

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, 2021

[Japanese GAAP]

February 9, 2022

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, Representative director and President , Executive officer
 Representative for inquiries Megumi Seki, Director, Executive officer Tel: +81-6-6397-1888
 Scheduled date of Annual General Meeting of Shareholders: March 18,2022
 Scheduled date of payment of dividend: March 22,2022
 Scheduled date of filing of Annual Securities Report: March 18,2022
 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 (January 1, 2021 – December 31, 2021)

(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, 2021	14,436	—	1,870	—	2,607	—	1,829	—
Fiscal year ended Dec. 31, 2020	9,660	—	1,037	—	1,469	—	1,062	—

(refer to) comprehensive income Fiscal year ended Dec. 31, 2021 1,850 Million s of yen — Fiscal year ended Dec. 31, 2020 1,062 Millions of yen —

	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, 2021		25.72		25.64	10.1	10.9	13.0
Fiscal year ended Dec. 31, 2020		14.95		14.88	6.0	6.3	10.7

(Refer to) Equity in earnings of affiliates Fiscal year ended Dec. 31, 2021 — Millions of yen Fiscal year ended Dec. 31, 2020 — Millions of yen
 ((Note))

At the 37th Ordinary General Meeting of Shareholders on June 16, 2020, the Company approved a "Partial Amendment to the Articles of Incorporation", according to which the fiscal year end will be changed to March 31 to December 31 as of fiscal 2020. As a result, the fiscal year ending December 31, 2020, which is a transitional period for the change in fiscal year, is considered a nine-month period from April 1, 2020 to December 31, 2020, and therefore, the percentage change from the previous fiscal year is not shown.

(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, 2021	24,809	18,826	75.5	263.12
As of Dec 31, 2020	23,096	17,734	76.4	248.55

(Refer to) Net capital As of Dec. 31, 2021 18,728 Millions of yen As of Dec. 31, 2021 17,655 Millions of yen

(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, 2021	1,712	(544)	(693)	8,289
Fiscal year ended Dec. 31, 2020	442	(147)	(1,087)	7,982

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 Dec. 31, 2020	—	4.00	—	6.00	10.00	710	62.8	4.0
Fiscal year ended Dec. 31, 2021	—	4.00	—	7.00	11.00	782	42.8	4.3
Fiscal year ended Dec. 31, 2022 (estimate)	—	4.00	—	7.00	11.00		43.0	

3. Estimated consolidated results of the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022) (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	7,493	12.3	896	53.8	1,172	14.6	797	15.9	11.20
Full year	15,682	8.6	2,003	7.1	2,635	1.1	1,817	(0.6)	25.53

* 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, 2021	74,514,800 shares	As of Dec. 31, 2020	74,514,800 shares
2. Number of own shares at end of term	As of Dec. 31, 2021	3,335,617 shares	As of Dec. 31, 2020	3,478,870 shares
3. Average number of shares outstanding during term (quarterly total)	As of Dec. 31, 2021	71,111,841 shares	As of Dec. 31, 2020	71,086,475 shares

(Refer to) Summary of Non-Consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 – December 31, 2021)

(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, 2021	13,597	—	1,730	—	2,534	—	2,033	—
Fiscal year ended Dec. 31, 2020	8,862	—	783	—	1,242	—	894	—

	Net income per share		Diluted net income per share	
	Yen	100ths of a yen	Yen	100ths of a yen
Fiscal year ended Dec. 31, 2021		28.60		12.53
Fiscal year ended Dec. 31, 2020		12.59		12.53

(Note) At the 37th Ordinary General Meeting of Shareholders on June 16, 2020, the Company approved a "Partial Amendment to the Articles of Incorporation", according to which the fiscal year end will be changed to March 31 to December 31 as of fiscal 2020. As a result, the fiscal year ending December 31, 2020, which is a transitional period for the change in fiscal year, is considered a nine-month period from April 1, 2020 to December 31, 2020, and therefore, the percentage change from the previous fiscal year is not shown.

(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, 2021	23,870	18,217	76.1	255.16
As of Dec. 31, 2020	21,606	16,768	77.4	235.28
(Refer to) Shareholders' equity	As of Dec. 31, 2021 18,162	Millions of yen	As of Dec. 31, 2020 16,713	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	6
(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.

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, our Group changed its fiscal year-end from March 31 to December 31 from the fiscal year ending December 31, 2020.

For this reason, for comparisons in each business segment, year-on-year comparisons are not provided.

