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EMMA

# Results of Operations for December 2024, 1st Quarter



**EM SYSTEMS CO., LTD.**

(TSE Prime Section: 4820)

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# I . i . Financial Highlights for Fiscal Year Ended December 31, 2024

## Status of Major KPIs

- The increased number of M&As and licenses in the previous fiscal year contributed to a record quarterly increase in stock-based sales\*1
- EBITDA (operating profits prior to depreciation, amortization of goodwill, and one-time expenses\*2) also increased

### Sales of Recurring Income

(Millions of yen)

**2,866**

YoY % change  
**+32.4%**

### Licenses

(Number)

**41,436**

YoY % change  
**+8.0%**

### EBITDA

(Number)

**1,230**

YoY % change  
**+15.0%**

\*1 Refers to the total of billing sales, supply sales, and maintenance sales (or calculated by subtracting initial sales (flow sales) from total sales)

\*2 Post-incident response expenses for the system failure that occurred in the 1st quarter

## Consolidated results of December 2024, 1<sup>st</sup> Quarter

	December 31 2023 1 <sup>st</sup> Quarter	December 31 2024 1 <sup>st</sup> Quarter	Compared to previous year
Sales	4,877 millions of yen	<b>5,571</b> millions of yen	14.2%
Operating Profits	851 millions of yen	<b>720</b> millions of yen	(15.4%)
EBITDA	1,070 millions of yen	<b>1,230</b> millions of yen	15.0%
Ordinary Profits	961 millions of yen	<b>873</b> millions of yen	(9.2%)
Net Income	511 millions of yen	<b>571</b> millions of yen	11.7%

\* EBITDA is calculated by adding depreciation, etc. and post-incident response expenses for the system failure back into the operating profits

## Topics for December 2024, 1<sup>st</sup> Quarter

- Sales:** Steady growth in sales as a result of the M&A of Good Cycle System Inc. and Unike Software Research Co., Ltd. and the steady acquisition of customers
- EBITDA:** EBITDA also grew steadily in line with the expansion in sales
- Operating profits:** Operating profits decreased year-on-year due to the recording of post-incident response expenses for the system failure
- Net Income:** Net income for the current fiscal period increased due to the elimination of losses incurred through the phased acquisition of Good Cycle System Inc.

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

- In regard to IT systems and related business for clinics and long-term care/welfare, performance figures were generally in line with those initially planned
- In regard to IT systems and related business for pharmacies, demand for the installation of electronic prescription systems expanded, and operating profits exceeded the initial plan

## Sales

Units : Millions of yen

	Previous performance 2023/3	Current performance 2024/3	YoY change	YoY % change
IT Systems for Pharmacies	3,783	4,569	+786	+20.8%
IT Systems for Clinics	791	596	(195)	(24.7%)
IT Systems for long-term care/welfare	140	139	(1)	(1.0%)
Other Businesses	187	299	+111	+59.8%

## Operating Profits

Units : Millions of yen

	Previous performance 2023/3	Current performance 2024/3	YoY change	YoY % change
IT Systems for Pharmacies	892	863	(29)	(3.3%)
IT Systems for Clinics	51	(86)	(138)	—
IT Systems for long-term care/welfare	(108)	(104)	+4	—
Other Businesses	2	36	+34	1484.9%

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

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

(Millions of yen)

	Financial year ended December 31 2023, 1 <sup>st</sup> Quarter	Financial year ended December 31 2024, 1 <sup>st</sup> Quarter	YoY change	YoY % change
<b>Net sales</b>	<b>4,877</b>	<b>5,571</b>	<b>693</b>	<b>14.2%</b>
<b>IT Systems for Pharmacies</b>	<b>3,783</b>	<b>4,569</b>	<b>786</b>	<b>20.8%</b>
(initial sales)	2,016	2,099	83	4.2%
(system usage fee sales)	1,149	1,714	565	49.2%
(consumable goods sales)	421	508	86	20.6%
(maintenance service sales)	196	246	50	25.7%
<b>IT Systems for Clinics</b>	<b>791</b>	<b>596</b>	<b>(195)</b>	<b>(24.7%)</b>
(initial sales)	521	327	(194)	(37.2%)
(system usage fee sales)	205	219	14	7.1%
(consumable goods sales)	15	12	(2)	(15.2%)
(maintenance service sales)	49	35	(13)	(27.5%)
<b>IT Systems for long-term care/welfare</b>	<b>140</b>	<b>139</b>	<b>(1)</b>	<b>(1.0%)</b>
(initial sales)	12	11	(1)	(8.9%)
(system usage fee sales)	55	62	7	13.4%
(consumable goods sales)	0	0	0	-
(maintenance service sales)	73	65	(7)	(10.5%)
<b>Other Businesses</b>	<b>187</b>	<b>299</b>	<b>111</b>	<b>59.8%</b>
<b>Adjustments</b>	<b>(24)</b>	<b>(32)</b>	<b>(7)</b>	<b>-</b>

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

## IT Systems for Pharmacies

- Stock-based sales (the total of billing, supply, and maintenance sales) grew 39.8% year-on-year to 2,469 million yen due to the M&A of two companies and steady acquisition of customers
- In regard to initial sales, with the increase (of 607 million yen) in electronic prescription sales and the effects of M&As (an increase of 346 million yen), there was a slight increase overall despite the end of intensive demand for the online eligibility verification system (a decrease of 885 million yen) in the previous fiscal year

## IT Systems for Clinics

- Stock-based sales remained flat overall, with an increase of 14 million yen in billing sales resulting from an increase in the number of customers and a decrease in maintenance sales resulting from in-house replacement of Uni-Medical
- Initial sales declined year-on-year, as the effects of the end of intensive demand for the online eligibility verification system (a decrease of 165 million yen) was not fully offset by the increase (of 23 million yen) in electronic prescription sales

## IT Systems for long-term care/welfare

- Billing sales increased by roughly 7 million yen due to an increase in the number of licenses in the segment
- Maintenance sales decreased by roughly 7 million yen due to in-house replacement of Hibiki and Symphony

## Other Businesses

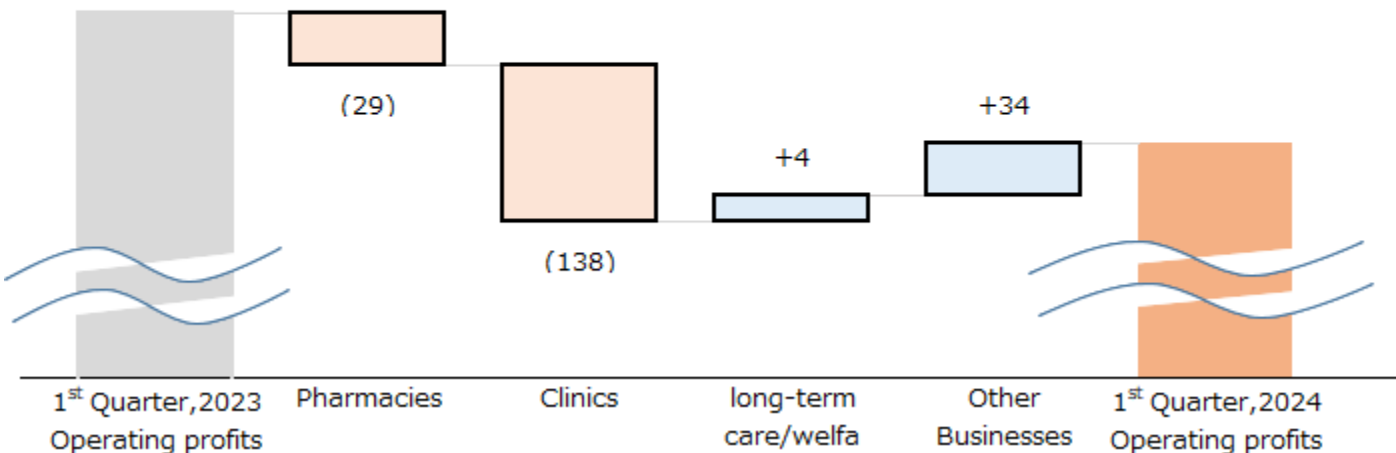
- Turning Unike Software Research Co., Ltd. into a consolidated subsidiary contributed roughly 66 million yen to sales in the temporary staffing business
- Contributions from overseas subsidiaries and growth in the cashless business increased sales by roughly 37 million yen

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

- In regard to IT systems for pharmacies, while business itself was bullish, operating profits decreased year-on-year due to the recording of allotments
- While performance in regard to clinics and long-term care/welfare was generally in line with the initial plan, clinics showed a year-on-year decline due to the lack of special demand from the previous fiscal year

Units : Millions of yen

Business by Segment YoY change



**IT Systems for Pharmacies**

- Although the number of electronic prescription installations increased, gross profit was nearly offset by the end of intensive demand for the online eligibility verification system.
- Operating profits decreased due to the recording of post-incident response expenses for the "leap day" system failure

**IT Systems for Clinics**

- Operating profits are in the red due to the end of intensive demand for the online eligibility verification system

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

- Although initial system sales decreased, operating profits increased slightly due to an increase in billing sales from an increase in the number of licenses

