

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, 2022	—	4.00	—	8.00	12.00	848	44.9	4.5
Fiscal year ended Dec. 31, 2023	—	7.00	—	7.00	14.00	989	50.4	5.0
Fiscal year ended Dec. 31, 2024 (estimate)	—	7.00	—	7.00	14.00		45.8	

3. Estimated consolidated results of the Fiscal Year Ending December 31, 2024 (January 1, 2024 – December 31, 2024)

(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	10,695	8.9	885	(22.6)	1,176	(15.6)	777	(1.4)	11.00
Full year	22,014	8.1	2,573	10.4	3,199	11.5	2,160	10.1	30.56

* 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, 2023	74,514,800 shares	As of Dec. 31, 2022	74,514,800 shares
2. Number of own shares at end of term	As of Dec. 31, 2023	3,818,649 shares	As of Dec. 31, 2022	3,865,149 shares
3. Average number of shares outstanding during term (quarterly total)	As of Dec. 31, 2023	70,680,919 shares	As of Dec. 31, 2022	70,801,285 shares

(Refer to) Summary of Non-Consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 – December 31, 2023)

(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, 2023	17,288	7.6	1,744	(19.2)	2,381	(16.1)	1,704	(13.4)
Fiscal year ended Dec. 31, 2022	16,066	18.2	2,157	24.7	2,838	12	1,967	(3.2)

	Net income per share	Diluted net income per share
	Yen 100ths of a yen	Yen 100ths of a yen
Fiscal year ended Dec. 31, 2023	24.12	24.04
Fiscal year ended Dec. 31, 2022	27.79	27.71

(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, 2023	26,376	19,712	74.5	278.05
As of Dec. 31, 2022	25,230	18,977	75.0	267.83

(Refer to) Shareholders' equity As of Dec. 31, 2023 19,657 Millions of yen As of Dec. 31, 2022 18,922 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, 2023, the Japanese economy remained under the influence of fluctuating foreign exchange rates as well as high energy and raw material prices, which affected corporate earnings.

In the medical industry, the Group's main customer base, the introduction of a system that enables online verification of eligibility information at medical institutions' points of contact using a My Number Card or health insurance card is progressing. The Group has been gradually increasing the number of installations, mainly among existing customers, since January 2021, and as of December 31, 2023, we have responded to nearly all customers who have already applied.

In addition, use of these online eligibility verification systems began in January 2023, and the commencement of electronic processing of prescriptions, which are currently paper-based, will gradually also increase the number of applications for installation and expand deployment of the system.

In order to improve the Group's name recognition and expand sales of the next-generation MAPs series products, we began restructuring the Group's internal organizational structure FY2022 and ran our first TV commercial to increase our market share. In addition, we promoted the website renewal, the utilization of MA tools and the enhancement of online seminars and installation case study contents. In order to enhance digital marketing. Consequently, we have seen steady results in the clinic segment, including an increase in the number of system installations.

At the same time, the Group acquired additional Good Cycle System Inc. shares on February 28 and all shares of Unike Software Research Co., Ltd. and its management company on June 30. While making these into consolidated subsidiaries contributed significantly to an increase in net sales in the consolidated fiscal year concerned, sales and administrative expenses also increased due to amortization of goodwill, airing of TV commercials, and payments of special compensation to employees who contributed to the expansion of business performance.

As a result, performance during the consolidated fiscal year concerned cumulative period was 20,355 million yen in sales (a 20.3% increase compared to the same period in the previous year), 2,330 million yen in operating profits (a 2.7% decrease) 2,869 million yen in ordinary profits (a 2.8% increase), and 1,962 million yen in this quarterly net income belonging to parent company shareholders (a 3.6% increase).

By segment results are as follows.

