

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)
FY12/2022		16,919	2,395	2,791	1,893	26.75	12.00	274.94
FY12/2023		20,355	2,330	2,869	1,962	27.76	14.00	289.47
FY12/2024CoE		22,014	2,573	3,199	2,160	30.56	14.00	-
FY12/2023	YoY	20.3%	(2.7%)	2.8%	3.6%	-	-	-
FY12/2024CoE	YoY	8.1%	10.4%	11.5%	10.1%	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY12/2023		4,877	851	961	511	-	-	-
Q2 FY12/2023		4,941	293	433	278	-	-	-
Q3 FY12/2023		5,380	660	805	568	-	-	-
Q4 FY12/2023		5,157	526	670	605	-	-	-
Q1 FY12/2024		5,571	720	873	571	-	-	-
Q1 FY12/2024	YoY	14.2%	(15.4%)	(9.2%)	11.7%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (17 May 2024)

The Impact of M&As

On 14 May 2024, EM SYSTEMS, which develops and sells IT systems of mission-critical tasks for pharmacies as the leader in Japan, released its Q1 FY12/2024 results. It has been revealed that the KPIs, i.e., recurring income, number of licenses and EBITDA are all performing well due to the impact of M&As. Two M&A deals were completed during the last year (FY12/2023) and sales for Q1 have risen to a corresponding extent on a net basis, while EBITDA came in at ¥1,230m (up 15.0%), according to the Company's estimates. At the same time, the Company has unexpectedly suffered from booking of a provision for system failures due to leap day, etc. during the period of Q1, but it was more than compensated for by demand firmer than expected with respect to introduction of electronic prescription systems. As a result, it is suggested that recent trading is running ahead of assumptions of FY12/2024 initial Company forecasts.

For reference: [Results Briefing Materials for Q1 FY12/2024 in Japanese](#)

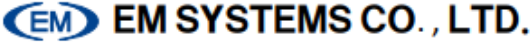
(English edition due on 17 May 2024 at the earliest / Japan time)

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

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2.0 Company Profile

Digital Support Skills for Practical Settings of Medical Treatment and Nursing in Japan