**Other Businesses**

- Operating profits increased due to profit contributions from the temporary staffing business, increased earnings by overseas subsidiaries, and our subsidiary's cashless business being in the black

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

# I . iv. Sales / Operating Profits Breakdown of Increases/Decreases (Pharmacies)

**Positive**

- Although the electronic prescriptions business environment was favorable and results exceeded those planned, sustainability is uncertain due to the flow of revenue
- Although hardware replacements decreased year-on-year due to intensive demand in response to the end of support for Windows 8.1 last year, the results exceeded those planned

**In line**

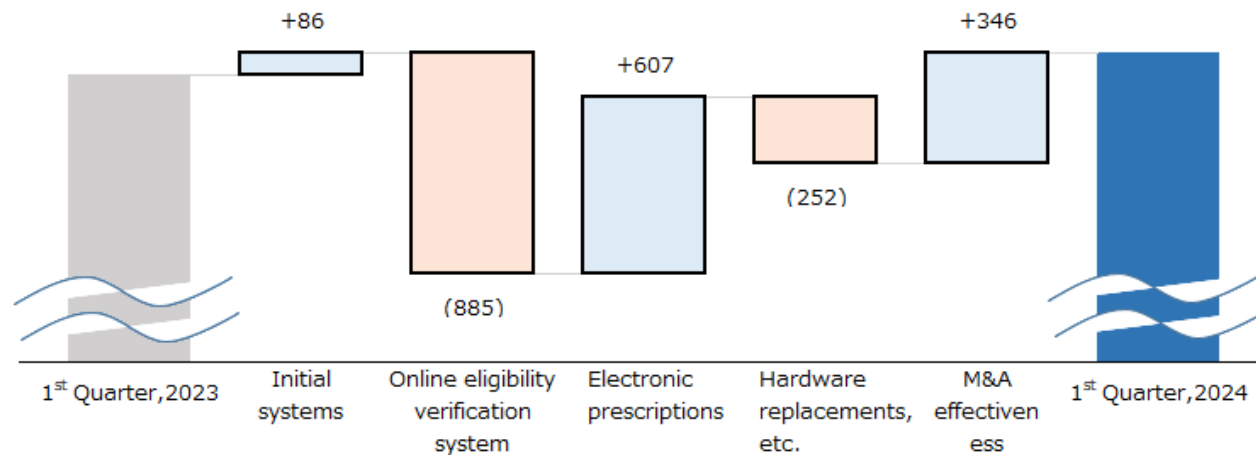
- The M&A effects were in line with those planned in advance
- Intensive demand for the online eligibility verification system in the previous fiscal period ended as planned

**Negative**

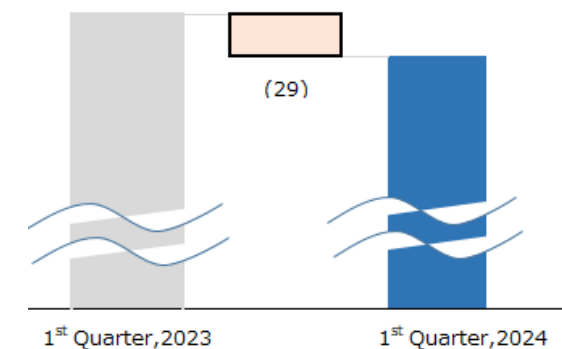
- Although initial system sales, etc. surpassed those of last year, they fell short of the plan
- Operating profits decreased due to recording post-incident response expenses for the “leap day” system failure

YoY change of Pharmacies initial sales

Units : Millions of yen



YoY change of Pharmacies Operating Profits

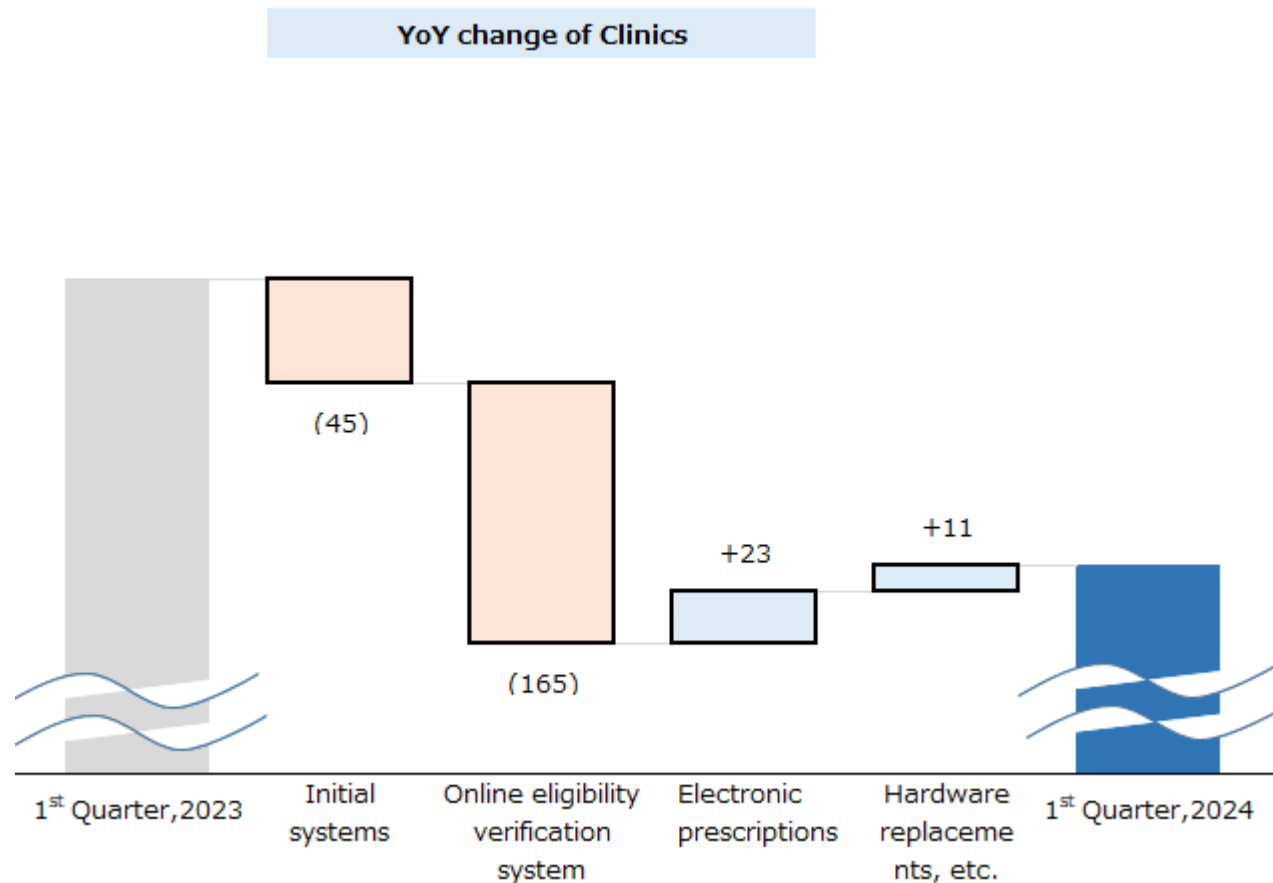


※ Categories of increases/decreases are the amounts before applying revenue recognition standards



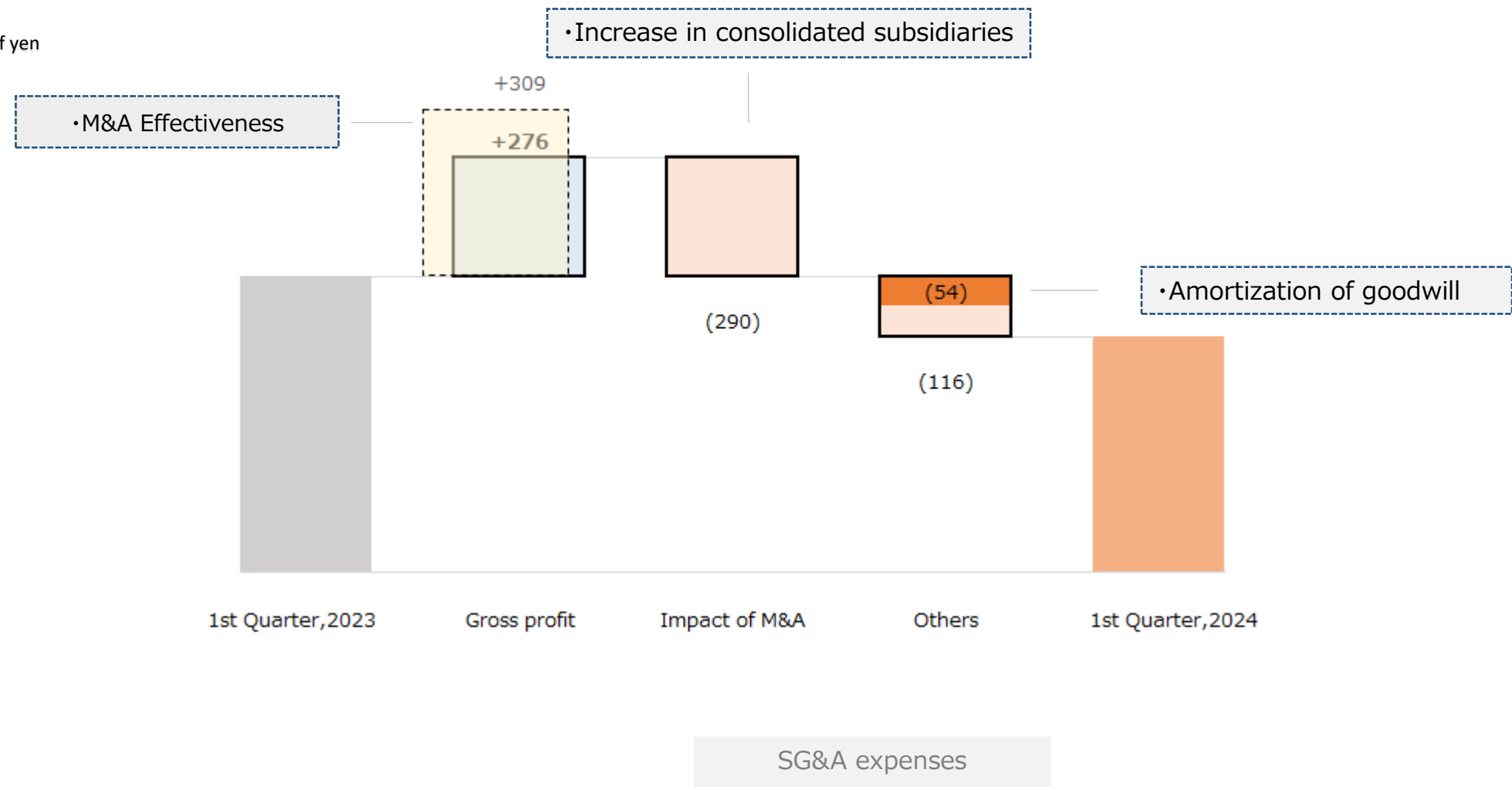
# I . vii. Initial sales - Breakdown of Increases/Decreases (Clinics)

