Annual Securities Report

The 51st period　　From April 1, 2022 to March 31, 2023

Japan System Techniques Co., Ltd.

Annual Securities Report

1 This document is a printed version of the Annual Securities Report filed in accordance with Article 24, paragraph (1) of the Financial Instruments and Exchange Act via the Electronic Data Processing System for Disclosure (Electronic Disclosure for Investors' NETwork [EDINET]) as set forth in Article 27-30-2 of the same act, with a table of contents and page numbers added.

2 This document includes, at the end, the audit report attached to the Annual Securities Report submitted in the manner described above, and the internal control report and confirmation letter submitted in conjunction with the Annual Securities Report.

Contents

Cover

Submitted document	Annual Securities Report
Statutory basis	Article 24, paragraph (1) of the Financial Instruments and Exchange Act of Japan
Agency receiving submission	Director-General of the Kinki Local Finance Bureau
Submission date	June 29, 2023
Fiscal year	51st period (from April 1, 2022 through March 31, 2023)
Corporate name	Japan System Techniques Kabushiki-gaisha
Name in English	Japan System Techniques Co., Ltd.
Name and position of representative	Takeaki Hirabayashi, President
Location of headquarters	2-3-18 Nakanoshima, Kita-ku, Osaka
Phone	+81-6-4560-1000 (main switchboard)
Name of contact person	Noriaki Okado, Executive Director and Officer
Closest contact address	2-3-18 Nakanoshima, Kita-ku, Osaka
Phone	+81-6-4560-1000
Name of contact person	Noriaki Okado, Executive Director and Officer
Place available for public inspection	Tokyo Stock Exchange, Inc.
	(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

Section 1. Company Information

I. Company Overview

1. Transition of Significant Business Indicators, etc.

(1) Consolidated Business Indicators, etc.

Term		47th Period	48th Period	49th Period	50th Period	51st Period
Fiscal year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Thousand yen)	16,868,799	18,019,792	18,789,152	21,399,553	23,519,516
Ordinary income	(Thousand yen)	866,613	1,021,581	1,310,486	2,052,512	2,450,148
Profit (loss) attributable to owners of parent	(Thousand yen)	317,986	(30,675)	578,879	1,330,558	1,772,210
Comprehensive income	(Thousand yen)	238,291	(119,317)	749,216	1,342,203	1,868,410
Net assets	(Thousand yen)	6,418,472	6,218,217	6,850,375	9,194,483	10,816,240
Total assets	(Thousand yen)	13,636,564	12,988,341	12,861,561	15,539,989	17,413,797
Net assets per share	(Yen)	601.17	577.03	632.98	746.86	878.07
Net income (loss) per share	(Yen)	30.29	(2.88)	53.98	112.32	144.50
Diluted net income per share	(Yen)	-	-	53.95	-	-
Ratio of shareholders' equity	(%)	46.8	47.7	53.0	58.9	61.8
Ratio of net income to shareholders' equity	(%)	5.1	(0.5)	8.9	16.7	17.8
Price-earnings ratio	(Times)	23.3	(175.3)	14.1	11.4	12.5
Net cash from operating activities	(Thousand yen)	1,342,285	417,265	2,131,466	1,162,919	1,073,916
Net cash from investing activities	(Thousand yen)	(1,063,857)	(527,162)	87,030	(80,912)	(541,656)
Net cash from financing activities	(Thousand yen)	1,157,122	(185,027)	(1,247,242)	486,858	(280,816)
Cash and cash equivalents at the end of fiscal year	(Thousand yen)	4,204,722	3,908,254	4,853,695	6,463,823	6,793,050
Number of employees	(Persons)	1,111	1,164	1,320	1,448	1,687

Notes:
1. The number of employees represents the number of full-time employees.
2. Diluted net income per share for the 48th fiscal year and before and for the 50th fiscal year and after is not presented since Japan System Techniques Co., Ltd. ("JAST" or the "Company") had no outstanding dilutive securities.
3. The business combination with Virtual Calibre SDN. BHD., Virtual Calibre MSC SDN. BHD., and Virtual Calibre Consulting SDN. BHD. in the 47th fiscal year was accounted for on a provisional basis but was finalized in the 48th fiscal year. Therefore, the consolidated financial figures for the 47th fiscal year have been retroactively adjusted.
4. JAST established a new Board Benefit Trust (BBT) in the 47th fiscal year. The company's stock remaining in the BBT (31,146 shares for the 47th, 96,354 shares for the 48th, 95,600 shares for the 49th, 149,200 shares for the 50th, and 149,200 shares for the 51st) is included in treasury shares in shareholders' equity and deducted from the number of shares issued to calculate the average number of shares outstanding during the period that for the calculation of net income (loss) per share.
5. JAST conducted a 2-for-1 common stock split on October 1, 2022. Net assets per share, net income (loss) per share, and diluted net income per share have been calculated as if this stock split has taken place at the beginning of the 47th fiscal year.
6. Beginning with the 50th fiscal year, JAST has applied Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for the 50th fiscal year and beyond incorporate this accounting standard.

(2) Non-consolidated Business Indicators, etc., of the Company

Term		47th Period	48th Period	49th Period	50th Period	51st Period
Fiscal year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Thousand yen)	13,796,908	14,427,659	15,203,765	17,082,806	18,552,222
Ordinary income	(Thousand yen)	779,590	1,121,163	1,106,164	1,751,066	2,134,219
Profit	(Thousand yen)	330,491	21,658	401,246	999,643	1,630,462
Share capital	(Thousand yen)	1,076,669	1,076,669	1,076,669	1,535,409	1,535,409
Number of issued shares	(Shares)	5,612,230	5,612,230	5,612,230	6,209,230	12,418,460
Net assets	(Thousand yen)	6,596,273	6,539,989	6,897,566	8,805,037	10,202,132
Total assets	(Thousand yen)	12,439,142	12,109,632	11,785,585	13,974,559	15,504,289
Net assets per share	(Yen)	621.41	609.70	640.31	717.93	831.86
Dividend per share [Interim dividend per share]	(Yen)	28.00 (-)	28.00 (-)	28.00 (-)	40.00 (-)	32.00 (-)
Net income per share	(Yen)	31.48	2.03	37.41	84.39	132.94
Diluted net income per share	(Yen)	-	-	37.40	-	-
Ratio of shareholders' equity	(%)	53.0	54.0	58.5	63.0	65.8
Ratio of net income to shareholders' equity	(%)	5.1	0.3	6.0	12.7	17.2
Price-earnings ratio	(Times)	22.4	248.3	20.3	15.1	13.5
Dividend payout ratio	(%)	44.5	688.4	37.4	23.7	24.1
Number of employees	(Persons)	712	753	827	871	926
Shareholder return [Comparison with TOPIX]	(%) (%)	108.8 (92.7)	80.6 (81.7)	121.2 (113.8)	202.1 (113.4)	286.3 (116.7)
Highest share price	(Yen)	2,600	1,878	2,150	3,255	1,826 (2,820)
Lowest share price	(Yen)	1,264	696	1,016	1,417	1,153 (2,111)

Notes:
1. The number of employees represents the number of full-time employees.
2. Diluted net income per share for the 48th fiscal year and before and for the 50th fiscal year and after is not presented since JAST had no outstanding dilutive securities.
3. JAST established a new Board Benefit Trust (BBT) in the 47th fiscal year. The company's stock remaining in the BBT (31,146 shares for the 47th, 96,354 shares for the 48th, 95,600 shares for the 49th, 149,200 shares for the 50th, and 149,200 shares for the 51st) is included in treasury shares in shareholders' equity and deducted from the number of shares issued to calculate the average number of shares outstanding during the period that for the calculation of net income per share.
4. JAST conducted a 2-for-1 common stock split on October 1, 2022. Net assets per share, net income per share, diluted net income per share, and shareholder return have been calculated as if this stock split has taken place at the beginning of the 47th fiscal year. As for the 51st fiscal year, the highest and lowest share prices are those after the stock split, and the figures before the stock split are shown in parentheses.
5. The highest and lowest share prices are those on the Tokyo Stock Exchange Prime Market on and after April 4, 2022, and those on the First Section of the Tokyo Stock Exchange before that date.
6. Beginning with the 50th fiscal year, JAST has applied Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020). All figures for the 50th fiscal year and beyond incorporate this accounting standard.
7. The dividend per share of 32.00 yen for the 51st fiscal year includes a commemorative dividend of 5.00 yen.