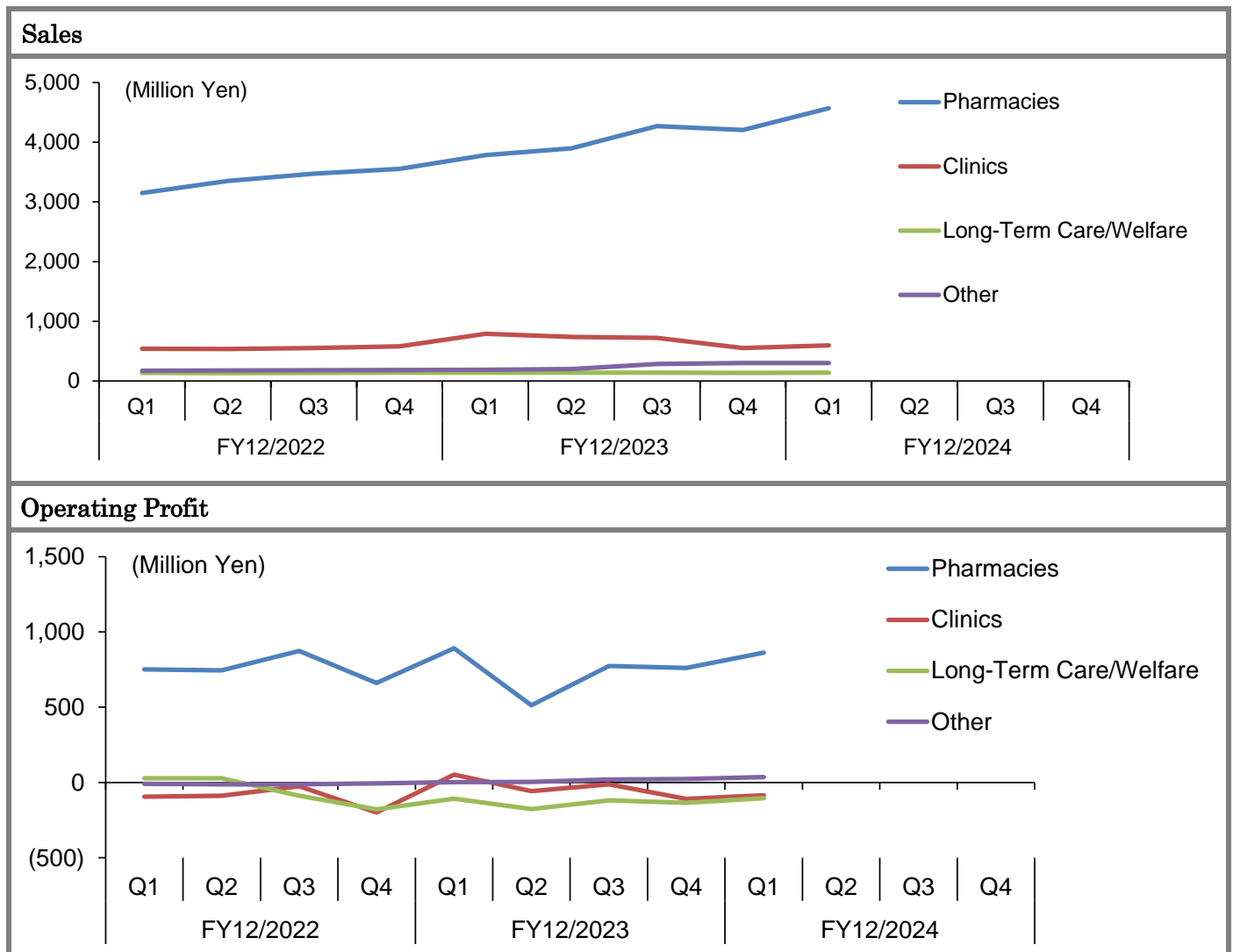
Company Name	EM SYSTEMS CO., LTD. Company HP Financial Results Share Price (Japanese) 
Established	23 January 1980
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 4820) 13 November 2012: Tokyo Stock Exchange 1st Section 2 May 2003: Tokyo Stock Exchange 2nd Section 15 December 2000: JASDAQ
Capital	¥2,785m (as of the end of March 2024)
No. of Shares	74,514,800 shares, including 4,092,949 treasury shares (as of the end of March 2024)
Main Features	<ul style="list-style-type: none"> ● The leader of IT systems of mission-critical tasks for pharmacies in Japan (market share: 43.7%) ● Horizontally expanding into clinics and long-term care/welfare, 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. 36.79%, MEDIPAL HLD 9.99%, The Master Trust Bank of Japan, T. 5.49%, Goldman Sachs & Company Regular Account 5.13%, Goldman Sachs International 4.82% (as of the end of December 2023, but for treasury shares)
Head Office	Yodogawa-ku, Osaka-city, Osaka-prefecture, JAPAN
No. of Employees	Consolidated: 811, Parent: 457 (as of the end of December 2023)

Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY12/2024

For Q1 FY12/2024, sales came in at ¥5,571m (up 14.2% YoY), operating profit ¥720m (down 15.4%), recurring profit ¥873m (down 9.2%) and profit attributable to owners of parent ¥571m (up 11.7%), while operating profit margin 12.9% (down 4.5% points). At the extraordinary level, the Company saw an impact of non-reappearing for loss on step acquisition associated with Good Cycle System, Inc. to have had appeared during the same period of the previous year. By the way, the Company estimates that EBIDA (operating profit plus depreciation and amortization) came in at ¥1,230m (up 15.0%). Specifically, for Q1, the Company's estimates included a provision for system failures due to leap day, etc. as consistent of EBITDA as well.