Units : Millions of yen

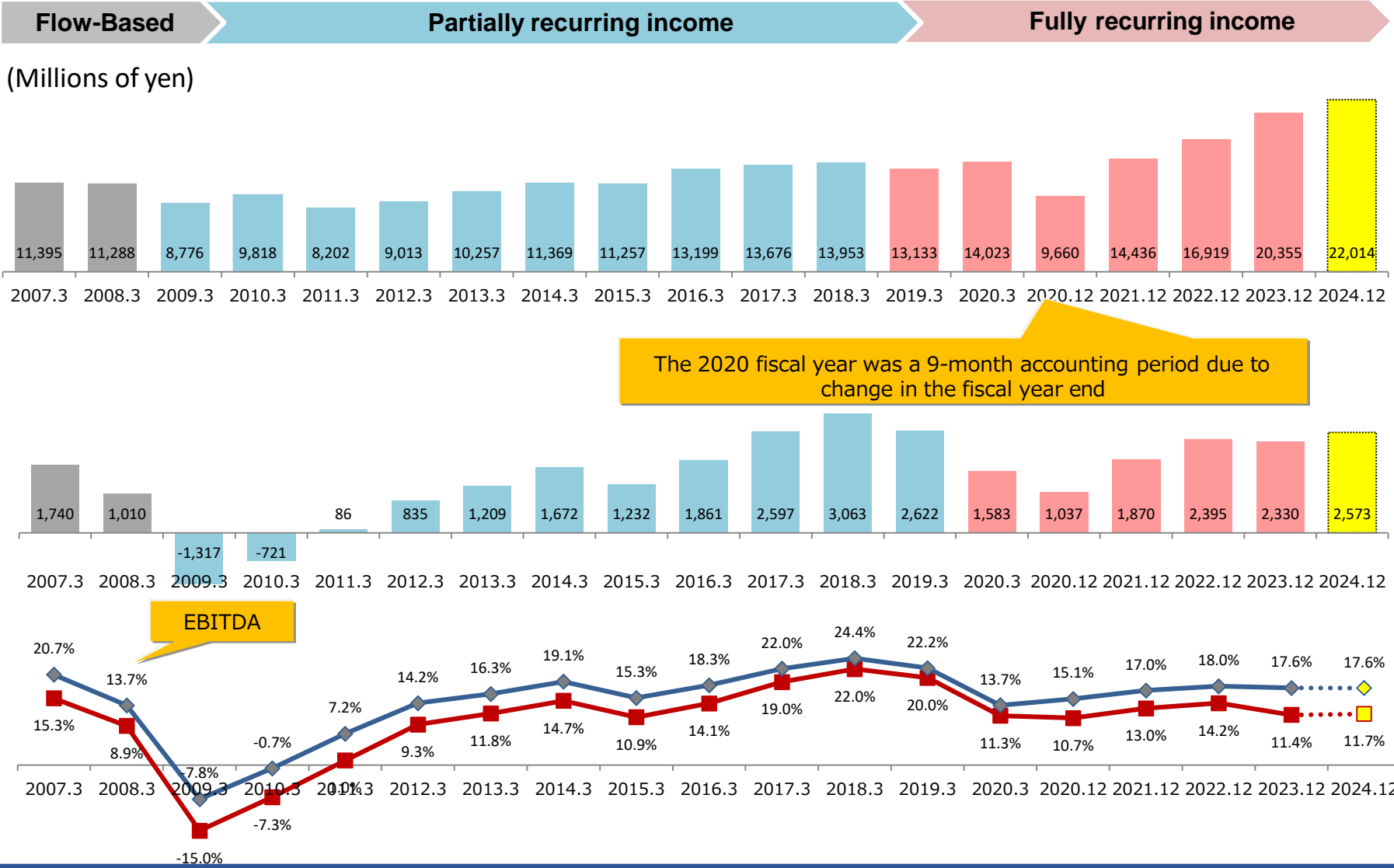


# I . viii. Operating Profits - Breakdown of Increases/Decreases

Units : Millions of yen

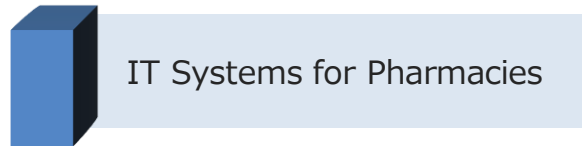


# I . ix. Changes in consolidate results by fiscal year

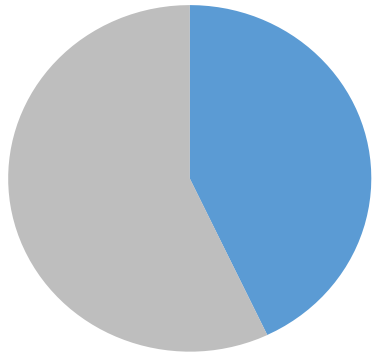


# I . x . Our Share and Our Approach to Expanding Our Share

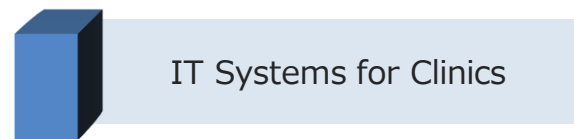
- While each market continues to consolidate around the top manufacturers, there are still many mid-sized vendors with several thousand customers
- Vendors with 10,000 or fewer customers bear a heavy burden when revising software accompanying system changes
- Our intention is to increase our share of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



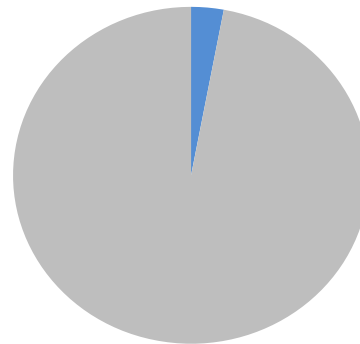
Market share **43.7%**



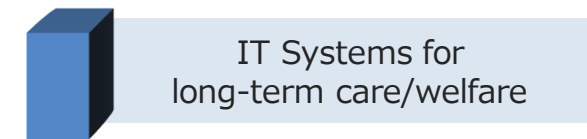
Number of customers : 24,029(QoQ (30))  
Target population : 55,000  
Mid-term goals : 25,000



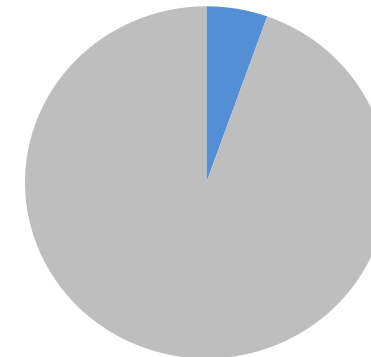
Market share **3.3%**



Number of customers : 3,070(QoQ +17)  
Target population : 90,000  
Mid-term goals : 7,000



Market share **5.7%**



Number of customers : 14,337(QoQ (16))  
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

