

Results of Operations

December 2024, 3rd Quarter

 **EM SYSTEMS CO.,LTD.**

TSE Prime Section:4820

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Topics

December 2024, 3rd Quarter

Announcement of the new medium-term management plan

Announcement of plans for FY2025-FY2027

(Refer to the new medium-term management plan for details.)

Implemented cash allocation measures from this fiscal year to achieve ROE targets

(Consolidated dividend payout ratio 100% and cancellation of treasury stock)

Scheduled year-end dividend is 20 yen, roughly three times the previous year

(Dividends for the full year are scheduled to be 29 yen, a record high.)

FY2024 Consolidated Forecast Upward Revisions

Revised up for the full year as sales, operating profits, and ordinary profits grew significantly

(FY2024 has a large impact on the economy due to a temporary change, particularly in the introduction of Electronic Prescriptions.)

Impairment losses were recorded in Clinics and IT Systems for Long-term care/welfare

(Refer to page 17 for details.)

Performance Overview

December 2024, 3rd Quarter

FY2024.Q3 Consolidated results

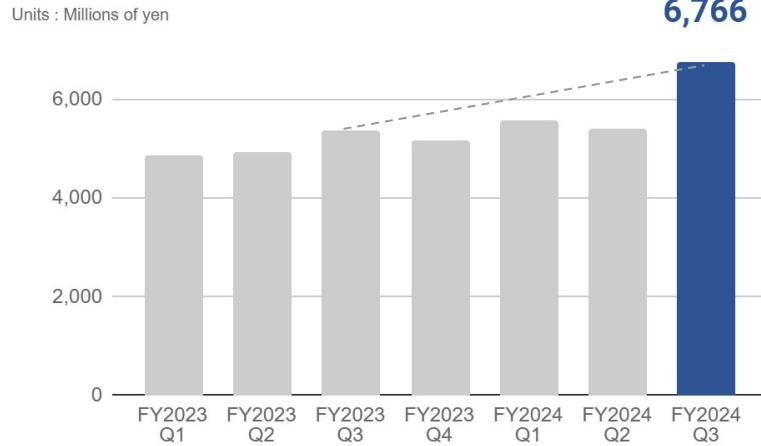
Units:Millions of yen

	FY2023 Q3 Result	FY2024 Q3 Result	Compared to previous year
Sales	15,198	17,755	16.8%
EBITDA	2,683	4,581	70.7%
Operating profits	1,804	3,201	77.5%
Ordinary profits	2,199	3,715	68.9%
Net income	1,357	1,510	11.3%

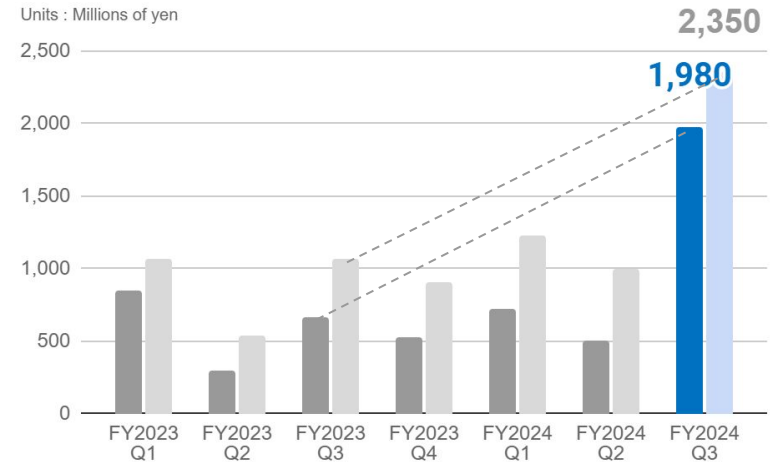
FY2024.Q3 Topics

- Sales:** Accelerated installations of Electronic Prescriptions and related optional software, mainly at chain pharmacies
Achieved steady sales growth due to M&As of Good Cycle Systems Inc. and Unike Software Research Co.,Ltd.
- EBITDA:** EBITDA showed a significant increase due to steady incorporation electronic prescriptions
- Operating profits:** Operating profits increased significantly due to an increase in sales and a year-on-year decrease in one-time expenses such as TV commercial broadcasts and special compensation payments
- Net income:** Impairment losses of 1.344 billion yen in IT Systems for Clinics and IT Systems for Long-term care/welfare (Clinics: 423 million yen, long-term care/welfare: 920 million yen)

Sales



Operating profit EBITDA



* EBITDA is calculated by adding depreciation, and reserves to cover expenses for system failures back into the operating profits

Status by Segment

December 2024, 3rd Quarter

IT Systems for Pharmacies

Sales

Sales of recurring income grew 18.9% year on year to 7.393 billion yen due to M&As and an increase in the number of customers. Initial sales increased due to an increase in sales of Electronic Prescriptions, despite the end of the previous year's intensive demand for Online eligibility verification systems. (Δ of 1.406 billion yen) (Up 2.567 billion yen) and the effect of M&As (Up 618 million yen) significantly increased overall

Operating profits

Despite the end of the intensive demand for Online eligibility verification systems, operating income increased significantly due to M&As and an increase in the number of customers incorporating Electronic Prescriptions

IT Systems for Clinics

Although billing sales increased by 27 million yen due to an increase in the number of customers, sales of recurring income remained stable overall due to a decrease in maintenance sales resulting from the in-house replacement of [Uni-Medical], for which support is scheduled to end. Initial sales declined year-on-year, as the effects of the end of intensive demand for Online eligibility verification systems (Δ: 469 million yen) were not offset by the increase (of 106 million yen) in Electronic Prescriptions sales

Operating losses increased due to the end of the intensive demand for the online eligibility verification system as well as due to reserves for one-time expenses to respond to customers who experienced system failure

IT Systems for Long-term care/welfare

Billing sales increased by roughly 11 million yen accompanying in-house replacement of [Hibiki and Symphony] with [MAPs for NURSING CARE], while maintenance sales decreased by roughly 34 million yen

