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EMMA

# Results of Operations for financial year ended December 31 2023



**EM SYSTEMS CO., LTD.**

(TSE Prime Section: 4820)

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## 1 Results for the fiscal year ended December 31, 2023

- Sales exceeded 20 billion yen for the first time

## 2 Financial forecast for the fiscal year ended December 31, 2024

- Efficiency improved through group company management, reflecting full year performance of 2 companies acquired in the previous fiscal year
- Cost containment (commercials, etc.), decrease in online eligibility verification system business, and possible expansion of electronic prescription system business

## 3 Future Initiatives

- Establishment of a dedicated sales force, enhancement of inside sales, and expansion of hardware business
- A focus on web marketing and digital marketing

## 4 Shareholder returns

- Acquisition of treasury stock

## Clinics



- Responses to the Post-Covid-19 Status (Hybridization of exhibitions and seminars, promotion of online medical care, medical consultations by appointment, Web-based medical interview, transition toward cashless systems, etc.)
- Online eligibility verification and coverage expansion (Compatible with medical assistance from March 2024)
- Electronic prescriptions and enhancements to functionality (from December 2023), abolition of insurance cards through utilization of Individual Number Card (aiming for fall 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)
- Medication price revision and medical fee revision (medication price revision: April 1, 2024 / medical fee revision: June 1, 2024)
- Cybersecurity measures (mandatory from April 1, 2024)

## Initiatives



- Promotion of digital marketing (Digital advertising, website renewal, use of MA tools, enhancement of video/sample introductory content)
- Enhancing inside sales, Exhibiting at Hybrid Exhibitions (Enhancement of online seminars)
- Operation of “EM-AVALON” (portal site for customers) and content enhancement
- Provision of online qualification verification system utilizing Online SHOP, 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 (Hybridization of exhibitions and seminars, 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 and coverage expansion (Compatible with medical assistance from March 2024)
- Electronic prescriptions and enhancements to functionality (from December 2023), Abolition of insurance cards through utilization of Individual Number Card (aiming for fall 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)
- Medication price revision and medical fee revision (medication price revision: April 1, 2024 / medical fee revision: June 1, 2024)
- Cybersecurity measures (mandatory from April 1, 2024)

## Initiatives



- Promotion of digital marketing (website renewal, use of MA tools, enhancement of video/online seminars/sample introductory content)
- Collaboration with Good Cycle System, Inc. and Unike Software Research Co., Ltd, Electronic drug history related proposal-making capability, Enhancement of online seminars
- Operation of “EM-AVALON” (portal site for customers) and content enhancement
- Provision of online qualification verification system utilizing Online SHOP, provision of electronic prescription starter kit, hosting of seminars related to electronic prescriptions
- Sales promotion of “MAPs for PHARMACY DX”
- Enhancing inside sales, Exhibiting at Hybrid Exhibitions

## 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, enhancing infection countermeasures, etc.)
- Responses to the Care Plan Data Linkage System
- Improvement of data accuracy by LIFE support (Long-term care Information system For Evidence)
- Revision of compensation for long-term care and disability (effective dates: April 1, 2024 / June 1, 2024)  
\*Timing varies by service

## Initiatives



- Sales promotion of “MAPs for NURSING CARE” (website renewal, enhancement of video/sample introductory content)
- Enhancing of chain store sales proposal capabilities , Promotion of TOP coverage
- Enhancing of digital marketing (website renewal, use of MA tools)
- Enhancing inside sales, exhibition and online exhibitions enhancement of online seminars)
- Efficient support and data output for LIFE by “Sukoyaka-san”

# I . ii . Financial Highlights for Fiscal Year Ended December 31, 2023

- Net sales exceeded 20 billion yen, and stock-bases sales exceeded 10 billion yen, both **setting new records**
- **Slight decrease** in operating income from the previous year due to an increase in goodwill amortization, payments of special compensation, airing of TV commercials, etc.
- **Increase in net income for the third consecutive term**. Increase in dividends of by 2 yen (payout ratio: 50.4%). **Increase in dividends for the thirteenth consecutive term**, excluding the term when the accounting period was changed

## Net Sales

(Millions of yen)

**20,355**

YoY % change  
**+20.3%**

## Sales of Recurring Income

(Millions of yen)

**10,303**

YoY % change  
**+19.5%**

## Licenses

(Number)

**41,465**

YoY % change  
**+17.1%**

## Operating Profits

(Millions of yen)

**2,330**

YoY % change  
**(2.7%)**

## Net Income

(Millions of yen)

**1,962**

YoY % change  
**+3.6%**

## Shareholder returns

**Dividend of 14 yen  
per share**  
YoY change  
**2 yen increase in  
dividend**

## Consolidated results of December 31, 2023

	December 31 2022	※December 31 2023 (estimated results)	December 31 2023 (results)	Compared to previous year	Compared to estimated results
Sales	16,919 millions of yen	20,455 millions of yen	<b>20,355</b> millions of yen	20.3%	(0.5%)
Operating Profits	2,395 millions of yen	2,256 millions of yen	<b>2,330</b> millions of yen	(2.7%)	3.3%
Ordinary Profits	2,791 millions of yen	2,805 millions of yen	<b>2,869</b> millions of yen	2.8%	2.3%
Net Income	1,893 millions of yen	1,764 millions of yen	<b>1,962</b> millions of yen	3.6%	11.2%

※ Full-year figures after revisions to the consolidated earnings forecasts in the financial results announced on November 10, 2023

## Topics for December 31, 2023

- Good Cycle System Inc. and Unike Software Research Co., Ltd. became a consolidated subsidiary, resulting in increases in initial and sales of recurring income
- New sales expansion of MAPs series and replacement of in-house products resulted in an increase in initial system sales, including service provision
- Good Cycle System Inc. and Unike Software Research Co., Ltd. became consolidated subsidiaries, resulting in an increase in SG&A expenses
- SG&A expenses increased due to airing of TV commercials to improve recognition and special compensation paid to employees.



# I . iii . Sales / Operating Profits-Summary (By Segment)

## Sales

Units : Millions of yen

	Previous performance 2022/12	Current performance 2023/12	YoY change	YoY % change
IT Systems for Pharmacies	13,530	16,159	+2,628	+19.4%
IT Systems for Clinics	2,202	2,802	+600	+27.3%
IT Systems for long-term care/welfare	539	550	+11	+2.1%
Other Businesses	713	973	+260	+36.5%

## Operating Profits

Units : Millions of yen

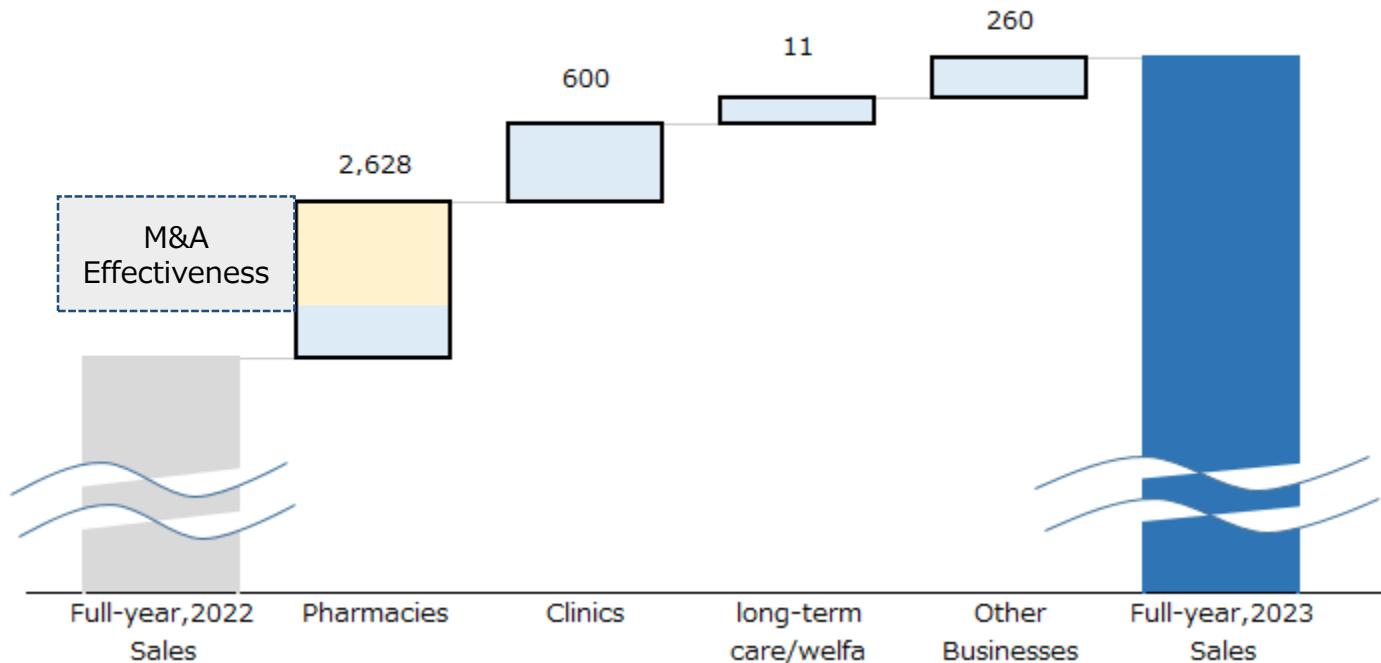
	Previous performance 2022/12	Current performance 2023/12	YoY change	YoY % change
IT Systems for Pharmacies	3,031	2,939	(91)	(3.0%)
IT Systems for Clinics	(409)	(130)	+279	—
IT Systems for long-term care/welfare	(211)	(540)	(329)	—
Other Businesses	(42)	48	+91	—

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

# I . iv . Sales - Breakdown of Increases/Decreases (By Segment)

Units : Millions of yen

**Business by Segment YoY change**



## IT Systems for Pharmacies

- In addition to sales expansion of “MAPs for PHARMACY DX” and replacement of hardware, initial sales increased to 964 million yen due to Good Cycle System Inc. and Unike Software Research Co., Ltd. Becoming consolidated subsidiaries
- Billing sales increased to approx. 1,417 million yen as a result of an increase in the number of customers

## IT Systems for Clinics

- In addition to expanded installation of online eligibility verification systems, initial sales increased to approx. 596 million yen due to an increase in system sales
- Billing sales increased to approx. 49 million yen as a result of an increase in the number of customers

## IT Systems for long-term care/welfare

- Billing sales increased to approx. 24 million yen as a result of an increase in the number of licenses

