

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	4323	URL:	http://www.jast.jp
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Scheduled date of Annual General Meeting of Shareholders:			June 21, 2019
Scheduled date of payment of dividend:			June 4, 2019
Scheduled date of filing of Annual Security Report:			June 24, 2019
Preparation of supplementary materials for financial results:			Yes
Holding of financial results meeting:			Yes (for analysts)

Note: The original disclosure in Japanese was released on May 14, 2019 at 16:00 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	%
Fiscal year ended Mar. 31, 2019	16,868	7.9	856	15.5	870	10.8	317	(45.1)
Fiscal year ended Mar. 31, 2018	15,630	9.9	741	29.9	785	25.8	579	41.0

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 238 (down 62.6%)

Fiscal year ended Mar. 31, 2018: 637 (up 48.2%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	60.58	-	5.1	6.7	5.1
Fiscal year ended Mar. 31, 2018	110.36	-	9.7	7.0	4.7

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2019: - Fiscal year ended Mar. 31, 2018: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	13,520	6,418	47.2	1,202.34
As of Mar. 31, 2018	12,308	6,246	50.4	1,181.54

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 6,381 As of Mar. 31, 2018: 6,200

(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, 2019	1,342	(1,063)	1,157	4,204
Fiscal year ended Mar. 31, 2018	642	147	38	2,785

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2018	-	0.00	-	28.00	28.00	146	25.4	2.5
Fiscal year ended Mar. 31, 2019	-	0.00	-	28.00	28.00	149	46.2	2.3
Fiscal year ending Mar. 31, 2020 (forecasts)	-	0.00	-	28.00	28.00		22.2	

Note: Breakdown of the year-end dividend for the fiscal year ended March 31, 2019: Ordinary dividend: 28.00 yen

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	18,650	10.6	1,085	26.7	1,100	26.4	670	110.7	126.24

*** Notes**

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

Newly added: - Excluded: -

(2) 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

Please refer to “Notes to Consolidated Financial Statements” for further information.

(3) Number of outstanding shares (common shares)

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

As of Mar. 31, 2019: 5,612,230 shares As of Mar. 31, 2018: 5,612,230 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2019: 304,710 shares As of Mar. 31, 2018: 364,210 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019: 5,248,998 shares Fiscal year ended Mar. 31, 2018: 5,248,020 shares

Note: The Company’s stock held by the Board Benefit Trust (BBT) is included in the number of treasury shares (49,000 shares as of Mar. 31, 2019), and is deducted from the number of shares that is used to calculate the average number of shares outstanding during the period.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2019	13,796	8.6	730	11.9	779	11.6	330	(33.3)
Fiscal year ended Mar. 31, 2018	12,709	5.2	653	22.3	698	22.4	495	28.7

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	62.96	-
Fiscal year ended Mar. 31, 2018	94.46	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	12,439	6,596	53.0	1,242.82
As of Mar. 31, 2018	10,131	6,344	62.6	1,208.95

Reference: Shareholders’ equity (million yen) As of Mar. 31, 2019: 6,596 As of Mar. 31, 2018: 6,344

Note 1: The current financial report is not subject to audit 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. Please refer to “1. Overview of Results of Operations, (4) Outlook” on page 3 for forecast assumptions and notes of caution for usage.

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1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended on March 31, 2019, the Japanese economy continued to recover at a moderate pace despite the continuation of geopolitical risk in eastern Asia. The recovery was supported by improvements in corporate profits, the number of jobs and personal income due to the benefits of economic initiatives by the Japanese government.

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 February figures), net sales continued to climb, rising 1.5% year on year in Fiscal 2018 (compared with 2.5% annual growth in Fiscal 2017). However, the outlook for the IT industry is uncertain because the sales growth rate was reduced compared with the Fiscal 2017 and there were some months in Fiscal 2018 when sales were lower than one year earlier.

Consolidated sales and earnings of the Japan System Techniques Group (Japan System Techniques Co., Ltd. and its consolidated subsidiaries, hereafter “the Group”) in the current fiscal year increased as follows: net sales of 16,868 million yen (up 7.9% year on year), operating income of 856 million yen (up 15.5% year on year), ordinary income of 870 million yen (up 10.8% year on year), and profit attributable to owners of parent of 317 million yen (down 45.1% year on year) due to booking of settlement package of 380 million yen as an extraordinary loss. Results by segment were as follows.

