



May 9, 2017

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

[Japanese GAAP]

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Listing: Tokyo Stock Exchange, First Section
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Scheduled date of Annual General Meeting of Shareholders: June 20, 2017
 Scheduled date of payment of dividend: June 21, 2017
 Scheduled date of filing of Annual Securities Report: June 20, 2017
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for securities analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	13,676	3.6	2,597	39.5	3,163	29.3	2,116	30.5
Fiscal year ended Mar. 31, 2016	13,199	17.2	1,861	51.0	2,446	43.7	1,621	68.0

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2017: 2,091 (up 35.7%)
 Fiscal year ended Mar. 31, 2016: 1,541 (up 51.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2017	120.60	119.52	16.2	15.2	19.0
Fiscal year ended Mar. 31, 2016	93.38	92.51	14.1	12.4	14.1

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2017: - Fiscal year ended Mar. 31, 2016: -

Note: EM SYSTEMS CO., LTD. (hereafter, the "Company") conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	21,348	14,063	65.4	790.96
As of Mar. 31, 2016	20,310	12,172	59.6	693.68

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 13,964 As of Mar. 31, 2016: 12,107

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net assets per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2017	2,080	577	(1,091)	7,901
Fiscal year ended Mar. 31, 2016	2,108	597	(1,277)	6,354

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Mar. 31, 2016	Yen -	Yen 16.00	Yen -	Yen 31.00	Yen 47.00	Million yen 409	% 25.2	% 3.6
Fiscal year ended Mar. 31, 2017	Yen -	Yen 8.00	Yen -	Yen 23.00	Yen 31.00	Million yen 546	% 25.7	% 4.2
Fiscal year ending Mar. 31, 2018 (forecast)	Yen -	Yen 11.00	Yen -	Yen 20.00	Yen 31.00		% 25.2	

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Dividend per share for the fiscal year ended March 31, 2016 is the actual amount before the stock split.

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	7,100	8.9	1,340	16.6	1,643	14.6	1,096	14.5	63.11
Full year	13,835	1.2	2,600	0.1	3,205	1.4	2,137	1.0	123.08

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies” on page 15 of the attachments for further information.

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of period (including treasury shares)

As of Mar. 31, 2017: 18,055,900 shares As of Mar. 31, 2016: 17,855,700 shares

2) Number of treasury shares at the end of period

As of Mar. 31, 2017: 400,954 shares As of Mar. 31, 2016: 400,954 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2017: 17,546,928 shares Fiscal year ended Mar. 31, 2016: 17,366,946 shares

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Number of outstanding shares (common stock) is calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2017	11,746	7.2	2,366	44.8	2,914	32.4	1,975	50.5
Fiscal year ended Mar. 31, 2016	10,956	7.3	1,635	29.7	2,201	24.7	1,312	15.1

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2017	112.58	111.57
Fiscal year ended Mar. 31, 2016	75.58	74.87

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	20,399	13,646	66.4	767.34
As of Mar. 31, 2016	19,568	11,871	60.3	676.44

Reference: Shareholders' equity (million yen): As of Mar. 31, 2017: 13,547 As of Mar. 31, 2016: 11,807

Note: The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net assets per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

* The current financial report is not subject to audit procedures.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. Please refer to “1. Overview of Results of Operations, (4) Outlook” on page 4 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

The Japanese economy continued to recover at a moderate pace during the fiscal year that ended on March 31, 2017 and the performance of Japanese companies continued to improve. The main reason was improvements in corporate earnings and employment situation due to economic and monetary policy initiatives of the Japanese government and the Bank of Japan. However, the outlook remains unclear due to negative consumer sentiment caused by concerns about the future and other reasons. Major changes are taking place in the operating environment for pharmacies in Japan, the primary market for the products of EM SYSTEMS (the "Company"). Pharmacies are facing challenges due to the saturation of Japan's pharmacy market and the April 2016 revisions to drug dispensing fees and National Health Insurance (NHI) drug prices. Due to these events, a realignment is occurring due to activities aimed at business expansion that include mergers and acquisitions involving large pharmacy chains. This environment is making the business climate even more difficult for small and midsize pharmacy companies. Revisions to medical care payments planned for 2018 will make the operating environment even more challenging. To help pharmacies overcome these challenges so they can continue using the Company's products for many more years, the monthly basic fee was reduced by 10% beginning in January 2017. In addition, customers using the Company's products for more than six years are receiving additional basic monthly fee discounts that increase depending on the length of use.

