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## December 2022 3<sup>rd</sup> Quarter Financial Statement [Japan Standard] (Consolidated)

November 10<sup>th</sup>, 2022

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)	Hiromasa 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	November 10 <sup>th</sup> , 2022	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 2022 3<sup>rd</sup> Quarter Financial Statement (January 1<sup>st</sup> 2022 through September 30<sup>th</sup>, 2022)

#### (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 2022 3 <sup>rd</sup> quarter	12,491	20.3	2,113	80.3	2,457	39.5	1,644	31.4	
December 2021 3 <sup>rd</sup> quarter	10,386	-	1,172	-	1,762	-	1,251	-	
(Note) Comprehensive income	December 2022 3 <sup>rd</sup> Quarter	1,688	Millions of yen	(32.2)	December 2021 3 <sup>rd</sup> Quarter	1,277	Millions of yen	-	
		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 2022 3 <sup>rd</sup> quarter		23.21				23.13			
December 2021 3 <sup>rd</sup> quarter		17.60				17.55			

(Note) 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. Due to the change of the settlement date, the company did not prepare consolidated financial statements for the 3<sup>rd</sup> Quarter, 2021. Therefore, the year-on-year rate of change is not listed for the entire fiscal period of 3<sup>rd</sup> Quarter, 2021.

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
December 2022 3 <sup>rd</sup> quarter	Millions of yen 25,044	Millions of yen 19,203	% 76.3
December 2021	24,809	18,826	75.5

(Refer to) Net capital	December 2022 3 <sup>rd</sup> Quarter	19,120	Millions of yen	December 2021 period	18,728	Millions of yen
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## 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 2021	–	4.00	–	7.00	11.00
December 2022	–	4.00	–		
December 2022 (estimate)				7.00	11.00

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

## 3. Estimated consolidated results of December 2022 period (January 1<sup>st</sup>, 2022 through December 31<sup>st</sup>, 2022)

(% 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	16,436	13.9	2,431	30.0	2,977	14.2	2,063	12.8	29.07

(Note) 1. Revisions from the last published forecast of financial results: None

### \* 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.9 "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. : Yes
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 2022 3 <sup>rd</sup> quarter	74,514,800 shares	December 2021 period	74,514,800 shares
2. Number of own shares at end of term	December 2022 3 <sup>rd</sup> quarter	3,906,949 shares	December 2021 period	3,335,617 shares
3. Average number of shares outstanding during term (quarterly total)	December 2022 3 <sup>rd</sup> quarter	70,851,772 shares	December 2021 2 <sup>nd</sup> quarter	71,089,094 shares

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

\* 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

Although Japan experienced a temporary surge in infections due to emergence of variant strains of the COVID-19 virus, economic and social activities are gradually returning to normal during this 3rd quarter consolidated period owing to the progression of COVID-19 vaccinations and other factors. On the other hand, the situation remains unpredictable due to escalating risks bearing down on the economy, such as the prolonged situation in Ukraine, the rising prices of goods due to higher resource costs across the board and the rapid depreciation of the yen in foreign exchange markets, among other risks.

In the pharmacy industry, our main clients, the introduction of systems that enable online verification of eligibility information using one's Individual Number or health insurance card at the reception counter of medical institutions, etc., which will, in principle, become mandatory from April 2023, is accelerating due to revisions to the medical system enacted in April 2022. In addition, use of these online eligibility verification systems, beginning in January 2023, will further strengthen the trend toward digitization of the medical field, including the commencement of electronic processing of prescriptions, which are currently paper-based.

Against this backdrop, we have been securing the materials and personnel necessary to install online eligibility verification systems, and expanding the scope of installations to encompass customers who plan to initialize the system.

Our group has also launched MAPs for NURSING CARE, a business support system for long-term care/welfare providers. This cloud-based system will feature better functions than the current product, and due to the fact that it can be installed in any location and at a low price, providers have been steadily adopting it following its release. With the release of MAPs for NURSING CARE, our group's entire MAPs series of next-generation products is now available, and we intend to conduct further promotional activities to expand our market share, with the aim of supporting the digital transformation of the medical and long-term care fields moving forward.

As a result, our business results for this 3rd quarter consolidated cumulative period was 12,491 million yen in sales (a 20.3% increase compared to the same period in the previous year), 2,113 million yen in operating profits (a 80.3% increase), 2,457million yen in ordinary profits (a 39.5%increase), and 1,644 million yen in this quarterly net income belonging to parent company shareholders (a 31.4% increase).

