

**Summary of Consolidated Financial Results**  
**for the Second Quarter of Fiscal Year Ending March 31, 2020**  
**(Six Months Ended September 30, 2019)**

[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, Managing Director and CFO Tel: +81-6-4560-1000  
 Scheduled date of filing of Quarterly Report: November 11, 2019  
 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 8, 2019 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, 2019**

(April 1, 2019 – September 30, 2019)

(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, 2019	8,610	7.3	190	(27.7)	202	(27.6)	(552)	-
Six months ended Sep. 30, 2018	8,024	14.9	263	182.6	280	136.9	175	189.6

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: (583) (-%)  
 Six months ended Sep. 30, 2018: 147 (up 68.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	(104.18)	-
Six months ended Sep. 30, 2018	33.45	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2019	12,278	5,683	46.0	1,065.28
As of Mar. 31, 2019	13,636	6,418	46.8	1,202.34

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 5,653 As of Mar. 31, 2019: 6,381

Note: The provisional accounting treatment for a business combination has been finalized in the first quarter of the current fiscal year. Significant business indicators, etc. related to the previous fiscal year reflect the finalized figures.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	0.00	-	28.00	28.00
Fiscal year ending Mar. 31, 2020	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2020 (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, 2020 (April 1, 2019 – March 31, 2020)**

(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	18,000	6.7	925	8.5	950	9.6	15	(95.3)	2.83

Note: Revisions to the most recently announced consolidated earnings forecasts: Yes

**\* 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 Sep. 30, 2019:	5,612,230 shares	As of Mar. 31, 2019:	5,612,230 shares
----------------------	------------------	----------------------	------------------

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

As of Sep. 30, 2019:	304,961 shares	As of Mar. 31, 2019:	304,710 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	5,307,255 shares	Six months ended Sep. 30, 2018:	5,248,020 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.

## Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Six-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period	7
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Additional Information	9
Segment and Other Information	10
Business Combinations	11

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half 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 August figures), net sales continued to climb, rising 1.5% year on year in Fiscal 2018 (compared with 2.5% annual growth in Fiscal 2017). However, the outlook for the IT industry is uncertain because the sales growth rate was reduced compared with the Fiscal 2017 and there were some months in Fiscal 2018 when sales were lower than one year earlier.

In the first half, the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries, hereafter “the JAST Group”) posted net sales of 8,610 million yen (up 7.3% year on year), operating income of 190 million yen (down 27.7% year on year), ordinary income of 202 million yen (down 27.6% year on year), and loss attributable to owners of parent of 552 million yen (vs. profit attributable to owners of parent of 175 million yen in the same period of the previous fiscal year) due to booking of impairment loss of 722 million yen as an extraordinary loss. Results by segment were as follows.

In the software business (individualized contracted software development), net sales increased but profits decreased. Sales remained strong because orders from the service/retail industry, manufacturing industry and finance/insurance/brokerage industry increased while there was a decrease in orders from the telecommunications industry and public sector. There was an increase in outsourced processing and other costs. As a result, net sales in this business totaled 5,786 million yen (up 5.3% year on year) and operating loss was 89 million yen (vs. operating income of 277 million yen in the same period of the previous fiscal year).

In the GAKUEN business (development, sale and related services of operational reform packages for schools), there was a decrease in end user computing (EUC: contracted development of package-related systems) sales. However, there were increases in sales of program products (PP) to universities, IT equipment sales and implementation support sales. Net sales in this business totaled 1,337 million yen (up 38.0% year on year) and operating income was 189 million yen (vs. operating loss of 60 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 decreased. Net sales in this business totaled 994 million yen (down 15.7% year on year) and operating income was 109 million yen (down 25.0% year on year).

Lastly, in the medical big data business (inspection, analysis and related services of medical information data), sales of automated inspection services for health insurance claims, analysis services and services for notification of the cost of medical care were strong. Net sales in this business totaled 492 million yen (up 28.8% year on year) and operating loss totaled 23 million yen (vs. operating loss of 103 million yen in the same period of the previous fiscal year).

#### Features of the JAST 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 second quarter of the current fiscal year was 8,648 million yen, down 962 million yen from the end of the previous fiscal year. This was mainly due to decreases in accounts receivable-trade and cash and deposits. The balance of non-current assets was 3,630 million yen at the end of the second quarter, down 395 million yen from the end of the previous fiscal year. This was mainly due to a decrease in customer-related assets.

The balance of current liabilities at the end of the second quarter was 5,034 million yen, down 553 million yen from the end of the previous fiscal year. This was mainly due to decreases in accounts payable-other, notes and accounts payable-trade, and increases in advances received and short-term borrowings. The balance of non-current liabilities was 1,560 million yen at the end of the second quarter, down 69 million yen from the end of the previous fiscal year.

