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EMMA

Results of Operations for December 2021, 1st Half

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

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I. “Business Environment / Company Initiatives ”

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Supporting Date Shared Information System Foundation

Notice regarding conformity with the new market category of “Prime Market”

We are pleased to announce that, on July 9, 2021, the Company received its "Primary Judgment Results Regarding Compliance with Listing Maintenance Criteria in a New Market Category" from Tokyo Stock Exchange, Inc. (hereinafter referred to as "the TSE"), confirming that it meets the listing maintenance criteria for the new "Prime Market" category.

The procedure for selecting the new market category is decided upon careful review by the Board of Directors, and an application will be submitted according to the schedule set by the TSE.

「July 13, 2021 Public document」

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.

➤ 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.

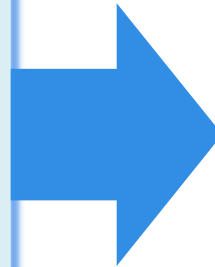
➤ Sale Activities

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

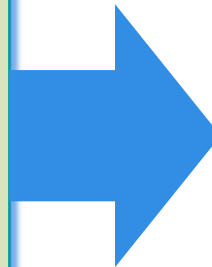


- Transition toward cloud-based systems, and provision of cashless services through our subsidiary ChoQi Co., Ltd.
- Application of online demonstrations and online business negotiation tools, and non-face-to-face sales, Exhibition at hybrid expo
- Participation in the government-promoted electronic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

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/Full operation in October.)
- Enhanced electronic medical history proposal capabilities

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
- Promotion of scientific long-term care by LIFE (Long-term care Information system For Evidence)

Initiatives **MAPS** for NURSING CARE

- Development of MAPs for NURSING CARE, and establishment of a specialized organization to operate chain store sales
- Application of online demonstrations and online business negotiation tools and online exhibitions, 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	contents
○	○	○	Strengthening Web Marketing : Implementation of SEO and SEM measures, Application of YouTube channel, Raise awareness
○	○		Application of electronic contracts, and estimates and configuration examinations conducted personally by customers through "MAPs DIRECT," an e-commerce site
○	○		Promotion of non-face-to-face sales focusing existing customers
○			Released "MAPs for CLINIC with ORCA" linked with JMA standard receipt software ORCA
○	○	○	Expansion of sales channels such as OEM and agency businesses
	○		Business partnership with Good Cycle System Co., Ltd, Marketing, Online seminars, Linkage with medication history
	○		BI tool "MAPs option BunseQI" to be released
	○		Commencement of handling of MAPs for PHARMACY by YUYAMA Co., Ltd.
○	○	○	Regional comprehensive care and collaboration between hospitals and pharmacies →Realization of collaboration between hospitals and pharmacies through cooperation with CSI Co., Ltd
○	○	○	Application of M&A

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
 - Joined by developers of subsidiary Cosmo systems Co., Ltd in April 2021

Social contribution activities

- Sponsor participation in the KIMIKO DATE
x YONEX PROJECT



- Ai Love All Tennis Academy
Participation as a professional tennis player sponsor



- Commencement of engagement in SDGs



Social contribution activities

- 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.

- Participation in examination of next-generation electronic medical record base (Representative: Professor Kazuhiko Ohe, M.D., Ph.D. at the University of Tokyo)

We participate in NeXEHRs Consortium, established with the goal of constructing a next-generation electronic medical record sharing platform.

- 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 2021, 1st Half

consolidated results of December 31 2021, 1st Half

	December 31 2020 1 st Half	※December 31 2021 1 st Half (estimated results)	※December 31 2021 1 st Half (results)	Compared to previous year	Compared to estimated results
Sales	6,323 millions of yen	6,724 millions of yen	6,672 millions of yen	5.5%	(0.8%)
Operating Profits	852 millions of yen	686 millions of yen	582 millions of yen	(31.6%)	(15.0%)
Ordinary Profits	1,158 millions of yen	937 millions of yen	1,023 millions of yen	(11.7%)	9.1%
Net Income	802 millions of yen	622 millions of yen	687 millions of yen	(14.3%)	10.5%

