February 13, 2019

Summary of Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019 (Nine Months Ended December 31, 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: February 14, 2019
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on February 13, 2019 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, 2018 (April 1, 2018 – December 31, 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	%
Nine months ended Dec. 31, 2018	11,725	11.6	251	159.8	252	79.9	125	92.4
Nine months ended Dec. 31, 2017	10,506	9.7	96	-	140	-	65	-

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2018: 86 (down 6.4%)
Nine months ended Dec. 31, 2017: 92 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2018	23.90	-
Nine months ended Dec. 31, 2017	12.42	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2018	12,662	6,186	48.5	1,171.10
As of Mar. 31, 2018	12,308	6,246	50.4	1,181.54

Reference: Shareholders' equity (million yen) As of Dec. 31, 2018: 6,145 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	-	0.00	-		
Fiscal year ending Mar. 31, 2019 (forecasts)				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 Dec. 31, 2018:	5,612,230 shares	As of Mar. 31, 2018:	5,612,230 shares

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

As of Dec. 31, 2018:	364,210 shares	As of Mar. 31, 2018:	364,210 shares

3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2018:	5,248,020 shares	Nine months ended Dec. 31, 2017:	5,248,020 shares

Note: The Company's stock held by the Board Benefit Trust (BBT) is included in the number of treasury shares (49,000 shares as of Dec. 31, 2018), and is deducted from the number of shares that is used to calculate the average number of shares outstanding during the period.

Note 1: The current quarterly summary report is not subject to quarterly review by certified public accountants or auditing firms.

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

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

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months 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 November 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.

In the first nine months, the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries, hereafter "the JAST Group") posted net sales of 11,725 million yen (up 11.6% year on year), operating income of 251 million yen (up 159.8% year on year), ordinary income of 252 million yen (up 79.9% year on year), and profit attributable to owners of parent of 125 million yen (up 92.4% year on year). Results by segment were as follows.

In the software business (individualized contracted software development), sales in the service/retail industry, manufacturing industry and finance/insurance/brokerage industry increased while there was a decrease in sales in public sector. Net sales in this business totaled 8,398 million yen (up 15.1% year on year) and operating income was 350 million yen (up 122.7% 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 and maintenance and implementation support 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 1,340 million yen (down 0.1% year on year) and operating loss was 112 million yen (vs. operating income of 9 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 1,378 million yen (up 6.8% year on year), and operating income was 133 million yen (vs. operating loss of 15 million yen in the same period of the previous fiscal year).

Lastly, in the medical big data business (inspection, analysis and related services of medical information data), sales of automated inspection services for health insurance claims and 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 607 million yen (up 5.0% year on year), and operating loss totaled 126 million yen (vs. operating loss of 58 million yen in the same period of the previous fiscal year).

Features of the Group's quarterly results

A feature of the Group's software, GAKUEN and systems sales businesses is that the delivery inspection period of most customers concentrates in March, the last month of the fiscal year for most companies, and then in September, the last month of the second quarter. This means that the Group's earnings in the first and third quarters tend to be much smaller than in the second and fourth quarters.

(2) Explanation of Financial Position

1) Balance sheet position

The balance of current assets at the end of the third quarter of the current fiscal year was 9,006 million yen, down 434 million yen from the end of the previous fiscal year. This was mainly due to decreases in accounts receivable-trade and merchandise and finished goods. The balance of non-current assets was 3,655 million yen at the end of the third quarter, up 787 million yen from the end of the previous fiscal year. This was mainly due to an increase in goodwill.

The balance of current liabilities at the end of the third quarter was 4,968 million yen, up 404 million yen from the end of the previous fiscal year. This was mainly due to increases in short-term loans payable and advances received, and decreases in notes and accounts payable-trade and provision for bonuses. The balance of non-current liabilities was 1,507 million yen at the end of the third quarter, up 9 million yen from the end of the previous fiscal year.

The balance of net assets was 6,186 million yen at the end of the third quarter, down 60 million yen from the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents increased 1,872 million yen from 2,785 million yen at the beginning of the current fiscal year to 4,657 million yen at the end of the first nine months of the current fiscal year.