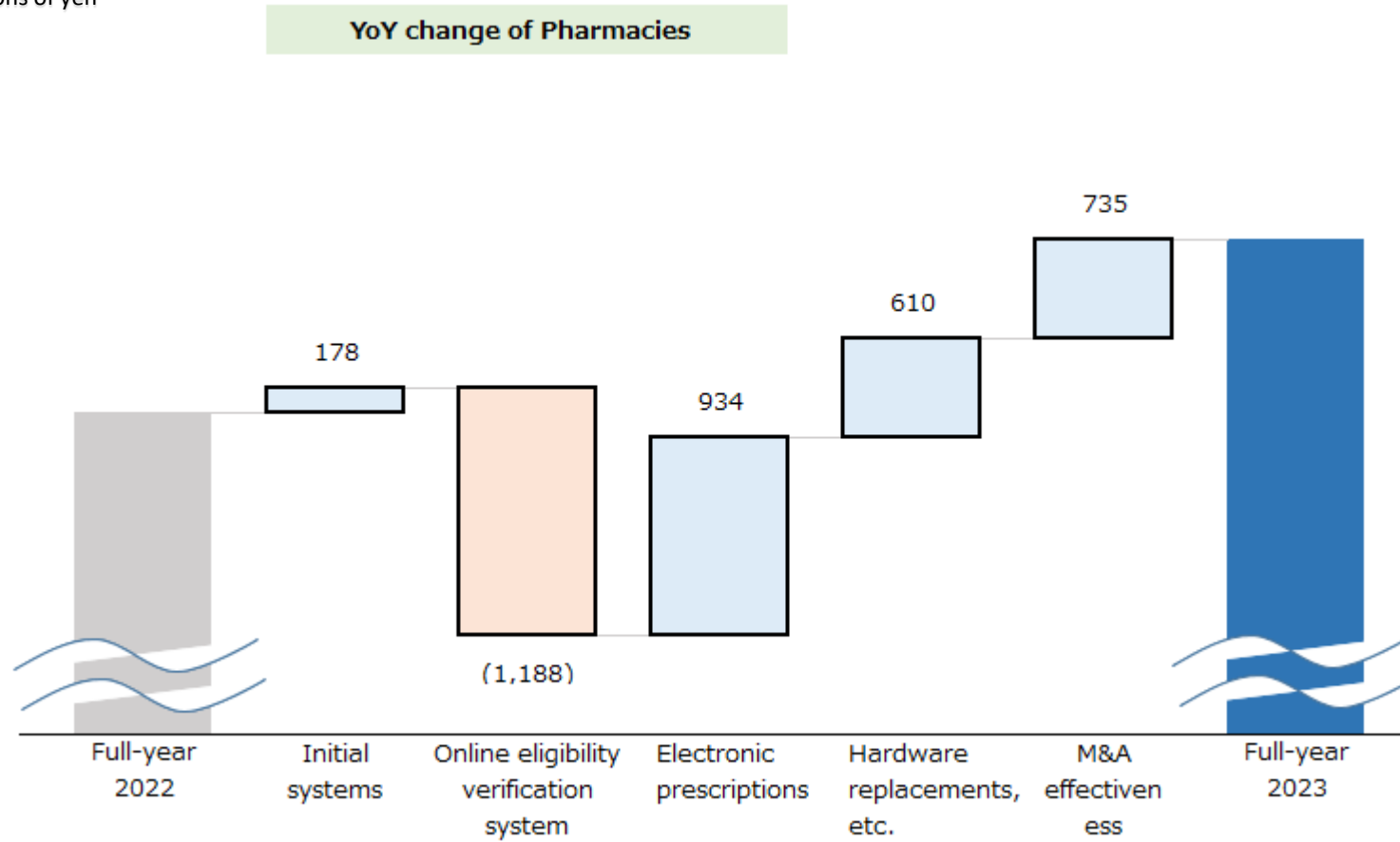
## Other Businesses

- Unike Software Research Co., Ltd. becoming a consolidated subsidiary increased temporary staffing business sales to 159 million yen
- Subsidiary cashless business sales increased to approx. 112 million yen

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

# I . iv. Initial sales - Breakdown of Increases/Decreases (Pharmacies)

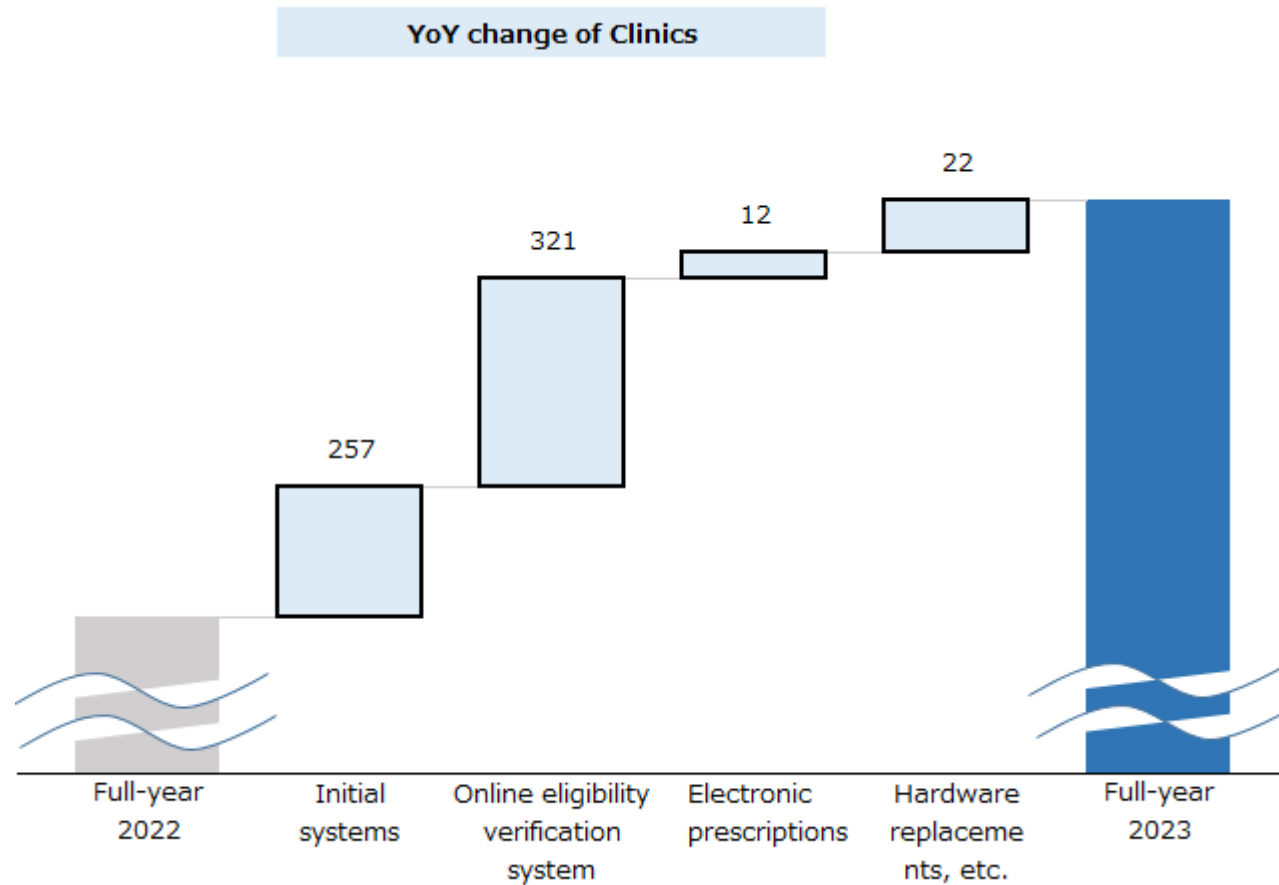
Units : Millions of yen



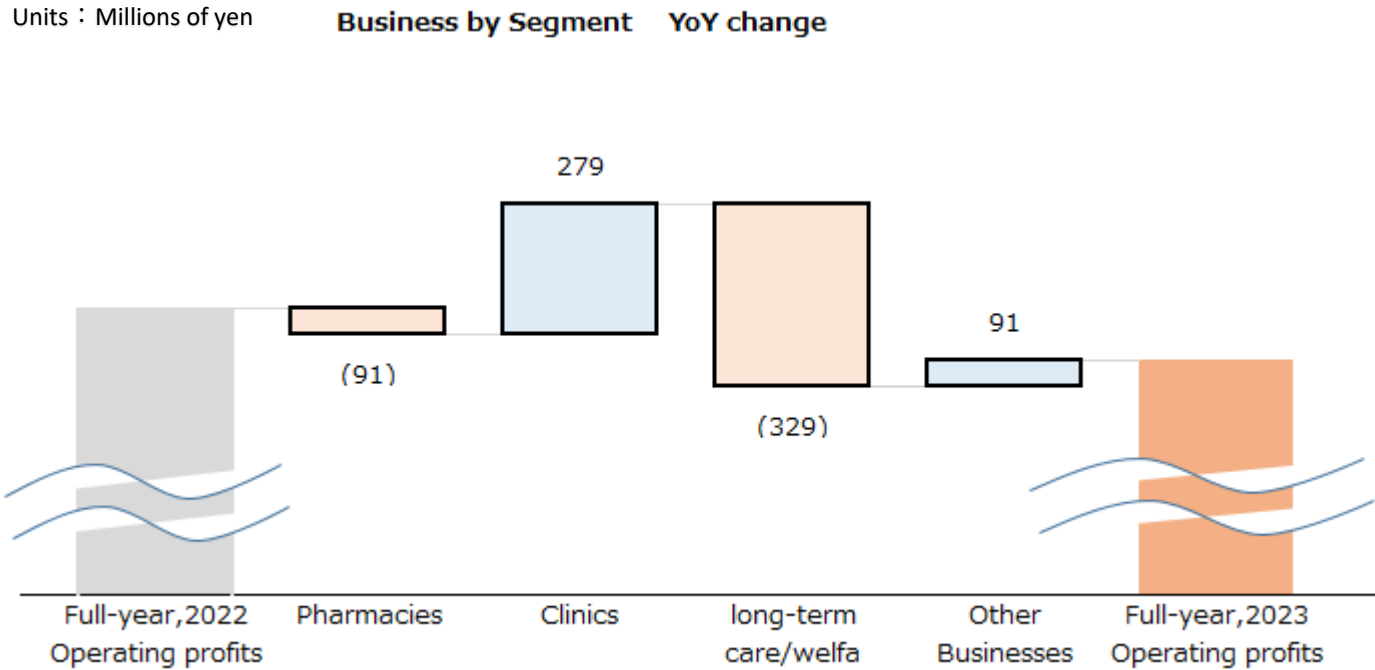
※ Categories of increases/decreases are the amounts before applying revenue recognition standards

# I . iv. Initial sales - Breakdown of Increases/Decreases (Clinics)

Units : Millions of yen



# I . v . Operating Profits - Breakdown of Increases/Decreases (By Segment)



Shared results in all segments

■ SG&A expenses increased due to airing of TV commercials to expand market share and special compensation paid to employees

### IT Systems for Pharmacies

- Good Cycle System Inc. and Unike Software Research Co., Ltd. became consolidated subsidiaries, resulting in an increase in SG&A expenses

### IT Systems for Clinics

- Online eligibility verification system contributed to increasing profits
- Increase in gross profit due to growth in initial system sales and billing sales

### IT Systems for long-term care/welfare

- An increase in depreciation associated with the release of "MAPs for NURSING CARE"