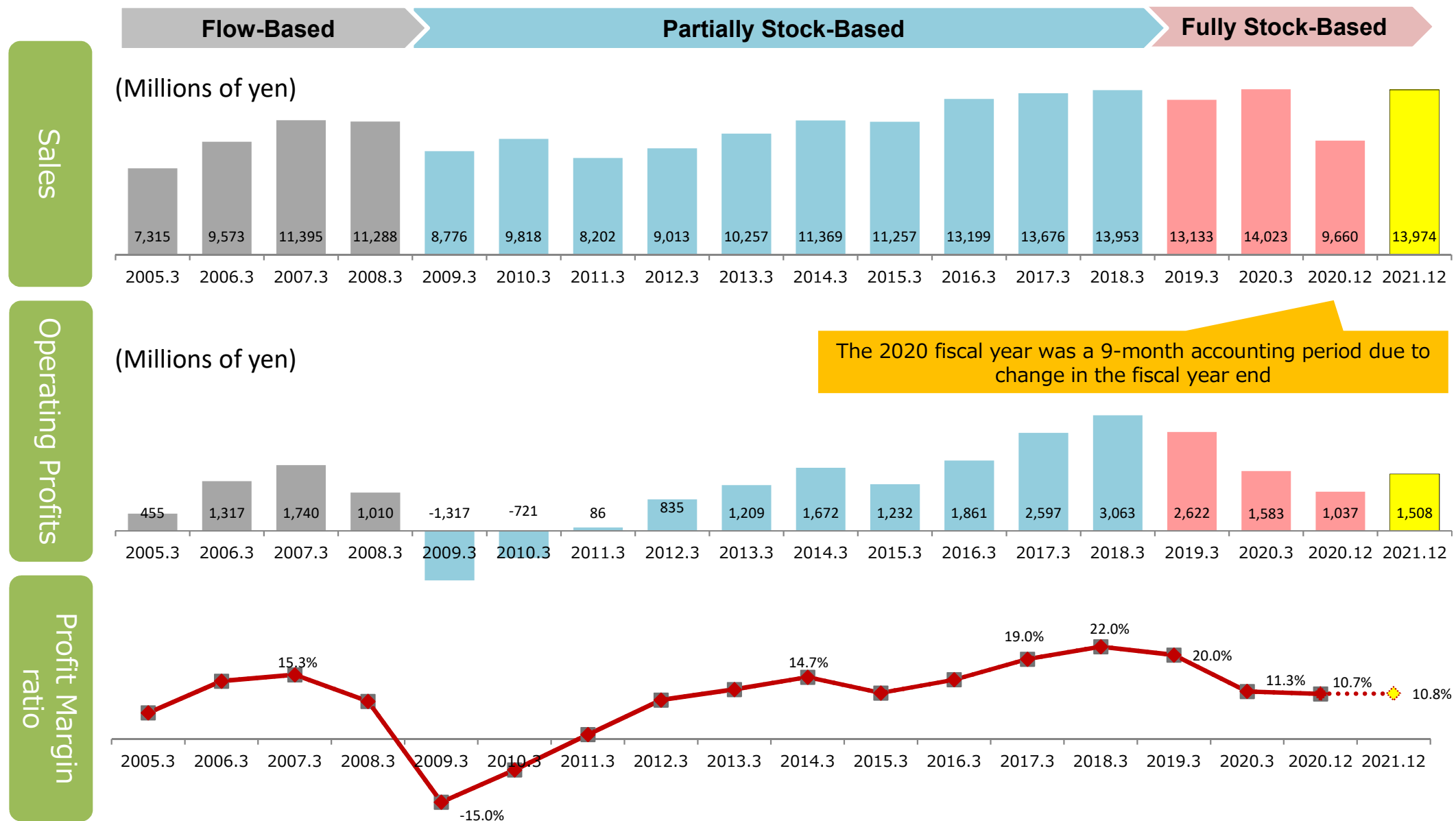
※ These are the amounts which announced in the financial statement on February 10 2021.

※ We have changed the fiscal year ended from March 31 to December 31 starting from the 2020 fiscal year.

Topics for December 31 2021, 1st Half

- ☐ Higher “MAPs for PHARMACY” maintenance costs for improved quality
- ☐ Manufacturing costs increased due to investment in new system development personnel to handle the unexpected revision of the long-term care act
- ☐ SG&A expenses decreased compared to plan due to prolonged teleworking to prevent the spread of COVID-19
- ☐ Ordinary income increased due to payment of dividends from accumulated income as a result of changes in the business content of our deconsolidated wholly owned subsidiary

II. ii. Changes in consolidate results by fiscal year



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

	December 31 2020	December 31 2021 1 st Half	YoY change	YoY % change
Assets	23,096	23,550	453	2.0%
Current assets	11,191	11,190	(1)	(0.0%)
Fixed assets	11,905	12,360	454	3.8%
Tangible fixed assets	1,441	1,316	(125)	(8.7%)
Intangible fixed assets	2,591	2,587	(3)	(0.2%)
Investments and other assets	7,872	8,456	583	7.4%
Liabilities	5,362	5,676	313	5.9%
Current liabilities	3,476	3,820	344	9.9%
Fixed liabilities	1,885	1,855	(30)	(1.6%)
Net assets	17,734	17,874	139	0.8%
Shareholder's equity	17,675	17,754	79	0.4%
Cumulative amount of other comprehensive	(19)	11	31	(161.4%)
Stock acquisition rights	55	55	0	0.0%
Non-controlling interests	23	51	28	122.7%

Major YoY Changes

Land	(50) millions of yen
Investment account securities	670 millions of yen

Income tax payable	(255) millions of yen
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II . iv . By Segment Sales/Operating Profits

(Millions of yen)

	December 31 2020 1 st Half		December 31 2021 1 st Half					
	Sales	Operating Profits	Sales			Operating Profits		
			Results	Increase/ decrease amounts	Increase/ decrease rates	Results	Increase/ decrease amounts	Increase/ decrease rates
IT Systems for Pharmacy	4,852	843	5,098	245	5.1%	591	(252)	(29.9%)
IT Systems for Clinic	871	8	920	48	5.6%	(16)	(25)	-
IT Systems for long-term care/welfare	240	(31)	303	63	26.3%	4	36	-
Other Business	382	17	356	(26)	(7.0%)	(3)	(21)	-

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

※We have changed the fiscal year ended from March 31 to December 31 starting from the 2020 fiscal year.

