

Summary of Consolidated Financial Results
for the Third Quarter of Fiscal Year Ending March 31, 2022
(Nine Months Ended December 31, 2021)

[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 | | |
| Contact: | Hiroyuki Norimoto, General Manager of General Affairs Department | Tel: | +81-6-4560-1000 |
| Scheduled date of filing of Quarterly Report: | | | February 14, 2022 |
| Scheduled date of payment of dividend: | | | - |
| Preparation of supplementary materials for quarterly financial results: | | | None |
| Holding of quarterly financial results meeting: | | | None |

Note: The original disclosure in Japanese was released on February 10, 2022 at 16:00 (GMT +9).

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

1. Consolidated Financial Results for the Third Quarter Ended December 31, 2021

(April 1, 2021 – December 31, 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 | % |
| Nine months ended Dec. 31, 2021 | 14,985 | - | 1,297 | - | 1,331 | - | 914 | - |
| Nine months ended Dec. 31, 2020 | 12,142 | (3.0) | 86 | (39.2) | 144 | (22.2) | (246) | - |

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2021: 901 (-%)

Nine months ended Dec. 31, 2020: (193) (-%)

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended Dec. 31, 2021 | 156.15 | - |
| Nine months ended Dec. 31, 2020 | (45.94) | - |

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 nine months ended December 31, 2021 incorporate this accounting standard and comparisons with the first nine months 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 Dec. 31, 2021 | 13,750 | 8,753 | 63.4 | 1,421.54 |
| As of Mar. 31, 2021 | 12,861 | 6,850 | 53.0 | 1,265.96 |

Reference: Shareholders' equity (million yen) As of Dec. 31, 2021: 8,717 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 December 31, 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) | - | - | - | 40.00 | 40.00 |

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 | 21,000 | 11.8 | 1,700 | 39.8 | 1,730 | 32.0 | 1,050 | 81.4 | 177.28 |

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 Dec. 31, 2021: | 6,209,230 shares | As of Mar. 31, 2021: | 5,612,230 shares |
|----------------------|------------------|----------------------|------------------|

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

| | | | |
|----------------------|---------------|----------------------|----------------|
| As of Dec. 31, 2021: | 76,766 shares | As of Mar. 31, 2021: | 230,423 shares |
|----------------------|---------------|----------------------|----------------|

3) Average number of shares outstanding during the period

| | | | |
|----------------------------------|------------------|----------------------------------|------------------|
| Nine months ended Dec. 31, 2021: | 5,854,313 shares | Nine months ended Dec. 31, 2020: | 5,362,125 shares |
|----------------------------------|------------------|----------------------------------|------------------|

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 nine months 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 November 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 November 2021 were up 7.6% 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 nine months were 14,985 million yen (up 23.4% year on year). Operating income was 1,297 million yen (vs. operating income of 86 million yen in the same period of the previous fiscal year), ordinary income was 1,331 million yen (up 819.2% year on year), and profit attributable to owners of parent was 914 million yen (vs. loss attributable to owners of parent of 246 million yen in the same period of the previous fiscal year).

Business segment performance was as follows.

(Software business)

The performance of this business benefited from the year-on-year increase in orders including large projects and strong sales of BankNeo, a data integration package for financial institutions. A recovery in sales and earnings in the ASEAN region also contributed to a big improvement in the profitability of the software business. Net sales in the first nine months totaled 10,560 million yen (up 22.9% year on year) and the operating income was 545 million yen (vs. operating loss of 122 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 2,462 million yen (up 45.6% year on year) and the operating income was 602 million yen (up 343.5% 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 825 million yen (down 19.9% year on year) and operating income was 40 million yen (down 63.6% 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 1,137 million yen (up 37.4% year on year) and operating income was 107 million yen (vs. operating loss of 39 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 third quarter were 10,747 million yen, up 1,051 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 3,002 million yen, down 162 million yen from the end of the previous fiscal year.

Current liabilities at the end of the third quarter were 3,314 million yen, down 1,073 million yen from the end of the previous fiscal year. This was mainly due to a decrease in provision for bonuses and repayments of short-term borrowings. Non-current liabilities were 1,682 million yen, up 59 million yen from the end of the previous fiscal year.

