

Summary of Consolidated Financial Results
for the First Quarter of Fiscal Year Ending March 31, 2019
(Three Months Ended June 30, 2018)

[Japanese GAAP]

Company name:	Japan System Techniques Co., Ltd.	Listing:	Tokyo Stock Exchange, First Section
Stock code:	4323	URL:	http://www.jast.jp
Representative:	Takeaki Hirabayashi, President and CEO		
Contact:	Noriaki Okado, Director and CFO	Tel:	+81-6-4560-1000
Scheduled date of filing of Quarterly Report:			August 6, 2018
Scheduled date of payment of dividend:			-
Preparation of supplementary materials for quarterly financial results:	None		
Holding of quarterly financial results meeting:	None		

Note: The original disclosure in Japanese was released on August 3, 2018 at 16:00 (GMT +9).

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

1. Consolidated Financial Results for the First Quarter Ended June 30, 2018

(April 1, 2018 – June 30, 2018)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2018	4,106	27.6	154	-	162	-	99	-
Three months ended Jun. 30, 2017	3,219	15.0	(10)	-	5	-	(2)	-

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2018: 92 (up 772.6 %)

Three months ended Jun. 30, 2017: 10 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2018	18.93	-
Three months ended Jun. 30, 2017	(0.55)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2018	12,039	6,191	51.1	1,171.23
As of Mar. 31, 2018	12,308	6,246	50.4	1,181.54

Reference: Shareholders' equity (million yen) As of Jun. 30, 2018: 6,146 As of Mar. 31, 2018: 6,200

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	0.00	-	28.00	28.00
Fiscal year ending Mar. 31, 2019	-				
Fiscal year ending Mar. 31, 2019 (forecasts)		0.00	-	28.00	28.00

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

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	15,765	0.9	865	16.7	875	11.4	585	1.0	111.47

Note: Revisions to the most recently announced consolidated earnings forecasts: None

*** Notes**

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

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

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

As of Jun. 30, 2018:	5,612,230 shares	As of Mar. 31, 2018:	5,612,230 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2018:	364,210 shares	As of Mar. 31, 2018:	364,210 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2018:	5,248,020 shares	Three months ended Jun. 30, 2017:	5,248,020 shares
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Note 1: The current quarterly summary report is not subject to quarterly review by certified public accountants or auditing firms.

Note 2: Cautionary statement with respect to forward-looking statements

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecasts and Other Forward-looking Statements" on page 3 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

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

In the IT industry in Japan, according to the latest statistics in the “Survey of Selected Service Industries” by the Ministry of Economy, Trade and Industry (the final May figures), net sales continued to climb, rising 2.5% year on year in Fiscal 2017 (compared with 1.3% annual growth in Fiscal 2016). Despite the higher sales, the outlook for the IT industry is uncertain because there were some months in fiscal 2017 when sales were lower than one year earlier.

Consolidated results of operations of the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries, hereafter “the JAST Group”) were strong in the first quarter of the current fiscal year. Sales and earnings at all levels increased as follows: net sales of 4,106 million yen (up 27.6% year on year), operating income of 154 million yen (vs. operating loss of 10 million yen in the same period of the previous fiscal year), ordinary income of 162 million yen (up 2,904.4% year on year), and profit attributable to owners of parent of 99 million yen (vs. loss attributable to owners of parent of 2 million yen in the same period of the previous fiscal year).

In the first quarter of the current fiscal year, the Package business segment was renamed the GAKUEN business segment. Results by segment were as follows.

In the software business (individualized contracted software development), sales in the telecommunications industry and the manufacturing industry, and to educational institutions increased while there was a decrease in sales in the service/retail industry and public sector. Net sales in this business totaled 2,644 million yen (up 10.5% year on year) and operating income was 154 million yen (up 170.6% year on year).

In the GAKUEN business (development, sale and related services of operational reform packages for schools), there were increases in IT equipment sales, implementation support sales and end user computing (EUC: individualized contracted development of related systems) sales. However, there was a decline in sales of program products (PP) to universities, which are a highly profitable category of this business. Net sales in this business totaled 456 million yen (up 12.6% year on year) and operating loss was 43 million yen (vs. operating loss of 31 million yen in the same period of the previous fiscal year).

In the system sales business (IT equipment sales and IT/telecom infrastructure construction), sales to universities and the public sector increased. Net sales in this business totaled 827 million yen (up 223.9% year on year), and operating income was 103 million yen (vs. operating loss of 7 million yen in the same period of the previous fiscal year).

Lastly, in the medical big data business (inspection, analysis and related services of medical information), sales of automated inspection services for health insurance claims and services for data analysis and notification of the cost of medical care were strong. However, expenses increased faster than sales growth in order to build a stronger organization in this business and for other activities. Net sales in this business totaled 178 million yen (up 8.2% year on year), and operating loss totaled 65 million yen (vs. operating loss of 29 million yen in the same period of the previous fiscal year).