2. The Company's History

Month & Year	Events
March 1973	Founded Japan System Techniques Co., Ltd. for the purpose of software development at 55, Uchihonmachi Hashizumecho, Higashi-ku (currently Chuo-ku), Osaka
July 1977	Established the Tokyo Branch Office in Minato-ku, Tokyo
February 1980	Relocated the Head Office to Sumitomo Nakanoshima Building, 2-18 Nakanoshima 3-chome, Kita-ku, Osaka
September 1982	Established JAST TECHNIQUES PTE. LTD., a system development company in Singapore
April 1987	Established a dual head office system, with headquarters in both Osaka and Tokyo
February 1991	Registered as a systems integrator with the Ministry of International Trade and Industry (Currently Ministry of Economy, Trade and Industry)
March 1993	Relocated the Head Office to Dojima Axcis Building, 2-28 Dojimahama 2-chome, Kita-ku, Osaka Relocated the Tokyo Branch Office to Koishikawa MI Building, 10-20 Koishikawa 5-chome, Bunkyo-ku, Tokyo
October 1994	Launched software package "GAKUEN" series, a school office work support integrated system
March 1997	Certified as a systems integrator by the Ministry of International Trade and Industry (Currently Ministry of Economy, Trade and Industry)
August 1998	Launched "GAKUEN REVOLUTION (school business)," a large-scale integrated school office work support system for universities
April 1999	Started to provide outsourcing services
February 2000	Launched UNIVERSAL PASSPORT, a software package that enables university staff and students to exchange information over a web-based environment.
March 2000	Acquired all shares of JASTEC (THAILAND) CO., LTD., a system development company in Thailand owned by JAST TECHNIQUES PTE. LTD.
May 2001	Obtained the PrivacyMark certification from the Japan Information Technology Services Industry Association
November 2001	Listed on the JASDAQ market
March 2002	Launched "GAKUEN REVOLUTION (corporations)," a large-scale integrated school office work support system for universities
February 2003	Listed on the Second Section of the Tokyo Stock Exchange
April 2003	Relocated the Tokyo Head Office to Taiyo Seimei Shinagawa Building, 16-2 Konan 2-chome, Minato-ku, Tokyo
December 2003	Communication Business Division obtained ISO14001 certification
April 2004	Solutions Division No. 1 at Tokyo Head Office obtained ISMS certification
August 2005	Relocated the Osaka Head Office to Nakanoshima Central Tower, 2-7 Nakanoshima 2-chome, Kita-ku, Osaka
August 2006	Acquired all shares in Alpha Computer Co., Ltd. (marketer of IT systems to educational institutions) and made it into a subsidiary
September 2006	Launched "GAKUEN UNIVERSAL PASSPORT EX"
March 2007	Launched "GAKUEN REVOLUTION EX series (school business)" and "GAKUEN EX series (school business)"
June 2008	Launched "GAKUEN REVOLUTION EX (accounting and finance)"
October 2008	Tokyo Systems Headquarters obtained ISO27001 (ISMS) certification
February 2010	Launched "GAKUEN EX series (corporations: accounting and finance)"
August 2010	Launched JMICS, automated electronic health insurance claims checking system service
December 2010	Entire Tokyo Head Office obtained ISO27001 (ISMS) certification
January 2012	Medical Information Service Division obtained ISO9001 and ISO27001 certifications
July 2012	Acquired shares of NewNeeds Co., Ltd., SafeNeeds Co., Ltd. and GuiLin Anxin Software Co., Ltd. and made them into subsidiaries Entire Osaka Head Office obtained ISO9001, ISO14001 and ISO27001 certifications
February 2013	Relocated the Osaka Head Office to Nakanoshima Festival Tower, 3-18 Nakanoshima 2-chome, Kita-ku, Osaka.
March 2014	The whole company obtained ISO9001, ISO14001 and ISO27001 certifications
April 2014	Launched "GAKUEN EduTrack" an integrated e-learning system
November 2014	Relocated and expanded the Tokyo Head Office to the upper floors in the same building
September 2015	Investment in Shanghai Jiafeng Information Technology Co., Ltd. completed and made it into subsidiaries
May 2016	Acquired shares of ISR Co., Ltd. and made it into subsidiaries
June 2017	Stock listing moved to the First Section of the Tokyo Stock Exchange
November 2017	Had a stake in CO-WELL Co., Ltd. Strengthened the collaboration
April 2018	Established JAST Asia Pacific Co., Ltd. , a system development company as ASEAN regional headquarters in Thailand

Month & Year	Events
July 2018	Launched “GAKUEN UNIVERSAL PASSPORT RX”
August 2018	Healthcare Innovation Business Division Western Japan Region obtained ISO20000 (ITSMS) certification
November 2018	Acquired shares of Virtual Calibre Group and made it into subsidiaries
January 2019	Entire Healthcare Innovation Business Division Region obtained ISO20000 (ITSMS) certification
May 2019	Acquired shares of AG NET PTE.LTD. and made it into subsidiaries
September 2019	Established a capital and business alliance with TerraSky Co., Ltd.
April 2020	Launched “GAKUEN RX”
September 2020	Launched “GAKUEN Subscription”
October 2020	Launched “mieHR,” a human resource management service
October 2020	Launched “iBss,” a business support system for insurers in the JMICS Service of Medical big data business
May 2021	Launched “SMART BankNeo”
July 2021	Established JAST Health Insurance Association
July 2021	Released Coromiru, a coronavirus information application service through the joint development
October 2021	Launched “Office DX,” a facial recognition product
April 2022	Moved to the Prime Market with regard to the restructuring of the market classification of the Tokyo Stock Exchange
August 2022	Established Bright & Better Co., Ltd., a system development company in Thailand
December 2022	Established Virtual Calibre Consulting India Pvt. Ltd., a system development company in India

3. Description of Businesses

JAST and its 13 consolidated subsidiaries (collectively, the “JAST Group” or the “Group”) engages in four businesses: the digital transformation and system integration (DX&SI) business, package business, medical big data business, and global business. The DX&SI business uses its distinctive strengths to supply a diverse array of information systems and services in a large number of business sectors. The package business develops and sells products that use JAST’s own brands and provides associated environment and system development services, chiefly consulting for the use of these products. The medical big data business has several healthcare businesses that make it a one-stop source of services for the use of medical data and business process reform at health insurance organizations. The global business develops and sells enterprise resource planning (ERP) and human resource management (HRM) products outside Japan, provides consulting for the use of these products, and develops IT systems.

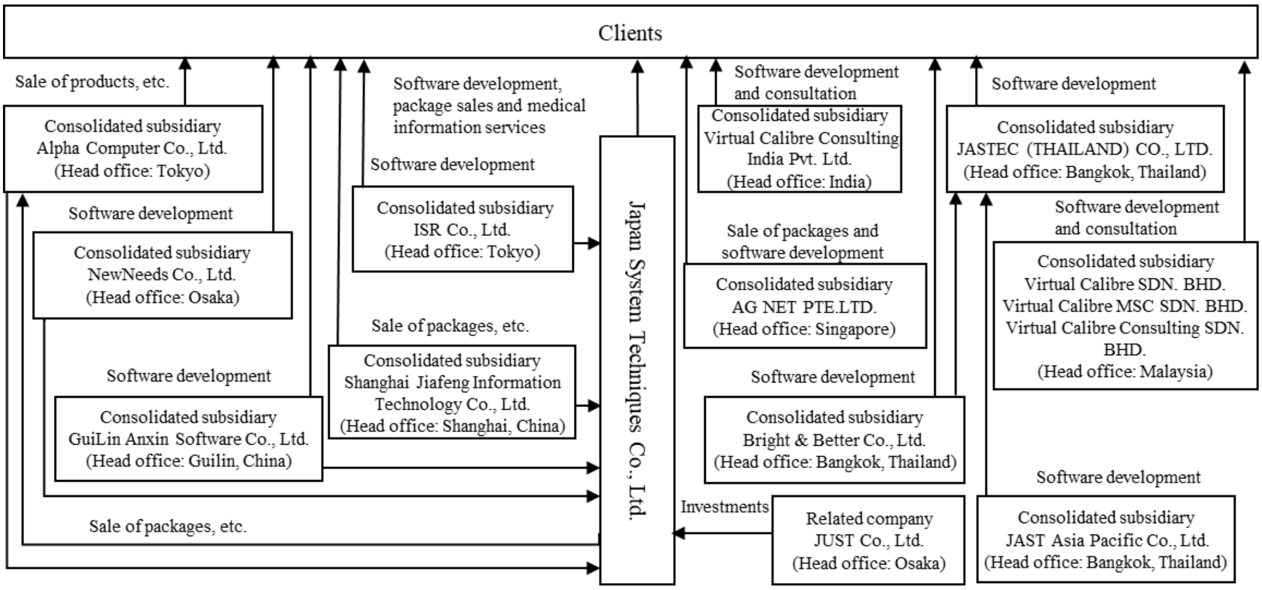
The following is the classification by business segment.
Effective from the current fiscal year, the Company has reclassified its reportable segments. Details are provided in “V Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, Segment and Other Information.”