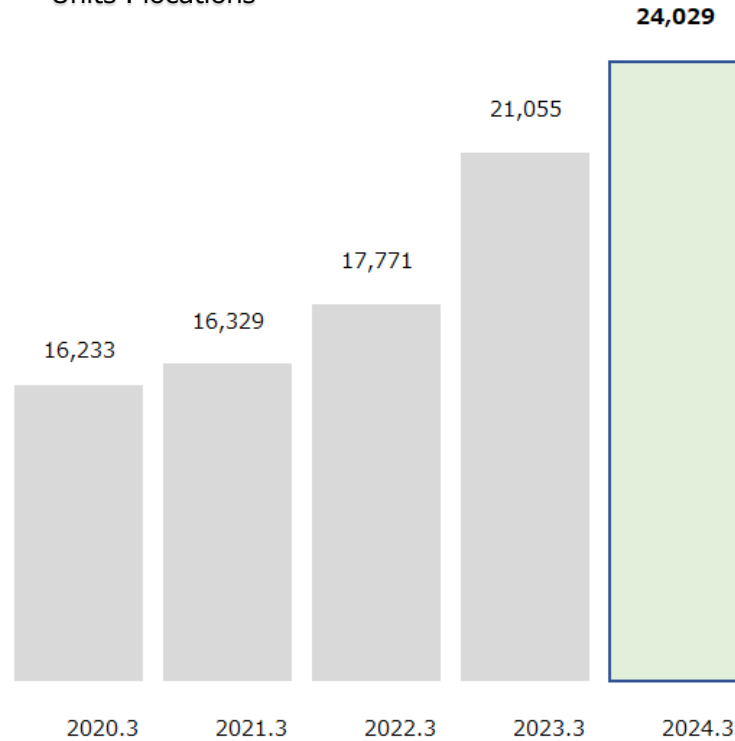
(as of March 31, 2024)

## IT Systems for Pharmacies

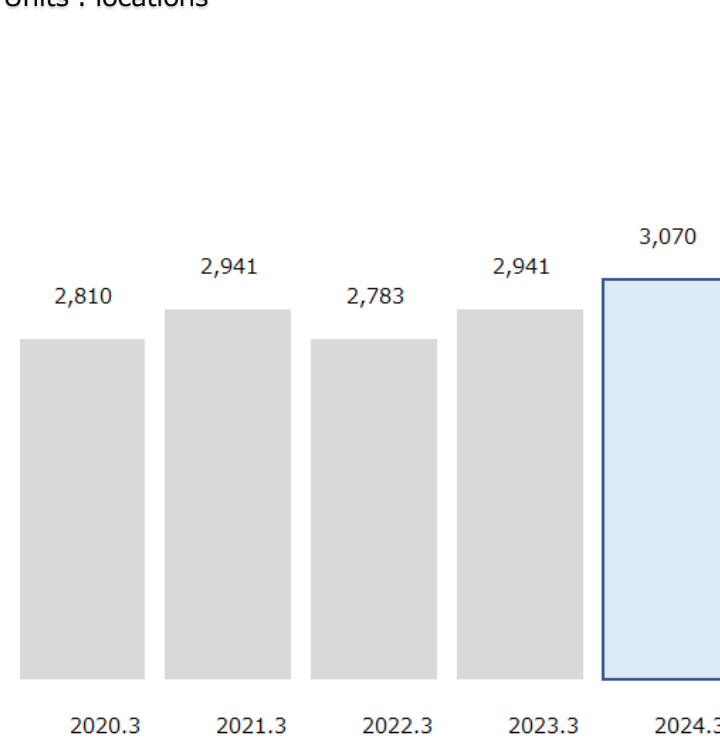
## IT Systems for Clinics

## IT Systems for long-term care/welfare

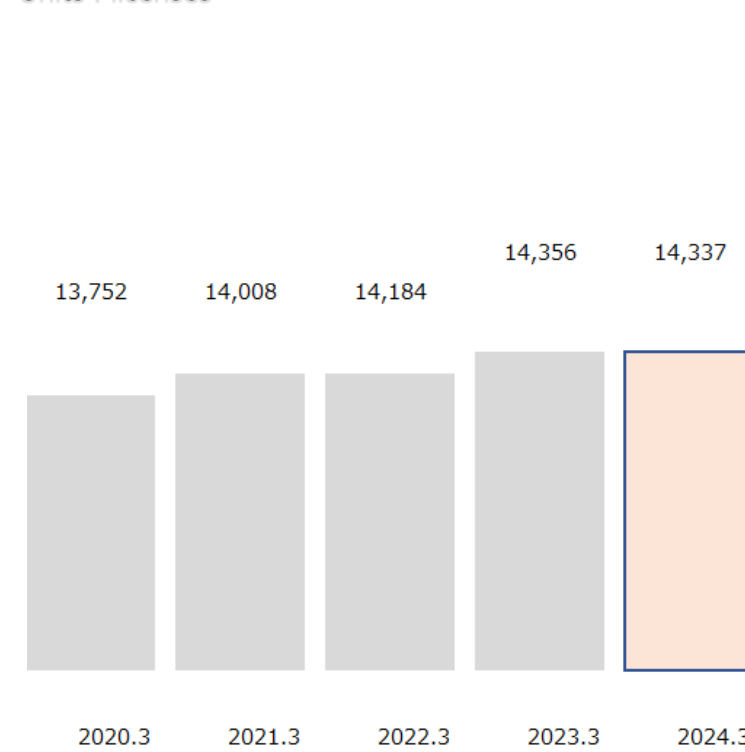
Units : locations



Units : locations

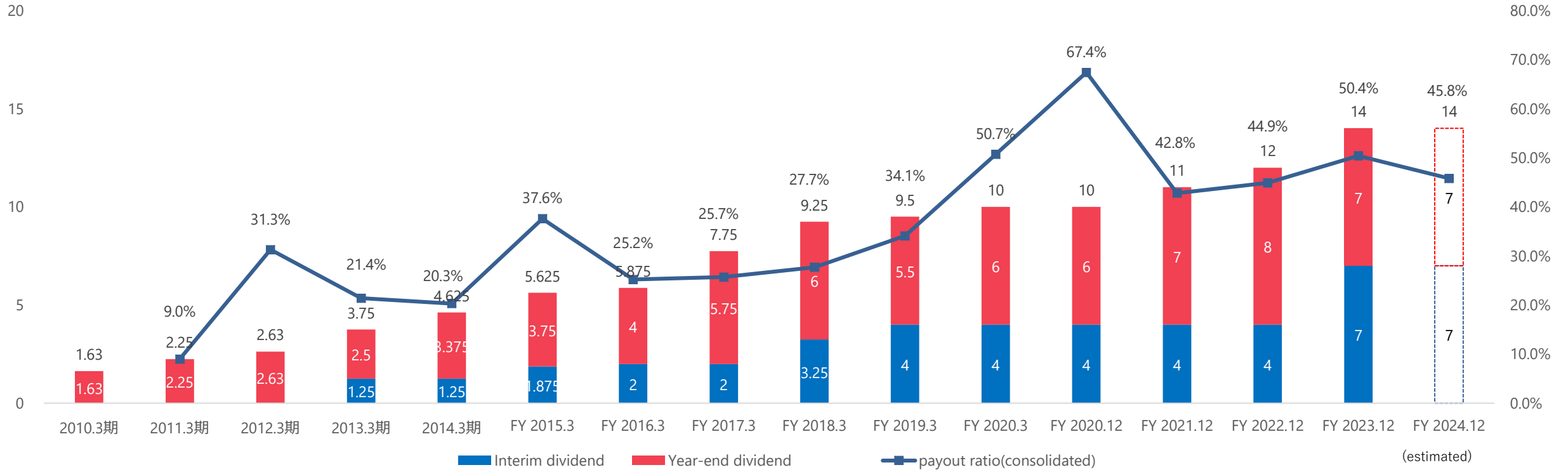


Units : licenses



# I . xii. Shareholder Returns (Dividends)

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



change in the fiscal year end

\*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.

# I . xii. Shareholder Returns (Acquisition of Treasury Stock)

- We have been acquiring treasury stock as a strategic means of improving capital efficiency and enhancing shareholder returns.
- We will continue to consider shareholder returns, including acquisition of treasury stock, in order to continuously increase the corporate value of each share.

