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Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2022

[Japanese GAAP]

February 14, 2023

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 Scheduled date of Annual General Meeting of Shareholders: March 23,2023
 Scheduled date of payment of dividend: March 24,2023
 Scheduled date of filing of Annual Securities Report: March 23,2023
 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, 2022(January 1, 2022 – December 31, 2022)

(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, 2022	16,919	17.2	2,395	28.1	2,791	7.0	1,893	3.5
Fiscal year ended Dec. 31, 2021	14,436	—	1,870	—	2,607	—	1,829	—

(refer to) comprehensive income Fiscal year ended Dec. 31, 2022 1,949 Million s of yen 5.4% Fiscal year ended Dec. 31, 2021 1,850 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, 2022	26.75		26.66		9.9	10.9	14.2
Fiscal year ended Dec. 31, 2021	25.72		25.64		10.1	10.9	13.0

(Refer to) Equity in earnings of affiliates Fiscal year ended Dec. 31, 2022 (218) Millions of yen Fiscal year ended Dec. 31, 2021 — Millions of yen

(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 fiscal year 2021. Therefore, the year-on-year rate of change is not listed for the entire fiscal period of fiscal year, 2021.

(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, 2022	26,349		19,503		73.7	274.94	
As of Dec 31, 2021	24,809		18,826		75.5	263.12	

(Refer to) Net capital As of Dec. 31, 2022 19,424 Millions of yen As of Dec. 31, 2021 18,728 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, 2022	2,472		(577)		(1,319)		8,881	
Fiscal year ended Dec. 31, 2021	1,712		(544)		(693)		8,289	

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, 2021	—	4.00	—	7.00	11.00	782	42.8	4.3
Fiscal year ended Dec. 31, 2022	—	4.00	—	8.00	12.00	848	44.9	4.5
Fiscal year ended Dec. 31, 2023 (estimate)	—	5.00	—	7.00	12.00		38.2	

3. Estimated consolidated results of the Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023) (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	9,342	14.4	1,033	(24.0)	1,290	(19.5)	827	(24.0)	11.72
Full year	19,608	15.9	2,827	18.0	3,333	19.4	2,217	17.1	31.39

* 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. | : YES |
| 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, 2022	74,514,800 shares	As of Dec. 31, 2021	74,514,800 shares
2. Number of own shares at end of term	As of Dec. 31, 2022	3,865,149 shares	As of Dec. 31, 2021	3,335,617 shares
3. Average number of shares outstanding during term (quarterly total)	As of Dec. 31, 2022	70,801,285 shares	As of Dec. 31, 2021	71,111,841 shares

(Refer to) Summary of Non-Consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(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, 2022	16,066	18.2	2,157	24.7	2,838	12	1,967	(3.2)
Fiscal year ended Dec. 31, 2021	13,597	—	1,730	—	2,534	—	2,033	—

	Net income per share		Diluted net income per share	
	Yen	100ths of a yen	Yen	100ths of a yen
Fiscal year ended Dec. 31, 2022		27.79		27.71
Fiscal year ended Dec. 31, 2021		28.60		28.51

(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 fiscal year 2021. Therefore, the year-on-year rate of change is not listed for the entire fiscal period of fiscal year, 2021.

(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, 2022	25,230	18,977	75.0	267.83
As of Dec. 31, 2021	23,870	18,217	76.1	255.16

(Refer to) Shareholders' equity As of Dec. 31, 2022 18,922 Millions of yen As of Dec. 31, 2021 18,162 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.

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1. Overview of management performance, etc.

(1) Explanation regarding operating results

During the fiscal year ending December 31, 2022, the Japanese economy showed signs of recovery in some areas due to the progress of nationwide novel coronavirus vaccination programs, but overall economic recovery slowed due to the turbulent world situation and sudden fluctuations in the yen exchange rate. There are many causes for concern, such as high resource prices and rising general prices, and the situation remains uncertain.

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 (Transitional measures apply until September 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.

In July 2022, our group launched the business support system "MAPs for NURSING CARE" for nursing care/welfare offices, and in December 2022 we launched the business support system "MAPs for PHARMACY DX" for pharmacies. At the same time, in order to improve the Group's name recognition and expand sales of the next-generation MAPs series related products, the Group's first TV commercial was run for the FIFA World Cup and for year-end TV programs, which have high viewer ratings. In order to support DX in the medical and nursing care field, we will continue to rebuild our internal organizational structure and implement digital marketing to expand our market share.