Cash flows by category were as follows.

Cash flows provided by operating activities totaled 1,200 million yen, an increase of 742 million yen from 457 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 and a decrease in outlays for inventories while there was an increase in payments for notes and accounts payable-trade.

Cash flows used in investing activities totaled 1,013 million yen, a decrease of 980 million yen from 33 million yen used in the same period of the previous fiscal year. This decrease was mainly due to an increase in purchases of shares of subsidiaries while there were increases in proceeds from cancellation of time deposits and sales of real estate for rent.

Cash flows provided by financing activities totaled 1,687 million yen, an increase of 1,503 million yen from 184 million yen provided in the same period of the previous fiscal year. This increase was mainly due to an increase 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)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	2,994,700	4,714,777
Notes and accounts receivable-trade	4,991,576	3,088,762
Merchandise and finished goods	576,412	104,282
Work in process	711,654	824,894
Raw materials and supplies	2,272	2,753
Other	201,206	338,710
Allowance for doubtful accounts	(36,900)	(67,343)
Total current assets	9,440,922	9,006,838
Non-current assets		
Property, plant and equipment		
Buildings and structures	657,805	721,089
Accumulated depreciation	(375,281)	(410,277)
Buildings and structures, net	282,523	310,811
Land	142,361	142,361
Other	381,968	441,883
Accumulated depreciation	(283,798)	(328,208)
Other, net	98,170	113,675
Total property, plant and equipment	523,055	566,848
Intangible assets		
Goodwill	29,434	1,022,181
Software	86,997	61,315
Other	7,626	7,626
Total intangible assets	124,058	1,091,123
Investments and other assets		
Investment securities	705,240	644,062
Net defined benefit asset	535,482	550,679
Deferred tax assets	389,352	302,969
Guarantee deposits	390,110	414,218
Other	245,123	97,797
Allowance for doubtful accounts	(44,609)	(12,209)
Total investments and other assets	2,220,698	1,997,518
Total non-current assets	2,867,812	3,655,490
Total assets	12,308,734	12,662,329

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,040,633	825,645
Short-term loans payable	218,592	2,071,515
Current portion of long-term loans payable	8,400	8,400
Income taxes payable	271,702	8,704
Provision for bonuses	638,152	361,236
Provision for directors’ bonuses	29,087	19,634
Advances received	652,455	892,241
Other	705,120	781,357
Total current liabilities	4,564,144	4,968,736
Non-current liabilities		
Long-term loans payable	20,300	14,000
Provision for management board incentive plan trust	-	13,367
Provision for directors’ retirement benefits	426,250	13,031
Net defined benefit liability	920,209	965,385
Other	131,268	501,630
Total non-current liabilities	1,498,027	1,507,415
Total liabilities	6,062,172	6,476,152
Net assets		
Shareholders’ equity		
Capital stock	1,076,669	1,076,669
Capital surplus	994,621	1,048,676
Retained earnings	4,188,119	4,166,581
Treasury shares	(266,539)	(320,594)
Total shareholders’ equity	5,992,871	5,971,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	126,589	83,280
Foreign currency translation adjustment	(10,428)	13,792
Remeasurements of defined benefit plans	91,694	77,528
Total accumulated other comprehensive income	207,856	174,600
Non-controlling interests	45,835	40,243
Total net assets	6,246,562	6,186,177
Total liabilities and net assets	12,308,734	12,662,329

(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 FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	10,506,786	11,725,460
Cost of sales	8,512,423	9,283,831
Gross profit	1,994,362	2,441,628
Selling, general and administrative expenses	1,897,669	2,190,416
Operating income	96,693	251,211
Non-operating income		
Interest income	5,607	5,548
Dividend income	6,058	6,960
Rent income	9,954	2,836
Foreign exchange gains	5,909	-
Insurance premiums refunded cancellation	5,226	-
Subsidy income	11,817	13,417
Other	7,135	6,657
Total non-operating income	51,708	35,420
Non-operating expenses		
Interest expenses	901	1,817
Foreign exchange losses	-	29,209
Rent expenses	4,586	980
Other	2,275	1,674
Total non-operating expenses	7,763	33,681
Ordinary income	140,638	252,950
Profit before income taxes	140,638	252,950
Income taxes	80,395	133,320
Profit	60,243	119,630
Loss attributable to non-controlling interests	(4,925)	(5,776)
Profit attributable to owners of parent	65,169	125,406