Net assets at the end of the third quarter were 8,753 million yen, up 1,903 million yen from the end of the previous fiscal year. This increase was mainly due to exercise of share acquisition rights and an increase in retained earnings of 81 million yen 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 802 million yen from 4,853 million yen at the beginning of the current fiscal year to 5,656 million yen at the end of the first nine months of the current fiscal year.

Cash flows by category were as follows.

Net cash provided by operating activities totaled 351 million yen, a decrease of 650 million yen from 1,001 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 88 million yen, a decrease of 192 million yen from 103 million yen provided in the same period of the previous fiscal year. This was due to a decrease in proceeds from redemption of investment securities.

Net cash provided by financing activities totaled 514 million yen, an increase of 1,368 million yen from 853 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 January 26, 2022 forecasts for the fiscal year ending March 31, 2022: net sales of 21,000 million yen (up 11.8% year on year), operating income of 1,700 million yen (up 39.8% year on year), ordinary income of 1,730 million yen (up 32.0% year on year), and profit attributable to owners of parent of 1,050 million yen (up 81.4% 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) | Third quarter of FY3/22 (As of Dec. 31, 2021) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,854,727 | 5,657,269 |
| Notes and accounts receivable-trade | 3,953,965 | - |
| Notes and accounts receivable-trade, and contract assets | - | 4,361,956 |
| Merchandise and finished goods | 185,543 | 248,820 |
| Work in process | 527,715 | 198,042 |
| Raw materials and supplies | 2,544 | 2,970 |
| Other | 184,859 | 290,949 |
| Allowance for doubtful accounts | (13,034) | (12,187) |
| Total current assets | 9,696,321 | 10,747,821 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 829,063 | 823,839 |
| Accumulated depreciation | (533,263) | (531,209) |
| Buildings and structures, net | 295,799 | 292,629 |
| Land | 142,361 | 142,361 |
| Other | 518,695 | 557,512 |
| Accumulated depreciation | (414,255) | (443,515) |
| Other, net | 104,440 | 113,997 |
| Total property, plant and equipment | 542,601 | 548,988 |
| Intangible assets | | |
| Goodwill | 175,722 | 160,677 |
| Customer-related assets | 106,056 | 96,210 |
| Trademark right | 7,602 | 7,309 |
| Technology assets | 13,496 | 12,975 |
| Software | 68,329 | 77,682 |
| Other | 7,626 | 7,626 |
| Total intangible assets | 378,834 | 362,481 |
| Investments and other assets | | |
| Investment securities | 632,126 | 568,109 |
| Retirement benefit asset | 666,814 | 669,422 |
| Deferred tax assets | 416,291 | 325,727 |
| Guarantee deposits | 439,769 | 439,393 |
| Other | 104,010 | 89,954 |
| Allowance for doubtful accounts | (15,208) | (1,348) |
| Total investments and other assets | 2,243,803 | 2,091,259 |
| Total non-current assets | 3,165,239 | 3,002,729 |
| Total assets | 12,861,561 | 13,750,551 |

(Thousands of yen)

| | FY3/21 (As of Mar. 31, 2021) | Third quarter of FY3/22 (As of Dec. 31, 2021) |
|--|---------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 1,021,837 | 881,223 |
| Short-term borrowings | 407,800 | 25,515 |
| Current portion of long-term borrowings | 2,800 | - |
| Income taxes payable | 473,761 | 121,049 |
| Advances received | 605,148 | - |
| Contract liabilities | - | 811,551 |
| Provision for bonuses | 885,138 | 480,082 |
| Provision for bonuses for directors (and other officers) | 62,319 | 23,167 |
| Provision for loss on construction contracts | 12,797 | 88,505 |
| Other | 916,547 | 883,130 |
| Total current liabilities | 4,388,151 | 3,314,224 |
| Non-current liabilities | | |
| Provision for share awards for directors (and other officers) | 84,228 | 114,280 |
| Provision for retirement benefits for directors (and other officers) | 4,239 | 6,042 |
| Retirement benefit liability | 1,017,504 | 1,032,249 |
| Deferred tax liabilities | 34,890 | 28,184 |
| Other | 482,171 | 501,744 |
| Total non-current liabilities | 1,623,034 | 1,682,501 |
| Total liabilities | 6,011,185 | 4,996,726 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,076,669 | 1,535,409 |
| Capital surplus | 1,128,115 | 1,703,991 |
| Retained earnings | 4,605,874 | 5,449,055 |
| Treasury shares | (218,515) | (175,264) |
| Total shareholders' equity | 6,592,143 | 8,513,192 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 186,775 | 140,377 |
| Foreign currency translation adjustment | (81,346) | (33,717) |
| Remeasurements of defined benefit plans | 115,566 | 97,711 |
| Total accumulated other comprehensive income | 220,996 | 204,372 |
| Share acquisition rights | 5,530 | - |
| Non-controlling interests | 31,705 | 36,259 |
| Total net assets | 6,850,375 | 8,753,824 |
| Total liabilities and net assets | 12,861,561 | 13,750,551 |

