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## December 2024 1<sup>st</sup> Quarter Financial Statement [Japan Standard] (Consolidated)

May 14<sup>th</sup>, 2024

Listed company name	EM Systems Co., Ltd.			Listed on: Tokyo Stock Exchange
Code No.	4820	URL:	https://emsystems.co.jp	
Representative:	(Job title)	President&Representative Director	(Name)	Hiromasa Kunimitsu
Representative for inquiries	(Job title)	Managing director in the company, General Manager of Administration Headquarters	(Name)	Megumi Seki
Planned date of submission of quarterly report	May 14 <sup>th</sup> , 2024	Planned starting date of payment of dividends	-	
Supplementary explanatory materials created for quarterly financial statement				: No
Quarterly financial results briefing held (For Use by Analysts)				: No

(Amounts of less than 1 million yen rounded down)

### 1. Consolidated results of December 2024 1<sup>st</sup> Quarter Financial Statement (January 1<sup>st</sup>, 2024 to March 31<sup>st</sup>, 2024)

#### (1) Consolidated management performance (total) (% refers to rate of change over the same quarter in the previous year)

	Sales		Operating profits		Ordinary profits		Quarterly net income belonging to parent company shareholders		
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
December 2024 1 <sup>st</sup> quarter	5,571	14.2	720	(15.4)	873	(9.2)	571	11.7	
December 2023 1 <sup>st</sup> quarter	4,877	22.4	851	25.4	961	16.6	1,644	(9.3)	
(Note) Comprehensive income	December 2024 1 <sup>st</sup> Quarter	573	Millions of yen	7.0	December 2023 1 <sup>st</sup> Quarter	535	Millions of yen	(8.7%)	
		Quarterly net income per share				Quarterly net income per share after potential stock adjustment			
		Yen 100ths of a yen				Yen 100ths of a yen			
December 2024 1 <sup>st</sup> quarter		8.10				8.08			
December 2023 1 <sup>st</sup> quarter		7.24				7.22			

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share		
	Millions of yen	Millions of yen	%	Yen 100ths of a yen		
December 2024 1 <sup>st</sup> quarter	29,804	20,441	68.2	288.65		
December 2023	29,387	20,566	69.6	289.47		
(Refer to) Net capital	December 2024 1 <sup>st</sup> Quarter	20,327	Millions of yen	December 2023 period	20,464	Millions of yen

### 2. State of dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of term	Total
	Yen 100ths of a yen				
December 2023	-	7.00	-	7.00	14.00
December 2024	-				
December 2024 (estimate)		7.00		7.00	14.00

(Note)1. Revisions from the last published dividend estimates: None

3. Estimated consolidated results of December 2024 period (January 1<sup>st</sup>, 2024 through December 31<sup>st</sup>, 2024)

(% refers to rate of change over the previous term)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen 100ths of a yen
First half	10,695	8.9	885	Δ22.6	1,176	Δ15.6	777	Δ1.4	11.00
Full year	22,014	8.1	2,573	10.4	3,199	11.5	2,160	10.1	30.56

(Note) 1. Revisions from the last published forecast of financial results: None

\* Addendums

(1) Changes in major subsidiaries during cumulative quarterly consolidated period (changes in designated subsidiaries accompanied by changes within the scope of consolidation): None

(2) Application of special accounts processing in the creation of the quarterly consolidated financial statement: Yes

(Note) For details, please see the attached document P7 "2. Quarterly consolidated financial statement and major explanatory notes (3) Addendums relating to quarterly consolidated financial statement (application of special accounts processing in the creation of the quarterly consolidated financial statement)".

(3) Changes to accounting policy, changes to estimates in accounting, revised restatements

1. Changes to accounting policies accompanying revision to accounting standards, etc. : None

2. Changes to accounting policies other than 1. : None

3. Changes to estimates in accounting : None

4. Revised restatement : None

(4) Number of shares outstanding (ordinary stock)

1. Number of shares outstanding at end of term (including own stock)	December 2024 1 <sup>st</sup> quarter	74,514,800 shares	December 2023 period	74,514,800 shares
2. Number of own shares at end of term	December 2024 1 <sup>st</sup> quarter	4,092,949 shares	December 2023 period	3,818,649 shares
3. Average number of shares outstanding during term (quarterly total)	December 2024 1 <sup>st</sup> quarter	70,560,384 shares	December 2023 1 <sup>st</sup> quarter	70,649,018 shares

\* The quarter financial statement is not subject to quarterly review by certified public accountants or auditors.

