

EM SYSTEMS (4820)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY12/2021		14,436	1,870	2,607	1,829	25.72	11.00	263.12
FY12/2022		16,919	2,395	2,791	1,893	26.75	12.00	274.94
FY12/2023CoE		19,608	2,827	3,333	2,217	31.39	12.00	-
FY12/2022		YoY	17.2%	28.1%	7.0%	3.5%	-	-
FY12/2023CoE		YoY	15.9%	18.0%	19.4%	17.1%	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY12/2022		8,164	1,360	1,603	1,089	-	-	-
Q3 to Q4 FY12/2022		8,755	1,035	1,188	804	-	-	-
Q1 to Q2 FY12/2023CoE		9,342	1,033	1,290	827	-	-	-
Q3 to Q4 FY12/2023CoE		10,266	1,794	2,043	1,390	-	-	-
Q1 to Q2 FY12/2023CoE		YoY	14.4%	(24.0%)	(19.5%)	(24.0%)	-	-
Q3 to Q4 FY12/2023CoE		YoY	17.3%	73.3%	72.0%	72.9%	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (27 February 2023)

Focus on System Usage Fee Sales

On 14 February 2023, EM SYSTEMS, the leading provider of IT systems for dispensing pharmacies, released its FY12/2022 results. It has been revealed that the Company is on track to achieve steady growth through its focus on system usage fee sales from a long-term perspective. Most recently, it is suggested that the Company benefits from growing demand associated with project of online eligibility verification amongst the existing customers, which is to be followed by that of electronic prescriptions, driving short-term performance as a whole. Meanwhile, the Company has announced its key policy to promote sales of “MAPs for PHARMACY DX” with an active spending to do so for the sake of increasing the number of customers and thus further beefing up its share in the market. This is to ensure ever-increasing system usage fee sales (to be consistently gained in line with usage of systems by customers), i.e., a stable source of earnings over the long-term. Further, the Company is looking to a future benefit stemming from its measures to apply the expertise of building IT systems to support operations for dispensing pharmacies to related sectors, i.e., clinics and long-term care/welfare. At the moment, the Company has a rather limited market share for each, implying a huge upside for the future.

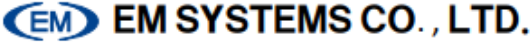
- [Results of Operations for financial year ended December 31 2022](#)

IR Representative: Hirokazu Tokuchi, General Manager / IR Section, General Affairs Department

(tokuchi@emsystems.co.jp)