In the software business (individualized contracted software development), sales in the manufacturing industry, service/retail industry, and finance/insurance/brokerage industry increased while there was a decrease in sales in the telecommunications industry and public sector. Net sales in this business totaled 11,622 million yen (up 9.8% year on year) and operating income was 484 million yen (up 8.1% year on year).

In the GAKUEN business (sale and related services of operational reform packages for schools), there were increases in IT equipment sales, implementation support sales, end user computing (EUC: individualized contracted development of related systems) sales and operation services. Net sales in this business totaled 2,586 million yen (up 14.7% year on year) and operating income was 317 million yen (up 24.8% year on year).

In the system sales business (IT equipment sales and IT/telecom infrastructure construction), orders from highly profitable system integration (SI) projects for public sectors increased from one year earlier while equipment sales to universities declined. Net sales in this business totaled 1,681 million yen (down 7.4% year on year) and operating income was 140 million yen (up 204.2% year on year).

Lastly, in the medical big data business (inspection, analysis and related services of medical information data), sales of automated inspection services for health insurance claims and services for notification of the cost of medical care were strong. However, expenses increased faster than sales growth in order to build a stronger organization in this business and for other activities. Net sales in this business totaled 977 million yen (up 0.3% year on year) and operating loss totaled 95 million yen (vs. operating loss of 12 million yen in the previous fiscal year).

(2) Financial Position

The balance of current assets at the end of the current fiscal year was 9,610 million yen, up 1.8% over the end of the previous fiscal year. The balance of non-current assets was 3,909 million yen at the end of the current fiscal year, up 36.3% over the end of the previous fiscal year. This was mainly due to an increase in goodwill due to the acquisition of overseas subsidiaries.

The balance of current liabilities at the end of the current fiscal year was 5,587 million yen, up 22.4% over the end of the previous fiscal year. This was mainly due to a decrease in notes and accounts payable-trade and increases in short-term loans payable and accounts payable-other. The balance of non-current liabilities was 1,513 million yen at the end of the current fiscal year, up 1.1% over the end of the previous year.

The balance of total net assets was 6,418 million yen at the end of the current fiscal year, up 2.8% over the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents increased 1,419 million yen from 2,785 million yen at the beginning of the current fiscal year to 4,204 million yen at the end of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 1,342 million yen, compared with 642 million yen provided in the previous fiscal year. This difference was mainly due to an increase in proceeds from collection of notes and accounts receivable-trade and a decrease in outlays for inventories while there was an increase in payments for notes and accounts payable-trade.

Cash flows used in investing activities totaled 1,063 million yen, compared with 147 million yen provided in the previous fiscal year. This difference was mainly due to an increase in purchases of shares of subsidiaries.

Cash flows provided by financing activities totaled 1,157 million yen, compared with 38 million yen provided in the previous fiscal year. This difference was mainly due to an increase in short-term loans payable.

Reference: Cash flow indicators

	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19
Equity ratio (%)	61.4	59.8	55.4	50.4	47.2
Equity ratio based on market value (%)	50.0	38.6	50.0	56.4	55.9
Interest-bearing debt to cash flow ratio (years)	-	-	0.5	0.4	1.2
Interest coverage ratio (times)	-	-	78.0	431.8	478.5

Notes: 1. The above figures are calculated as follows.

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

- * Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
 - * Interest-bearing debt is calculated using total loans-payable on the consolidated balance sheet.
 - * Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.
2. There are no average debt repayment period and interest coverage ratio figures for FY3/15 and FY3/16 because the Company had negative operating cash flows.

(4) Outlook

In the current uncertain global economy, and particularly in the IT industry where the environment is extremely volatile, Japan System Techniques Co., Ltd. (JAST) understands that it will be difficult to achieve growth if it remains overly dependent on contract development, the IT industry's mainstay source of earnings to date.

Consequently, to define the medium to long-term basic policies for the management of the JAST Group, we establish a new three-year medium-term plan every year. Each new plan starts with the fiscal year in which the plan was established. The plan includes the type of organization we want to become, our brand image, our business fields, the size of our operations and other goals. In this fiscal year, we will continue to take many actions in order to accomplish the goals of the current medium-term plan.

As part of these actions, the Group has selected "Vision Venture Value Velocity" as the slogan for the fiscal year ending March 31, 2020. We will be making changes and enacting reforms even faster during the fiscal year concerning development operations, sales techniques, internal administrative procedures and all other aspects of our operations. We are determined to achieve the goals of every department and person in our Group. As a result, we aim to expand scale of projects and enhance profitability and productivity in the contracted development business, as well as to achieve sustained growth by further expanding JAST-driven business centering on proprietary brand products. In addition, we will use R&D activities making extensive use of advanced technologies to create products that can be successors to our current products. Other goals in order to achieve sustained growth are reinforcing our overseas sales strategy for our own brand and increasing the use of alliances and M&A.