By segment results are as follows.

#### (ITS Systems and Related Business for Pharmacies)

In regard to IT systems and related business for pharmacies, in addition to the increase of initial sales, billing sales have also increased accompanying an increase in the number of customers due to expanded incorporation of the online eligibility verification system and MAPs for PHARAMCY, as well as due to an increase in the number of existing systems sold.

Consequently, IT Systems and Related Business for Pharmacies for this 3rd quarter consolidated cumulative period resulted in 9,975million yen in sales (a 24.4% increase compared with the same period in the previous year) and 2,370 million yen in operating profits (a 98.0% increase).

#### (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 an increase in initial sales due to expanded incorporation of the online eligibility verification system, billing sales have also been bullish due to an increase in sales of existing systems, as well as due to a steady increase in the number of billing customers who installed MAPs for CLINIC, etc. At the same time, selling and administrative expenses have also increased due to initiatives aimed at expanding our share of the market for clinic systems.

Consequently, IT Systems and Related Business for Clinics for this 3rd quarter consolidated cumulative period resulted in 1,623 million yen in sales (a 13.7% increase compared to the same period in the previous year) and 210 million yen in operating losses (previous period: 20million yen in operating profits).

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

In our long-term care/welfare system business, billing sales remain bullish due to an increase in the number of licenses, while initial sales decreased due to initialization of a large project during the same period in the previous year. In addition, depreciation associated with the release of MAPs for NURSING CARE has commenced, and our sales and administrative expenses have also risen due to our efforts in expanding sales channels.

Consequently, IT Systems and Related Business for Long-term Care/Welfare for this 3rd quarter consolidated cumulative period resulted in 401 million yen in sales (a 6.7% decrease compared with the same period in the previous year) and 33 million yen in operating losses (previous period: 35 million yen in operating losses)

(Other businesses)

Sales have increased due to the expansion of our subsidiary cashless business. However, both sales and operating profits have decreased in the pharmacy segment due to the effects of the COVID-19 pandemic.

Consequently, other business for this 3rd quarter consolidated cumulative period resulted in 528 million yen in sales (a 1.6% increase compared to the same period in the previous year) and 35 million yen in operating losses (previous period: 33 million yen in operating losses).

(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 this 3rd quarter consolidated accounting period came to 12,516 million yen, a decrease of 58 million yen compared to the end of the previous consolidated fiscal year. Primarily, this is due to a 54 million yen decrease in notes and accounts receivable and a 51 million yen decrease in other assets resulting from a corporation tax, etc. refund, coupled with a 63 million yen increase in cash on hand and in banks. Fixed assets came to 12,527 million yen, an increase of 293 million yen compared to the end of the previous consolidated fiscal year. Primarily, this is due to an increase of 623 million yen in investment securities resulting from acquisition of shares in Good Cycle System Inc., coupled with an increase of 122 million yen in software accompanying the release of MAPs for NURSING CARE, a decrease of 233 million yen in software in progress, and a decrease of 163 million yen in investment real estate depreciation.

As a result, total assets were 25,044 million yen, an increase of 235 million yen from the end of the previous consolidated fiscal year

(Liabilities)

Current liabilities during this 3rd quarter consolidated accounting period came to 3,911 million yen, a decrease of 255 million yen compared to the end of the previous consolidated fiscal year. Primarily, this is due to a decrease of 183 million yen in income taxes payable, etc. resulting from payment. Fixed liabilities came to 1,929 million yen, an increase of 113 million yen compared to the end of the previous consolidated fiscal year. Primarily, this is due to a 73 million yen increase in lease obligations and a 47 million yen increase in net defined benefit liability.

As a result, total liabilities were 5,840 million yen, an increase of 142 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of this 3rd quarter consolidated accounting period came to 19,203 million yen, an increase of 377 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to acquisition of 499 million yen in treasury stock, 781 million yen in dividend payment, while retained earnings increased by 1,644 million yen.

As a result, equity ratio was 76.3% (75.5% at the end of the previous 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 2022 remain unchanged from those announced on August 9, 2022 in the December 2022 2nd Quarter Financial Statement.

