

Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2022
(Six Months Ended September 30, 2021)

[Japanese GAAP]

Company name: Japan System Techniques Co., Ltd. Listing: Tokyo Stock Exchange, First Section
 Stock code: 4323 URL: <https://www.jast.jp>
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 Scheduled date of filing of Quarterly Report: November 11, 2021
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

Note: The original disclosure in Japanese was released on November 10, 2021 at 16:00 (GMT +9).

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

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2021

(April 1, 2021 – September 30, 2021)

(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	%
Six months ended Sep. 30, 2021	10,042	-	992	-	1,004	-	686	-
Six months ended Sep. 30, 2020	8,042	(6.6)	23	(87.9)	58	(70.9)	(309)	-

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2021: 706 (-%)

Six months ended Sep. 30, 2020: (258) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2021	120.45	-
Six months ended Sep. 30, 2020	(57.71)	-

Note: Beginning with the first quarter of the fiscal year ending March 31, 2022, JAST has applied Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for the six months ended September 30, 2021 incorporate this accounting standard and comparisons with the first half of the previous fiscal year are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2021	14,212	8,647	60.6	1,397.61
As of Mar. 31, 2021	12,861	6,850	53.0	1,265.96

Reference: Shareholders' equity (million yen) As of Sep. 30, 2021: 8,611 As of Mar. 31, 2021: 6,813

Note: Beginning with the first quarter of the fiscal year ending March 31, 2022, JAST has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures as of September 30, 2021 incorporate this accounting standard.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2021	-	0.00	-	28.00	28.00
Fiscal year ending Mar. 31, 2022	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2022 (forecasts)	-	-	-	30.00	30.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(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	19,500	3.8	1,330	9.3	1,360	3.8	820	41.7	152.37

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: Yes

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 Sep. 30, 2021:	6,209,230 shares	As of Mar. 31, 2021:	5,612,230 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2021:	47,623 shares	As of Mar. 31, 2021:	230,423 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2021:	5,703,256 shares	Six months ended Sep. 30, 2020:	5,362,306 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, consumer spending and corporate activities in Japan were severely restricted by extended states of emergency declared because of the pandemic and other measures to prevent the spread of infections. In addition, new ways of working and new life styles have emerged because of the pandemic. Although there are expectations for the economy to improve as more people are vaccinated and other measures are taken to stop the pandemic, the outlook for the Japanese economy remains uncertain.

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 August 2021 figures), net sales continued to climb, rising 0.4% year on year in fiscal 2020 compared with 4.0% annual growth in fiscal 2019. The latest figures for August 2021 were up 3.4% year on year.

Consolidated sales of the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries, hereafter “the Group”) in the first half were 10,042 million yen (up 24.9% year on year). Operating income was 992 million yen (vs. operating income of 23 million yen in the same period of the previous fiscal year), ordinary income was 1,004 million yen (vs. ordinary income of 58 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent was 686 million yen (vs. loss attributable to owners of parent of 309 million yen in the same period of the previous fiscal year).

Business segment performance was as follows.

(Software business)

Two negative factors that held down the performance of this business in the same period of the previous fiscal year have largely ended. One is several unprofitable contracted software development projects that weighed on earnings. The other is the suspension of some software development investments, mainly by major customers, because of the pandemic. The performance of this business also benefited from strong sales of licenses for BankNeo, a data integration package for financial institutions. A recovery in sales and earnings in the ASEAN region also contributed to first half performance. As a result, there was a big improvement in the profitability of the software business. First half sales totaled 6,986 million yen (up 26.0% year on year) and the operating income was 429 million yen (vs. operating loss of 192 million yen in the same period of the previous fiscal year).

(GAKUEN business)

Sooner than expected demand at current customers for replacing the current series of university program products with the new GAKUEN RX and GAKUEN UNIVERSAL PASSPORT RX series, which have high profit margins, contributed to the performance of this business. In addition, there was faster than expected progress with sales of these two new series to new customers. An increase in the volume of end user computing (EUC: individualized contracted development of related systems) orders associated with the use of these two new series also contributed to higher profitability in this business. In previous fiscal years, sales for support services for the use of new software and other work in progress was recognized when the final approval of customers was received. Due to the application of the Accounting Standard for Revenue Recognition beginning with the current fiscal year, this revenue is recognized based on progress with fulfilling performance obligations involving individual projects. As a result, net sales in this business totaled 1,721 million yen (up 35.9% year on year) and the operating income was 498 million yen (up 185.8% year on year).