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

(Thousands of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Profit	60,243	119,630
Other comprehensive income		
Valuation difference on available-for-sale securities	45,698	(43,309)
Foreign currency translation adjustment	(1,842)	24,394
Remeasurements of defined benefit plans, net of tax	(11,622)	(14,166)
Total other comprehensive income	32,232	(33,081)
Comprehensive income	92,476	86,548
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	95,764	92,151
Comprehensive income attributable to non-controlling interests	(3,287)	(5,602)

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	140,638	252,950
Depreciation	79,701	57,789
Amortization of software	31,871	31,175
Amortization of goodwill	8,792	6,792
Increase (decrease) in provision for bonuses	(298,544)	(278,367)
Increase (decrease) in net defined benefit liability	36,184	44,890
Decrease (increase) in net defined benefit asset	(14,217)	(15,197)
Interest and dividend income	(11,665)	(12,509)
Interest expenses	901	1,817
Decrease (increase) in notes and accounts receivable-trade	1,291,902	2,177,988
Increase (decrease) in advances received	351,720	252,677
Decrease (increase) in inventories	(772,156)	357,893
Increase (decrease) in notes and accounts payable-trade	(55,288)	(1,279,546)
Other, net	(100,174)	(115,479)
Subtotal	689,665	1,482,874
Interest and dividend income received	12,541	13,242
Interest expenses paid	(935)	(1,634)
Income taxes paid	(243,523)	(293,938)
Net cash provided by (used in) operating activities	457,747	1,200,544
Cash flows from investing activities		
Decrease (increase) in time deposits	(23)	153,108
Purchase of property, plant and equipment	(18,994)	(71,540)
Proceeds from sales of real estate for rent	-	109,183
Purchase of software	(16,060)	(21,827)
Purchase of investment securities	(31,717)	(1,974)
Proceeds from sales of short-term and long-term investment securities	9,260	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,161,140)
Proceeds from cancellation of insurance funds	12,275	162
Payments for guarantee deposits	(1,368)	(19,442)
Proceeds from collection of guarantee deposits	12,485	1,469
Other, net	1,107	(1,930)
Net cash provided by (used in) investing activities	(33,037)	(1,013,933)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	333,438	1,853,248
Repayments of lease obligations	(11,746)	(12,582)
Repayments of long-term loans payable	(5,600)	(6,300)
Cash dividends paid	(131,200)	(146,944)
Dividends paid to non-controlling interests	(764)	-
Net cash provided by (used in) financing activities	184,126	1,687,421
Effect of exchange rate change on cash and cash equivalents	2,355	(1,498)
Net increase (decrease) in cash and cash equivalents	611,192	1,872,533
Cash and cash equivalents at beginning of period	1,951,458	2,785,193
Cash and cash equivalents at end of period	2,562,650	4,657,727

(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 on 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 356.395 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.

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

Segment and Other Information

Segment information

I. First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 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	7,294,946	1,341,836	1,291,083	578,920	10,506,786	-	10,506,786
2. Inter-segment sales and transfers	48,426	-	20,759	-	69,186	(69,186)	-
Total	7,343,373	1,341,836	1,311,843	578,920	10,575,973	(69,186)	10,506,786
Segment profit (loss)	157,564	9,169	(15,032)	(58,089)	93,613	3,080	96,693

Notes: 1. Segment profit (loss) 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.

II. First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 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	8,398,560	1,340,203	1,378,956	607,739	11,725,460	-	11,725,460
2. Inter-segment sales and transfers	48,955	7,652	3,242	-	59,850	(59,850)	-
Total	8,447,516	1,347,855	1,382,198	607,739	11,785,310	(59,850)	11,725,460
Segment profit (loss)	350,900	(112,098)	133,028	(126,406)	245,424	5,786	251,211

Notes: 1. Segment profit (loss) 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.

