

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	4323	URL:	https://www.jast.jp
Representative:	Takeaki Hirabayashi, President and CEO		
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Scheduled date of Annual General Meeting of Shareholders:			June 24, 2020
Scheduled date of payment of dividend:			June 10, 2020
Scheduled date of filing of Annual Security Report:			June 25, 2020
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 18, 2020 at 17:00 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	18,019	6.8	970	13.9	1,021	17.9	(30)	-
Fiscal year ended Mar. 31, 2019	16,868	7.9	852	14.9	866	10.4	317	(45.1)

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2020: (119) (-%)
Fiscal year ended Mar. 31, 2019: 238 (down 62.6%)

	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, 2020	(5.76)	-	(0.5)	7.7	5.4
Fiscal year ended Mar. 31, 2019	60.58	-	5.1	6.7	5.1

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2020: - Fiscal year ended Mar. 31, 2019: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	12,988	6,218	47.7	1,154.07
As of Mar. 31, 2019	13,636	6,418	46.8	1,202.34

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 6,189 As of Mar. 31, 2019: 6,381

(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, 2020	417	(527)	(185)	3,908
Fiscal year ended Mar. 31, 2019	1,342	(1,063)	1,157	4,204

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, 2019	-	0.00	-	28.00	28.00	149	46.2	2.3
Fiscal year ended Mar. 31, 2020	-	0.00	-	28.00	28.00	151	-	2.4
Fiscal year ending Mar. 31, 2021 (forecasts)	-	0.00	-	28.00	28.00		-	

Note: Breakdown of the year-end dividend for the fiscal year ended March 31, 2020: Ordinary dividend: 28.00 yen

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

There is no forecast for the fiscal year ending March 2021 because it is not possible to establish a reliable forecast at this time as we are in the process of closely estimating the impact of the global spread of COVID-19 pandemic on the forecast. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

*** 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, 2020: 5,612,230 shares As of Mar. 31, 2019: 5,612,230 shares

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

As of Mar. 31, 2020: 248,984 shares As of Mar. 31, 2019: 304,710 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2020: 5,324,711 shares Fiscal year ended Mar. 31, 2019: 5,248,998 shares

Note: The Company’s stock held by the Board Benefit Trust (BBT) is included in the number of treasury shares (47,800 and 49,000 shares as of Mar. 31, 2020 and 2019, respectively), 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, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	14,427	4.6	1,013	38.7	1,121	43.8	21	(93.4)
Fiscal year ended Mar. 31, 2019	13,796	8.6	730	11.9	779	11.6	330	(33.3)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	4.07	-
Fiscal year ended Mar. 31, 2019	62.96	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	12,109	6,539	54.0	1,219.41
As of Mar. 31, 2019	12,439	6,596	53.0	1,242.82

Reference: Shareholders’ equity (million yen) As of Mar. 31, 2020: 6,539 As of Mar. 31, 2019: 6,596

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.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Results of Operations	2
(2) Financial Position	2
(3) Cash Flows	3
(4) Outlook	3
2. Basic Approach to the Selection of Accounting Standards	4
3. Consolidated Financial Statements and Notes	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
Going Concern Assumption	12
Reclassifications	12
Additional Information	12
Segment and Other Information	13
Business Combinations	15
Per-share Information	17
Subsequent Events	17

1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended on March 31, 2020, the Japanese economy continued to recover at a moderate pace supported by improvements in corporate profits, the number of jobs and personal income due to the benefits of economic initiatives by the Japanese government. However, there are concerns over a possible economic downturn caused by the worsening US-China trade friction and the spread of the COVID-19 pandemic.

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 4.0% year on year in Fiscal 2019 (compared with 1.5% annual growth in Fiscal 2018). However, the outlook for the IT industry is uncertain because of the recently increasing impact of the COVID-19 pandemic.

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 posted net sales of 18,019 million yen (up 6.8% year on year), operating income of 970 million yen (up 13.9% year on year), ordinary income of 1,021 million yen (up 17.9% year on year), and loss attributable to owners of parent of 30 million yen (vs. profit attributable to owners of parent of 317 million yen in the previous fiscal year) due to booking of impairment loss of 738 million yen. 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 service/retail industry, finance/insurance/brokerage industry, manufacturing industry and universities increased while there was a decrease in orders from the telecommunications industry. On the other hand, SG&A and other expenses increased due to business expansion and there were some unprofitable projects. The performance of some subsidiaries was also sluggish. As a result, net sales in this business totaled 12,080 million yen (up 3.9% year on year) and operating income was 78 million yen (down 83.7% year on year).