(System sales business)

Delays in the procurement of IT equipment due to the global semiconductor shortage caused sales of IT equipment to universities, the main activity of this business, to decline. As a result, net sales totaled 593 million yen (down 15.0% year on year) and operating income was 2 million yen (down 97.1% year on year).

(Medical big data business)

Sales of automated inspection services for health insurance claims started to recover in the current fiscal year following the downturn in one year earlier when the number of people using healthcare institutions decreased due to the pandemic. There were also improvements in the performance of analysis services, services for the notification of the cost of medical care, cloud services for managing welfare public assistance version of health insurance claims, support services for health insurance organizations and other highly profitable businesses. These positive factors increased profitability of this business. In previous fiscal years, sales for a range of services and other work in progress was recognized when the final approval of customers was received. Due to the application of the Accounting Standard for Revenue Recognition beginning with the current fiscal year, this revenue is recognized based on progress with fulfilling performance obligations involving individual projects. As a result, net sales in this business totaled 740 million yen (up 38.6% year on year) and operating income was 61 million yen (vs. operating loss of 36 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position**1) Balance sheet**

Current assets at the end of the second quarter were 11,102 million yen, up 1,406 million yen from the end of the previous fiscal year. This was mainly due to an increase in the collection of accounts receivable-trade linked to performance, and an increase in cash and deposits resulting from the issuance of new shares through the exercise of share acquisition rights and the disposal of treasury shares. Non-current assets were 3,110 million yen, down 55 million yen from the end of the previous fiscal year.

Current liabilities at the end of the second quarter were 3,916 million yen, down 471 million yen from the end of the previous fiscal year. This was mainly due to repayments of short-term borrowings. Non-current liabilities were 1,648 million yen, up 25 million yen from the end of the previous fiscal year.

Net assets at the end of the second quarter were 8,647 million yen, up 1,796 million yen from the end of the previous fiscal year. This was mainly due to exercise of share acquisition rights.

Net assets increased as retained earnings were 81 million yen higher at the beginning of the fiscal year due to the application of the Accounting Standard for Revenue Recognition.

2) Cash flows

Cash and cash equivalents increased 1,406 million yen from 4,853 million yen at the beginning of the current fiscal year to 6,259 million yen at the end of the first half of the current fiscal year.

Cash flows by category were as follows.

Net cash provided by operating activities totaled 838 million yen, a decrease of 432 million yen from 1,271 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to increases in inventories and contract liabilities, and a decrease in proceeds from the collection of trade receivables.

Net cash used in investing activities totaled 57 million yen, an increase of 9 million yen from 66 million yen used in the same period of the previous fiscal year. This was due to a decrease in purchase of investment securities, an increase in proceeds from sales of investment securities and an increase in loan advances.

Net cash provided by financing activities totaled 592 million yen, an increase of 1,145 million yen from 552 million yen used in the same period of the previous fiscal year. This was due to increases in proceeds from issuance of shares and proceeds from disposal of treasury shares.