One significant source of change is Japan's aging population. This is symbolized by the so-called 2025 problem, which is about when the cost of senior healthcare is expected to start to skyrocket. To achieve closer ties between healthcare (clinics and pharmacies) and nursing care, the Company started a full-scale operation of the IT systems business for nursing care providers and launched Hirogaru Care Net for linking healthcare and nursing care data systems in March 2017. The Company aims for realizing efficient ties between healthcare and nursing care by creating functions for seamless ties with systems that the Company provides to clinics, pharmacies and nursing care providers.

For the fiscal year that ended on March 31, 2017, the Company reported consolidated net sales of 13,676 million yen (up 3.6% year on year), operating profit of 2,597 million yen (up 39.5%), ordinary profit of 3,163 million yen (up 29.3%) and profit attributable to owners of parent of 2,116 million yen (up 30.5%).

Results by business segment were as follows. Segment sales and operating profit (loss) in this section are before the inter-segment eliminations.

Starting in the current fiscal year, the Company is using revised reportable segments. In prior years there were two segments: Systems and Related Businesses and Other Business. Now there are three segments: IT Systems and Related Business for Pharmacies, IT Systems and Related Business for Clinics, and Other Businesses. Segment information for the previous fiscal year has been restated based on these new segments after the change in the organizational structure.

IT Systems and Related Business for Pharmacies

Major activities in this segment included measures to strengthen sales activities targeting pharmacy chains, using sales agents and OEM supply agreements to continuously expand sales channels, and increasing sales of the Receipty NEXT prescription system and the Bungyo-mate system for pharmacies.

Although the number of systems sold was below the fiscal year plan, there was growth in billing service sales due to the increasing number of users. Steady replacement demand for hardware and continuing growth in sales of supplies also contributed to this segment's performance. As a result, sales met the fiscal year plan. Earnings benefited from ongoing measures to cut the cost of sales and operating expenses. Consolidated subsidiary COSMOSYSTEMS Co., Ltd. continued to make a contribution to sales and earnings.

As a result, the segment recorded sales of 11,122 million yen (up 5.2% year on year) and operating profit of 2,644 million yen (up 30.6%).

IT Systems and Related Business for Clinics

Sales of Ortia, software for an electronic patient record system, began in July 2016 and there were numerous activities for establishing sales channels for this software throughout Japan. The Company proactively participated in industry exhibitions to maximize the exposure of our products while increasing referrals from existing clients and from websites specializing in medical services. In addition, the Company continued to focus on increasing sales of the Medical Receipty NEXT (MRN) Clerk Style and UNI-MEDICAL medical accounting systems and the Medical Receipty NEXT (MRN) Karte Style electronic patient record system. On the Company's website, there was a steady increase in requests for product information and reservations for product demonstrations.

These activities have started to expand sales channels, resulting in higher sales of MRN products than in the previous fiscal year. A decrease in UNI-MEDICAL replacement orders negatively affected segment performance. Billing service sales continued to climb along with the increasing number of users, making this service profitable for the first time within this business segment. Measures to lower the cost of sales and operating expenses continued during the current fiscal year.

As a result, the segment recorded sales of 1,670 million yen (down 0.8% year on year) and operating profit of 17 million yen (compared with operating loss of 222 million yen one year earlier).

Other Businesses

The medical and nursing care linkage business launched Hirogaru Care Net in March 2017, which is provided to clinics, pharmacies and nursing care providers for supporting the establishment of the Regional Comprehensive Care System of the Japanese government. There were heightened activities for more growth of sales of Tsunagaru Care NEXT, an ASP nursing care provider support system that the Company started shipping in October 2016. The Hiroshima office of the Japan Health Insurance Association asked for bids for the establishment of an online insurance coverage qualification verification system used to help produce forms for health insurance claims at pharmacies. On December 13, 2016, the Company was selected for this project. Pharmacies that are under jurisdiction of the Hiroshima office of the Japan Health Insurance Association and use this system are now able to confirm the qualifications of an individual with Japan Health Insurance Association coverage on a computer screen on a real-time basis as part of standard procedures. This improves pharmacy efficiency by eliminating the need to deal with insurance claims rejected due to ineligibility and reissue invoices. The decision has been made to continue expanding the use of this verification system to include clinics as well as pharmacies. To contribute to progress in the healthcare industry, the Company will be actively engaged in research and development activities as well as demonstration projects for electronic prescriptions, electronic health records (EHR) and personal health records (PHR). The Company has been participating in a joint research program with the Japan Medical Association, Japan Pharmaceutical Association and Nihon University concerning an infectious disease outbreak notification service. Currently, over 10,000 pharmacies in Japan are using this service. In addition, consolidated subsidiary Brick Pharmacy Co., Ltd. operates a pharmacy, and consolidated subsidiary LASANTE Co., Ltd. operates fitness clubs, a conference room rental business and a nursery school business.