(1) Explanation regarding operating results

The Japanese economy continues to face severe conditions in the current consolidated fiscal year, and the future outlook remains difficult to predict, although there are signs of a resumption of economic activity in society as a whole amid progress in vaccinations against the coronavirus. In the pharmacy industry, a major customer of our Group, the number of prescriptions has decreased because of prolonged prescription 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 of temporary closures in outpatient care and short-term accommodation facilities, have had a considerable impact on our Group.

Under such circumstances, our Group has been focusing on web activities in addition to its usual business activities while taking proper infection control measures.

In addition, as part of the introduction of ICT in the medical field, we have started to roll out a system that enables My Number or health insurance card chips to be used at medical institution reception desks for checking credentials online. Our Group has received orders from a large number of customers as planned, and the system has been in full operation since October, and we are gradually expanding the installation of the online qualification confirmation system for our customers.

As a result, performance during the consolidated fiscal year concerned was 14,436 million yen in sales, 1,870 million yen in operating profits, 2,607million yen in ordinary profits, and 1,829 million yen in this quarterly net income belonging to parent company shareholders.

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. Furthermore, an expansion in the introduction of online qualification confirmation systems is contributing to sales. On the other hand, Capitalization following the release of the "MAPs series" has decreased, and manufacturing costs have increased due to higher maintenance costs.

Aiming to further promote understanding of the Company's management philosophy to all stakeholders amid the demand for major changes, our Group has newly rebuilt its brand identity to increase corporate value and growth, and has decided to adopt its new "#TX Thanks Transformation" brand logo.

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 expansion in the introduction of online qualification confirmation systems and an increase in the number of existing system sales. Billing sales are also increasing as the number of customers' increases. Consequently, IT Systems and Related Business for Pharmacies for this consolidated fiscal year resulted in 11,228million yen in sales and 1,852million yen in operating profits.

In addition, our Group has been launched its "EM Analysis Support" business support BI tool and "MAPs Option BunseQI" service in October to provide total support with workload reduction and operation of pharmacies.

(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 increase in initial sales due to full-scale expansion of online qualification confirmation packs and 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 consolidated fiscal year resulted in 1,957 million yen in sales and 22 million yen in operating profits.

In addition, to meet the various needs of medical institutions that require a transition to ICT, our Group has released the cloud-based electronic medical record software "MAPs for CLINIC with ORCA" that links with Japan Medical Association standard receipt software ORCA provided by ORCA Management Organization Co., Ltd.

(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.

On the other hand, following the revision of the Long-term Care Act, we have invested in new system development personnel to respond to the revision, resulting in a temporary decrease in new development of "MAPs for NURSING CARE" and increased manufacturing costs.

IT Systems and Related Business for Long-term Care/Welfare for this this consolidated fiscal year resulted in 560 million yen in sales and 12 million yen in operating losses.

(Other businesses)

Following the change in the operating system of rental conference rooms, 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 decreased. In addition, SG&A expenses increased due to the initial development of the cashless business.

Consequently, other business for this consolidated fiscal year resulted in 720 million yen in sales and 27 million yen in operating losses.

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

Our group has implemented various initiatives to reduce the burden on the environment, such as reducing CO2 emissions through the promotion of computerization in the medical and nursing care/welfare industries. We are pleased to announce our endorsement of the TCFD (Task Force on Climate-related Financial Disclosures) recommendations and will continue striving to contribute to the maintenance and protection of the global environment in our business affairs as well as the continued development of a sustainable society.

On February 26, 2021, the Group began discussing the possibility of forming a business alliance with Good Cycle System Inc. In order to meet the ever-increasing demand for increased sophistication of pharmaceutical operations, we have decided to acquire additional Good Cycle shares and strengthen our business alliance with them on an equity method affiliate basis.

(2) Overview of financial position in the current period

(Assets)

Current assets as of the end of the current consolidated fiscal year were 12,574 million yen, an increase of 1,383 million yen compared to the end of the previous consolidated fiscal year. This was mainly due to the steady business performance that was behind an increase of 551 million yen in accounts and acceptances receivable; 439 million yen in merchandise and finished goods; and 306 million yen in cash and deposits. Fixed assets totaled 12,234 million yen, an increase of 329 million yen from the end of the previous fiscal year. This was mainly due to an increase of 668 million yen in investment securities resulting from new acquisitions, and an increase of 176 million yen in software-related temporary accounts resulting from progress in the full-scale development of MAPs for NURSING CARE.