The balance of total net assets was 5,683 million yen at the end of the second quarter, down 734 million yen from the end of the previous fiscal year.

### 2) Cash flows

Cash and cash equivalents decreased 96 million yen from 4,204 million yen at the beginning of the current fiscal year to 4,108 million yen at the end of the first half of the current fiscal year (vs. 4,412 million yen at the end of the same period of the previous fiscal year). Cash flows by category were as follows.

Cash flows provided by operating activities totaled 289 million yen, a decrease of 1,096 million yen from 1,385 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to a decrease in proceeds from collection of notes and accounts receivable-trade and an increase in outlays for inventories while there was a decrease in payments for accounts payable-trade.

Cash flows used in investing activities totaled 457 million yen, an increase of 1,050 million yen from 1,508 million yen used in the same period of the previous fiscal year. This increase was mainly due to an increase in the payment for purchases of shares of subsidiaries and a decrease in payments for long-term deposits paid.

Cash flows provided by financing activities totaled 86 million yen, a decrease of 1,665 million yen from 1,751 million yen provided in the same period of the previous fiscal year. This decrease was mainly due to a decrease in short-term borrowings.

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

We have revised the consolidated earnings forecast for the fiscal year ending March 31, 2020 which was announced on May 14, 2019. For more details, please refer to the “Notice of Recognition of Extra Ordinary Loss and Revision to Earnings Forecast” that was announced today (November 8, 2019).

These projections are based on information available at the time of release of this report. Actual results may differ from projections due to a variety of factors.

## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	4,260,305	4,147,751
Notes and accounts receivable-trade	4,341,029	3,375,215
Merchandise and finished goods	129,795	57,436
Work in process	569,537	818,421
Raw materials and supplies	2,695	2,020
Other	345,249	288,024
Allowance for doubtful accounts	(38,272)	(40,837)
Total current assets	9,610,340	8,648,034
Non-current assets		
Property, plant and equipment		
Buildings and structures	720,814	772,420
Accumulated depreciation	(419,276)	(452,682)
Buildings and structures, net	301,538	319,737
Land	142,361	142,361
Other	451,991	480,842
Accumulated depreciation	(337,562)	(352,440)
Other, net	114,428	128,402
Total property, plant and equipment	558,328	590,501
Intangible assets		
Goodwill	619,660	607,144
Customer-related assets	484,589	119,685
Software	68,396	63,815
Other	7,626	7,626
Total intangible assets	1,180,273	798,271
Investments and other assets		
Investment securities	688,789	700,147
Retirement benefit asset	542,920	553,328
Deferred tax assets	502,531	442,288
Guarantee deposits	414,231	418,731
Other	151,359	142,599
Allowance for doubtful accounts	(12,209)	(15,348)
Total investments and other assets	2,287,621	2,241,746
Total non-current assets	4,026,223	3,630,520
Total assets	13,636,564	12,278,554

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,128,311	943,136
Short-term borrowings	1,543,696	1,800,000
Current portion of long-term borrowings	8,400	8,400
Income taxes payable	234,023	103,789
Advances received	648,746	981,971
Provision for bonuses	722,520	653,279
Provision for bonuses for directors (and other officers)	27,465	14,131
Provision for loss on construction contracts	37,264	12,561
Other	1,237,384	517,337
<b>Total current liabilities</b>	<b>5,587,812</b>	<b>5,034,608</b>
<b>Non-current liabilities</b>		
Long-term borrowings	11,900	35,118
Provision for share-based remuneration for directors (and other officers)	20,051	31,777
Provision for retirement benefits for directors (and other officers)	13,978	615
Retirement benefit liability	957,672	969,044
Deferred tax liabilities	116,888	33,660
Other	509,788	490,166
<b>Total non-current liabilities</b>	<b>1,630,279</b>	<b>1,560,382</b>
<b>Total liabilities</b>	<b>7,218,091</b>	<b>6,594,991</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,076,669	1,076,669
Capital surplus	1,085,695	1,085,230
Retained earnings	4,359,161	3,656,230
Treasury shares	(277,050)	(274,239)
<b>Total shareholders' equity</b>	<b>6,244,476</b>	<b>5,543,890</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	114,167	121,327
Foreign currency translation adjustment	(37,345)	(65,459)
Remeasurements of defined benefit plans	60,163	53,966
<b>Total accumulated other comprehensive income</b>	<b>136,986</b>	<b>109,835</b>
<b>Non-controlling interests</b>	<b>37,010</b>	<b>29,837</b>
<b>Total net assets</b>	<b>6,418,472</b>	<b>5,683,563</b>
<b>Total liabilities and net assets</b>	<b>13,636,564</b>	<b>12,278,554</b>

