

News Release Dated August 21, 2018

Company: Japan System Techniques Co., Ltd.
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Notice of Acquisition of the Virtual Calibre Group

The Board of Directors of Japan System Techniques Co., Ltd. (JAST) approved a resolution on August 21, 2018 to purchase the stock of following companies located in Malaysia: Virtual Calibre SDN. BHD. (VCSB) and Virtual Calibre MSC SDN. BHD. (VCMSC). In addition, VCMSC will purchase the stock of Virtual Calibre Consulting SDN. BHD. (VCC). All three companies (the Virtual Calibre Group) will become consolidated subsidiaries of JAST.

1. Reason for the acquisition

The JAST Group has been active in the ASEAN region for more than 25 years, primarily at JAST TECHNIQUES PTE. LTD. in Singapore and JASTEC (THAILAND) CO., LTD. in Thailand. JAST believes this region is a highly attractive market because of the outlook for a continuation of rapid economic expansion and a growing middle class that will create a large consumer market.

The Virtual Calibre Group is an independent system consulting organization in Malaysia. Group companies assist with the installation of SAP enterprise resource planning packages, provide maintenance support and offer other services. The group serves many large companies, primarily government-owned companies in the energy sector. The profit structure is strong due to the use of an innovative model for earning profits.

Adding the Virtual Calibre Group to the JAST Group will expand our operations in Malaysia as well as the entire ASEAN region. This expansion is expected to contribute to the growth of JAST subsidiaries in the ASEAN region and to more opportunities for the growth of the SAP business in Japan over the medium and long term. These benefits are expected to enable the JAST Group to grow even faster. Due to this outlook, the decision was made to acquire the Virtual Calibre Group.

2. Profile of the Virtual Calibre Group companies

(1) Name	Virtual Calibre SDN. BHD.	Virtual Calibre MSC SDN. BHD.	Virtual Calibre Consulting SDN. BHD.
(2) Representative	Sosheel Kumar A/L Tirathram Sharma	Sosheel Kumar A/L Tirathram Sharma	Anuar Bin Mohd Ariff
(3) Address	1 Tech Park Bandar Utama, Suite 6.01A & 6.01, Level 6, No.7, Jalan Tanjung, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia	1 Tech Park Bandar Utama, Suite 6.01A & 6.01, Level 6, No.7, Jalan Tanjung, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia	1 Tech Park Bandar Utama, Lot 7.08C, Level 7, No.7, Jalan Tanjung, Bandar Utama, 47800 Petaling Jaya, Selangor, Malaysia
(4) Established	September 25, 2002	August 15, 2006	November 1, 2010
(5) Main business	Software development and consultation services	Software development and multimedia app design	IT management and consultation services
(6) Capital stock	1 million Malaysian Ringgit	500 thousand Malaysian Ringgit	500 thousand Malaysian Ringgit
(7) Outstanding shares	1,000,000 shares	500,000 shares	500,000 shares
(8) Major shareholders	Sosheel Kumar A/L Tirathram Sharma: 510,000 shares (51.0%) Abraham Thomas: 390,000 shares (39.0%) Mathew Thomas: 100,000 shares (10.0%)	Sosheel Kumar A/L Tirathram Sharma: 250,000 shares (50.0%) Mathew Thomas: 200,000 shares (40.0%) Shamsiah Bt Samil: 50,000 shares (10.0%)	Shamsiah Binti Samli: 250,000 shares (50.0%) Kumari Amita @ KIRON DEVI A/P JAGRI: 150,000 shares (30.0%) Anuar Bin Mohd Ariff: 100,000 shares (20.0%)

(9) Relationships between JAST and Virtual Calibre	Capital	Not applicable.
	Personnel	Not applicable.
	Business	Not applicable.

3. Results of operations and financial conditions of the Virtual Calibre Group companies for the last three years

(1) Virtual Calibre SDN. BHD.

(Thousands of Malaysian Ringgit)

Fiscal years ended	Dec. 2015	Dec. 2016	Dec. 2017
Net assets	(853)	(1,053)	204
Total assets	322	242	1,553
Net sales	42	56	4,623
Operating income	(106)	(193)	1,323
Ordinary income	(114)	(200)	1,319
Profit	(114)	(200)	1,319

(2) Virtual Calibre MSC SDN. BHD.

(Thousands of Malaysian Ringgit)

Fiscal years ended	Dec. 2015	Dec. 2016	Dec. 2017
Net assets	17,515	20,587	21,123
Total assets	22,362	23,104	24,808
Net sales	38,023	38,849	44,840
Operating income	5,348	6,718	6,836
Ordinary income	5,296	6,714	6,823
Profit	5,244	6,267	5,535

(3) Virtual Calibre Consulting SDN. BHD.

(Thousands of Malaysian Ringgit)

Fiscal years ended	Dec. 2015	Dec. 2016	Dec. 2017
Net assets	1,747	1,963	1,970
Total assets	3,918	2,512	3,044
Net sales	5,356	6,767	7,851
Operating income	1,038	219	9
Ordinary income	1,038	219	9
Profit	1,037	215	7

4. Number of shares to be acquired, acquisition cost and status of ownership before and after acquisition

(1) Name	Virtual Calibre SDN. BHD.	Virtual Calibre MSC SDN. BHD.	Virtual Calibre Consulting SDN. BHD. (Note)
(2) Share ownership before acquisition	0 shares (No. of voting rights: 0) (Ownership ratio: 0%)	0 shares (No. of voting rights: 0) (Ownership ratio: 0%)	0 shares (No. of voting rights: 0) (Ownership ratio: 0%)
(3) Number of shares to be acquired	1,000,000 shares (No. of voting rights: 1,000,000) (100% of total shares outstanding)	500,000 shares (No. of voting rights: 500,000) (100% of total shares outstanding)	0 shares (No. of voting rights: 0) (0% of total shares outstanding)
(4) Acquisition cost, etc. (estimated amount)	Acquisition cost: 1,712 million yen Associated expenses: 68 million yen Total: 1,780 million yen (total of the three companies)		
(5) Share ownership after acquisition	1,000,000 shares (No. of voting rights: 1,000,000) (Ownership ratio: 100%)	500,000 shares (No. of voting rights: 500,000) (Ownership ratio: 100%)	0 shares (No. of voting rights: 0) (Ownership ratio: 0%)

Note: VCMSC will acquire 30% of the voting rights of VCC. JAST plans to make VCC a consolidated subsidiary too because two companies belonging to the JAST Group or Virtual Calibre Group account for the majority of administrative operations and for other reasons.

5. Schedule

(1) Resolution of the Board of Directors	August 21, 2018
(2) Signing of stock acquisition agreement	August 27, 2018 (tentative)
(3) Stock acquisition date	September 30, 2018 (tentative)

6. Outlook

In the fiscal year ending on March 31, 2019, the results of operations of the Virtual Calibre Group will be included in the consolidated financial statements only in the fourth quarter. As a result, at this time, the acquisition of this group is expected to have only a negligible effect on consolidated results of operations in this fiscal year. An announcement will be made promptly if there is a need to revise the fiscal year forecasts.

Reference: Consolidated earnings forecasts for the fiscal year ending March 31, 2019 (announced on May 11, 2018) and the results for the previous fiscal year

	Consolidated sales	Consolidated operating income	Consolidated ordinary income	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Forecasts for the fiscal year ending March 31, 2019	15,765	865	875	585
Results for the fiscal year ended March 31, 2018	15,630	741	785	579