Segment	Sector	Main Business	Company Name
DX&SI business	Business applications (office work processing system)	・ Systems for the manufacturing industry including production management, logistics management, and order management ・ Systems for the retail and service industries including store information, procurement, shipment management, virtual shopping malls, area marketing analysis using GIS (Geographic Information System), Vehicle dispatch and sales support systems ・ Systems for financial institutions including accounts, information, global operations, business administration, and card loans ・ Systems for the securities industry including equity trading, investment trusts, dealing, and Internet securities trading ・ Systems for the insurance industry including contract management and non-life new reserves ・ Systems for the public sector including phone billing, tax revenue management, resident information, postal accounts, and highway ETC (electronic toll collection) ・ Systems for application and acceptance of tests and education support services ・ Systems for website production, smartphone app development, and related network businesses ・ Accounting, personnel, ERP package introduction support, customer relations management (CRM) systems, data warehousing construction, data analysis services, and other office work processing systems ・ Office DX solutions using facial recognition technology (reception system, marketing system, work attendance record-keeping system) ・ Cashless system for internal use ・ Human resource management service “mieHR” ・ Oil and gas related business support systems ・ Cloud-based order and inventory management system for retailers	Japan System Techniques Co., Ltd. Alpha Computer Co., Ltd. NewNeeds Co., Ltd. ISR Co.,Ltd.

Segment	Sector	Main Business	Company Name
DX&SI business	Engineering applications (communications, control, technology systems)	・ Embedded software for smart devices, digital audio-visual equipment, and car mounted systems ・ IT/telecom systems for terrestrial digital broadcasts, mobile communications, car navigation, and simulators ・ Driving support system, Home Energy Management System (HEMS), IoT-based system, and other systems	Japan System Techniques Co., Ltd. Alpha Computer Co., Ltd. NewNeeds Co., Ltd. ISR Co.,Ltd.
Package business	Strategic university management system	・ School office work support integrated system “GAKUEN RX” series development, sales, maintenance, introduction support, and contract development of related systems ・ University integrated web service system “GAKUEN UNIVERSAL PASSPORT UX” development, sales, maintenance, introduction support, and contract development of related systems ・ School operations system consultation, end-user computing (EUC) support, and business process reengineering (BPR) support and operation services ・ Provision of GAKUEN QlikView, a decision support system for university management ・ Development, sales, maintenance, and introduction support for “GAKUEN EduTrack,” an online educational support system, and contracted development of related systems ・ Provision of UNIPAPay, an electronic money issuance and settlement platform and related services and hardware, including ticket vending machines and POS registers ・ Development, sale, and maintenance of hardware products such as Certificate-Issuing Kiosk and IC attendance management terminals ・ Provision of cloud-based infrastructure services for universities ・ Provision of software services to universities by subscription	Japan System Techniques Co., Ltd. Alpha Computer Co., Ltd. Shanghai Jiafeng Information Technology Co., Ltd.
	Information systems integration package for financial institutions	・ Development, sales, maintenance, and introduction support for “BankNeo,” a data integration package for financial institutions, and contracted development of related systems ・ Cloud BankNeo Management System using a public cloud platform for the management by financial institutions of goods and cash received from customers	

Segment	Sector	Main Business	Company Name
Medical big data business	Inspections, analysis and related services for medical information data	・ Provision of automated inspection services for health insurance claims “JMICS”(JAST Medical Insurance Checking System) ・ Cloud services for checking service providers ・ Medical cost optimization services such as generic drug price difference notification and appropriate drug guide ・ Data health plan implementation support services, including medical expenditure analysis and analysis-based consulting ・ Support for health business for health insurance associations using systems and business process outsourcing (BPO) ・ Provision of one-stop Insurers Business Support System (iBss) ・ Service planning & development and help desk for RezeptPlus*1, a cloud-based health insurance claims management system for welfare public assistance ・ Services utilizing anonymously processed health insurance claims and special medical examination data ・ Development of a model for predicting the risk of severe COVID-19 symptoms in collaboration with academia, provision of Coromiru *2, an app for predicting COVID-19 infection risk *1 RezeptPlus is a joint venture with Fujitsu Japan Limited *2 Coromiru was jointly developed with Data4cs K.K.	Japan System Techniques Co., Ltd. NewNeeds Co., Ltd.
Global business	IT services for overseas offices	・ Consulting and related services for integrated ERP implementation ・ Consulting and related services for accounting ERP implementation ・ Development, sale, maintenance, and implementation support of HRM solution, AFHRM ・ Implementation of settlement-related systems and development of related services for the manufacturing industry ・ Provision of offshore development services at overseas development sites ・ Contracted development of various business applications	JASTEC（THAILAND）CO., LTD. JAST Asia Pacific Co., Ltd. Bright ＆ Better Co.,Ltd. GuiLin Anxin Software Co., Ltd. Virtual Calibre SDN. BHD. Virtual Calibre MSC SDN. BHD. Virtual Calibre Consulting SDN. BHD. Virtual Calibre Consulting India Pvt. Ltd. AG NET PTE.LTD.

The diagram below provides a visual representation of the positioning and relationships of businesses within the Group.



4. Affiliated Companies

Name of Company	Location	Share Capital	Main Line of Business	Holding/Held Ratio of Voting Rights (%)	Relationship
(Consolidated subsidiary) Alpha Computer Co., Ltd. (Note 4)	Shinagawa-ku, Tokyo	Million yen 80	DX&SI business (Sales of computer systems)	100	Client of our packages and other products Concurrent directors
(Consolidated subsidiary) NewNeeds Co., Ltd.	Kita-ku, Osaka	Million yen 10	DX&SI business (Development and sales of software)	100	Subcontractor of software development Debt guarantee
(Consolidated subsidiary) ISR Co., Ltd.	Chiyoda-ku, Tokyo	Million yen 24	DX&SI business (Development and sales of software)	100	Subcontractor of software development
(Consolidated subsidiary) JASTEC(THAILAND) CO.,LTD. (Note 1)	Thailand	1,000 Thai Baht 3,000	Global business (Development and sales of software)	49	
(Consolidated subsidiary) JAST Asia Pacific CO., Ltd.	Thailand	1,000 Thai Baht 10,000	Global business (Development and sales of software)	99.97	Concurrent directors
(Consolidated subsidiary) Bright & Better Co., Ltd. (Note 2)	Thailand	1,000 Thai Baht 2,000	Global business (Development and sales of software)	48.90	Concurrent directors
(Consolidated subsidiary) GuiLin Anxin Software Co., Ltd.	China	10,000 yuan 210	Global business (Development and sales of software)	90	Subcontractor of software development
(Consolidated subsidiary) Shanghai Jiafeng Information Technology Co., Ltd.	China	10,000 yuan 440	Package business (Sales and development of software)	94.45	Concurrent directors
(Consolidated subsidiary) Virtual Calibre SDN. BHD.	Malaysia	1,000 Malaysian Ringgit 1,000	Global business (Development and sales of software)	100	Concurrent directors
(Consolidated subsidiary) Virtual Calibre MSC SDN.BHD.	Malaysia	1,000 Malaysian Ringgit 3,000	Global business (Development and sales of software)	100	Concurrent directors
(Consolidated subsidiary) Virtual Calibre Consulting SDN.BHD. (Note 3)	Malaysia	1,000 Malaysian Ringgit 1,500	Global business (Development and sales of software)	30 [30]	Secondment of directors

Name of Company	Location	Share Capital	Main Line of Business	Holding/Held Ratio of Voting Rights (%)	Relationship
(Consolidated subsidiary) Virtual Calibre Consulting India Pvt. Ltd.	India	1,000 Indian rupees 20,000	Global business (Development and sales of software)	100 [100]	
(Consolidated subsidiary) AG NET PTE.LTD. (Note 4)	Singapore	1,000 Singapore dollars 2,774	Global business (Development and sales of software)	100	Concurrent directors
(Related company) JUST Co., Ltd.	Nishi-ku, Sakai, Osaka	Million yen 50	Real estate management	Held (23.36)	Concurrent directors

Notes: 1. Although the Company's voting rights are less than 50/100, it is considered a JAST’s subsidiary because it is substantially controlled by JAST due to secondment of directors and concurrent directors.
2. Although the Company's voting rights are less than 50/100, it is considered a JAST’s subsidiary because it is substantially controlled by JAST due to concurrent directors.
3. Although the Company's voting rights are less than 50/100, it is considered a JAST’s subsidiary because Virtual Calibre MSC SDN. BHD. owns 30/100 of the Company and substantially controls by JAST through secondment of directors.
4. The Company is specified subsidiaries.
5. There are no companies reporting securities filings or annual reports.
6. Figures of in parentheses in the holding ratio of voting rights represent the percentage of indirectly held votes.