(IT Systems for Pharmacies)

In regard to IT systems and related business for pharmacies, in addition to progress in replacements for "MAPs for PHARMACY DX" among our customers, initial sales also increased due to an increase in the number of hardware replacements following the end of extended support for Windows 8.1. In addition, with Good Cycle System Inc. and Unike Software Research Co., Ltd. becoming consolidated subsidiaries, billing sales increased significantly in line with the increase in the number of customers. However, SG&A expenses have increased due to the implementation of the Group's TV commercials, enhanced digital marketing, and special compensation paid to employees.

Consequently, IT Systems and Related Business for Pharmacies for this consolidated fiscal year resulted in 16,159 million yen in sales (a 19.4% increase compared with the same period in the previous year) and 2,939 million yen in operating profits (a 3.0% decrease).

(IT Systems for Clinics)

In regard to IT systems and related business for clinics, in addition to the organizational restructuring implemented in FY2022, we are also taking a wide range of approaches utilizing web marketing.

Initial sales increased significantly due to the expansion of implementation measures for the online eligibility verification system as well as expansion in sales of "MAPs for CLINIC," and billing sales in the medical segment also grew steadily. However, SG&A expenses increased due to initiatives seeking to expand market share in the medical systems market and due to special compensation paid to employees.

Consequently, IT Systems and Related Business for Clinics for this consolidated fiscal year resulted in 2,802 million yen in sales (a 27.3% increase compared to the same period in the previous year) and 130 million yen in operating losses (previous period: 409 million yen in operating losses).

(IT Systems for Long-term Care/Welfare)

In regard to IT systems and related business for long-term care/welfare, billing sales remain bullish due to an increase in the number of licenses, while depreciation associated with the release of "MAPs for NURSING CARE" has commenced and our SG&A 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 550 million yen in sales (a 2.1% increase compared with the same period in the previous year) and 540 million yen in operating losses (previous period: 211 million yen in operating losses)

(Other businesses)

In addition to expansion of the cashless business of ChoQi Co., Ltd., sales also increased due to the contribution of the temporary staffing business of Unike Software Research Co., Ltd. This increase in sales led to an improvement in the overall profitability of the segment, and operating income was positive.

Consequently, other business for this consolidated fiscal year resulted in 973 million yen in sales (a 36.5% increase compared to the same period in the previous year) and 48 million yen in operating profits (previous period: 42 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 14,800 million yen, an increase of 951 million yen from the end of the previous consolidated fiscal year. This was mainly due to solid performance, as well as to a 560 million yen increase in cash and deposits and a 321 million yen increase in notes and accounts receivable resulting from acquisition of shares of Unike Software Research Co., Ltd. and its management company, Launchpad13 Inc. and acquisition of additional Good Cycle System Inc. shares. Fixed assets totaled 14,587 million yen, up 2,086 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,286 million yen in goodwill resulting from the aforementioned acquisition of shares, as well as due to an increase of 1,151 million yen in intangible fixed assets.

As a result, total assets were 29,387 million yen, an increase of 3,037 million yen from the end of the previous consolidated accounting year.

(Liabilities)

Current liabilities at the end of the current consolidated fiscal year were 5,618 million yen, an increase of 673 million yen from the end of the previous consolidated fiscal year. Although there was a 276 million yen decrease in notes and accounts payable and a 359 million yen decrease in income taxes payable, etc., this was mainly due to a 966 million yen increase in long-term loans scheduled for repayment within a year, a 306 million yen increase in other current liabilities due to an increase in deposits received in connection with the expansion of the cashless business in the other businesses segment. Fixed liabilities totaled 3,202 million yen, up 1,301 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 926 million yen decrease in net defined benefit liability in connection with termination of the retirement benefit system, a 396 million yen increase long-term accounts payable, a 1,527 million yen increase in long-term loans payable, and a 329 million yen increase in deferred tax liabilities.

As a result, total liabilities were 8,821 million yen, an increase of 1,974 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Net assets at the end of the current consolidated fiscal year were 20,566 million yen, an increase of 1,062 million yen over the end of the previous fiscal year. This was mainly due to a 902 million yen increase in retained earnings as a result of strong business performance.

