

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2021
(Three Months Ended June 30, 2020)

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	4323	URL:	https://www.jast.jp
Representative:	Takeaki Hirabayashi, President and CEO		
Contact:	Noriaki Okado, Managing Director and CFO	Tel:	+81-6-4560-1000
Scheduled date of filing of Quarterly Report:			August 6, 2020
Scheduled date of payment of dividend:			-
Preparation of supplementary materials for quarterly financial results:	None		
Holding of quarterly financial results meeting:	None		

Note: The original disclosure in Japanese was released on August 5, 2020 at 16:00 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter Ended June 30, 2020

(April 1, 2020 – June 30, 2020)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2020	3,746	(0.6)	(201)	-	(183)	-	(140)	-
Three months ended Jun. 30, 2019	3,770	(8.2)	(308)	-	(299)	-	(223)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2020: (165) (-%)

Three months ended Jun. 30, 2019: (165) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	(26.28)	-
Three months ended Jun. 30, 2019	(42.14)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2020	13,230	5,901	44.4	1,094.77
As of Mar. 31, 2020	12,988	6,218	47.7	1,154.07

Reference: Shareholders' equity (million yen) As of Jun. 30, 2020: 5,870 As of Mar. 31, 2020: 6,189

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	0.00	-	28.00	28.00
Fiscal year ending Mar. 31, 2021	-				
Fiscal year ending Mar. 31, 2021 (forecasts)		0.00	-	28.00	28.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

There is no forecast for the fiscal year ending March 2021 because it is not possible to establish a reliable forecast at this time as we are in the process of closely estimating the impact of the global spread of COVID-19 pandemic on the forecast. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

Note: Revisions to the most recently announced consolidated earnings forecasts: None

*** Notes**

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

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

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

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

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

As of Jun. 30, 2020:	5,612,230 shares	As of Mar. 31, 2020:	5,612,230 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2020:	249,984 shares	As of Mar. 31, 2020:	248,984 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2020:	5,362,514 shares	Three months ended Jun. 30, 2019:	5,307,501 shares
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Note 1: The current quarterly summary report is not subject to quarterly review by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumption 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 materially from the forecasts. There is no forecast for the fiscal year ending March 31, 2021 because it is not possible to establish a reliable estimate of the impact of the COVID-19 pandemic at this time. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 3 for details.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, COVID-19 had a severe impact on consumer spending, corporate activities and many other categories of the economy. The resulting downturns in jobs and personal income had an enormous effect on the Japanese economy. Although the state of emergency ended near the end of May, there are still no signs of an end to this crisis and the outlook remains challenging.

In the IT industry in Japan, according to the latest statistics in the “Survey of Selected Service Industries” by the Ministry of Economy, Trade and Industry (the final May figures), net sales continued to climb, rising 4.0% year on year in Fiscal 2019 compared with 1.5% annual growth in fiscal 2018. However, due in part to COVID-19, net sales in Japan’s IT industry were down 4.1% in May 2020 from in the same period of the previous fiscal year and the outlook for the industry is extremely uncertain.

Although COVID-19 affected the business activities of the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries), the impact on first quarter performance was not significant. This was mainly because of the consistent receipt of new orders as sales activities were shifted to the internet and the ability to hold capacity utilization steady by using teleworking. First quarter net sales were 3,746 million yen (down 0.6% year on year) and there was an operating loss of 201 million yen (vs. operating loss of 308 million yen in the same period of the previous fiscal year), an ordinary loss of 183 million yen (vs. ordinary loss of 299 million yen in the same period of the previous fiscal year), and a loss attributable to owners of parent of 140 million yen (vs. loss of 223 million yen in the same period of the previous fiscal year). Business segment performance was as follows.

In the software business (individualized contracted software development), there was an increase in orders from the finance/insurance/brokerage industry but orders from the manufacturing, telecommunications, and service/retail industries decreased. Overall, sales were about the same as in the same period of the previous fiscal year and there were declines in outsourced processing and other costs. As a result, net sales in this business totaled 2,716 million yen (down 1.8% year on year) and the operating loss was 148 million yen (vs. an operating loss of 183 million yen in the same period of the previous fiscal year).

In the GAKUEN business (development, sale and related services of operational reform packages for schools), there were increases in IT equipment sales, sales of program products (PP) to universities and implementation support sales. End user computing (EUC: individualized contracted development of related systems) sales decreased. Net sales in this business totaled 553 million yen (up 21.3% year on year) and the operating loss was 11 million yen (vs. an operating loss of 42 million yen in the same period of the previous fiscal year).