(2) Explanation of Financial Position

1) Balance sheet position

The balance of current assets at the end of the first quarter of the current fiscal year was 9,191 million yen, down 249 million yen from the end of the previous fiscal year. This was mainly due to an increase in cash and deposits resulting from the collection of accounts receivable-trade and advances received, and a decrease in purchased products. The balance of non-current assets was 2,848 million yen at the end of the first quarter, down 19 million yen from the end of the previous fiscal year.

The balance of current liabilities at the end of the first quarter was 4,393 million yen, down 171 million yen from the end of the previous fiscal year. This was mainly due to increases in advances received and short-term loans payable, and decreases in accounts payable-trade and provision for bonuses. The balance of non-current liabilities was 1,454 million yen at the end of the first quarter, down 43 million yen from the end of the previous fiscal year.

The balance of net assets was 6,191 million yen at the end of the first quarter, down 54 million yen from the end of the previous fiscal year. This was mainly due to the payment of dividends and profit attributable to owners of parent in the first three months.

2) Cash flows

Cash and cash equivalents increased 2,040 million yen from 2,785 million yen at the beginning of the current fiscal year to 4,825 million yen at the end of the first three months of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 1,885 million yen, an increase of 459 million yen from 1,425 million yen provided in the same period of the previous fiscal year. This increase was mainly due to an increase in proceeds from collection of notes and accounts receivable-trade, a decrease in inventories, an increase in profit before income taxes, and a decrease in notes and accounts payable-trade.

Cash flows provided by investing activities totaled 211 million yen, an increase of 207 million yen from 4 million yen provided in the same period of the previous fiscal year. This increase was mainly due to increases in proceeds from cancellation of time deposits and sales of real estate for rent.

Cash flows used in financing activities totaled 55 million yen, a decrease of 159 million yen from 104 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to a decrease in short-term loans payable.

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

We maintain the May 11, 2018 forecasts for the fiscal year ending March 31, 2019: net sales of 15,765 million yen (up 0.9% year on year), operating income of 865 million yen (up 16.7% year on year), ordinary income of 875 million yen (up 11.4% year on year), and profit attributable to owners of parent of 585 million yen (up 1.0% year on year).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
Assets		
Current assets		
Cash and deposits	2,994,700	4,881,226
Notes and accounts receivable-trade	4,991,576	2,786,891
Merchandise and finished goods	576,412	429,534
Work in process	711,654	931,384
Raw materials and supplies	2,272	2,178
Other	201,206	194,391
Allowance for doubtful accounts	(36,900)	(34,554)
Total current assets	9,440,922	9,191,053
Non-current assets		
Property, plant and equipment		
Buildings and structures	657,805	691,863
Accumulated depreciation	(375,281)	(384,140)
Buildings and structures, net	282,523	307,722
Land	142,361	142,361
Other	381,968	399,017
Accumulated depreciation	(283,798)	(289,445)
Other, net	98,170	109,572
Total property, plant and equipment	523,055	559,656
Intangible assets		
Goodwill	29,434	27,170
Software	86,997	80,199
Other	7,626	7,626
Total intangible assets	124,058	114,996
Investments and other assets		
Investment securities	705,240	700,660
Net defined benefit asset	535,482	540,508
Deferred tax assets	389,352	441,234
Guarantee deposits	390,110	407,839
Other	245,123	128,204
Allowance for doubtful accounts	(44,609)	(44,609)
Total investments and other assets	2,220,698	2,173,837
Total non-current assets	2,867,812	2,848,491
Total assets	12,308,734	12,039,545

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,040,633	1,004,831
Short-term loans payable	218,592	322,587
Current portion of long-term loans payable	8,400	8,400
Income taxes payable	271,702	113,063
Advances received	652,455	1,259,874
Provision for bonuses	638,152	298,773
Provision for directors' bonuses	29,087	6,186
Other	705,120	1,379,419
Total current liabilities	4,564,144	4,393,135
Non-current liabilities		
Long-term loans payable	20,300	18,200
Provision for directors' retirement benefits	426,250	11,138
Net defined benefit liability	920,209	931,357
Other	131,268	493,862
Total non-current liabilities	1,498,027	1,454,558
Total liabilities	6,062,172	5,847,693
Net assets		
Shareholders' equity		
Capital stock	1,076,669	1,076,669
Capital surplus	994,621	994,621
Retained earnings	4,188,119	4,140,501
Treasury shares	(266,539)	(266,539)
Total shareholders' equity	5,992,871	5,945,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	126,589	123,266
Foreign currency translation adjustment	(10,428)	(8,828)
Remeasurements of defined benefit plans	91,694	86,972
Total accumulated other comprehensive income	207,856	201,411
Non-controlling interests	45,835	45,187
Total net assets	6,246,562	6,191,851
Total liabilities and net assets	12,308,734	12,039,545