5. Employees

(1) Consolidated basis

As of March 31, 2023

Segment	Number of employees (persons)
DX&SI business	669
Package business	206
Medical big data business	107
Global business	587
Corporate (common)	118
Total	1,687

Notes: 1. The number of employees represents the number of full-time employees. The number of temporary employees (including seasonal workers, part-timers, and temporary workers from agencies, excluding permanent part-timers) is omitted because their total number is less than 10/100 of the number of employees.

2. The number of corporate (common) employees represents the number of employees belonging to administrative departments, etc., which cannot be classified into any particular segment.

(2) Non-consolidated basis

As of March 31, 2023

Number of employees (persons)	Average age	Average years of service	Average annual salary (Thousand yen)
926	35.9	10.1	6,194

Segment	Number of employees (persons)
DX&SI business	544
Package business	200
Medical big data business	82
Corporate	100
Total	926

Notes: 1. Average annual salaries are actual figures for the fiscal year ended March 31, 2023, and include bonuses and non-standard wages.

2. The number of employees represents the number of full-time employees. The number of temporary employees (including seasonal workers, part-timers, and temporary workers from agencies, excluding permanent part-timers) is omitted because their total number is less than 10/100 of the number of employees.

3. The number of corporate (common) employees represents the number of employees belonging to administrative departments, etc., which cannot be classified into any particular segment.

(3) Labor union

No labor union has been formed, but labor-management relations are amicable.

(4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, and gender wage gap

(i) Non-consolidated basis

FY3/23				
Percentage of female workers in managerial positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Gender wage gap (%) (Note1)		
		All workers	Permanent full-time workers	Part-time and fixed-term workers
8.1	36.4	74.0	73.8	67.2

Notes: 1. Gender wage gap is calculated in accordance with the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)

2. Percentage of workers taking childcare leave is stipulated in Article 71-4, paragraph (1) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No.25, 1991), and calculated in accordance with the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76, 1991)

II. Business Overview

1. Management Policy, Business Environment and Issues to be Addressed

(1) Management policy

JAST, since its founding, has guarded its complete independence, keeping itself unaffiliated with other corporate groups, based on the corporate philosophy of “making society a better place by creating and providing new types of IT services.” While consistently pursuing the latest technologies, JAST has remained free to take on development projects in a wide variety of areas, unconstrained by industry, technology, or platform. We have achieved long-term, stable growth in business performance by combining unchanging principles that never cease being true even as the years pass and flexible management that is adapted to match the times or surroundings.

(2) Management strategies, etc.

The business climate for the JAST Group is expected to remain uncertain because of concerns about the economic outlook due to the Ukraine crisis and other sources of geopolitical risk, rising prices of raw materials and energy, foreign exchange rate movements, and other reasons. In the IT industry, where the business climate is extremely volatile, JAST understands that it will be difficult to achieve growth if it remains overly dependent on outsourced development projects, the IT industry’s mainstay source of earnings to date.

Consequently, to define the medium to long-term basic policies for the management of the JAST Group, we establish a new three-year medium-term plan every year. Each new plan starts with the fiscal year in which the plan was established. The plan includes the type of organization we want to become, our brand image, our business fields, the size of our operations, and other goals. In the fiscal year ending in March 2024, we will continue to take many actions in order to accomplish the goals of the current medium-term plan.

The central theme of the JAST Group in the fiscal year ending in March 2024 is “use JAST’s strengths to create new value backed by speedy and bold initiatives underpinned by sound thinking and by using the co-creation process at all group companies.” In the digital transformation and system integration (DX&SI) business, our goal is to enlarge business domains as our largest core business as we increase earnings by using alliances and further improving our proposal and negotiation skills. In the package, medical big data and other businesses using our own brands, we will further upgrade the quality of every flagship product and move faster for the creation and utilization of new technologies and products. The objectives are making our brands more powerful and capturing the largest market share in every business sector where we operate. Furthermore, in the global business, our goal is consistent growth by further upgrading products, targeting broader spectrums of customer segments and markets, and strengthening governance.

(3) Objective indicators used to assess if management targets have been achieved

The Company understands the importance of achieving the sales and profit targets it discloses every fiscal year. From the standpoint of improving enterprise value by seeking returns on shareholders’ equity, the Company’s basic dividend policy is to aim for stable, long-term growth in line with operating performance, taking the payout ratio into consideration. Return on equity (consolidated), which had declined in recent years due to extraordinary losses and other factors, has also improved significantly to 17.8% in the fiscal year ended March 31, 2023. This was attributable to new business development and improved project quality through the strengthening of sales and management promotion departments, as well as to the strengthening of management systems at overseas subsidiaries.

(4) Business climate

Although restrictions on economic activity decreased due to progress with COVID-19 vaccinations during the fiscal year ended March 31, 2023, the outlook for the Japanese economy remained uncertain because of worries about another wave of infections, the Ukraine crisis, and other reasons.

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 March 2023 figures), net sales continued to climb, rising 3.8%

year on year for 2022 compared with 3.5% annual growth in 2021. Despite this growth, the outlook for the IT industry is extremely uncertain.

(5) Business and financial issues to be prioritized

First, as for the DX&SI business, we define our business portfolio into the following three areas and will increase earnings by using alliances and further improving our proposal and negotiation skills to expand the scale as a core business: “SI” to expand high-value-added business domain by promoting proposal-based “DX collaborative development,” “Solution” to propose solutions based on high technologies to meet customers’ issues; and “Service” to provide a wide range of digital services, from operation and maintenance to data science and consulting.

Second, the package business deal in the GAKUEN series package—with the mainstays of GAKUEN, an integrated school office work support system and UNIVERSAL PASSPORT, an integrated web service system for universities—and the BankNeo, a data integration package that provides total support for financial institution operations. We will expand sales of the current business by leveraging the brand power of GAKUEN that we have cultivated to date, and at the same time, provide and expand new learning environments by developing comprehensive services for education DX that go beyond the education big data business and IT services. With the BankNeo package, we will promote cloud computing, continuously release niche solutions, and boldly take on challenges such as creation of new products and collaborations with other companies to expand into the regional DX market and increase business performance.

Next, in the medical big data business, we aim to increase earnings by promoting the automation of the health insurance claim checking process, increasing the market share of inspection services by cultivating new insurer markets, enhancing expertise through active recruitment of qualified personnel, and developing high value-added businesses such as consulting. We will also aim to become the leader in insurer DX by enhancing our business models, such as expanding into new areas of medical cost optimization, data health, and others; creating seeds through collaboration with academia; and strengthening the business of utilizing health insurance claim data through developing advanced commercial products.

Finally, in the global business, we have development and sales bases in major regions of ASEAN countries and China, where economic growth is remarkable, backed by more than 40 years of experience in Asian countries. The Group will provide one-stop support for global business development and DX promotion for ASEAN and Japanese companies expanding their business in multiple countries. Specifically, we will support customers’ DX promotion through consultation on the introduction of ERP products such as mcframe[*1] and SAP[*2], and the wide deployment of cloud-based human resource management solution AGHRM in each country.

*1. mcframe is a registered trademark of Business Engineering Corporation and a generic name for a product group consisting mainly of SCM/ERP software.

*2. SAP is a registered trademark of SAP SE, and is a group of business applications that are typical of enterprise core system packages consisting of an accounting system, logistics system, sales system, human resource system, etc. in a company.