Operating losses narrowed slightly due to improving manufacturing costs

Sales

Units:Millions of yen

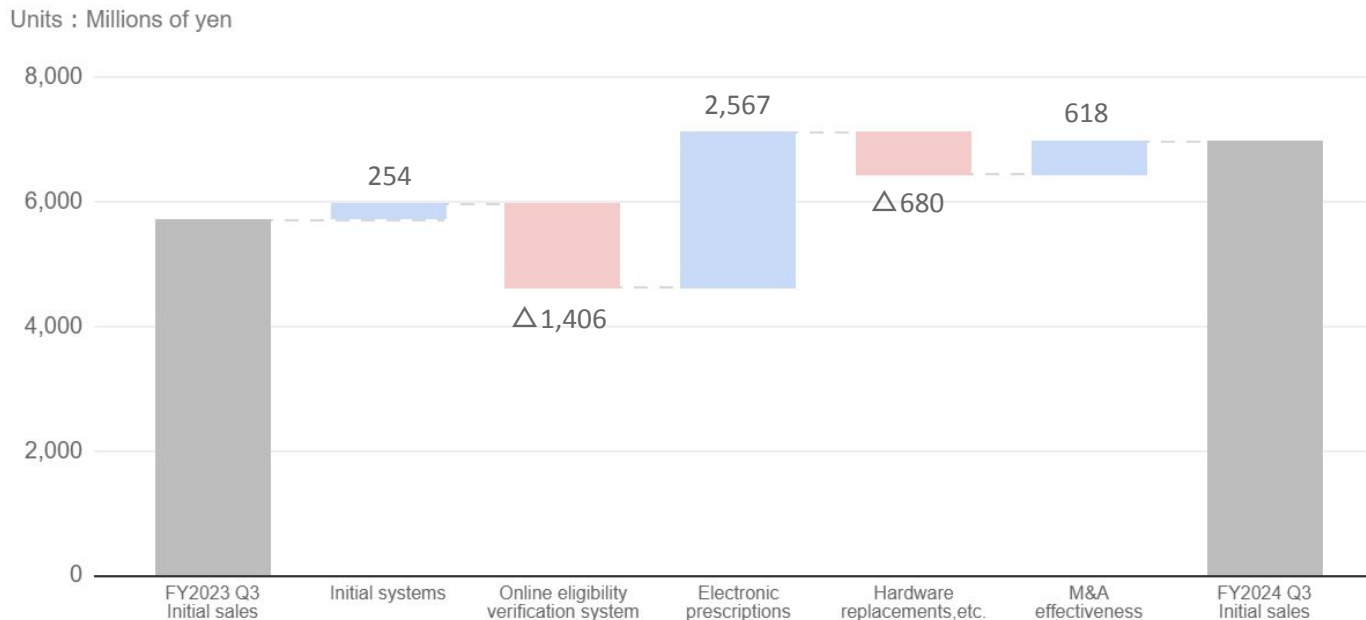
	FY2023 Q3	FY2024 Q3	YoY change	YoY % change
Pharmacies	11,953	14,733	2,780	23.3%
Clinics	2,249	1,840	△408	△18.2%
long-term care/welfare	416	447	30	7.4%
Other	671	849	177	26.5%

Operating profits

Units:Millions of yen

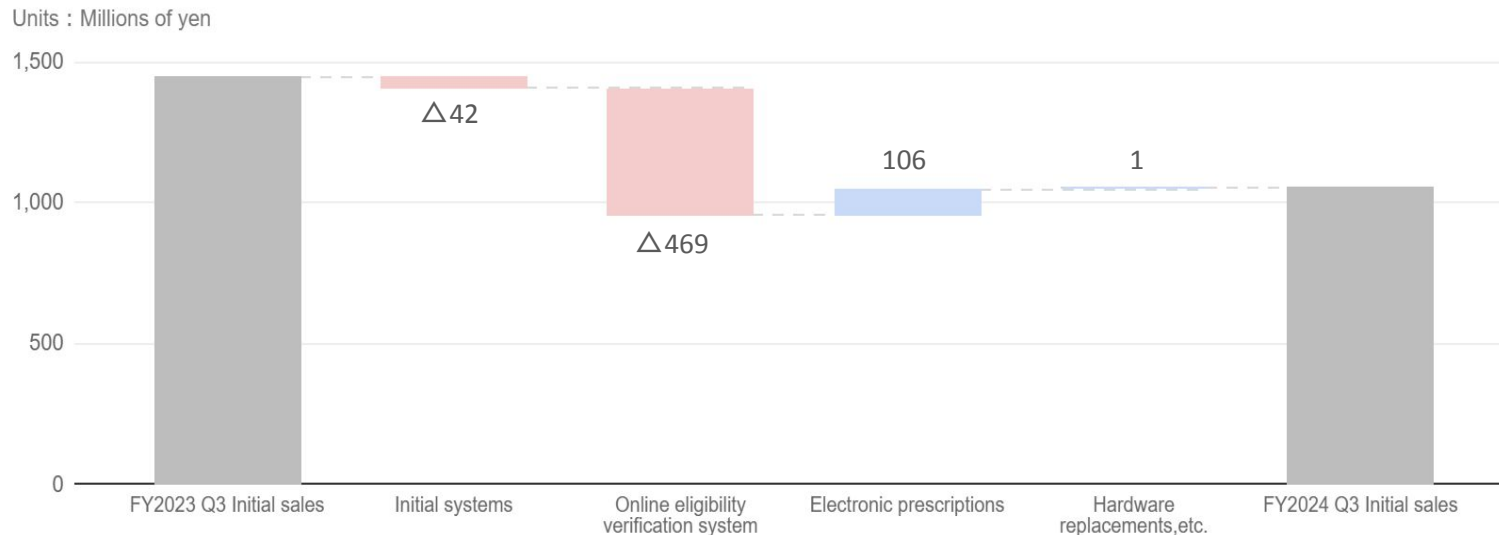
	FY2023 Q3	FY2024 Q3	YoY change	YoY % change
Pharmacies	2,169	3,801	1,632	75.2%
Clinics	△20	△340	△319	-
long-term care/welfare	△404	△320	83	-
Other	25	47	22	90.8%

Increase/Decrease in Initial sales



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

Increase/Decrease in Initial sales



* Categories of increases/decreases are amounts before considering increase/decrease of consolidated subsidiaries

Company Initiatives

Market environment

While demand for medical and long-term care/welfare services will increase in line with the 2025 problem (Japan's falling birthrate and aging of the population), there is an urgent need to secure medical and long-term care/welfare practitioners and improve operational efficiency
Revision of both medical and long-term care/welfare services in 2024 (which only occurs simultaneously once every 6 years)
Dispersion of the timing at which revisions to the various fees are to take effect throughout the year, beginning from April

An increase in cyberattacks on medical organizations making cybersecurity measures and responses mandatory*1
Selective medical care system for brand-name drugs (long-term listed drugs) with generic drugs started

Increase in the number of large-scale chain long-term care facilities due to the aging of society
Responses to the "Care Plan Data Linkage System", improvement of data accuracy by LIFE support*2

Amazon's launch of "Amazon Pharmacy" services

Initiatives

Development of unique solutions that leverage the characteristics of our business as an all-in-one services provider for pharmacies, clinics, and long-term care/welfare
Enhanced online provision (via the website EM-AVALON) of specialized information for the medical and nursing care fields, and provision of online seminars for medical practitioners

Development of solutions designed to resolve industry issues such as labor shortages and operational efficiency (Ex: prescription sharing systems, prescription readers, etc.)