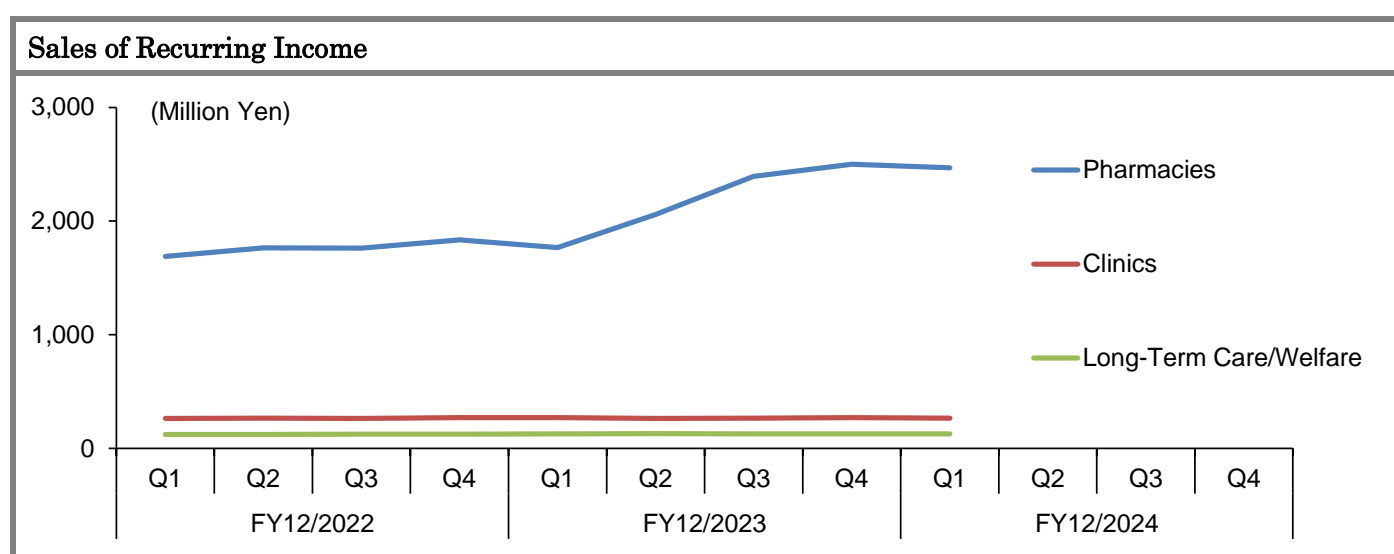


Source: Company Data, WRJ Calculation

The number of licenses stood at 41,436 (up 8.0%), suggesting a steady increase in the number of customers using the Company's systems. Meanwhile, during FY12/2023, the Company has acquired Good Cycle System, Inc. for Q2 and Unike Software Research Co., Ltd. for Q3 by means of M&A deals, having resulted in an increase in sales on a net basis for the actual results of Q1 to a corresponding extent. Both of them are ex-competers and now the Company is looking to benefits from synergy for the future.

On the mainstay Pharmacies side to develop and sell IT systems of mission-critical tasks for pharmacies, where the impact of the two M&A deals is reflected, sales came in at ¥4,569m (up 20.8%), operating profit ¥863m (down 3.3%) and operating profit margin 18.9% (down 4.7% points), having accounted for 82.0% of total sales and 121.7% for operating profit. Meanwhile, the Company suggests that a marginal decline in operating profit is basically attributable to booking of the above-mentioned provision.

On the Clinics side and the Long-Term Care/Welfare side, where the Company has been horizontally applying its expertise fostered on the Pharmacies side, sales have stagnated and thus operating loss has continued. On the Clinics side, the Company finds a sign of being on the way to a full-fledged startup, but the Company saw a substantial decline at the operating level (¥131m), almost equating that of the Company as a whole (¥137m). During the same period of the previous year, sales were intensively booked for operations to introduce online eligibility verification systems on the Clinics side, which has never reappeared since then.



Source: Company Data

Meanwhile, sales of recurring income (sum of sales of system usage fee, consumer goods and maintenance service / sales but for initial sales) came in at ¥2,866m (up 32.4%), while FY12/2024 Company forecasts are going for prospective sales of ¥11,500m (up 11.6%) for recurring income. That is to say, an assumption appears to be made that the rate of growth in sales of recurring income is to decelerate for H2 or a period to have already benefited from the impact of M&As during the same period of the previous year.

FY12/2024 Company Forecasts

FY12/2024 Company forecasts, announced on 14 February 2024, have remained unchanged, going for prospective sales of ¥22,014m (up 8.1% YoY), operating profit of ¥2,573m (up 10.4%), recurring profit of ¥3,199m (up 11.5%) and profit attributable to owners of parent of ¥2,160m (up 10.1%), while operating profit margin of 11.7% (up 0.2% points). At the same time, Company forecasts have remained unchanged also for planned annual dividend, going for ¥14.00 per share for FY12/2024, implying payout ratio of 45.8%.

