

**Summary of Consolidated Financial Results**  
**for the First Quarter of Fiscal Year Ending March 31, 2018**  
**(Three Months Ended June 30, 2017)**

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	4323	URL:	http://www.jast.jp
Representative:	Takeaki Hirabayashi, President and CEO		
Contact:	Noriaki Okado, Director and CFO	Tel:	+81-6-4560-1000
Scheduled date of filing of Quarterly Report:			August 7, 2017
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 4, 2017 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, 2017 (April 1, 2017 – June 30, 2017)**

(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, 2017	3,219	15.0	(10)	-	5	-	(2)	-
Three months ended Jun. 30, 2016	2,799	10.7	(177)	-	(162)	-	(123)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2017: 10 (- %)

Three months ended Jun. 30, 2016: (148) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	(0.55)	-
Three months ended Jun. 30, 2016	(23.49)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2017	10,723	5,620	52.0	1,061.85
As of Mar. 31, 2017	10,281	5,741	55.4	1,084.74

Reference: Shareholders' equity (million yen) As of Jun. 30, 2017: 5,572 As of Mar. 31, 2017: 5,692

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	0.00	-	25.00	25.00
Fiscal year ending Mar. 31, 2018	-				
Fiscal year ending Mar. 31, 2018 (forecasts)		0.00	-	25.00	25.00

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

**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 income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	14,625	2.8	790	38.3	795	27.4	470	14.4	89.56

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, 2017:	5,612,230 shares	As of Mar. 31, 2017:	5,612,230 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2017:	364,210 shares	As of Mar. 31, 2017:	364,210 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2017:	5,248,020 shares	Three months ended Jun. 30, 2016:	5,248,020 shares
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Note 1: The current quarterly summary report is not subject to quarterly review procedures.

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. 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 forecast assumptions and notes of caution for usage.

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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, the overall Japanese economy continued to recover at a moderate pace. The recovery is backed by the benefits of economic initiatives along with ongoing improvements in corporate profits, the number of jobs and personal income. However, the outlook remains unclear mainly because of concerns over increased uncertainty about overseas economies, such as political trends in the United States and Europe, slowing economic growth in China and other emerging countries in Asia, the U.K. leaving the EU, and continuous terrorism attacks.

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 rose 1.3% year on year in Fiscal 2016 (compared with 2.6% annual growth in Fiscal 2015), keeping a positive trend. The monthly sales figures increased year on year for ten straight months since August 2016, indicating that the IT industry as a whole is on a moderate growth path.

In the first quarter, the Japan System Techniques Group (Japan System Techniques Co., Ltd. and its consolidated subsidiaries, hereafter “the Group”) posted net sales of 3,219 million yen (up 15.0% year on year), operating loss of 10 million yen (vs. operating loss of 177 million yen in the same period of the previous fiscal year), ordinary income of 5 million yen (vs. ordinary loss of 162 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 2 million yen (vs. loss attributable to owners of parent of 123 million yen in the same period of the previous fiscal year). Operations were solid as net sales and all profit levels increased year-on-year. Results by segment were as follows.

In the software business (individualized contracted software development), net sales and profits increased. Sales remained strong because orders from the service/retail industry, the manufacturing industry, the telecommunications industry, the finance/insurance/brokerage industry, and educational institutions increased. As a result, net sales in this business totaled 2,393 million yen (up 22.9% year on year) and operating income was 57 million yen (vs. operating loss of 82 million yen in the same period of the previous fiscal year).

In the package business (development, sale and related services of operational reform packages for schools), sales of end user computing (EUC: individualized contracted development of related systems) and maintenance services increased, while the IT equipment sales, operation services, and program product (PP) sales and implementation support to universities declined. As a result, net sales totaled 405 million yen (down 8.1% year on year) and operating loss was 31 million yen (vs. operating loss of 40 million yen in the same period of the previous fiscal year).

In the system sales business (IT equipment sales and IT/telecom infrastructure construction), orders from highly profitable system integration (SI) projects for public and education sectors increased. As a result, net sales totaled 255 million yen (up 0.5% year on year), and operating loss was 7 million yen (vs. operating loss of 20 million yen in the same period of the previous fiscal year).

Lastly, in the medical big data business (inspection, analysis and related services of medical information), introduction of cloud services for managing health insurance claims at local governments was strong. As a result, net sales totaled 164 million yen (up 4.7% year on year), and operating loss totaled 29 million yen (vs. operating loss of 32 million yen in the same period of the previous fiscal year).

#### Features of the Group’s quarterly results

A feature of the Group’s software, package and systems sales businesses is that the delivery inspection period of most customers concentrates in March, the last month of the fiscal year for most companies, and then in September, the last month of the second quarter. This means that the Group’s earnings in the first and third quarters tend to be much smaller than in the second and fourth quarters.