Participation in the government-promoted electronic medical record standardization verification project

Provision of our products to other companies on an OEM basis at low prices

Cl Clinics Pharmacies Long-term care/welfare

*1 Ministerial Ordinance Partially Revising the Ordinance for Enforcement of the Medical Care Act(March 10, 2023 Ministry of Health, Labor and Welfare)

*2 LIFE : Long-term care Information system For Evidence

- PMI progressed smoothly as initially expected
- Entry into the phase of formulating and implementing measures to generate synergies via measures to improve communication between Group companies and the lively activities of each working group

Field	Measures	Progress
Product Strategy	Improve the added value of each company's systems For duplicate software development within the group Reduce development costs by avoiding	With Good Cycle System Inc.'s electronic drug history products Expand sales of integrated products for receipt/electronic drug history utilizing Primarily through billing sales for all group companies Shifted to a business model We have launched a working group and begun discussions, Consolidation for some products
Management Strategy	Reduce costs through office consolidation and relocation Reduce procurement costs through joint purchasing Reallocate personnel within the Group without downsizing the staff	Consolidated and relocated some offices Implementation of joint purchasing Optimized personnel assignments, including consolidation of administrative departments (back-office operations)

Sales structure reform



- Reorganization and specialization of each segment
- Enhancement of inside sales divisions
- Reallocation of sales forces, which tend to focus on pharmacies

Enhancement of marketing activities



- Organization and co-sponsorship of seminars
- Utilization of online advertising and industry websites
- Enhanced application of the push type approach

Effect

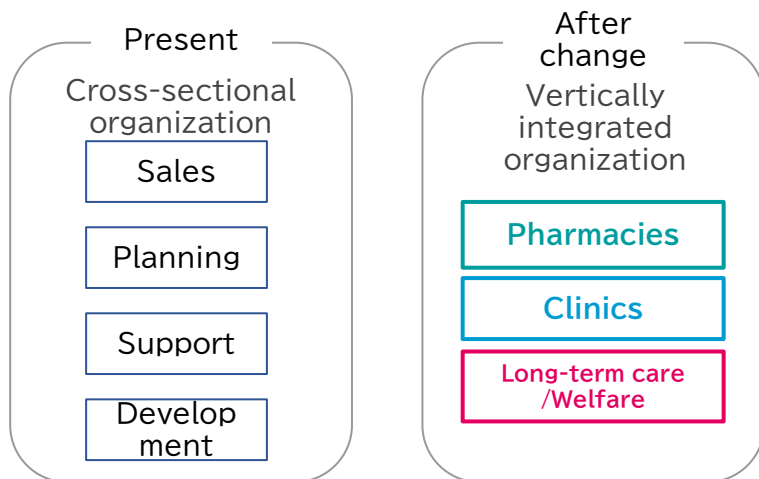
Increase in the number of potential projects acquired

Further sales activities that lead to more efficient generation of projects

Steady accumulation of expertise in-house

In clinics and IT Systems for Long-term care/welfare, impair all related assets. (1.344 billion yen), and urgently reform both segments
While synergies are expected from the three segments in the long-term vision, ensuring the viability of each segment is an important issue

Scheduled change in organizational structure



Organization designed to generate synergies between segments

Organization to increase business profitability

IT Systems for Clinics

Factors behind deviations from the initial plan

This was due to a delay in responding to changes in the competitive environment and in customers' purchasing behavior (digital purchasing), as well as to a lack of progress in developing OEMs and distributors.

Important issue: User Acquisition

Sales functions Enhancement

On a product base Stabilization

Alliances M&A

IT Systems for Long-term care/welfare

Factors behind deviations from the initial plan

Due to delays in development and issues with the outlook for the services required by customers

Key Issues: Number of MAPs for NURSING CARE Responsive Services

Target Expand

Product lineup Optimization

Alliances M&A

Fiscal Year Forecast

Year Ending December 31,2024

Fiscal Year Forecast (Year Ending December 31, 2024)

Units: Millions of yen

Upward revision to the full-year consolidated forecast

Sales, operating profits, and ordinary profits are expected to exceed the initial forecasts due to the acceleration of Electronic Prescriptions installations and to the acceleration of business following post M&A

Recorded impairments in Clinics and IT Systems for Long-term care/welfare

	FY2023.12 Actual	FY2024.12 Full Year Forecast	FY2024.12 Revised forecast
Sales	20,355	22,014	23,739
Pharmacies	16,159	17,555	19,669
Clinics	2,802	2,640	2,514
Long-term care/welfare	550	812	576
Others	973	1,182	1,135
Adjustment	△131	△177	△156
Operating Profits	2,330	2,573	3,797
Pharmacies	2,939	3,002	4,661
Clinics	△130	△178	△500
Long-term care/welfare	△540	△304	△441
Others	48	24	61
Adjustment	13	29	16
Ordinary profits	2,869	3,199	4,501
Net income	1,962	2,160	1,978