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	Q1 to Q4	Net Chg.
	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024	12/2024	
Sales	4,877	9,818	15,198	20,355	5,571	-	-	-	-	+694
Cost of Sales	2,232	4,960	7,766	10,433	2,649	-	-	-	-	+417
Gross Profit	2,645	4,858	7,432	9,921	2,922	-	-	-	-	+277
SG&A Expenses	1,793	3,713	5,628	7,591	2,201	-	-	-	-	+408
Operating Profit	851	1,144	1,804	2,330	720	-	-	-	-	(131)
Non Operating Balance	110	250	395	539	153	-	-	-	-	+43
Recurring Profit	961	1,394	2,199	2,869	873	-	-	-	-	(88)
Extraordinary Balance	(141)	(150)	(118)	(119)	(25)	-	-	-	-	+116
Profit before Income Taxes	820	1,244	2,081	2,750	848	-	-	-	-	+28
Total Income Taxes	310	459	725	766	263	-	-	-	-	(47)
Profit Attributable to Non-Controlling Interests	(1)	(4)	(2)	21	12	-	-	-	-	+13
Profit Attributable to Owners of Parent	511	789	1,357	1,962	571	-	-	-	-	+60
Sales YoY	+22.4%	+20.3%	+21.7%	+20.3%	+14.2%	-	-	-	-	-
Operating Profit YoY	+25.4%	(15.9%)	(14.6%)	(2.7%)	(15.4%)	-	-	-	-	-
Recurring Profit YoY	+16.6%	(13.0%)	(10.5%)	+2.8%	(9.2%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(9.3%)	(27.6%)	(17.4%)	+3.6%	+11.7%	-	-	-	-	-
Gross Profit Margin	54.2%	49.5%	48.9%	48.7%	52.5%	-	-	-	-	(1.8%)
SG&A Ratio	36.8%	37.8%	37.0%	37.3%	39.5%	-	-	-	-	+2.7%
Operating Profit Margin	17.4%	11.7%	11.9%	11.4%	12.9%	-	-	-	-	(4.5%)
Recurring Profit Margin	19.7%	14.2%	14.5%	14.1%	15.7%	-	-	-	-	(4.0%)
Profit Attributable to Owners of Parent Margin	10.5%	8.0%	8.9%	9.6%	10.2%	-	-	-	-	(0.2%)
Total Income Taxes / Profit before Income Taxes	37.8%	36.9%	34.8%	27.9%	31.0%	-	-	-	-	(6.8%)
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	Q4	Net Chg.
	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024	12/2024	
Sales	4,877	4,941	5,380	5,157	5,571	-	-	-	-	+694
Cost of Sales	2,232	2,728	2,806	2,667	2,649	-	-	-	-	+417
Gross Profit	2,645	2,213	2,574	2,489	2,922	-	-	-	-	+277
SG&A Expenses	1,793	1,920	1,915	1,963	2,201	-	-	-	-	+408
Operating Profit	851	293	660	526	720	-	-	-	-	(131)
Non Operating Balance	110	140	145	144	153	-	-	-	-	+43
Recurring Profit	961	433	805	670	873	-	-	-	-	(88)
Extraordinary Balance	(141)	(9)	32	(1)	(25)	-	-	-	-	+116
Profit before Income Taxes	820	424	837	669	848	-	-	-	-	+28
Total Income Taxes	310	149	266	41	263	-	-	-	-	(47)
Profit Attributable to Non-Controlling Interests	(1)	(3)	2	23	12	-	-	-	-	+13
Profit Attributable to Owners of Parent	511	278	568	605	571	-	-	-	-	+60
Sales YoY	+22.4%	+18.2%	+24.3%	+16.5%	+14.2%	-	-	-	-	-
Operating Profit YoY	+25.4%	(57.0%)	(12.4%)	+86.5%	(15.4%)	-	-	-	-	-
Recurring Profit YoY	+16.6%	(44.4%)	(5.7%)	+100.6%	(9.2%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(9.3%)	(47.1%)	+2.3%	+143.0%	+11.7%	-	-	-	-	-
Gross Profit Margin	54.2%	44.8%	47.8%	48.3%	52.5%	-	-	-	-	(1.8%)
SG&A Ratio	36.8%	38.9%	35.6%	38.1%	39.5%	-	-	-	-	+2.7%
Operating Profit Margin	17.4%	5.9%	12.3%	10.2%	12.9%	-	-	-	-	(4.5%)
Recurring Profit Margin	19.7%	8.8%	15.0%	13.0%	15.7%	-	-	-	-	(4.0%)
Profit Attributable to Owners of Parent Margin	10.5%	5.6%	10.6%	11.7%	10.2%	-	-	-	-	(0.2%)
Total Income Taxes / Profit before Income Taxes	37.8%	35.1%	31.8%	6.1%	31.0%	-	-	-	-	(6.8%)