- ✓IT Systems for Pharmacies・・・Increase in initial sales and billing sales as a result of an increase in the number of existing system sales.
Decrease in capitalized for "MAPs for PHARMACY "and higher maintenance costs.
- ✓IT Systems for Clinics・・・・・・・Increase in sales as a result of an increase in the number of existing system sales, and a steady increase in billing sales.
No longer capitalized for "MAPs for CLINIC", and higher maintenance costs.
- IT Systems for long-term care/welfare・・・・・・・ In addition to the initial introduction of large-scale projects, billing sales remained strong and operating profit was earned by capitalizing the new development of "MAPs for NURSING CARE".
- ✓Other Business・・・・・・・Due to the change in the operating structure of the rental conference room, rental conference room sales are no longer included in other business sales and operating income, and selling, general and administrative expenses increased due to initial development of the cashless business, resulting in a decrease in both sales and operating income.

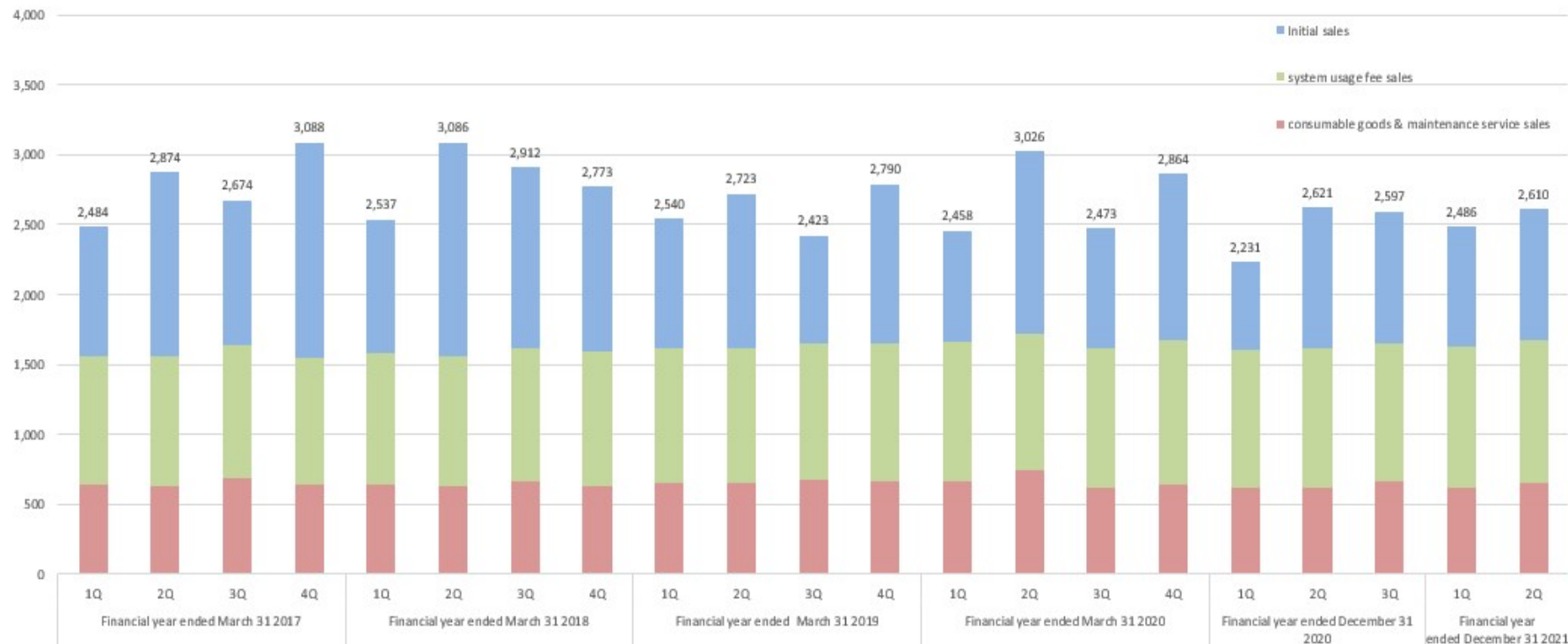
Ⅱ . v . By Segment Sales Breakdown

	(Millions of yen)			
	December 31 2020 1 st Half	December 31 2021 1 st Half	YoY change	YoY % change
Net sales	6,323	6,672	348	5.5%
IT Systems for Pharmacies	4,852	5,098	245	5.1%
(initial sales)	1,636	1,798	162	9.9%
(system usage fee sales)	1,981	2,027	45	2.3%
(consumable goods sales)	860	889	29	3.4%
(maintenance service sales)	374	383	9	2.4%
IT Systems for Clinics	871	920	48	5.6%
(initial sales)	378	406	28	7.6%
(system usage fee sales)	317	350	33	10.5%
(consumable goods sales)	31	31	0	0.7%
(maintenance service sales)	145	131	(13)	(9.5%)
IT Systems for long-term care/welfare	240	303	63	26.3%
(initial sales)	17	56	39	223.9%
(system usage fee sales)	69	91	21	30.8%
(consumable goods sales)	0	0	0	—
(maintenance service sales)	152	155	2	1.7%
Other Businesses	382	356	(26)	(7.0%)
Adjustments	(24)	(6)	18	(74.5%)