Changes in Consolidate Results by Fiscal Year

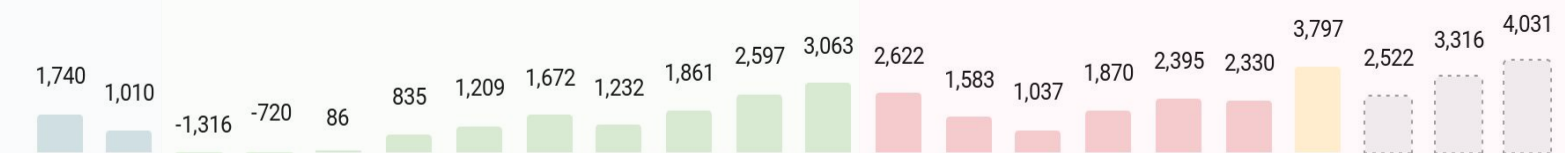
Flow-Based Partially stock Fully stock

Units:Millions of yen

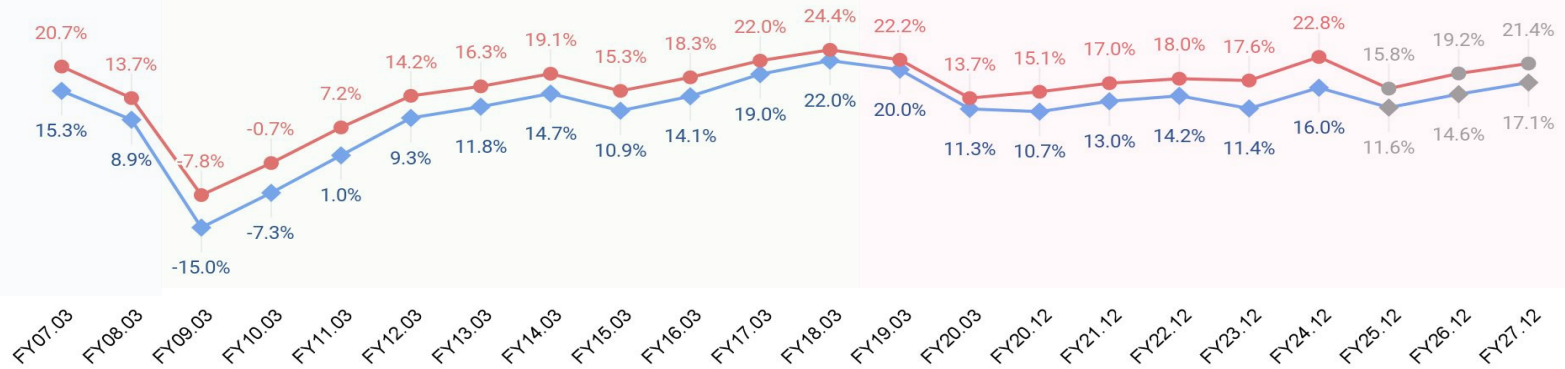
Sales



Operating Profits



● EBITDA Ratio
◆ Operating Profit Margin

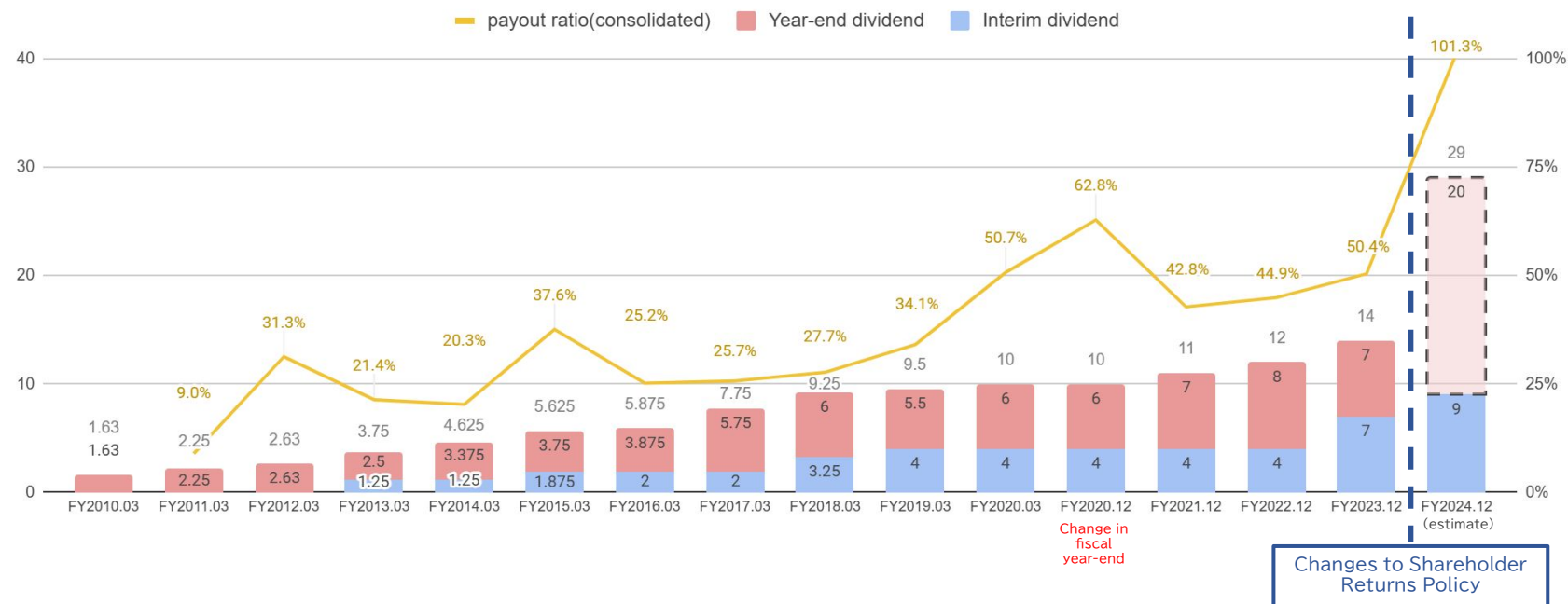


Shareholder Returns

Shareholder Returns (Dividends)

- 13th consecutive term of dividend increase *FY2020.12 Excluding changes in fiscal year end
- 2024 year-end dividend forecast revised to 20 yen, a 13 yen increase per share (consolidated dividend payout ratio target: 100%)

Units : Yen



*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.

Acquisition and retirement 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 resolution of 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
Through December 30, 2024

Reason for acquisition: Flexible capital policy, improvement of capital efficiency Enhancement of shareholder returns

Resolution at Board of Directors meeting held on November 14, 2024 to cancel treasury stock

Total number of shares to be cancelled: 4,000,000 shares (Ratio in relation to the total number of shares issued before cancellation 5.37%)

Scheduled date of cancellation: December 16, 2024

Acquisition period	Total acquisition value	Percentage ² of total shares issued ¹
November 10, 2010 ~	57 million yen	1.14%
February 09, 2011 ~	69 million yen	1.18%
September 05, 2011 ~	79 million yen	1.26%
November 11, 2011 ~	77 million yen	1.08%
May 25, 2015 ~	99 million yen	0.49%
June 18, 2018 ~	500 million yen	1.19%
January 07, 2019 ~	500 million yen	1.18%
June 11, 2020 ~	500 million yen	0.78%
February 10, 2022 ~	500 million yen	0.80%
February 15, 2024 ~	1 billion yen (maximum)	2.26%³

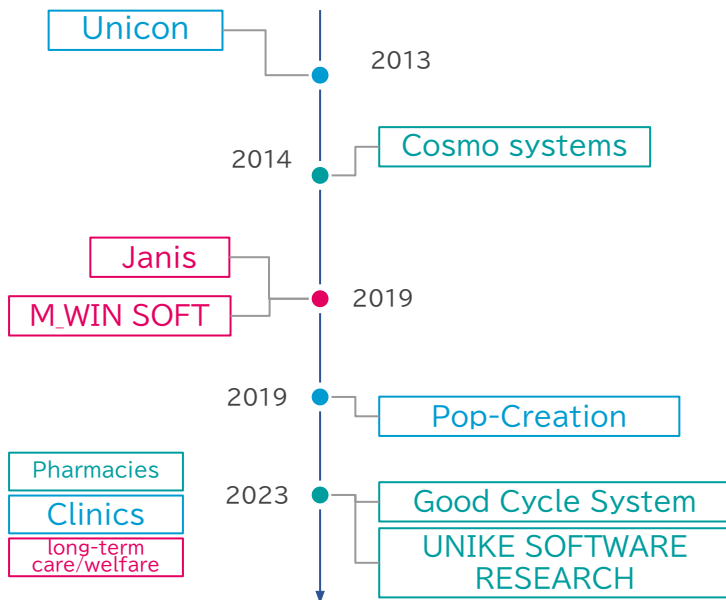
*1 Excluding treasury stock

*2 Rounded to the third decimal place

*3 Assuming that 1.6 million shares are repurchased, which is the upper limit

Appendix.

- Acquired seven companies in order to expand market share in the pharmacy market and acquire customers as the foundation for entering new markets
- We intend to continue identifying market changes and responding flexibly in order to expand our customer base in the pharmacy, clinic, and long-term care/welfare fields, and to improve our product lineup and quality



Pharmacies

Number of customers : 8,000
 Contributions to higher retention and ARPU by enhancing services such as those relating to electronic drug history records

Clinics

Number of customers : 1,700
 Conclusion of M&As that contribute to the expansion of our base, including the expansion of sales channels

long-term care/welfare

Number of Licenses : 11,000
 Acquisition of product development resources, etc. to expand into the long-term care/welfare market

Balance Sheet Summary

Units: Millions of yen

	FY2023 Q4	FY2024 Q3	Change	Percentage Change
Assets	29,387	28,990	△397	△1.4%
Current assets	14,800	16,075	1,274	8.6%
Fixed assets	14,587	12,914	△1,672	△11.5%
Tangible fixed assets	1,330	1,099	△230	△17.3%
Intangible fixed assets	5,186	3,691	△1,495	△28.8%
Investments and other assets	8,070	8,123	53	0.7%
Liabilities	8,821	9,189	368	4.2%
Current liabilities	5,618	6,802	1,183	21.1%
Fixed liabilities	3,202	2,387	△815	△25.5%
Net assets	20,566	19,800	△765	△3.7%
Shareholder's equity	20,272	19,595	△677	△3.3%
Cumulative amount of other comprehensive	191	124	△67	△35.3%
Stock acquisition rights	56	55	0	△1.4%
Non-controlling interests	45	25	△19	△43.5%