2. Approach to Sustainability and Initiatives

The Group’s approach to sustainability and its initiatives are as follows. Forward-looking statements are based on the judgment of the Group as of the end of the current fiscal year.

(1) Governance

Based on the corporate philosophy of “making society a better place by creating and providing new types of IT services,” the Group aims for what is best for our four key stakeholders: our customers, our shareholders, our employees and society. We hope to maximize value for each and realize a medium- and long-term increase in corporate value together with the sustainable growth of the company.

As a longstanding corporate social responsibility (CSR) initiative, we have incorporated the Seven Key Principles and Seven Core Subjects of the ISO 26000, an international standard that defines the principles and subjects of social responsibility of organizations through their core business, into our business operations. Moreover, we have obtained environmental management system-related ISO 14001 certification (international standard for environmental management systems) and are, thus, continually running through the PDCA cycle.

In addition, in July 2021, we announced the SDGs Declaration, and view the achievement of the sustainable development goals (SDGs) as a shared challenge for all Japan System Techniques employees. We are also working to ensure the continuation and improvement of sustainability priority issue initiatives within the PDCA cycle.

The Group has designated these core subjects and priority issues as materialities (material issues) relating to sustainability, and is organizing a structure and implementing specific initiatives in order to integrate such issues with its business activities.

ISO 26000 Core subjects	JAST Group Initiatives
Organizational governance	Strengthening of corporate governance Continuous operation and improvement of internal control systems Establishment of a risk management system Dialog with stakeholders
Human rights	Respect for human rights and prohibition of discrimination
Environment	Management activities conforming to ISO 14001 Promotion of energy-saving efforts in offices
Labor practices	Promotion of work-life balance Promotion of diversity Regular improvement activities by the Occupational Safety and Health Committee Health and productivity management initiatives
Fair operating practices	Fostering a compliance-oriented mindset (regular awareness-raising training)
Consumer issues	Obtaining ISO 9001 and personal information protection management system (P mark) certification
Community involvement and development	Community cleanup activities Bell mark, eco-cap collection activities Donations (money and materials) Volunteer activities (support for disaster-affected areas)

Sustainability priority issues	Initiatives
Industry and ICT innovation	Making society a better place by creating and providing new types of IT services Supporting structure transformation of industry with ITC Contribution to co-creation and collaboration system establishment and ecosystem transformation Working in solidarity with Group and partner companies
Support for ICT-driven learning activities	Providing a comprehensive solution in building the future of universities ICT-driven, high-quality classroom support and technology-based education Facilitating improved educational quality through the use of educational big data Realization of recurrent education (lifelong learning) environment AI and IoT research development aimed at the digitalization of education Providing new services for the Generation Z
Contribution to health care cost optimization and health promotion	Using big data to contribute to health care cost optimization for insurers and promotion of the health of the insured Joint research efforts with academia and others to help find solutions to address disease, including infectious diseases, and medical challenges Open-sourcing medical big data
Information systems integration package-based efficiency enhancement of financial operations	Contributing to society via information systems integration package business aimed at financial institutions

Contribution to enterprise transformation via digitalization promotion	Cashless service for employee cafeterias and offices "mieHR" human resources data platform Office DX—Facial recognition-based attendance recording
Health and productivity management initiatives	Health and productivity management promotion Promotion of regular health examinations and multiphasic health screenings Elimination of long working hours Communication promotion initiatives (e.g., events) Physical and mental health promotion
Provision of learning opportunities	A robust in-house training system (e.g., in-house professional certification programs) Internships (providing students with systems engineering work experience) Supporting education and learning through systems development
Diversity initiatives	Hiring and fair treatment without consideration of race, nationality, gender, etc. A variety of in-house systems for supporting a variety of work styles Contract with "Work Happiness Farm" run by S-POOL Plus Inc.
Environmental load mitigation	Initiatives to promote paperless offices via DX promotion Initiatives to address environmental issues in our offices, data centers and elsewhere

(2) Strategies

Regarding the various strategies related to the Group's materialities stated in "(1) Governance" above, the divisions in charge of each theme have established policies and plans to resolve the issues and are continuously implementing the PDCA cycle. Among the Group's materialities, the policy on human resource development, which includes ensuring diversity in human resources, and the policy on internal environment improvement are shown below.

Policies on human resource development and internal environment improvement:
Through the JCPL (JAST Certified Project Leader) system, an in-house certification system, we develop IT engineers with the knowledge and skills necessary for project management and provide a training curriculum aimed at developing DX personnel, as well as conduct working group activities with selected management-level personnel.
In order to improve employee engagement, wellbeing, and employee retention, we strive to establish a system that allows each employee to fully demonstrate their abilities with a sense of fulfillment in their work while maintaining a good work-life balance, a comfortable work environment where employees can continue working with peace of mind, and settings that enable employees to work without restrictions on time and place. Specific measures are as follows.

(i) Measures to improve engagement

Aiming to maintain and improve organizational strength over the medium term, we conduct surveys to objectively identify organizational issues. Based on the understanding of engagement levels through this survey, we implement engagement improvement activities.

(ii) Health and productivity management promotion and perspectives on well-being

We are strategically and systematically working on health and productivity management , positioning efforts to understand and continuously improve the health status of employees as an essential investment in enhancing individual and organizational performance.

(iii) Telework program

We have developed operational rules and realized a location-independent work style by digitization, paperless work, or other measures with the aim of maintaining and improving organizational and individual productivity, thereby achieving both diversification of work styles and a favorable work-life balance.

(3) Risk management

The Group is making company-wide efforts to manage risk related to sustainability activities by comprehensively identifying and responding to issues and assessments from CSR activities and SDGs promotion activities, as well as requests and expectations from stakeholders. The Group is striving to enhance its risk management system and has established a system to report the status and results of its efforts to the Board of Directors as appropriate. For details of risk management, please refer to "3. Business Risks."

(4) Indicators and targets

Among the indicators and targets relating to the Group's materialities stated in "(1) Governance" above, the policy on human resource development, which includes securing diversity in human resources, and the policy on internal environment improvement are shown below.

With regard to the indicators relating to the policy on human resource development, which includes securing diversity in human resources, and the policy on internal environment improvement stated in "(2) Strategies" above, although specific efforts are being made at the Company, along with data management of related indicators, it is difficult to present them on a consolidated basis because not all companies in the consolidated group are doing so. For this reason, the targets and results for the following indicators are those of the reporting company, which operates the main business in the consolidated group.

Indicators relating to policies on human resource development and internal environment improvement, and targets and results thereof:

Indicator	Target	Result (FY3/23)
Percentage of female workers in managerial positions	20% by March 2028	8.1%
Percentage of male workers taking childcare leave	80% by March 2028	36.4%
Gender wage gap	85% by March 2028	74.0%

Note: The actual figures of the percentage of female workers in managerial positions, percentage of male workers taking childcare leave, and gender wage gap are disclosed in "I. Company Overview, 5. Employees, (4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, and gender wage gap."

3. Business Risks

Of the matters related to Business Overview and Financial Information stated in this Annual Securities Report, the management has recognized that the items listed below constitute major risk factors that may have a material impact on the financial position, operating results, and cash flows of consolidated companies. This document contains forward-looking statements, which are based on the Group's estimates and assumptions made as of the filing date of this Annual Securities Report.

(i) Risks related to unprofitable projects and defects in products and services

The progress of digital technologies, including AI, blockchain, fintech, biometric and image authentication, diversification of development methods, and the rapid spread and transition of new information processing technologies represented by the cloud in recent years, have made the information systems we are involved in developing more and more complex. Under these circumstances, the risk of unprofitable projects due to rework caused by insufficient consideration of system specifications or inaccurate estimates is increasing. Moreover, the demands of clients regarding quality have become stricter as society shows increased interest in quality and defect issues related to IT products and services, given the growing impact of such defects on society. Against this backdrop, the Group is very careful in thoroughly educating employees about improving and stabilizing the quality of products and services, strengthening screening functions during the quote and order process, improving quote technology, and enhancing project management. Nevertheless, the Group cannot rule out the possibility of unprofitable projects and defects which could cause increased costs due to client indemnities and product repairs, and together with credit deterioration, result in a material impact on the Group's business performance.