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

II . vi . IT Systems for Pharmacies

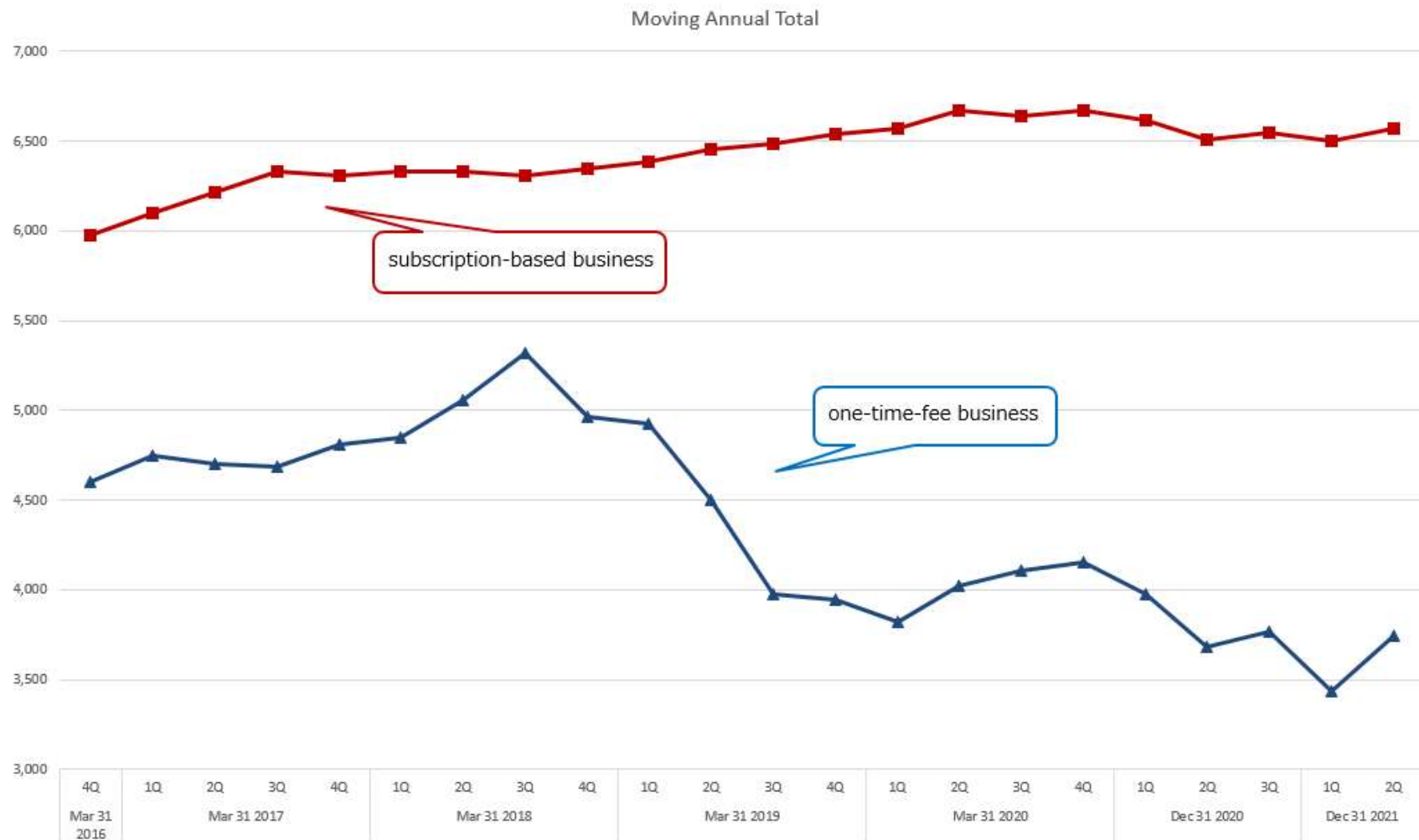
Quarterly Sales (Units: Millions of yen)



	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 December 31 2020			Financial year ended December 31 2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q
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	860	938
system usage fee sales	928	925	951	910	946	920	948	964	969	964	972	987	989	981	995	1,039	988	994	996	1,004	1,022
consumable goods & maintenance service sales	636	630	686	642	638	634	667	630	652	657	675	659	668	741	620	639	614	621	659	622	650
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	2,486	2,610