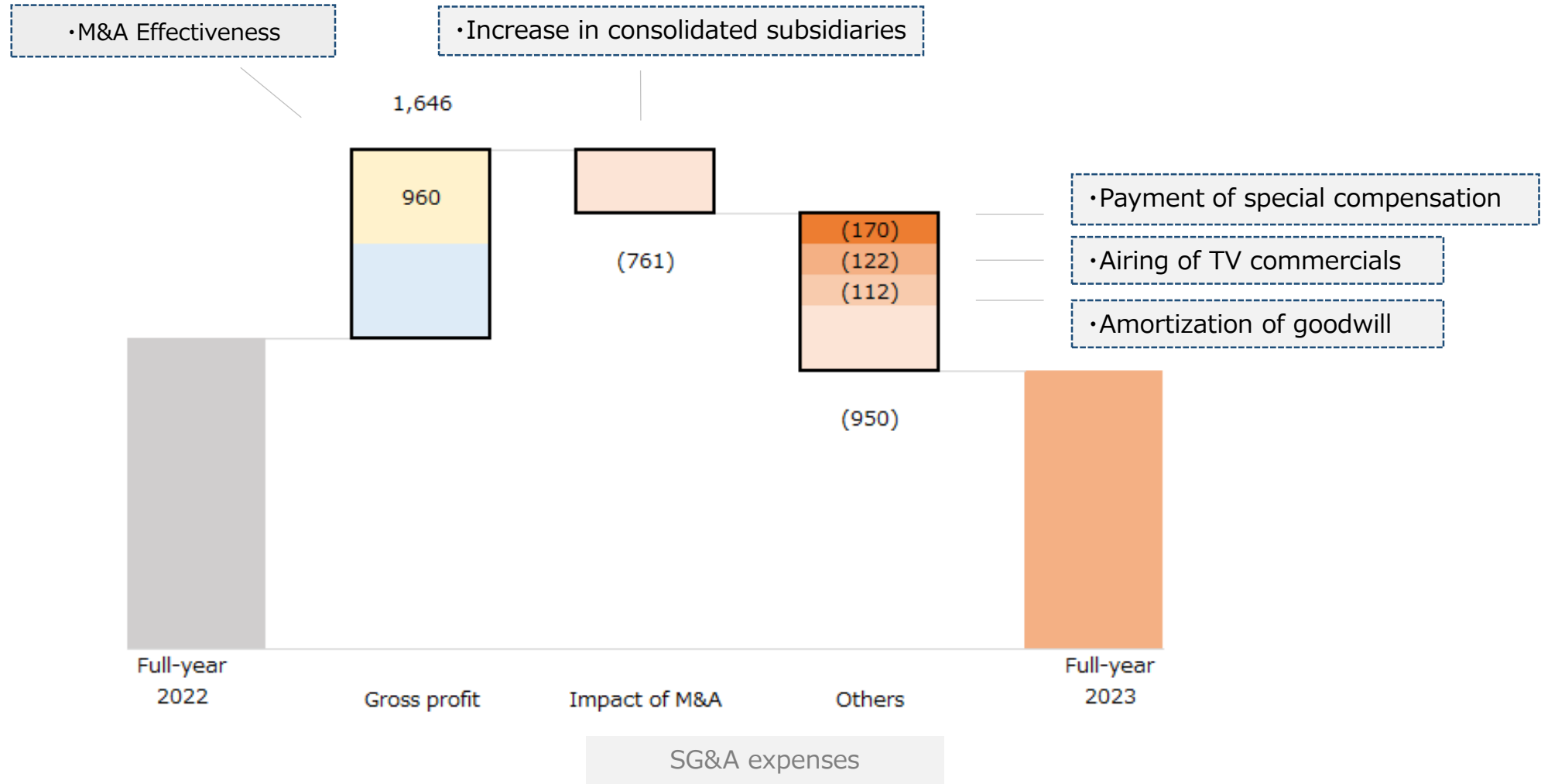
### Other Businesses

- Profit contributions from overseas subsidiaries led to an improvement in the operating income

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

# I . v . Operating Profits - Breakdown of Increases/Decreases

Units : Millions of yen



# I . vi. Segment results (consolidated)

(Millions of yen)

	Fiscal year ended December 31 2022 (actual)	Fiscal year ended December 31 2023 (Revised full-year forecast)	Fiscal year ended December 31 2023 (actual)
<b>Sales</b>	<b>16,919</b>	<b>20,455</b>	<b>20,355</b>
Business for Pharmacy	13,530	16,160	16,159
Business for Clinic	2,202	2,913	2,802
Business for long-term care/welfare	539	550	550
Other Business	713	956	973
Adjustment	(66)	△ 125	(131)
<b>Operating Profits</b>	<b>2,395</b>	<b>2,256</b>	<b>2,330</b>
Business for Pharmacy	3,031	2,791	2,939
Business for Clinic	(409)	△ 66	(130)
Business for long-term care/welfare	(211)	(554)	(540)
Other Business	(42)	44	48
Adjustment	28	42	13
<b>Ordinary Profits</b>	<b>2,791</b>	<b>2,805</b>	<b>2,869</b>
<b>Net Income</b>	<b>1,893</b>	<b>1,764</b>	<b>1,962</b>

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

## II. i. Financial Forecast (Consolidated)

(Millions of yen)

	Fiscal year ended December 31 2023 (actual)	Fiscal year ended December 31 2024 (Full-year forecast)
<b>Sales</b>	<b>20,355</b>	<b>22,014</b>
Business for Pharmacy	16,159	17,555
Business for Clinic	2,802	2,640
Business for long-term care/welfare	550	812
Other Business	973	1,182
Adjustment	(131)	(177)
<b>Operating Profits</b>	<b>2,330</b>	<b>2,573</b>
Business for Pharmacy	2,939	3,002
Business for Clinic	(130)	(178)
Business for long-term care/welfare	(540)	(304)
Other Business	48	24
Adjustment	13	29
<b>Ordinary Profits</b>	<b>2,869</b>	<b>3,199</b>
<b>Net Income</b>	<b>1,962</b>	<b>2,160</b>

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

### Overall

- Increase in revenue due to M&A effects and sales expansion by enhancing inside sales
- Plan to increase profit by via thorough cost reductions and increasing sales of recurring income with high gross profit margin ratios

### Pharmacies

- Sales increased due to change consolidation period for Good Cycle System, Inc. and Unike Software Research Co., Ltd.
- Operating income increased slightly due to an increase in manufacturing costs caused by amortization of goodwill and revision responses, etc.

### Clinics

- Despite an increase in the number of system sales, overall sales decreased due to strong special demand for online eligibility verification systems in the previous term
- Operating loss increased due to a decrease in sales and an increase in manufacturing costs caused by revision responses, etc.

### Long-term care/welfare

- Sales increased due to expansion of MAPs for NURSING CARE and Sukoyaka-san sales
- Operating loss decreased due to an increase in gross profit



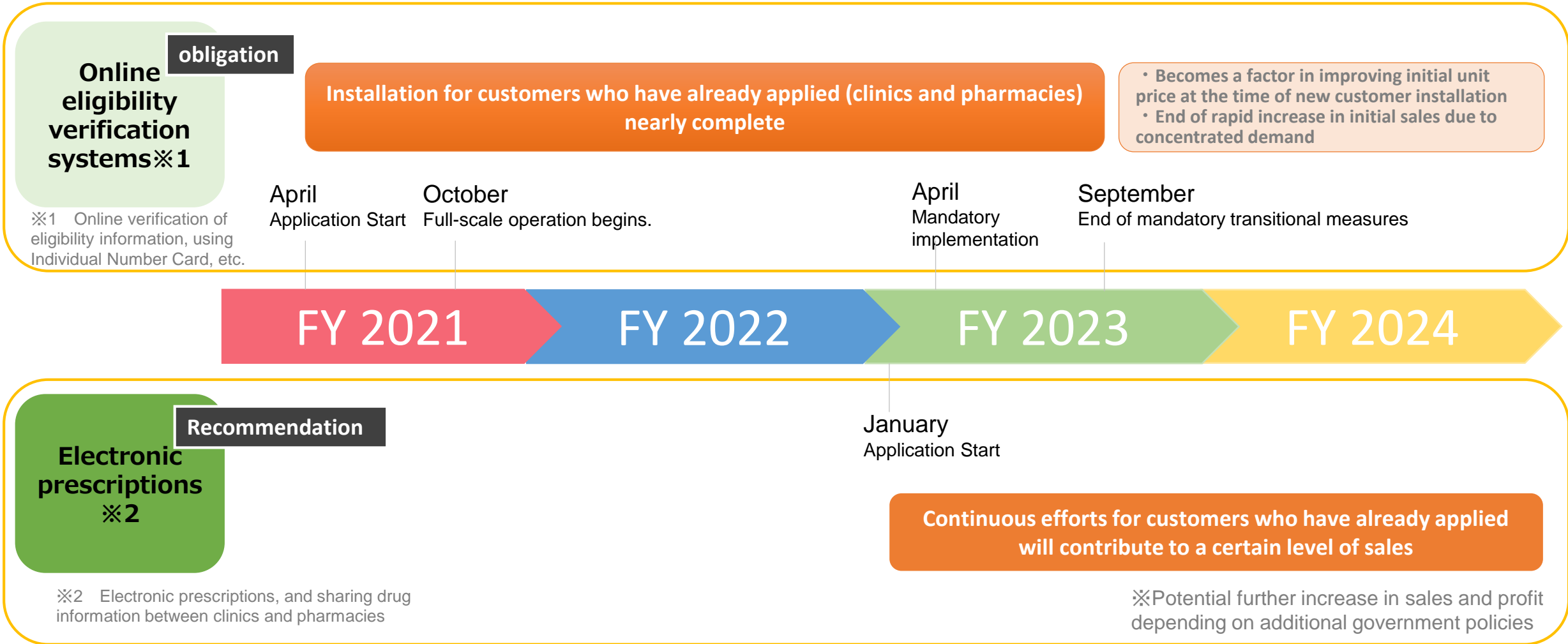
## II. ii. Financial Forecast Highlights for Fiscal Year Ending December 31, 2024

- Plan to achieve an increase in revenue through M&A effects and sales expansion efforts, despite a temporary drop in online eligibility verification system sales
- Plan to also increase profit via thorough cost reductions and an increase in sales of recurring income with high gross margin ratios
- Potential further increase in sales and profit depending on additional government policies to promote electronic prescriptions

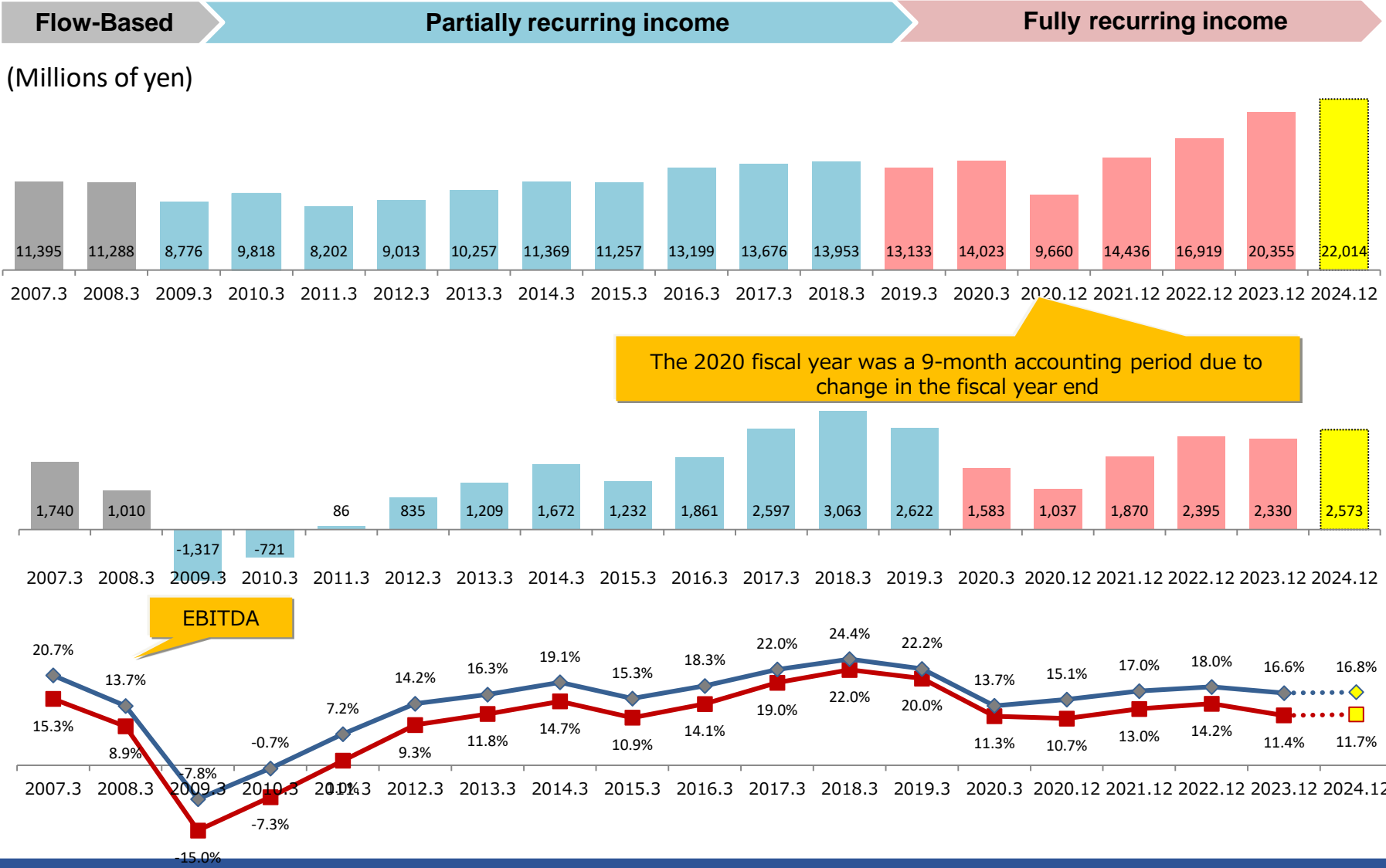
### Financial forecast for fiscal year ending December 31, 2024