Sales and earnings in the IT systems business for nursing care providers were far below the fiscal year plan because of a delay in the full-scale start of operations. In the pharmacy business, sales were down mainly because of revisions to drug dispensing fees National Health Insurance (NHI) and drug prices. However, earnings were higher due to measures to cut the cost of sales and operating expenses. LASANTE's performance exceeded the fiscal year plan, although sales and earnings were down from one year earlier due to the reorganization of this company's operations. Sales in this segment were 982 million yen (down 8.4% year on year) and operating loss was 32 million yen (compared with operating profit of 117 million yen one year earlier).

Segment sales and operating profit in this section are before the inter-segment eliminations.

(2) Financial Position

Total assets were 21,348 million yen at the end of the fiscal year, 1,037 million yen more than one year earlier. Cash and deposits increased while property, plant and equipment and real estate for investment decreased because of depreciation.

Total liabilities decreased 853 million yen from the end of the previous fiscal year to 7,284 million yen, due to an increase in notes and accounts payable-trade, and decreases in loans payable and income taxes payable.

Net assets increased 1,891 million yen to 14,063 million yen mainly because of an increase in retained earnings associated with the fiscal year's profit.

(3) Cash flows

Cash and cash equivalents increased 1,547 million yen from the end of March 2016 to 7,901 million yen at the end of March 2017. This was mainly attributable to increases in profit before income taxes along with the strong earnings in the current fiscal year and proceeds from rental of real estate for investment.

Cash flows from operating activities

Net cash provided by operating activities was 2,080 million yen, compared with 2,108 million yen provided in the previous fiscal year. Strong earnings in the current fiscal year were the primary reason for this increase.

Cash flows from investing activities

Net cash provided by investing activities was 577 million yen compared with 597 million yen provided in the previous fiscal year, mainly because of proceeds from rental of real estate for investment.

Cash flows from financing activities

Net cash used in financing activities was 1,091 million yen compared with 1,277 million yen used in the previous fiscal year. The repayment of loans payable was the primary use of cash.

Reference: Cash flow indicators

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Shareholders' equity ratio (%)	45.6	50.1	56.8	59.6	65.4
Shareholders' equity ratio based on market value (%)	82.6	101.3	82.7	113.4	149.5
Ratio of interest-bearing debt to cash flows (years)	5.4	3.5	2.6	1.4	1.0
Interest coverage ratio (times)	22.2	38.0	48.5	82.1	121.1

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest payments

Notes: 1. All indicators are calculated based on consolidated figures.

2. Market capitalization is calculated based on the number of shares outstanding after the deduction of treasury shares.

3. Cash flows are calculated using the figures for operating cash flows in the consolidated statement of cash flows.

4. Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.

(4) Outlook

Even more measures are expected in Japan in order to hold down the cost of health care because of revisions to medical care payments planned for 2018. Furthermore, the increasing pace of mergers and acquisitions among large pharmacy companies and increasing number of drug stores that also dispense prescriptions are widening the gap between companies with strong earnings and others. Small and midsize pharmacy companies will face even more serious challenges due to this environment. To succeed, pharmacies will have to become even more efficient, such as by increasing the use of generic drugs and more closely managing left-over drugs. In addition, pharmacies

must provide personal care pharmacists and be a source of support for staying healthy. The Ministry of Health, Labour and Welfare no longer prohibits the use of electronic prescription bags when certain requirements are met and more than 35% of clinics in Japan are using electronic patient records. As a company already participating in PHR and EHR demonstration trials in various locations, we believe that our role will become more important as the use of digital data continues to grow. We will make greater use of solutions that incorporate IT to be a leader in the provision of support for more advances with medical services. To create a link for healthcare (clinics and pharmacies) and nursing care data, we are expanding the functions of the Hirogaru Care Net for linking healthcare and nursing care data systems. Our goal is to increase sales of Hirogaru Care Net by making it a standard component of all IT systems for pharmacies, clinics and nursery care providers.