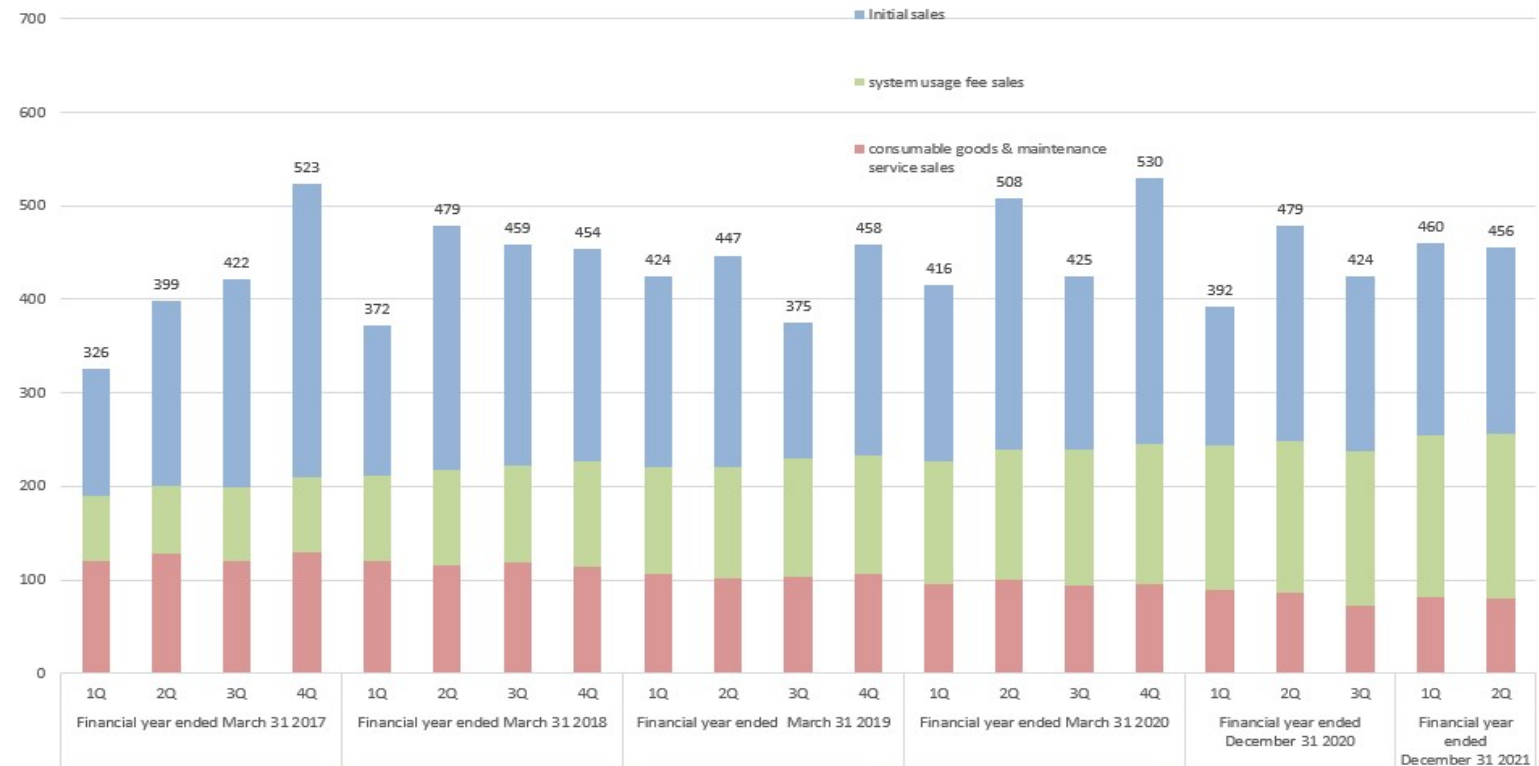
II . vi . IT Systems for Pharmacies

Moving Annual Total (Units: Millions of yen)



II . vii. IT Systems for Clinics

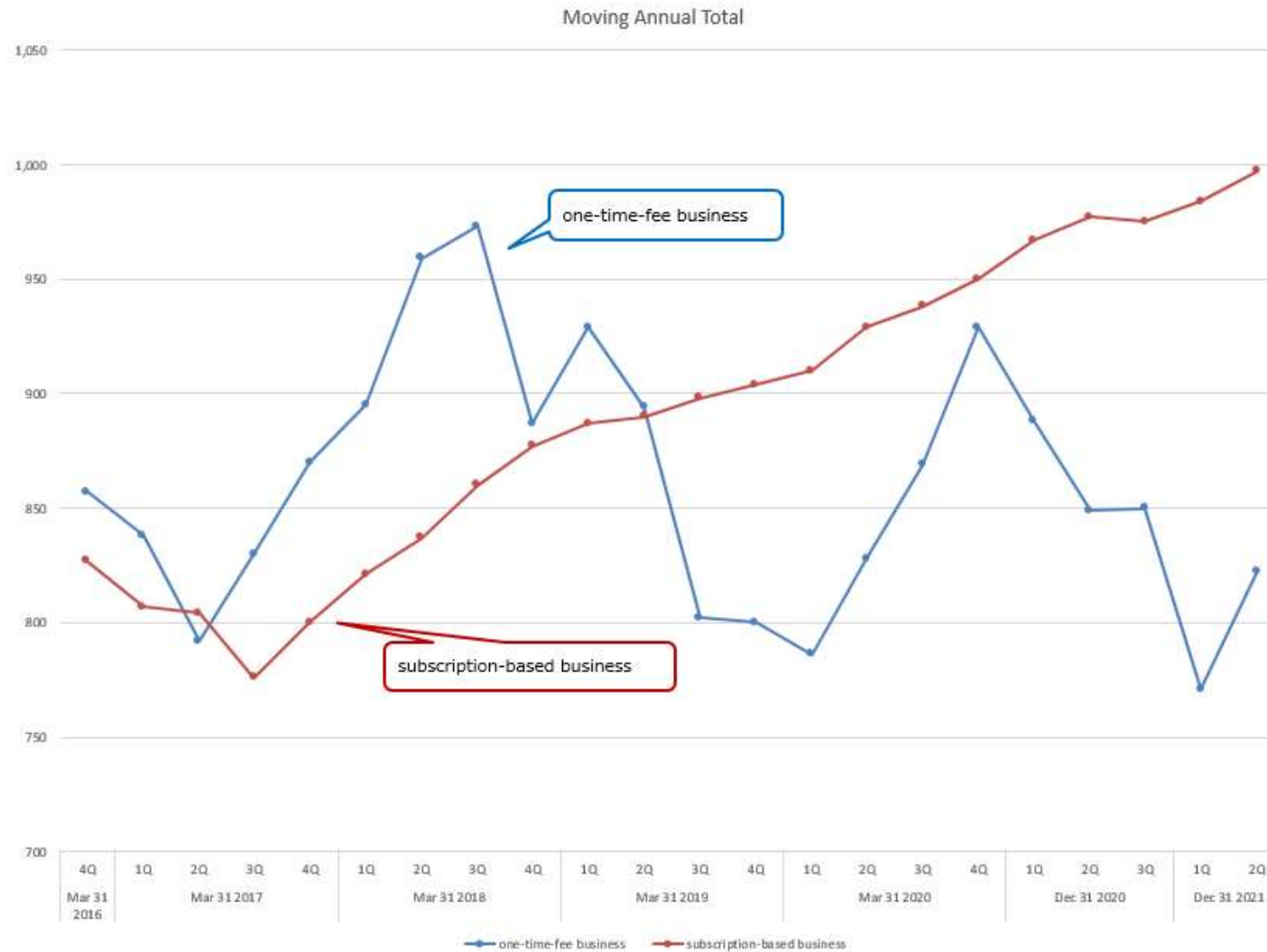
Quarterly Sales (Units: Millions of yen)