In the GAKUEN business (sale and related services of operational reform packages for schools), there were increases in sales of program products (PP) to universities, end user computing (EUC: individualized contracted development of related systems) sales and IT equipment sales. Net sales in this business totaled 3,058 million yen (up 18.2% year on year) and operating income was 711 million yen (up 123.7% year on 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 1,566 million yen (down 6.8% year on year) and operating income was 94 million yen (down 32.3% 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. Net sales in this business totaled 1,313 million yen (up 34.3% year on year) and operating income totaled 93 million yen (vs. operating loss of 95 million yen in the previous fiscal year).

(2) Financial Position

The balance of current assets at the end of the current fiscal year was 9,602 million yen, down 0.1% over the end of the previous fiscal year. The balance of non-current assets was 3,385 million yen at the end of the current fiscal year, down 15.9% over the end of the previous fiscal year. This was mainly due to impairment loss for goodwill and customer-related assets and a decrease in investment securities.

The balance of current liabilities at the end of the current fiscal year was 5,168 million yen, down 7.5% over the end of the previous fiscal year. This was mainly due to an increase in advances received and decreases in accounts payable-other and notes and accounts payable-trade. The balance of non-current liabilities was 1,601 million yen at the end of the current fiscal year, down 1.7% over the end of the previous year.

The balance of total net assets was 6,218 million yen at the end of the current fiscal year, down 3.1% over the end of the previous fiscal year.

(3) Cash Flows

Cash and cash equivalents decreased 296 million yen from 4,204 million yen at the beginning of the current fiscal year to 3,908 million yen at the end of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 417 million yen, compared with 1,342 million yen provided in the previous fiscal year. This difference was mainly due to a decrease in proceeds from collection of trade receivables and an increase in outlays for inventories, and a decrease in payments for trade payables.

Cash flows used in investing activities totaled 527 million yen, compared with 1,063 million yen used in the previous fiscal year. This difference was mainly due to a decrease in the payment for purchase of shares of subsidiaries.

Cash flows used in financing activities totaled 185 million yen, compared with 1,157 million yen provided in the previous fiscal year. This difference was mainly due to a decrease in short-term borrowings.

Reference: Cash flow indicators

	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20
Equity ratio (%)	59.8	55.4	50.4	46.8	47.7
Equity ratio based on market value (%)	38.6	50.0	56.4	55.5	42.1
Interest-bearing debt to cash flow ratio (years)	-	0.5	0.4	1.2	3.6
Interest coverage ratio (times)	-	78.0	431.8	478.5	94.1

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 FY3/16 because the Company had negative operating cash flows.

(4) Outlook

Concerns over the impact of the spread of the COVID-19 pandemic on the global economy have rendered the outlook for the business environment surrounding the Group uncertain. 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 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.

The Group's slogan for the fiscal year ending March 31, 2021 is "Use innovation and speed to create the JAST of the future." Based on this slogan, the entire group is taking on the challenge of advancing at a remarkably high speed in order to go beyond mere "change" in order to achieve "innovation." We are determined to continue growing. In the contracted development business, we will increase the pace of structural reforms such as the digital transformation and growth of services. For products using JAST brands, our goal is to be the market leader for every service and item that we provide. We will continue to seek business alliances and take actions for growth on a global scale. Our growth will also be supported by ideas for new businesses and the commercialization of those ideas.

There is no forecast for the fiscal year ending March 31, 2021 because it is not possible to establish a reliable estimate of the impact of the COVID-19 pandemic on the Group's activities at this time. An announcement will be made promptly once it becomes possible to determine a reliable forecast.