Our goals are more growth of our group's business activities that generate consistent fee income, further improvements of product quality, and R&D activities involving advanced technologies that produce innovative next-generation products. We will also retain an aggressive stance concerning mergers and acquisitions.

To respond to changes in the operating environment, we revised our organizational structure on April 1, 2017. The goals are strengthening ties between the IT system businesses for pharmacies and nursing care providers and producing more synergies. Four divisions were reorganized to create three new divisions. The previous four divisions are Prescription Systems, Medical Systems, Health Care-Nursing Care Cooperation, and Sales and Services. The operations of these divisions are now organized as the IT Systems Business for Pharmacies Nursing Care Providers, IT Systems Business for Clinics and Sales and Services. These business units have the following functions.

1. IT Systems Businesses for Pharmacies and Nursing Care Providers

Operations of the IT system businesses for pharmacies and nursing care providers include business strategies, product planning and development, establishing new sales channels and other activities involving these two types of IT systems.

Operations of healthcare data linkage business include business strategies, product planning and development, establishing new sales channels and other activities. This business also conducts activities to provide a link between healthcare (clinics and pharmacies) and nursing care data.

2. IT Systems Business for Clinics

Operations of this business include business strategies, product planning and development, establishing new sales channels and other activities involving medical care IT systems.

3. Sales and Service Business

By unifying the sales and support services division, this business performs sales activities for all products and services. There is a separate organizational unit for each job category in order to strengthen specialized skills and achieve greater customer satisfaction.

The EM SYSTEMS Group forecasts FY3/18 consolidated net sales of 13,835 million yen (up 1.2% year on year), operating profit of 2,600 million yen (up 0.1%), ordinary profit of 3,205 million yen (up 1.4%), and profit attributable to owners of parent of 2,137 million yen (up 1.0%).

The above projections are based on information available at the time of release of this report. Actual results may differ from these projections due to a variety of factors.

2. Basic Approach to the Selection of Accounting Standards

The EM SYSTEMS Group currently applies Japanese accounting standards for its consolidated financial statements. We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

	(Millions of yen)	
	FY3/16	FY3/17
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	6,354	7,901
Notes and accounts receivable-trade	2,622	2,582
Merchandise and finished goods	172	159
Raw materials and supplies	1	0
Deferred tax assets	244	190
Other	365	391
Allowance for doubtful accounts	(2)	(3)
Total current assets	9,757	11,221
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,545	1,506
Accumulated depreciation	(682)	(679)
Buildings and structures, net	862	827
Land	670	632
Leased assets	225	163
Accumulated depreciation	(126)	(106)
Leased assets, net	99	57
Rental assets	52	63
Accumulated depreciation	(26)	(41)
Rental assets, net	25	21
Construction in progress	3	-
Other	673	651
Accumulated depreciation	(574)	(527)
Other, net	98	124
Total property, plant and equipment	1,761	1,663
Intangible assets		
Software	313	259
Software in progress	6	39
Goodwill	368	311
Other	7	5
Total intangible assets	696	616
Investments and other assets		
Investment securities	35	35
Real estate for investment	9,960	9,960
Accumulated depreciation	(2,542)	(2,744)
Real estate for investment, net	7,418	7,215
Lease and guarantee deposits	146	147
Deferred tax assets	315	316
Net defined benefit asset	132	107
Other	43	22
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	8,091	7,844
Total non-current assets	10,549	10,124
Deferred assets		
Share issuance cost	3	1
Total deferred assets	3	1
Total assets	20,310	21,348

	(Millions of yen)	
	FY3/16	FY3/17
	(As of Mar. 31, 2016)	(As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	915	1,030
Short-term loans payable	500	300
Current portion of long-term loans payable	590	526
Accounts payable-other	401	434
Lease obligations	61	45
Income taxes payable	718	545
Accrued consumption taxes	169	148
Provision for bonuses	394	394
Provision for point card certificates	2	2
Other	855	823
Total current liabilities	4,609	4,250
Non-current liabilities		
Long-term loans payable	1,778	1,255
Lease obligations	61	31
Net defined benefit liability	797	875
Provision for product warranties	220	177
Long-term guarantee deposited	671	695
Total non-current liabilities	3,528	3,034
Total liabilities	8,137	7,284
Net assets		
Shareholders' equity		
Capital stock	2,306	2,394
Capital surplus	2,614	2,702
Retained earnings	7,435	9,140
Treasury shares	(223)	(223)
Total shareholders' equity	12,132	14,013
Accumulated other comprehensive income		
Foreign currency translation adjustment	56	36
Remeasurements of defined benefit plans	(80)	(85)
Total accumulated other comprehensive income	(24)	(48)
Subscription rights to shares	64	99
Total net assets	12,172	14,063
Total liabilities and net assets	20,310	21,348

