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EMMA

Results of Operations for December 2023, 1st Quarter



EM SYSTEMS CO., LTD.

(TSE Prime Section: 4820)

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Supporting Date Shared Information System Foundation

Reference How electronic prescriptions work

Clinics



- Responses to the Post-Covid-19 Status
(Promotion of online medical care, medical consultations by appointment, Web-based medical interview, transition toward cashless systems, etc.)
- Hybridization of exhibitions by academia and private companies, and transition toward holding such exhibitions online
- Online eligibility verification (mandatory from April 2023/ transitional measures until September 2023), Electronic prescriptions (from January 26, 2023), Abolition of the insurance card (aiming for autumn 2024)
- Full-scale commencement of medical digital transformation (formation of a nationwide medical information platform, standardization of electronic medical record information, and digital transformation of medical fee revisions)

Initiatives



- Promotion of digital marketing (website renewal, use of MA tools, enhancement of video/sample introductory content)
- Application of online business negotiation tools, and non-face-to-face sales, Exhibiting at Hybrid Exhibitions (Enhancement of online seminars)
- Operation of “EM-AVALON” (portal site for customers) and content enhancement
- Provision of online eligibility verification system, Provision of electronic prescription starter kit, hosting of seminars related to electronic prescriptions
- Participation in the government-promoted electronic medical record standardization verification project

Pharmacies



- Responses to the Post-Covid-19 Status (Optimization of operations within pharmacies, promotion of online medication guidance, delivery of medications, etc.)
- Reorganization, M&A
- Pharmacy DX Strategy, Digital Shift, Strategies to connect with patients
- Online eligibility verification (mandatory from April 2023/transitional measures until September 2023), Electronic prescriptions (from January 26, 2023), Abolition of the insurance card (aiming for autumn 2024.)
- Full-scale commencement of medical digital transformation (formation of a nationwide medical information platform, standardization of electronic medical record information, and digital transformation of medical fee revisions)

Initiatives



- Promotion of digital marketing (website renewal, use of MA tools, enhancement of video/online seminars/sample introductory content)
- Proposals for utilization of IT introduction subsidies
- Collaboration with Good Cycle System Co., Ltd and enhanced electronic medical history proposal capabilities
- Operation of “EM-AVALON” (portal site for customers) and content enhancement
- Provision of online eligibility verification system, provision of electronic prescription starter kit, hosting of seminars related to electronic prescriptions
- Sales promotion of “MAPs for PHARMACY DX”

Long-term care/welfare



- Increase in the number of new facilities accompanying the aging of society, and increase in the number of large-scale chain long-term care facilities, Revision of Nursing Care Compensation
- Responses to the Post-Covid-19 Status
(Provision of non-contact services, limitations on facility usage, strengthening infection countermeasures, etc.)
- Responses to the Care Plan Data Linkage System
- Trends toward revision of long-term care fees in 2024
- Improvement of data accuracy by LIFE support (Long-term care Information system For Evidence)

Initiatives



- Sales promotion of “MAPs for NURSING CARE” (website renewal, enhancement of video/sample introductory content)
- Strengthening of chain store sales proposal capabilities , Promotion of TOP coverage
- Strengthening of digital marketing (website renewal, use of MA tools)
- Application of online business negotiation tools, non-face-to-face sale (enhancement of online seminars) , Exhibiting at trade shows and online exhibitions
- Efficient support and data output for LIFE by “Sukoyaka-san”

Marketing Activities ,Sale Activities

Clinic	Pharmacy	Long-term	contents
○	○	○	Strengthening Web marketing : Implementation of SEO and SEM measures, Application of YouTube channel, Raise awareness, Enhancement of online seminars Product website renewal, MA tools, enhancement of video/sample introductory content
○	○	○	Promotional activities using TV commercials (to be rolled out while verifying effectiveness)
○	○	○	Improving business partner and customer loyalty through the comprehensive portal site "EM-AVALON"
○	○		Application of electronic contracts, and estimates and configuration examinations conducted personally by customers through "MAPs DIRECT," an e-commerce site
	○		Business partnership with Good Cycle System Co., Ltd,:Marketing:Online seminars, Linkage with medication history Linkage of a tool for online medication guidance and follow-ups during periods of administration
	○		Launch of "EM Analysis Support (free)" ,Release of "MAPs Option BunseQI (paid)"
	○		Sales promotion of "MAPs for PHARMACY DX"
		○	Sales promotion of "MAPs for NURSING CARE"
○	○	○	Medical and long-term care information sharing ,Ensure collaboration among hospitals, clinics, and pharmacies, and Long-term care/welfare facilities ,EHR (Electronic Health Record)promotion
○	○		Promotion of online eligibility verification/electronic prescriptions
○	○	○	Operation of new organizational structure (EM MODEL) for full-scale development of SaaS business
○	○		Updates due to the end of Windows legacy OS support
○	○	○	Application of M&A

Social contribution activities

- Support for tennis academies and professional tennis players
 - Support for the tennis academy "Ai Love All Tennis Academy"
 - Affiliation contract with professional tennis players
 - Provision of a tennis event at the Osaka Prefecture Doctors Tennis Association Doubles Tournament on March 5
- Sponsor participation in the KIMIKO DATE x YONEX PROJECT



Also held a kids' event in addition to the event for medical professionals.

Social contribution activities

<Company-led support activities>

- Donations to course for the development of health care AI (Course head: Specially-appointed Assistant Professor Yoshimasa Kawazoe M.D., Ph.D.)

We endorse the activities of the University of Tokyo's Course on Artificial Intelligence in Healthcare, which aims to develop a foundation for new medical services based on AI and ICT, and we have been supporting R&D through continuous donations to the course since 2017.

From fiscal 2023, we plan to continue contributing to the research and development of this course in support of the establishment of the "Medical AI/Digital Twin Development Course", which is an extension of this course.