As a result, performance during the consolidated fiscal year concerned was 16,919 million yen in sales (a 17.2% increase compared to the same period in the previous year), 2,395 million yen in operating profits (a 28.1% increase), 2,791 million yen in ordinary profits (a 7.0% increase), and 1,893 million yen in this quarterly net income belonging to parent company shareholders (a 3.5% increase).

By segment results are as follows.

(ITS Systems and Related Business for Pharmacies)

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

In order to respond to the rapid changes in dispensing pharmacies and support pharmacy management centered on patient services through pharmacy "DX", and in line with the concept of the renewal of "MAPs for PHARMACY," which was released in 2019, "MAPs for PHARMACY DX" service was launched.

Consequently, IT Systems and Related Business for Pharmacies for this consolidated fiscal year resulted in 13,530 million yen in sales (a 20.5% increase compared with the same period in the previous year) and 3,031 million yen in operating profits (a 63.6% 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 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 consolidated fiscal year resulted in 2,202 million yen in sales (a 12.5% increase compared to the same period in the previous year) and 409 million yen in operating losses (previous period: 22 million 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 order 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 consolidated fiscal year resulted in 539 million yen in sales (a 3.6% decrease compared with the same period in the previous year) and 211 million yen in operating losses (previous period: 12 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 consolidated fiscal year resulted in 713 million yen in sales (a 1.1% decrease compared to the same period in the previous year) and 42 million yen in operating losses (previous period: 27 million yen in operating losses).

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

(2) Overview of financial position in the current period

(Assets)

Current assets at the end of the current consolidated fiscal year were 13.849 billion yen, an increase of 1.274 billion yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 591 million yen in cash and deposits, 396 million yen in goods and products, and 205 million yen in notes and accounts receivable-trade as a result of steady business performance. Fixed assets were 12.5 billion yen, an increase of 265 million yen from the end of the previous consolidated fiscal year. This result was mainly from a 585 million yen increase in investment securities due to new acquisitions, etc.; a 180 million yen increase in software resulting from the full-scale operation of MAPs for NURSING CARE, a business support system for nursing care and welfare facilities; a software in progress account decrease of 270 million yen; an investment real estate decrease of 213 million yen due to depreciation; a goodwill decrease of 97 million yen; and finally, an increase in other investments of 78 million.

As a result, total assets were 26,349 million yen, an increase of 1,540 million yen compared to the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of the current consolidated fiscal year were 4.944 billion yen, an increase of 777 million yen from the end of the previous consolidated fiscal year. This was mainly the result of an increase in notes and accounts payable-trade of 546 million yen and accounts payable-other of 491 million yen, which reflected our strong overall performance; other current liabilities decrease of 1.204 billion yen; and finally, an increase of contract liabilities of 995 million yen. Fixed liabilities amounted to 1.901 billion yen, an increase of 85 million yen from the end of the previous consolidated fiscal year. This was mainly the result of an increase of 72 million yen in lease obligations.

As a result, total liabilities were 6.846 billion yen, an increase of 863 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 19.503 billion yen, an increase of 677 million yen over the end of the previous fiscal year. This was mainly due to an increase of 1.083 billion yen in retained earnings as a result of strong business performance, and increases of 477 million yen in treasury stock resulting from acquisition of treasury stock.

As a result, the capital adequacy ratio was 73.7% (compared to 75.5% 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 8.881 billion yen, an increase of 591 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 provided by operating activities was 2.472 billion yen. This was mainly due to the earnings before taxes were 2,789 billion yen as a result of steady business performance, and a recording of 873 in goodwill, taxes paid were 1.027 billion yen and a decrease of 118 billion yen in provision for bonus in the current consolidated fiscal year.

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

Funds spent as a result of investment activities amounted to 577 million yen. This was mainly due to income from leasing investment properties of 1.054 billion yen; purchase of stocks of affiliates of 460 million yen; purchase of investment securities of 322 million yen; purchase of intangible fixed assets related to software development of 392 million yen; and finally, loan expenditure of 211 million yen and payment of 220 billion yen related to leasing investment properties.

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

Net cash used in financing activities amounted to 1,319 million yen. This was mainly due to cash dividends paid of 714 million yen and 499 million yen in disposal of treasury stock.

