

**Summary of Consolidated Financial Results**  
**for the Third Quarter of Fiscal Year Ending March 31, 2018**  
**(Nine Months Ended December 31, 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:			February 7, 2018
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 February 6, 2018 at 16:00 (GMT +9).

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

**1. Consolidated Financial Results for the Third Quarter Ended December 31, 2017**

(April 1, 2017 – December 31, 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	%
Nine months ended Dec. 31, 2017	10,506	9.7	96	-	140	-	65	-
Nine months ended Dec. 31, 2016	9,574	19.4	(38)	-	10	-	(28)	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2017: 92 (- %)

Nine months ended Dec. 31, 2016: (30) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	12.42	-
Nine months ended Dec. 31, 2016	(5.50)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	10,345	5,701	54.7	1,077.99
As of Mar. 31, 2017	10,281	5,741	55.4	1,084.74

Reference: Shareholders' equity (million yen) As of Dec. 31, 2017: 5,657 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	-	0.00	-		
Fiscal year ending Mar. 31, 2018 (forecasts)				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 Dec. 31, 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 Dec. 31, 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

Nine months ended Dec. 31, 2017:	5,248,020 shares	Nine months ended Dec. 31, 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 nine months 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 November 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 during the period from August 2016 to November 2017, in all months except August 2017. These figures indicate that the IT industry as a whole is on a moderate growth path.

In the first nine months, the Japan System Techniques Group (Japan System Techniques Co., Ltd. and its consolidated subsidiaries, hereafter “the Group”) posted net sales of 10,506 million yen (up 9.7% year on year), operating income of 96 million yen (vs. operating loss of 38 million yen in the same period of the previous fiscal year), ordinary income of 140 million yen (up 1,281.1% year on year), and profit attributable to owners of parent of 65 million yen (vs. loss attributable to owners of parent of 28 million yen in the same period of the previous fiscal year). Results by segment were as follows.

In the software business (individualized contracted software development), sales for the manufacturing industry and the telecommunications industry increased while there was a decrease in sales for the service/retail industry, finance/insurance/brokerage industry and public sector. Net sales in this business totaled 7,294 million yen (up 2.5% year on year) and operating income was 157 million yen (up 56.5% year on year).

In the package business (development, sale and related services of operational reform packages for schools), there was an increase in sales of highly profitable items including end user computing (EUC: contracted development of package-related systems) sales, implementation support and program product (PP) sales to universities, while sales of the IT equipment sales and operation services declined. Net sales in this business totaled 1,341 million yen (up 3.2% year on year) and operating income was 9 million yen (vs. operating loss of 43 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 for the service/retail industry, universities and public sectors increased. Net sales in this business totaled 1,291 million yen (up 96.9% year on year), and operating loss was 15 million yen (vs. operating loss of 25 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. Net sales in this business totaled 578 million yen (up 14.7% year on year), and operating loss totaled 58 million yen (vs. operating loss of 64 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 third quarter of the current fiscal year was 7,840 million yen, up 89 million yen from the end of the previous fiscal year. This was mainly due to the collection of accounts receivable-trade, an increase in cash and deposits due to advances received and short-term loans payable, and an increase in work in process. The balance of non-current assets was 2,505 million yen at the end of the third quarter, down 25 million yen from the end of the previous fiscal year.

The balance of current liabilities at the end of the third quarter was 3,165 million yen, up 87 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 a decrease in provision for bonuses. The balance of non-current liabilities was 1,478 million yen at the end of the third quarter, up 16 million yen from the end of the previous fiscal year.

The balance of net assets was 5,701 million yen at the end of the third quarter, down 39 million yen from the end of the previous fiscal year. This was mainly due to an increase in accumulated other comprehensive income in the first nine months and the payment of dividends.

### 2) Cash flows

Cash and cash equivalents increased 611 million yen from 1,951 million yen at the beginning of the current fiscal year to 2,562 million yen at the end of the first nine months of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 457 million yen, an increase of 165 million yen from 292 million yen provided in the same period of the previous fiscal year. This increase was mainly due to an increase in proceeds from collection of notes and accounts receivable-trade while there was a decrease in outlays for inventories.