[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>

# Appendix



### 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 (scheduled for December 2, 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 , Conduct medical fee revision 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 (scheduled for December 2, 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, Conduct medical fee revision 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, Enhancement of exhibition and online exhibitions, Conduct seminars on remuneration revisions for long-term care compensation and disability services
- Efficient support and data output for LIFE by “Sukoyaka-san”

### 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 seminar and medical fee revision seminars, Product website renewal, MA tools, Enhancement of video/sample introductory content
○	○	○	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"
○			Provision of "Monthly 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
○	○	○	Application of M&A

Clinic : Clinic Segment

Pharmacy : Pharmacy Segment

Long-term care : Long-term care/Welfare Segment

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

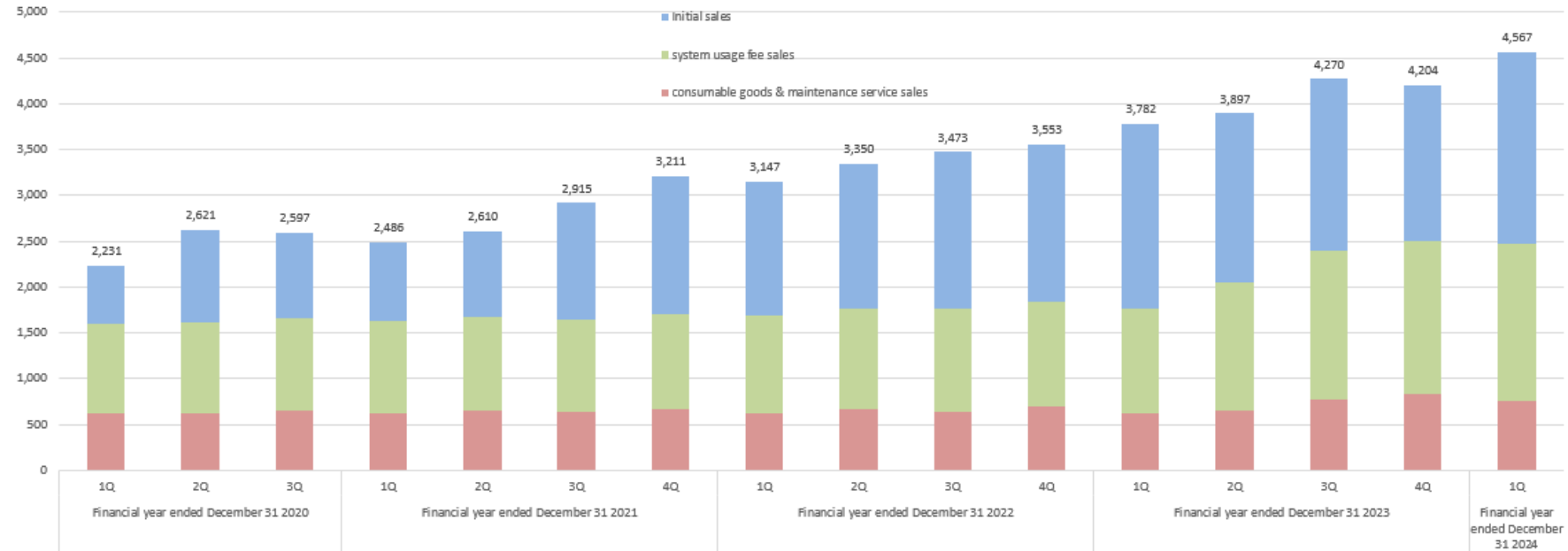
	December 31 2023	December 31 2024, 1 <sup>st</sup> Quarter	YoY change	YoY % change
<b>Assets</b>	29,387	29,804	417	1.4%
Current assets	14,800	15,456	656	4.4%
Fixed assets	14,587	14,348	(238)	(1.6%)
Tangible fixed assets	1,330	1,385	55	4.2%
Intangible fixed assets	5,186	5,031	(155)	(3.0%)
Investments and other asset	8,070	7,931	(138)	(1.7%)
<b>Liabilities</b>	8,821	9,363	542	6.1%
Current liabilities	5,618	6,491	873	15.5%
Fixed liabilities	3,202	2,871	(330)	(10.3%)
<b>Net assets</b>	20,566	20,441	(125)	(0.6%)
Shareholder's equity	20,272	20,146	(126)	(0.6%)
Cumulative amount of other comprehensive	191	180	(11)	(5.8%)
Stock acquisition rights	56	55	0	(1.4%)
Non-controlling interests	45	58	12	28.7%

### Major YoY Changes

←.....	Accounts receivable	338 millions of yen
←.....	Accounts payable	404 millions of yen
	Bonus provision	200 millions of yen

## II. iii. Quarterly Sales (IT Systems for Pharmacies)

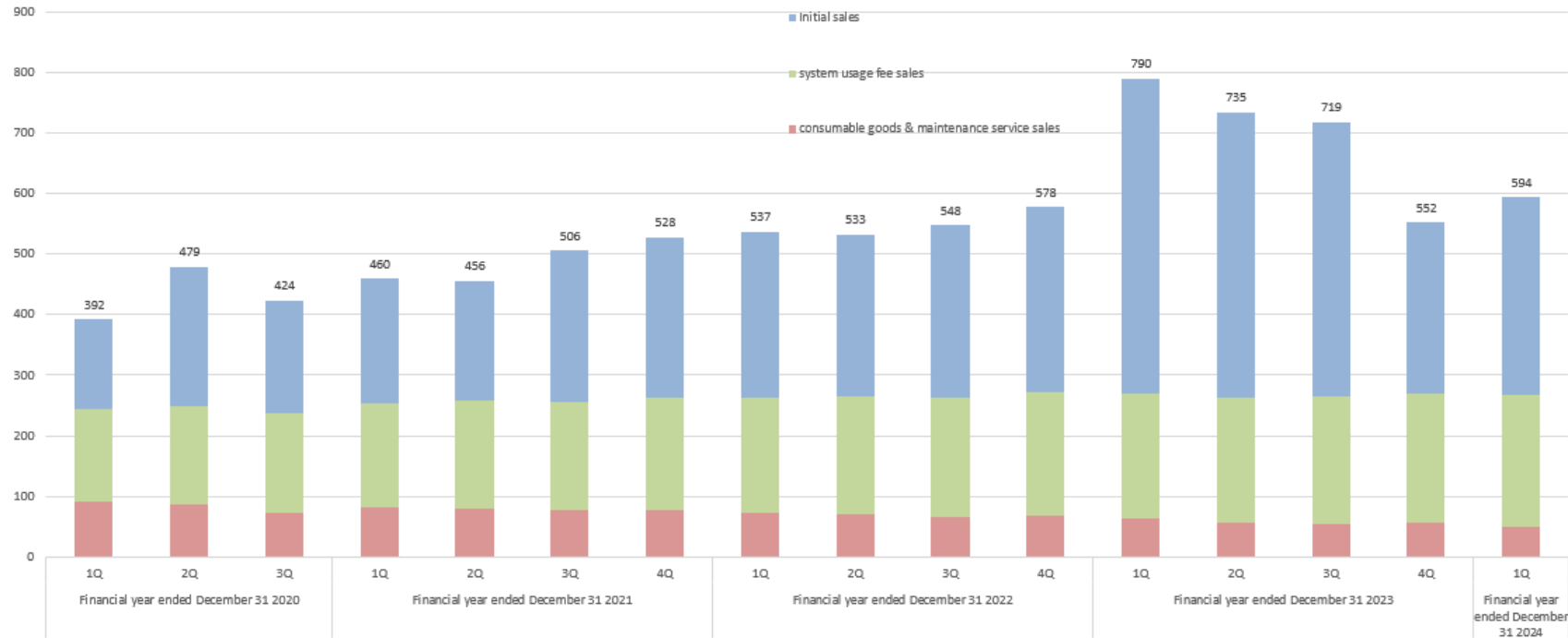
### Quarterly Sales (Units: Millions of yen)



	Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023				Financial year ended December 31 2024
	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Initial sales	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	2,099
system usage fee sales	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	1,714
consumable goods & maintenance service sales	614	621	659	622	650	631	667	621	664	640	704	617	654	769	835	754
Total	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	4,567

## II. iii. Quarterly Sales (IT Systems for Clinics)

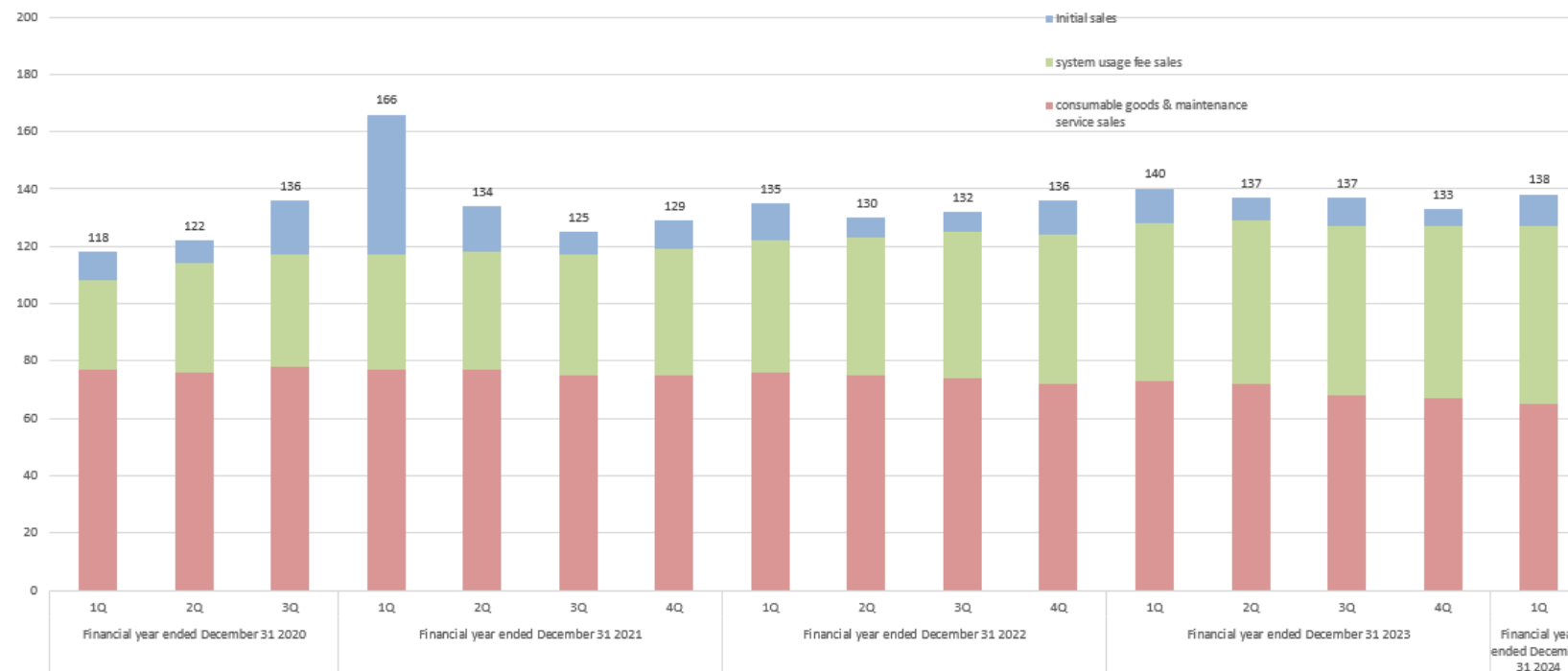
### Quarterly Sales (Units: Millions of yen)



	Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023				Financial year ended December 31 2024
	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Initial sales	148	230	187	206	199	250	265	274	267	285	307	521	473	453	282	327
system usage fee sales	154	163	165	172	177	180	187	191	197	198	203	205	206	213	215	219
consumable goods & maintenance service sales	90	86	72	82	80	76	76	72	69	65	68	64	56	53	55	48
Total	392	479	424	460	456	506	528	537	533	548	578	790	735	719	552	594

## II. iii. Quarterly Sales (IT Systems for Long-term care/Welfare)

### Quarterly Sales (Units: Millions of yen)

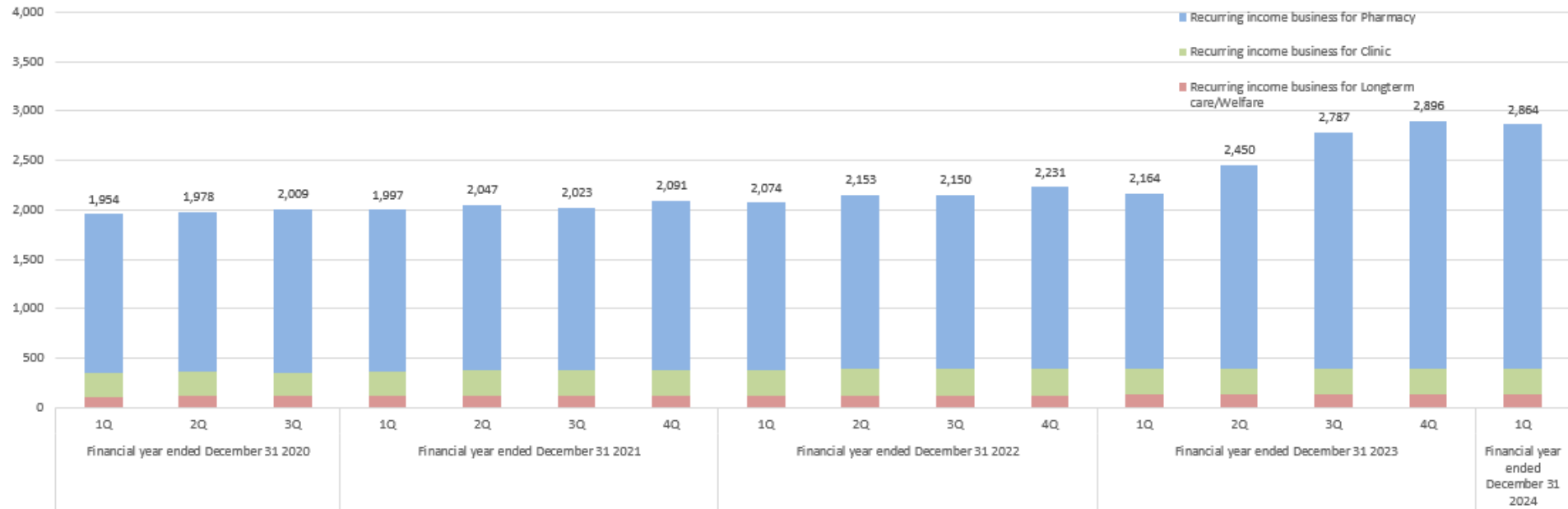


	Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023				Financial year ended December 31 2024
	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Initial sales	10	8	19	49	16	8	10	13	7	7	12	12	8	10	6	11
system usage fee sales	31	38	39	40	41	42	44	46	48	51	52	55	57	59	60	62
consumable goods & maintenance service sales	77	76	78	77	77	75	75	76	75	74	72	73	72	68	67	65
Total	118	122	136	166	134	125	129	135	130	132	136	140	137	137	133	138



## II. iv. By Segment Recurring Income Business (Quarterly Sales)

### Quarterly Sales (Units: Millions of yen)



	Financial year ended December 31 2020			Financial year ended December 31 2021				Financial year ended December 31 2022				Financial year ended December 31 2023				Financial year ended December 31 2024
	1Q	2Q	3Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Recurring income business for Pharmacy	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	2,469
Recurring income business for Clinic	244	249	237	254	257	256	263	263	266	263	271	270	263	266	270	268
Recurring income business for Longterm care/Welfare	108	114	117	117	118	117	119	122	123	125	125	128	130	127	127	127
<b>Total</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>	<b>2,864</b>

## II. v. 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 increased by boosting inside sales through reorganization, 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. vi. 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
- Centralized application for electronic prescriptions peaked out in May and expected to level out in second half in preparation for medical DX promotion system development incentives

### 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%)	<ul style="list-style-type: none"> <li>+ Full-year contributions from Good Cycle System, Inc. and Unike Software Research Co., Ltd. acquired last fiscal year</li> <li>– Temporary sales (online eligibility verification system) not expected this fiscal year</li> </ul>
<b>Sales of Recurring Income</b> (Revenue growth rate)	<b>11,500 Millions of yen</b> (11.6%)	<p><b>Pharmacies</b> : Plan to increase price per customer via thorough cross-selling</p> <p><b>Clinics</b> : Scheduled to increase the number of system sales</p> <p>However, sales expected to decrease slightly due to the drop in online eligibility verification system sales in the previous fiscal year</p> <p><b>Long-term care</b> : Plan to increase sales of both MAPs for NURSING CARE and conventional systems</p>
<b>Operating Profits</b> (Revenue growth rate)	<b>2,573 Millions of yen</b> (10.4%)	<ul style="list-style-type: none"> <li>+ Elimination of temporary cost increase factors (special compensation, TV commercials) in the previous fiscal year</li> <li>+ Thorough cost reduction in each division and subsidiary</li> <li>+ Increase in profit due to increase in sales of recurring income with high gross profit margin ratios</li> </ul>
<b>EBITDA</b> (Revenue growth rate)	<b>3,866 Millions of yen</b> (7.7%)	<ul style="list-style-type: none"> <li>– Full-year impact from amortization of goodwill accompanying M&amp;A activities</li> <li>– Recording of post-incident response expenses for the “leap day” system failure</li> <li>– Enhanced investments in servers and other equipment to expand sales of MAPs for PHARMACY DX</li> <li>– Increase in amortization due to enhancement of MAPs for NURSING CARE</li> </ul>
<b>Net Income</b> (Revenue growth rate)	<b>2,160 Millions of yen</b> (10.1%)	

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

- 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	Unicon Co., Ltd.	Clinics	1,590 locations	22	230	Amortized
FY2014	Cosmo systems Co., Ltd.	Pharmacies	2,492 locations	147	160	Amortized
FY2018	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
FY2019	Pop・Creation Co., Ltd.	Clinics	119 locations	7	△4	—
FY2023	Good Cycle System Inc.	Pharmacies	2,949 locations※	903	532	106
	Unike Software Research Co., Ltd.	Pharmacies	2,446 locations※	1,343	2,099※	120※

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

- 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)

