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Notice of Extraordinary Loss and Revision to Earnings Forecast

Japan System Techniques Co., Ltd. (JAST) has recorded an extraordinary loss (impairment loss) in the second quarter of the fiscal year ending March 31, 2020 and revised its earnings forecast for the fiscal year that was announced on May 14, 2019.

1. Extraordinary loss

JAST has recorded as an extraordinary loss for an impairment loss of about 722 million yen for goodwill and other assets resulting from the acquisition of Virtual Calibre Group, a consolidated subsidiary in Malaysia. The performance of this subsidiary has been below the initial plan because of delays in development project investments associated with Malaysia's change to a new government in 2018 and a decrease in orders caused by slowing economic growth. After discussions with JAST's independent auditor, the decision was made to post an impairment loss because JAST does not expect to recover the investment in Virtual Calibre Group within the originally anticipated time frame.

2. Revisions to the consolidated earnings forecast for the fiscal year ending March 31, 2020 (April 1, 2019 – March 31, 2020)

| | Net sales | Operating profit | Ordinary profit | Profit attributable to owners of parent | Net income per share |
|---|-------------|------------------|-----------------|---|----------------------|
| | Million yen | Million yen | Million yen | Million yen | Yen |
| Previous forecast (A) | 18,650 | 1,085 | 1,100 | 670 | 126.24 |
| Revised forecast (B) | 18,000 | 925 | 950 | 15 | 2.83 |
| Change (B – A) | (650) | (160) | (150) | (655) | - |
| Percentage change (%) | (3.5) | (14.7) | (13.6) | (97.8) | - |
| (Reference) Previous fiscal year's results (Fiscal year ended March 31, 2019) | 16,868 | 852 | 866 | 317 | 60.58 |

3. Reasons for revision

Although the sales and earnings of JAST are currently somewhat higher than initially planned, consolidated sales and operating and ordinary profit are expected to be below the plan because of weak sales and earnings at Virtual Calibre Group. In addition, profit attributable to owners of parent has been reduced by the extraordinary loss for the Virtual Calibre Group impairment loss. As a result, the fiscal year sales and earnings forecasts have been revised.

4. Dividend Forecast

There is no change in the dividend forecast of 28 yen per share for the fiscal year ending March 31, 2020.

Note: Forecasts are based on assumption judged to be valid and information available to JAST's management at the time this release was prepared. Actual results may differ from these forecasts.