2.0 Company Profile

Supporting Healthcare with the Power of IT

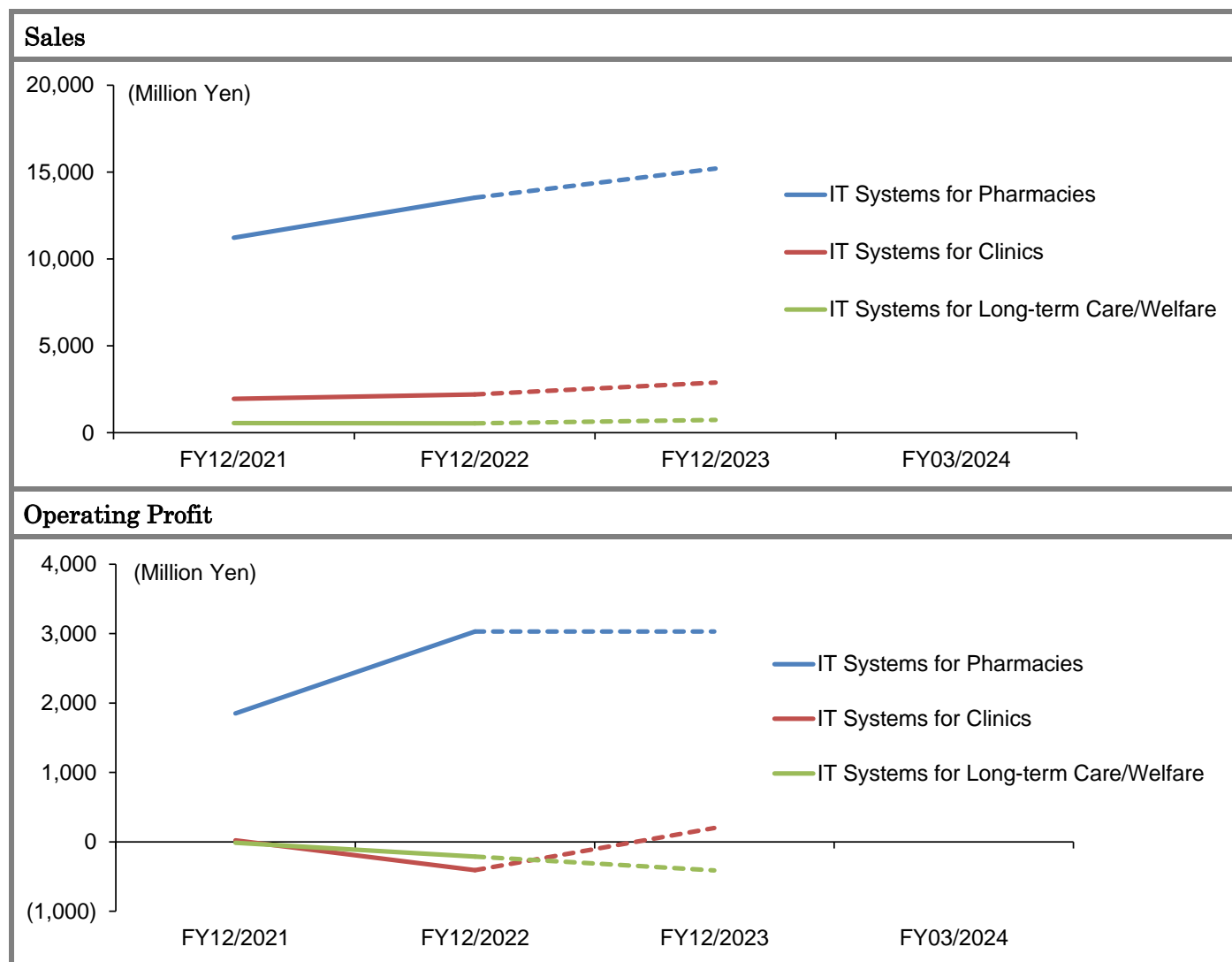
Company Name	EM SYSTEMS CO., LTD. Website IR Information Share Price (Japanese) 
Established	23 January 1980
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 4820) 13 November 2012: Tokyo Stock Exchange 1st Section 2 May 2003: Tokyo Stock Exchange 2nd Section 15 December 2000: JASDAQ
Capital	¥2,785m (as of the end of December 2022)
No. of Shares	74,514,800 shares, including 3,865,149 treasury shares (as of the end of Dec. 2022)
Main Features	<ul style="list-style-type: none"> ● The leader of IT systems to support operations for dispensing pharmacies (market share of 36.3% in Japan) ● Expanding into clinics and long-term care/welfare by sector, based on MAPs ● MAPs (Medical Advance for People, System), representing the Company's common information system infrastructure
Segments	I . IT Systems for Pharmacies II . IT Systems for Clinics III . IT Systems for Long-term Care/Welfare IV . Other
Representative	Representative Director and President: Hiromasa Kunimitsu
Shareholders	Kokko Co., Ltd. 36.53%, MEDIPAL HLD 9.99%, The Master Trust Bank of Japan, T. 5.71%, Goldman Sachs International 4.84% (as of the end of December 2022, but for treasury shares)
Head Office	Yodogawa-ku, Osaka-city, Osaka-prefecture, JAPAN
No. of Employees	Consolidated: 592, Parent: 432 (as of the end of December 2022)

Source: Company Data

3.0 Recent Trading and Prospects

FY12/2022

For FY12/2022, sales came in at ¥16,919m (up 17.2% YoY), operating profit ¥2,395m (up 28.1%), recurring profit ¥2,791m (up 7.0%) and profit attributable to owners of parent ¥1,893m (up 3.5%), while operating profit margin 14.2% (up 1.2% points).