### Forecast assumptions

<b>Sales revenue</b> (Revenue growth rate)	<b>22,014 Millions of yen</b> (8.1%)	+ Full-year contributions from Good Cycle System, Inc. and Unike Software Research Co., Ltd. acquired last fiscal year — Temporary sales (online eligibility verification system) not expected this fiscal year
<b>Sales of Recurring Income</b> (Revenue growth rate)	<b>11,500 Millions of yen</b> (11.6%)	<b>Pharmacies</b> : Plan to increase price per customer via thorough cross-selling <b>Clinics</b> : Scheduled to increase the number of system sales However, sales expected to decrease slightly due to the drop in online eligibility verification system sales in the previous fiscal year <b>Long-term care</b> : Plan to increase sales of both MAPs for NURSING CARE and conventional systems
<b>Operating Profits</b> (Revenue growth rate)	<b>2,573 Millions of yen</b> (10.4%)	+ Elimination of temporary cost increase factors (special compensation, TV commercials) in the previous fiscal year + Thorough cost reduction in each division and subsidiary + Increase in profit due to increase in sales of recurring income with high gross profit margin ratios
<b>Net Income</b> (Revenue growth rate)	<b>2,160 Millions of yen</b> (10.1%)	— Full-year impact from amortization of goodwill accompanying M&A activities — Increase in amortization due to enhancement of MAPs for NURSING CARE



# II. iii. Changes in consolidate results by fiscal year



- Expansion of recurring income business base
- Implementation thorough cost reduction and pursuit of economy of scale

### Product Strategy

- Continue software updates and customer support for purchased companies
- Reduce administrative costs and increase added value by standardizing engines while retaining each company's existing UI
- Shift to a business model centered on billing sales by increasing the added value of each company's systems
- Reduce switches to competing products by providing thorough support (ensure that at least 95% of customers continue to use our products)

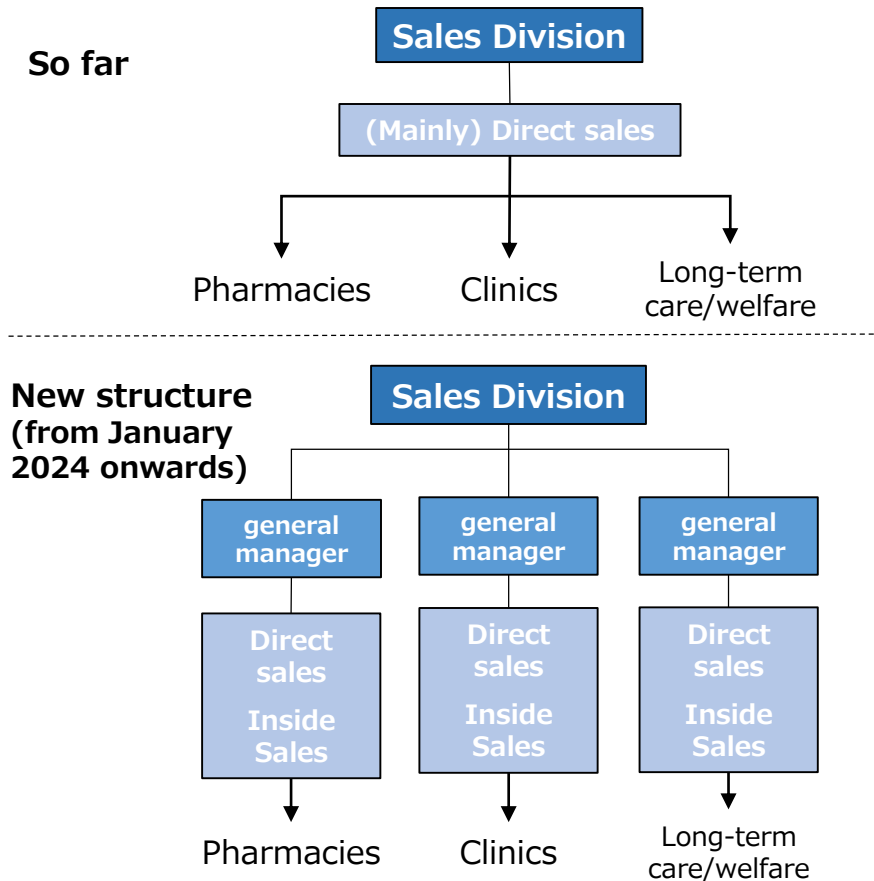
### Management Strategy

- Reduce the costs of replacing other companies' products with ours and mitigate price competition in competitive areas
- Promote cost reduction measures through consolidation and relocation of headquarters and offices (some offices have been relocated)
- Reduce procurement costs through joint purchasing
- Avoid duplicate software development among purchased companies and significantly reduce development costs
- Reallocate personnel within the Group without downsizing the staff

# II. v. Fundamental Reform of Sales Structure

- We have drastically reformed our sales structure this fiscal year. We have increased our ability to acquire new users by establishing dedicated sales teams and focusing on inside sales.
- By making more effective use of online and digital marketing, we are increasing company recognition, which had been an issue for us, especially in the fields of clinic systems and long-term/welfare systems, and steadily acquiring new users.

<p>① Establishment of dedicated sales teams</p>	<ul style="list-style-type: none"> <li>● Previously, one sales team handled all sales for pharmacies, clinics, and long-term care/welfare.</li> <li>● In January 2024, supervisors were assigned to each segment. Sales resources, which had tended to be biased toward pharmacies, are now appropriately allocated to the clinics and long-term care/welfare segments as well, resulting in a drastic enhancement of sales capabilities (see figure on the right).</li> <li>● There is now a sales team, composed of high specialized members, dedicated to each segment.</li> </ul>
<p>② enhancing inside sales</p>	<ul style="list-style-type: none"> <li>● We used to focus on in-person visits to make sales, so sales were often concluded on-site.</li> <li>● As a result, our system for following up on leads acquired through online and digital marketing was not sufficiently developed, resulting in lost opportunities in some cases.</li> <li>● In January 2024, dedicated inside sales representatives were assigned to each segment. We are steadily improving the conversion ratio through appropriate follow-up measures via telephone, email, etc. for the leads acquired through online and digital marketing (see figure on the right).</li> </ul>



## II. vi. Enhance marketing activities

- We are steadily acquiring new users by acquiring leads via hybrid marketing that combines real-time, online, and digital media, as well as through effective follow-up operations that make use of inside sales under our new structure.

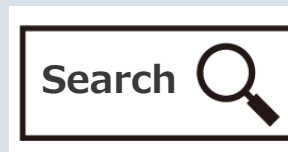
### Real marketing

- Organization of our own seminars
- Participation in seminars and exhibitions organized by other companies



### Web marketing

- Effective use of online ads and industry websites to spread awareness of the features of our services



### Digital marketing

- The ability to actively approach potential users through social media, etc.



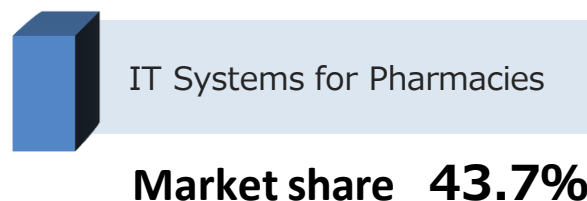
**Acquisition of quality leads**

**Follow-up sales by our inside sales representatives**

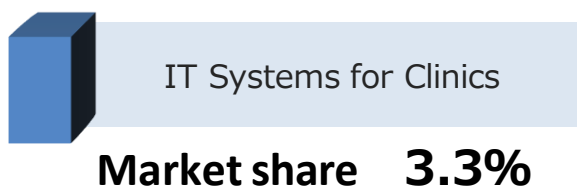
(telephone, email, online demos, etc.)

## II. vii. Our Share and Our Approach to Expanding Our Share

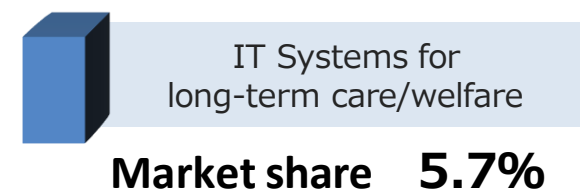
- While each market continues to consolidate around the top manufacturers, there are still many mid-sized vendors with several thousand customers
- Vendors with 10,000 or fewer customers bear a heavy burden when revising software accompanying system changes
- Our intention is to increase our share of each market by continuing to actively pursue M&As



Number of customers : 24,059  
Target population : 55,000  
Mid-term goals : 25,000



Number of customers : 3,053  
Target population : 90,000  
Mid-term goals : 7,000



Number of customers : 14,353  
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.

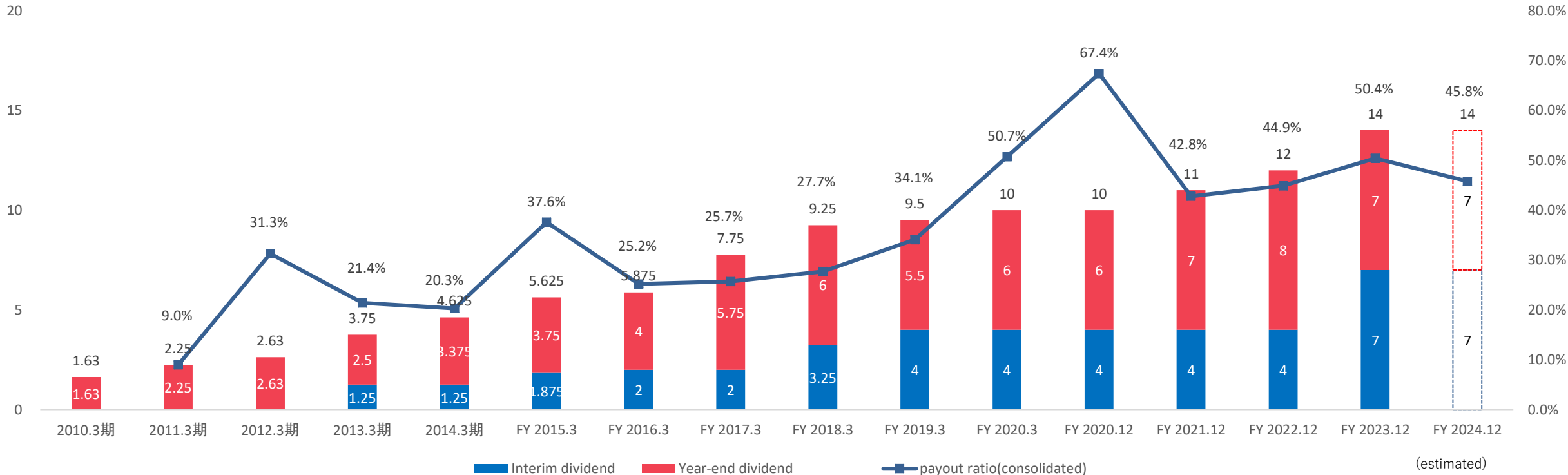
\*2 The above target populations represent the number of pharmacies and clinics that we considered as our potential customers, and differ from the actual number of registered pharmacies and clinics.