(ii) Risks related to information management, misuse, and negligence

Because the Group handles essential information, including medical data, it has formulated internal guidelines, trained employees, and holds regular inspections conducted by professional organizations to thoroughly prevent the leak of confidential or personal information relating to clients or employees, as well as accidents due to negligence of all kinds, and misuse. Besides, cyber-security risks have become a serious management issue as cyber-attacks are becoming increasingly sophisticated day by day. For this reason, we have established the "JAST-SIRT" as a CSIRT[*1] to monitor and analyze cyber security threats and strengthen our response capabilities. In addition, we have purchased information leak liability insurance in preparation for worst-case scenarios. However, accidents and fraud may occur because no preventive measures are absolutely reliable, and the materialization of such problems could lower the Group's creditworthiness, require indemnities, and have a material impact on the Group's business performance.

*1. Stands for Computer Security Incident Response Team, which is a generic name for a group of professionals that responds to computer security incidents.

(iii) Risks related to litigation

The Group is subject to the risk of litigation related to its operations in each business area. If litigation or other legal action is brought against us, we may be ordered to pay an unexpectedly large amount of damages as a result, which, depending on the amount, could have a significant impact on our group's performance and financial position.

(iv) Risks related to securing the development system

Due to factors such as the diversification of digital technology and the increasing sophistication of expertise, the industry faces difficulties in securing excellent human resources. Our group has ensured a development system by hiring new graduates and mid-career employees and procuring from subcontractors. However, if the order situation changes and we are unable to secure sufficient personnel, the Group's operations may be disrupted. Furthermore, if the unit price of outsourcing orders rises due to a breakdown in the supply-demand relationship or other factors, the Group's business performance may be affected. We are striving to reduce the risk by strengthening our internal structure to secure excellent partner companies and procuring engineers through overseas offshoring and domestic nearshoring.

(v) Risks in technological innovation and new product development

The Group actively invests in R&D to develop products and discover new business seeds. However, in a rapidly changing industry, it is not always possible to accurately forecast future demand and constantly develop and supply new products and services that lead to appropriate earnings. If there is a significant difference between the scale of prior investment and the subsequent monetization of such investment, the forecast of future performance and growth of the Group may be affected.

(vi) Risks of corporate acquisitions, etc.

When conducting corporate acquisitions, etc., the Group conducts detailed preliminary assessments of the financial position and business of the target company and collects and examines the necessary and sufficient information for decision-making. However, it is not always possible to identify and resolve all concerns in each project through this preliminary research. If, after the acquisition or other transaction is completed, issues that the Group is not aware of become apparent, or if the expected results are not achieved due to changes in the business environment or business conditions, the business performance of the Group and the Company may be affected by an impairment on goodwill or other intangible assets in the consolidated financial statements or a decrease in the valuation of shares of affiliated companies in the non-consolidated financial statements. Besides, although we are working to strengthen the development and sales systems and governance of each subsidiary in order to contribute to the enhancement of the corporate value of the Group as a whole, a downturn in the business performance of a subsidiary or deterioration in geopolitical conditions could affect the business performance and financial position of the Group.

(vii) Risks associated with large-scale disasters and pandemics

In preparation for the event of a natural disaster, such as a major earthquake or a global outbreak of an infectious disease epidemic (pandemic) that would make it difficult to conduct business, the Group has established a business continuity plan and guidelines and has put in place a system and environment to enable initial response and rapid restoration of business operations. The main offices occupied by the Group have advanced disaster prevention functions to ensure business continuity, and the data center used by the Group has high standards regarding security measures and disaster countermeasures such as earthquake resistance. In addition, we have established the necessary plans and systems to ensure business continuity amid a pandemic and are taking thorough measures to prevent infection. Thus, at this point in time, these risks do not have a significant impact on the Group’s business. However, if a special event or situation beyond a company’s control were to occur and business interruption became inevitable, the Group’s business performance and financial position could be affected.

(viii) Risk of economic downturn

The Group has taken full advantage of having no affiliations with other companies to operate business without depending on specific industries, technology fields, or manufacturers. This characteristic makes the Group relatively unaffected by economic trends. However, if the domestic or overseas economy slumps for a prolonged period of time, the Group’s performance may be affected as client companies curtail system development investment due to deteriorating profitability.

(ix) Risks associated with the concentration of earnings towards the fiscal yearend

A unique feature of the Group’s businesses is that customers’ inspections of SI development, solutions, services, packaged products, etc., tend to concentrate in March, the last month of the fiscal year for most clients. Under the Accounting Standard for Revenue Recognition, etc. (hereinafter the “Standard”), which we began applying in the previous fiscal year, most of our orders received are now recognized as revenue based on the progress of fulfilling the performance obligation. As a result, quarterly sales and operating income tend to level off compared to those before the application of the Standard. However, for some projects not subject to revenue recognition based on the degree of completion, the results still tend to be concentrated at the end of the accounting period.

Quarterly sales and operating income for the fiscal years ended March 31, 2022 and 2023:

(Million yen)

FY3/22					
	Q1	Q2	Q3	Q4	Total
Sales	4,900	5,142	4,943	6,415	21,399
Operating income	342	650	304	704	2,000

(Million yen)

FY3/23					
	Q1	Q2	Q3	Q4	Total
Sales	5,119	5,884	5,631	6,884	23,519
Operating income	261	742	556	825	2,385

(x) Risk of product obsolescence

The products handled by the Group are procured from manufacturers and distributors, but some products have large minimum order quantities and are subject to the risk of inventory obsolescence. The Group strives to accurately project required quantities while monitoring sales conditions. However, if procured products become obsolete or if procurement is delayed due to stagnation in the supply chain caused by raw material shortages or other factors, resulting in the inability to supply customers promptly and the loss of business opportunities, the Group’s business results may be adversely affected. In addition, if product defects or other problems occur, the Group’s business results may be affected due to compensation to customers, product repairs, and other expenditures.

(xi) Risks associated with the valuation of assets

The Group owns marketable securities and other investment assets. The balance of these assets is considerably smaller than its current assets, which can be easily converted to cash. Still, unpredictable or rapid changes in market prices or the bankruptcy of issuers, while difficult to forecast, could reduce the value of these assets, impacting the Group’s business performance.

(xii) Risks associated with the global business

The Group has several subsidiaries in China, ASEAN, and South Asia. Modifications in policies and laws and regulations, changes in economic conditions, and fluctuations in foreign exchange rates in the countries and regions in which each subsidiary operates may affect the financial position and operating results of the Group.

(xiii) Risks related to revenue recognition

Revenues from contracts with customers of the Company and its consolidated subsidiaries mainly consist of software made-to-order. For contracts where the performance obligation is fulfilled over a specified period, the progress of fulfilling the performance obligation is estimated, except when the period is extremely short, and revenue based on the progress is recognized for that period. When estimating the total cost of construction, which is the basis for the recognition of revenue based on the progress of fulfilling the performance obligation, the Company takes the utmost care and secures project management. However, errors in estimating the total cost of construction in a timely and appropriate manner could result in the misrecognition of revenues based on the progress of fulfilling the performance obligation. For projects where the estimated cost exceeds the estimated revenue, the Company strictly assesses the recoverable amount and recognizes a loss for the unrecoverable amount. If costs increase in the future, additional losses may be recognized.

4. Management’s Analysis of Financial Status, Operating Results and Cash Flows

(1) Overview of Operating Results

Financial status, operating results and cash flows (hereafter “Operating Results”) of JAST and its consolidated subsidiaries, hereafter “the Group”) in the current fiscal year are as follows.

(i) Financial Status

Balance sheet of the JAST Group at the end of the current fiscal year in as follows.

(Assets)

The balance of current assets at the end of the current fiscal year was 14,187 million yen, up 14.5% over the end of the previous fiscal year. This was mainly due to increases in cash and deposits, and accounts receivable-trade and contract assets. The balance of non-current assets were 3,226 million yen at the end of the current fiscal year, up 2.4% over the end of the previous fiscal year.

(Liabilities)

The balance of current liabilities at the end of the current fiscal year was 4,703 million yen, up 1.8% over the end of the previous fiscal year. This was mainly due to increases in accounts payable-trade and provision for bonuses, and a decrease in income taxes payable. The balance of non-current liabilities was 1,893 million yen at the end of the current fiscal year, up 9.8% over the end of the previous year.

(Net assets)
The balance of total net assets was 10,816 million yen at the end of the current fiscal year, up 17.6% over the end of the previous fiscal year.