However, the full-scale development of the pharmaceutical business support system MAPs for PHARMACY and the clinical business support system MAPs for CLINIC also caused decreases for software of 139 million yen due to depreciation decreases in investment real estate of 205 million yen, decreases in property, plant and equipment of 108 million yen and decreases in goodwill of 97 million yen.

As a result, total assets were 24,809 million yen, an increase of 1,712 million yen compared to the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of the current fiscal year were 4,167 million yen, an increase of 690 million yen over the end of the previous consolidated fiscal year. This was mainly due to an increase of 487 million yen in accrued tax payable and 212 million yen in other current liabilities which resulted from strong business performance. Long-term liabilities totaled 1,815 million yen, a decrease of 69 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 36 million yen in reserve for product warranties resulting from the implementation of the shift to manufacturer liability for maintenance service.

As a result, total liabilities were 5,983 million yen, an increase of 620 million yen compared to the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of the current consolidated fiscal year were 18,826 million yen, an increase of 1,091 million yen over the end of the previous fiscal year. This was mainly due to an increase of 899 million yen in retained earnings as a result of strong business performance, and increases of 63 million yen in the capital surplus and 70 million yen in treasury stock resulting from disposal of treasury stock.

As a result, the capital adequacy ratio was 75.5% (compared to 76.4% 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 8,289 million yen, an increase of 306 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)

Net cash earned through operating activities amounted to 1,712 million yen. This is mainly due to the fact that income before income taxes and minority interests was 2,599 million yen as a result of the strong business performance in the current fiscal year, but the fact that the company paid 421 million yen in income taxes was also a factor.

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

Net cash used in investing activities amounted to 544 million yen. The 1,024 million yen in income from leasing of investment real estate was a factor however, this was mainly due to 670 million yen in purchases of investment securities, 479 million yen in purchases of software development related intangible fixed assets, and 417 million yen in lending.

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

Net cash used in financing activities amounted to 693 million yen. This was mainly due to cash dividends paid of 714 million yen.

(4) Outlook

As for the future outlook, due to the impacts of the coronavirus disease, there is an urgent need for structural reform in the medical industry. With the revision of the medical care system in April 2022, clinics and pharmacies are expected to play greater role in care for local residents in terms of promoting measures against coronavirus infection and DX (digital transformation) for the medical field. In addition, with tough conditions for NHI drug prices continuing and pharmacies shifting from physical to human services, there is increasing demand for services more centered on the patient.

The government has announced its policy of thoroughly promoting ICT in the medical and other fields, and it is expected that the need for information sharing initiatives among other professions, including nursing care and welfare, will continue to increase. To this end, the Group is committed to providing enhanced support to medical and nursing care/welfare providers through cloud-based information sharing that leverages the "MAPs Series" of common information system platforms to improve safety and operational efficiency.

Today, February 9, 2022, we announced our new medium-term management plan (three-year plan). We will focus on expanding our market share for future business development, developing human resources capable of assuming the reins of leadership of our group, and enhancing our sustainability management.

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 December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash on hand and in banks	7,982	8,289
Notes and accounts receivable	2,004	2,555
Merchandise and products	248	688
Raw materials and supplies	0	0
Others	968	1,040
Allowance for bad debts	(14)	(0)
Total current assets	11,191	12,574
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,393	1,359
Accumulated depreciation	(733)	(754)
Buildings and structures (net)	660	604
Land	525	474
Lease assets	122	15
Accumulated depreciation	(109)	(10)
Lease assets (net)	13	4
Rental assets	49	48
Accumulated depreciation	(44)	(45)
Rental assets (net)	5	2
Construction in progress	—	72
Others	841	848
Accumulated depreciation	(603)	(674)
Others (net)	237	174
Total tangible fixed assets	1,441	1,333
Intangible fixed assets		
Software	1,532	1,393
Software in progress	555	732
Goodwill	383	285
Others	119	109
Total intangible fixed assets	2,591	2,521
Investments and other assets		
Investment securities	9	677
Investment real estate	10,444	10,527
Accumulated depreciation	(3,505)	(3,794)
Investment real estate (net)	6,938	6,733
Allowance for bad debts	142	117
Deferred tax asset	519	558
Net defined benefit asset	120	29
Other	143	280
Allowance for bad debts	(0)	(15)
Total investments and other assets	7,872	8,380
Total fixed assets	11,905	12,234
Total assets	23,096	24,809