(4) Outlook

Regarding the future outlook, due to the spread of new coronavirus infections, there is an urgent need for reforms in the medical, nursing care and welfare industries and coronavirus measures, medical DX, clinics/pharmacies are expected to play an increasingly important role for local residents. In addition, drug prices continue to be in unfavorable due to annual medical fee revisions. Pharmacies are shifting from dealing with goods to dealing with people, and there is a demand for services that are “closer to home” for patients. The government has announced a policy to thoroughly promote the use of ICT in the medical field, and is currently promoting the introduction of an online qualification confirmation system and an electronic prescription system that utilize the My Number Card. By utilizing ICT, it is expected that the need for information coordination in other occupations including nursing care/welfare will increase. Through the "Shared information system platform" "MAPs series", our group will utilize the cloud system to improve safety and work efficiency through the sharing of information, thereby further enhancing support for the medical, nursing care and welfare workers.

The consolidated results for the fiscal year ending December 2023, reflecting the above circumstances, are as follows: net sales of 19.608 billion yen (up 15.9% year on year), operating income of 2.827 billion yen (up 18.0% year on year), ordinary income of 3.333 billion yen (up 19.4% year on year), net income attributable to parent company shareholders of 2.217 billion yen (up 17.1% year on year).

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, 2021	As of December 31, 2022
Assets		
Current assets		
Cash on hand and in banks	8,289	8,881
Notes and accounts receivable	2,555	2,761
Merchandise and products	688	1,084
Raw materials and supplies	0	0
Others	1,040	1,123
Allowance for bad debts	(0)	(1)
Total current assets	12,574	13,849
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,359	1,322
Accumulated depreciation	(754)	(747)
Buildings and structures (net)	604	575
Land	474	474
Lease assets	15	144
Accumulated depreciation	(10)	(46)
Lease assets (net)	4	97
Rental assets	48	47
Accumulated depreciation	(45)	(46)
Rental assets (net)	2	1
Construction in progress	72	—
Others	848	972
Accumulated depreciation	(674)	(749)
Others (net)	174	222
Total tangible fixed assets	1,333	1,371
Intangible fixed assets		
Software	1,393	1,574
Software in progress	732	461
Goodwill	285	188
Others	109	99
Total intangible fixed assets	2,521	2,323
Investments and other assets		
Investment securities	677	1,263
Investment real estate	10,527	10,574
Accumulated depreciation	(3,794)	(4,054)
Investment real estate (net)	6,733	6,519
Allowance for bad debts	117	133
Deferred tax asset	558	534
Net defined benefit asset	29	7
Other	280	358
Allowance for bad debts	(15)	(11)
Total investments and other assets	8,380	8,805
Total fixed assets	12,234	12,500
Total assets	24,809	26,349

(Units: millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable	852	1,398
Current portion of long-term loans payable	—	—
Accounts payable-other	465	957
Lease obligations	4	35
Income taxes payable, etc.	663	601
Accrued consumption taxes	125	222
Provision for bonuses	403	285
Provision for points card certificates contract liability	4	—
Others	—	999
Others	1,648	444
Total current liabilities	4,167	4,944
Non-current liabilities		
Lease obligations	1	74
Net defined benefit liability	1,039	1,061
Provision for product warranties	50	20
Long-term guarantee deposited	724	745
Long-term Accounts payable-other	—	—
Deferred tax liabilities	—	—
Total non-current liabilities	1,815	1,901
Total liabilities	5,983	6,846
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,347	3,362
Retained earnings	14,116	15,199
Treasury stock	(1,539)	(2,017)
Total shareholder's equity	18,708	19,329
Cumulative amount of other comprehensive income		
unrealized holding gains or loss on securities	—	35
Foreign currency translation adjustments	69	85
Remeasurements of defined benefit plans	(49)	(26)
Total other cumulative comprehensive income	19	94
Subscription rights to shares	55	55
Non-Controlling Interest	42	23
Total net assets	18,826	19,503
Total liabilities and net assets	24,809	26,349

(2) Consolidated statements of income and consolidated statements of comprehensive income

(Consolidated statements of income)

(Units: millions of yen)