Based on this outlook, we expect increases in sales and earnings in the fiscal year ending March 31, 2020. We forecast net sales of 18,650 million yen (up 10.6% year on year), operating income of 1,085 million yen (up 26.7% year on year), ordinary income of 1,100 million yen (up 26.4% year on year), and profit attributable to owners of parent of 670 million yen (up 110.7% year on year).

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

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

	(Thousands of yen)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	2,994,700	4,260,305
Notes and accounts receivable-trade	4,991,576	4,341,029
Merchandise and finished goods	576,412	129,795
Work in process	711,654	569,537
Raw materials and supplies	2,272	2,695
Other	201,206	345,249
Allowance for doubtful accounts	(36,900)	(38,272)
Total current assets	9,440,922	9,610,340
Non-current assets		
Property, plant and equipment		
Buildings and structures	657,805	720,814
Accumulated depreciation	(375,281)	(419,276)
Buildings and structures, net	282,523	301,538
Land	142,361	142,361
Other	381,968	451,991
Accumulated depreciation	(283,798)	(337,562)
Other, net	98,170	114,428
Total property, plant and equipment	523,055	558,328
Intangible assets		
Goodwill	29,434	987,948
Software	86,997	68,396
Other	7,626	7,626
Total intangible assets	124,058	1,063,972
Investments and other assets		
Investment securities	705,240	688,789
Retirement benefit asset	535,482	542,920
Deferred tax assets	389,352	502,531
Guarantee deposits	390,110	414,231
Other	245,123	151,359
Allowance for doubtful accounts	(44,609)	(12,209)
Total investments and other assets	2,220,698	2,287,621
Total non-current assets	2,867,812	3,909,922
Total assets	12,308,734	13,520,262

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,040,633	1,128,311
Short-term loans payable	218,592	1,543,696
Current portion of long-term loans payable	8,400	8,400
Income taxes payable	271,702	234,023
Provision for bonuses	638,152	722,520
Provision for bonuses for directors (and other officers)	29,087	27,465
Provision for loss on construction contracts	-	37,264
Advances received	652,455	648,746
Other	705,120	1,237,384
Total current liabilities	4,564,144	5,587,812
Non-current liabilities		
Long-term loans payable	20,300	11,900
Allowance for director's share	-	20,051
Provision for retirement benefits for directors (and other officers)	426,250	13,978
Retirement benefit liability	920,209	957,672
Deferred tax liabilities	-	586
Other	131,268	509,788
Total non-current liabilities	1,498,027	1,513,977
Total liabilities	6,062,172	7,101,789
Net assets		
Shareholders' equity		
Capital stock	1,076,669	1,076,669
Capital surplus	994,621	1,085,695
Retained earnings	4,188,119	4,359,161
Treasury shares	(266,539)	(277,050)
Total shareholders' equity	5,992,871	6,244,476
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	126,589	114,167
Foreign currency translation adjustment	(10,428)	(37,345)
Remeasurements of defined benefit plans	91,694	60,163
Total accumulated other comprehensive income	207,856	136,986
Non-controlling interests	45,835	37,010
Total net assets	6,246,562	6,418,472
Total liabilities and net assets	12,308,734	13,520,262

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

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	15,630,284	16,868,799
Cost of sales	12,284,883	13,028,054
Gross profit	3,345,400	3,840,744
Selling, general and administrative expenses	2,603,877	2,984,623
Operating income	741,522	856,121
Non-operating income		
Interest income	5,578	12,286
Dividend income	6,108	7,016
Rent income	13,099	3,619
Commission income	1,652	1,599
Insurance premiums refunded cancellation	5,226	-
Foreign exchange gains	1,986	-
Subsidy income	17,802	18,196
Other	4,924	4,683
Total non-operating income	56,379	47,401
Non-operating expenses		
Interest expenses	1,469	2,833
Foreign exchange losses	-	27,279
Rent expenses	8,012	983
Other	3,216	2,061
Total non-operating expenses	12,698	33,158
Ordinary income	785,203	870,364
Extraordinary losses		
Impairment loss	6,688	4,079
Settlement package	-	380,000
Total extraordinary losses	6,688	384,079
Profit before income taxes	778,515	486,285
Income taxes-current	271,766	268,539
Income taxes-deferred	(67,885)	(92,314)
Total income taxes	203,880	176,224
Profit	574,634	310,060
Loss attributable to non-controlling interests	(4,527)	(7,925)
Profit attributable to owners of parent	579,161	317,986