\* The descriptions of the future such as estimated results contained in this document are based on information possessed by this company at the present time and certain assumptions this company deems reasonable, and they may differ greatly to actual results due to a variety of factors.

○ Table of contents of attached materials

1. QUALITATIVE INFORMATION RELATING TO THIS QUARTER'S FINANCIAL RESULTS .....	4
(1) Explanation regarding operating results .....	4
(2) Explanation regarding financial position .....	5
(3) Explanation regarding information on future prospects such as forecast of consolidated financial results .....	6
2. QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS AND MAJOR EXPLANATORY NOTES .....	7
(1) Quarterly consolidated balance sheet .....	7
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income .....	9
(3) Addendums relating to quarterly consolidated financial statement .....	10
(Explanatory notes regarding prerequisites of going concern) .....	10
(Explanatory notes for cases of considerable changes in amounts of shareholder's equity) .....	10
(Application of special accounts processing in the creation of the quarterly consolidated financial statement) .....	10
(Accounting policy revisions) .....	10

## 1. Qualitative information relating to this quarter's financial results

### (1) Explanation regarding operating results

In the Japanese economy during this 1st quarter consolidated cumulative period, although the Nikkei Stock Average hit an all-time high due to expectations of a virtuous economic cycle that would lead to overcoming deflation through improvements to corporate earnings and the provision of wage hikes, the future of economic activities remains uncertain due to sharp fluctuations in exchange rates and soaring energy and raw material prices resulting from continued global-scale monetary tightening.

In the medical industry, our main clients, the timing of biennial medical fee revisions was changed from April to June, and long-term care/welfare fees are scheduled for revision (which occurs once every three years), making 2024 a year of simultaneous revisions to medical and long-term care/welfare services (which occurs only once every six years). While medical fees are to be raised as a means of securing human resources and raising wages among medical and long-term care/welfare practitioners, drug prices and other fees are to be lowered as a part of efforts to improve the stability and sustainability of the medical insurance system through greater efficiency and optimization.

In addition, in order to achieve high quality medical care by promoting digital transformation in the medical field along with other innovations, the Group also continued to incorporate the online eligibility verification system, as the scope of coverage of the online eligibility verification system is expected to expand and electronic prescriptions are expected to become more commonplace, and although we have been gradually expanding the scope of incorporation of electronic prescriptions primarily among existing customers since January 2023, the number of installations in the 1st quarter of the current consolidated fiscal year exceeded expectations.

Furthermore, in each segment of the Group's business, a growing percentage of sales have switched from conventional face-to-face sales to inside sales through last year's reorganization, and sales activities are steadily leading to the creation of new projects through website renewals, the utilization of MA tools, and the application of digital marketing, including videos and enhanced content on examples of incorporation.

On the other hand, although sales increased year-on-year due to turning both Good Cycle System Inc. and Unike Software Research Co., Ltd. into consolidated subsidiaries, operating profits decreased due to the end of intensive demand for the online eligibility verification system, which we have been incorporating since April 2021, as well as due to post-incident response expenses resulting from the "leap day" system failure.

As a result, our business results for this 1st quarter consolidated cumulative period was 5,571 million yen in sales (a 14.2% increase compared to the same period in the previous year), 720 million yen in operating profits (a 15.4% decrease) 873 million yen in ordinary profits (a 9.2% decrease), and 571 million yen in this quarterly net income belonging to parent company shareholders (a 11.7% increase).

By segment results are as follows.

#### (IT Systems for Pharmacies)

In regard to IT systems and related business for pharmacies, Good Cycle System Inc. and Unike Software Research Co., Ltd. were subject to consolidation, and although sales, including billing sales, increased within the segment due to an increase in the number of customers, operating profits decreased due to the end of intensive demand for the online eligibility verification system.

Consequently, IT Systems and Related Business for Pharmacies for this 1st quarter consolidated cumulative period resulted in 4,569 million yen in sales (a 20.8% increase compared with the same period in the previous year) and 863 million yen in operating profits (a 3.3% decrease).