(ii) Status of Operating Results
Consolidated sales of the JAST Group were 23,519 million yen (up 9.9% year on year). Operating income was 2,385 million yen (up 19.3% year on year), ordinary income was 2,450 million yen (up 19.4% year on year), and profit attributable to owners of parent was 1,772 million yen (up 33.2% year on year). Business segment performance was as follows.
In the current fiscal year, JAST revised its reportable segments and the method used for calculating segment profit and loss. Fiscal year comparisons and analysis of results of operations are based on the revised segments and profit and loss calculation method.

(Digital transformation and system integration (DX&SI) business)
Segment sales increased 11.1% from one year earlier to 14,335 million yen and the operating income increased 33.3% to 2,078 million yen. The number of large orders received directly from existing and new customers was higher than one year earlier. As a result, the overall profitability of the business increased.

(Package business)
Segment sales decreased 2.4% from one year earlier to 4,489 million yen and the operating income was down 18.2% to 1,250 million yen. Sales of program products for BankNeo, an information systems integration package for financial institutions, were higher. However, there was a decline in sales, installation and support services, and other activities involving the GAKUEN Series, a strategic university management system consisting of GAKUEN RX and GAKUEN UNIVERSAL PASSPORT RX. Overall, this segment is performing well, with a larger volume of orders than at the end of the previous fiscal year.

(Medical big data business)
Segment sales increased 11.9% from one year earlier to 2,021 million yen and the operating income was up 19.9% to 457 million yen. The profitability of this business improved mainly because of the growth of analysis services, support services for insurance organizations and other highly profitable services.

(Global business)
Sales increased 28.1% from one year earlier to 2,673 million yen and the operating income increased 448.5% to 271 million yen. This was primarily the result of the growth in Malaysia of support services at new and existing customers for the use of SAP software and the positive effect of foreign exchange rate movements on the performance of this business, mainly at subsidiaries outside Japan with strong sales and earnings.

(General and administrative expenses not allocated to a reportable segment)
Corporate general and administrative expenses increased 10.0% from one year earlier to 1,671 million yen mainly because of higher personnel expenses as more people were hired.

(iii) Status of Cash Flows
Cash and cash equivalents increased 329 million yen from 6,463 million yen at the beginning of the current fiscal year to 6,793 million yen at the end of the current fiscal year.
Cash flows by category were as follows.

(Cash Flows from Operating Activities)
Net cash provided by operating activities totaled 1,073 million yen, compared with 1,162 million yen provided in the previous fiscal year. This difference was mainly due to an increase in trade payables.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled 541 million yen, compared with 80 million yen used in the previous fiscal year. This difference was mainly due to an increase in payments into time deposits.

(Cash Flows from Financing Activities)
Net cash used in financing activities totaled 280 million yen, compared with 486 million yen provided in the previous fiscal year. This difference was mainly due to decreases in proceeds from issuance of shares and proceeds from disposal of treasury shares.

(iv) Production, Order Entry and Sales

a. Production

Production performance in each segment in the current consolidated fiscal year is as follows:

Name of Segment	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	Year-on-Year Comparison (%)
DX&SI business (Thousand yen)	11,529,927	108.9
Package business (Thousand yen)	2,534,264	102.0
Medical big data business (Thousand yen)	1,222,536	108.1
Global business (Thousand yen)	1,909,468	125.2
Total (Thousand yen)	17,196,196	109.4

Note: The amounts are based on cost of sales and transactions between segments are eliminated by offsets.

b. Orders Received

The status of orders received in each segment in the current consolidated fiscal year is as follows:

Name of Segment	Amount of Orders Received	Year-on-Year Comparison (%)	Balance of Orders Received	Year-on-Year Comparison (%)
DX&SI business (Thousand yen)	14,576,485	105.5	4,098,135	106.2
Package business (Thousand yen)	4,774,086	108.9	2,187,157	115.0
Medical big data business (Thousand yen)	2,108,946	114.6	814,737	112.1
Global business (Thousand yen)	2,673,452	128.1	-	-
Total (Thousand yen)	24,132,971	109.1	7,100,029	109.5

Note: The amounts are based on sales price and transactions between segments are eliminated by offsets.

c. Sales Performance

The sales performance in each segment in the current consolidated fiscal year is as follows:

Name of Segment	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	Year-on-Year Comparison (%)
DX&SI business (Thousand yen)	14,335,487	111.1
Package business (Thousand yen)	4,489,345	97.6
Medical big data business (Thousand yen)	2,021,231	111.9
Global business (Thousand yen)	2,673,452	128.1
Total (Thousand yen)	23,519,516	109.9

Notes: 1. Transactions between segments are eliminated by offsets.
2. The following table indicates sales amounts to major customers and their ratios to total sales amount.

Customers	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)		Customers	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)	
	Amount (Thousand yen)	(%)		Amount (Thousand yen)	(%)
TIS Inc.	1,520,224	7.1	NTT COMWARE CORPORATION	2,102,664	8.9
NTT COMWARE CORPORATION	1,266,698	5.9	TIS Inc.	1,371,510	5.8
Honda Motor Co., Ltd.	1,038,499	4.9	Honda Motor Co., Ltd.	1,083,936	4.6

(2) Views and issues analyzed/discussed with regard to the status of operating results, etc. from the management's perspective

Views and issues analyzed/discussed with regard to the status of operating results, etc., from the management's perspective are as follows.

Forward-looking statements are based on the judgment as of the end of the current fiscal year.

(i) Significant accounting estimates and assumptions thereof

The Group's consolidated financial statements are prepared based on accounting principles generally accepted in Japan. In preparing these consolidated financial statements, accounting estimates are made based on reasonable criteria for matters requiring estimation.

The information on significant accounting estimates and assumptions used for preparing consolidated financial statements is disclosed in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, *Significant Accounting Estimates* ."

(ii) Recognition, analysis and discussions of the status of financial position and operating results

a. Financial position

Recognition, analysis and discussions of financial status is stated in "II. Business Overview, 4. Management's Analysis of Financial Status, Operating Results and Cash Flows, (1) Overview of Operating Results, (i) Financial Status."

b. Operating results

Recognition, analysis and discussions of the status of operating results is stated in "II. Business Overview, 4. Management's Analysis of Financial Status, Operating Results and Cash Flows, (1) Overview of Operating Results, (ii) Status of Operating Results."

c. Cash flows

Recognition, analysis and discussions of the status of cash flows is stated in "II. Business Overview, 4. Management's Analysis of Financial Status, Operating Results and Cash Flows, (1) Overview of Operating Results, (iii) Status of Cash Flows." Trends of cash flow-related indicators are as follows:

Reference: Cash flow indicators

	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23
Equity ratio (%)	46.8	47.7	53.0	58.9	61.8
Equity ratio based on market value (%)	55.5	42.1	64.2	101.9	128.3
Interest-bearing debt to cash flow ratio (years)	1.2	3.6	0.2	0.0	0.0
Interest coverage ratio (times)	478.5	94.1	615.0	1,009.9	1,730.2

Note: 1. The above figures are calculated as follows.
Equity ratio: Shareholders' equity / Total assets
Equity ratio based on market value: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows
Interest coverage ratio: Operating cash flows / Interest payments
* Market capitalization is calculated by multiplying the closing share price at the end of the period by the number of shares outstanding at the end of the period, excluding treasury shares.
* Interest-bearing debt is calculated using total loans-payable on the consolidated balance sheet.
* Interest payments use the amount of interest expenses paid stated on the consolidated statement of cash flows.

(iii) Capital resources and funds' liquidity

a. Cash flows

Analysis of cash flows for the current fiscal year is stated in "II. Business Overview, 4. Management's Analysis of Financial Status, Operating Results and Cash Flows, (1) Overview of Operating Results, (iii) Status of Cash Flows."

b. Financial policy

The basic policy of the Group is to keep the liquidity needed for operating business and funds resources consistently.

Short-term working capital is basically financed by internal funds or short-term loans from financial institutions, while capital investment funds and long-term working capital are basically financed by long-term loans from financial institutions.

The Company has commitment line contracts with four banks, totaling 500 million yen as of the end of the current fiscal year (no outstanding balance of facilities drawn).

(iv) Factors that have material impacts on operating results

Factors that have material impacts on operating results are presented in “II. Business Overview, 3. Business Risks.”

(v) Analysis of capital resources and the funds’ liquidity

The Group raises funds necessary for its business activities, including working capital and capital investment, through its funds and loans from financial institutions.
We plan to finance future needs through cash flows from operating activities and loans.

(vi) Awareness of the issues by management and future policies

Issues for future growth are presented in “II. Business Overview, 1. Management Policy, Business Environment and Issues to be Addressed.”