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

There are no revisions to the May 13, 2021 forecasts for the fiscal year ending March 31, 2022: net sales of 19,500 million yen (up 3.8% year on year), operating income of 1,330 million yen (up 9.3% year on year), ordinary income of 1,360 million yen (up 3.8% year on year), and profit attributable to owners of parent of 820 million yen (up 41.7% year on year).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Assets		
Current assets		
Cash and deposits	4,854,727	6,260,792
Notes and accounts receivable-trade	3,953,965	-
Notes and accounts receivable-trade, and contract assets	-	4,205,921
Merchandise and finished goods	185,543	163,960
Work in process	527,715	160,724
Raw materials and supplies	2,544	2,983
Other	184,859	320,406
Allowance for doubtful accounts	(13,034)	(11,956)
Total current assets	9,696,321	11,102,832
Non-current assets		
Property, plant and equipment		
Buildings and structures	829,063	831,215
Accumulated depreciation	(533,263)	(525,772)
Buildings and structures, net	295,799	305,442
Land	142,361	142,361
Other	518,695	551,504
Accumulated depreciation	(414,255)	(431,167)
Other, net	104,440	120,337
Total property, plant and equipment	542,601	568,141
Intangible assets		
Goodwill	175,722	167,301
Customer-related assets	106,056	100,787
Trademark right	7,602	7,544
Technology assets	13,496	13,392
Software	68,329	75,177
Other	7,626	7,626
Total intangible assets	378,834	371,830
Investments and other assets		
Investment securities	632,126	596,499
Retirement benefit asset	666,814	668,536
Deferred tax assets	416,291	377,709
Guarantee deposits	439,769	439,839
Other	104,010	97,409
Allowance for doubtful accounts	(15,208)	(9,840)
Total investments and other assets	2,243,803	2,170,153
Total non-current assets	3,165,239	3,110,126
Total assets	12,861,561	14,212,958

	(Thousands of yen)	
	FY3/21 (As of Mar. 31, 2021)	Second quarter of FY3/22 (As of Sep. 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,021,837	1,008,011
Short-term borrowings	407,800	8,224
Current portion of long-term borrowings	2,800	-
Income taxes payable	473,761	328,602
Advances received	605,148	-
Contract liabilities	-	1,076,061
Provision for bonuses	885,138	747,202
Provision for bonuses for directors (and other officers)	62,319	14,727
Provision for loss on construction contracts	12,797	55,866
Other	916,547	678,175
Total current liabilities	4,388,151	3,916,870
Non-current liabilities		
Provision for share awards for directors (and other officers)	84,228	86,509
Provision for retirement benefits for directors (and other officers)	4,239	5,437
Retirement benefit liability	1,017,504	1,020,769
Deferred tax liabilities	34,890	29,338
Other	482,171	506,670
Total non-current liabilities	1,623,034	1,648,725
Total liabilities	6,011,185	5,565,595
Net assets		
Shareholders' equity		
Share capital	1,076,669	1,535,409
Capital surplus	1,128,115	1,704,399
Retained earnings	4,605,874	5,221,860
Treasury shares	(218,515)	(85,306)
Total shareholders' equity	6,592,143	8,376,362
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	186,775	160,563
Foreign currency translation adjustment	(81,346)	(29,092)
Remeasurements of defined benefit plans	115,566	103,663
Total accumulated other comprehensive income	220,996	235,135
Share acquisition rights	5,530	-
Non-controlling interests	31,705	35,865
Total net assets	6,850,375	8,647,363
Total liabilities and net assets	12,861,561	14,212,958

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

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	8,042,391	10,042,475
Cost of sales	6,267,039	7,323,153
Gross profit	1,775,352	2,719,321
Selling, general and administrative expenses	1,752,342	1,726,850
Operating income	23,010	992,471
Non-operating income		
Interest income	8,611	5,805
Dividend income	3,875	2,920
Rental income	1,568	1,334
Foreign exchange gains	3,581	-
Subsidy income	16,129	5,313
Other	4,356	3,232
Total non-operating income	38,122	18,606
Non-operating expenses		
Interest expenses	1,621	632
Foreign exchange losses	-	1,921
Share issuance costs	-	3,808
Rental expenses	130	-
Other	432	536
Total non-operating expenses	2,184	6,899
Ordinary income	58,948	1,004,177
Extraordinary losses		
Impairment losses	313,171	-
Loss on valuation of investment securities	29,535	-
Total extraordinary losses	342,707	-
Profit (loss) before income taxes	(283,758)	1,004,177
Income taxes	19,116	311,841
Profit (loss)	(302,874)	692,336
Profit attributable to non-controlling interests	6,605	5,401
Profit (loss) attributable to owners of parent	(309,480)	686,934