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 12/2023	Q1 to Q2 12/2023	Q1 to Q3 12/2023	Q1 to Q4 12/2023	Q1 12/2024	Q1 to Q2 12/2024	Q1 to Q3 12/2024	Q1 to Q4 12/2024		
IT Systems for Pharmacies	3,783	7,681	11,953	16,159	4,569	-	-	-	-	+786
IT Systems for Clinics	791	1,529	2,249	2,802	596	-	-	-	-	(195)
IT Systems fo Long-Term Care/Welfare	140	278	416	550	139	-	-	-	-	(1)
Other	187	386	671	973	299	-	-	-	-	+112
(Adjustments)	(24)	(56)	(91)	(131)	(32)	-	-	-	-	(8)
Sales	4,877	9,818	15,198	20,355	5,571	-	-	-	-	+694
IT Systems for Pharmacies	892	1,405	2,178	2,939	863	-	-	-	-	(29)
IT Systems for Clinics	51	(7)	(20)	(130)	(86)	-	-	-	-	(137)
IT Systems fo Long-Term Care/Welfare	(108)	(285)	(404)	(540)	(104)	-	-	-	-	+4
Other	2	5	25	48	36	-	-	-	-	+34
Segment Profit	837	1,118	1,779	2,316	709	-	-	-	-	(128)
(Adjustments)	14	26	25	13	11	-	-	-	-	(3)
Operating Profit	851	1,144	1,804	2,330	720	-	-	-	-	(131)
IT Systems for Pharmacies	23.6%	18.3%	18.2%	18.2%	18.9%	-	-	-	-	(4.7%)
IT Systems for Clinics	6.4%	(0.5%)	(0.9%)	(4.6%)	(14.4%)	-	-	-	-	(20.9%)
IT Systems fo Long-Term Care/Welfare	(77.1%)	(102.5%)	(97.1%)	(98.2%)	(74.8%)	-	-	-	-	+2.3%
Other	1.1%	1.3%	3.7%	4.9%	12.0%	-	-	-	-	+11.0%
(Adjustments)	0.3%	0.3%	0.2%	0.1%	0.2%	-	-	-	-	(0.1%)
Operating Profit Margin	17.4%	11.7%	11.9%	11.4%	12.9%	-	-	-	-	(4.5%)

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 12/2023	Q2 12/2023	Q3 12/2023	Q4 12/2023	Q1 12/2024	Q2 12/2024	Q3 12/2024	Q4 12/2024		
IT Systems for Pharmacies	3,783	3,898	4,272	4,206	4,569	-	-	-	-	+786
IT Systems for Clinics	791	738	720	553	596	-	-	-	-	(195)
IT Systems fo Long-Term Care/Welfare	140	138	138	134	139	-	-	-	-	(1)
Other	187	199	285	302	299	-	-	-	-	+112
(Adjustments)	(24)	(32)	(35)	(40)	(32)	-	-	-	-	(8)
Sales	4,877	4,941	5,380	5,157	5,571	-	-	-	-	+694
IT Systems for Pharmacies	892	513	773	761	863	-	-	-	-	(29)
IT Systems for Clinics	51	(58)	(13)	(110)	(86)	-	-	-	-	(137)
IT Systems fo Long-Term Care/Welfare	(108)	(177)	(119)	(136)	(104)	-	-	-	-	+4
Other	2	3	20	23	36	-	-	-	-	+34
Segment Profit	837	281	661	537	709	-	-	-	-	(128)
(Adjustments)	14	12	(1)	(12)	11	-	-	-	-	(3)
Operating Profit	851	293	660	526	720	-	-	-	-	(131)
IT Systems for Pharmacies	23.6%	13.2%	18.1%	18.1%	18.9%	-	-	-	-	(4.7%)
IT Systems for Clinics	6.4%	(7.9%)	(1.8%)	(19.9%)	(14.4%)	-	-	-	-	(20.9%)
IT Systems fo Long-Term Care/Welfare	(77.1%)	(128.3%)	(86.2%)	(101.5%)	(74.8%)	-	-	-	-	+2.3%
Other	1.1%	1.5%	7.0%	7.6%	12.0%	-	-	-	-	+11.0%
(Adjustments)	0.3%	0.2%	(0.0%)	(0.2%)	0.2%	-	-	-	-	(0.1%)
Operating Profit Margin	17.4%	5.9%	12.3%	10.2%	12.9%	-	-	-	-	(4.5%)