#### (IT Systems for Clinics)

In regard to IT systems and related business for clinics, in addition to organizational restructuring, we are also taking a wide range of approaches utilizing digital marketing.

Expanded sales of “MAPs for CLINIC” have led to steady growth in billing sales within the segment. On the other hand, sales and operating profits decreased due to the end of intensive demand for the online eligibility verification system.

Consequently, IT Systems and Related Business for Clinics for this 1st quarter consolidated cumulative period resulted in 596 million yen in sales (a 24.7% decrease compared to the same period in the previous year) and 86 million yen in operating losses (previous period: 51 million yen in operating profits).

#### (IT Systems for Long-term Care/Welfare)

In regard to IT systems and related business for long-term care/welfare, although billing sales have remained steady due to an increase in the number of “MAPs for NURSING CARE” licenses, operating losses continue due to a decrease in maintenance sales from replacing existing products as well as to the heavy burden of fixed costs in the segment, including depreciation associated with the release.

Consequently, IT Systems and Related Business for Long-term Care/Welfare for this 1st quarter consolidated cumulative period resulted in 139 million yen in sales (a 1.0% decrease compared with the same period in the previous year) and 104 million yen in operating losses (previous period: 108 million yen in operating losses)

#### (Other businesses)

In other businesses, sales have increased due to the expansion of our cashless business via ChoQi Co., Ltd. as well as to contributions from our temporary staffing business via Unike Software Research Co., Ltd.

The increase in sales also led to an improvement in the overall profitability of the segment, bringing operating profits into the black.

Consequently, other business for this 1st quarter consolidated cumulative period resulted in 299 million yen in sales (a 59.8% increase compared to the same period in the previous year) and 36 million yen in operating profits (previous period: 2 million yen in operating profits).

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

## (2) Explanation regarding financial position

### (Assets)

Current assets at the end of this 1st quarter consolidated accounting period were 15,456 million yen, an increase of 656 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 338 million yen increase in notes and accounts receivable and a 213 million yen increase in merchandise and products. Fixed assets were 14,348 million yen, a decrease of 238 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 155 million yen in intangible fixed assets.

As a result, total assets were 29,804 million yen, an increase of 417 million yen from the end of the previous consolidated fiscal year.

### (Liabilities)

Current liabilities at the end of this 1st quarter consolidated accounting period were 6,491 million yen, an increase of 873 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 404 million yen in notes and accounts payable and an increase of 200 million yen in provision for bonuses. Fixed liabilities were 2,871 million yen, a decrease of 330 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 297 million yen in long-term loans payable.

As a result, total liabilities were 9,363 million yen, an increase of 542 million yen from the end of the previous consolidated fiscal year.

### (Net assets)

Net assets at the end of this 1st quarter consolidated accounting period came to 20,441 million yen, a decrease of 125 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 202 million yen in treasury stock.

As a result, equity ratio was 68.2% (69.6% at the end of the previous consolidated fiscal year).

(3) Explanation regarding information on future prospects such as forecast of consolidated financial results

The forecast of consolidated financial results for the full year ending December 2024 has not changed to the full year consolidated financial results forecast announced in [Summary of Consolidated Financial Results for the Fiscal Year Ended December 2023] on February 14, 2024.

## 2. Quarterly consolidated financial statements and major explanatory notes

### (1) Quarterly consolidated balance sheet

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 <sup>st</sup> , 2023)	This 1 <sup>st</sup> quarter consoli- dated fiscal period (March 31 <sup>st</sup> , 2024)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	9,441	9,524
Notes and accounts receivable	3,082	3,421
Merchandise and products	1,136	1,349
Others	1,139	1,162
Allowance for bad debts	(0)	△2
Total current assets	14,800	15,456
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	575	583
Land	474	474
Lease assets (net)	65	56
Rental assets (net)	0	0
Others (net)	214	269
Total tangible fixed assets	1,330	1,385
Intangible fixed assets		
Software	2,296	2,113
Software in progress	164	273
Reputation	1,475	1,410
Others	1,250	1,232
Total intangible fixed assets	5,186	5,031
Investments and other assets		
Investment securities	962	906
Investment real estate (net)	6,393	6,344
Others	725	693
Allowance for bad debts	△11	△12
Total investments and other assets	8,070	7,931
Total fixed assets	14,587	14,348
Total assets	29,387	29,804