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

	(Thousands of yen)	
	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Profit (loss)	(302,874)	692,336
Other comprehensive income		
Valuation difference on available-for-sale securities	98,309	(26,211)
Foreign currency translation adjustment	(56,881)	52,431
Remeasurements of defined benefit plans, net of tax	2,984	(11,903)
Total other comprehensive income	44,413	14,316
Comprehensive income	(258,461)	706,652
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(264,023)	701,073
Comprehensive income attributable to non-controlling interests	5,562	5,579

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(283,758)	1,004,177
Depreciation	54,211	52,553
Impairment losses	313,171	-
Amortization of software	7,954	12,145
Amortization of goodwill	28,712	16,311
Amortization of customer-related assets	13,319	9,790
Amortization of trademark	1,875	471
Amortization of technology assets	3,328	837
Increase (decrease) in provision for bonuses	(51,620)	(138,301)
Increase (decrease) in retirement benefit liability	8,641	3,264
Decrease (increase) in retirement benefit asset	(501)	(1,721)
Interest and dividend income	(12,487)	(8,726)
Interest expenses	1,621	632
Decrease (increase) in trade receivables	1,431,972	-
Decrease (increase) in trade receivables and contract assets	-	4,415
Increase (decrease) in advances received	479,248	-
Increase (decrease) in contract liabilities	-	681,518
Decrease (increase) in inventories	(506,936)	233,619
Increase (decrease) in trade payables	(13,265)	(26,541)
Other, net	44,108	(563,446)
Subtotal	1,519,597	1,281,000
Interest and dividends received	12,972	5,159
Interest paid	(1,638)	(540)
Income taxes paid	(259,458)	(447,072)
Net cash provided by (used in) operating activities	1,271,473	838,546

	(Thousands of yen)	
	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)
Cash flows from investing activities		
Purchase of property, plant and equipment	(35,541)	(29,637)
Proceeds from sale of property, plant and equipment	-	6,260
Purchase of software	(10,830)	(11,414)
Purchase of investment securities	(19,498)	(728)
Proceeds from sale of investment securities	-	22,601
Loan advances	(773)	(46,587)
Collection of loans receivable	-	2,155
Proceeds from refund of guarantee deposits	2,038	1,171
Payments of guarantee deposits	(1,101)	(920)
Proceeds from sale of membership	-	490
Other, net	(475)	(475)
Net cash provided by (used in) investing activities	(66,180)	(57,084)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(392,268)	(400,000)
Repayments of lease obligations	(4,208)	(13,510)
Repayments of long-term borrowings	(4,200)	(2,800)
Proceeds from issuance of shares	-	913,240
Purchase of treasury shares	(62)	-
Proceeds from disposal of treasury shares	-	248,042
Dividends paid	(151,509)	(152,028)
Net cash provided by (used in) financing activities	(552,248)	592,943
Effect of exchange rate change on cash and cash equivalents	(35,214)	31,654
Net increase (decrease) in cash and cash equivalents	617,828	1,406,061
Cash and cash equivalents at beginning of period	3,908,254	4,853,695
Cash and cash equivalents at end of period	4,526,083	6,259,757

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

Not applicable.

Significant Changes in Shareholders' Equity

The following changes in equity resulted from the issuance of new shares and disposal of treasury shares due to the exercise of the second series of warrants with an adjustable exercise price that were issued on March 22, 2021 and sold by using a third-party allotment in accordance with a resolution approved by the JAST Board of Directors on March 5, 2021: Increases of 458,739 thousand yen in share capital, 458,739 thousand yen in capital surplus and 116,125 thousand yen in other capital surplus and a decrease of 133,209 thousand yen in treasury shares. At the end of September 2021, share capital was 1,535,409 thousand yen, capital surplus was 1,704,399 thousand yen and treasury shares was 85,306 thousand yen.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

