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December 2021 2nd Quarter Financial Statement [Japan Standard] (Consolidated)

August 10th, 2021

Listed company name	EM Systems Co., Ltd.			Listed on: Tokyo Stock Exchange
Code No.	4820	URL:	http://www.emsystems.co.jp	
Representative:	(Job title)	President&Representative Director	(Name)	Hiromasu Kunimitsu
Representative for inquiries	(Job title)	Managing director in the company, General Manager of Administration Headquarters	(Name)	Megumi Seki
Planned date of submission of quarterly report	May 14 th , 2021	Planned starting date of payment of dividends	September 2 nd , 2021	TEL: +81(0)6-6397-1888
Supplementary explanatory materials created for quarterly financial statement				: Yes
Quarterly financial results briefing held (For Use by Analysts)				: Yes

(Amounts of less than 1 million yen rounded down)

1. Consolidated results of December 2021 2nd Quarter Financial Statement (January 1st 2021 through June 30th, 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 2 nd quarter	6,672	5.5	582	(31.6)	1,023	(11.7)	687	(14.3)
December 2020 2 nd quarter	6,323	(10.8)	852	(11.5)	1,158	(9.6)	802	(6.9)
(Note) Comprehensive income	December 2021 2 nd Quarter	711	Millions of yen	(13.1 %)	December 2020 2 nd Quarter	818	Millions of yen	(5.8 %)
	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 2 nd quarter	9.68				9.65			
December 2020 2 nd quarter	11.27				11.22			

(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 2 nd quarter	23,550	17,874	75.4	250.02		
December 2020	23,096	17,734	76.4	248.55		
(Refer to) Net capital	December 2021 2 nd Quarter	17,766	Millions of yen	December 2020 period	17,679	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	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen	Yen 100ths of a yen
December 2020	–	4.00	–	6.00	10.00
December 2021	–	4.00	–	6.00	10.00
December 2021 (estimate)			–	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
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.10 "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 2 nd quarter	74,514,800 shares	December 2020 period	74,514,800 shares
2. Number of own shares at end of term	December 2021 2 nd quarter	3,452,317 shares	December 2020 period	3,478,870 shares
3. Average number of shares outstanding during term (quarterly total)	December 2021 2 nd quarter	71,042,583 shares	December 2020 2 nd quarter	71,160,913 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.

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

(1) Explanation regarding operating results

The outlook of Japan's economy during Quarter 1 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 in October 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 business results for this 2nd quarter consolidated cumulative period was 6,672 million yen in sales (a 5.5% increase compared to the same period in the previous year), 582million yen in operating profits (a 31.6% decrease), 1,023million yen in ordinary profits (a 11.7%decrease), and 687 million yen in this quarterly net income belonging to parent company shareholders (a 14.3% decrease).

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 systems sold. On the other hand, Capitalization following the release of the "MAPs series" has decreased, and manufacturing costs have increased due to higher maintenance costs

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 decrease in operating income was mainly due to a decrease in the amount of new capitalization of "MAPs for PHARMACY" and higher maintenance costs.

Consequently, IT Systems and Related Business for Pharmacies for this 2nd quarter consolidated cumulative period resulted in 5,098million yen in sales (a 5.1% increase compared with the same period in the previous year) and 591 million yen in operating profits (a 29.9% 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. On the other hand, there is no new capitalization of "MAPs for CLINIC", and system maintenance costs have increased.

Consequently, IT Systems and Related Business for Clinics for this 2nd quarter consolidated cumulative period resulted in 920 million yen in sales (a 5.6% increase compared to the same period in the previous year) and 16 million yen in operating losses (previous period: 8million yen in operating profits).

(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, with the development of “MAPs for NURSING CARE”, the capitalized amount increased year over year, resulting in an operating surplus. Consequently, IT Systems and Related Business for Long-term Care/Welfare for this 2nd quarter consolidated cumulative period resulted in 303 million yen in sales (a 26.3% increase compared with the same period in the previous year) and 4million yen in operating profits (previous period: 31 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 2nd quarter consolidated cumulative period resulted in 356 million yen in sales (a 7.0% decrease compared to the same period in the previous year) and 11million yen in operating losses (previous period: 17million yen in operating profits).

(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 2nd quarter of the current consolidated fiscal year were 11,190 million yen, a decrease of 1 million yen from the end of the previous consolidated fiscal year. Fixed assets were 12,360million yen, an increase of 454 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.

As a result, total assets were 23,550 million yen, an increase of 453 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of 2nd quarter of the current consolidated fiscal year were 3,820 million yen, an increase of 344 million yen from the end of the previous consolidated fiscal year. This was mainly the result of an increase in other current liabilities of 227 million yen, due to an increase in advance payments of 303 million yen. Fixed liabilities were 1,855 million yen, a decrease of 30 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 36 million yen in product warranty reserves.