(Units: millions of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable	833	852
Current portion of long-term loans payable	—	—
Accounts payable-other	506	465
Lease obligations	24	4
Income taxes payable, etc.	176	663
Accrued consumption taxes	150	125
Provision for bonuses	344	403
Provision for points card certificates	3	4
Others	1,435	1,648
Total current liabilities	3,476	4,167
Non-current liabilities		
Lease obligations	5	1
Net defined benefit liability	1,065	1,039
Provision for product warranties	86	50
Long-term guarantee deposited	728	724
Long-term Accounts payable-other	—	—
Deferred tax liabilities	—	—
Total non-current liabilities	1,885	1,815
Total liabilities	5,362	5,983
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,283	3,347
Retained earnings	13,216	14,116
Treasury stock	(1,610)	(1,539)
Total shareholder's equity	17,675	18,708
Cumulative amount of other comprehensive income		
Foreign currency translation adjustments	31	69
Remeasurements of defined benefit plans	(51)	(49)
Total other cumulative comprehensive income	(19)	19
Subscription rights to shares	55	55
Non-Controlling Interest	23	42
Total net assets	17,734	18,826
Total liabilities and net assets	23,096	24,809

(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, 2020 To December 31, 2020)	Current fiscal year (From January 1, 2021 To December 31, 2021)
Sales	9,660	14,436
Cost of sales	4,757	7,345
Gross profit	4,903	7,090
Selling, general and administrative expenses		
Promotion expenses	14	22
Packing and transportation expenses	18	28
Advertising expenses	99	111
Provision of allowance for doubtful accounts	(2)	1
Provision for product warranties	(15)	18
Directors' compensations	202	277
Salaries and allowances	1,596	2,122
Bonuses	233	245
Provision for bonuses	279	317
Share-based compensation expenses	65	94
Retirement benefit expenses	85	98
Legal welfare expenses	323	405
Traveling and transportation expenses	66	111
Communication expenses	53	70
Depreciation	31	67
Amortization of goodwill	73	97
Rents	161	209
Research and development expenses	18	20
Other	559	898
Total selling, general and administrative expenses	3,865	5,219
Operating profit	1,037	1,870
Non-operating income		
Interest income	1	192
Rent income of real estate	730	1,019
Miscellaneous income	18	7
Total non-operating income	750	1,219
Non-operating expenses		
Interest expenses	0	0
Commission fee	0	0
Rent expenses on real estates	307	465
Amortization of share issuance cost	—	—
Miscellaneous loss	11	16
Total non-operating expenses	318	482
Ordinary profit	1,469	2,607

(Units: millions of yen)

	Previous fiscal year (From April 1, 2020 To December 31, 2020)	Current fiscal year (From January 1, 2021 To December 31, 2021)
Extraordinary income		
Gain on sales of non-current assets	40	—
Gain on reversal of share acquisition rights	15	—
Gain on negative goodwill	—	—
Total extraordinary income	55	0
Extraordinary losses		
Loss on retirement of non-current assets	2	8
Loss on sales of non-current assets	0	—
Impairment loss	—	—
Loss on cancellation of leases	1	0
Total extraordinary losses	4	8
Profit before income taxes	1,520	2,599
Income taxes - current	481	828
Income taxes - deferred	(16)	(40)
Total income taxes	465	787
Net income	1,055	1,811
Profit(Loss) attributable to Non-controlling shareholders	(6)	(17)
Profit attributable to owners of parent	1,062	1,829

(Consolidated statements of comprehensive income)

(Units: millions of yen)

	Previous fiscal year (From April 1, 2020 To December 31, 2020)	Current fiscal year (From January 1, 2021 To December 31, 2021)
Net income	1,055	1,811
Other comprehensive income		
Foreign currency translation adjustments	4	37
Remeasurements of defined benefit plans	2	1
Total other comprehensive income	6	39
Comprehensive income	1,062	1,850
(Breakdown)		
Comprehensive income concerning parent company shareholders	1,068	1,868
Comprehensive income concerning non-controlling shareholders	(6)	(17)

(3) Consolidated Statement of Changes in Equity

Previous 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 in ownership interest of parent due to transactions with non-controlling interests.					
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
Change in ownership interest of parent due to transactions with non-controlling interests.						
Change of scope of consolidation						
Net changes of items other than shareholders' equity	4	2	6	(36)	23	43
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

Current fiscal year (From January 1st, 2021 to December 31st, 2021)