By Segment Sales Breakdown

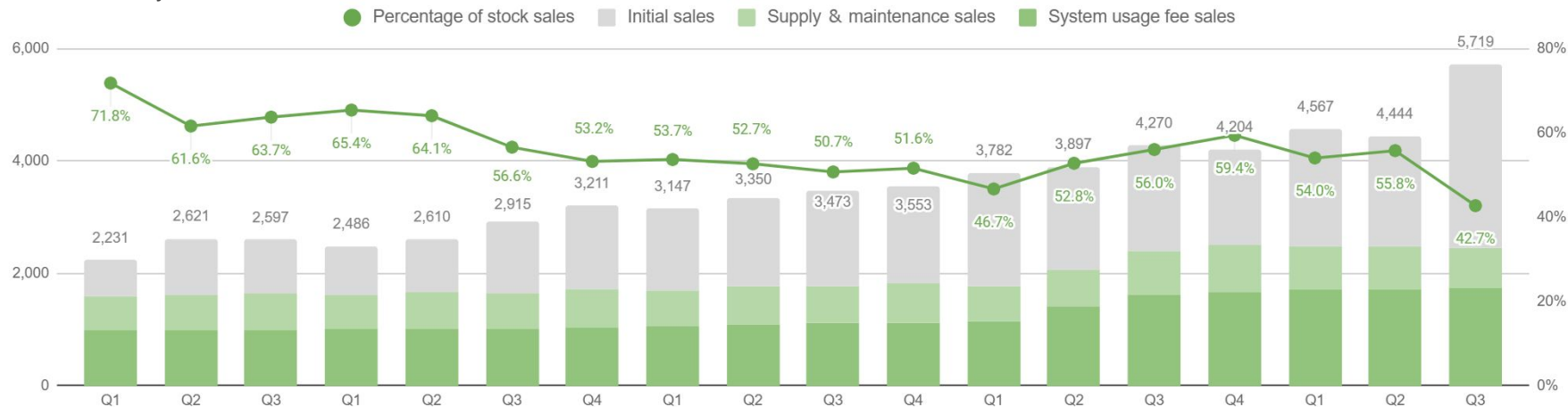
Units : Millions of yen

	FY2023 Q3 Results	FY2024 Q3 Results	YoY change	YoY % change
Net Sales	15,198	17,755	2,557	16.8%
IT Systems for Pharmacies	11,953	14,733	2,780	23.3%
Initial	5,734	7,340	1,605	28.0%
System usage fee	4,176	5,178	1,002	24.0%
Consumable goods	1,386	1,527	141	10.2%
Maintenance service	656	687	31	4.8%
IT Systems for Clinics	2,249	1,840	△408	△18.2%
Initial	1,448	1,057	△391	△27.0%
System usage fee	625	652	27	4.4%
Consumable goods	42	39	△2	△6.6%
Maintenance service	132	90	△41	△31.5%
IT Systems for Long-term care/welfare	416	447	30	7.4%
Initial	30	84	53	173.9%
System usage fee	171	183	11	6.4%
Consumable goods	-	0	0	-
Maintenance service	213	179	△34	△16.0%
Other Businesses	671	849	177	26.5%
Adjustments	△92	△115	△23	-

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

Quarterly Sales (Pharmacies)

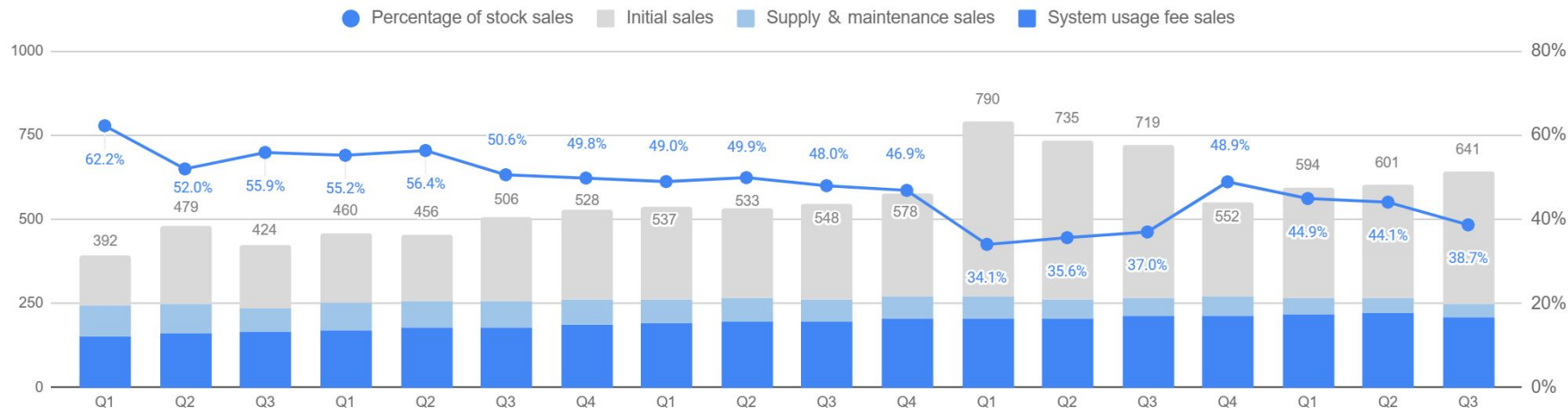
Units:Millions of yen



	FY2020			FY2021				FY2022				FY2023				FY2024		
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
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	1,965	3,275
Supply & maintenance sales	614	621	659	622	650	631	667	621	664	640	704	617	654	769	835	754	756	703
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	1,723	1,741

Quarterly Sales(Clinics)

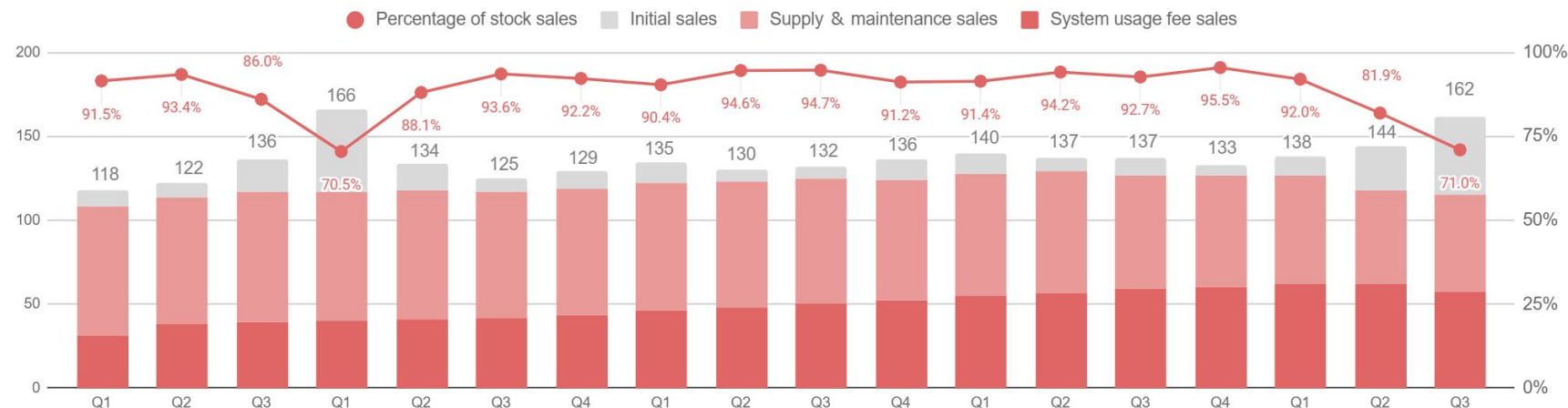
Units:Millions of yen



	FY2020			FY2021				FY2022				FY2023				FY2024		
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Initial sales	148	230	187	206	199	250	265	274	267	285	307	521	473	453	282	327	336	393
Supply & maintenance sales	90	86	72	82	80	76	76	72	69	65	68	64	56	53	55	48	42	39
System usage fee sales	154	163	165	172	177	180	187	191	197	198	203	205	206	213	215	219	223	209