## **(2) Explanation of Financial Position**

### 1) Balance sheet position

The balance of current assets at the end of the first quarter of the current fiscal year was 8,211 million yen, up 460 million yen from the end of the previous fiscal year. This was mainly due to the collection of accounts receivable-trade and increases in advances received and cash and deposits caused by short-term loans payable. The balance of non-current assets was 2,512 million yen at the end of the first quarter, down 17 million yen from the end of the previous fiscal year.

The balance of current liabilities at the end of the first quarter was 3,660 million yen, up 582 million yen from the end of the previous fiscal year. This was mainly due to an increase in advances received, short-term loans payable, and decreases in provision for bonuses and accounts payable-trade. The balance of non-current liabilities was 1,442 million yen at the end of the first quarter, down 19 million yen from the end of the previous fiscal year.

The balance of net assets was 5,620 million yen at the end of the first quarter, down 120 million yen from the end of the previous fiscal year. The main factor of the change was the payment of dividends.

### 2) Cash flows

Cash and cash equivalents increased 1,532 million yen from 1,951 million yen at the beginning of the current fiscal year to 3,484 million yen at the end of the first three months of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 1,425 million yen, an increase of 226 million yen from 1,198 million yen provided in the same period of the previous fiscal year. This increase was mainly due to increases in advances received and profit before income taxes, while there was an increase in inventories.

Cash flows provided by investing activities totaled 4 million yen, a decrease of 76 million yen from 81 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to a decrease in proceeds from cancellation of time deposits while there was a decrease in purchase of shares of subsidiaries.

Cash flows provided by financing activities totaled 104 million yen, a decrease of 47 million yen from 152 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to a decrease in short-term loans payable.

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

We maintain the May 12, 2017 forecasts for the fiscal year ending March 31, 2018: net sales of 14,625 million yen (up 2.8% year on year), operating income of 790 million yen (up 38.3% year on year), ordinary income of 795 million yen (up 27.4% year on year), and profit attributable to owners of parent of 470 million yen (up 14.4% year on year).

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	2,365,633	3,898,502
Notes and accounts receivable-trade	4,374,348	2,864,835
Merchandise and finished goods	86,509	147,873
Work in process	505,244	835,915
Raw materials and supplies	3,317	3,197
Deferred tax assets	270,257	344,014
Other	149,426	118,790
Allowance for doubtful accounts	(3,858)	(2,076)
Total current assets	7,750,879	8,211,051
Non-current assets		
Property, plant and equipment		
Buildings and structures	669,615	669,615
Accumulated depreciation	(347,533)	(356,146)
Buildings and structures, net	322,081	313,468
Land	142,361	142,361
Other	375,955	380,708
Accumulated depreciation	(241,349)	(252,610)
Other, net	134,606	128,098
Total property, plant and equipment	599,049	583,928
Intangible assets		
Goodwill	40,491	36,227
Software	109,996	99,688
Other	7,626	7,626
Total intangible assets	158,114	143,542
Investments and other assets		
Investment securities	625,020	657,938
Net defined benefit asset	479,037	483,723
Deferred tax assets	76,560	65,892
Guarantee deposits	376,763	371,550
Other	260,605	250,936
Allowance for doubtful accounts	(44,649)	(44,649)
Total investments and other assets	1,773,336	1,785,391
Total non-current assets	2,530,500	2,512,862
Total assets	10,281,379	10,723,913

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,122,286	844,586
Short-term loans payable	26,678	275,000
Current portion of long-term loans payable	8,400	8,400
Income taxes payable	281,537	87,442
Provision for bonuses	615,341	280,130
Provision for directors' bonuses	29,174	6,968
Provision for loss on construction contracts	1,561	-
Other	993,321	2,158,269
<b>Total current liabilities</b>	<b>3,078,301</b>	<b>3,660,798</b>
<b>Non-current liabilities</b>		
Long-term loans payable	28,000	25,900
Provision for directors' retirement benefits	413,048	405,272
Net defined benefit liability	870,683	884,785
Other	150,188	126,630
<b>Total non-current liabilities</b>	<b>1,461,920</b>	<b>1,442,588</b>
<b>Total liabilities</b>	<b>4,540,222</b>	<b>5,103,387</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,076,669	1,076,669
Capital surplus	994,621	994,621
Retained earnings	3,740,158	3,606,058
Treasury shares	(266,539)	(266,539)
<b>Total shareholders' equity</b>	<b>5,544,909</b>	<b>5,410,809</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	85,686	108,442
Foreign currency translation adjustment	(13,063)	(18,020)
Remeasurements of defined benefit plans	75,227	71,353
<b>Total accumulated other comprehensive income</b>	<b>147,850</b>	<b>161,775</b>
<b>Non-controlling interests</b>	<b>48,396</b>	<b>47,941</b>
<b>Total net assets</b>	<b>5,741,157</b>	<b>5,620,526</b>
<b>Total liabilities and net assets</b>	<b>10,281,379</b>	<b>10,723,913</b>