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

(as of December 31, 2023)

# II. viii. Shareholder Returns (Dividends)

Increase in dividends for the thirteenth consecutive term, excluding the term when the accounting period was changed



\*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.



## II . viii. Shareholder Returns (Acquisition of Treasury Stock)

[Reference]

Details of the resolution made on February 14, 2024

Total number of shares to be acquired:

Up to 1.6 million shares  
(Ratio in relation to the total number of shares issued  
(excluding treasury stock): 2.26%)

Total amount of shares to be acquired:

Up to 1 billion yen

Acquisition period:

From February 15, 2024 to December 30, 2024


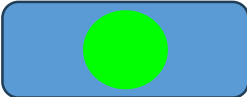



Reason for acquisition:

To implement a flexible capital policy in response to changes in the business environment, to improve capital efficiency, and to enhance shareholder returns.

Acquisition period	Total acquisition value
November 10, 2010 ~	57 million yen
February 09, 2011 ~	69 million yen
September 05, 2011 ~	79 million yen
November 11, 2011 ~	77 million yen
May 25, 2015 ~	99 million yen
June 18, 2018 ~	500 million yen
January 07, 2019 ~	500 million yen
June 11, 2020 ~	500 million yen
February 10, 2022 ~	500 million yen
<b>February 15, 2024 ~</b>	<b>1 billion yen (maximum)</b>

## II. ix. Self-evaluation of Current Mid-term Management Plan

- Failure to achieve numerical targets, and share price slump
- Aim to promptly recover performance, enhance shareholder returns, and improve capital efficiency from the fiscal year ending December 31, 2024 and beyond

	Comparison with actual performance	Self-evaluation
<b>Share price</b> (as at 29 December 2023)	<ul style="list-style-type: none"><li>● Down 38% from the record high of 1,134 yen*1 (TOPIX index up 22% during the same period)</li></ul>	
<b>Sales</b>	<ul style="list-style-type: none"><li>● Revised mid-term plan target*2 of 16,710 million yen compared to 22,014 million yen forecast for this term</li></ul>	
<b>Operating profit</b>	<ul style="list-style-type: none"><li>● Revised mid-term plan target of 3,466 million yen compared to 2,573 million yen forecast for this term</li></ul>	
<b>ROE</b>	<ul style="list-style-type: none"><li>● Decrease of 9.9% in the fiscal year ended December 31, 2023 compared to the record high of 17.2% (in FYE March 31, 2024)</li></ul>	
<b>M&amp;A</b>	<ul style="list-style-type: none"><li>● Good Cycle Systems and Unike Software Research Co., Ltd become subsidiaries.</li></ul>	

1) Closing price on August 22, 2022

2) New Mid-term Management Plan (FY2022 to FY2024) announced on February 9, 2022]

## II. x. Regarding the Next Mid-term Management Plan

- Our next medium-term management plan is due to be published this financial year
- We are currently identifying our challenges and considering specific measures

### Management strategy

- Switched to a sales structure in which pharmacies, clinics, and long-term care/welfare are separate, and clarified responsibility for sales results in each segment in response to the failure of the current mid-term management plan
- Scheduled to launch marketing activities that make use of online and digital marketing, and to change numerical targets for the number of customers to more realistic targets.
- Consider adopting KPIs appropriate for the industries in which we operate, while focusing on sales and profit
- In addition to operating profit, also focus on profit before amortization of goodwill from the perspective of M&A utilization
- Promote efficiency in IT systems for pharmacies, which we now have a market share of over 40%, by standardizing engines. Also aim to achieve growth and establish a solid market position by promoting cross-selling
- Scheduled to aim for significant renewal, achieving the highest profits ever in the final year, by implementing a growth strategy and thoroughly managing costs

### Financial strategy

- Consider introducing a new cash allocation policy
- Consider making use of some debt, if necessary, when conducting M&As
- Expand shareholder returns on the premise of our M&A policy, etc.

# Appendix

## Marketing Activities ,Sale Activities

Clinic	Pharmacy	Long - term care	Contents
○	○	○	Enhancement digital 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"
○	○		Provision of information and necessary materials related to cyber security measures through the comprehensive portal site "EM-AVALON" (scheduled for February 2024)
○			Provision of "Medical Dashboard" in the "MY AVALON" My Page
○	○		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 and Unike Software Research 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 series.
○	○	○	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 "EM Tennis Clinic" in Kanto on December 10.
- Sponsor participation in the KIMIKO DATE x YONEX PROJECT



Photos from the EM Tennis Clinic in Kanto Ai Love All Tennis Academy representative and professional tennis player, Aiko Nakamura, and all other players from the Academy were in attendance. This was the first time that the clinic was held in Kanto, and many medical practitioners participated!

First time for a pair of EM Systems members  
Professional tennis pair:  
Imamura & Abe / Winners of the W25 Doubles

Professional tennis players Saki Imamura and Hiromi Abe, who belong to EM Systems, won the W25 SOLAPUR (India) doubles championship.



From left, Saki Imamura and Hiromi Abe (both from EM Systems)

### Social contribution activities

#### <Company-led support activities>

- Donations to Medical AI/Digital Twin Development Course (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)**  
Participated in formulating specifications for the core functions of cloud-based standardized electronic medical records as a cooperating organization in the third phase, which began from FY2023, of a project to establish an integrated healthcare system under the Strategic Innovation Promotion Program (SIP), which promotes initiatives from basic research to practical applications and commercialization, and is spearheaded by the Council for Science, Technology and Innovation of the Cabinet Office..
- **Advance implementation of online eligibility verification and electronic prescriptions (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.  
Continued project for advance implementation of new features for online eligibility verification and electronic prescription systems after November 2023

#### <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.



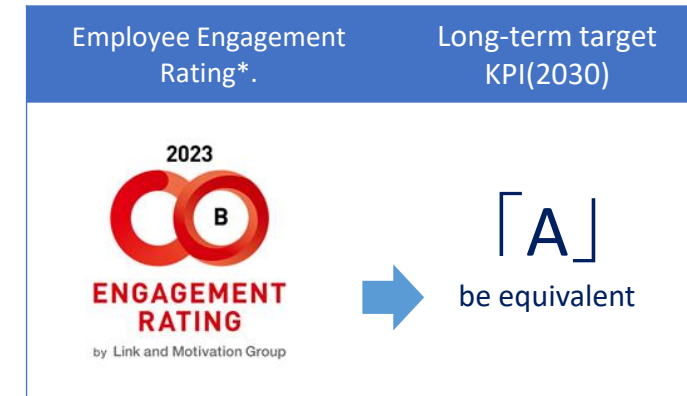
- Disclose non-financial indicators, achievement of long-term targets, and present summary of progress (2023 ESG Data)
- Disclose details on the sustainability website ([Link](#))

## [Human Capital-related Initiatives]

- Full-scale operation of human resource education and training system development
- Provision of opportunities to self-enhance skills (e-Learning)
- Introduction of employee engagement surveys
- Issues relating to organizational culture and human capital  
→ Proactive reorganization, dialog between managers and employees, and recruitment activities

## 【 Target 】

- Establishment of improving employee engagement scores as a long-term target KPI



\*Engagement ratings via Motivation Cloud by Link and Motivation Inc. Scores are calculated for a total of 11 levels  
Target companies (as of November 2023): EM Systems Co., Ltd., EM Technology Lab, Pop-Creation, ChoQi Co., Ltd., Brick Pharmacy

## External Evaluation

- Recognized as an Excellent Corporation for Health & Productivity Management
- 7th Nikkei Smart Work Management Survey 3.5 stars: one step up
- S&P/JPX Carbon Efficient Index: First selection : continued authorization
- FTSE Blossom Japan Sector Relative Index : continued authorization



## Ⅲ. ii . Balance Sheet Summary (Units: Millions of yen)

	December 31 2022	December 31 2023	YoY change	YoY % change
Assets	26,349	29,387	3,037	11.5%
Current assets	13,849	14,800	951	6.9%
Fixed assets	12,500	14,587	2,086	16.7%
Tangible fixed assets	1,371	1,330	(41)	(3.0%)
Intangible fixed assets	2,323	5,186	2,862	123.2%
Investments and other asset	8,805	8,070	(734)	(8.3%)
Liabilities	6,846	8,821	1,974	28.8%
Current liabilities	4,944	5,618	673	13.6%
Fixed liabilities	1,901	3,202	1,301	68.4%
Net assets	19,503	20,566	1,062	5.4%
Shareholder's equity	19,329	20,272	942	4.9%
Cumulative amount of other comprehensive	94	191	97	103.6%
Stock acquisition rights	55	56	0	1.4%
Non-controlling interests	23	45	21	92.6%

### Major YoY Changes

Goodwill	1,286 millions of yen
Intangible assets	1,151 millions of yen
Software	721 millions of yen
Current portion of long-term loans payable	966 millions of yen
Long-term loans payable	1,527 millions of yen

### III. iii. By Segment Sales Breakdown

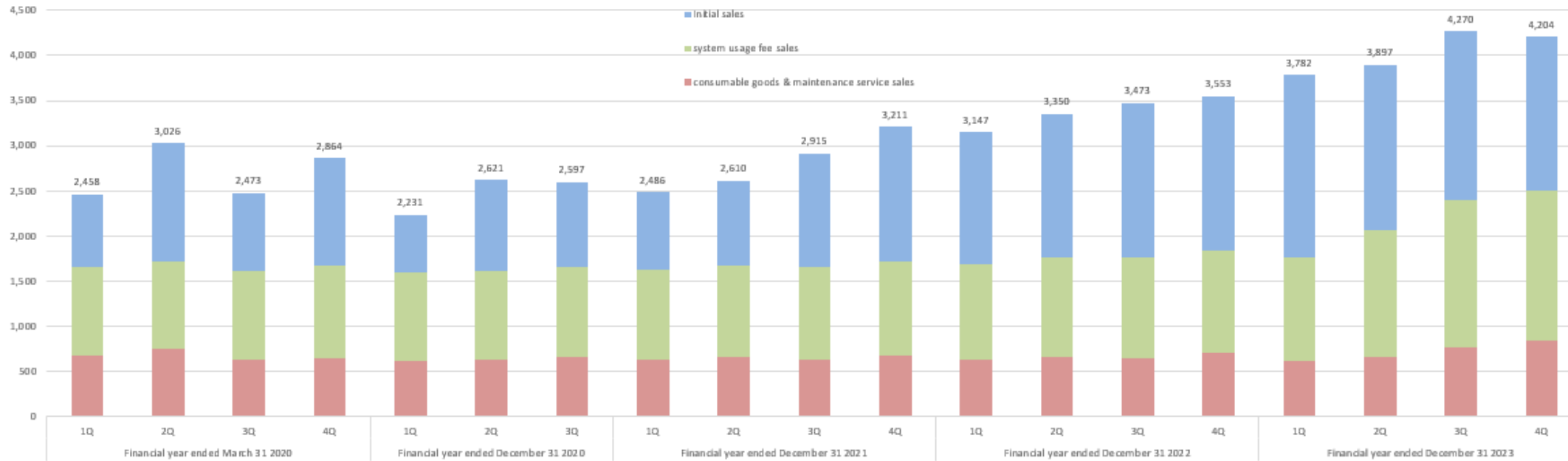
(Millions of yen)