Cash flows used in investing activities totaled 33 million yen, a decrease of 62 million yen from 29 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to decreases in purchases of property, plant and equipment and shares of subsidiaries while there was a decrease in proceeds from cancellation of time deposits.

Cash flows provided by financing activities totaled 184 million yen, an increase of 75 million yen from 108 million yen provided in the same period of the previous fiscal year. This increase was mainly due to an increase 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)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	2,365,633	2,978,968
Notes and accounts receivable-trade	4,374,348	3,081,321
Merchandise and finished goods	86,509	225,536
Work in process	505,244	1,139,598
Raw materials and supplies	3,317	2,211
Deferred tax assets	270,257	203,891
Other	149,426	210,798
Allowance for doubtful accounts	(3,858)	(2,004)
Total current assets	7,750,879	7,840,322
Non-current assets		
Property, plant and equipment		
Buildings and structures	669,615	655,165
Accumulated depreciation	(347,533)	(366,474)
Buildings and structures, net	322,081	288,691
Land	142,361	142,361
Other	375,955	379,515
Accumulated depreciation	(241,349)	(269,396)
Other, net	134,606	110,119
Total property, plant and equipment	599,049	541,171
Intangible assets		
Goodwill	40,491	31,699
Software	109,996	84,915
Other	7,626	7,626
Total intangible assets	158,114	124,240
Investments and other assets		
Investment securities	625,020	711,944
Net defined benefit asset	479,037	493,254
Deferred tax assets	76,560	57,136
Guarantee deposits	376,763	371,696
Other	260,605	250,619
Allowance for doubtful accounts	(44,649)	(44,609)
Total investments and other assets	1,773,336	1,840,041
Total non-current assets	2,530,500	2,505,454
Total assets	10,281,379	10,345,776

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,122,286	1,067,000
Short-term loans payable	26,678	360,797
Current portion of long-term loans payable	8,400	8,400
Income taxes payable	281,537	15,044
Provision for bonuses	615,341	316,837
Provision for directors' bonuses	29,174	21,015
Provision for loss on construction contracts	1,561	-
Other	993,321	1,376,856
<b>Total current liabilities</b>	<b>3,078,301</b>	<b>3,165,952</b>
<b>Non-current liabilities</b>		
Long-term loans payable	28,000	22,400
Provision for directors' retirement benefits	413,048	419,124
Net defined benefit liability	870,683	907,375
Other	150,188	129,254
<b>Total non-current liabilities</b>	<b>1,461,920</b>	<b>1,478,154</b>
<b>Total liabilities</b>	<b>4,540,222</b>	<b>4,644,107</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	3,674,127
Treasury shares	(266,539)	(266,539)
<b>Total shareholders' equity</b>	<b>5,544,909</b>	<b>5,478,878</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	85,686	131,384
Foreign currency translation adjustment	(13,063)	(16,544)
Remeasurements of defined benefit plans	75,227	63,605
<b>Total accumulated other comprehensive income</b>	<b>147,850</b>	<b>178,445</b>
<b>Non-controlling interests</b>	<b>48,396</b>	<b>44,344</b>
<b>Total net assets</b>	<b>5,741,157</b>	<b>5,701,668</b>
<b>Total liabilities and net assets</b>	<b>10,281,379</b>	<b>10,345,776</b>

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

	(Thousands of yen)	
	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	9,574,776	10,506,786
Cost of sales	7,909,908	8,512,423
Gross profit	1,664,867	1,994,362
Selling, general and administrative expenses	1,703,538	1,897,669
Operating income (loss)	(38,670)	96,693
Non-operating income		
Interest income	6,065	5,607
Dividend income	5,894	6,058
Rent income	10,406	9,954
Compensation income	15,107	-
Foreign exchange gains	-	5,909
Insurance premiums refunded cancellation	-	5,226
Subsidy income	11,264	11,817
Other	12,544	7,135
Total non-operating income	61,283	51,708
Non-operating expenses		
Interest expenses	1,028	901
Rent expenses	9,931	4,586
Other	1,469	2,275
Total non-operating expenses	12,429	7,763
Ordinary income	10,183	140,638
Profit before income taxes	10,183	140,638
Income taxes	39,221	80,395
Profit (loss)	(29,038)	60,243
Loss attributable to non-controlling interests	(153)	(4,925)
Profit (loss) attributable to owners of parent	(28,885)	65,169