**(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 FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	8,024,719	8,610,978
Cost of sales	6,319,197	6,696,965
Gross profit	1,705,521	1,914,012
Selling, general and administrative expenses	1,442,429	1,723,888
Operating income	263,092	190,123
Non-operating income		
Interest income	2,725	5,469
Dividend income	3,218	3,320
Rental income	2,089	2,637
Foreign exchange gains	675	-
Subsidy income	8,416	11,593
Other	2,546	5,573
Total non-operating income	19,670	28,594
Non-operating expenses		
Interest expenses	982	1,686
Rental expenses	976	132
Foreign exchange losses	-	13,448
Other	683	652
Total non-operating expenses	2,642	15,920
Ordinary income	280,120	202,797
Extraordinary losses		
Impairment loss	-	722,286
Total extraordinary losses	-	722,286
Profit (loss) before income taxes	280,120	(519,489)
Income taxes	110,003	37,769
Profit (loss)	170,117	(557,259)
Loss attributable to non-controlling interests	(5,426)	(4,365)
Profit (loss) attributable to owners of parent	175,544	(552,893)



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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit (loss)	170,117	(557,259)
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,503)	7,159
Foreign currency translation adjustment	(5,370)	(27,619)
Remeasurements of defined benefit plans, net of tax	(8,999)	(6,196)
Total other comprehensive income	(22,872)	(26,656)
Comprehensive income	147,244	(583,916)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	154,287	(580,044)
Comprehensive income attributable to non-controlling interests	(7,042)	(3,871)

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	280,120	(519,489)
Depreciation	36,334	35,196
Amortization of software	21,284	13,490
Amortization of goodwill	4,528	42,278
Amortization of customer-related assets	-	30,525
Impairment loss	-	722,286
Increase (decrease) in provision for bonuses	(9,110)	(68,952)
Increase (decrease) in retirement benefit liability	24,325	10,733
Decrease (increase) in retirement benefit asset	(10,190)	(10,407)
Interest and dividend income	(5,943)	(8,789)
Interest expenses	982	1,686
Decrease (increase) in trade receivables	1,998,868	977,241
Increase (decrease) in advances received	408,895	333,387
Decrease (increase) in inventories	339,505	(176,602)
Increase (decrease) in trade payables	(1,223,794)	(184,858)
Other, net	(234,720)	(740,071)
Subtotal	1,631,084	457,656
Interest and dividends received	6,434	9,275
Interest paid	(964)	(1,499)
Income taxes paid	(251,161)	(176,207)
Net cash provided by (used in) operating activities	1,385,392	289,225
Cash flows from investing activities		
Decrease (increase) in time deposits	153,108	17,550
Purchase of property, plant and equipment	(47,819)	(35,574)
Proceeds from sales of real estate for rent	109,183	-
Purchase of software	(21,127)	(14,996)
Purchase of investment securities	(1,181)	(1,391)
Proceeds from cancellation of insurance funds	162	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(416,822)
Payments of guarantee deposits	(19,775)	(5,015)
Proceeds from refund of guarantee deposits	705	372
Payments for long-term deposits paid	(1,680,374)	-
Other, net	(1,122)	(1,615)
Net cash provided by (used in) investing activities	(1,508,241)	(457,494)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,914,551	256,994
Repayments of lease obligations	(11,737)	(11,976)
Repayments of long-term borrowings	(4,200)	(4,900)
Dividends paid	(146,944)	(149,982)
Purchase of treasury shares	-	(80)
Repayments to non-controlling shareholders	-	(3,759)
Net cash provided by (used in) financing activities	1,751,669	86,295
Effect of exchange rate change on cash and cash equivalents	(1,769)	(14,661)
Net increase (decrease) in cash and cash equivalents	1,627,050	(96,634)
Cash and cash equivalents at beginning of period	2,785,193	4,204,722
Cash and cash equivalents at end of period	4,412,244	4,108,088

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Additional Information**

###### Board Benefit Trust (BBT)

Based on the resolution of the 46th Annual General Meeting of Shareholders, JAST on June 26, 2018 terminated the directors' retirement benefit system and introduced a Board Benefit Trust (BBT, hereafter, "the Plan") for the purpose of increasing motivation for contributing to medium to long-term improvement in sales and earnings and an increase in corporate value. The Plan clearly links the compensation of directors with the JAST stock price. Furthermore, directors share with shareholders the benefits of a higher stock price as well as the risk of a lower stock price.

###### 1) Overview of transaction

This is a stock compensation plan under which directors receive stock compensation through a trust (a trust established under the current system, hereafter "the Trust"). The Trust acquires JAST stock using cash contributions from JAST as the source of funds. Directors (excluding external directors; hereafter same unless indicated otherwise) receive stock compensation or a monetary amount equivalent to the market value of the stock in lieu of stock compensation (hereafter "JAST stock") in accordance with the rules on the stock compensation plan for directors. In principle, a director becomes eligible for stock compensation only upon retirement.