As a result, the capital adequacy ratio was 69.6% (compared to 73.7% 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 9,441 million yen, an increase of 560 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 1,584 million yen. Although there were 2,750 million yen in earnings before taxes in the current consolidated fiscal year and 1,249 million yen in amortization, this was mainly due to 1,074 million decrease in liabilities for retirement benefits and 520 million decrease in trade payables.

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

Funds spent as a result of investment activities amounted to 2,038 million yen. Although there were 971 million yen in income from leasing investment properties, this was mainly due to 2,007 million yen paid to acquire stocks of affiliates, 586 million yen paid to acquire intangible fixed assets related to software development, 212 million yen paid in relation to leasing investment properties.

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

Net cash used in financing activities amounted to 993 million yen. Although there were 2,500 million in loans from financial institutions, this was mainly due to 410 million in repayments of the same borrowings and 1,060 million in dividend payments.

(4) Outlook

Regarding the future outlook, due to the aging of society and declining birthrate, there is an urgent need for reforms in the medical, long-term care and welfare industries, and medical and long-term care/welfare workers, such as in regard to infection control measures and digital transformation in the medical field, 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 promote digital transformation in the medical field, and is currently promoting the introduction of an online qualification confirmation system and an electronic prescription system that utilize Individual Number Cards. By utilizing ICT, it is expected that the need for information coordination with other occupations, including long-term care/welfare, will increase.

Through the MAPs series, our shared information system platform, the Group will provide medical and long-term care/welfare workers with even greater support in improving safety and work efficiency by sharing information through cloud-based systems.

The projected consolidated results for the fiscal year ending December 2024, reflecting the above circumstances, are as follows: Net sales of 22,014 million yen (up 8.1% year on year), operating income of 2,573 million yen (up 10.4% year on year), ordinary income of 3,199 million yen (up 11.5% year on year), net income attributable to parent company shareholders of 2,160 million yen (up 10.1% year on year)

2. Basic Approach to the Selection of Accounting Standards

The EM SYSTEMS Group has adopted Japanese GAAP for accounting standards to ensure comparability with domestic peer companies.

3. Consolidated financial statements and major explanatory notes

(1) Consolidated balance sheet

(Units: millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash on hand and in banks	8,881	9,441
Notes and accounts receivable	2,761	3,082
Merchandise and products	1,084	1,136
Others	1,123	1,139
Allowance for bad debts	(1)	(0)
Total current assets	13,849	14,800
Fixed assets		
Tangible fixed assets		
Buildings and structures	1,322	1,368
Accumulated depreciation	(747)	(793)
Buildings and structures (net)	575	575
Land	474	474
Lease assets	144	137
Accumulated depreciation	(46)	(72)
Lease assets (net)	97	65
Rental assets	47	47
Accumulated depreciation	(46)	(46)
Rental assets (net)	1	0
Others	972	1,097
Accumulated depreciation	(749)	(883)
Others (net)	222	214
Total tangible fixed assets	1,371	1,330
Intangible fixed assets		
Software	1,574	2,296
Software in progress	461	164
Goodwill	188	1,475
Others	99	1,250
Total intangible fixed assets	2,323	5,186
Investments and other assets		
Investment securities	1,263	962
Investment real estate	10,574	10,648
Accumulated depreciation	(4,054)	(4,254)
Investment real estate (net)	6,519	6,393
Allowance for bad debts	133	209
Deferred tax asset	534	412
Net defined benefit asset	7	—
Other	358	103
Allowance for bad debts	(11)	(11)
Total investments and other assets	8,805	8,070
Total fixed assets	12,500	14,587
Total assets	26,349	29,387