	Previous fiscal year (From January 1, 2021 To December 31, 2021)	Current fiscal year (From January 1, 2022 To December 31, 2022)
Sales	14,436	16,919
Cost of sales	7,345	8,644
Gross profit	7,090	8,275
Selling, general and administrative expenses		
Promotion expenses	22	15
Packing and transportation expenses	28	24
Advertising expenses	111	442
Provision of allowance for doubtful accounts	1	1
Provision for product warranties	18	18
Directors' compensations	277	275
Salaries and allowances	2,122	2,459
Bonuses	245	219
Provision for bonuses	317	219
Share-based compensation expenses	94	87
Retirement benefit expenses	98	109
Legal welfare expenses	405	417
Traveling and transportation expenses	111	130
Communication expenses	70	71
Depreciation	67	73
Amortization of goodwill	97	97
Rents	209	202
Research and development expenses	20	0
Other	898	1,011
Total selling, general and administrative expenses	5,219	5,879
Operating profit	1,870	2,395
Non-operating income		
Interest income	192	12
Rent income of real estate	1,019	1,055
Miscellaneous income	7	14
Total non-operating income	1,219	1,083
Non-operating expenses		
Interest expenses	0	4
Commission fee	0	0
Rent expenses on real estates	465	451
Equity in losses of affiliates	-	218
Miscellaneous loss	16	12
Total non-operating expenses	482	687
Ordinary profit	2,607	2,791

(Units: millions of yen)

	Previous fiscal year (From January 1, 2021 To December 31, 2021)	Current fiscal year (From January 1, 2022 To December 31, 2022)
Extraordinary income		
Gain on sales of investment securities	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	8	2
Other	0	—
Profit before income taxes	2,599	2,789
Income taxes - current	828	916
Income taxes - deferred	(40)	(1)
Total income taxes	787	914
Net income	1,811	1,875
Profit(Loss) attributable to Non-controlling shareholders	(17)	(18)
Profit attributable to owners of parent	1,829	1,893

(Consolidated statements of comprehensive income)

(Units: millions of yen)

	Previous fiscal year (From January 1, 2021 To December 31, 2021)	Current fiscal year (From January 1, 2022 To December 31, 2022)
Net income	1,811	1,875
Other comprehensive income		
unrealized holding gains or loss on securities	—	35
Foreign currency translation adjustments	37	15
Remeasurements of defined benefit plans	1	23
Total other comprehensive income	39	74
Comprehensive income	1,850	1,949
(Breakdown)		
Comprehensive income concerning parent company shareholders	1,868	1,968
Comprehensive income concerning non-controlling shareholders	(17)	(18)

(3) Consolidated Statement of Changes in Equity

Previous 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					
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)
change of scope of equity method					—
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
	unrealized holding gains or loss on securities	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							
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)
change of scope of equity method							—
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

Current fiscal year (From January 1st, 2022 to December 31st, 2022)

(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	3,347	14,116	(1,539)	18,708
Cumulative effects of changes in accounting policies			0		0
Restated balance	2,785	3,347	14,116	(1,539)	18,708
Changes of items during period					
Exercise of share acquisition rights					-
Dividends of surplus			(781)		(781)
Profit attributable to owners of parent			1,893		1,893
Purchase of treasury shares				(499)	(499)
Disposal of treasury shares		15		22	37
Change in ownership interest of parent due to transactions with non-controlling interests.					-
Change of scope of consolidation					-
change of scope of equity method			(29)		(29)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	15	1,083	(477)	621
Balance at end of current period	2,785	3,362	15,199	(2,017)	19,329

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	unrealized holding gains or loss on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	-	69	(49)	19	55	42	18,826
Cumulative effects of changes in accounting policies							0
Restated balance	-	69	(49)	19	55	42	18,826
Changes of items during period							
Dividends of surplus							(781)
Profit attributable to owners of parent							1,893
Purchase of treasury shares							(499)
Disposal of treasury shares							37
Change in ownership interest of parent due to transactions with non-controlling interests.							-
Change of scope of consolidation							-
change of scope of equity method							(29)
Net changes of items other than shareholders' equity	35	15	23	74	-	(18)	56
Total changes of items during period	35	15	23	74	-	(18)	677
Balance at end of current period	35	85	(26)	94	55	23	19,503

(4) Consolidated Statement of Cash Flows

(Units: millions of yen)