	Financial year ended December 31 2022	Financial year ended December 31 2023	YoY change	YoY % change
<b>Net sales</b>	<b>16,919</b>	<b>20,355</b>	<b>3,435</b>	<b>20.3%</b>
<b>IT Systems for Pharmacies</b>	<b>13,530</b>	<b>16,159</b>	<b>2,628</b>	<b>19.4%</b>
(initial sales)	6,476	7,441	964	14.9%
(system usage fee sales)	4,422	5,840	1,417	32.1%
(consumable goods sales)	1,865	1,954	88	4.7%
(maintenance service sales)	765	923	157	20.6%
<b>IT Systems for Clinics</b>	<b>2,202</b>	<b>2,802</b>	<b>600</b>	<b>27.3%</b>
(initial sales)	1,135	1,731	596	52.5%
(system usage fee sales)	791	840	49	6.2%
(consumable goods sales)	61	61	0	(1.1%)
(maintenance service sales)	214	169	(44)	(20.8%)
<b>IT Systems for long-term care/welfare</b>	<b>539</b>	<b>550</b>	<b>11</b>	<b>2.1%</b>
(initial sales)	40	37	(3)	(8.5%)
(system usage fee sales)	199	232	32	16.4%
(consumable goods sales)	0	0	0	-
(maintenance service sales)	299	280	(18)	(6.1%)
<b>Other Businesses</b>	<b>713</b>	<b>973</b>	<b>260</b>	<b>36.5%</b>
<b>Adjustments</b>	<b>(66)</b>	<b>(131)</b>	<b>(64)</b>	<b>-</b>

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

# III. iv. Quarterly Sales (IT Systems for Pharmacies)

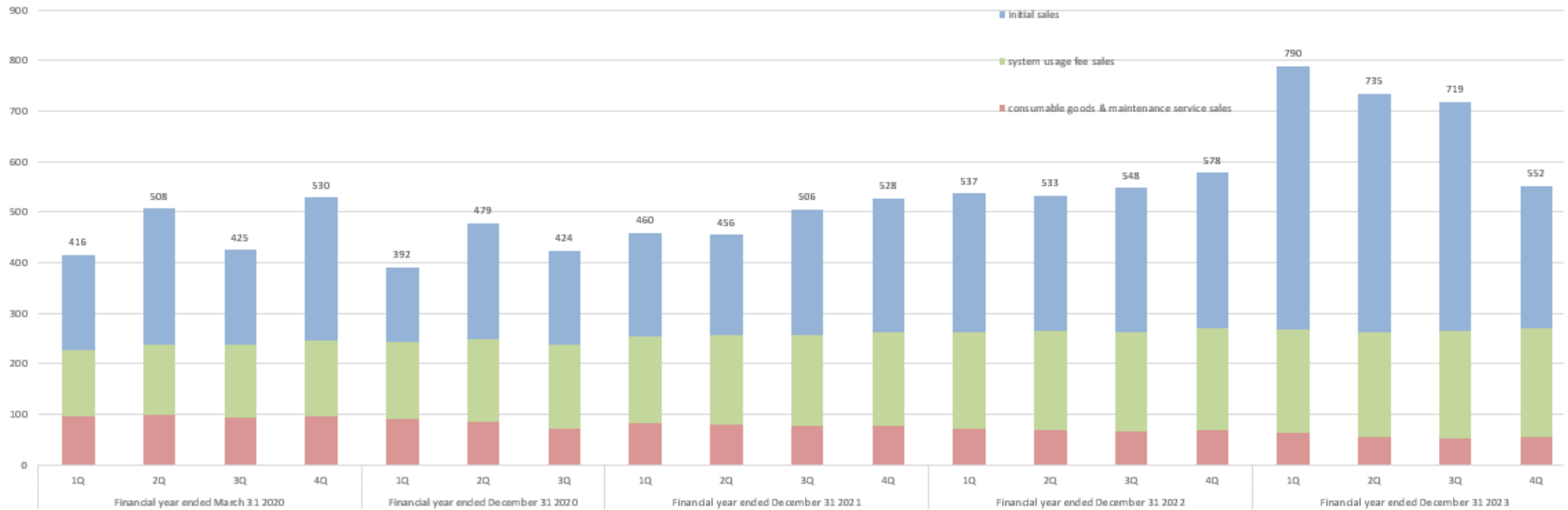
## Quarterly Sales (Units: Millions of yen)



	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	2Q	3Q	4Q
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	1,840	1,877	1,706
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	1,403	1,624	1,663
consumable goods & maintenance service sales	668	741	620	639	614	621	659	622	650	631	667	621	664	640	704	617	654	769	835
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	3,897	4,270	4,204

# III. iv. Quarterly Sales (IT Systems for Clinics)

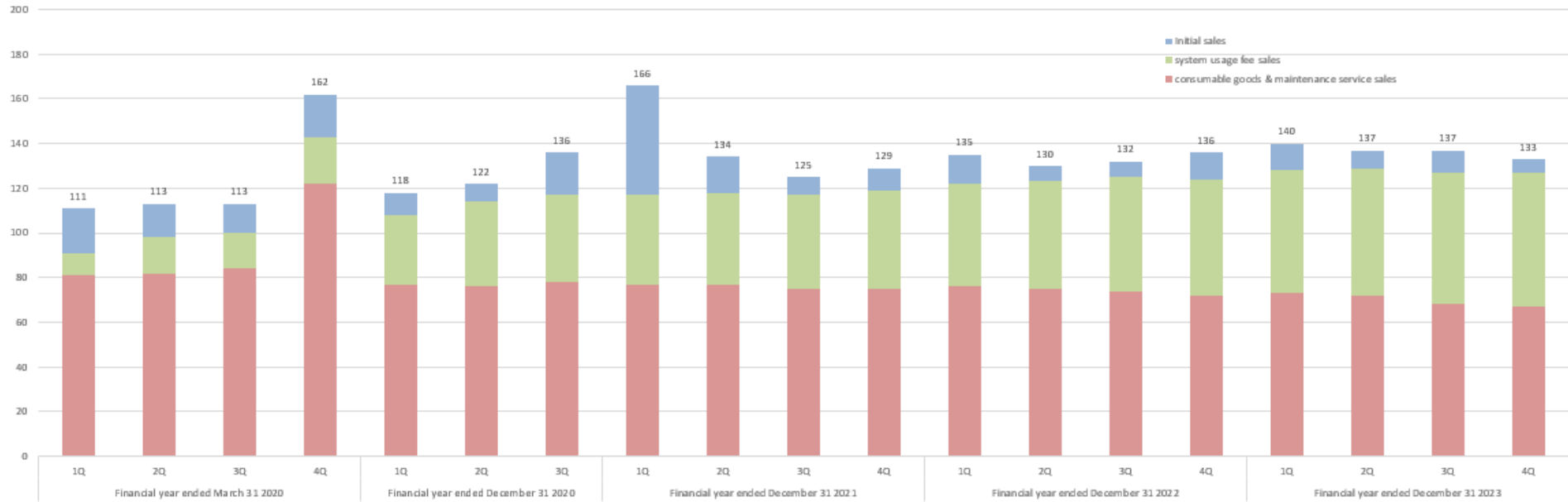
Quarterly Sales (Units: Millions of yen)



	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	2Q	3Q	4Q
Initial sales	189	269	186	285	148	230	187	206	199	250	265	274	267	285	307	521	473	453	282
system usage fee sales	132	139	145	149	154	163	165	172	177	180	187	191	197	198	203	205	206	213	215
consumable goods & maintenance service sales	95	100	94	96	90	86	72	82	80	76	76	72	69	65	68	64	56	53	55
Total	416	508	425	530	392	479	424	460	456	506	528	537	533	548	578	790	735	719	552

# III. iv. Quarterly Sales (IT Systems for Long-term care/Welfare)

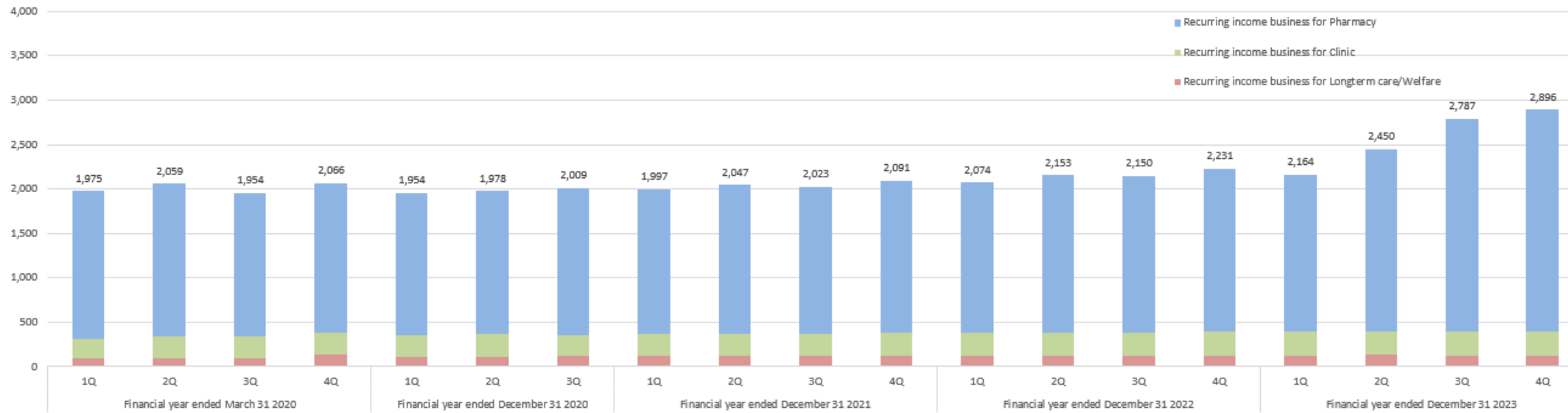
## Quarterly Sales (Units: Millions of yen)



	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	2Q	3Q	4Q
Initial sales	20	15	13	19	10	8	19	49	16	8	10	13	7	7	12	12	8	10	6
system usage fee sales	10	16	16	21	31	38	39	40	41	42	44	46	48	51	52	55	57	59	60
consumable goods & maintenance service sales	81	82	84	122	77	76	78	77	77	75	75	76	75	74	72	73	72	68	67
<b>Total</b>	<b>111</b>	<b>113</b>	<b>113</b>	<b>162</b>	<b>118</b>	<b>122</b>	<b>136</b>	<b>166</b>	<b>134</b>	<b>125</b>	<b>129</b>	<b>135</b>	<b>130</b>	<b>132</b>	<b>136</b>	<b>140</b>	<b>137</b>	<b>137</b>	<b>133</b>

