

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 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 filing of Quarterly Report: August 13, 2019
 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 9, 2019 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, 2019

(April 1, 2019 – June 30, 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	%
Three months ended Jun. 30, 2019	3,770	(8.2)	(308)	-	(299)	-	(223)	-
Three months ended Jun. 30, 2018	4,106	27.6	154	-	162	-	99	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: (165) (-%)

Three months ended Jun. 30, 2018: 92 (up 772.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	(42.14)	-
Three months ended Jun. 30, 2018	18.93	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2019	13,506	6,103	44.9	1,143.65
As of Mar. 31, 2019	13,636	6,418	46.8	1,202.34

Reference: Shareholders' equity (million yen) As of Jun. 30, 2019: 6,069 As of Mar. 31, 2019: 6,381

Note: The provisional accounting treatment for a business combination has been finalized in the first quarter of the current fiscal year. Significant business indicators, etc. related to the previous fiscal year reflect the finalized figures.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	0.00	-	28.00	28.00
Fiscal year ending Mar. 31, 2020	-	-	-	-	-
Fiscal year ending Mar. 31, 2020 (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, 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

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, 2019:	5,612,230 shares	As of Mar. 31, 2019:	5,612,230 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2019:	304,761 shares	As of Mar. 31, 2019:	304,710 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2019:	5,307,501 shares	Three months ended Jun. 30, 2018:	5,248,020 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. 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Three-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Three-month Period	7
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Additional Information	9
Segment and Other Information	10
Business Combinations	11

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, 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 May 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 2018 and there were some months in Fiscal 2018 when sales were lower than one year earlier.

In the first quarter, the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries, hereafter “the JAST Group”) posted net sales of 3,770 million yen (down 8.2% year on year), operating loss of 308 million yen (vs. operating income of 154 million yen in the same period of the previous fiscal year), ordinary loss of 299 million yen (vs. ordinary income of 162 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 223 million yen (vs. profit attributable to owners of parent of 99 million yen in the same period of the previous fiscal year). The business indicators for the first quarter of the current fiscal year are largely on target, although they are relatively weak compared to the first quarter of the previous fiscal year, which showed strong performance. Results by segment were as follows.

In the software business (individualized contracted software development), net sales increased but profits decreased. Sales remained strong because orders from the manufacturing industry, service/retail industry, finance/insurance/brokerage industry, and public sector increased while there was a decrease in orders from the telecommunications industry. There was an increase in outsourced processing and other costs. As a result, net sales in this business totaled 2,765 million yen (up 4.6% year on year) and operating loss was 183 million yen (vs. operating income of 154 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 sales of program products (PP) to universities and IT equipment sales. However, there were decreases in end user computing (EUC: individualized contracted development of related systems) sales and implementation support sales. Net sales in this business totaled 456 million yen (up 0.0% year on year) and operating loss was 42 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 to universities and the public sector decreased. Net sales in this business totaled 353 million yen (down 57.3% year on year) and operating loss was 29 million yen (vs. operating income of 103 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 data), sales of automated inspection services for health insurance claims and analysis services were strong. Net sales in this business totaled 194 million yen (up 9.3% year on year) and operating loss totaled 53 million yen (vs. operating loss of 65 million yen in the same period of the previous fiscal year).

Features of the JAST Group’s quarterly results

A feature of the JAST Group’s 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 8,941 million yen, down 668 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 advances received, and an increase in work in process. The balance of non-current assets was 4,564 million yen at the end of the first quarter, up 538 million yen from the end of the previous fiscal year. This was mainly due to an increase in goodwill resulting from the consolidation of AG NET PTE. LTD.

The balance of current liabilities at the end of the first quarter was 5,766 million yen, up 179 million yen from the end of the previous fiscal year. This was mainly due to increases in short-term borrowings and advances received, and decreases in provision for bonuses and notes and accounts payable-trade. The balance of non-current liabilities was 1,635 million yen at the end of the first quarter, up 5 million yen from the end of the previous fiscal year.

The balance of net assets was 6,103 million yen at the end of the first quarter, down 315 million yen from the end of the previous fiscal year. This was mainly due to the payment of dividends and loss attributable to owners of parent in the first three months.

2) Cash flows

Cash and cash equivalents increased 794 million yen from 4,204 million yen at the beginning of the current fiscal year to 4,999 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 911 million yen, a decrease of 973 million yen from 1,885 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to decreases in proceeds from collection of trade receivables, advances received, profit before income taxes and trade payables.

Cash flows used in investing activities totaled 421 million yen, a decrease of 633 million yen from 211 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to an increase in the payment for purchases of shares of subsidiaries and a decrease in proceeds from cancellation of time deposits.

Cash flows provided by financing activities totaled 292 million yen, an increase of 347 million yen from 55 million yen used in the same period of the previous fiscal year. This increase was mainly due to an increase in short-term borrowings.