As a result, total liabilities were 5,676 million yen, an increase of 313 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of 2nd quarter of the current consolidated fiscal year were 17,874 million yen, an increase of 139 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in retained earnings of 42 million yen and an increase in non-controlling interests of 28 million yen.

As a result, equity ratio was 75.4% (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 2 nd quarter consoli- dated fiscal period (June 30 th , 2021)
Assets		
Current assets		
Cash on hand and in banks	7,982	7,329
Notes and accounts receivable	2,004	1,994
Merchandise and products	248	690
Raw materials and supplies	0	0
Short-term loans receivable	-	271
Others	968	905
Allowance for bad debts	(14)	(0)
Total current assets	11,191	11,190
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	660	629
Land	525	474
Lease assets (net)	13	6
Rental assets (net)	5	3
Others (net)	237	201
Total tangible fixed assets	1,441	1,316
Intangible fixed assets		
Software	1,532	1,578
Software in progress	555	560
Reputation	383	334
Others	119	114
Total intangible fixed assets	2,591	2,587
Investments and other assets		
Investment securities	9	679
Investment real estate (net)	6,938	6,864
Net defined benefit asset	120	126
Others	805	798
Allowance for bad debts	(0)	(13)
Total investments and other assets	7,872	8,456
Total fixed assets	11,905	12,360
Total assets	23,096	23,550

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 st , 2020)	This 2 nd quarter consoli- dated fiscal period (June 30 th , 2021)
Liabilities		
Current liabilities		
Notes and accounts payable	833	801
Accounts payable-other	506	441
Lease obligations	24	9
Income taxes payable, etc.	176	432
Provision for bonuses	344	315
Provision for points card certificates	3	4
Others	1,586	1,813
Total current liabilities	3,476	3,820
Fixed liabilities		
Lease obligations	5	3
Net defined benefit liability	1,065	1,092
Provision for product warranties	86	50
Long-term guarantee deposits	728	709
Total fixed liabilities	1,885	1,855
Total liabilities	5,362	5,676
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,283	3,305
Retained earnings	13,216	13,259
Treasury stock	(1,610)	(1,595)
Total shareholder's equity	17,675	17,754
Cumulative amount of other comprehensive income		
Foreign currency translation adjustments	31	53
Remeasurements of defined benefit plans	(51)	(41)
Total other cumulative comprehensive income	(19)	11
Subscription rights to shares	55	55
Minority interests	23	51
Total net assets	17,734	17,874
Total liabilities and net assets	23,096	23,550

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

(Quarterly consolidated statements of income)

(2nd quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 2 nd quarter consolidated cumulative period (From April 1 st , 2020 To September 30 th , 2020)	This 2 nd quarter consolidated cumulative period (From January 1 st , 2021 To June 30 th , 2021)
Sales	6,323	6,672
Cost of sales	3,072	3,551
Gross profit	3,250	3,120
Selling, general and administrative expenses	2,398	2,537
Operating profits	852	582
Non-operating profits		
Interest income	0	1
Dividend income	—	190
Real estate rental income	484	492
Others	15	4
Total non-operating profits	501	688
Non-operating expenses		
Interest expense	0	0
Real estate rental expenses	190	235
Others	3	12
Total non-operating expenses	194	248
Ordinary profits	1,158	1,023
Special profits		
Gain on reversal of subscription rights to shares	15	—
Total special profits	15	—
Special losses		
Losses on sale of fixed assets	0	—
Losses on disposal of fixed assets	0	1
Total special losses	0	1
Quarterly net income before adjustment for taxes, etc.	1,173	1,021
Corporation tax, etc.	371	341
Quarterly net income	802	679
Loss attributable to non-controlling interests	—	(7)
Profit attributable to owners of parent	802	687

(Quarterly consolidated statements of comprehensive income)

(2nd quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 2 nd quarter consolidated cumulative period (From April 1 st , 2020 To September 30 th , 2020)	This 2 nd quarter consolidated cumulative period (From January 1 st , 2021 To June 30 th , 2021)
Quarterly net income	802	679
Other comprehensive income		
Foreign currency translation adjustments	2	21
Remeasurements of defined benefit plans	13	10
Total other comprehensive income	16	31
Quarterly comprehensive income	818	711
(Breakdown)		
Quarterly comprehensive income concerning parent company shareholders	818	719
Quarterly comprehensive income concerning non-controlling shareholders	-	(7)

(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 2nd quarter consolidated cumulative period.

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.