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 12/2023	Q1 to Q2 12/2023	Q1 to Q3 12/2023	Q1 to Q4 12/2023	Q1 12/2024	Q1 to Q2 12/2024	Q1 to Q3 12/2024	Q1 to Q4 12/2024		
Operating Cash Flow	-	371	-	1,584	-	-	-	-	-	-
Investing Cash Flow	-	(2,168)	-	(2,038)	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(1,797)	-	(454)	-	-	-	-	-	-
Financing Cash Flow	-	(661)	-	993	-	-	-	-	-	-

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	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	12/2023	12/2023	12/2023	12/2023	12/2024	12/2024	12/2024	12/2024	Net Chg.	
Cash and Deposit	8,163	6,445	9,178	9,441	9,524	-	-	-	+1,361	
Accounts Receivables	3,494	3,250	3,211	3,082	3,421	-	-	-	(73)	
Inventory	1,744	1,555	1,247	1,136	1,349	-	-	-	(395)	
Other	549	1,051	1,081	1,141	1,162	-	-	-	+613	
Current Assets	13,950	12,301	14,717	14,800	15,456	-	-	-	+1,506	
Tangible Assets	1,407	1,404	1,372	1,330	1,385	-	-	-	(22)	
Intangible Assets	3,169	5,185	5,421	5,186	5,031	-	-	-	+1,862	
Investments and Other Assets	8,157	8,278	8,134	8,070	7,931	-	-	-	(226)	
Fixed Assets	12,734	14,869	14,928	14,587	14,348	-	-	-	+1,614	
Total Assets	26,684	27,170	29,646	29,387	29,804	-	-	-	+3,120	
Accounts Payables	1,691	1,238	1,222	1,121	1,526	-	-	-	(165)	
Short Term Debt	182	157	987	966	1,020	-	-	-	+838	
Other	3,336	3,800	3,822	3,531	3,945	-	-	-	+609	
Current Liabilities	5,209	5,195	6,031	5,618	6,491	-	-	-	+1,282	
Long Term Debt	222	186	1,759	1,527	1,229	-	-	-	+1,007	
Other	1,784	1,935	1,921	1,675	1,642	-	-	-	(142)	
Fixed Liabilities	2,006	2,121	3,680	3,202	2,871	-	-	-	+865	
Total Liabilities	7,216	7,317	9,711	8,821	9,363	-	-	-	+2,147	
Shareholders' Equity	19,270	19,594	19,667	20,272	20,146	-	-	-	+876	
Other	198	258	267	294	295	-	-	-	+97	
Net Assets	19,468	19,852	19,934	20,566	20,441	-	-	-	+973	
Total Liabilities & Net Assets	26,684	27,170	29,646	29,387	29,804	-	-	-	+3,120	
Equity Capital	19,390	19,777	19,857	20,464	20,327	-	-	-	+937	
Interest Bearing Debt	404	343	2,746	2,493	2,249	-	-	-	+1,845	
Net Debt	(7,759)	(6,102)	(6,432)	(6,948)	(7,275)	-	-	-	+484	
Equity Ratio	72.7%	72.8%	67.0%	69.6%	68.2%	-	-	-	-	
Net Debt Equity Ratio	(40.0%)	(30.9%)	(32.4%)	(34.0%)	(35.8%)	-	-	-	-	
ROE (12 months)	9.7%	8.2%	8.2%	9.8%	10.2%	-	-	-	-	
ROA (12 months)	11.4%	9.9%	9.3%	10.3%	9.8%	-	-	-	-	

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.

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