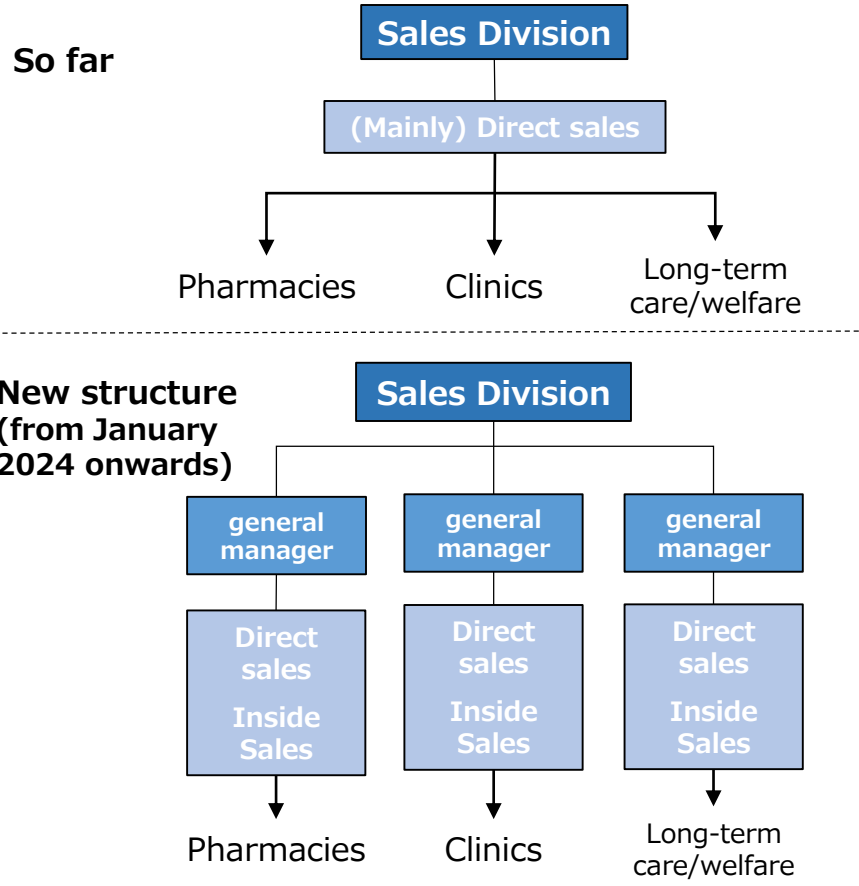
### Management Strategy

- 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 . viii. Fundamental Reform of Sales Structure

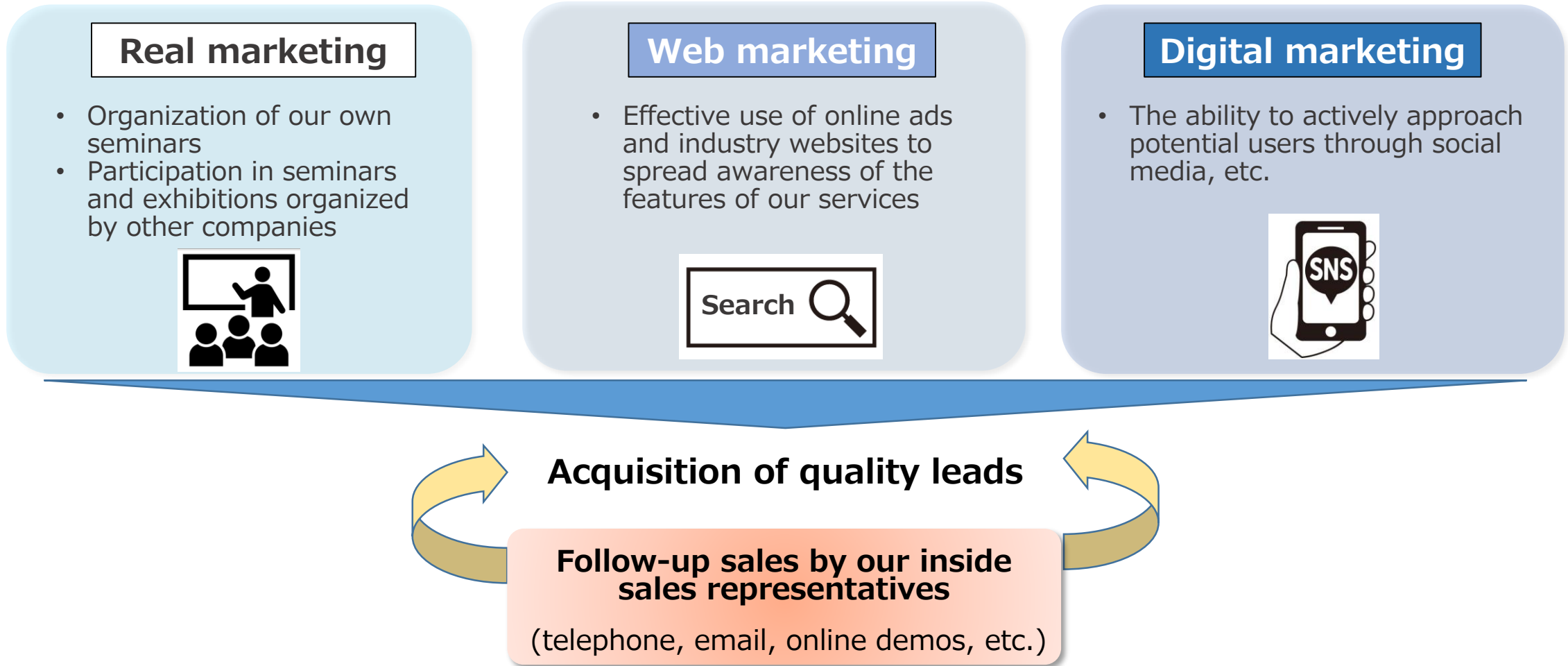
- We have drastically reformed our sales structure this fiscal year. We have increased our ability to acquire new users by establishing dedicated sales teams and focusing on inside sales.
- By making more effective use of online and digital marketing, we are increasing company recognition, which had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

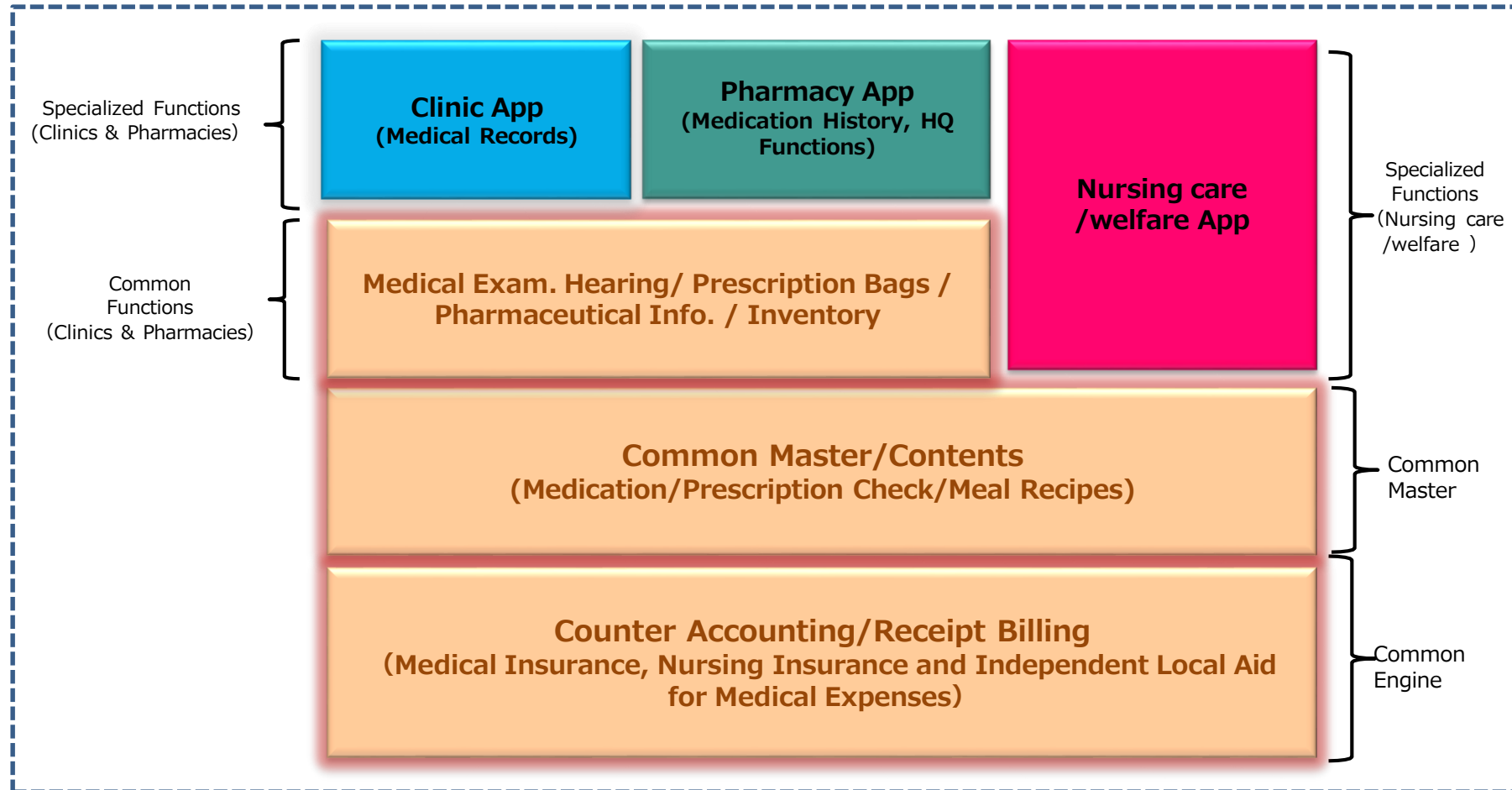
<p>① Establishment of dedicated sales teams</p>	<ul style="list-style-type: none"> <li>● Previously, one sales team handled all sales for pharmacies, clinics, and long-term care/welfare.</li> <li>● In January 2024, supervisors were assigned to each segment. Sales resources, which had tended to be biased 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. ix. 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.