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

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

- Support for polypharmacy measures (Representative: Professor Hirohisa Imai Ph.D. at the University of Teikyo)

We agree with the purpose of the polypharmacy measures promoted by the Society for the Promotion of Proper Drug Usage, and we support its activities as a special member.

- Participation in PHR proliferation activities (Representative: Professor Taku Iwami Ph.D. at Kyoto University)



We participate in the activities of the PHR Council, which aims to promote the appropriate proliferation of Personal Health Records (PHR) and contribute to further improving health and safety, and we support the proliferation of a framework ensuring that data relating to medical care, long-term care, health, etc. is used at the discretion of the individual concerned.

Social contribution activities

- **Participation in the Cross-ministerial Strategic Innovation Promotion Program (SIP) (Cabinet Office)**
Scheduled participation from 2023 in the third phase of the program, spearheaded by the Cabinet Office's Council for Science, Technology and Innovation (CSTI), aimed at promoting initiatives along the entire path from basic research to effective exit strategies (practical application/commercialization)
- **Cooperation in the electronic prescription model project (Ministry of Health, Labour and Welfare)**
Cooperation in the e-prescription model project aimed at launching e-prescription services in advance within four regions in Japan (Sakata, Yamagata Prefecture; Sugakawa, Fukushima Prefecture; Asahi, Chiba Prefecture; and Asa, Hiroshima Prefecture), in response to a request for cooperation from the Ministry of Health, Labour and Welfare

<Support activities based on co-creation of value with customers>

- **Commencement of acceptance of donations of EM Online Shop points (Japanese Red Cross Society and WFP)**
Addition of a donation item to the conversion destination of points granted to customers based on the purchase amounts of supplies and consumables
10% of the donation amount added to the total by the Company following compilation of data

category	topics
Environment	<ul style="list-style-type: none"> • Endorsement of recommendations from the TCFD , Update disclosure based on recommendations • Visual representation of the reduction in greenhouse gas emissions achieved through digital transformation of our system group 
Social	<ul style="list-style-type: none"> • Review of human resource investments (skill improvement measures for employee, internal personnel system, etc.) • In-house awareness raising by our SDGs Promotion Committee, comprised of in-house organizations • Promotion of health management
Governance	<ul style="list-style-type: none"> • Disclosure of information in compliance with the Corporate Governance Code • Establishment of a Sustainability Committee, comprised of executives (Committee Chairman: President & CEO) • Enhancement of internal controls and compliance
External Evaluation	<ul style="list-style-type: none"> • Recognized as an Excellent Corporation for Health & Productivity Management 2023 (large enterprise category) • S&P/JPX Carbon Efficient Index: First selection • FTSE Blossom Japan Sector Relative Index: First selection 

II . i . Financial Highlights for December 31 2023, 1st Quarter

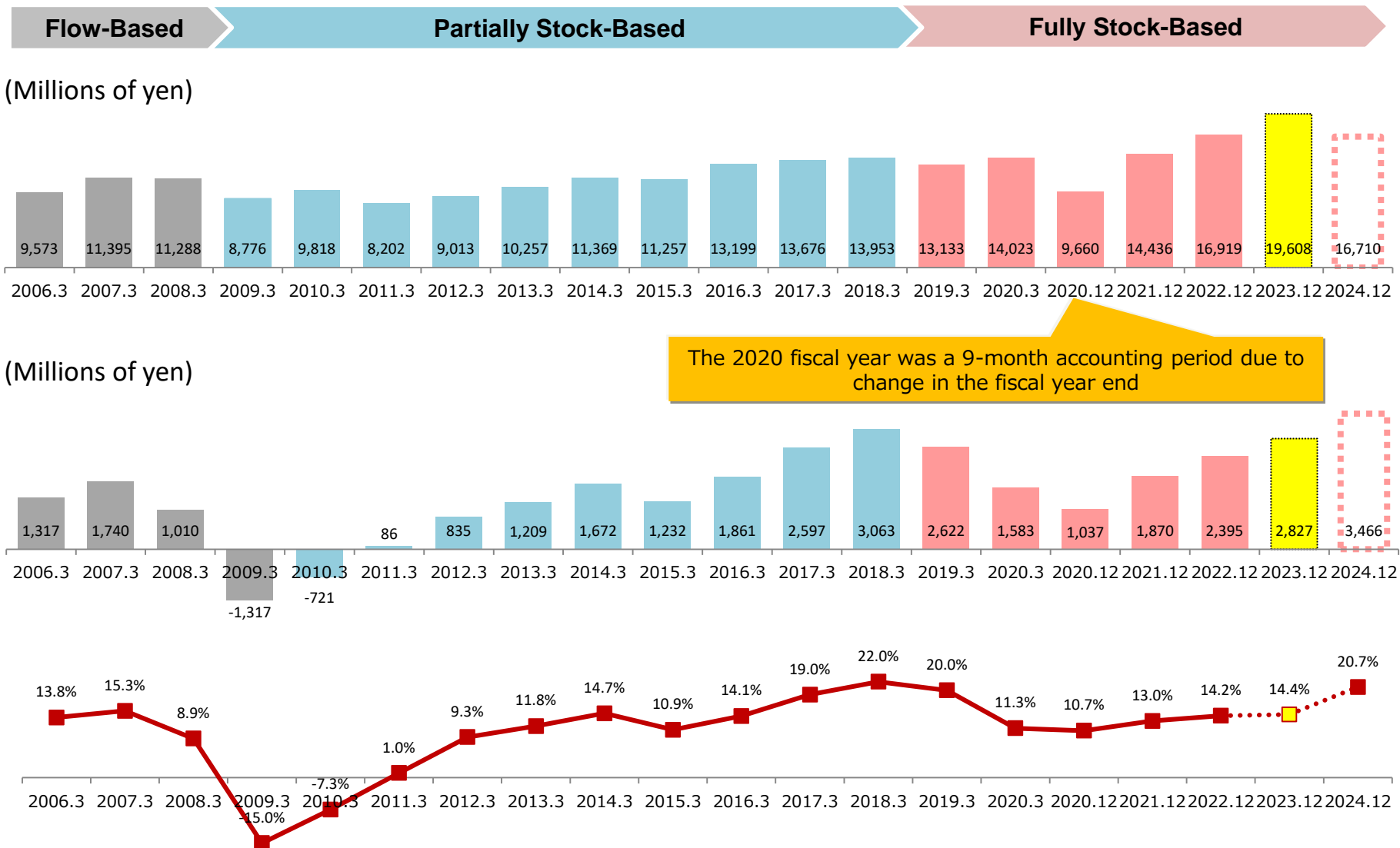
consolidated results of December 31 2023, 1st Quarter