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit	574,634	310,060
Other comprehensive income		
Valuation difference on available-for-sale securities	40,903	(12,421)
Foreign currency translation adjustment	5,365	(27,816)
Remeasurements of defined benefit plans, net of tax	16,466	(31,531)
Total other comprehensive income	62,736	(71,769)
Comprehensive income	637,370	238,291
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	639,167	247,116
Comprehensive income attributable to non-controlling interests	(1,796)	(8,824)

(3) Consolidated Statement of Changes in Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,076,669	994,621	3,740,158	(266,539)	5,544,909
Changes of items during period					
Dividends of surplus			(131,200)		(131,200)
Profit attributable to owners of parent			579,161		579,161
Purchase of treasury shares					-
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	447,961	-	447,961
Balance at end of current period	1,076,669	994,621	4,188,119	(266,539)	5,992,871

	Accumulated other comprehensive income				Non-controlling interests	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	85,686	(13,063)	75,227	147,850	48,396	5,741,157
Changes of items during period						
Dividends of surplus						(131,200)
Profit attributable to owners of parent						579,161
Purchase of treasury shares						-
Disposal of treasury shares						-
Net changes of items other than shareholders' equity	40,903	2,635	16,466	60,005	(2,561)	57,444
Total changes of items during period	40,903	2,635	16,466	60,005	(2,561)	505,405
Balance at end of current period	126,589	(10,428)	91,694	207,856	45,835	6,246,562

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,076,669	994,621	4,188,119	(266,539)	5,992,871
Changes of items during period					
Dividends of surplus			(146,944)		(146,944)
Profit attributable to owners of parent			317,986		317,986
Purchase of treasury shares				(89,915)	(89,915)
Disposal of treasury shares		91,074		79,403	170,478
Net changes of items other than shareholders' equity					
Total changes of items during period	-	91,074	171,042	(10,511)	251,605
Balance at end of current period	1,076,669	1,085,695	4,359,161	(277,050)	6,244,476

	Accumulated other comprehensive income				Non-controlling interests	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	126,589	(10,428)	91,694	207,856	45,835	6,246,562
Changes of items during period						
Dividends of surplus						(146,944)
Profit attributable to owners of parent						317,986
Purchase of treasury shares						(89,915)
Disposal of treasury shares						170,478
Net changes of items other than shareholders' equity	(12,421)	(26,917)	(31,531)	(70,870)	(8,824)	(79,695)
Total changes of items during period	(12,421)	(26,917)	(31,531)	(70,870)	(8,824)	171,909
Balance at end of current period	114,167	(37,345)	60,163	136,986	37,010	6,418,472

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	778,515	486,285
Depreciation	103,097	80,882
Amortization of software	42,778	39,438
Impairment loss	6,688	4,079
Amortization of goodwill	11,057	40,268
Increase (decrease) in provision for bonuses	22,701	83,068
Decrease (increase) in retirement benefit asset	(56,445)	(7,438)
Increase (decrease) in retirement benefit liability	48,704	37,821
Interest and dividend income	(11,687)	(19,303)
Interest expenses	1,469	2,833
Decrease (increase) in notes and accounts receivable-trade	(583,009)	888,965
Increase (decrease) in advances received	239,066	9,413
Decrease (increase) in inventories	(695,079)	587,549
Increase (decrease) in notes and accounts payable-trade	918,322	(975,040)
Other, net	76,469	382,414
Subtotal	902,649	1,641,239
Interest and dividend income received	12,811	20,279
Interest expenses paid	(1,488)	(2,805)
Income taxes paid	(271,013)	(316,427)
Net cash provided by (used in) operating activities	642,959	1,342,285
Cash flows from investing activities		
Decrease (increase) in time deposits	208,092	153,108
Purchase of property, plant and equipment	(21,566)	(86,174)
Purchase of software	(27,205)	(28,722)
Proceeds from sales of real estate for rent	10,385	109,183
Purchase of investment securities	(32,167)	(2,424)
Proceeds from cancellation of insurance funds	12,275	162
Proceeds from sales of investment securities	9,260	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,188,033)
Payments for guarantee deposits	(24,663)	(20,164)
Proceeds from collection of guarantee deposits	13,814	1,945
Other, net	(805)	(2,739)
Net cash provided by (used in) investing activities	147,418	(1,063,857)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	190,736	1,325,894
Repayments of lease obligations	(12,232)	(13,427)
Repayments of long-term loans payable	(7,700)	(8,400)
Cash dividends paid	(131,200)	(146,944)
Dividends paid to non-controlling interests	(764)	-
Net cash provided by (used in) financing activities	38,838	1,157,122
Effect of exchange rate change on cash and cash equivalents	4,518	(16,022)
Net increase (decrease) in cash and cash equivalents	833,735	1,419,528
Cash and cash equivalents at beginning of period	1,951,458	2,785,193
Cash and cash equivalents at end of period	2,785,193	4,204,722