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)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	4,260,305	3,909,343
Notes and accounts receivable-trade	4,341,029	4,502,676
Merchandise and finished goods	129,795	71,634
Work in process	569,537	698,017
Raw materials and supplies	2,695	1,516
Securities	-	200,644
Other	345,249	238,579
Allowance for doubtful accounts	(38,272)	(19,471)
Total current assets	9,610,340	9,602,941
Non-current assets		
Property, plant and equipment		
Buildings and structures	720,814	763,597
Accumulated depreciation	(419,276)	(462,594)
Buildings and structures, net	301,538	301,002
Land	142,361	142,361
Other	451,991	487,040
Accumulated depreciation	(337,562)	(358,559)
Other, net	114,428	128,480
Total property, plant and equipment	558,328	571,845
Intangible assets		
Goodwill	619,660	437,343
Customer-related assets	484,589	181,063
Trademark right	-	37,348
Technology assets	-	66,303
Software	68,396	64,545
Other	7,626	7,626
Total intangible assets	1,180,273	794,230
Investments and other assets		
Investment securities	688,789	558,208
Retirement benefit asset	542,920	465,943
Deferred tax assets	502,531	436,814
Guarantee deposits	414,231	443,489
Other	151,359	162,906
Allowance for doubtful accounts	(12,209)	(48,036)
Total investments and other assets	2,287,621	2,019,325
Total non-current assets	4,026,223	3,385,400
Total assets	13,636,564	12,988,341

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,128,311	990,491
Short-term borrowings	1,543,696	1,500,000
Current portion of long-term borrowings	8,400	8,400
Income taxes payable	234,023	307,068
Provision for bonuses	722,520	774,631
Provision for bonuses for directors (and other officers)	27,465	30,676
Provision for loss on construction contracts	37,264	-
Advances received	648,746	823,126
Other	1,237,384	733,742
Total current liabilities	5,587,812	5,168,137
Non-current liabilities		
Long-term borrowings	11,900	2,800
Provision for share-based remuneration for directors (and other officers)	20,051	47,643
Provision for retirement benefits for directors (and other officers)	13,978	1,845
Retirement benefit liability	957,672	992,271
Deferred tax liabilities	116,888	61,062
Other	509,788	496,364
Total non-current liabilities	1,630,279	1,601,987
Total liabilities	7,218,091	6,770,124
Net assets		
Shareholders' equity		
Share capital	1,076,669	1,076,669
Capital surplus	1,085,695	1,113,912
Retained earnings	4,359,161	4,178,503
Treasury shares	(277,050)	(233,240)
Total shareholders' equity	6,244,476	6,135,844
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	114,167	113,396
Foreign currency translation adjustment	(37,345)	(30,713)
Remeasurements of defined benefit plans	60,163	(28,978)
Total accumulated other comprehensive income	136,986	53,704
Non-controlling interests	37,010	28,668
Total net assets	6,418,472	6,218,217
Total liabilities and net assets	13,636,564	12,988,341

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Net sales	16,868,799	18,019,792
Cost of sales	13,028,054	13,607,485
Gross profit	3,840,744	4,412,307
Selling, general and administrative expenses	2,988,375	3,441,497
Operating income	852,369	970,809
Non-operating income		
Interest income	12,286	15,550
Dividend income	7,016	6,833
Rental income	3,619	4,921
Commission income	1,599	1,514
Subsidy income	18,196	36,635
Other	4,683	9,843
Total non-operating income	47,401	75,299
Non-operating expenses		
Interest expenses	2,833	4,471
Foreign exchange losses	27,279	17,639
Rental expenses	983	139
Other	2,061	2,278
Total non-operating expenses	33,158	24,527
Ordinary income	866,613	1,021,581
Extraordinary losses		
Impairment loss	4,079	738,103
Settlement package	380,000	-
Total extraordinary losses	384,079	738,103
Profit before income taxes	482,533	283,477
Income taxes-current	268,539	301,727
Income taxes-deferred	(96,066)	19,156
Total income taxes	172,472	320,884
Profit (loss)	310,060	(37,406)
Loss attributable to non-controlling interests	(7,925)	(6,730)
Profit (loss) attributable to owners of parent	317,986	(30,675)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Profit (loss)	310,060	(37,406)
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,421)	(771)
Foreign currency translation adjustment	(27,816)	8,002
Remeasurements of defined benefit plans, net of tax	(31,531)	(89,142)
Total other comprehensive income	(71,769)	(81,911)
Comprehensive income	238,291	(119,317)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	247,116	(113,957)
Comprehensive income attributable to non-controlling interests	(8,824)	(5,360)

(3) Consolidated Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,076,669	994,621	4,188,119	(266,539)	5,992,871
Changes 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
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes in items other than shareholders' equity					
Total changes during period	-	91,074	171,042	(10,511)	251,605
Balance at end of 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 period	126,589	(10,428)	91,694	207,856	45,835	6,246,562
Changes 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
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes in items other than shareholders' equity	(12,421)	(26,917)	(31,531)	(70,870)	(8,824)	(79,695)
Total changes during period	(12,421)	(26,917)	(31,531)	(70,870)	(8,824)	171,909
Balance at end of period	114,167	(37,345)	60,163	136,986	37,010	6,418,472