(Units: millions of yen)

	Previous consolidated fiscal year (December 31 <sup>st</sup> , 2023)	This 1 <sup>st</sup> quarter consoli- dated fiscal period (March 31 <sup>st</sup> , 2024)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	1,121	1,526
Accounts payable-other	997	1,073
Current portion of long-term loans payable	966	1,020
Lease obligations	36	36
Income taxes payable, etc.	241	326
Provision for bonuses	348	548
Contract liability	877	893
Others	1,028	1,066
Total current liabilities	5,618	6,491
Fixed liabilities		
Long-term loans payable	1,527	1,229
Lease obligations	37	4
Net defined benefit liability	135	121
Long-term accounts payable	396	396
Provision for product warranties	3	2
Long-term guarantee deposits	763	781
Others	339	334
Total fixed liabilities	3,202	2,871
<b>Total liabilities</b>	<b>8,821</b>	<b>9,363</b>
Net assets		
Shareholder's equity		
Capital stock	2,785	2,785
Capital surplus balance	3,376	3,376
Retained earnings	16,101	16,178
Treasury stock	△1,990	△2,193
Total shareholder's equity	20,272	20,146
Cumulative amount of other comprehensive income		
valuation difference on available-for-sale securities	85	46
Foreign currency translation adjustments	106	134
Total other cumulative comprehensive income	191	180
Subscription rights to shares	56	55
Minority interests	45	58
<b>Total net assets</b>	<b>20,566</b>	<b>20,441</b>
<b>Total liabilities and net assets</b>	<b>29,387</b>	<b>29,804</b>

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(1<sup>st</sup> quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 1 <sup>st</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2023 To March 31 <sup>st</sup> , 2023)	This 1 <sup>st</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2024 To March 31 <sup>st</sup> , 2024)
Sales	4,877	5,571
Cost of sales	2,232	2,649
Gross profit	2,645	2,922
Selling, general and administrative expenses	1,793	2,201
Operating profits	851	720
Non-operating profits		
Interest income	1	2
Real estate rental income	251	260
Others	5	4
Total non-operating profits	258	267
Non-operating expenses		
Interest expense	3	3
Real estate rental expenses	108	104
Equity Losses of Affiliated Companies	35	-
Others	1	6
Total non-operating expenses	148	114
Ordinary profits	961	873
Special losses		
Losses on disposal of fixed assets	0	25
Loss on step acquisitions	140	-
Total special losses	141	25
Quarterly net income before adjustment for taxes, etc.	820	848
Corporation tax, etc.	310	263
Quarterly net income	509	584
Loss attributable to non-controlling interests	(1)	12
Profit attributable to owners of parent	511	571

(Quarterly consolidated statements of comprehensive income)

(1<sup>st</sup> quarter consolidated cumulative period)

(Units: millions of yen)

	Previous 1 <sup>st</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2023 To March 31 <sup>st</sup> , 2023)	This 1 <sup>st</sup> quarter consolidated cumulative period (From January 1 <sup>st</sup> , 2024 To March 31 <sup>st</sup> , 2024)
Quarterly net income	509	584
Other comprehensive income		
valuation difference on available-for-sale securities	13	△39
Foreign currency translation adjustments	9	28
Remeasurements of defined benefit plans	3	-
Total other comprehensive income	26	△11
Quarterly comprehensive income	535	573
(Breakdown)		
Quarterly comprehensive income concerning parent company shareholders	537	560
Quarterly comprehensive income concerning non-controlling shareholders	(1)	12

(3) Addendums relating to quarterly consolidated financial statement

(Explanatory notes regarding prerequisites of going concern)

There is no applicable information.

(Explanatory notes for cases of considerable changes in amounts of shareholder's equity)

There is no applicable information.

(Application of special accounts processing in the creation of the quarterly consolidated financial statement)  
(Calculation of tax expense)

We have calculated tax expenses by multiplying quarterly net income before taxes and effective tax rate that were reasonably estimated, following application of tax effect accounting for the income before taxes of the consolidated accounting period including this 1<sup>st</sup>, quarter consolidated cumulative period.

(Accounting policy revisions)

There is no applicable information.

This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.