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	13,199	13,676
Cost of sales	6,119	6,062
Gross profit	7,080	7,614
Selling, general and administrative expenses		
Promotion expenses	30	35
Packing and transportation expenses	38	27
Advertising expenses	43	51
Provision of allowance for doubtful accounts	1	1
Provision for product warranties	116	25
Directors' compensations	240	259
Salaries and allowances	2,011	1,883
Bonuses	252	297
Provision for bonuses	373	356
Share-based compensation expenses	-	35
Retirement benefit expenses	115	143
Legal welfare expenses	395	390
Traveling and transportation expenses	160	125
Communication expenses	101	88
Depreciation	164	138
Amortization of goodwill	101	57
Rents	292	254
Research and development expenses	0	34
Other	779	812
Total selling, general and administrative expenses	5,218	5,017
Operating profit	1,861	2,597
Non-operating income		
Interest income	1	1
Dividend income	26	-
Rent income of real estate	946	974
Gain on sales of securities	33	-
Miscellaneous income	15	12
Total non-operating income	1,023	988
Non-operating expenses		
Interest expenses	24	16
Commission fee	5	1
Rent expenses on real estates	386	379
Amortization of share issuance cost	1	1
Miscellaneous loss	20	22
Total non-operating expenses	439	422
Ordinary profit	2,446	3,163

	(Millions of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Extraordinary income		
Gain on sales of non-current assets	-	26
Gain on sales of investment securities	226	-
Gain on reversal of subscription rights to shares	2	-
Total extraordinary income	228	26
Extraordinary losses		
Loss on retirement of non-current assets	19	3
Loss on sales of non-current assets	-	11
Impairment loss	80	-
Amortization of goodwill	115	-
Loss on cancellation of leases	8	3
Loss on liquidation of subsidiaries and associates	1	-
Total extraordinary losses	225	18
Profit before income taxes	2,449	3,171
Income taxes - current	977	999
Income taxes - deferred	(149)	55
Total income taxes	827	1,055
Profit	1,621	2,116
Profit attributable to owners of parent	1,621	2,116

Consolidated Statement of Comprehensive Income

	(Millions of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Profit	1,621	2,116
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	-
Foreign currency translation adjustment	(12)	(19)
Remeasurements of defined benefit plans, net of tax	(58)	(5)
Total other comprehensive income	(80)	(24)
Comprehensive income	1,541	2,091
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,541	2,091
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,243	2,551	6,212	(123)	10,884
Changes of items during period					
Exercise of subscription rights to shares	62	62			125
Dividends of surplus			(399)		(399)
Profit attributable to owners of parent			1,621		1,621
Purchase of treasury shares				(99)	(99)
Net changes of items other than shareholders' equity					
Total changes of items during period	62	62	1,222	(99)	1,247
Balance at end of current period	2,306	2,614	7,435	(223)	12,132

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	9	68	(21)	56	71	11,012
Changes of items during period						
Exercise of subscription rights to shares						125
Dividends of surplus						(399)
Profit attributable to owners of parent						1,621
Purchase of treasury shares						(99)
Net changes of items other than shareholders' equity	(9)	(12)	(58)	(80)	(7)	(88)
Total changes of items during period	(9)	(12)	(58)	(80)	(7)	1,159
Balance at end of current period	-	56	(80)	(24)	64	12,172

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,306	2,614	7,435	(223)	12,132
Changes of items during period					
Exercise of subscription rights to shares	87	87			175
Dividends of surplus			(411)		(411)
Profit attributable to owners of parent			2,116		2,116
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	87	87	1,705	-	1,881
Balance at end of current period	2,394	2,702	9,140	(223)	14,013

(Millions of yen)

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	-	56	(80)	(24)	64	12,172
Changes of items during period						
Exercise of subscription rights to shares						175
Dividends of surplus						(411)
Profit attributable to owners of parent						2,116
Purchase of treasury shares						
Net changes of items other than shareholders' equity		(19)	(5)	(24)	34	10
Total changes of items during period		(19)	(5)	(24)	34	1,891
Balance at end of current period	-	36	(85)	(48)	99	14,063