**(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 FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	2,799,786	3,219,208
Cost of sales	2,363,574	2,561,997
Gross profit	436,212	657,210
Selling, general and administrative expenses	614,203	667,551
Operating loss	(177,990)	(10,340)
Non-operating income		
Interest income	3,195	2,811
Dividend income	2,754	2,777
Rent income	3,559	3,373
Foreign exchange gains	-	1,327
Insurance premiums refunded cancellation	-	5,226
Other	8,526	3,331
Total non-operating income	18,036	18,849
Non-operating expenses		
Interest expenses	184	517
Foreign exchange losses	547	-
Rent expenses	2,004	2,241
Other	144	332
Total non-operating expenses	2,880	3,091
Ordinary income (loss)	(162,834)	5,417
Profit (loss) before income taxes	(162,834)	5,417
Income taxes	(33,705)	8,767
Loss	(129,128)	(3,350)
Loss attributable to non-controlling interests	(5,829)	(450)
Loss attributable to owners of parent	(123,299)	(2,899)

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

(Thousands of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Loss	(129,128)	(3,350)
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,344)	22,755
Foreign currency translation adjustment	(3,423)	(4,962)
Remeasurements of defined benefit plans, net of tax	(4,655)	(3,874)
Total other comprehensive income	(19,424)	13,919
Comprehensive income	(148,552)	10,569
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(140,496)	11,025
Comprehensive income attributable to non-controlling interests	(8,056)	(455)

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	(162,834)	5,417
Depreciation	17,148	20,836
Amortization of software	9,380	10,591
Amortization of goodwill	2,000	4,264
Increase (decrease) in provision for bonuses	(179,192)	(335,114)
Increase (decrease) in net defined benefit liability	19,420	14,063
Decrease (increase) in net defined benefit asset	(4,204)	(4,686)
Interest and dividend income	(5,950)	(5,589)
Interest expenses	184	517
Decrease (increase) in notes and accounts receivable-trade	1,441,264	1,507,750
Increase (decrease) in advances received	304,056	624,759
Decrease (increase) in inventories	(149,256)	(391,929)
Increase (decrease) in notes and accounts payable-trade	(325,287)	(277,661)
Other, net	301,551	488,339
Subtotal	1,268,280	1,661,559
Interest and dividend income received	6,203	5,929
Interest expenses paid	(300)	(466)
Income taxes paid	(75,999)	(241,891)
Net cash provided by (used in) operating activities	1,198,184	1,425,131
Cash flows from investing activities		
Decrease (increase) in time deposits	115,983	(6)
Purchase of property, plant and equipment	(5,486)	(4,189)
Purchase of software	(1,375)	(16,060)
Purchase of investment securities	(368)	(448)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(26,827)	-
Proceeds from cancellation of insurance funds	-	12,275
Proceeds from collection of guarantee deposits	-	11,870
Payments for guarantee deposits	(301)	(723)
Other, net	(54)	1,986
Net cash provided by (used in) investing activities	81,570	4,703
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	294,628	248,595
Repayments of lease obligations	(9,966)	(10,772)
Repayments of long-term loans payable	-	(2,100)
Cash dividends paid	(131,200)	(131,200)
Dividends paid to non-controlling interests	(1,164)	-
Net cash provided by (used in) financing activities	152,296	104,522
Effect of exchange rate change on cash and cash equivalents	1,286	(1,658)
Net increase (decrease) in cash and cash equivalents	1,433,337	1,532,698
Cash and cash equivalents at beginning of period	1,447,493	1,951,458
Cash and cash equivalents at end of period	2,880,830	3,484,157

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

Segment information

I. First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)

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

	Software business	Package 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	1,947,080	440,964	254,238	157,503	2,799,786	-	2,799,786
2. Inter-segment sales and transfers	19,522	-	9,958	-	29,480	(29,480)	-
Total	1,966,602	440,964	264,196	157,503	2,829,266	(29,480)	2,799,786
Segment profit (loss)	(82,884)	(40,835)	(20,073)	(32,750)	(176,544)	(1,446)	(177,990)

Notes: 1. Adjustment to segment profit (loss) represents eliminations for inter-segment transactions.

2. Segment 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 software business, the Company purchased the stock of ISR Co.,Ltd. and made it a consolidated subsidiary in the first three months of FY3/17. Goodwill of 45,284 thousand yen emerged related to the purchases.

II. First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)

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

	Software business	Package 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	2,393,713	405,160	255,491	164,842	3,219,208	-	3,219,208
2. Inter-segment sales and transfers	16,630	-	3,885	-	20,515	(20,515)	-
Total	2,410,343	405,160	259,376	164,842	3,239,723	(20,515)	3,219,208
Segment profit (loss)	57,184	(31,959)	(7,420)	(29,954)	(12,150)	1,809	(10,340)

Notes: 1. Adjustment to segment profit (loss) represents eliminations for inter-segment transactions.

2. Segment 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.

*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.*