(Units: millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable	1,398	1,121
Current portion of long-term loans payable	—	966
Accounts payable-other	957	997
Lease obligations	35	36
Income taxes payable, etc.	601	241
Accrued consumption taxes	222	277
Provision for bonuses	285	348
contract liability	999	877
Others	444	750
Total current liabilities	4,944	5,618
Non-current liabilities		
Long-term loans payable	—	1,527
Lease obligations	74	37
Deferred tax liability	—	329
Net defined benefit liability	1,061	135
Long-term accounts payable	—	396
Provision for product warranties	20	3
Long-term guarantee deposited	745	763
Others	—	10
Total non-current liabilities	1,901	3,202
Total liabilities	6,846	8,821
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,362	3,376
Retained earnings	15,199	16,101
Treasury stock	(2,017)	(1,990)
Total shareholder's equity	19,329	20,272
Cumulative amount of other comprehensive income		
unrealized holding gains or loss on securities	35	85
Foreign currency translation adjustments	85	106
Remeasurements of defined benefit plans	(26)	—
Total other cumulative comprehensive income	94	191
Subscription rights to shares	55	56
Non-Controlling Interest	23	45
Total net assets	19,503	20,566
Total liabilities and net assets	26,349	29,387

(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, 2022 To December 31, 2022)	Current fiscal year (From January 1, 2023 To December 31, 2023)
Sales	16,919	20,355
Cost of sales	8,644	10,433
Gross profit	8,275	9,921
Selling, general and administrative expenses		
Promotion expenses	15	33
Packing and transportation expenses	24	32
Advertising expenses	442	564
Provision of allowance for doubtful accounts	1	0
Provision for product warranties	18	(1)
Directors' compensations	275	323
Salaries and allowances	2,459	3,152
Bonuses	219	387
Provision for bonuses	219	233
Share-based compensation expenses	87	91
Retirement benefit expenses	109	34
Legal welfare expenses	417	564
Traveling and transportation expenses	130	201
Communication expenses	71	92
Depreciation	73	96
Amortization of goodwill	97	209
Rents	202	253
Research and development expenses	0	8
Other	1,011	1,311
Total selling, general and administrative expenses	5,879	7,591
Operating profit	2,395	2,330
Non-operating income		
Interest income	12	16
Rent income of real estate	1,055	970
Miscellaneous income	14	25
Total non-operating income	1,083	1,012
Non-operating expenses		
Interest expenses	4	7
Rent expenses on real estates	451	424
Equity in losses of affiliates	218	35
Miscellaneous loss	12	6
Total non-operating expenses	687	473
Ordinary profit	2,791	2,869

(Units: millions of yen)

	Previous fiscal year (From January 1, 2022 To December 31, 2022)	Current fiscal year (From January 1, 2023 To December 31, 2023)
Extraordinary income		
Gain on termination of retirement benefit plan	—	33
Total extraordinary income	—	33
Extraordinary losses		
Loss on sales of non-current assets	—	1
Loss on retirement of non-current assets	2	9
Other	—	140
Total extraordinary loss	2	152
Profit before income taxes	2,789	2,750
Income taxes - current	916	732
Income taxes - deferred	(1)	33
Total income taxes	914	766
Net income	1,875	1,984
Profit(Loss) attributable to Non-controlling shareholders	(18)	21
Profit attributable to owners of parent	1,893	1,962

(Consolidated statements of comprehensive income)

(Units: millions of yen)

	Previous fiscal year (From January 1, 2022 To December 31, 2022)	Current fiscal year (From January 1, 2023 To December 31, 2023)
Net income	1,875	1,984
Other comprehensive income		
unrealized holding gains or loss on securities	35	50
Foreign currency translation adjustments	15	21
Remeasurements of defined benefit plans	23	26
Total other comprehensive income	74	97
Comprehensive income	1,949	2,081
(Breakdown)		
Comprehensive income concerning parent company shareholders	1,968	2,059
Comprehensive income concerning non-controlling shareholders	(18)	21

(3) Consolidated Statement of Changes in Equity

Previous 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

Current fiscal year (From January 1st, 2023 to December 31st, 2023)