## 2. Quarterly consolidated financial statements and major explanatory notes

### (1) Quarterly consolidated balance sheet

(Units: millions of yen)

	Previous consolidated fiscal year (December 31st, 2021)	This 3 <sup>rd</sup> quarter consoli- dated fiscal period (September 30th, 2022)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	8,289	8,353
Notes and accounts receivable	2,555	2,501
Merchandise and products	688	674
Raw materials and supplies	0	0
Others	1,040	988
Allowance for bad debts	(0)	(1)
Total current assets	12,574	12,516
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	604	578
Land	474	474
Lease assets (net)	4	106
Rental assets (net)	2	1
Construction in progress	72	71
Others (net)	174	149
Total tangible fixed assets	1,333	1,382
Intangible fixed assets		
Software	1,393	1,515
Software in progress	732	498
Reputation	285	212
Others	109	101
Total intangible fixed assets	2,521	2,328
Investments and other assets		
Investment securities	677	1,301
Investment real estate (net)	6,733	6,569
Net defined benefit asset	29	31
Others	955	925
Allowance for bad debts	(15)	(11)
Total investments and other assets	8,380	8,816
Total fixed assets	12,234	12,527
Total assets	24,809	25,044

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 <sup>st</sup> , 2021)	This 3 <sup>rd</sup> quarter consoli- dated fiscal period (September 30 <sup>th</sup> , 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	852	900
Accounts payable-other	465	519
Lease obligations	4	36
Income taxes payable, etc.	663	480
Provision for bonuses	403	429
Provision for points card certificates	4	
Contract liability	—	973
Others	1,773	571
Total current liabilities	4,167	3,911
Fixed liabilities		
Lease obligations	1	74
Net defined benefit liability	1,039	1,086
Provision for product warranties	50	22
Long-term guarantee deposits	724	745
Total fixed liabilities	1,815	1,929
Total liabilities	5,983	5,840
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,347	3,347
Retained earnings	14,116	14,949
Treasury stock	(1,539)	(2,039)
Total shareholder's equity	18,708	19,042
Cumulative amount of other comprehensive income		
valuation difference on available-for-sale securities	—	2
Foreign currency translation adjustments	69	114
Remeasurements of defined benefit plans	(49)	(38)
Total other cumulative comprehensive income	19	78
Subscription rights to shares	55	55
Minority interests	42	27
Total net assets	18,826	19,203
Total liabilities and net assets	24,809	25,044

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

(Quarterly consolidated statements of income)

(3<sup>rd</sup> quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 3 <sup>rd</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2021 To September 30 <sup>th</sup> , 2021)	This 3 <sup>rd</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2022 To September 30 <sup>th</sup> , 2022)
Sales	10,386	12,491
Cost of sales	5,367	6,230
Gross profit	5,018	6,260
Selling, general and administrative expenses	3,845	4,147
Operating profits	1,172	2,113
Non-operating profits		
Interest income	1	2
Dividend income	190	—
Real estate rental income	754	783
Others	7	12
Total non-operating profits	953	798
Non-operating expenses		
Interest expense	0	4
Real estate rental expenses	349	307
Equity Losses of Affiliated Companies	—	132
Others	14	10
Total non-operating expenses	363	454
Ordinary profits	1,762	2,457
Special losses		
Losses on disposal of fixed assets	1	0
Total special losses	1	0
Quarterly net income before adjustment for taxes, etc.	1,760	2,457
Corporation tax, etc.	522	828
Quarterly net income	1,237	1,629
Loss attributable to non-controlling interests	(13)	(14)
Profit attributable to owners of parent	1,251	1,644

(Quarterly consolidated statements of comprehensive income)

(3<sup>rd</sup> quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 3 <sup>rd</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2021 To September 30 <sup>th</sup> , 2021)	This 3 <sup>rd</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2022 To September 30 <sup>th</sup> , 2022)
Quarterly net income	1,237	1,629
Other comprehensive income		
valuation difference on available-for-sale securities	—	2
Foreign currency translation adjustments	24	45
Remeasurements of defined benefit plans	15	10
Total other comprehensive income	39	58
Quarterly comprehensive income	1,277	1,688
(Breakdown)		
Quarterly comprehensive income concerning parent company shareholders	1,290	1,702
Quarterly comprehensive income concerning non-controlling shareholders	(13)	(14)



(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 3<sup>rd</sup> 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.