JAST started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) at the beginning of the first quarter of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. As a result, the major change involves some contracts where sales were recognized when a final acceptance inspection was performed in accordance with the applicable inspection standards. For contracts where JAST has fulfilled its obligation to the customer over a specified period, the amount of progress of fulfilling the obligation is estimated, except when the period is extremely short, and revenue based on the progress is recognized for that period. In addition, the total payment received from customers for a product or service was recognized as revenue in prior years. Now, for transactions where the Group functions as an agent for the provision of a product or service to a customer, the amount paid to the supplier of the product or service is deducted from the payment received from a customer and the resulting net amount is recognized as revenue.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. In addition, JAST has applied the method prescribed in Paragraph 86, Article 1 of the Accounting Standard for Revenue Recognition, and accounted for contract changes made prior to the beginning of the first quarter of the current fiscal year based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, the application of the new standard resulted in reductions of 25,200 thousand yen in net sales and 110,390 thousand yen in cost of sales, and an increase of 85,190 thousand yen each in operating income, ordinary income and profit before income taxes. In addition, the new standard increased retained earnings at the beginning of the first half by 81,080 thousand yen.

“Notes and accounts receivable-trade” that was presented in the current assets section of the consolidated balance sheet in the previous fiscal year is presented as “Notes and accounts receivable-trade, and contract assets,” and “Advances received” that was presented in the current liabilities section is presented as “Contract liabilities” from the first quarter of the current fiscal year. In accordance with the transitional measures prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements to conform to the new presentation. Furthermore, in accordance with the transitional measures prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), JAST has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

JAST has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year.

JAST has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no effect of the application of these standards on the quarterly consolidated financial statements.

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 established a Board Benefit Trust (BBT) for the purpose of increasing motivation for contributing to the medium to long-term growth of sales and earnings and an increase in corporate value. The BBT 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

This is a stock compensation plan in which directors receive stock compensation through a BBT. The BBT acquires JAST stock using cash contributions from JAST as the source of funds. Directors (excluding external directors; same afterward unless indicated otherwise) receive stock compensation or a monetary amount equivalent to the market value of the stock in lieu of stock compensation in accordance with the rules on the stock compensation plan for directors. In principle, a director becomes eligible for stock compensation only after the individual is no longer a JAST director.

2) JAST stock held by the BBT

The book value (excluding associated expenses) of JAST stock held by the BBT is shown as treasury shares in the net assets section of the consolidated balance sheet. The BBT held 45,800 shares with a book value of 84,043 thousand yen as of the end of the second quarter of the current fiscal year.

Segment and Other Information

Segment information

I. First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

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	5,543,152	1,266,745	698,260	534,233	8,042,391	-	8,042,391
2. Inter-segment sales and transfers	29,392	7,942	485	-	37,820	(37,820)	-
Total	5,572,544	1,274,687	698,745	534,233	8,080,212	(37,820)	8,042,391
Segment profit (loss)	(192,164)	174,494	68,395	(36,582)	14,143	8,867	23,010

Notes: 1. Segment profit (loss) in the above adjustment represents eliminations of 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 impairment losses related to non-current assets

In the software business, there was an impairment loss for goodwill, customer-related assets, trademark rights and technology assets. The amount of this loss in the first six months of FY3/21 was 313,171 thousand yen.

Significant change in goodwill

In the software business, there was an impairment loss for goodwill.

The amount of this loss in the first six months of FY3/21 was 196,790 thousand yen.

II. First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)

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	6,986,697	1,721,348	593,813	740,615	10,042,475	-	10,042,475
2. Inter-segment sales and transfers	29,815	2,475	3,109	-	35,400	(35,400)	-
Total	7,016,513	1,723,824	596,923	740,615	10,077,876	(35,400)	10,042,475
Segment profit	429,492	498,659	2,000	61,308	991,461	1,009	992,471

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

2. Segment profit is consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

3. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, JAST has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of FY3/22 and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit has been changed as well.

The effect of this change was to decrease net sales by 60,515 thousand yen and to increase segment profit by 6,740 thousand yen for the first six months of FY3/22 in the software business. Net sales and segment profit increased 47,625 thousand yen and 45,974 thousand yen, respectively, in the GAKUEN business. Furthermore, net sales and segment profit decreased 110,310 thousand yen and 9,776 thousand yen, respectively, in the system sales business, and increased 98,000 thousand yen and 42,251 thousand yen, respectively, in the medical big data business.

Business Combinations

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.