	Previous fiscal year (From January 1, 2021 To December 31, 2021)	Current fiscal year (From January 1, 2022 To December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	2,599	2,789
Depreciation	876	873
Amortization of goodwill	97	97
Decrease (increase) in net defined benefit asset	90	(6)
Increase (decrease) in net defined benefit liability	(25)	62
Increase (decrease) in provision for product warranties	(36)	(29)
Increase (decrease) in provision for bonuses	58	(118)
Increase (decrease) in provision for point card certificates	0	—
Increase (decrease) in contract liability	—	(342)
Increase (decrease) in allowance for doubtful accounts	1	(3)
Interest and dividend income	(192)	(12)
Rent income of real estate	(1,019)	(1,055)
Expenses of real estate rent	192	220
Interest expenses	0	4
Equity gains (losses) of affiliated companies	—	218
profit on sale of securities(profit)	(0)	—
Loss on retirement of non-current assets	8	2
Share-based compensation expenses	94	87
Decrease (increase) in notes and accounts receivable-trade	(546)	(205)
Decrease (increase) in inventories	(439)	(396)
Decrease (increase) in other current assets	51	(73)
Increase (decrease) in notes and accounts payable-trade	18	546
Increase (decrease) in accrued consumption taxes	(25)	97
Increase (decrease) in other current liabilities	168	626
Other, net	(30)	27
Subtotal	1,940	3,411
Interest and dividend income received	192	12
Interest expenses paid	(0)	(4)
Income taxes paid	(421)	(1,027)
Refund of income taxes	—	80
Net cash provided by (used in) operating activities	1,712	2,472

(Units: millions of yen)

	Previous fiscal year (From January 1, 2021 To December 31, 2021)	Current fiscal year (From January 1, 2022 To December 31, 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(116)	(65)
Purchase of intangible assets	(479)	(392)
Purchase of investment securities	(670)	(322)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	2	—
Proceeds from rental of real estate for investment	1,024	1,054
Payments for rental of real estate for investment	(192)	(220)
Collection of loans receivable	293	35
Payments of loans receivable	(417)	(211)
Proceeds from guarantee deposits received	76	24
Repayments of guarantee deposits received	(62)	(4)
Payments for acquisition of shares of related companies	—	(460)
Other, net	(2)	(15)
Net cash provided by (used in) investing activities	(544)	(577)
Cash flows from financing activities		
Repayments of lease obligations	(24)	(38)
Purchase of treasury shares	(0)	(499)
Cash from Non-controlling shareholders	45	—
Cash dividends paid	(714)	(781)
Net cash provided by (used in) financing activities	(693)	(1,319)
Effect of exchange rate change on cash and cash equivalents	35	15
Net increase (decrease) in cash and cash equivalents	509	591
Cash and cash equivalents at beginning of period	7,982	8,289
Increase in cash and cash equivalents from newly consolidated subsidiary	(202)	—
Cash and cash equivalents at end of period	8,289	8,881

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Accounting policy revisions)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (Corporate Accounting Standards Statement No. 29, March 31, 2020 [hereinafter referred to as the "Accounting Standard for Revenue Recognition"]) was adopted by the Company and its subsidiaries effective the beginning of the current fiscal year. According to its terms, the Company now recognizes revenue at the amount expected to be received in exchange for the promised goods or services at the point at which control of the promised goods or services have been transferred to the customer.

As a result, we have changed the method of recognizing maintenance sales, which is determined to be related to our group as an agent, from being based on the gross amount to being based on the net amount. In addition, with respect to points granted to customers, the Company previously recorded the amount expected to be used out of the points issued as provisional points, a liability, to prepare for the use of the points granted, and recorded the amount of the provisional points as an expense. The Company has changed the method of recognizing the points granted by taking into account the expected future lapse of the points, and the Company now recognizes the performance obligation after allocating the awarded points to the stand-alone selling price, taking into account the possibility of future expiration.

The application of revenue recognition accounting standards, etc. follows the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings at the beginning of the current consolidated fiscal year, with the new accounting policy being applied considering the balance at the beginning of the current fiscal year.

As a result, in contrast to the conventional accounting treatment, net sales and cost of sales decreased by 401 million yen each, and operating income, ordinary income, and net income before income taxes increased by 0 million yen each in the current consolidated fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, sales deposits and deferred income previously found under "Provision for point card certificates" and "Other" included in "Current liabilities" in the consolidated balance sheet for the previous consolidated fiscal year are now included in "Contract liabilities." In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new posting method. In addition, in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the Company has not posted the breakdown of information related to revenue from contracts with customers for the previous fiscal year.