# III. v. By Segment Recurring Income Business

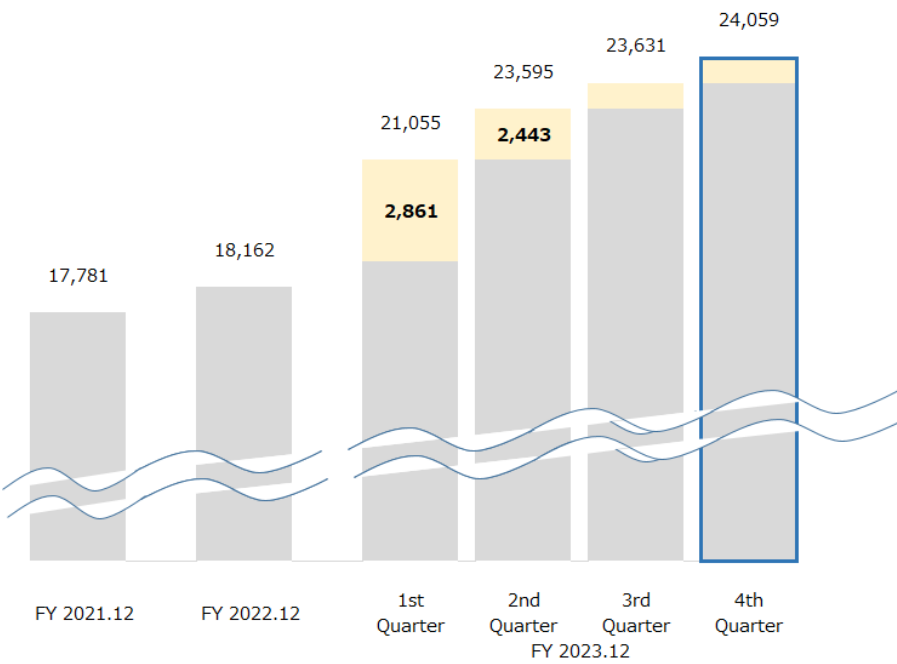
## Quarterly Sales (Units: Millions of yen)



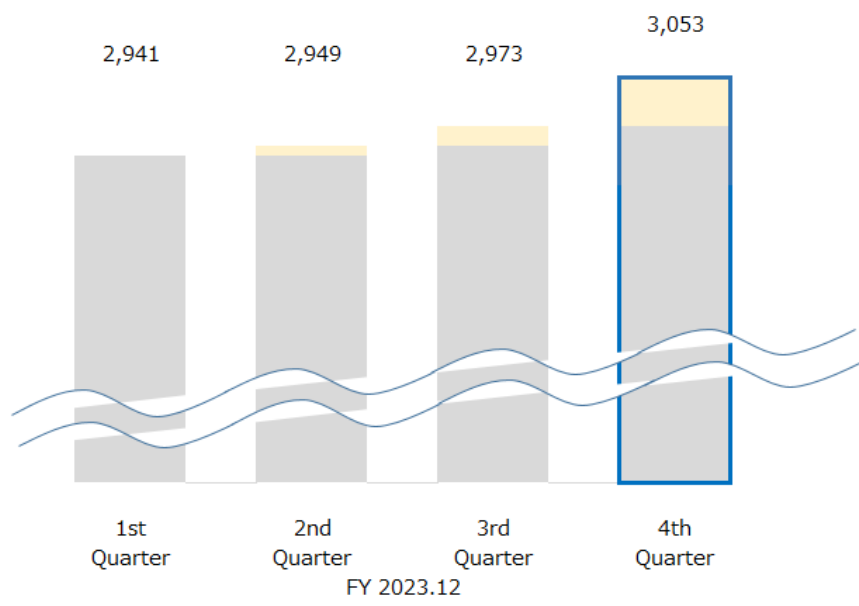
	Financial year ended March 31 2020				Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Recurring income business for Pharmacy	1,657	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	2,057	2,394	2,499
Recurring income business for Clinic	227	239	239	245	244	249	237	254	257	256	263	263	266	263	271	270	263	266	270
Recurring income business for Longterm care/Welfare	91	98	100	143	108	114	117	117	118	117	119	122	123	125	125	128	130	127	127
<b>Total</b>	<b>1,975</b>	<b>2,059</b>	<b>1,954</b>	<b>2,066</b>	<b>1,954</b>	<b>1,978</b>	<b>2,009</b>	<b>1,997</b>	<b>2,047</b>	<b>2,023</b>	<b>2,091</b>	<b>2,074</b>	<b>2,153</b>	<b>2,150</b>	<b>2,231</b>	<b>2,164</b>	<b>2,450</b>	<b>2,787</b>	<b>2,896</b>

# III. vi. Recent Trends in Number of Customers

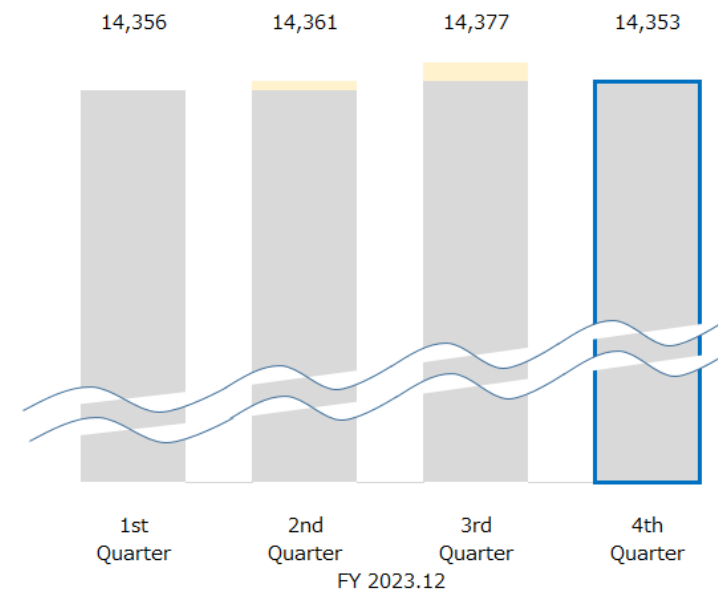
## IT Systems for Pharmacies



## IT Systems for Clinics



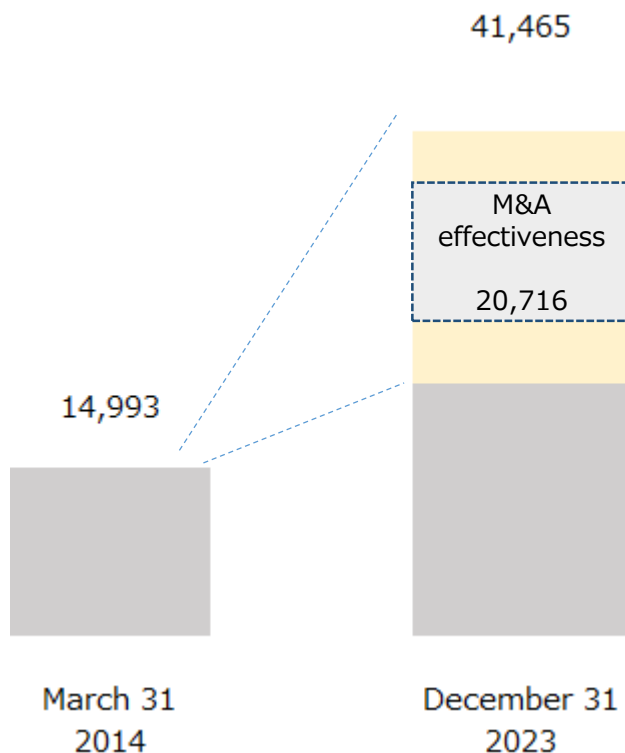
## IT Systems for long-term care/welfare





# III. vii. M&A Strategy (Track Record and Effectiveness)

Growth over 10 years



- Acquired seven companies in order to expand market share in the pharmacy market and acquire customers as the foundation for entering new markets
- The target companies have low profit margins due to insufficient scale, enabling acquisition at low valuations
- Our intention is to continue actively pursuing M&As due to the large number of mid-sized software companies in the market

Units : Millions of yen

	M&A Track Record	Number of Customers	Acquisition Amount	Goodwill	Goodwill Amortization(FY)
FY2013					
FY2014	Unicon Co., Ltd. Clinics	1,590 locations	22	230	Amortized
FY2018	Cosmo systems Co., Ltd. Pharmacies	2,492 locations	147	160	Amortized
FY2019	Janis Co., Ltd. long-term care/welfare	4,312 license	125	83	16 ※Ending March 2024
	MW Soft Co., Ltd. long-term care/welfare	6,800 license	69	391	58 ※Ending March 2024
FY2023	Pop・Creation Co., Ltd. Clinics	119 locations	7	△4	—
	Good Cycle System Inc. Pharmacies	2,949 locations※	903	532	106
	Unike Software Research Co., Ltd. Pharmacies	2,446 locations※	1,343	2,153※	123※

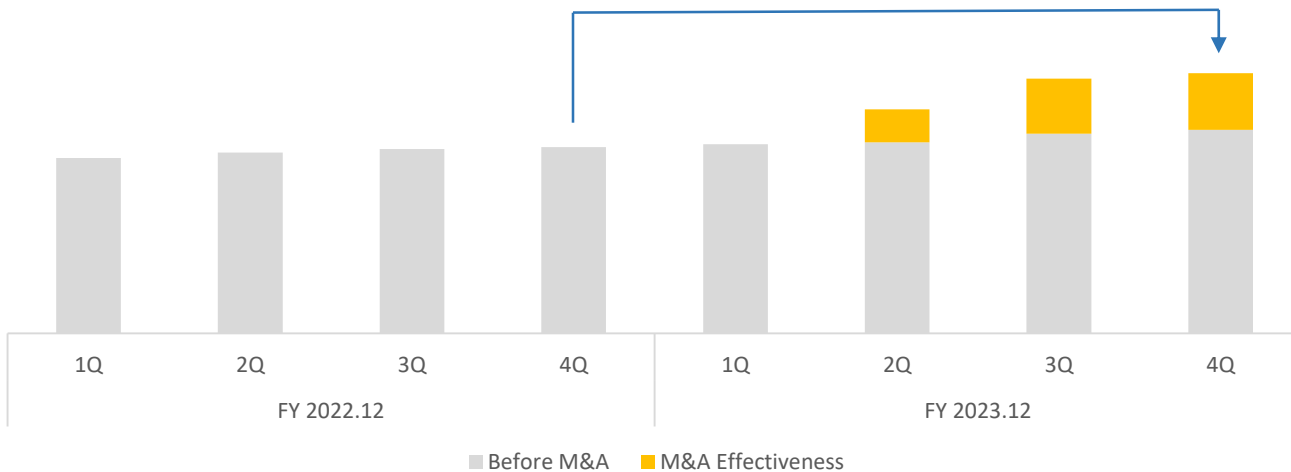
(※Excluding overlap with EM) (※Number of intangible assets 1,190) (※Number of intangible assets 59)

# III. vii. M&A Strategy (Billing Sales and Sales of Recurring Income)

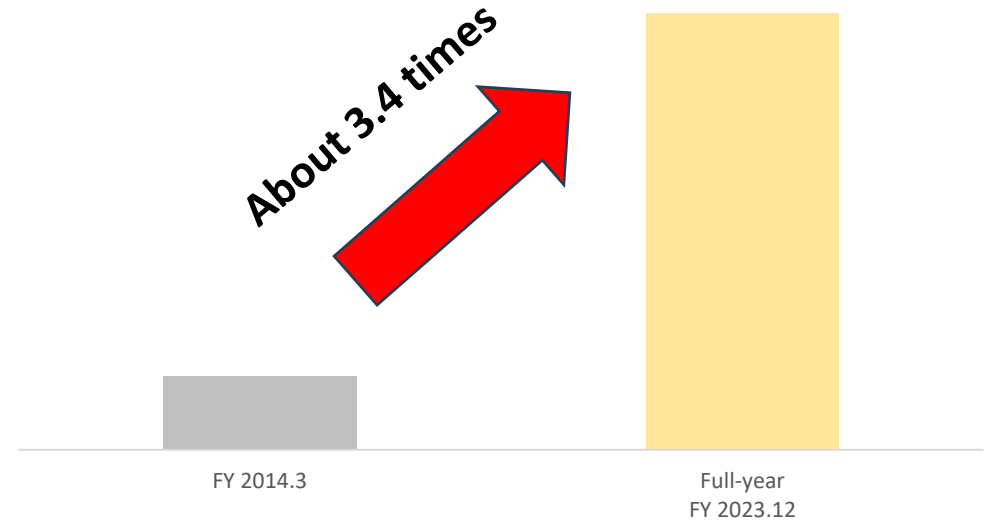
- M&As greatly contributed to expanding customer base and increasing billing and sales of recurring income
- Two M&As this fiscal year also contributed to the growth of billing and sales of recurring income from Q2 and Q3, respectively

**YoY Change 39.8% UP**

Trends in Billing Sales



Trends in Sales of Recurring Income



### III. vii. M&A Strategy

(Concerning the acquisition of Good Cycle System Inc. and Unike Software Research Co., Ltd.)



