

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>
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 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
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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
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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
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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 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.