	December 31 2022 1 st Quarter	December 31 2023 1 st Quarter	Compared to previous year
Sales	3,985 millions of yen	4,877 millions of yen	22.4%
Operating Profits	679 millions of yen	851 millions of yen	25.4%
Ordinary Profits	824 millions of yen	961 millions of yen	16.6%
Net Income	563 millions of yen	511 millions of yen	(9.3%)

Topics for December 31 2023, 1st Quarter

- Contribution to sales growth by accelerating installation of systems in preparation for the introduction of online eligibility verification, mandatory in principle (from April 2023)
- Steady growth in the number of sales in the clinic segment through the use of web marketing and organizational restructuring.
- Special demand for hardware replacements due to the end of extended support for Windows 8.1.
- Loss on step acquisition due to Good Cycle System Inc.'s conversion into a consolidated subsidiary.

II . ii . Changes in consolidate results by fiscal year



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

	December 31 2022	December 31 2023 1 st Quarter	YoY change	YoY % change
Assets	26,349	26,684	335	1.3%
Current assets	13,849	13,950	101	0.7%
Fixed assets	12,500	12,734	233	1.9%
Tangible fixed assets	1,371	1,407	36	2.7%
Intangible fixed assets	2,323	3,169	845	36.4%
Investments and other assets	8,805	8,157	(647)	(7.4%)
Liabilities	6,846	7,216	369	5.4%
Current liabilities	4,944	5,209	264	5.4%
Fixed liabilities	1,901	2,006	104	5.5%
Net assets	19,503	19,468	(34)	(0.2%)
Shareholder's equity	19,329	19,270	(59)	(0.3%)
Cumulative amount of other comprehensive	94	120	26	27.8%
Stock acquisition rights	55	56	0	1.4%
Non-controlling interests	23	21	(1)	(8.4%)

Major YoY Changes

Goodwill	508	millions of yen
Software	241	millions of yen
Investment account securities	(368)	millions of yen
Long-term loans to affiliated companies	(232)	millions of yen
notes payable and accounts payable	291	millions of yen

II . iv . By Segment Sales/Operating Profits

(Millions of yen)

	Financial year ended December 31 2022, 1 st Quarter		December 31 2023, 1 st Quarter					
	Sales	Operating Profits	Sales			Operating Profits		
			Results	Increase/ decrease amounts	Increase/ decrease rates	Results	Increase/ decrease amounts	Increase/ decrease rates
IT Systems for Pharmacy	3,148	751	3,783	634	20.1%	892	141	18.9%
IT Systems for Clinic	538	(95)	791	253	47.0%	51	146	-
IT Systems for long-term care/welfare	136	27	140	3	2.9%	(108)	(135)	-
Other Business	172	(9)	187	15	8.7%	2	11	-

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

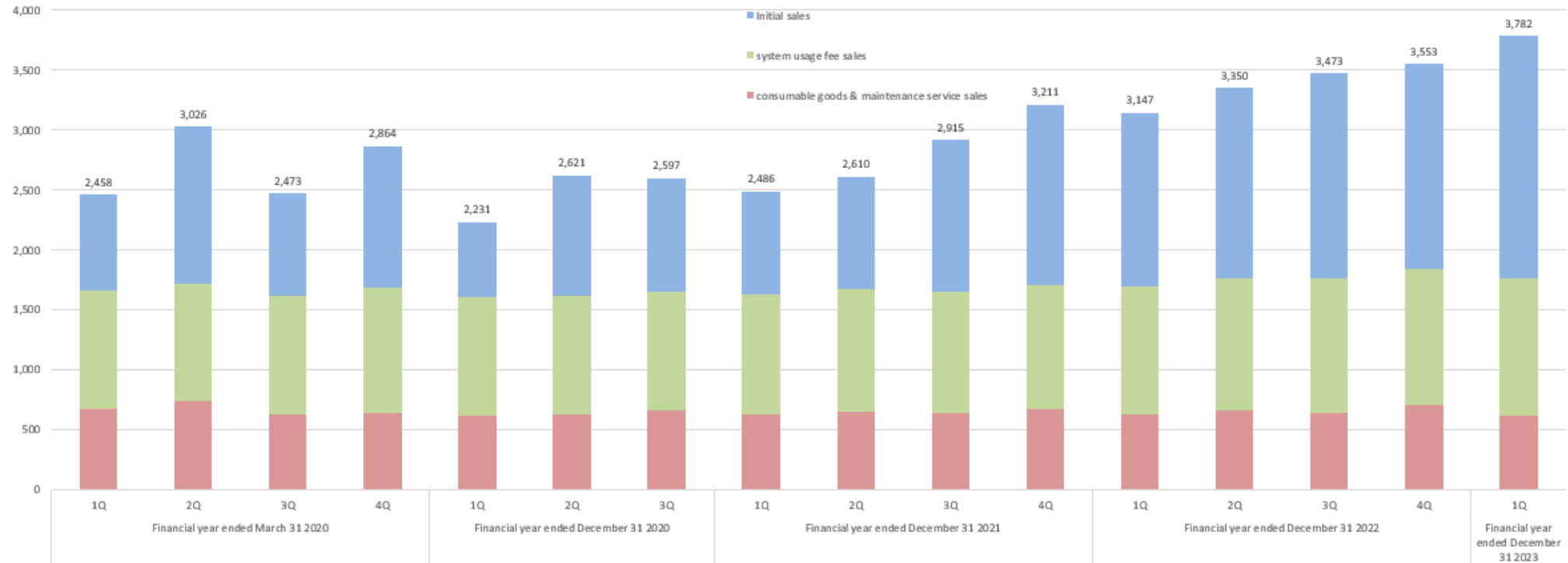
- ✓IT Systems for Pharmacies・Expanded installation of online eligibility verification systems contributed to an increase in initial sales.
Billing sales increased due to an increase in the number of customers.
- ✓IT Systems for Clinics・Significant increase in initial sales due to expanded incorporation of the online eligibility verification system as well as to an increase in the number of system sales.
Steady growth in billing sales due to an increase in the number of customers.
- ✓IT Systems for long-term care/welfare・Increase in billing sales due to an increase in the number of licenses.
Commencement of depreciation associated with the release of “MAPs for NURSING CARE”, and an increase in sales and administration expenses for the purpose of market share expansion
- ✓Other Business ・Increase in sales in our subsidiary cashless business.
Operating income in the black due to improvements in revenue and profits.