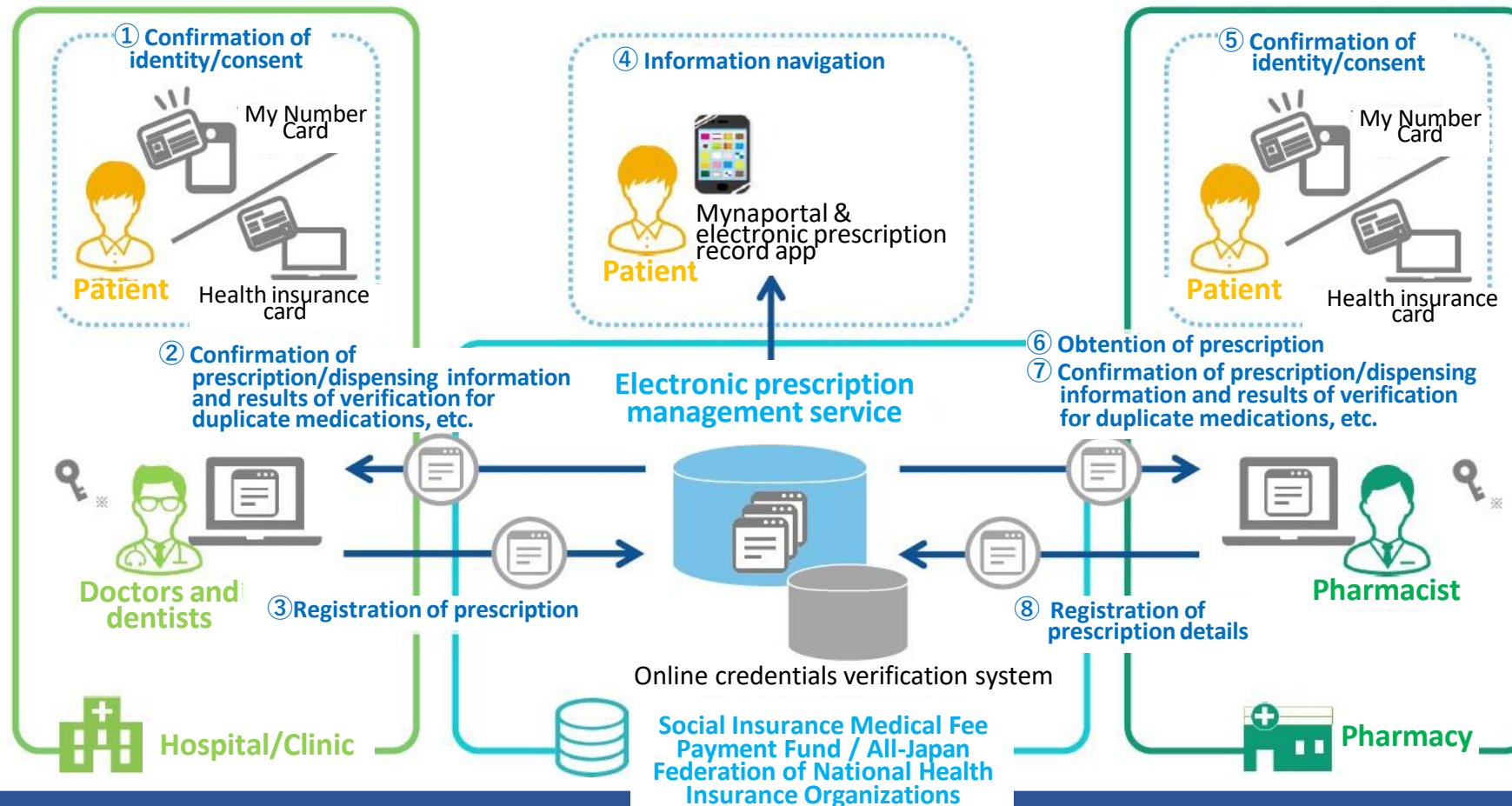






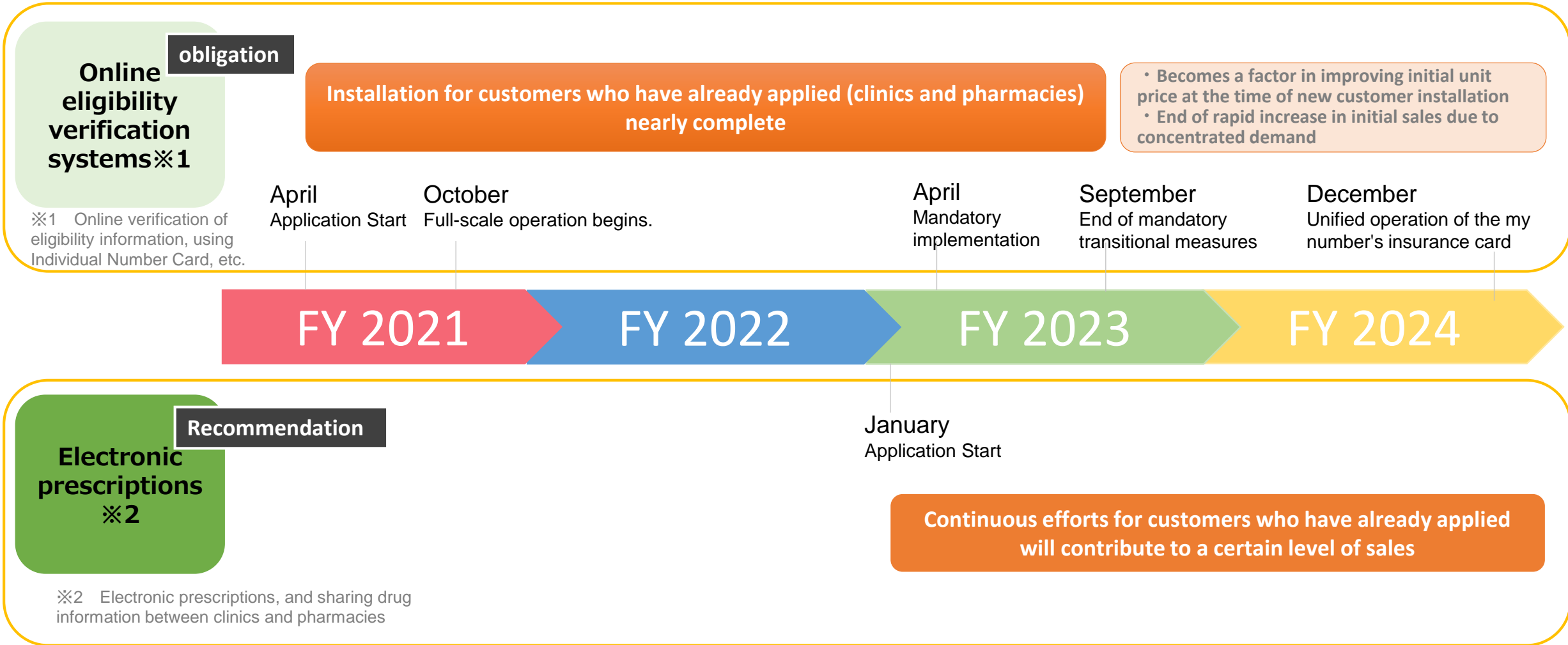
## II. xi. How electronic prescriptions function

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>



### 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"  
(Scheduled for 2024: Fukuoka, Kanto)



Photos from the EM Tennis Clinic in Kanto in 2023. Ai Love All Tennis Academy representative, Aiko Nakamura, and all other players from the Academy were in attendance. Many medical practitioners participated and enjoyed the clinic!

#### Imamura Pro, EM Systems

[ITF World Tennis Tour]

W15 singles champion for 2 consecutive weeks /  
W50 doubles champion

Professional tennis player Saki Imamura, who belongs to EM Systems, won the W15 singles (Thailand) for two consecutive weeks, and won the W50 doubles (Yamanashi).



Saki Imamura, Pro tennis Layer, 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.



## II. xii. Social contribution activities / Enhancement sustainability management

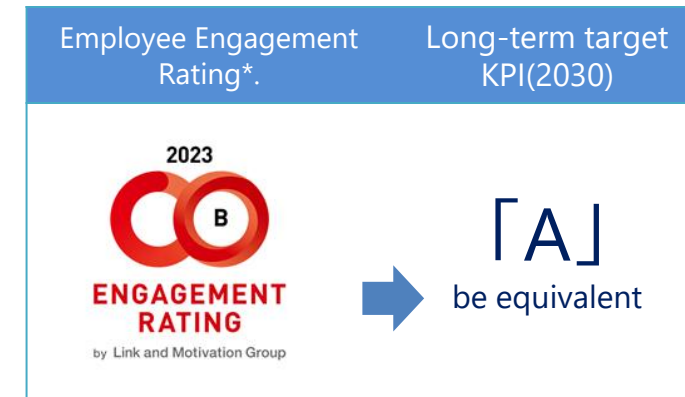
- Disclose non-financial indicators, achievement of long-term targets, and present summary of progress (2023 ESG Data)
- Disclose details on the sustainability website ([Link](#))

### [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 2024
- 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



2024  
健康経営優良法人  
Health and productivity

NIKKEI  
Smart Work  
★★★★ 2024



FTSE Blossom  
Japan Sector  
Relative Index



医療・介護を「#ありがとう」に変えていく

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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.