In the system sales business (IT equipment sales and IT/telecom infrastructure construction), sales in the core university and public sector categories decreased but there were strong sales at highly profitable projects and selling and other expenses decreased. Net sales in this business totaled 236 million yen (down 33.2% year on year) and the operating income was 6 million yen (vs. an operating loss of 29 million yen in the same period of the previous fiscal year).

In the medical big data business (inspections, analysis and related services for medical information data), sales were much higher mainly because of an increase in support services for health insurance organizations. However, R&D and other expenses increased. Net sales in this business totaled 240 million yen (up 23.3% year on year) and the operating loss totaled 54 million yen (vs. an operating loss of 53 million yen in the same period of the previous fiscal year).

Characteristics of quarterly performance

Most customer inspections and other confirmation activities for accepting the delivery of JAST Group products take place in March and September, which are the last month of the fiscal year and the last month of the first half of the fiscal year, respectively, of most companies in Japan. Consequently, first and third quarter earnings are usually much smaller than earnings in the second and fourth quarters.

(2) Explanation of Financial Position

1) Balance sheet

Current assets at the end of the first quarter were 9,750 million yen, up 147 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits resulting from the collection of accounts receivable-trade and the receipt of advances and to an increase in work in process. Non-current assets were 3,479 million yen, up 94 million yen from the end of the previous fiscal year.

Current liabilities at the end of the first quarter were 5,734 million yen, up 565 million yen from the end of the previous fiscal year. This was mainly due to increases in accrued expenses, which is included in other, and advances received and decreases in the provision for bonuses, accounts payable-trade and income taxes payable. Non-current liabilities were 1,594 million yen, down 7 million yen from the end of the previous fiscal year.

Net assets were 5,901 million yen at the end of the first quarter, down 316 million yen from the end of the previous fiscal year. This was mainly due to the payment of dividends and the loss attributable to owners of parent in the first quarter.

2) Cash flows

Cash and cash equivalents increased 1,689 million yen from 3,908 million yen at the beginning of the current fiscal year to 5,597 million yen at the end of the first quarter.

Cash flows by category were as follows.

Net cash provided by operating activities totaled 1,924 million yen, an increase of 1,013 million yen from 911 million yen provided in the same period of the previous fiscal year. This increase was mainly due to a decrease in payments of other payables, primarily accounts payable, and increases in proceeds from advances received and proceeds from the collection of trade receivables.

Net cash used in investing activities totaled 45 million yen, a decrease of 376 million yen from 421 million yen used in the same period of the previous fiscal year. This was due to a decrease in payment for the purchase of shares of subsidiaries.

Net cash used in financing activities totaled 151 million yen, compared with 292 million yen provided in the same period of the previous fiscal year. The decrease in cash flows of 444 million yen was mainly due to a decrease in short-term borrowings.

(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements

There is no forecast for the fiscal year ending March 31, 2021 because it is not possible to establish a reliable estimate of the impact of the COVID-19 pandemic on the JAST Group's activities at this time. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	3,909,343	5,598,656
Notes and accounts receivable-trade	4,502,676	2,785,869
Securities	200,644	200,401
Merchandise and finished goods	71,634	89,548
Work in process	698,017	907,125
Raw materials and supplies	1,516	1,895
Other	238,579	179,455
Allowance for doubtful accounts	(19,471)	(12,740)
Total current assets	9,602,941	9,750,211
Non-current assets		
Property, plant and equipment		
Buildings and structures	763,597	763,372
Accumulated depreciation	(462,594)	(470,494)
Buildings and structures, net	301,002	292,877
Land	142,361	142,361
Other	487,040	496,952
Accumulated depreciation	(358,559)	(359,307)
Other, net	128,480	137,645
Total property, plant and equipment	571,845	572,883
Intangible assets		
Goodwill	437,343	399,050
Customer-related assets	181,063	164,584
Trademark right	37,348	34,234
Technology assets	66,303	60,775
Software	64,545	64,344
Other	7,626	7,626
Total intangible assets	794,230	730,615
Investments and other assets		
Investment securities	558,208	623,577
Retirement benefit asset	465,943	466,139
Deferred tax assets	436,814	535,879
Guarantee deposits	443,489	442,037
Other	162,906	155,782
Allowance for doubtful accounts	(48,036)	(47,023)
Total investments and other assets	2,019,325	2,176,393
Total non-current assets	3,385,400	3,479,892
Total assets	12,988,341	13,230,104

(Thousands of yen)