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

We maintain the May 14, 2019 forecasts for the fiscal year ending March 31, 2020: 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. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	4,260,305	5,039,143
Notes and accounts receivable-trade	4,341,029	2,776,583
Merchandise and finished goods	129,795	139,701
Work in process	569,537	785,078
Raw materials and supplies	2,695	3,001
Other	345,249	238,342
Allowance for doubtful accounts	(38,272)	(40,314)
Total current assets	9,610,340	8,941,537
Non-current assets		
Property, plant and equipment		
Buildings and structures	720,814	766,614
Accumulated depreciation	(419,276)	(444,938)
Buildings and structures, net	301,538	321,675
Land	142,361	142,361
Other	451,991	466,433
Accumulated depreciation	(337,562)	(342,146)
Other, net	114,428	124,286
Total property, plant and equipment	558,328	588,323
Intangible assets		
Goodwill	619,660	1,066,270
Customer-related assets	484,589	478,984
Software	68,396	66,076
Other	7,626	7,626
Total intangible assets	1,180,273	1,618,957
Investments and other assets		
Investment securities	688,789	701,120
Retirement benefit asset	542,920	548,094
Deferred tax assets	502,531	557,699
Guarantee deposits	414,231	416,415
Other	151,359	149,444
Allowance for doubtful accounts	(12,209)	(15,437)
Total investments and other assets	2,287,621	2,357,336
Total non-current assets	4,026,223	4,564,618
Total assets	13,636,564	13,506,155

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,128,311	857,153
Short-term borrowings	1,543,696	2,000,000
Current portion of long-term borrowings	8,400	8,400
Income taxes payable	234,023	18,475
Advances received	648,746	1,038,297
Provision for bonuses	722,520	335,992
Provision for bonuses for directors (and other officers)	27,465	6,946
Provision for loss on construction contracts	37,264	11,721
Other	1,237,384	1,489,913
Total current liabilities	5,587,812	5,766,899
Non-current liabilities		
Long-term borrowings	11,900	38,712
Provision for share-based remuneration for directors (and other officers)	20,051	23,844
Provision for retirement benefits for directors (and other officers)	13,978	4,643
Retirement benefit liability	957,672	960,241
Deferred tax liabilities	116,888	115,144
Other	509,788	493,349
Total non-current liabilities	1,630,279	1,635,936
Total liabilities	7,218,091	7,402,835
Net assets		
Shareholders' equity		
Share capital	1,076,669	1,076,669
Capital surplus	1,085,695	1,084,690
Retained earnings	4,359,161	3,985,503
Treasury shares	(277,050)	(277,131)
Total shareholders' equity	6,244,476	5,869,732
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	114,167	122,484
Foreign currency translation adjustment	(37,345)	21,066
Remeasurements of defined benefit plans	60,163	56,598
Total accumulated other comprehensive income	136,986	200,149
Non-controlling interests	37,010	33,438
Total net assets	6,418,472	6,103,319
Total liabilities and net assets	13,636,564	13,506,155

(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 FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	4,106,450	3,770,217
Cost of sales	3,209,531	3,154,602
Gross profit	896,919	615,614
Selling, general and administrative expenses	742,842	924,077
Operating income (loss)	154,077	(308,463)
Non-operating income		
Interest income	2,801	3,152
Dividend income	2,831	2,838
Rental income	1,363	1,578
Subsidy income	2,825	11,596
Other	1,860	943
Total non-operating income	11,681	20,109
Non-operating expenses		
Interest expenses	615	765
Foreign exchange losses	949	9,870
Rental expenses	973	128
Other	469	282
Total non-operating expenses	3,007	11,047
Ordinary income (loss)	162,751	(299,400)
Profit (loss) before income taxes	162,751	(299,400)
Income taxes	63,302	(70,361)
Profit (loss)	99,449	(229,039)
Profit (loss) attributable to non-controlling interests	123	(5,363)
Profit (loss) attributable to owners of parent	99,326	(223,676)

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

	(Thousands of yen)	
	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Profit (loss)	99,449	(229,039)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,322)	8,316
Foreign currency translation adjustment	818	59,205
Remeasurements of defined benefit plans, net of tax	(4,722)	(3,564)
Total other comprehensive income	(7,227)	63,956
Comprehensive income	92,222	(165,082)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	92,880	(160,513)
Comprehensive income attributable to non-controlling interests	(658)	(4,569)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	162,751	(299,400)
Depreciation	15,480	14,144
Amortization of software	10,795	6,714
Amortization of goodwill	2,264	22,009
Amortization of customer-related assets	-	15,966
Increase (decrease) in provision for bonuses	(339,267)	(386,757)
Increase (decrease) in retirement benefit liability	11,578	2,058
Decrease (increase) in retirement benefit asset	(5,026)	(5,173)
Interest and dividend income	(5,632)	(5,990)
Interest expenses	615	765
Decrease (increase) in trade receivables	2,201,499	1,588,636
Increase (decrease) in advances received	620,143	389,430
Decrease (increase) in inventories	(73,013)	(225,196)
Increase (decrease) in trade payables	(1,035,713)	(273,864)
Other, net	563,215	238,098
Subtotal	2,129,692	1,081,439
Interest and dividends received	5,883	6,233
Interest paid	(613)	(577)
Income taxes paid	(249,890)	(175,586)
Net cash provided by (used in) operating activities	1,885,073	911,508
Cash flows from investing activities		
Decrease (increase) in time deposits	153,108	17,450
Purchase of property, plant and equipment	(11,945)	(16,041)
Proceeds from sales of real estate for rent	109,183	-
Purchase of software	(19,777)	(2,633)
Purchase of investment securities	(452)	(450)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(416,822)
Proceeds from cancellation of insurance funds	162	-
Proceeds from refund of guarantee deposits	377	186
Payments of guarantee deposits	(18,186)	(2,194)
Other, net	(721)	(807)
Net cash provided by (used in) investing activities	211,748	(421,314)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	104,765	455,779
Repayments of lease obligations	(10,892)	(11,131)
Repayments of long-term borrowings	(2,100)	(2,100)
Purchase of treasury shares	-	(80)
Dividends paid	(146,944)	(149,982)
Net cash provided by (used in) financing activities	(55,171)	292,485
Effect of exchange rate change on cash and cash equivalents	(1,037)	12,303
Net increase (decrease) in cash and cash equivalents	2,040,612	794,983
Cash and cash equivalents at beginning of period	2,785,193	4,204,722
Cash and cash equivalents at end of period	4,825,806	4,999,706