(Units: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,785	3,283	13,216	(1,610)	17,675
Changes of items during period					
Exercise of share acquisition rights					-
Dividends of surplus			(710)		(710)
Profit attributable to owners of parent			1,829		1,829
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		54		70	125
Change in ownership interest of parent due to transactions with non-controlling interests.		8			8
Change of scope of consolidation			(219)		(219)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	63	899	70	1,033
Balance at end of current period	2,785	3,347	14,116	(1,539)	18,708

	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	31	(51)	(19)	55	23	17,734
Changes of items during period						
Exercise of share acquisition rights						-
Dividends of surplus						(710)
Profit attributable to owners of parent						1,829
Purchase of treasury shares						(0)
Disposal of treasury shares						125
Change in ownership interest of parent due to transactions with non-controlling interests.						8
Change of scope of consolidation						(219)
Net changes of items other than shareholders' equity	37	1	39	-	18	57
Total changes of items during period	37	1	39	-	18	1,091
Balance at end of current period	69	(49)	19	55	42	18,826

(4) Consolidated Statement of Cash Flows

(Units: millions of yen)

	Previous fiscal year (From April 1, 2020 To December 31, 2020)	Current fiscal year (From January 1, 2021 To December 31, 2021)
Cash flows from operating activities		
Profit before income taxes	1,520	2,599
Depreciation	610	876
Amortization of goodwill	73	97
Impairment loss	—	—
Gain on negative goodwill	—	—
Decrease (increase) in net defined benefit asset	(4)	90
Increase (decrease) in net defined benefit liability	45	(25)
Increase (decrease) in provision for product warranties	(59)	(36)
Increase (decrease) in provision for bonuses	(13)	58
Increase (decrease) in provision for point card certificates	(0)	0
Increase (decrease) in allowance for doubtful accounts	(2)	1
Interest and dividend income	(1)	(192)
Rent income of real estate	(730)	(1,019)
Expenses of real estate rent	133	192
Interest expenses	0	0
profit on sale of securities(profit)	-	(0)
profit on sale of non-current assets	(40)	—
Loss on sale of non-current assets	0	—
Loss on retirement of non-current assets	2	8
Share-based compensation expenses	67	94
Gain on reversal of share acquisition rights	(15)	—
Decrease (increase) in notes and accounts receivable-trade	115	(546)
Decrease (increase) in inventories	(50)	(439)
Decrease (increase) in other current assets	(487)	51
Increase (decrease) in notes and accounts payable-trade	(123)	18
Increase (decrease) in accrued consumption taxes	50	(25)
Increase (decrease) in other current liabilities	150	168
Other, net	31	(30)
Subtotal	971	1,940
Interest and dividend income received	1	192
Interest expenses paid	(0)	(0)
Income taxes paid	(530)	(421)
Net cash provided by (used in) operating activities	442	1,712

(Units: millions of yen)

	Previous fiscal year (From April 1, 2020 To December 31, 2020)	Current fiscal year (From January 1, 2021 To December 31, 2021)
Cash flows from investing activities		
Purchase of property, plant and equipment	(373)	(116)
Proceeds from sales of property, plant and equipment	89	—
Purchase of intangible assets	(475)	(479)
Purchase of investment securities	—	(670)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	2
Proceeds from rental of real estate for investment	731	1,024
Payments for rental of real estate for investment	(133)	(192)
Collection of loans receivable	21	293
Payments of loans receivable	(19)	(417)
Proceeds from guarantee deposits received	6	76
Repayments of guarantee deposits received	—	(62)
Other, net	6	(2)
Net cash provided by (used in) investing activities	(147)	(544)
Cash flows from financing activities		
Repayments of long-term loans payable	(34)	—
Repayments of lease obligations	(23)	(24)
Proceeds from issuance of common shares	147	—
Purchase of treasury shares	(499)	(0)
Cash from Non-controlling shareholders	30	45
Cash dividends paid	(707)	(714)
Net cash provided by (used in) financing activities	(1,087)	(693)
Effect of exchange rate change on cash and cash equivalents	4	35
Net increase (decrease) in cash and cash equivalents	(787)	509
Cash and cash equivalents at beginning of period	8,770	7,982
Increase in cash and cash equivalents from newly consolidated subsidiary	—	(202)
Cash and cash equivalents at end of period	7,982	8,289

(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, 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.