Source: Company Data, WRJ Calculation

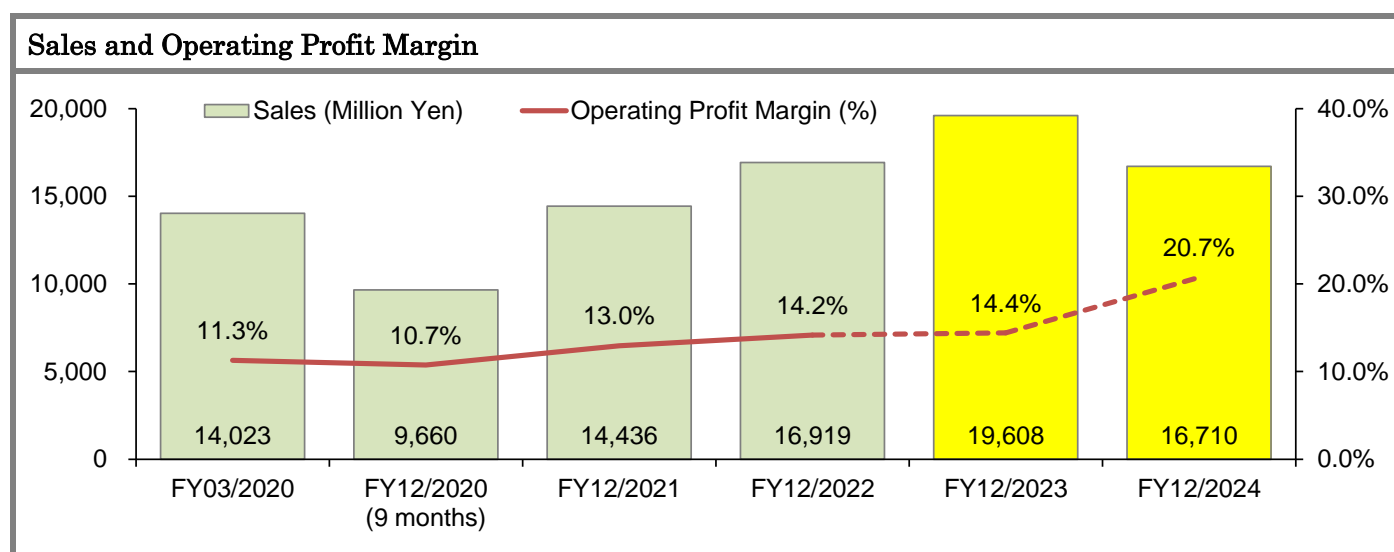
IT Systems for Pharmacies (80.0% of sales, 127.9% of operating profit)

By segment, IT Systems for Pharmacies saw sales of ¥13,530m (up 20.5%), operating profit of ¥3,031m (up 63.6%) and operating profit margin of 22.4% (up 5.9 % points). Sales comprised ¥6,476m (up 41.8%) of initial sales, ¥4,422m (up 8.1%) of system usage fee sales, ¥1,865m (up 3.4%) of consumable goods sales and ¥765m (down 0.4%) of maintenance service sales. In other words, it appears that there is an aspect that sales and earnings for the Company as a whole were driven by surging initial sales on the IT Systems for Pharmacies side.