(Application of Accounting Standard for Calculation of Market Value)

The "Accounting Standard for Calculation of Market Value" (Corporate Accounting Standards Statement No. 30, July 4, 2019; hereinafter referred to as "Accounting Standard for Calculation of Market Value") went into effect from the beginning of the current fiscal year, and the new accounting policy stipulated by the "Accounting Standard for Calculation of Market Value" is considered effective going forward in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Calculation of Market Value and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (Corporate Accounting Standards Statement No. 10, July 4, 2019). Note, however, that the above does not entail any impact on the consolidated financial statements.

(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 January 1st, 2021 to December 31st, 2021)

(Units: millions of yen)

	Reportable segment					Adjustment (Note1.2.3)	Amounts recorded in consolidated financial statements (Note4)
	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	200	290	77	4	573	302	875
Increase in property, plant and equipment and intangible assets	144	15	274	4	438	190	629

Note

1. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.
2. Adjustment of segment assets includes corporate assets of 18.312 billion yen and inter-segment elimination of - 546 million yen. Corporate assets consist mainly of cash and deposits, investment real estate and other assets that do not belong to any reportable segment.
3. Adjustments to depreciation expenses and increases in tangible fixed assets and intangible fixed assets in other items are considered to be related to corporate assets.
4. Segment income or loss (Δ) is adjusted with operating income in the consolidated financial statements.

Information on amount of sales and profit and loss by reportable segment and breakdown of income
 Current fiscal year (From January 1st, 2022 to December 31st, 2022)

(Units: millions of yen)

	Reportable segment					Adjustment (Note1.2.3)	Amounts recorded in consolidated financial statements (Note4)
	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							
initial sales	6,463	1,135	40	—	7,639	—	7,639
system usage fee sales	4,422	791	199	—	5,413	—	5,413
consumable goods sales	1,863	61	—	—	1,925	—	1,925
maintenance service sales	765	214	299	—	1,279	—	1,279
other businesses	—	—	—	661	661	—	661
Revenue from contracts with customers	13,515	2,202	539	661	16,919	—	16,919
External sales	13,515	2,202	539	661	16,919	—	16,919
Inter-segment sales and transfers	15	—	—	51	66	(66)	—
Total	13,530	2,202	539	713	16,986	(66)	16,919
Segment profit	3,031	(409)	(211)	(42)	2,367	28	2,395
Segment assets	5,409	1,187	1,010	729	8,338	18,011	26,349
Other items							
Depreciation	361	190	96	4	652	220	873
Increase in property, plant and equipment and intangible assets	299	34	241	0	575	20	595

Note

1. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.
2. Adjustment of segment assets includes corporate assets of 18.722 billion yen and inter-segment elimination of - 711 million yen. Corporate assets consist mainly of cash and deposits, investment real estate and other assets that do not belong to any reportable segment.
3. Adjustments to depreciation expenses and increases in tangible fixed assets and intangible fixed assets in other items are considered to be related to corporate assets.
4. Segment income or loss (Δ) is adjusted with operating income in the consolidated financial statements.

Related information

Previous 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.

Current fiscal year (January. 1, 2022 – December. 31, 2022)

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 (Jan. 1, 2021 – Dec. 31, 2021)

Not applicable.

Current fiscal year (Jan. 1, 2022 – Dec. 31, 2022)

Not applicable.

【Amortization of goodwill and unamortized balance by reportable segment】

Previous 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

Current fiscal year (Jan. 1, 2022 – Dec. 31, 2022)

(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	-	-	91	97	188

【Gain on negative goodwill by reportable segment】

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

Not applicable.

Current fiscal year (Jan. 1, 2022 – Dec. 31, 2022)

Not applicable.

(Per Share Information)

(Units: Yen 100ths of a yen)

Previous fiscal year (From January 1, 2021 To December 31, 2021)		Current fiscal year (From January 1, 2022 To December 31, 2022)	
Net assets per share	263.12	Net assets per share	274.94
Net income per share	25.72	Net income per share	26.75
Diluted net income per share	25.64	Diluted net income per share	26.66

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 January 1, 2021 To December 31, 2021)	Current fiscal year (From January 1, 2022 To December 31, 2022)
Net income per share		
Profit attributable to owners of parent	1,829	1,893
Amounts not available to common stock shareholders	—	—
Profit attributable to owners of parent available to common stock	1,829	1,893
Average number of shares of common stock outstanding during the period (Shares)	71,111,841	70,801,285
Diluted net income per share		
Adjusted profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (Shares)	222,934	222,945
Summary of potential stock not included in the calculation of "Diluted net income per share" since there was no dilutive effect	—	—

(Subsequent Events)

Not applicable

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.