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

	(Thousands of yen)	
	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Net sales	3,219,208	4,106,450
Cost of sales	2,561,997	3,209,531
Gross profit	657,210	896,919
Selling, general and administrative expenses	667,551	742,842
Operating income (loss)	(10,340)	154,077
Non-operating income		
Interest income	2,811	2,801
Dividend income	2,777	2,831
Rent income	3,373	1,363
Foreign exchange gains	1,327	-
Insurance premiums refunded cancellation	5,226	-
Subsidy income	-	2,825
Other	3,331	1,860
Total non-operating income	18,849	11,681
Non-operating expenses		
Interest expenses	517	615
Foreign exchange losses	-	949
Rent expenses	2,241	973
Other	332	469
Total non-operating expenses	3,091	3,007
Ordinary income	5,417	162,751
Profit before income taxes	5,417	162,751
Income taxes	8,767	63,302
Profit (loss)	(3,350)	99,449
Profit (loss) attributable to non-controlling interests	(450)	123
Profit (loss) attributable to owners of parent	(2,899)	99,326

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

(Thousands of yen)

	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Profit (loss)	(3,350)	99,449
Other comprehensive income		
Valuation difference on available-for-sale securities	22,755	(3,322)
Foreign currency translation adjustment	(4,962)	818
Remeasurements of defined benefit plans, net of tax	(3,874)	(4,722)
Total other comprehensive income	13,919	(7,227)
Comprehensive income	10,569	92,222
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	11,025	92,880
Comprehensive income attributable to non-controlling interests	(455)	(658)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Cash flows from operating activities		
Profit before income taxes	5,417	162,751
Depreciation	20,836	15,480
Amortization of software	10,591	10,795
Amortization of goodwill	4,264	2,264
Increase (decrease) in provision for bonuses	(335,114)	(339,267)
Increase (decrease) in net defined benefit liability	14,063	11,578
Decrease (increase) in net defined benefit asset	(4,686)	(5,026)
Interest and dividend income	(5,589)	(5,632)
Interest expenses	517	615
Decrease (increase) in notes and accounts receivable-trade	1,507,750	2,201,499
Increase (decrease) in advances received	624,759	620,143
Decrease (increase) in inventories	(391,929)	(73,013)
Increase (decrease) in notes and accounts payable-trade	(277,661)	(1,035,713)
Other, net	488,339	563,215
Subtotal	1,661,559	2,129,692
Interest and dividend income received	5,929	5,883
Interest expenses paid	(466)	(613)
Income taxes paid	(241,891)	(249,890)
Net cash provided by (used in) operating activities	1,425,131	1,885,073
Cash flows from investing activities		
Decrease (increase) in time deposits	(6)	153,108
Purchase of property, plant and equipment	(4,189)	(11,945)
Proceeds from sales of real estate for rent	-	109,183
Purchase of software	(16,060)	(19,777)
Purchase of investment securities	(448)	(452)
Proceeds from cancellation of insurance funds	12,275	162
Proceeds from collection of guarantee deposits	11,870	377
Payments for guarantee deposits	(723)	(18,186)
Other, net	1,986	(721)
Net cash provided by (used in) investing activities	4,703	211,748
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	248,595	104,765
Repayments of lease obligations	(10,772)	(10,892)
Repayments of long-term loans payable	(2,100)	(2,100)
Cash dividends paid	(131,200)	(146,944)
Net cash provided by (used in) financing activities	104,522	(55,171)
Effect of exchange rate change on cash and cash equivalents	(1,658)	(1,037)
Net increase (decrease) in cash and cash equivalents	1,532,698	2,040,612
Cash and cash equivalents at beginning of period	1,951,458	2,785,193
Cash and cash equivalents at end of period	3,484,157	4,825,806

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

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

Effective from the beginning of the first quarter of the current fiscal year, JAST has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Accordingly, deferred tax assets are reclassified and included in the investments and other assets section.

Provision for directors' retirement benefits

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

Accordingly, the entire amount of the provision for directors' retirement benefits, which was included in non-current liabilities, has been deleted and there is instead a long-term accounts payable-other of 356 million yen for these benefit plan termination payments that is included in the "other" item of non-current liabilities.

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

Segment and Other Information**Segment information****I. First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)****1. Information related to net sales and profit or loss for each reportable segment** (Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales							
1. External sales	2,393,713	405,160	255,491	164,842	3,219,208	-	3,219,208
2. Inter-segment sales and transfers	16,630	-	3,885	-	20,515	(20,515)	-
Total	2,410,343	405,160	259,376	164,842	3,239,723	(20,515)	3,219,208
Segment profit (loss)	57,184	(31,959)	(7,420)	(29,954)	(12,150)	1,809	(10,340)

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

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

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

Not applicable.

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

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Software business	GAKUEN business	System sales business	Medical big data business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales							
1. External sales	2,644,387	456,119	827,513	178,429	4,106,450	-	4,106,450
2. Inter-segment sales and transfers	15,691	3,421	1,537	-	20,649	(20,649)	-
Total	2,660,079	459,541	829,050	178,429	4,127,100	(20,649)	4,106,450
Segment profit (loss)	154,743	(43,147)	103,215	(65,668)	149,143	4,934	154,077

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

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

3. In the first quarter of the current fiscal year, the Package business segment was renamed to the GAKUEN business segment. The change does not influence the segment information. The segment information for the first three months of the previous fiscal year is prepared and disclosed using the new segment name.

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

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.