In the first place, the Company sees initial sales, when it delivers hardware for self-developed IT systems to support operations, represented by those of counter accounting and receipt billing, to customers, while suggesting that the customers (18,162 in the number as of the end of December 2022) are supposed to replace the hardware every 5 years. For FY12/2022, the Company saw an add-on in initial sales, stemming from a factor that it has been actively delivering hardware and software for online eligibility verification (mandatory from April 2023 / transitional measures until September 2023) to the above-mentioned existing customers and thus seeing sales to a corresponding extent. By the way, it is said to be the case that they are required to procure the hardware and software from the Company. Given the fact that the Company is seeing a similar situation for project of electronic prescriptions to have begun in January 2023 on top of this, the Company is going for a firmness for initial sales to continue into FY12/2023. As far as we could see, there is a possibility for the above-mentioned existing customers to procure hardware and software for project of electronic prescriptions earlier than assumptions for the sake of aggressively securing patients.

FY12/2023 Company Forecasts

FY12/2023 Company forecasts (announced on 14 February 2023) are going for prospective sales of ¥19,608m (up 15.9% YoY), operating profit of ¥2,827m (up 18.0%), recurring profit of ¥3,333m (up 19.4%) and profit attributable to owners of parent of ¥2,217m (up 17.1%), while operating profit margin of 14.4% (up 0.3% points). At the same time, Company forecasts are going for planned annual dividend of ¥12.00 per share, implying payout ratio of 38.2%.



Source: Company Data, WRJ Calculation

At the same time, for FY12/2024, the Company is going for prospective sales of ¥16,710m (down 14.8%), operating profit of ¥3,466m (up 22.6%) and operating profit margin of 20.7% (up 6.3 % points), while it appears that the Company's performance for the relevant year also hinges on that of the IT Systems for Pharmacies side.

In other words, the Company suggests that it will inevitably suffer from decreased initial sales as those of the above-mentioned transient projects will not reappear and thus sales for the Company as a whole. More importantly, however, the Company is looking to an impact for earnings more than compensating from increasing system usage fee sales in line with increasing number of customers. As the target as of the end of December 2024, the Company is going for the number of customers as many as 25,000 and market share of 50.0% in Japan, implying a CAGR of 17.3% for the number of customers, when setting the level as of the end of December 2022 as the point of origin and an increase by 13.7% points for the market share in Japan during the same period. The Company says that it will aggressively cultivate new customers for FY12/2023 in particular in order to ensure a basis of earnings for FY12/2024 as soon as possible.