Current fiscal year (From January 1st, 2021 to December 31st, 2021)

(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	11,225	1,957	560	692	14,436	—	14,436
Inter-segment sales and transfers	2	—	—	28	30	(30)	—
Total	11,228	1,957	560	720	14,467	(30)	14,436
Segment profit	1,852	22	(12)	(27)	1,835	35	1,870
Segment assets	4,370	1,027	984	660	7,042	17,766	24,809
Other items							
Depreciation	133	125	63	4	327	548	875
Increase in property, plant and equipment and intangible assets	144	15	274	4	438	190	629

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	9,699	14,467
Transfer to non-operating income	(33)	—
Eliminations for inter-segment transactions	(4)	(30)
Net sales on the consolidated financial statements	9,660	14,436

(Units: millions of yen)

Profit	Previous fiscal year	Current fiscal year
Total for reportable segments	1,020	1,835
Transfer to non-operating income	(13)	—
Eliminations for inter-segment transactions	30	35
Net sales on the consolidated financial statements	1,037	1,870

(Units: millions of yen)

Assets	Previous fiscal year	Current fiscal year
Total for reportable segments	5,839	7,042
Transfer to non-operating income	17,904	18,312
Eliminations for inter-segment transactions	(647)	(546)
Net sales on the consolidated financial statements	23,096	24,809

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	427	327	173	548	601	875
Increase in property, plant and equipment and intangible assets	593	438	—	190	593	629

Related information

Previous 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.

Current fiscal year (January. 1, 2021 – December. 31, 2021)

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, 2020 – Dec. 31, 2020)

Not applicable.

Current fiscal year (Jan. 1, 2021 – Dec. 31, 2021)

Not applicable.

【Amortization of goodwill and unamortized balance by reportable segment】

Previous 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

Current fiscal year (Jan. 1, 2021 – Dec. 31, 2021)

(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	-	-	75	22	97
Unamortized balance at the period-end	-	-	166	119	285

【Gain on negative goodwill by reportable segment】

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

Not applicable.

Current fiscal year (Jan. 1, 2021 – Dec. 31, 2021)

Not applicable.

(Per Share Information)

(Units: Yen 100ths of a yen)

Previous fiscal year (From April 1, 2020 To December 31, 2020)		Current fiscal year (From January 1, 2021 To December 31, 2021)	
Net assets per share	248.55	Net assets per share	263.12
Net income per share	14.95	Net income per share	25.72
Diluted net income per share	14.88	Diluted net income per share	25.64

Notes: 1. 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, 2020 To December 31, 2020)	Current fiscal year (From January 1, 2021 To December 31, 2021)
Net income per share		
Profit attributable to owners of parent	1,062	1,829
Amounts not available to common stock shareholders	—	—
Profit attributable to owners of parent available to common stock	1,062	1,829
Average number of shares of common stock outstanding during the period (Shares)	71,086,475	71,111,841
Diluted net income per share		
Adjusted profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (Shares)	325,921	222,934
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)

Based on the resolution of the Board of Directors' meeting held on December 13, 2021, the Company acquired additional shares of Good Cycle System Inc. on January 5, 2022, making the company an equity-method affiliate.

(1) Purpose: Policy investment

(2) Date of stock acquisition: January 5, 2022

(3) Outline of Good Cycle System Inc.

① Date of establishment: December 24, 2004

② Capital: 254 million yen

③ Address: Shibuya Ward, Tokyo

④ Representative: Tomoaki Endo, Representative Director

⑤ Main areas of expertise:

Design, development, sales and maintenance of insurance pharmacy support systems

Patient support services and PHR services for pharmaceutical companies

Support services for improving pharmacist capability

(Acquisition of treasury stock)

At a meeting of the Board of Directors held on February 9, 2022, the Company passed a resolution on matters related to the acquisition of its own shares in accordance with the provisions of Article 156 of the Companies Act,

with a replacement of the terms pursuant to the provisions of Article 165, Paragraph 3 of the same act.

1.Reasons for the acquisition of treasury stock

To implement a flexible capital policy in response to changes in the business environment and to improve capital efficiency

2.Details of matters related to the acquisition

(1) Type of shares to be acquired: Common stock of the Company

(2) Total number of shares to be acquired: 900,000 shares (upper limit)

(1.26% of the total number of shares issued excluding treasury stock)

(3) Total acquisition cost: 500,000,000 yen (upper limit)

(4) Period of acquisition: February 10, 2022 - August 31, 2022

(5) Method of acquisition: Market buying, Tokyo Stock Exchange

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.