	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			Financial year ended December 31 2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q
Initial sales	136	198	223	313	161	262	237	227	203	227	145	225	189	269	186	285	148	230	187	206	199
system usage fee sales	70	73	78	80	91	101	104	113	115	118	126	127	132	139	145	149	154	163	165	172	177
consumable goods & maintenance service sales	120	128	121	130	120	116	118	114	106	102	104	106	95	100	94	96	90	86	72	82	80
Total	326	399	422	523	372	479	459	454	424	447	375	458	416	508	425	530	392	479	424	460	456

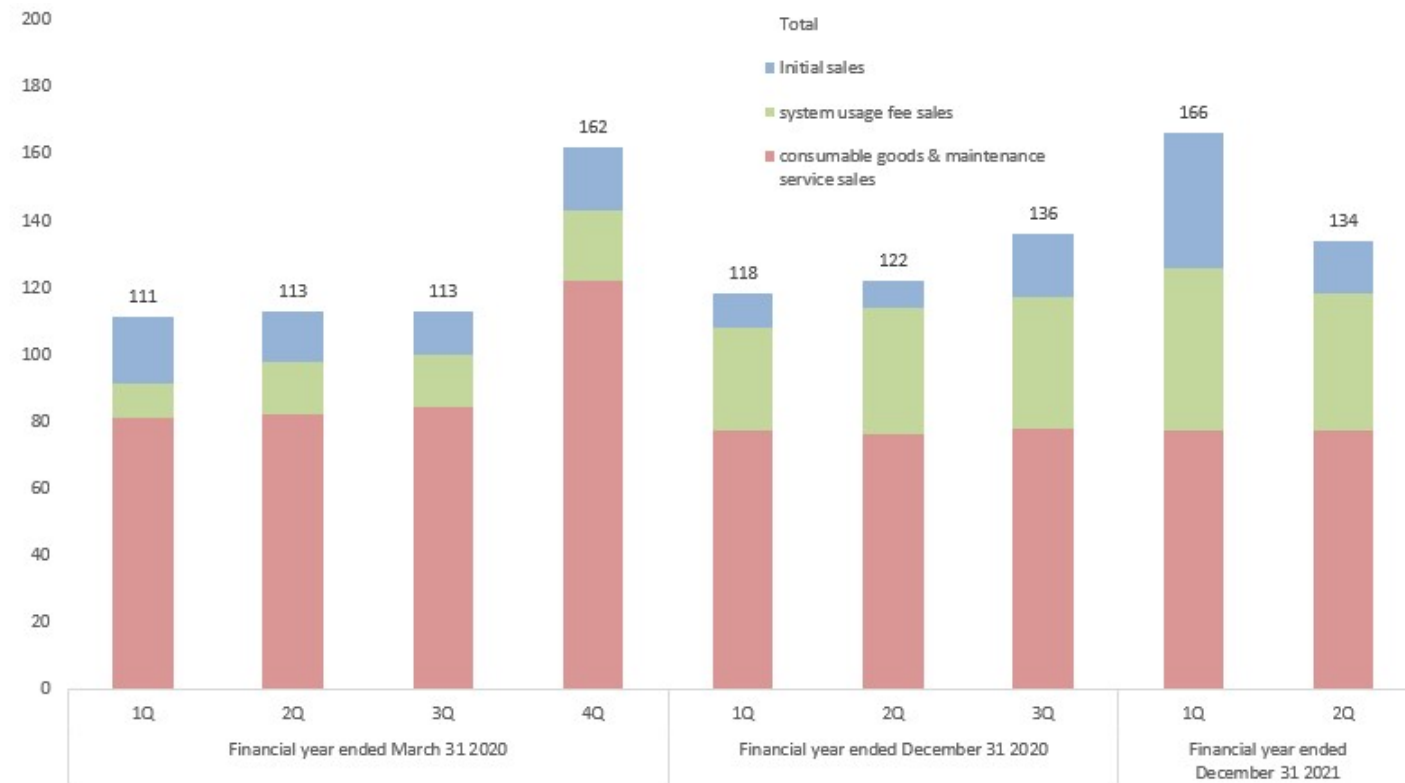
Ⅱ . vii. IT Systems for Clinics

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			Financial year ended December 31 2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q
Initial sales	20	15	13	19	10	8	19	40	16
system usage fee sales	10	16	16	21	31	38	39	49	41
consumable goods & maintenance service sales	81	82	84	122	77	76	78	77	77
Total	111	113	113	162	118	122	136	166	134