4.0 Financial Statements

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022		
Sales	3,294	6,672	10,386	14,436	3,985	8,164	12,491	16,919		+2,483
Cost of Sales	1,666	3,551	5,367	7,345	1,930	4,051	6,230	8,644		+1,299
Gross Profit	1,628	3,120	5,018	7,090	2,054	4,113	6,260	8,275		+1,185
SG&A Expenses	1,305	2,537	3,845	5,219	1,375	2,753	4,147	5,879		+660
Operating Profit	322	582	1,172	1,870	679	1,360	2,113	2,396		+526
Non Operating Balance	127	441	590	737	145	243	344	395		(342)
Recurring Profit	449	1,023	1,762	2,607	824	1,603	2,457	2,791		+184
Extraordinary Balance	(2)	(2)	(2)	(8)	-	-	-	(2)		+6
Profit before Income Taxes	447	1,021	1,760	2,599	824	1,603	2,457	2,789		+190
Total Income Taxes	149	341	522	787	265	522	828	914		+127
Profit Attributable to Non-Controlling Interests	(1)	(7)	(13)	(17)	(4)	(8)	(14)	(18)		(1)
Profit Attributable to Owners of Parent	299	687	1,251	1,829	563	1,089	1,644	1,893		+64
Sales YoY	-	-	-	-	+21.0%	+22.4%	+20.3%	+17.2%		-
Operating Profit YoY	-	-	-	-	+110.3%	+133.4%	+80.3%	+28.1%		-
Recurring Profit YoY	-	-	-	-	+83.5%	+56.7%	+39.5%	+7.0%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	+88.2%	+58.4%	+31.4%	+3.5%		-
Gross Profit Margin	49.4%	46.8%	48.3%	49.1%	51.5%	50.4%	50.1%	48.9%		(0.2%)
SG&A Ratio	39.6%	38.0%	37.0%	36.2%	34.5%	33.7%	33.2%	34.7%		(1.4%)
Operating Profit Margin	9.8%	8.7%	11.3%	13.0%	17.0%	16.7%	16.9%	14.2%		+1.2%
Recurring Profit Margin	13.6%	15.3%	17.0%	18.1%	20.7%	19.6%	19.7%	16.5%		(1.6%)
Profit Attributable to Owners of Parent Margin	9.1%	10.3%	12.0%	12.7%	14.1%	13.3%	13.2%	11.2%		(1.5%)
Total Income Taxes / Profit before Income Taxes	33.3%	33.4%	29.7%	30.3%	32.2%	32.6%	33.7%	32.8%		+2.5%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022		
Sales	3,294	3,378	3,714	4,050	3,985	4,179	4,327	4,428		+378
Cost of Sales	1,666	1,885	1,816	1,978	1,930	2,121	2,179	2,414		+436
Gross Profit	1,628	1,492	1,898	2,072	2,054	2,059	2,147	2,015		(57)
SG&A Expenses	1,305	1,232	1,308	1,374	1,375	1,378	1,394	1,732		+358
Operating Profit	322	260	590	698	679	681	753	283		(415)
Non Operating Balance	127	314	149	147	145	98	101	51		(96)
Recurring Profit	449	574	739	845	824	779	854	334		(511)
Extraordinary Balance	(2)	-	-	(6)	-	-	-	(2)		+4
Profit before Income Taxes	447	574	739	839	824	779	854	332		(507)
Total Income Taxes	149	192	181	265	265	257	306	86		(179)
Profit Attributable to Non-Controlling Interests	(1)	(6)	(6)	(4)	(4)	(4)	(6)	(4)		0
Profit Attributable to Owners of Parent	299	388	564	578	563	526	555	249		(329)
Sales YoY	-	-	-	-	+21.0%	+23.7%	+16.5%	+9.3%		-
Operating Profit YoY	-	-	-	-	+110.3%	+161.9%	+27.6%	(59.5%)		-
Recurring Profit YoY	-	-	-	-	+83.5%	+35.7%	+15.6%	(60.5%)		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	+88.2%	+35.6%	(1.6%)	(56.9%)		-
Gross Profit Margin	49.4%	44.2%	51.1%	51.2%	51.5%	49.3%	49.6%	45.5%		(5.7%)
SG&A Ratio	39.6%	36.5%	35.2%	33.9%	34.5%	33.0%	32.2%	39.1%		+5.2%
Operating Profit Margin	9.8%	7.7%	15.9%	17.2%	17.0%	16.3%	17.4%	6.4%		(10.8%)
Recurring Profit Margin	13.6%	17.0%	19.9%	20.9%	20.7%	18.6%	19.7%	7.5%		(13.3%)
Profit Attributable to Owners of Parent Margin	9.1%	11.5%	15.2%	14.3%	14.1%	12.6%	12.8%	5.6%		(8.6%)
Total Income Taxes / Profit before Income Taxes	33.3%	33.4%	24.5%	31.6%	32.2%	33.0%	35.8%	25.9%		(5.7%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative/Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2021	Q1 to Q2 12/2021	Q1 to Q3 12/2021	Q1 to Q4 12/2021	Q1 12/2022	Q1 to Q2 12/2022	Q1 to Q3 12/2022	Q1 to Q4 12/2022		
IT Systems for Pharmacies	2,487	5,098	8,016	11,228	3,148	6,500	9,975	13,530	+2,302	
IT Systems for Clinics	462	920	1,427	1,957	538	1,072	1,623	2,202	+245	
IT Systems fo Llong-term Care/Welfare	166	303	430	560	136	268	401	539	(21)	
Other	179	356	519	720	172	347	528	713	(7)	
Adjustments	-	(5)	(6)	(30)	(9)	(23)	(36)	(65)	(35)	
Sales	3,294	6,672	10,386	14,436	3,985	8,164	12,491	16,919	+2,483	
IT Systems for Pharmacies	274	591	1,197	1,852	751	1,496	2,370	3,031	+1,179	
IT Systems for Clinics	3	(16)	20	22	(95)	(184)	(210)	(409)	(431)	
IT Systems fo Llong-term Care/Welfare	44	4	(35)	(12)	27	55	(33)	(211)	(199)	
Other	-	(11)	(33)	(27)	(9)	(22)	(35)	(42)	(15)	
Segment Profit	321	568	1,149	1,835	674	1,345	2,092	2,369	+534	
Adjustment	1	14	23	35	5	15	21	27	(8)	
Operating Profit	322	582	1,172	1,870	679	1,360	2,113	2,396	+526	
IT Systems for Pharmacies	11.0%	11.6%	14.9%	16.5%	23.9%	23.0%	23.8%	22.4%	+5.9%	
IT Systems for Clinics	0.6%	(1.7%)	1.4%	1.1%	(17.7%)	(17.2%)	(12.9%)	(18.6%)	(19.7%)	
IT Systems fo Llong-term Care/Welfare	26.5%	1.3%	(8.1%)	(2.1%)	19.9%	20.5%	(8.2%)	(39.1%)	(37.0%)	
Other	0.0%	(3.1%)	(6.4%)	(3.8%)	(5.2%)	(6.3%)	(6.6%)	(5.9%)	(2.1%)	
Adjustment	0.0%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	(0.1%)	
Operating Profit Margin	9.8%	8.7%	11.3%	13.0%	17.0%	16.7%	16.9%	14.2%	+1.2%	