- Unike Software Research Co., Ltd. is a long-standing pharmacy system company
- Currently has approx. 2,500 customers and approx. 4% of the market share
- Major customers include leading pharmacy chains in the Kanto area
- Acquisition essential for us to achieve a 50% share of the pharmacy market

- Good Cycle System Inc. has achieved the top share of the medication history software market
- Heavy investments in medication history software in recent years within its pharmacy-related operations
- Although we have our own medication history functions, we have lagged behind dedicated software companies in terms of ease of use, etc.
- Expected cross-selling business opportunities
  - ✓ Sales of Good Cycle System’s medication history system to our existing customers
  - ✓ Sales of our receipt computers to Good Cycle System’s existing customers

#### Business development made possible by achieving 50% of the market share

- Increase in pharmacy market share by pulling even farther ahead of the second and lower places
- Development of prescription data and expansion of data business in a way that other companies cannot imitate
- Provision of EHR infrastructure based on an overwhelmingly large share of the pharmacy market
- Enhanced competitiveness in the clinic and long-term care/welfare markets

※EHR…Electronic Health Record

## Good Cycle System Inc.

- Has accumulated a great deal of experience and technology in the electronic medication history system business and maintains excellent system development capabilities
- More than 5,000 customers for its electronic medication history system

Main Products

Smart Medication History “GooCo”  
“Followcare,” a follow-up support tool for medication and online medication guidance

Head office: Shibuya-ku, Tokyo Offices: 8 locations nationwide Number of employees: 82

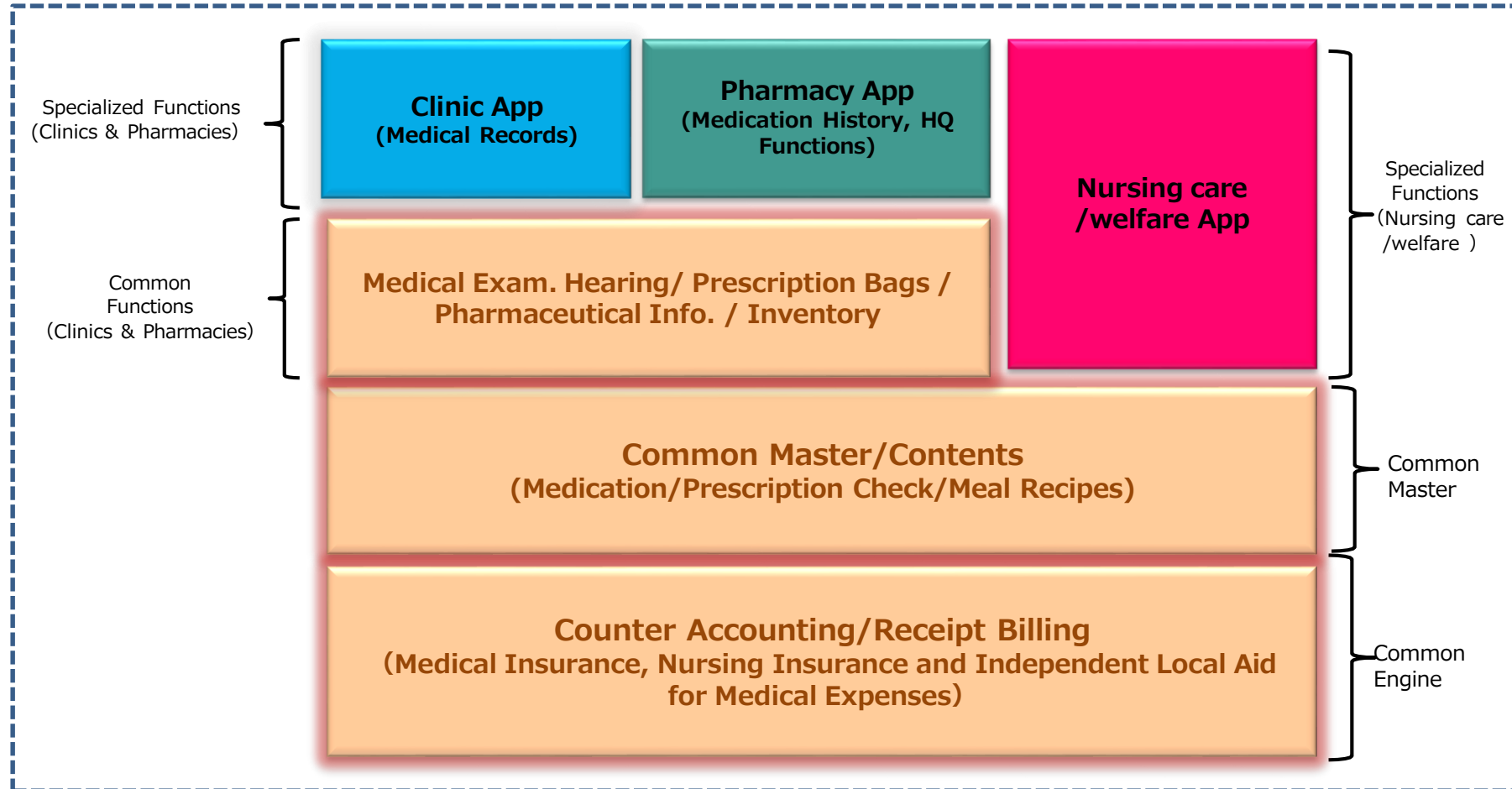
## Unike Software Research Co., Ltd.

- A 40-year veteran manufacturer of receipt computers and electronic medication histories
- Provides systems to more than 2,500 pharmacies, and has a high market share, especially in Japan’s three major metropolitan areas

Main Products

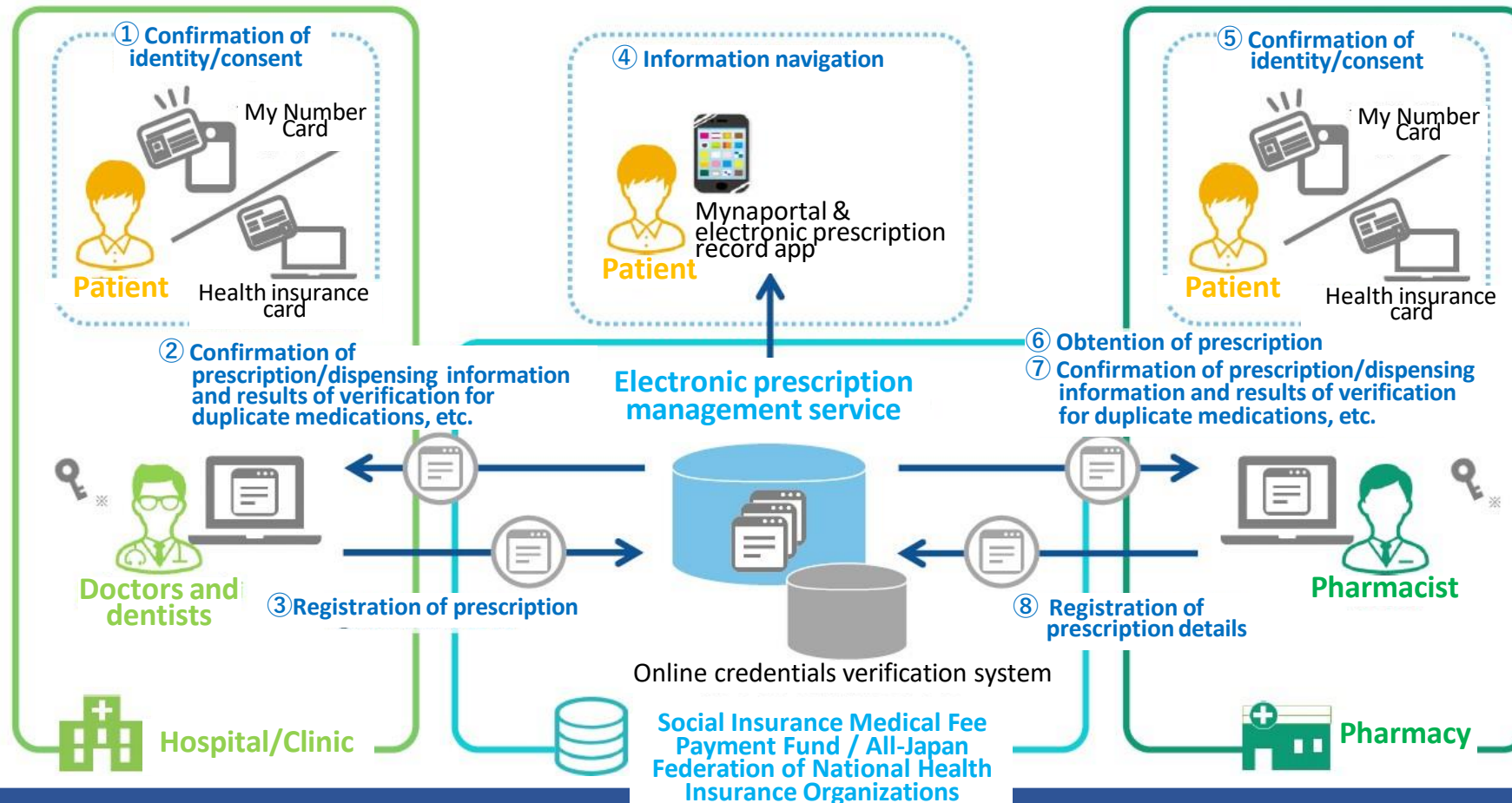
“P-CUBE n,” an integrated electronic medication history receipt computer system, and  
“SOS”, a business management and inventory optimization service  
“SmartPOC,” a receipt computer-linked cash register system

Head office: Minato-ku, Tokyo Offices: 5 locations nationwide Number of employees: 110



# III. ix. 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/denshishohousen.html>)



医療・介護を「#ありがとう」に変えていく

Contact:

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Osaka 532-0003, Japan

<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.