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,076,669	1,085,695	4,359,161	(277,050)	6,244,476
Changes during period					
Dividends of surplus			(149,982)		(149,982)
Loss attributable to owners of parent			(30,675)		(30,675)
Purchase of treasury shares				(80)	(80)
Disposal of treasury shares		29,001		43,890	72,891
Change in ownership interest of parent due to transactions with non-controlling interests		(785)			(785)
Net changes in items other than shareholders' equity					
Total changes during period	-	28,216	(180,657)	43,810	(108,631)
Balance at end of period	1,076,669	1,113,912	4,178,503	(233,240)	6,135,844

	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 period	114,167	(37,345)	60,163	136,986	37,010	6,418,472
Changes during period						
Dividends of surplus						(149,982)
Loss attributable to owners of parent						(30,675)
Purchase of treasury shares						(80)
Disposal of treasury shares						72,891
Change in ownership interest of parent due to transactions with non-controlling interests						(785)
Net changes in items other than shareholders' equity	(771)	6,632	(89,142)	(83,281)	(8,342)	(91,624)
Total changes during period	(771)	6,632	(89,142)	(83,281)	(8,342)	(200,255)
Balance at end of period	113,396	(30,713)	(28,978)	53,704	28,668	6,218,217

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	482,533	283,477
Depreciation	80,882	91,065
Amortization of software	39,438	26,377
Amortization of goodwill	28,388	73,075
Amortization of customer-related assets	15,631	45,227
Amortization of trademark	-	1,965
Amortization of technology assets	-	3,489
Impairment loss	4,079	738,103
Increase (decrease) in provision for bonuses	83,068	52,311
Decrease (increase) in retirement benefit asset	(7,438)	33,193
Increase (decrease) in retirement benefit liability	37,821	76,976
Interest and dividend income	(19,303)	(22,384)
Interest expenses	2,833	4,471
Decrease (increase) in trade receivables	888,965	(132,187)
Increase (decrease) in advances received	9,413	174,516
Decrease (increase) in inventories	587,549	(69,890)
Increase (decrease) in trade payables	(975,040)	(138,982)
Other, net	382,414	(608,886)
Subtotal	1,641,239	631,921
Interest and dividends received	20,279	23,355
Interest paid	(2,805)	(4,433)
Income taxes paid	(316,427)	(233,577)
Net cash provided by (used in) operating activities	1,342,285	417,265
Cash flows from investing activities		
Decrease (increase) in time deposits	153,108	58,080
Purchase of property, plant and equipment	(86,174)	(65,702)
Purchase of software	(28,722)	(30,162)
Proceeds from sales of real estate for rent	109,183	-
Purchase of investment securities	(2,424)	(72,011)
Proceeds from cancellation of insurance funds	162	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,188,033)	(416,822)
Payments of guarantee deposits	(20,164)	(30,259)
Proceeds from refund of guarantee deposits	1,945	1,042
Other, net	(2,739)	28,674
Net cash provided by (used in) investing activities	(1,063,857)	(527,162)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,325,894	(43,772)
Repayments of lease obligations	(13,427)	(19,712)
Repayments of long-term borrowings	(8,400)	(37,719)
Dividends paid	(146,944)	(149,982)
Purchase of treasury shares	-	(80)
Proceeds from disposal of treasury shares	-	69,999
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(3,759)
Net cash provided by (used in) financing activities	1,157,122	(185,027)
Effect of exchange rate change on cash and cash equivalents	(16,022)	(1,543)
Net increase (decrease) in cash and cash equivalents	1,419,528	(296,467)
Cash and cash equivalents at beginning of period	2,785,193	4,204,722
Cash and cash equivalents at end of period	4,204,722	3,908,254

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Reclassifications

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. The BBT held 49,000 shares of JAST with a book value of 89.915 million yen as of the end of the previous fiscal year, and the BBT held 47,800 shares with a book value of 87.713 million yen as of the end of the current fiscal year.