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2021	Q2 12/2021	Q3 12/2021	Q4 12/2021	Q1 12/2022	Q2 12/2022	Q3 12/2022	Q4 12/2022		
IT Systems for Pharmacies	2,487	2,611	2,918	3,212	3,148	3,352	3,475	3,555	+343	
IT Systems for Clinics	462	458	507	530	538	534	551	579	+49	
IT Systems fo Llong-term Care/Welfare	166	137	127	130	136	132	133	138	+8	
Other	179	177	163	201	172	175	181	185	(16)	
Adjustments	-	(5)	(1)	(24)	(9)	(14)	(13)	(29)	(5)	
Sales	3,294	3,378	3,714	4,050	3,985	4,179	4,327	4,428	+378	
IT Systems for Pharmacies	274	317	606	655	751	745	874	661	+6	
IT Systems for Clinics	3	(19)	36	2	(95)	(89)	(26)	(199)	(201)	
IT Systems fo Llong-term Care/Welfare	44	(40)	(39)	23	27	28	(88)	(178)	(201)	
Other	-	(11)	(22)	6	(9)	(13)	(13)	(7)	(13)	
Segment Profit	321	247	581	686	674	671	747	277	(409)	
Adjustment	1	13	9	12	5	10	6	6	(6)	
Operating Profit	322	260	590	698	679	681	753	283	(415)	
IT Systems for Pharmacies	11.0%	12.1%	20.8%	20.4%	23.9%	22.2%	25.2%	18.6%	(1.8%)	
IT Systems for Clinics	0.6%	(4.1%)	7.1%	0.4%	(17.7%)	(16.7%)	(4.7%)	(34.4%)	(34.7%)	
IT Systems fo Llong-term Care/Welfare	26.5%	(29.2%)	(30.7%)	17.7%	19.9%	21.2%	(66.2%)	(129.0%)	(146.7%)	
Other	0.0%	(6.2%)	(13.5%)	3.0%	(5.2%)	(7.4%)	(7.2%)	(3.8%)	(6.8%)	
Adjustment	0.0%	0.4%	0.2%	0.3%	0.1%	0.2%	0.1%	0.1%	(0.2%)	
Operating Profit Margin	9.8%	7.7%	15.9%	17.2%	17.0%	16.3%	17.4%	6.4%	(10.8%)	