Quarterly Sales (Long-term care/welfare)

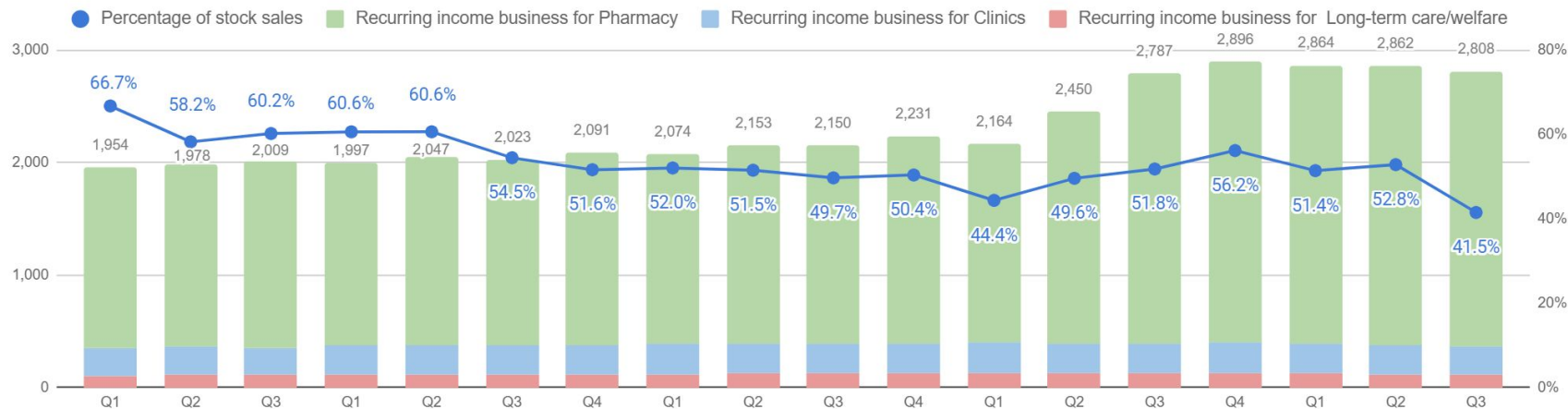
Units:Millions of yen



	FY2020			FY2021				FY2022				FY2023				FY2024		
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Initial sales	10	8	19	49	16	8	10	13	7	7	12	12	8	10	6	11	26	47
Supply & maintenance sales	77	76	78	77	77	75	75	76	75	74	72	73	72	68	67	65	56	57
System usage fee sales	31	38	39	40	41	42	44	46	48	51	52	55	57	59	60	62	62	58

By Segment Recurring Income Business (Quarterly Sales)

Units:Millions of yen

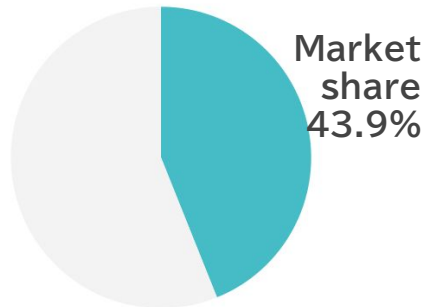


	FY2020			FY2021				FY2022				FY2023				FY2024		
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Recurring income business for Pharmacy	1,602	1,615	1,655	1,626	1,672	1,650	1,709	1,689	1,764	1,762	1,835	1,766	2,057	2,394	2,499	2,469	2,479	2,444
Recurring income business for Clinics	244	249	237	254	257	256	263	263	266	263	271	270	263	266	270	268	265	248
Recurring income business for Long-term care/welfare	108	114	117	117	118	117	119	122	123	125	125	128	130	127	127	127	118	116

Our Share and Our Approach to Expanding Our Share

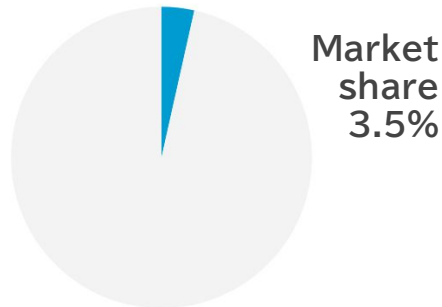
- While each market continues to consolidate around the top manufacturers, there are still many mid-sized vendors with several thousand customers
- Vendors with 10,000 or fewer customers bear a heavy burden when developing systems in response to revisions
- Our intention is to increase our share of each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

IT Systems for Pharmacies



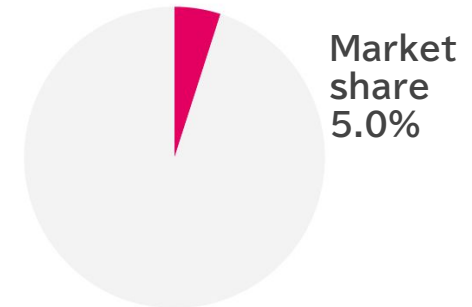
Number of customers: 24,155*
Target population: 55,000

IT Systems for Clinics



Number of customers: 3,158
(QoQ+58)
Target population: 90,000

IT Systems for Long-term care/welfare

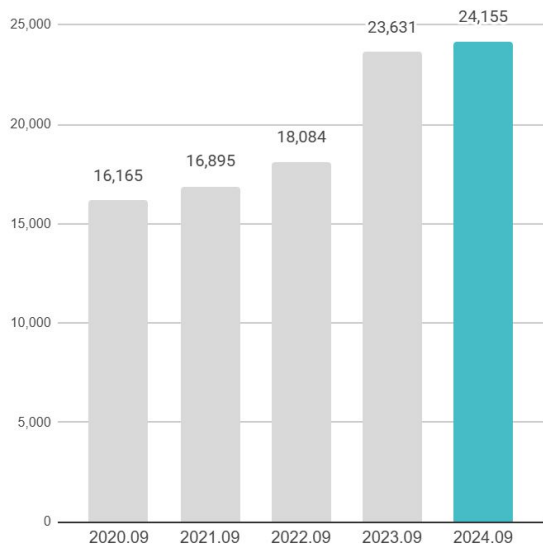


Number of customers: 14,362
(QoQ+79)
Target population: 290,000

(As of September 30, 2024)