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

	(Thousands of yen)	
	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Profit (loss)	(29,038)	60,243
Other comprehensive income		
Valuation difference on available-for-sale securities	25,623	45,698
Foreign currency translation adjustment	(12,655)	(1,842)
Remeasurements of defined benefit plans, net of tax	(13,966)	(11,622)
Total other comprehensive income	(999)	32,232
Comprehensive income	(30,037)	92,476
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(23,502)	95,764
Comprehensive income attributable to non-controlling interests	(6,534)	(3,287)

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

(Thousands of yen)

	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	10,183	140,638
Depreciation	59,510	79,701
Amortization of software	29,900	31,871
Amortization of goodwill	10,529	8,792
Increase (decrease) in provision for bonuses	(128,388)	(298,544)
Increase (decrease) in net defined benefit liability	51,532	36,184
Decrease (increase) in net defined benefit asset	(12,580)	(14,217)
Interest and dividend income	(11,959)	(11,665)
Compensation income	(15,107)	-
Interest expenses	1,028	901
Decrease (increase) in notes and accounts receivable-trade	501,555	1,291,902
Increase (decrease) in advances received	318,231	351,720
Decrease (increase) in inventories	(369,629)	(772,156)
Increase (decrease) in notes and accounts payable-trade	(41,557)	(55,288)
Other, net	(1,229)	(100,174)
Subtotal	402,019	689,665
Interest and dividend income received	12,987	12,541
Interest expenses paid	(1,145)	(935)
Income taxes paid	(136,350)	(243,523)
Proceeds from compensation	15,107	-
Net cash provided by (used in) operating activities	292,618	457,747
Cash flows from investing activities		
Decrease (increase) in time deposits	114,230	(23)
Purchase of property, plant and equipment	(50,701)	(18,994)
Purchase of software	(4,119)	(16,060)
Purchase of investment securities	(1,440)	(31,717)
Proceeds from sales of short-term and long-term investment securities	-	9,260
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(26,827)	-
Proceeds from cancellation of insurance funds	-	12,275
Payments for guarantee deposits	(564)	(1,368)
Proceeds from collection of guarantee deposits	591	12,485
Other, net	(1,814)	1,107
Net cash provided by (used in) investing activities	29,354	(33,037)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	254,863	333,438
Repayments of lease obligations	(10,701)	(11,746)
Proceeds from long-term loans payable	42,000	-
Repayments of long-term loans payable	(45,235)	(5,600)
Cash dividends paid	(131,200)	(131,200)
Dividends paid to non-controlling interests	(1,164)	(764)
Net cash provided by (used in) financing activities	108,562	184,126
Effect of exchange rate change on cash and cash equivalents	(2,969)	2,355
Net increase (decrease) in cash and cash equivalents	427,566	611,192
Cash and cash equivalents at beginning of period	1,447,493	1,951,458
Cash and cash equivalents at end of period	1,875,059	2,562,650

**(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 nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 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	7,114,250	1,300,150	655,582	504,792	9,574,776	-	9,574,776
2. Inter-segment sales and transfers	65,023	-	124,982	-	190,005	(190,005)	-
Total	7,179,274	1,300,150	780,564	504,792	9,764,782	(190,005)	9,574,776
Segment profit (loss)	100,698	(43,983)	(25,087)	(64,359)	(32,732)	(5,938)	(38,670)

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 nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 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	7,294,946	1,341,836	1,291,083	578,920	10,506,786	-	10,506,786
2. Inter-segment sales and transfers	48,426	-	20,759	-	69,186	(69,186)	-
Total	7,343,373	1,341,836	1,311,843	578,920	10,575,973	(69,186)	10,506,786
Segment profit (loss)	157,564	9,169	(15,032)	(58,089)	93,613	3,080	96,693

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

2. Segment profit is consistent with operating income 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.*