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

| | (Thousands of yen) | |
|--|---|---|
| | First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020) | First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021) |
| Net sales | 12,142,877 | 14,985,989 |
| Cost of sales | 9,515,273 | 11,068,084 |
| Gross profit | 2,627,603 | 3,917,904 |
| Selling, general and administrative expenses | 2,541,555 | 2,620,693 |
| Operating income | 86,048 | 1,297,211 |
| Non-operating income | | |
| Interest income | 14,357 | 9,349 |
| Dividend income | 6,867 | 6,391 |
| Rental income | 2,065 | 1,904 |
| Foreign exchange gains | 5,121 | 4,063 |
| Subsidy income | 15,833 | 11,116 |
| Other | 17,890 | 9,441 |
| Total non-operating income | 62,134 | 42,266 |
| Non-operating expenses | | |
| Interest expenses | 2,591 | 901 |
| Share issuance costs | - | 5,148 |
| Rental expenses | 133 | - |
| Other | 602 | 1,970 |
| Total non-operating expenses | 3,327 | 8,020 |
| Ordinary income | 144,854 | 1,331,457 |
| Extraordinary losses | | |
| Impairment losses | 313,252 | - |
| Loss on valuation of investment securities | 29,535 | - |
| Total extraordinary losses | 342,788 | - |
| Profit (loss) before income taxes | (197,933) | 1,331,457 |
| Income taxes | 40,185 | 412,562 |
| Profit (loss) | (238,118) | 918,894 |
| Profit attributable to non-controlling interests | 8,206 | 4,764 |
| Profit (loss) attributable to owners of parent | (246,325) | 914,130 |

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

(Thousands of yen)

| | First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020) | First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021) |
|--|---|---|
| Profit (loss) | (238,118) | 918,894 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 90,321 | (46,397) |
| Foreign currency translation adjustment | (50,305) | 46,903 |
| Remeasurements of defined benefit plans, net of tax | 4,477 | (17,855) |
| Total other comprehensive income | 44,492 | (17,349) |
| Comprehensive income | (193,625) | 901,545 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | (199,876) | 897,506 |
| Comprehensive income attributable to non-controlling interests | 6,250 | 4,038 |

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

| | First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020) | First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (197,933) | 1,331,457 |
| Depreciation | 79,902 | 81,958 |
| Impairment losses | 313,252 | - |
| Amortization of software | 12,533 | 17,603 |
| Amortization of goodwill | 37,789 | 23,394 |
| Amortization of customer-related assets | 18,088 | 14,733 |
| Amortization of trademark | 2,097 | 707 |
| Amortization of technology assets | 3,723 | 1,255 |
| Increase (decrease) in provision for bonuses | (365,735) | (405,471) |
| Increase (decrease) in retirement benefit liability | 10,392 | 15,819 |
| Decrease (increase) in retirement benefit asset | (731) | (2,607) |
| Interest and dividend income | (21,224) | (15,741) |
| Interest expenses | 2,591 | 901 |
| Decrease (increase) in trade receivables | 1,876,710 | - |
| Decrease (increase) in trade receivables and contract assets | - | (151,182) |
| Increase (decrease) in advances received | 154,352 | - |
| Increase (decrease) in contract liabilities | - | 416,870 |
| Decrease (increase) in inventories | (743,232) | 111,652 |
| Increase (decrease) in trade payables | (177,395) | (153,652) |
| Other, net | 259,715 | (215,366) |
| Subtotal | 1,264,898 | 1,072,335 |
| Interest and dividends received | 21,869 | 16,644 |
| Interest paid | (2,607) | (808) |
| Income taxes paid | (282,384) | (736,576) |
| Net cash provided by (used in) operating activities | 1,001,774 | 351,595 |