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reclassifications

Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.

Effective from the beginning of the current fiscal year, JAST has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.

Additional Information

Provision for retirement benefits for directors (and other officers)

The JAST Board of Directors resolved at a meeting held on May 11, 2018 to terminate the current system for directors’ retirement benefits at the end of the 46th Annual General Meeting of Shareholders on June 26, 2018. At this meeting, shareholders approved a resolution to make benefit plan termination payments to directors. JAST plans to make these termination payments when eligible directors reach the end of their final terms or resign or retire.

Accordingly, the entire amount of the provision for retirement benefits for directors (and other officers), which was included in non-current liabilities, has been deleted and there is instead a long-term accounts payable-other of 356.395 million yen for these benefit plan termination payments that is included in the “other” item of non-current liabilities.

Some consolidated subsidiaries will maintain a provision for retirement benefits for directors (and other officers) in non-current liabilities for the payment of retirement benefits to benefits in accordance with the payment rules of these companies.

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 introduced a Board Benefit Trust (BBT, hereafter, “the Plan”) for the purpose of increasing motivation for contributing to medium to long-term improvement in sales and earnings and an increase in corporate value. The 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 of transaction

This is a stock compensation plan under which directors receive stock compensation through a trust (a trust established under the current system, hereafter “the Trust”). The Trust acquires JAST stock using cash contributions from JAST as the source of funds. Directors (excluding external directors; hereafter same unless indicated otherwise) receive stock compensation or a monetary amount equivalent to the market value of the stock in lieu of stock compensation (hereafter “JAST stock”) in accordance with the rules on the stock compensation plan for directors. In principle, a director becomes eligible for stock compensation only upon retirement.

2) JAST stock held by the trust

The book value (excluding associated expenses) of JAST stock held by the trust is shown as treasury stock in the net assets section of the consolidated balance sheet. As of the end of the current fiscal year, the BBT held 49,000 shares of JAST with a book value of 89.915 million yen.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the Company and subsidiaries' 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 Group has four reportable business segments: software business, GAKUEN business, system sales business and medical big data business each of which conducts its business in line with the comprehensive strategy it has devised for products and services in both domestic and overseas markets.

The software business handles the contracted software development. The GAKUEN business is engaged in development, sale, and provision of related services of operational reform packages for schools. The system sales business conducts IT equipment sales, IT/telecom infrastructure construction. The medical big data business provides a full line of services including automated inspection services for health insurance claims, data analysis and notification of the cost of medical care.

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

The accounting method used for reportable business segments is generally the same as the methods listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable business segments are operating income figures.

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

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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	10,584,499	2,254,674	1,816,591	974,518	15,630,284	-	15,630,284
2. Inter-segment sales and transfers	64,152	7,691	24,220	-	96,064	(96,064)	-
Total	10,648,651	2,262,365	1,840,812	974,518	15,726,348	(96,064)	15,630,284
Segment profit (loss)	448,413	254,779	46,115	(12,506)	736,802	4,720	741,522
Segment assets	5,872,256	1,656,469	2,451,669	545,412	10,525,807	1,782,927	12,308,734
Other items							
Depreciation	95,912	25,153	3,189	18,838	143,093	-	143,093
Increase in property, plant and equipment and intangible assets	30,434	6,837	1,808	7,764	46,845	14,159	61,004

Notes: 1. Segment profit (loss) in the above adjustment represents eliminations for inter-segment transactions.

2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.