3. In the first quarter of the current fiscal year, the Package business segment was renamed the GAKUEN business segment. The change does not influence the segment information. The segment information for the first nine 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

Significant change in goodwill

In the third quarter of the current fiscal year, the Software business purchased the stock of the following companies located in Malaysia: Virtual Calibre SDN. BHD. and Virtual Calibre MSC SDN. BHD. In addition, Virtual Calibre MSC SDN. BHD purchased the stock of Virtual Calibre Consulting SDN. BHD, making it a consolidated subsidiary. The goodwill arising from these transactions is 999.538 million yen.

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

Business Combinations

Business combination through acquisition

1. Summary of business combination

1) Acquired companies and their business activities

i) Virtual Calibre SDN. BHD.

Business activities: Software development and consultation services

ii) Virtual Calibre MSC SDN. BHD.

Business activities: Software development and multimedia app design

iii) Virtual Calibre Consulting SDN. BHD.

Business activities: IT management and consultation services

2) Reasons for acquisition

The JAST Group has been active in the ASEAN region for more than 25 years, primarily at JAST TECHNIQUES PTE. LTD. in Singapore and JASTEC (THAILAND) CO., LTD. in Thailand. 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.

Adding the Virtual Calibre Group to the JAST Group will expand our operations in Malaysia as well as the entire ASEAN region. This expansion is expected to contribute to the growth of JAST subsidiaries in the ASEAN region and to more opportunities for the growth of the SAP business in Japan over the medium and long term. These benefits are expected to enable the JAST Group to grow even faster. Due to this outlook, the decision was made to acquire the Virtual Calibre Group.

3) Acquisition date

October 11, 2018 and November 26, 2018 (stock acquisition date)

September 30, 2018 (assumed acquisition date)

4) Legal form of acquisition

Acquisition of shares with cash

5) Company's names after acquisition

There is no change in the company's names.

6) Percentage of voting rights acquired

i) Virtual Calibre SDN. BHD.

100%

ii) Virtual Calibre MSC SDN. BHD.

100%

iii) Virtual Calibre Consulting SDN. BHD.

Virtual Calibre MSC SDN. BHD. acquired 30% of the voting rights of Virtual Calibre Consulting SDN. BHD. JAST makes Virtual Calibre Consulting SDN. BHD. a consolidated subsidiary too because two companies belonging to the JAST Group or Virtual Calibre Group account for the majority of administrative operations and for other reasons.

7) Basis for choosing the company to acquire

JAST acquired the shares in exchange for consideration in cash.

2. Period of the acquired companies' performance included in the quarterly consolidated statement of income for the period under review

The quarterly consolidated statement of income for the first nine months of the current fiscal year does not reflect the performance of the acquired companies since JAST has consolidated only the balance sheets. This is because the assumed acquisition date of September 30, 2018 does not exceed three months from the consolidation closing date of the third quarter.

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

Payment for the acquisition:	Cash	1,653.094 million yen
Acquisition cost:		1,653.094

4. Details of major acquisition-related costs

Remuneration for advisory members and other related fees: 68.007 million yen

5. Goodwill resulting from the acquisition

1) Value of goodwill

999.538 million yen

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

2) Source of goodwill

The source is primarily the expectation of excess earnings power emerging from business development in the future.

3) Amortization method and amortization period

Goodwill is amortized over eight years by the straight-line method.

Contingent Liabilities

On November 10, 2015 JAST was sued by Plesion Co., Ltd. for payment of incentives (initial demand 40.798 million yen, which the plaintiff later increased to 145.000 million yen) based on the basic business alliance and other agreement related to medical insurance inspection systems. At the trial on August 10, 2018, the Osaka District Court delivered judgement to order JAST to pay 145.000 million yen.

Nevertheless, because the factual premises for the judgement were at variance with its perceptions, JAST has appealed the judgement to the Osaka High Court.

The judgement came with a declaration of provisional execution. In order to seek exemption from the provisional execution, JAST on August 16, 2018 deposited 120.000 million yen ("Others" under current assets) with the Regional Legal Affairs Bureau.