Ⅱ . v . By Segment Sales Breakdown

	Financial year ended December 31 2022,1 st Quarter	Financial year ended December 31 2023,1 st Quarter	YoY change	YoY % change
	(Millions of yen)			
Net sales	3,985	4,877	892	22.4%
IT Systems for Pharmacies	3,148	3,783	634	20.1%
(initial sales)	1,458	2,016	557	38.3%
(system usage fee sales)	1,068	1,149	80	7.5%
(consumable goods sales)	429	421	(7)	(1.7%)
(maintenance service sales)	192	196	3	1.7%
IT Systems for Clinics	538	791	253	47.0%
(initial sales)	274	521	247	90.3%
(system usage fee sales)	191	205	13	7.2%
(consumable goods sales)	15	15	0	0.8%
(maintenance service sales)	57	49	(8)	(14.2%)
IT Systems for long-term care/welfare	136	140	3	2.9%
(initial sales)	13	12	(1)	(11.0%)
(system usage fee sales)	46	55	8	18.2%
(consumable goods sales)	0	0	0	-
(maintenance service sales)	76	73	(3)	(4.0%)
Other Businesses	172	187	15	8.7%
Adjustments	(10)	(24)	(13)	-

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

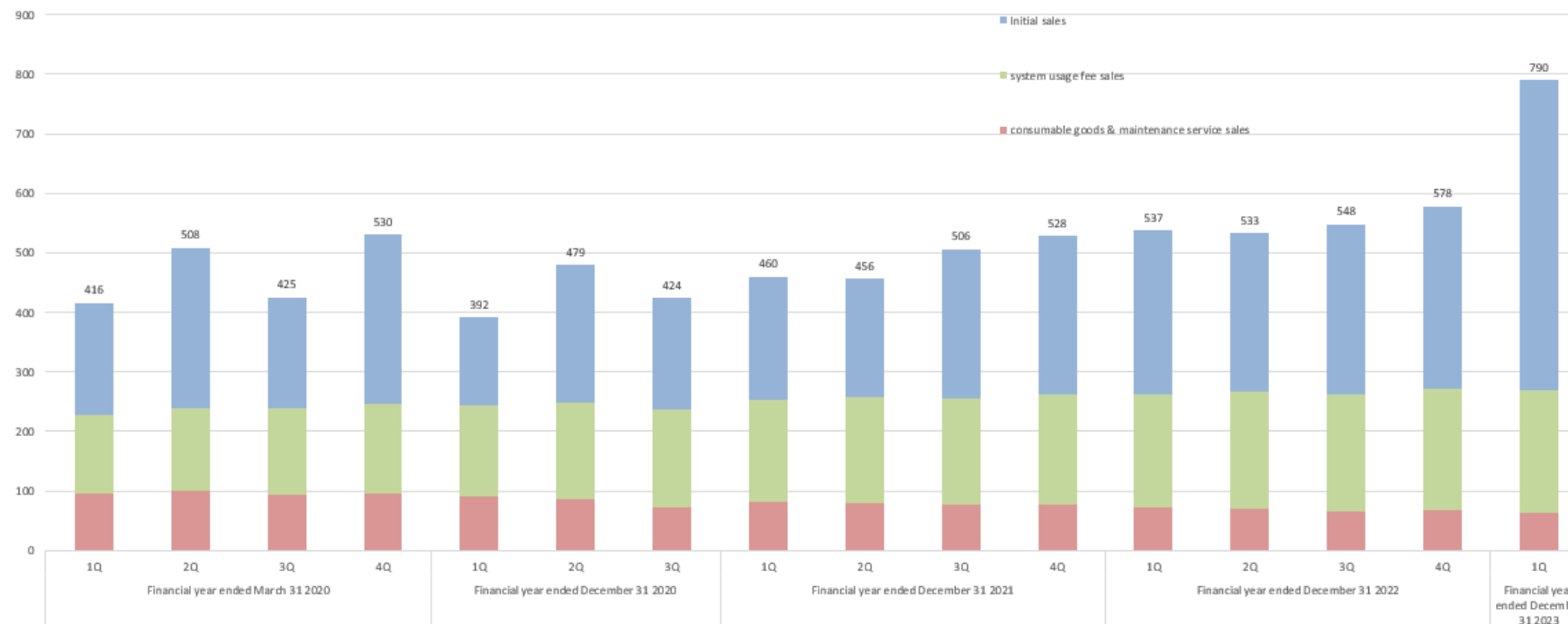
Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2020				Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Initial sales	801	1,304	858	1,186	629	1,006	942	860	938	1,265	1,502	1,458	1,586	1,711	1,719	2,016
system usage fee sales	989	981	995	1,039	988	994	996	1,004	1,022	1,019	1,042	1,068	1,100	1,122	1,130	1,149
consumable goods & maintenance service sales	668	741	620	639	614	621	659	622	650	631	667	621	664	640	704	617
Total	2,458	3,026	2,473	2,864	2,231	2,621	2,597	2,486	2,610	2,915	3,211	3,147	3,350	3,473	3,553	3,782