	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	990,491	751,706
Short-term borrowings	1,500,000	1,503,815
Current portion of long-term borrowings	8,400	8,400
Income taxes payable	307,068	75,069
Advances received	823,126	1,495,058
Provision for bonuses	774,631	350,367
Provision for bonuses for directors (and other officers)	30,676	8,138
Provision for loss on construction contracts	-	10,622
Other	733,742	1,530,865
Total current liabilities	5,168,137	5,734,044
Non-current liabilities		
Long-term borrowings	2,800	700
Provision for share-based remuneration for directors (and other officers)	47,643	55,521
Provision for retirement benefits for directors (and other officers)	1,845	2,460
Retirement benefit liability	992,271	996,954
Deferred tax liabilities	61,062	53,766
Other	496,364	484,977
Total non-current liabilities	1,601,987	1,594,379
Total liabilities	6,770,124	7,328,424
Net assets		
Shareholders' equity		
Share capital	1,076,669	1,076,669
Capital surplus	1,113,912	1,113,912
Retained earnings	4,178,503	3,886,066
Treasury shares	(233,240)	(233,240)
Total shareholders' equity	6,135,844	5,843,407
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113,396	145,704
Foreign currency translation adjustment	(30,713)	(91,200)
Remeasurements of defined benefit plans	(28,978)	(27,486)
Total accumulated other comprehensive income	53,704	27,018
Non-controlling interests	28,668	31,254
Total net assets	6,218,217	5,901,679
Total liabilities and net assets	12,988,341	13,230,104

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
(For the Three-month Period)**

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	3,770,217	3,746,215
Cost of sales	3,154,602	3,017,984
Gross profit	615,614	728,230
Selling, general and administrative expenses	924,077	929,725
Operating loss	(308,463)	(201,495)
Non-operating income		
Interest income	3,152	5,718
Dividend income	2,838	3,469
Rental income	1,578	803
Foreign exchange gains	-	2,599
Subsidy income	11,596	3,139
Other	943	3,428
Total non-operating income	20,109	19,158
Non-operating expenses		
Interest expenses	765	722
Foreign exchange losses	9,870	-
Rental expenses	128	127
Other	282	206
Total non-operating expenses	11,047	1,056
Ordinary loss	(299,400)	(183,393)
Loss before income taxes	(299,400)	(183,393)
Income taxes	(70,361)	(46,862)
Loss	(229,039)	(136,531)
Profit (loss) attributable to non-controlling interests	(5,363)	4,396
Loss attributable to owners of parent	(223,676)	(140,928)

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Loss	(229,039)	(136,531)
Other comprehensive income		
Valuation difference on available-for-sale securities	8,316	32,308
Foreign currency translation adjustment	59,205	(62,289)
Remeasurements of defined benefit plans, net of tax	(3,564)	1,492
Total other comprehensive income	63,956	(28,488)
Comprehensive income	(165,082)	(165,020)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(160,513)	(167,614)
Comprehensive income attributable to non-controlling interests	(4,569)	2,594

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Cash flows from operating activities		
Loss before income taxes	(299,400)	(183,393)
Depreciation	14,144	16,124
Amortization of software	6,714	3,969
Amortization of goodwill	22,009	14,274
Amortization of customer-related assets	15,966	6,634
Amortization of trademark	-	925
Amortization of technology assets	-	1,642
Increase (decrease) in provision for bonuses	(386,757)	(424,142)
Increase (decrease) in retirement benefit liability	2,058	7,089
Decrease (increase) in retirement benefit asset	(5,173)	(195)
Interest and dividend income	(5,990)	(9,188)
Interest expenses	765	722
Decrease (increase) in trade receivables	1,588,636	1,694,552
Increase (decrease) in advances received	389,430	672,828
Decrease (increase) in inventories	(225,196)	(227,887)
Increase (decrease) in trade payables	(273,864)	(235,938)
Other, net	238,098	853,300
Subtotal	1,081,439	2,191,318
Interest and dividends received	6,233	8,980
Interest paid	(577)	(739)
Income taxes paid	(175,586)	(274,813)
Net cash provided by (used in) operating activities	911,508	1,924,746
Cash flows from investing activities		
Decrease (increase) in time deposits	17,450	-
Purchase of property, plant and equipment	(16,041)	(16,995)
Purchase of software	(2,633)	(10,530)
Purchase of investment securities	(450)	(18,360)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(416,822)	-
Proceeds from refund of guarantee deposits	186	1,908
Payments of guarantee deposits	(2,194)	(1,027)
Other, net	(807)	(237)
Net cash provided by (used in) investing activities	(421,314)	(45,241)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	455,779	3,815
Repayments of lease obligations	(11,131)	(2,188)
Repayments of long-term borrowings	(2,100)	(2,100)
Purchase of treasury shares	(80)	-
Dividends paid	(149,982)	(151,509)
Net cash provided by (used in) financing activities	292,485	(151,982)
Effect of exchange rate change on cash and cash equivalents	12,303	(38,122)
Net increase (decrease) in cash and cash equivalents	794,983	1,689,399
Cash and cash equivalents at beginning of period	4,204,722	3,908,254
Cash and cash equivalents at end of period	4,999,706	5,597,654

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Effect of COVID-19 on accounting estimates

There are no significant changes to the assumptions used for accounting estimates, including the assumptions concerning the further spread of COVID-19, the end of this crisis and other related items that are explained in "Section 5 1. (1) Notes to the Consolidated Financial Statements (Supplementary Information)" of the Securities Report for the fiscal year that ended in March 2020.