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	2,449	3,171
Depreciation	673	611
Amortization of goodwill	216	57
Amortization of share issuance cost	1	1
Impairment loss	80	-
Loss on liquidation of subsidiaries and associates	1	-
Decrease (increase) in net defined benefit asset	(3)	(3)
Increase (decrease) in net defined benefit liability	42	98
Increase (decrease) in provision for directors' retirement benefits	(70)	-
Increase (decrease) in provision for product warranties	36	(43)
Increase (decrease) in provision for bonuses	50	(0)
Increase (decrease) in provision for point card certificates	0	(0)
Increase (decrease) in allowance for doubtful accounts	1	1
Interest and dividend income	(28)	(1)
Rent income of real estate	(946)	(974)
Expenses of real estate rent	161	153
Interest expenses	24	16
Loss on retirement of non-current assets	19	3
Loss on cancellation of leases	8	-
Share-based compensation expenses	-	40
Gain on reversal of subscription rights to shares	(2)	-
Loss (gain) on sales of securities	(33)	-
Loss (gain) on sales of non-current assets	-	(15)
Loss (gain) on sales of investment securities	(226)	-
Decrease (increase) in notes and accounts receivable-trade	(350)	39
Decrease (increase) in inventories	285	13
Decrease (increase) in other current assets	28	(25)
Increase (decrease) in notes and accounts payable-trade	20	115
Decrease (increase) in consumption taxes refund receivable	6	-
Increase (decrease) in accrued consumption taxes	(47)	(14)
Increase (decrease) in other current liabilities	132	(4)
Other, net	29	54
Subtotal	2,564	3,296
Interest and dividend income received	28	1
Interest expenses paid	(25)	(17)
Income taxes paid	(458)	(1,200)
Net cash provided by (used in) operating activities	2,108	2,080

	(Millions of yen)	
	FY3/16	FY3/17
	(Apr. 1, 2015 – Mar. 31, 2016)	(Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from investing activities		
Purchase of securities	(1,084)	-
Proceeds from sales of securities	1,213	-
Purchase of property, plant and equipment	(63)	(95)
Proceeds from sales of property, plant and equipment	1	54
Purchase of intangible assets	(132)	(228)
Proceeds from sales of investment securities	226	-
Purchase of shares of subsidiaries and associates	(10)	-
Payments for transfer of business	(367)	-
Proceeds from rental of real estate for investment	948	977
Payments for rental of real estate for investment	(173)	(148)
Collection of loans receivable	24	5
Payments of loans receivable	-	(10)
Proceeds from guarantee deposits received	19	31
Repayments of guarantee deposits received	(3)	(7)
Net cash provided by (used in) investing activities	597	577
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(98)	(200)
Repayments of long-term loans payable	(692)	(586)
Repayments of lease obligations	(106)	(64)
Proceeds from issuance of common shares	119	170
Purchase of treasury shares	(99)	-
Cash dividends paid	(399)	(411)
Net cash provided by (used in) financing activities	(1,277)	(1,091)
Effect of exchange rate change on cash and cash equivalents	(11)	(19)
Net increase (decrease) in cash and cash equivalents	1,416	1,547
Cash and cash equivalents at beginning of period	4,928	6,354
Increase in cash and cash equivalents from newly consolidated subsidiary	10	-
Cash and cash equivalents at end of period	6,354	7,901

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on profit/loss is insignificant.

Segment and Other Information

[Segment information]

1. Overview of reportable segment

Segments used for financial reporting are the EM SYSTEMS Group’s constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The EM SYSTEMS Group consists of business units organized according to product categories and business operations that are divided among different companies. Starting in the current fiscal year, the Company is using revised reportable segments. In prior years there were two segments: Systems and Related Businesses and Other Business. Now there are three segments: IT Systems and Related Business for Pharmacies, IT Systems and Related Business for Clinics, and Other Businesses. Segment information for the previous fiscal year has been restated based on these new segments after the change in the organizational structure.

Major products for each reportable segment are as follows:

Reportable segment	Major products
IT Systems and Related Business for Pharmacies	Development and sales of systems that perform administrative tasks for pharmacies
IT Systems and Related Business for Clinics	Development and sales of systems that perform administrative tasks for clinics
Other Businesses	Development and sales of systems for supporting nursing care providers, Management of a fitness club, nursery school and pharmacy

Segment information for the previous fiscal year has been restated based on these new segments.