###### 2) JAST stock held by the trust

The book value (excluding associated expenses) of JAST stock held by the trust is shown as treasury shares in the net assets section of the consolidated balance sheet. As of the end of the second quarter, the BBT held 47,800 shares of JAST with a book value of 87.713 million yen.

## Segment and Other Information

### Segment information

#### I. First six months of FY3/19 (Apr. 1, 2018 – Sep. 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	5,492,773	969,201	1,180,017	382,727	8,024,719	-	8,024,719
2. Inter-segment sales and transfers	32,049	5,833	2,775	-	40,658	(40,658)	-
Total	5,524,823	975,034	1,182,792	382,727	8,065,378	(40,658)	8,024,719
Segment profit (loss)	277,154	(60,523)	145,917	(103,161)	259,387	3,704	263,092

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 six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

##### 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	5,786,094	1,337,079	994,835	492,968	8,610,978	-	8,610,978
2. Inter-segment sales and transfers	27,867	1,763	25,163	-	54,794	(54,794)	-
Total	5,813,961	1,338,843	1,019,998	492,968	8,665,772	(54,794)	8,610,978
Segment profit (loss)	(89,580)	189,895	109,454	(23,352)	186,417	3,706	190,123

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

Significant impairment losses related to non-current assets

In the software business, there was an impairment loss for customer-related assets.

The amount of this loss in the first six months of FY3/20 was 322.928 million 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 FY3/20 was 399.358 million yen.

In this business, the Company purchased the stock of AG NET PTE. LTD. (AG NET) located in Singapore and made it a consolidated subsidiary in the first quarter of FY3/20. Goodwill of 455.805 million yen emerged related to the purchases.

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

## Business Combinations

### Business combination through acquisition

#### 1. Summary of business combination

##### (1) Acquired companies and their business activities

AG NET PTE. LTD.

Business activities: Software development and consultation services

##### (2) Reasons for acquisition

The JAST Group has been active in the ASEAN region, primarily at JAST TECHNIQUES PTE. LTD. in Singapore, JASTEC (THAILAND) CO., LTD. in Thailand, and the Virtual Calibre Group (Malaysia). JAST believes this region is a highly attractive market because of the outlook for a continuation of rapid economic expansion and a growing middle class that will create a large consumer market.

This inclusion of AG NET in the JAST Group will add new HRM products currently not covered in our Group's brand lineup, enabling multi-directional coverage of personnel, vacation requests, expense reimbursement workflows, salary computations, telework support, and employee performance management. We believe that adding AG NET to the JAST Group will strengthen our business foundation not only in Singapore but throughout the ASEAN region and lead to business expansion of our subsidiaries throughout the ASEAN region, thereby further enhancing the JAST Group's growth potential. Due to this outlook, the decision was made to acquire AG NET.

##### (3) Acquisition date

May 31, 2019 (stock acquisition date)

June 30, 2019 (assumed acquisition date)

##### (4) Legal form of acquisition

Acquisition of shares with cash

##### (5) Company's name after acquisition

There is no change in the company's name.

##### (6) Percentage of voting rights acquired

100%

##### (7) Basis for choosing the company to acquire

JAST acquired the shares in exchange for consideration in cash.

#### 2. Period of the acquired companies' performance included in the consolidated financial statements

The quarterly consolidated statement of income for the first six months of the current fiscal year does not reflect the performance of the acquired companies since JAST has consolidated only the balance sheet. This is because the assumed acquisition date of June 30, 2019 does not exceed three months from the consolidation closing date of the first half.

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

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

#### 4. Details of major acquisition-related costs

Remuneration for advisory members and other related fees: 27.466 million yen

## 5. Goodwill resulting from the acquisition

### (1) Value of goodwill

455.805 million yen

The amount of goodwill is calculated provisionally because the allocation of the acquisition cost is incomplete at the end of the second 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 ten years by the straight-line method.

### Finalization of provisional accounting treatment for business combinations

A provisional accounting treatment was used in the previous fiscal year for the JAST Group's acquisition of Virtual Calibre SDN. BHD., Virtual Calibre MSC SDN. BHD. and Virtual Calibre Consulting SDN. BHD. on October 11, 2018 and November 26, 2018. It was finalized in the first quarter of the current fiscal year.

In line with the finalization of this provisional accounting treatment, a material review has been reflected in the allocated amount of the acquisition cost in the comparative information included in the quarterly consolidated financial statements for the first half of the current fiscal year.

As a result, the value of goodwill decreased by 390.863 million yen from the provisionally calculated value of 999.538 million yen to 608.675 million yen. The decrease of goodwill was due to increases of 514.293 million yen in customer-related assets and 123.430 million yen in deferred tax liabilities. At the end of the previous fiscal year, goodwill decreased by 368.288 million yen, and customer-related assets and deferred tax liabilities increased by 484.589 million yen and 116.301 million yen, respectively.

*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.*