II . vii . IT Systems for Clinics

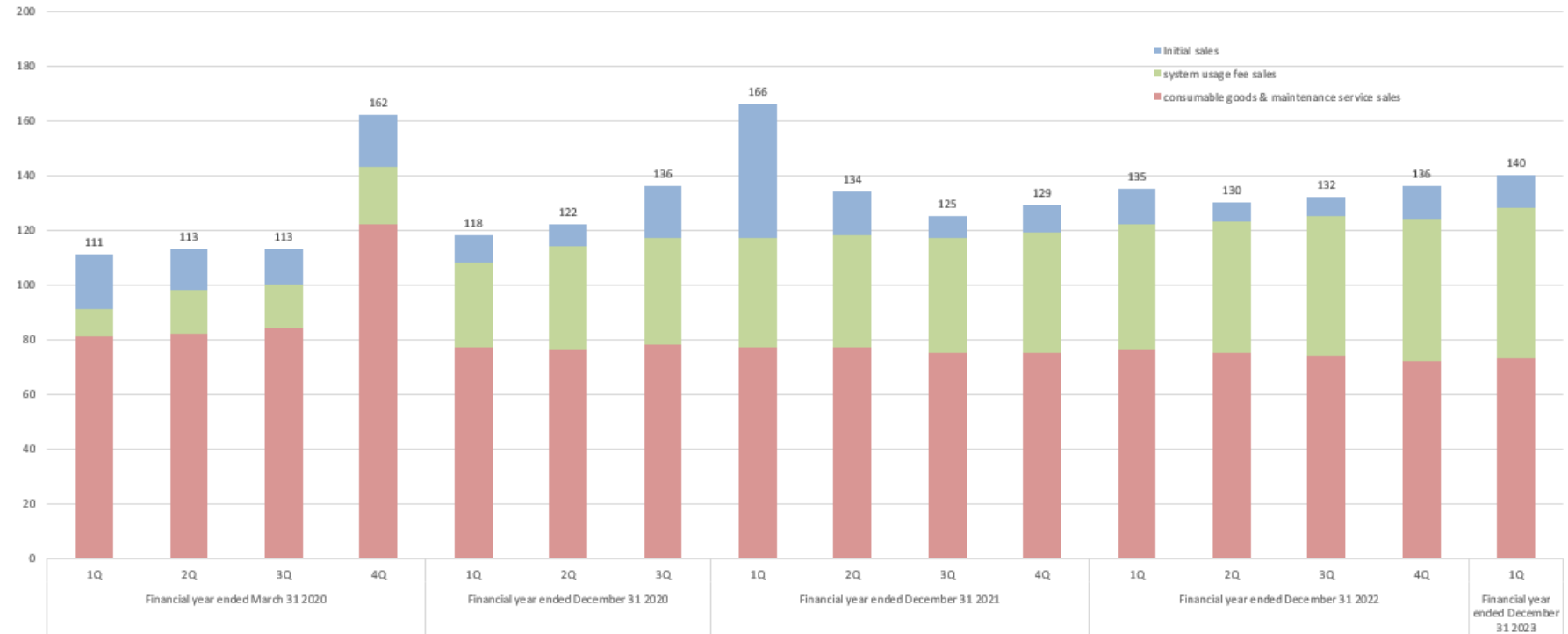
Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2020				Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Initial sales	189	269	186	285	148	230	187	206	199	250	265	274	267	285	307	521
system usage fee sales	132	139	145	149	154	163	165	172	177	180	187	191	197	198	203	205
consumable goods & maintenance service sales	95	100	94	96	90	86	72	82	80	76	76	72	69	65	68	64
Total	416	508	425	530	392	479	424	460	456	506	528	537	533	548	578	790