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

FY3/19 (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)	481,189	317,871	140,281	(95,728)	843,614	8,755	852,369
Segment assets	8,085,816	2,051,533	1,231,512	659,846	12,028,709	1,607,855	13,636,564
Other items							
Depreciation	98,526	19,542	3,713	13,675	135,458	-	135,458
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.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(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	12,080,881	3,058,369	1,566,820	1,313,721	18,019,792	-	18,019,792
2. Inter-segment sales and transfers	62,967	37,390	31,208	-	131,567	(131,567)	-
Total	12,143,848	3,095,760	1,598,029	1,313,721	18,151,359	(131,567)	18,019,792
Segment profit (loss)	78,330	711,038	94,919	93,634	977,922	(7,112)	970,809
Segment assets	7,581,888	1,750,550	1,268,596	802,403	11,403,439	1,584,902	12,988,341
Other items							
Depreciation	135,365	15,240	2,005	15,513	168,126	-	168,126
Increase in property, plant and equipment and intangible assets	79,089	12,806	914	22,768	115,577	-	115,577

- 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. Figures for the FY3/19 segment information are based on the revised method to reflect reviewed allocation of the acquisition cost arising from finalization of the provisional accounting treatment for business combinations, which is stated in “Notes to Consolidated Financial Statements, Business Combinations.”

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

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

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Company name	Net sales	Business segment
TIS Inc.	1,283,936 thousand yen	Software business

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

This information is omitted due to immateriality.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Elimination or corporate	Total
Impairment loss	329,999	-	-	-	-	329,999

Note: In the software business, there was an impairment loss of 329.999 million yen for customer-related assets.

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

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	28,388	-	-	-	-	28,388
Balance at end of period	619,660	-	-	-	-	619,660

Note: Figures for FY3/19 are based on the revised method to reflect reviewed allocation of the acquisition cost arising from finalization of the provisional accounting treatment.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Elimination or corporate	Total
Amortization for the period	73,075	-	-	-	-	73,075
Balance at end of period	437,343	-	-	-	-	437,343

Notes: 1. In the software business, there was an impairment loss of 408.103 million yen for goodwill.

2. In 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 303.284 million yen emerged related to the purchases. The amount of goodwill is based on the revised method to reflect reviewed allocation of the acquisition cost arising from finalization of the provisional accounting treatment.

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 company and its 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 company's performance included in the consolidated financial statements

From July 1, 2019 to December 31, 2019

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

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

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

(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.

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

Current assets:	85.329 million yen
Non-current assets:	30.577 million yen
Total assets:	115.906 million yen
Current liabilities:	40.129 million yen
Non-current liabilities:	28.912 million yen
Total liabilities:	69.042 million yen

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

This information is omitted due to immateriality.

8. Amounts allocated to intangible assets other than goodwill, their breakdown by major categories, and method and period of amortization

(1) Amounts allocated to intangible assets and major categories

Technology assets:	70.507 million yen
Trademark right:	39.716 million yen
Customer-related assets:	73.537 million yen

(2) Method and period of amortization and major categories

Technology assets are amortized over ten years by the straight-line method.

Trademark right is amortized over ten years by the straight-line method.

Customer-related assets are amortized over 6.5 years by the straight-line method.

Per-share Information

(Yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net assets per share	1,202.34	1,154.07
Net income (loss) per share	60.58	(5.76)

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)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Net assets per share		
Total net assets on balance sheet	6,418,472	6,218,217
Deduction on total net assets	37,010	28,668
(Non-controlling interests)	(37,010)	(28,668)
Net assets applicable to common shares	6,381,462	6,189,549
Number of common shares used in calculation of net assets per share	5,307,520 shares	5,363,246 shares

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net income (loss) per share		
Profit (loss) attributable to owners of parent	317,986	(30,675)
Amount not available to common shareholders	-	-
Profit (loss) attributable to owners of parent applicable to common shares	317,986	(30,675)
Average number of shares outstanding during period	5,248,998 shares	5,324,711 shares

Note: The Company established a new Board Benefit Trust (BBT) in FY3/20. the Company's stock remaining in the BBT (49,000 shares as of March 31, 2019 and 47,800 shares as of March 31, 2020) is included in treasury shares in shareholders' equity and deducted from the number of shares outstanding at the end of the period that is used to calculate net assets per share. Moreover, the BBT shares (15,573 shares in FY3/19 and 48,177 shares in FY3/20) are included in treasury shares deducted from the number of shares used to calculate the average number of shares outstanding during the period that is used to calculate net income per share.

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.