| | (Thousands of yen) | |
|---|---|---|
| | First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 2020) | First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (66,107) | (41,577) |
| Proceeds from sale of property, plant and equipment | - | 6,283 |
| Purchase of software | (21,203) | (29,971) |
| Purchase of investment securities | (20,399) | (1,229) |
| Proceeds from sale of investment securities | 9,909 | 22,601 |
| Proceeds from redemption of investment securities | 200,000 | - |
| Loan advances | - | (47,279) |
| Collection of loans receivable | - | 3,066 |
| Proceeds from refund of guarantee deposits | 4,431 | 821 |
| Payments of guarantee deposits | (1,166) | (933) |
| Proceeds from sale of membership | - | 690 |
| Other, net | (1,486) | (712) |
| Net cash provided by (used in) investing activities | 103,977 | (88,241) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (692,266) | (382,710) |
| Repayments of lease obligations | (3,814) | (20,438) |
| Repayments of long-term borrowings | (5,600) | (2,800) |
| Proceeds from issuance of shares | - | 914,768 |
| Purchase of treasury shares | (62) | (89,957) |
| Proceeds from disposal of treasury shares | - | 248,042 |
| Dividends paid | (151,509) | (152,028) |
| Net cash provided by (used in) financing activities | (853,252) | 514,875 |
| Effect of exchange rate change on cash and cash equivalents | (31,689) | 24,354 |
| Net increase (decrease) in cash and cash equivalents | 220,810 | 802,583 |
| Cash and cash equivalents at beginning of period | 3,908,254 | 4,853,695 |
| Cash and cash equivalents at end of period | 4,129,065 | 5,656,279 |

(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 117,136 thousand yen in other capital surplus and a decrease of 43,251 thousand yen in treasury shares. At the end of December 2021, share capital was 1,535,409 thousand yen, capital surplus was 1,703,991 thousand yen and treasury shares was 175,264 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 252,989 thousand yen in net sales and 46,859 thousand yen in cost of sales, and an increase of 206,129 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 current fiscal year 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 nine months 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 74,600 shares with a book value of 171,700 thousand yen as of the end of the third quarter of the current fiscal year.

Segment and Other Information

Segment information

I. First nine months of FY3/21 (Apr. 1, 2020 – Dec. 31, 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 | 8,593,054 | 1,690,835 | 1,031,248 | 827,738 | 12,142,877 | - | 12,142,877 |
| 2. Inter-segment sales and transfers | 42,568 | 7,942 | 998 | - | 51,509 | (51,509) | - |
| Total | 8,635,623 | 1,698,778 | 1,032,247 | 827,738 | 12,194,387 | (51,509) | 12,142,877 |
| Segment profit (loss) | (122,393) | 135,865 | 111,519 | (39,924) | 85,067 | 980 | 86,048 |

Notes: 1. Segment profit (loss) in the above adjustment represents eliminations of 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

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 nine months of FY3/21 was 313,252 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 nine months of FY3/21 was 196,841 thousand yen.

II. First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 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 | 10,560,384 | 2,462,259 | 825,746 | 1,137,600 | 14,985,989 | - | 14,985,989 |
| 2. Inter-segment sales and transfers | 48,717 | 2,691 | 3,393 | - | 54,801 | (54,801) | - |
| Total | 10,609,101 | 2,464,950 | 829,139 | 1,137,600 | 15,040,791 | (54,801) | 14,985,989 |
| Segment profit | 545,240 | 602,555 | 40,587 | 107,307 | 1,295,690 | 1,521 | 1,297,211 |

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 30,054 thousand yen and to increase segment profit by 6,026 thousand yen for the first nine months of FY3/22 in the software business. Net sales and segment profit increased 263,977 thousand yen and 123,857 thousand yen, respectively, in the GAKUEN business. Furthermore, net sales and segment profit decreased 166,078 thousand yen and 14,390 thousand yen, respectively, in the system sales business, and increased 185,145 thousand yen and 90,636 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.