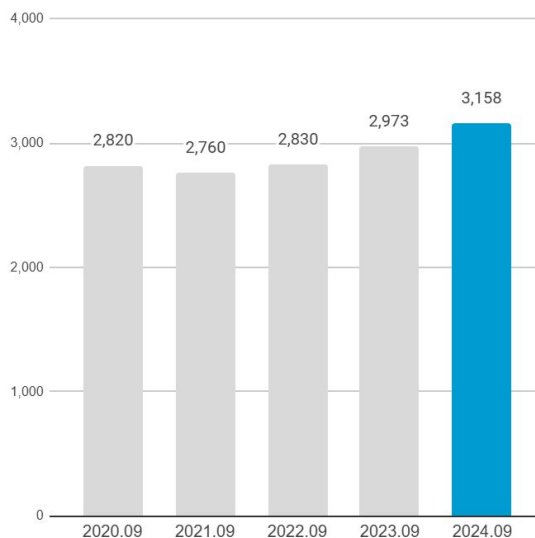
IT Systems for Pharmacies

Units: locations



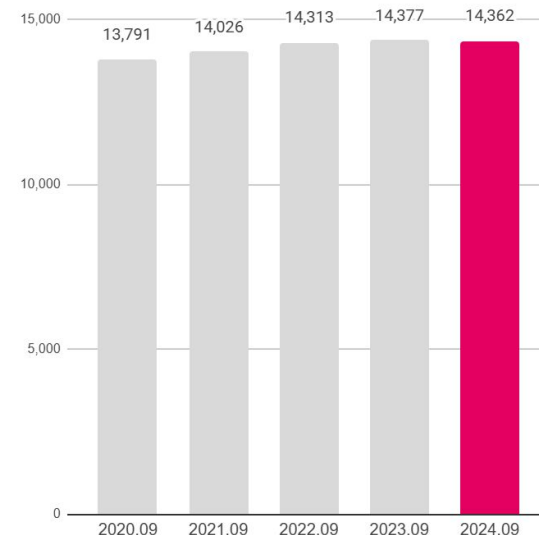
IT Systems for Clinics

Units: locations

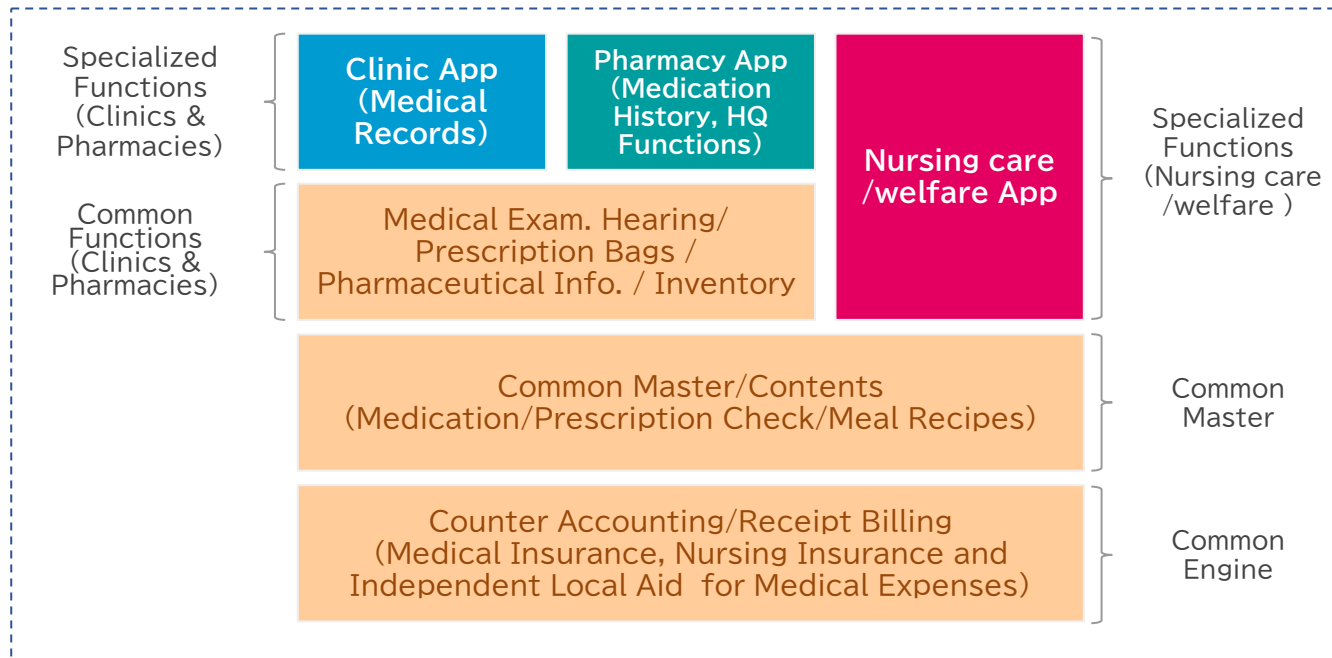


IT Systems for Long-term care/welfare

Unit: licenses



* The pharmacy system has been revised since its current disclosure because duplicate registrations were confirmed as a result of a review of the number of pharmacies in Q3 FY 2024