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2021	Q1 to Q2 12/2021	Q1 to Q3 12/2021	Q1 to Q4 12/2021	Q1 12/2022	Q1 to Q2 12/2022	Q1 to Q3 12/2022	Q1 to Q4 12/2022		
Operating Cash Flow	-	760	-	1,712	-	1,258	-	2,472	+760	
Investing Cash Flow	-	(831)	-	(544)	-	(295)	-	(577)	(33)	
Operating Cash Flow and Investing Cash Flow	-	(71)	-	1,168	-	963	-	1,895	+727	
Financing Cash Flow	-	(400)	-	(693)	-	(876)	-	(1,319)	(626)	

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
(Million Yen)	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	12/2022
Cash and Deposit	7,905	7,329	7,604	8,289	8,206	8,418	8,353	8,881		+592
Accounts Receivables	1,920	1,994	1,919	2,555	2,421	2,314	2,501	2,761		+206
Inventory	462	690	637	688	725	634	674	1,084		+396
Other	472	1,177	995	1,042	602	996	988	1,123		+81
Current Assets	10,759	11,190	11,155	12,574	11,954	12,362	12,516	13,849		+1,275
Tangible Assets	1,371	1,316	1,389	1,333	1,425	1,408	1,382	1,371		+38
Intangible Assets	2,606	2,587	2,516	2,521	2,475	2,393	2,328	2,323		(198)
Investments and Other Assets	8,499	8,456	8,444	8,380	8,717	8,623	8,816	8,805		+425
Fixed Assets	12,478	12,360	12,350	12,234	12,617	12,425	12,527	12,500		+266
Total Assets	23,238	23,550	23,505	24,809	24,572	24,787	25,044	26,349		+1,540
Accounts Payables	984	801	693	852	809	744	900	1,398		+546
Short Term Debt	-	-	-	-	-	-	-	-		-
Other	2,914	3,019	2,668	3,315	3,063	3,044	3,011	3,546		+231
Current Liabilities	3,898	3,820	3,361	4,167	3,872	3,788	3,911	4,944		+777
Long Term Debt	-	-	-	-	-	-	-	-		-
Other	1,885	1,855	1,891	1,815	1,916	1,910	1,929	1,901		+86
Fixed Liabilities	1,885	1,855	1,891	1,815	1,916	1,910	1,929	1,901		+86
Total Liabilities	5,784	5,676	5,253	5,983	5,789	5,699	5,840	6,846		+863
Shareholders' Equity	17,338	17,754	18,131	18,708	18,642	18,926	19,042	19,329		+621
Other	115	120	121	118	140	162	161	174		+56
Net Assets	17,453	17,874	18,252	18,826	18,782	19,088	19,203	19,503		+677
Total Liabilities & Net Assets	23,238	23,550	23,505	24,809	24,572	24,787	25,044	26,349		+1,540
Equity Capital	17,340	17,766	18,151	18,728	18,707	18,999	19,120	19,424		+696
Interest Bearing Debt	-	-	-	-	-	-	-	-		-
Net Debt	(7,905)	(7,329)	(7,604)	(8,289)	(8,206)	(8,418)	(8,353)	(8,881)		(592)
Equity Ratio	74.6%	75.4%	77.2%	75.5%	76.1%	76.6%	76.3%	73.7%		-
Net Debt Equity Ratio	(45.6%)	(41.3%)	(41.9%)	(44.3%)	(43.9%)	(44.3%)	(43.7%)	(45.7%)		-
ROE (12 months)	-	-	-	10.1%	11.6%	12.1%	11.9%	9.9%		-
ROA (12 months)	-	-	-	10.9%	12.5%	13.2%	13.6%	10.9%		-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

Company name: Walden Research Japan Incorporated

Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN

URL: <https://walden.co.jp/>

E-mail: info@walden.co.jp

Tel: 81-(0)3-3553-3769