Board Benefit Trust (BBT)

Based on the resolution of the 46th Annual General Meeting of Shareholders, JAST on June 26, 2018 terminated the directors' retirement benefit system and established a Board Benefit Trust (BBT) for the purpose of increasing motivation for contributing to the medium to long-term growth of sales and earnings and an increase in corporate value. The BBT plan clearly links the compensation of directors with the JAST stock price. Furthermore, directors share with shareholders the benefits of a higher stock price as well as the risk of a lower stock price.

1) Overview

This is a stock compensation plan in which directors receive stock compensation through a BBT. The BBT acquires JAST stock using cash contributions from JAST as the source of funds. Directors (excluding external directors; same afterward unless indicated otherwise) receive stock compensation or a monetary amount equivalent to the market value of the stock in lieu of stock compensation in accordance with the rules on the stock compensation plan for directors. In principle, a director becomes eligible for stock compensation only after the individual is no longer a JAST director.

2) JAST stock held by the BBT

The book value (excluding associated expenses) of JAST stock held by the BBT is shown as treasury shares in the net assets section of the consolidated balance sheet. As of the end of the first quarter, the BBT held 47,800 shares of JAST stock with a book value of 87,713 thousand yen.

Segment and Other Information

Segment information

I. First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales							
1. External sales	2,765,431	456,157	353,670	194,957	3,770,217	-	3,770,217
2. Inter-segment sales and transfers	14,453	2,049	7,254	-	23,757	(23,757)	-
Total	2,779,885	458,207	360,925	194,957	3,793,974	(23,757)	3,770,217
Segment profit (loss)	(183,731)	(42,932)	(29,397)	(53,623)	(309,684)	1,221	(308,463)

Notes: 1. Segment profit (loss) adjustment is eliminations of inter-segment transactions.

2. Segment profit (loss) is consistent with operating loss shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Significant change in goodwill

In the first quarter of FY3/20, there was a business combination due to the acquisition of the stock of AG NET PTE. LTD. A provisional amount of goodwill in the software business resulting from this acquisition was used initially because the allocation of the acquisition cost had not been completed. The allocation of the acquisition cost was completed at the end of FY3/20, resulting in the finalization of the provisional accounting treatment and a revision in the amount of goodwill. The revised goodwill resulting from this acquisition is 303,284 thousand yen. For more information, please see “Notes, Business Combinations.”

II. First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales							
1. External sales	2,716,187	553,450	236,135	240,441	3,746,215	-	3,746,215
2. Inter-segment sales and transfers	14,683	495	1,727	-	16,906	(16,906)	-
Total	2,730,871	553,945	237,863	240,441	3,763,121	(16,906)	3,746,215
Segment profit (loss)	(148,012)	(11,478)	6,621	(54,265)	(207,134)	5,639	(201,495)

Notes: 1. Segment profit (loss) adjustment is eliminations of inter-segment transactions.

2. Segment profit (loss) is consistent with operating loss shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

Business Combinations

Effect of significant revision of initial allocation of acquisition cost on comparative information

A provisional accounting treatment was used in the first quarter of the previous fiscal year for the JAST Group's acquisition of AG NET PTE. LTD. on May 31, 2019. The accounting treatment was finalized at the end of the previous fiscal year.

Due to the finalization of the provisional accounting treatment, comparative information included in the first quarter consolidated financial statements reflects a significant revision of the initial acquisition cost allocation. On the acquisition date (June 30, 2019 for accounting purposes), the acquisition cost was allocated as follows: 73,537 thousand yen to customer-related assets, 39,716 thousand yen to trademark rights, 70,507 thousand yen to technology assets, and 31,239 thousand yen to deferred tax liabilities. As a result, provisional goodwill of 455,805 thousand yen was reduced by 152,521 thousand yen to 303,284 thousand yen.

As the purchase of the stock of AG NET is June 30, 2019 for accounting purposes, this acquisition had no effect on the consolidated statement of income for the first quarter of the fiscal year that ended in March 2020.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), 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.