2. Calculation methods for net sales, profit/loss, assets, liabilities and other items for each reportable segment

The accounting methods for reportable segments comply with accounting policies used for the preparation of the consolidated financial statements.

Profit for reportable segments is operating profit figures.

Inter-segment sales and transfers are based on prevailing market prices.

3. Information related to net sales, profit/loss, assets, liabilities and other items for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Millions of yen)

	Reportable segment				Adjustment	Amounts recorded in consolidated financial statements (Note)
	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total		
Net sales						
External sales	10,572	1,683	1,031	13,288	(88)	13,199
Inter-segment sales and transfers	3	-	40	44	(44)	-
Total	10,575	1,683	1,072	13,332	(132)	13,199
Segment profit	2,025	(222)	117	1,920	(58)	1,861
Segment assets	4,299	758	772	5,831	14,479	20,310
Other items						
Depreciation	276	145	24	446	226	673
Increase in property, plant and equipment and intangible assets	123	87	41	252	(0)	251

Note: Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Millions of yen)

	Reportable segment				Adjustment	Amounts recorded in consolidated financial statements (Note)
	IT Systems and Related Business for Pharmacies	IT Systems and Related Business for Clinics	Other Businesses	Total		
Net sales						
External sales	11,121	1,670	976	13,768	(92)	13,676
Inter-segment sales and transfers	1	-	5	6	(6)	-
Total	11,122	1,670	982	13,775	(98)	13,676
Segment profit	2,644	17	(32)	2,629	(32)	2,597
Segment assets	4,110	711	778	5,600	15,747	21,348
Other items						
Depreciation	245	129	29	403	207	611
Increase in property, plant and equipment and intangible assets	157	130	57	346	-	346

Note: Segment profit is adjusted to be consistent with operating profit recorded in the consolidated financial statements.

4. Reconciliation of amounts recorded in consolidated financial statements with total reportable segments

(Millions of yen)

Net sales	FY3/16	FY3/17
Total for reportable segments	13,332	13,775
Transfer to non-operating income	(88)	(92)
Eliminations for inter-segment transactions	(44)	(6)
Net sales on the consolidated financial statements	13,199	13,676

(Millions of yen)

Profit	FY3/16	FY3/17
Total for reportable segments	1,920	2,629
Transfer to non-operating income	(16)	(16)
Eliminations for inter-segment transactions	(42)	(16)
Operating profit on the consolidated financial statements	1,861	2,597

(Millions of yen)

Assets	FY3/16	FY3/17
Total for reportable segments	5,831	5,600
Corporate assets (Note)	15,321	16,361
Eliminations for inter-segment transactions	(842)	(614)
Total assets on the consolidated financial statements	20,310	21,348

Note: Corporate assets mainly include cash and deposits and real estate for investment that are not attributable to reportable segments.

(Millions of yen)

Other items	Total reportable segment		Adjustment		Amounts recorded in consolidated financial statements	
	FY3/16	FY3/17	FY3/16	FY3/17	FY3/16	FY3/17
Depreciation	446	403	226	207	673	611
Increase in property, plant and equipment and intangible assets	252	346	(0)	-	251	346

Note: The adjustment to increase in property, plant and equipment and intangible assets includes eliminations for inter-segment transactions.

Per Share Information

(Yen)

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)		FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	
Net assets per share	693.68	Net assets per share	790.96
Net income per share	93.38	Net income per share	120.60
Diluted net income per share	92.51	Diluted net income per share	119.52

Notes: 1. The Company conducted a common stock split according to a ratio of 1:2 effective on April 1, 2016. Net assets per share, net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the fiscal year ended March 31, 2016.

2. The basis of calculating net income per share and diluted net income per share is as follows:

(Millions of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit attributable to owners of parent	1,621	2,116
Amounts not available to common stock shareholders	-	-
Profit attributable to owners of parent available to common stock	1,621	2,116
Average number of shares of common stock outstanding during the period (Shares)	17,366,946	17,546,928
Diluted net income per share		
Adjusted profit attributable to owners of parent	-	-
Increase in the number of shares of common stock (Shares)	164,442	158,234
Summary of potential stock not included in the calculation of "Diluted net income per share" since there was no dilutive effect	-	-

Subsequent Events

Not applicable.

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.