(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	3,362	15,199	(2,017)	19,329
Cumulative effects of changes in accounting policies			—		—
Restated balance	2,785	3,362	15,199	(2,017)	19,329
Changes of items during period					
Exercise of share acquisition rights					-
Dividends of surplus			(1,060)		(1,060)
Profit attributable to owners of parent			1,962		1,962
Purchase of treasury shares					—
Disposal of treasury shares		14		26	40
change of scope of equity method					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	14	902	26	942
Balance at end of current period	2,785	3,376	16,101	(1,990)	20,272

	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	35	85	(26)	94	55	23	19,503
Cumulative effects of changes in accounting policies							—
Restated balance	35	85	(26)	94	55	23	19,503
Changes of items during period							
Dividends of surplus							(1,060)
Profit attributable to owners of parent							1,962
Purchase of treasury shares							—
Disposal of treasury shares							40
change of scope of equity method							—
Net changes of items other than shareholders' equity	50	21	26	97	0	21	120
Total changes of items during period	50	21	26	97	0	21	1,062
Balance at end of current period	85	106	—	191	56	45	20,566

(4) Consolidated Statement of Cash Flows

(Units: millions of yen)

	Previous fiscal year (From January 1, 2022 To December 31, 2022)	Current fiscal year (From January 1, 2023 To December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	2,789	2,750
Depreciation	873	1,249
Amortization of goodwill	97	209
Decrease (increase) in net defined benefit asset	(6)	7
Increase (decrease) in net defined benefit liability	62	(1,074)
Increase (decrease) in provision for product warranties	(29)	(17)
Increase (decrease) in provision for bonuses	(118)	(57)
Increase (decrease) in contract liability	(342)	(281)
Increase (decrease) in allowance for doubtful accounts	(3)	(1)
Interest and dividend income	(12)	(16)
Rent income of real estate	(1,055)	(970)
Expenses of real estate rent	220	212
Interest expenses	4	7
Equity gains (losses) of affiliated companies	218	35
profit on sale of securities(profit)	—	1
Loss on retirement of non-current assets	2	9
Loss (gain) on step acquisitions(profit)	—	140
Gain on termination of retirement benefit plan	—	(33)
Share-based compensation expenses	87	91
Decrease (increase) in notes and accounts receivable-trade	(205)	269
Decrease (increase) in inventories	(396)	9
Decrease (increase) in other current assets	(73)	(53)
Increase (decrease) in notes and accounts payable-trade	546	(520)
Increase (decrease) in accrued consumption taxes	97	17
Increase (decrease) in other current liabilities	626	203
Increase (decrease) in long-term accounts payable	—	396
Other, net	27	43
Subtotal	3,411	2,627
Interest and dividend income received	12	16
Interest expenses paid	(4)	(7)
Income taxes paid	(1,027)	(1,100)
Refund of income taxes	80	48
Net cash provided by (used in) operating activities	2,472	1,584

(Units: millions of yen)

	Previous fiscal year (From January 1, 2022 To December 31, 2022)	Current fiscal year (From January 1, 2023 To December 31, 2023)
Cash flows from investing activities		
Purchase of property, plant and equipment	(65)	(170)
Purchase of intangible assets	(392)	(586)
Purchase of investment securities	(322)	(14)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(2,007)
Proceeds from rental of real estate for investment	1,054	971
Payments for rental of real estate for investment	(220)	(212)
Collection of loans receivable	35	9
Payments of loans receivable	(211)	—
Proceeds from guarantee deposits received	24	116
Repayments of guarantee deposits received	(4)	(98)
Payments for acquisition of shares of related companies	(460)	—
Other, net	(15)	(47)
Net cash provided by (used in) investing activities	(577)	(2,038)
Cash flows from financing activities		
Proceeds from long-term accounts payable	—	2,500
Repayments of long-term accounts payable	—	(410)
Repayments of lease obligations	(38)	(35)
Purchase of treasury shares	(499)	—
Cash dividends paid	(781)	(1,060)
Net cash provided by (used in) financing activities	(1,319)	(993)
Effect of exchange rate change on cash and cash equivalents	15	20
Net increase (decrease) in cash and cash equivalents	591	560
Cash and cash equivalents at beginning of period	8,289	8,881
Cash and cash equivalents at end of period	8,881	9,441

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Accounting policy revisions)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter “the Implementation Guidance”) applies from the beginning of the first quarter of the current fiscal year, and in accordance with the provisions on transition set forth in Item 27-2 of the Implementation Guidance, we have decided to prospectively adopt the new accounting policy stipulated therein. There will have no impact on our 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, cashless projects , development of statistical information analysis and temporary help business

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, 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.