Online Eligibility Verification

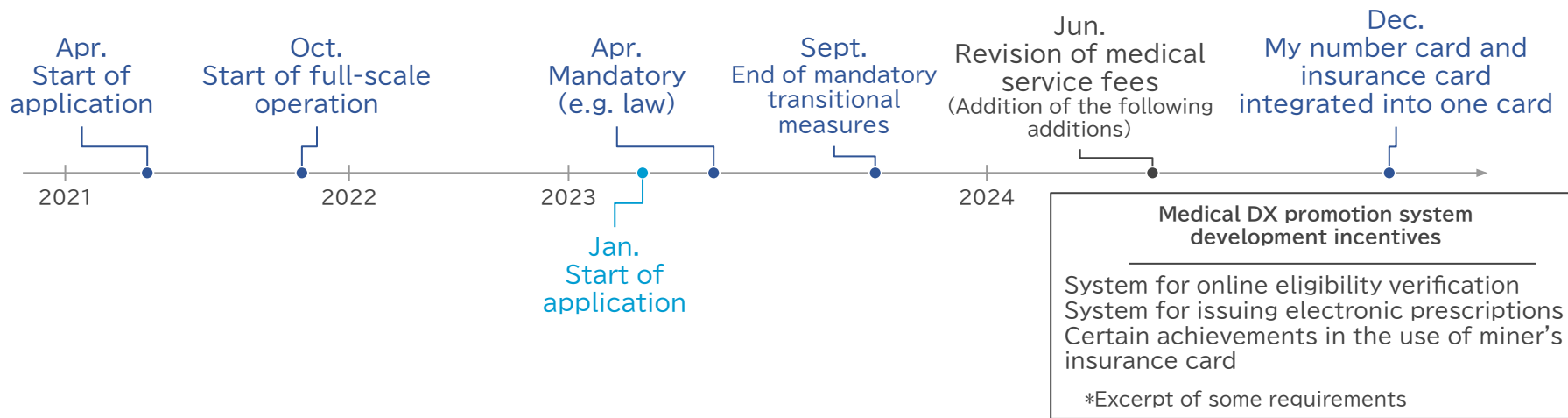
Obligation

- Application and installation largely complete

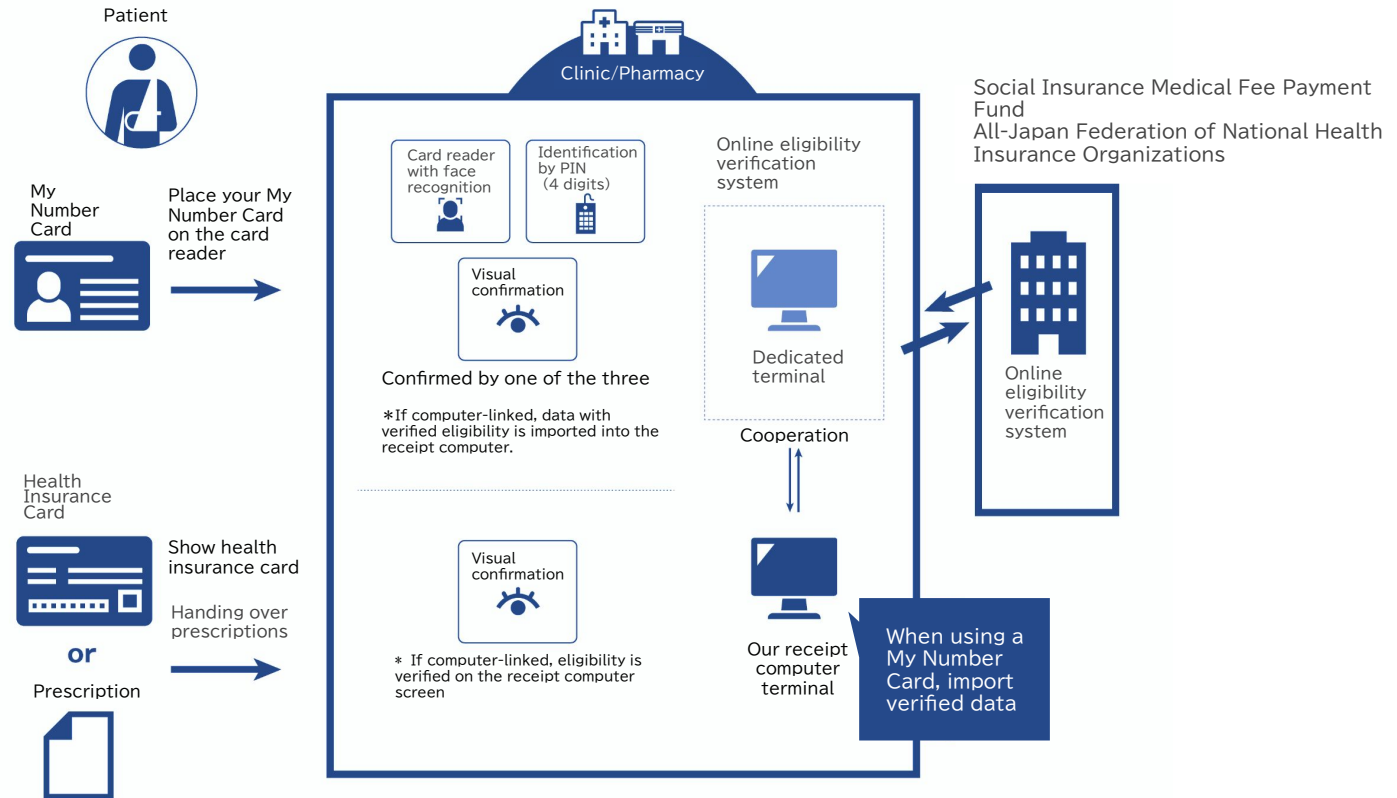
Electronic Prescriptions

Recommendation

- Applications and installations are gradually being made

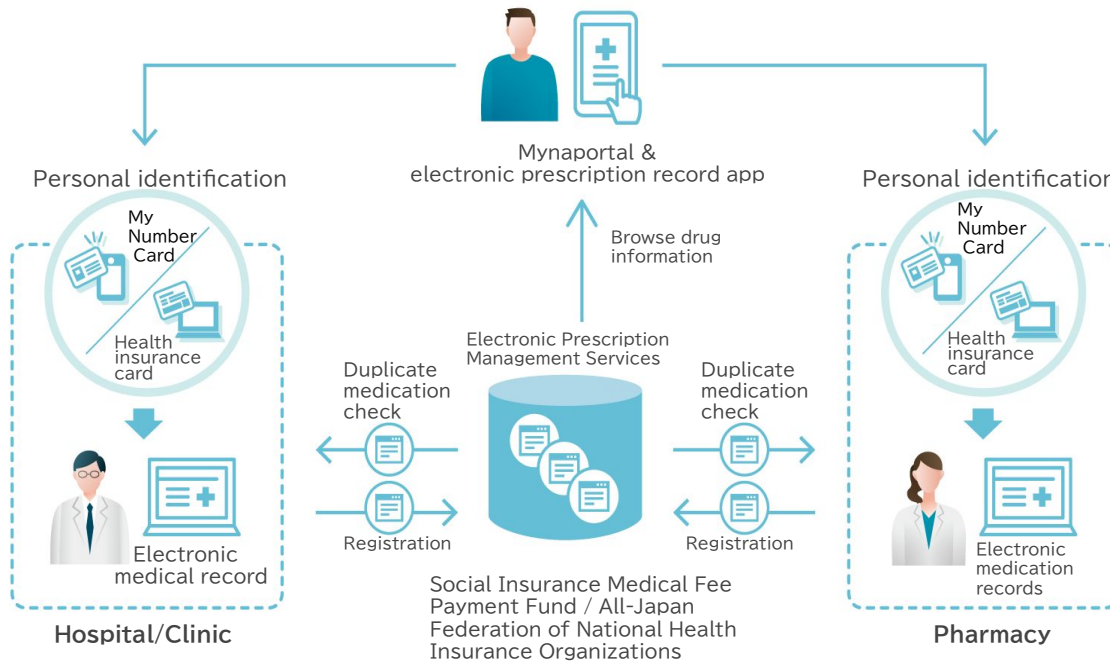


How the Online Eligibility Verification System Works



How Electronic Prescriptions Function

Electronic prescriptions are a system for managing prescriptions electronically. It enables users to refer to the latest prescription and dispensing information at multiple medical institutions and pharmacies, and to check for duplicate medications.



- **Human Capital-related Initiatives**

- Expand recruitment activities
- Full-scale operation of human resource education and training system development
- Provision of opportunities to self-enhance skills (e-Learning)

- **Set long-term goals (KPIs) based on materiality**

- Established 18 long-term goals through 2030, including "Improve Employee Engagement Score"
- The Sustainability Committee will review the status of achievement and goals

Disclose details of initiatives and progress in achieving targets in annual reports and on sustainability website. ([Link](#))

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



FTSE Blossom
Japan Sector
Relative Index

- **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 [EM Tennis Clinic] for medical practitioners (2024: Fukuoka, Kanto)



2024
EM Tennis Clinic in Fukuoka
By many medical practitioners
You enjoyed participating!

All Japan Tennis Championship 99th
Women's Doubles Semi-champion (Imamura and Abe)
Women's singles best 4 (Imamura player)



Pro tennis players belonging to EM Systems
Saki Imamura / Hiromi Abe

Research 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.

Supporting 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.

Donation Activities

- **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.



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