Ⅱ . viii. IT Systems for Long-term care/Welfare

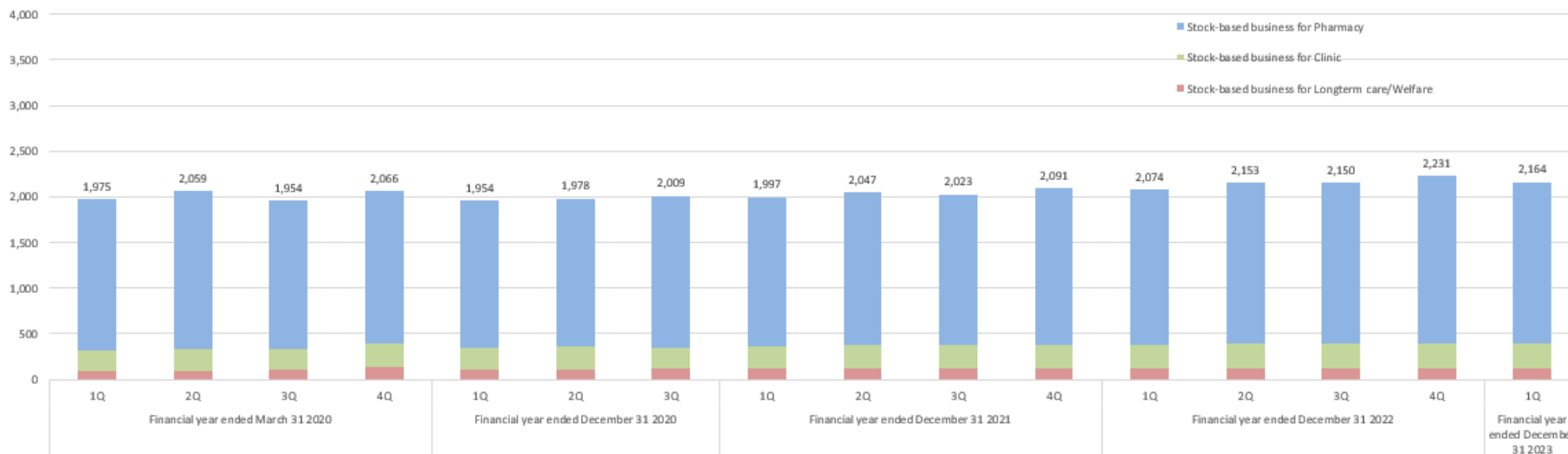
Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2020				Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Initial sales	20	15	13	19	10	8	19	49	16	8	10	13	7	7	12	12
system usage fee sales	10	16	16	21	31	38	39	40	41	42	44	46	48	51	52	55
consumable goods & maintenance service sales	81	82	84	122	77	76	78	77	77	75	75	76	75	74	72	73
Total	111	113	113	162	118	122	136	166	134	125	129	135	130	132	136	140

II . ix . By Segment Stock-based Business

Quarterly Sales (Units: Millions of yen)



	Financial year ended March 31 2020				Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Stock-based business for Pharmacy	1,657	1,722	1,615	1,678	1,602	1,615	1,655	1,626	1,672	1,650	1,709	1,689	1,764	1,762	1,835	1,766
Stock-based business for Clinic	227	239	239	245	244	249	237	254	257	256	263	263	266	263	271	270
Stock-based business for Longterm care/Welfare	91	98	100	143	108	114	117	117	118	117	119	122	123	125	125	128
Total	1,975	2,059	1,954	2,066	1,954	1,978	2,009	1,997	2,047	2,023	2,091	2,074	2,153	2,150	2,231	2,164

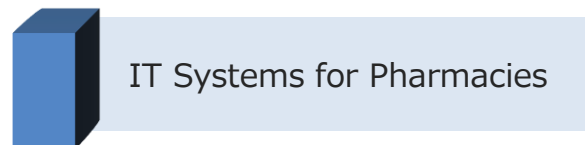
Ⅱ . X . Forecast for the fiscal year ending December 31 2023

(Millions of yen)

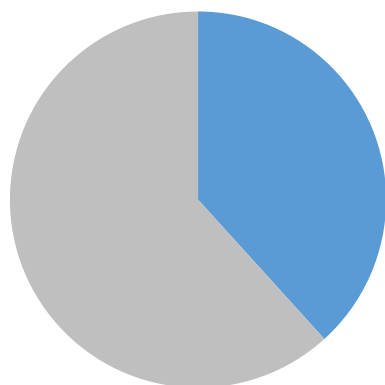
	Fiscal year ended December 31 2022 (actual)	Fiscal year ended December 31 2023 (forecast)
Sales	16,919	19,608
Business for Pharmacy	13,530	15,201
Business for Clinic	2,202	2,890
Business for long-term care/welfare	539	744
Other Business	713	810
Adjustment	(66)	(38)
Operating Profits	2,395	2,827
Business for Pharmacy	3,031	3,031
Business for Clinic	(409)	200
Business for long-term care/welfare	(211)	(413)
Other Business	(42)	(24)
Adjustment	28	32
Ordinary Profits	2,791	3,333
Net Income	1,893	2,217

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

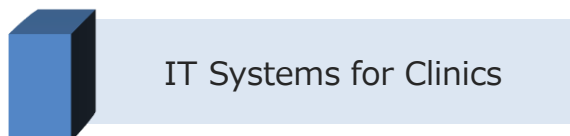
II . xi. Market Share and Number of Customers



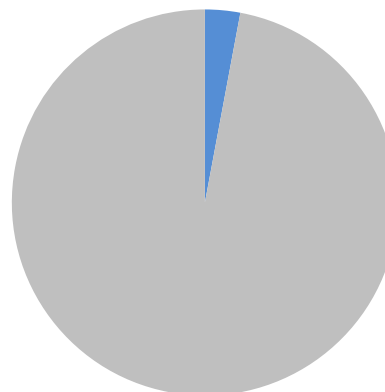
Market share **38.3%**



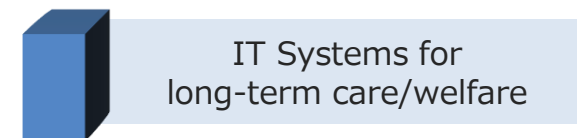
Number of customers : 21,055
Target population : 55,000
Mid-term goals : 25,000



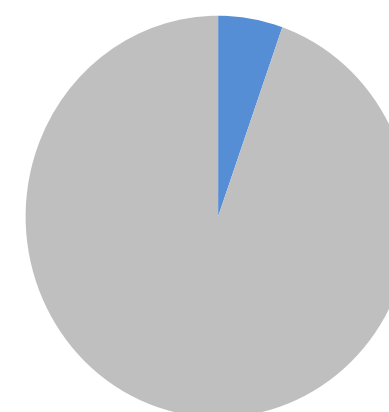
Market share **3.3%**



Number of customers : 2,941
Target population : 90,000
Mid-term goals : 7,000



Market share **5.7%**



Number of customers : 14,356
Target population : 250,000
Mid-term goals : 25,000

*1 The number of customers indicates the number of pharmacies and clinics that purchased our system products.