(4) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

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 shares in the net assets section of the consolidated balance sheet. As of the end of the first quarter, the BBT held 49,000 shares of JAST with a book value of 89.915 million yen.

Segment and Other Information

Segment information

I. First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

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	2,644,387	456,119	827,513	178,429	4,106,450	-	4,106,450
2. Inter-segment sales and transfers	15,691	3,421	1,537	-	20,649	(20,649)	-
Total	2,660,079	459,541	829,050	178,429	4,127,100	(20,649)	4,106,450
Segment profit (loss)	154,743	(43,147)	103,215	(65,668)	149,143	4,934	154,077

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

2. Segment profit (loss) 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.

II. 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) in the above adjustment represents eliminations for 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 software business, the Company purchased the stock of AG NET PTE. LTD. (AG NET) located in Singapore and made it a consolidated subsidiary in the first quarter of FY3/20. Goodwill of 455.805 million yen emerged related to the purchases.

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

Business Combinations

Business combination through acquisition

1. Summary of business combination

(1) Acquired companies and their business activities

AG NET PTE. LTD.

Business activities: Software development and consultation services

(2) Reasons for acquisition

The JAST Group has been active in the ASEAN region, primarily at JAST TECHNIQUES PTE. LTD. in Singapore, JASTEC (THAILAND) CO., LTD. in Thailand, and the Virtual Calibre Group (Malaysia). 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.

This inclusion of AG NET in the JAST Group will add new HRM products currently not covered in our Group's brand lineup, enabling multi-directional coverage of personnel, vacation requests, expense reimbursement workflows, salary computations, telework support, and employee performance management. We believe that adding AG NET to the JAST Group will strengthen our business foundation not only in Singapore but throughout the ASEAN region and lead to business expansion of our subsidiaries throughout the ASEAN region, thereby further enhancing the JAST Group's growth potential. Due to this outlook, the decision was made to acquire AG NET.

(3) Acquisition date

May 31, 2019 (stock acquisition date)

June 30, 2019 (assumed acquisition date)

(4) Legal form of acquisition

Acquisition of shares with cash

(5) Company's name after acquisition

There is no change in the company's name.

(6) Percentage of voting rights acquired

100%

(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

The quarterly consolidated statement of income for the first three months of the current fiscal year does not reflect the performance of the acquired companies since JAST has consolidated only the balance sheet. This is because the assumed acquisition date of June 30, 2019 does not exceed three months from the consolidation closing date of the first quarter.

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

Payment for the acquisition:	Cash	486.526 million yen
Acquisition cost:		486.526 million yen

4. Details of major acquisition-related costs

Remuneration for advisory members and other related fees: 27.466 million yen

5. Goodwill resulting from the acquisition

(1) Value of goodwill

455.805 million yen

The amount of goodwill is calculated provisionally because the allocation of the acquisition cost is incomplete at the end of the first 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 ten years by the straight-line method.

Finalization of provisional accounting treatment for business combinations

A provisional accounting treatment was used in the previous fiscal year for the JAST Group's acquisition of Virtual Calibre SDN. BHD., Virtual Calibre MSC SDN. BHD. and Virtual Calibre Consulting SDN. BHD. on October 11, 2018 and November 26, 2018. It was finalized in the first quarter of the current fiscal year.

In line with the finalization of this provisional accounting treatment, a material review has been reflected in the allocated amount of the acquisition cost in the comparative information included in the quarterly consolidated financial statements for the first quarter of the current fiscal year.

As a result, the value of goodwill decreased by 390.863 million yen from the provisionally calculated value of 999.538 million yen to 608.675 million yen. The decrease of goodwill was due to increases of 514.293 million yen in customer-related assets and 123.430 million yen in deferred tax liabilities. At the end of the previous fiscal year, goodwill decreased by 368.288 million yen, and customer-related assets and deferred tax liabilities increased by 484.589 million yen and 116.301 million yen, respectively.

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.