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

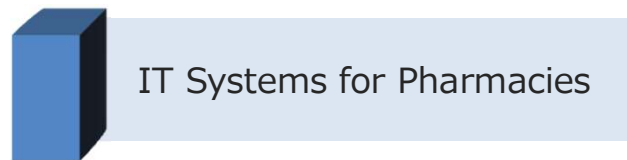
(Millions of yen)

	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

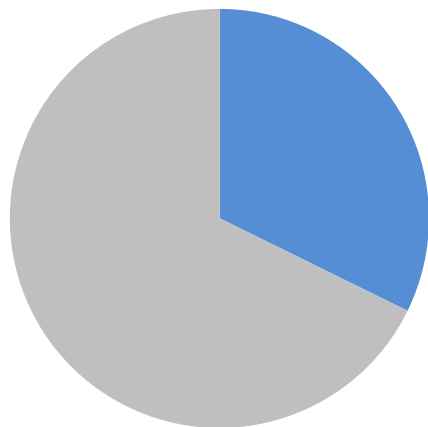
※Segmented sales and operating profits and losses are the amounts before elimination of internal transactions between segments.

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

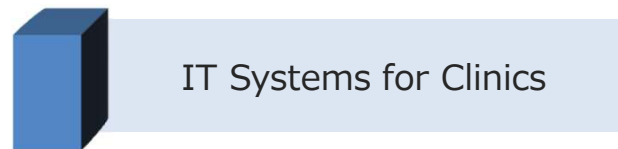
Ⅱ . x . Market Share and Number of Customers



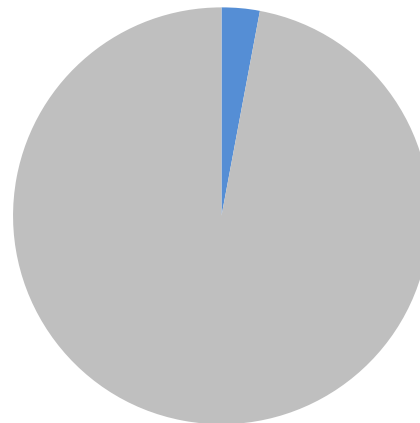
Market share 33.0%



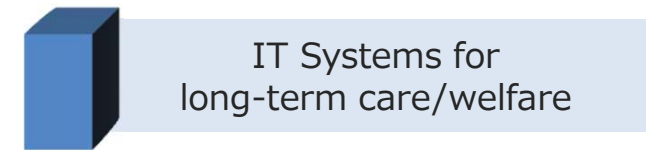
Number of customers : 16,478
Target population : 50,000
Mid-term goals : 25,000



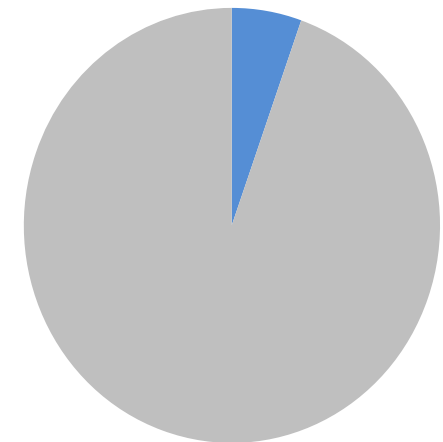
Market share 3.1%



Number of customers : 2,764
Target population : 90,000
Mid-term goals : 10,000



Market share 5.6%



Number of customers : 14,087
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.

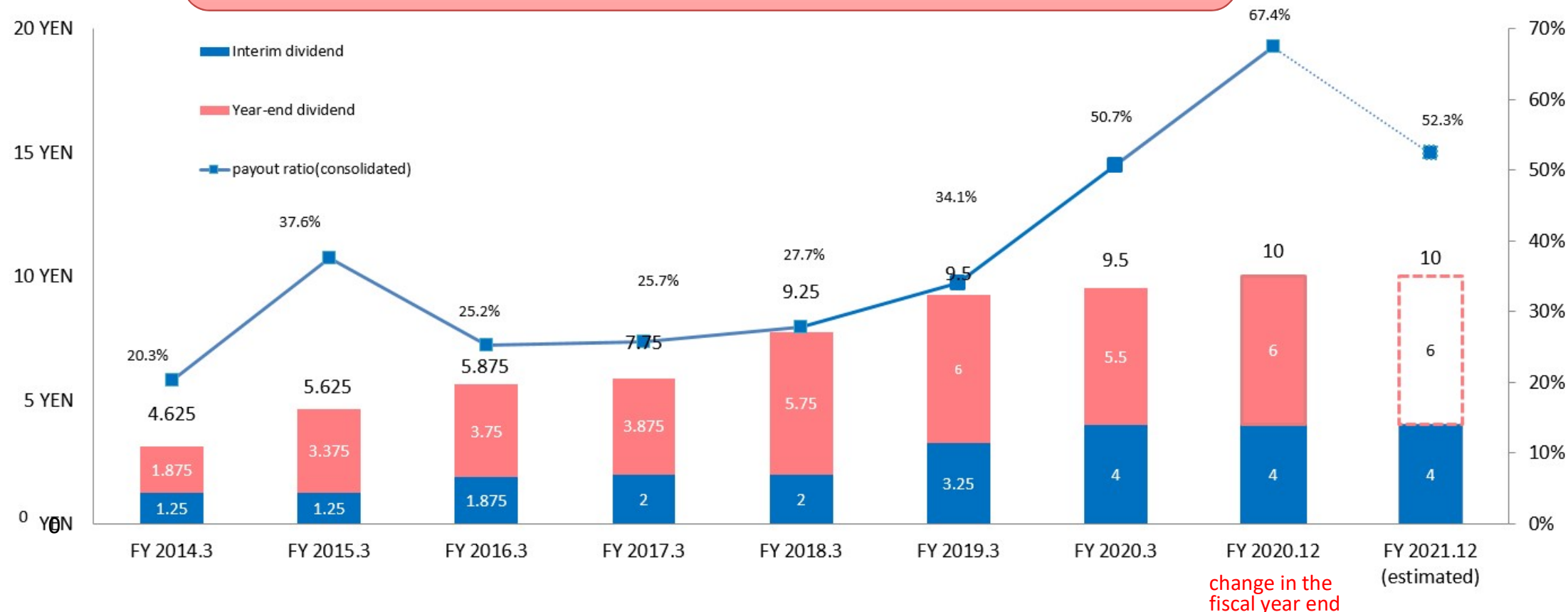
*2 The above target populations represent the number of pharmacies and clinics that we considered as our potential customers, and differ from the actual number of registered pharmacies and clinics.