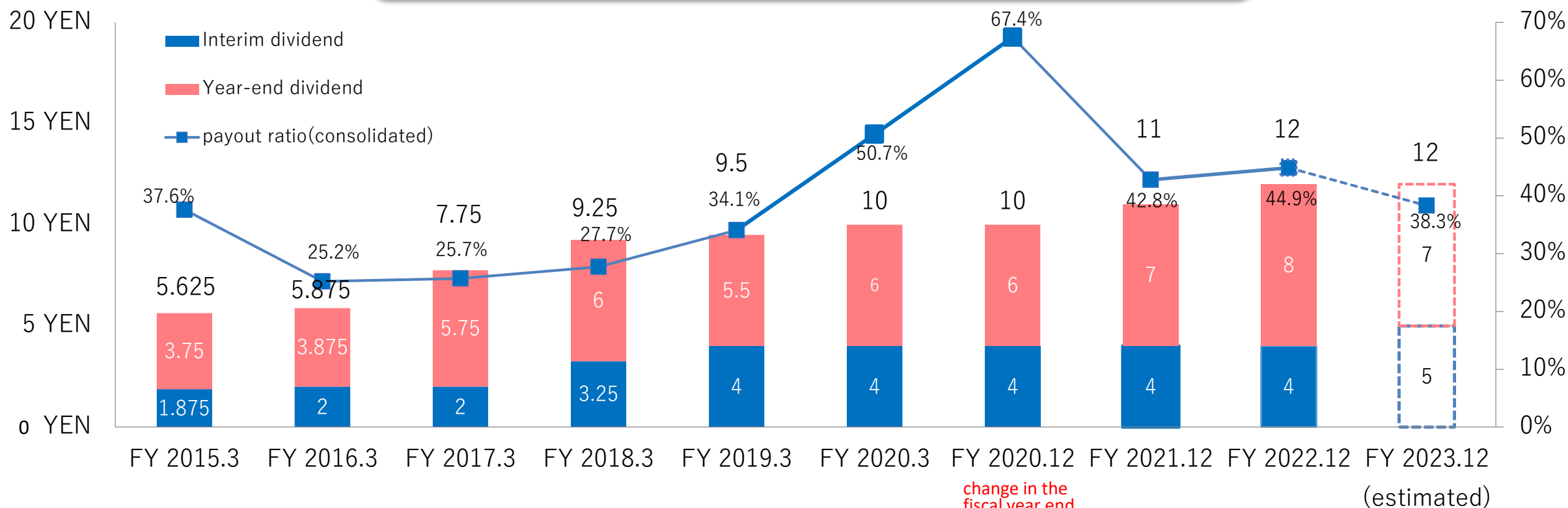
*2 The above target populations represent the number of pharmacies and clinics that we considered as our potential customers, and differ from the actual number of registered pharmacies and clinics.

*3 Mid-term goals are as announced in February 2022.

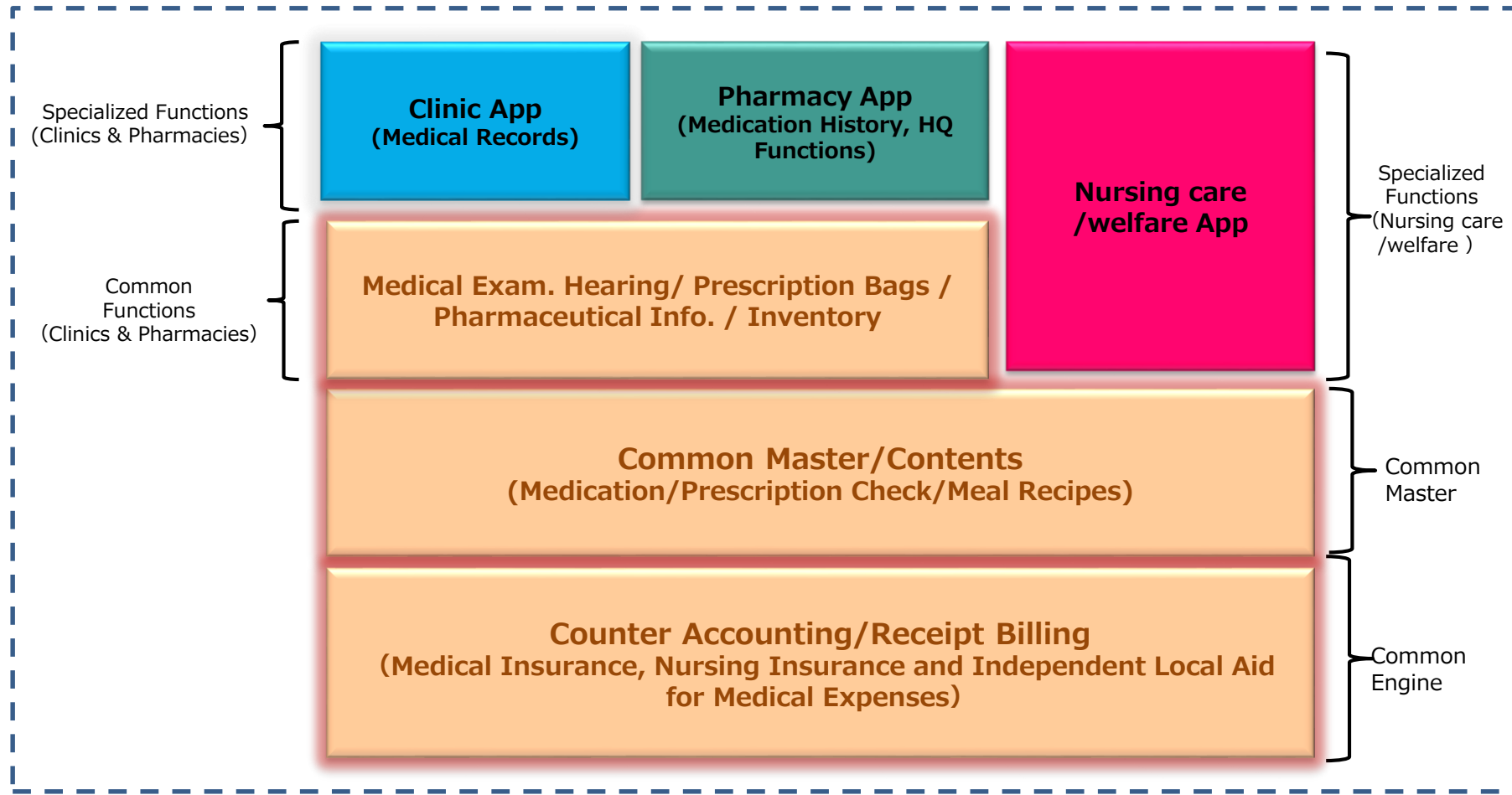
(as of March 31, 2023)

