjustment (Note)1	Quarterly consolidated income statement amount
	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	IT Systems for Long-term care/welfare	Other Busi- nesses	Total		
Net sales							
External sales	2,232	393	117	192	2,936	(8)	2,928
Inter-segment sales and transfers	0	—	—	0	0	(0)	—
Total	2,232	393	117	193	2,936	(8)	2,928
Segment profit or loss (Note)2	300	(15)	(38)	6	252	9	262

(Note) 1: Adjustment of segment profit or loss are the amounts before elimination of internal transactions between segments.

(Note) 2: Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

2. Impairment loss of non-current assets by reportable segment

(Impairment loss of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Gain from negative goodwill)

Not applicable.

II. Current first quarter consolidated cumulative period (From January 1st, 2021 to 31st, March 2021)

1. Information related to net sales, profit/loss for each reportable segment

(Units: millions of yen)

	Reportable segment					Adjustment (Note)1	Quarterly consolidated income statement amount
	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	IT Systems for Long-term care/welfare	Other Busi- nesses	Total		
Net sales							
External sales	2,486	462	166	179	3,294	—	3,294
Inter-segment sales and transfers	0	—	—	—	0	(0)	—
Total	2,487	462	166	179	3,295	(0)	3,294
Segment profit or loss (Note)2	274	3	44	0	322	0	322

(Note) 1: Adjustment of segment profit or loss are the amounts before elimination of internal transactions between segments.

(Note) 2: Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

2. Impairment loss of non-current assets by reportable segment

(Impairment loss of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Gain from negative goodwill)

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.