Information on amount of sales and profit and loss by reportable segment and breakdown of income
Current fiscal year (From January 1st, 2023 to December 31st, 2023)

(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	7,441	1,731	37	—	9,210	—	9,210
system usage fee sales	5,823	840	232	—	6,896	—	6,896
consumable goods sales	1,951	61	—	—	2,012	—	2,012
maintenance service sales	923	169	280	—	1,374	—	1,374
other businesses	—	—	—	860	860	—	860
Revenue from contracts with customers	16,140	2,802	550	860	20,355	—	20,355
External sales	16,140	2,802	550	860	20,355	—	20,355
Inter-segment sales and transfers	18	—	—	112	131	(131)	—
Total	16,159	2,802	550	973	20,487	(131)	20,355
Segment profit	2,939	(130)	(540)	48	2,316	13	2,330
Segment assets	9,137	1,249	902	876	12,167	17,220	29,387
Other items							
Depreciation	687	203	153	4	1,048	200	1,249
Increase in property, plant and equipment and intangible assets	3,158	83	175	0	3,417	(20)	3,397

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 17.224 billion yen and inter-segment elimination of 4 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, 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.

Current fiscal year (January. 1, 2023 – December. 31, 2023)

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, 2022 – Dec. 31, 2022)

Not applicable.

Current fiscal year (Jan. 1, 2023 – Dec. 31, 2023)

Not applicable.

【Amortization of goodwill and unamortized balance by reportable segment】

Previous 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

Current fiscal year (Jan. 1, 2023 – Dec. 31, 2023)

(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	112	-	75	22	209
Unamortized balance at the period-end	1,384	-	15	74	1,475

【Gain on negative goodwill by reportable segment】

Previous fiscal year (Jan. 1, 2022 – Dec. 31, 2022) Not applicable.

Current fiscal year (Jan. 1, 2023 – Dec. 31, 2023) Not applicable.

(Per Share Information)

(Units: Yen 100ths of a yen)

Previous fiscal year (From January 1, 2022 To December 31, 2022)		Current fiscal year (From January 1, 2023 To December 31, 2023)	
Net assets per share	274.94	Net assets per share	289.47
Net income per share	26.75	Net income per share	27.76
Diluted net income per share	26.66	Diluted net income per share	27.68

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, 2022 To December 31, 2022)	Current fiscal year (From January 1, 2023 To December 31, 2023)
Net income per share		
Profit attributable to owners of parent	1,893	1,962
Amounts not available to common stock shareholders	—	—
Profit attributable to owners of parent available to common stock	1,893	1,962
Average number of shares of common stock outstanding during the period (Shares)	70,801,285	70,680,919
Diluted net income per share		
Adjusted profit attributable to owners of parent	—	—
Increase in the number of shares of common stock (Shares)	222,945	222,918
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 treasury stock)

At a meeting of the Board of Directors held on February 14, 2024, the Company issued a resolution relating to acquisition of treasury stock in accordance with Article 156 of the Companies Act as interpreted and applied to Article 165-3 of the same act.

(1) Reason for 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 relating to the acquisition

1. Type of shares to be acquired: Ordinary shares of the Company
2. Total number of shares to be acquired: 1,600,000 shares (maximum)
(2.26% of the total number of shares issued (excluding treasury stock))
3. Total amount of shares to be acquired: 1,000,000,000 yen (maximum)
4. Acquisition period: From February 15, 2024 to December 30, 2024
5. Acquisition method: Purchase on the 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.