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

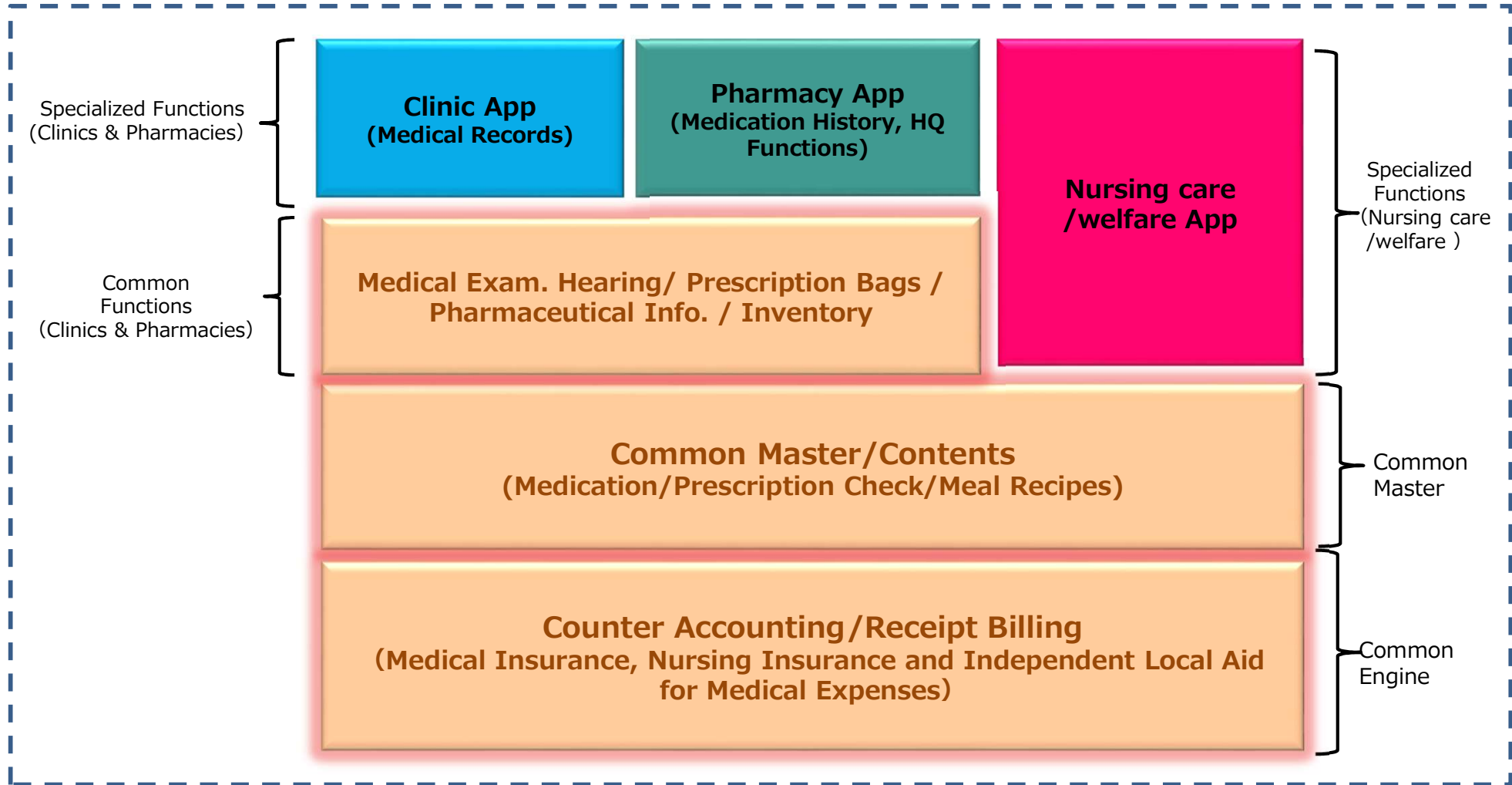
(as of June 30 , 2021)

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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<https://emsystems.co.jp/ir/mailform.html>



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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.