3. Segment profit (loss) is adjusted with operating income shown on the consolidated statement of income.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	11,622,519	2,586,636	1,681,806	977,836	16,868,799	-	16,868,799
2. Inter-segment sales and transfers	66,676	4,448	4,316	-	75,441	(75,441)	-
Total	11,689,195	2,591,085	1,686,123	977,836	16,944,240	(75,441)	16,868,799
Segment profit (loss)	484,941	317,871	140,281	(95,728)	847,365	8,755	856,121
Segment assets	7,969,515	2,051,533	1,231,512	659,846	11,912,407	1,607,855	13,520,262
Other items							
Depreciation	82,894	19,542	3,713	13,675	119,826	-	119,826
Increase in property, plant and equipment and intangible assets	92,478	17,970	3,222	12,899	126,570	1,753	128,323

- Notes:
1. Segment profit (loss) in the above adjustment represents eliminations for inter-segment transactions.
 2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.
 3. Segment profit (loss) is adjusted with operating income shown on the consolidated statement of income.
 4. In FY3/19, the Package business segment was renamed the GAKUEN business segment. The change does not influence the segment information. The segment information for FY3/18 is prepared and disclosed using the new segment name.

Related information

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Geographical information concerning sales to external customers in Japan is not presented since sales to external customers exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

Geographical information concerning property, plant and equipment is not presented since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	1,369,670 thousand yen	Software business

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Company name	Net sales	Business segment
DUSKIN CO., LTD.	1,532,644 thousand yen	Software business

Information related to impairment loss of non-current assets for each reportable segment

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	11,057	-	-	-	-	11,057
Balance at the end of period	29,434	-	-	-	-	29,434

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	40,268	-	-	-	-	40,268
Balance at the end of period	987,948	-	-	-	-	987,948

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Business Combinations

Business combination through acquisition

1. Summary of business combination

(1) Acquired companies and their business activities

1) Virtual Calibre SDN. BHD.

Business activities: Software development and consultation services

2) Virtual Calibre MSC SDN. BHD.

Business activities: Software development and multimedia app design

3) Virtual Calibre Consulting SDN. BHD.

Business activities: IT management and consultation services

(2) Reasons for 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.

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.

(3) Acquisition date

October 11, 2018 and November 26, 2018 (stock acquisition date)

September 30, 2018 (assumed acquisition date)

(4) Legal form of acquisition

Acquisition of shares with cash

(5) Company's names after acquisition

There is no change in the company's names.

(6) Percentage of voting rights acquired

1) Virtual Calibre SDN. BHD.

100%

2) Virtual Calibre MSC SDN. BHD.

100%

3) Virtual Calibre Consulting SDN. BHD.

Virtual Calibre MSC SDN. BHD. acquired 30% of the voting rights of Virtual Calibre Consulting SDN. BHD. JAST makes Virtual Calibre Consulting SDN. BHD. 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.

(7) Basis for choosing the company to acquire

JAST acquired the shares in exchange for consideration in cash.

2. Period of the acquired companies' performance included in the consolidated financial statements

From October 1, 2018 to December 31, 2018

3. Acquisition cost of acquired companies and breakdown by type of consideration

Payment for the acquisition:	Cash	1,653.094 million yen
Acquisition cost:		1,653.094

4. Details of major acquisition-related costs

Remuneration for advisory members and other related fees: 68.007 million yen

5. Goodwill resulting from the acquisition

(1) Value of goodwill

999.538 million yen

The amount of goodwill is calculated provisionally because the allocation of the acquisition cost is incomplete at the end of the third quarter.

(2) Source of goodwill

The source is primarily the expectation of excess earnings power emerging from business development in the future.

(3) Amortization method and amortization period

Goodwill is amortized over eight years by the straight-line method.

6. Breakdown of assets acquired and liabilities assumed on the acquisition date

Current assets:	748.266 million yen
Non-current assets:	20.920 million yen
Total assets:	769.187 million yen
Current liabilities:	85.970 million yen
Non-current liabilities:	6.758 million yen
Total liabilities:	92.729 million yen

7. Estimated effect of the business combination on the consolidated statement of income if the business combination had been at the beginning of the current fiscal year.

This information is omitted due to immateriality.

Per-share Information

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	1,181.54	1,202.34
Net income per share	110.36	60.58

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. The basis of calculation is as follows.

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Net assets per share		
Total net assets on balance sheet	6,246,562	6,418,472
Deduction on total net assets	45,835	37,010
[Non-controlling interests]	[45,835]	[37,010]
Net assets applicable to common shares	6,200,727	6,381,462
Number of common shares used in calculation of net assets per share	5,248,020 shares	5,307,520 shares

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent	579,161	317,986
Amount not available to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	579,161	317,986
Average number of shares outstanding during period	5,248,020 shares	5,248,998 shares

Subsequent Events

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.