II . xii. shareholder returns

- Aim at a payout ratio of 30%
- Changing the fiscal year ended from March 31 to December 31 starting from the 2020 fiscal year

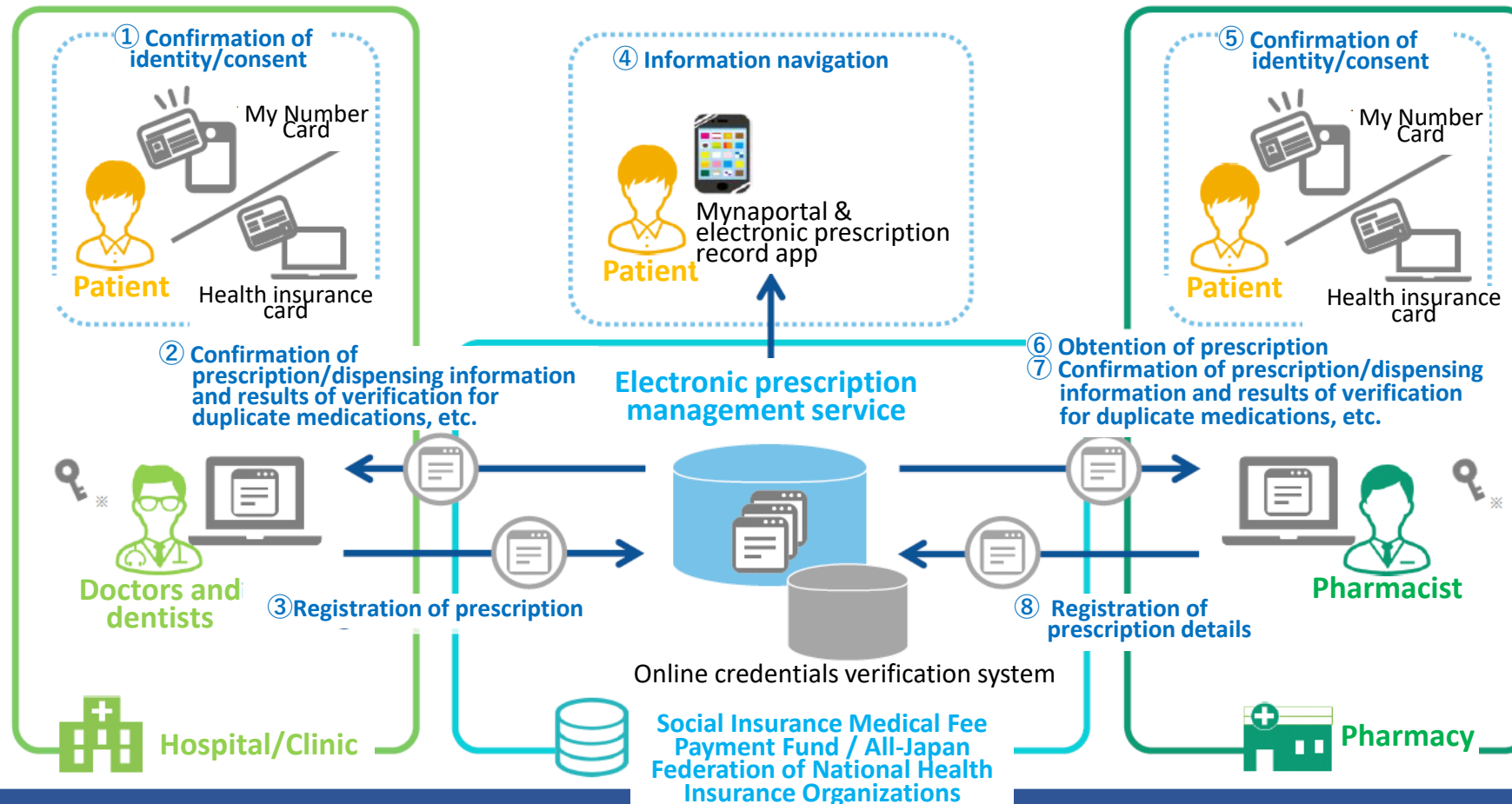


*We conducted stock splits on April 1st, 2016 and March 1st, 2018 and January 1st, 2020 at a ratio of two shares per one ordinary share. The aforementioned information assumes that each stock split occurred at the beginning of March 2015.



Reference: How electronic prescriptions function

Electronic prescriptions are **a mechanism for managing prescriptions electronically**, and it is now possible to refer to **information on the most recent prescriptions and dispensing at multiple medical institutions and pharmacies**, and to **check for duplicate medications, etc.**



Source: Ministry of Health, Labor and Welfare electronic prescription website

(<https://www.mhlw.go.jp/stf/denshishohusen.html>)



医療・介護を「#ありがとう」に変えていく

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

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As forecasts contained herein are based on assumptions of numerous uncertain factors, actual results may differ significantly from these forecasts for a number of reasons.