(vii) Management policy, management strategies, and objective indicators used to assess if management targets have been achieved

The Group recognizes net sales, target for profit of each type, dividend payout ratio, and return on equity (consolidated) as key management indicators.

The respective indicators for the current consolidated fiscal year were as follows: Net sales was 23,519 million yen, an increase of 19 million yen from the consolidated net sales forecast of 23,500 million yen announced on May 10, 2023; operating income was 2,385 million yen, an increase of 15 million yen from 2,370 million yen of the same forecast; ordinary income was 2,450 million yen, an increase of 10 million yen from 2,440 million yen of the same forecast; and profit attributable to owners of parent was 1,772 million yen, an increase of 12 million yen from 1,760 million yen of the same forecast. The dividend payout ratio was 22.15%, and return on equity (consolidated) was 17.8%.

We have set the consolidated earnings forecast announced on May 13, 2023 (net sales of 25,300 million yen, operating income of 2,540 million yen, ordinary income of 2,600 million yen, and profit attributable to owners of parent of 1,880 million yen) as key management indicators for the fiscal year ending March 31, 2024, and are striving to achieve these targets. We are also working on maintaining a stable dividend payout ratio and return on equity (consolidated) to further enhance corporate value by pursuing returns on shareholders’ equity.

5. Important Contracts, etc., in Operations

Not applicable.

6. Research and Development Activities

Total research and development expenses for the current fiscal year amounted to 469 million yen. Research and development activities by segment are as follows:

In the DX&SI business, research and development expenses totaled 108 million yen as a result of research and development for the creation of new businesses and the development of next-generation products for financial institutions.

In the package business, research and development expenses totaled 179 million yen as a result of efforts to develop a new integrated operations package for universities.

In the medical big data business, research and development expenses totaled 73 million yen mainly due to efforts to improve the performance of automated check of health insurance claims and expanding services.

Research and development expenses that do not belong to a specific business totaled 107 million yen.

III. Information about Facilities

1. Capital Expenditures Overview

Capital investment of 122,793 thousand yen was made in the current fiscal year. Details in each segment are as follows:

In the DX&SI business, capital investment of 41,635 thousand yen was made to install equipment for stabilizing the internal system environment and the latest server computers.

In the package business, capital investment of 19,034 thousand yen was made to enhance facilities and equipment for improving work efficiency.

In the medical big data business, a capital investment of 29,855 thousand yen was made to install equipment for automated inspection of health insurance claims and for handling the increased volume of analytical data processing.

In the global business, a capital investment of 32,268 thousand yen was made to improve work efficiency.

Note: Capital expenditures include investments in intangible assets as well as property, plant and equipment.

2. Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2023

Office (location)	Segment	Description of facilities	Book value (Thousand yen)				Number of employees (persons)
			Buildings and structures	Land area (m^2)	Other	Total	
Osaka Head Office (Kita-ku, Osaka-shi)	DX&SI business, package business, medical big data business	Offices and development facilities	48,577	-	109,030	157,607	372
Osaka Head Office (Kita-ku, Osaka-shi)	Not part of a specific business	Offices and office equipment	83,764	-	15,079	98,844	71
Tokyo Head Office (Minato-ku, Tokyo)	DX&SI business, package business, medical big data business	Offices and development facilities	64,066	-	18,103	82,170	412
Tokyo Head Office (Minato-ku, Tokyo)	Not part of a specific business	Offices and office equipment	38,495	-	5,984	44,480	25
Kitashinagawa Office (Shinagawa-ku, Tokyo)	Medical big data business	Offices and development facilities	19,932	-	10,468	30,400	46
Kitashinagawa Office (Shinagawa-ku, Tokyo)	Not part of a specific business	Offices and office equipment	39,022	-	1,051	40,074	-
Training facility and company dormitory (Hirakata-shi, Osaka)	Not part of a specific business	Employee welfare facilities	40,621	142,361 [1,579,92]	744	183,727	-

Notes: 1. The Osaka Head Office, Tokyo Head Office, and Kitashinagawa Office are rented offices in buildings. The annual rent is 532,464 thousand yen.

2. "Other" under book value mainly includes tools, furniture and fixtures such as computers for development and software.

(2) Domestic subsidiaries

As of March 31, 2023

Company name	Office (location)	Segment	Description of facilities	Book value (Thousand yen)				Number of employees (persons)
				Buildings and structures	Land area (m^2)	Other	Total	
Alpha Computer Co., Ltd. (Notes 1, 2)	Head Office (Shinagawa-ku, Tokyo)	DX&SI business, package business	Offices and development facilities	4,180	-	1,993	6,173	49
NewNeeds Co., Ltd. (Notes 1, 3)	Head office (Kita-ku, Osaka-shi)	DX&SI business, medical big data business	Offices and development facilities	-	-	457	457	85
ISR Co., Ltd. (Notes 1, 4)	Head office (Chiyoda-ku, Tokyo)	DX&SI business	Offices and development facilities	4,135	-	7,926	12,061	39

Notes: 1. The head office is a rented office in a building.
2. The number of employees includes 2 employees on loan from the Company.
3. The number of employees includes 4 employees on loan from the Company.
4. The number of employees includes 1 employee on loan from the Company.

(3) Overseas subsidiaries

As of March 31, 2023

Company name	Office (location)	Segment	Description of facilities	Book value (Thousand yen)				Number of employees (persons)
				Buildings and structures	Land area (m^2)	Other	Total	
JASTEC (THAILAND) CO.,LTD. (Note 1)	Head Office (Thailand)	Global business	Offices and development facilities	6,559	-	4,417	10,976	18
GuiLin Anxin Software Co., Ltd. (Note 1)	Head Office (China)	Global business	Offices and development facilities	-	-	2,869	2,869	36
Shanghai Jiafeng Information Technology Co., Ltd. (Note 1)	Head Office (China)	Package business	Offices	6,590	-	-	6,590	1
JAST Asia Pacific Co., Ltd. (Thailand) (Notes 1, 2)	Head Office (Thailand)	Global business	Offices and development facilities	-	-	223	223	1
Virtual Calibre SDN. BHD. (Note 1)	Head Office (Malaysia)	Global business	Offices and development facilities	2,533	-	7,079	9,613	237
Virtual Calibre MSC SDN.BHD. (Note 1)	Head Office (Malaysia)	Global business	Offices and development facilities	4,898	-	20,316	25,215	115
Virtual Calibre Consulting SDN. BHD. (Notes 1, 2)	Head Office (Malaysia)	Global business	Offices and development facilities	691	-	56	748	154
AG NET PTE.LTD. (Notes 1, 3)	Head Office (Singapore)	Global business	Offices and development facilities	4,345	-	839	5,184	18
Bright & Better Co., Ltd. (Note 1)	Head Office (Thailand)	Global business	Offices and development facilities	-	-	136	136	8

Notes: 1. The head office is a rented office in a building.
2. The number of employees includes 1 employee on loan from the Company.
3. The number of employees includes 2 employees on loan from the Company.

3. Plans for Capital Investment and Disposals of Facility

The Group formulates capital investment plans based on comprehensive consideration of economic forecasts, industry trends, investment efficiency, and other factors. In principle, each group company develops its capital expenditure plan individually, and the reporting company plays a central role in coordinating the plans.

As of March 31, 2023, significant capital investment plans (new construction and renovation) totaled 472 million yen, and the breakdown by segment is as follows:

(1) New construction of major facilities

Company name (Office)	Location	Segment	Description of facilities	Planned investment amount		Financing method	Schedule		Improvements after completion
				Total (Thousand yen)	Amount already paid (Thousand yen)		Commencement	Completion	
JAST (Tokyo Head Office)	Minato-ku, Tokyo	Medical big data business	Big data infrastructure development	20,950	-	Self-financing	April, 2023	March, 2024	Analysis services quality
JAST (Tokyo Head Office)	Minato-ku, Tokyo	Not part of a specific business	In-house system integration and office facilities	4,347	-	Self-financing	April, 2023	March, 2024	Work efficiency
JAST (Osaka Head Office)	Kita-ku, Osaka-shi	Not part of a specific business	In-house system integration and office facilities	447,237	-	Self-financing	April, 2023	March, 2024	Work efficiency

Note: There are no material plans of retirement or sale of major facilities, except those for recurring facility renewal.

(2) Major renovation

Not applicable.

IV. Information about Reporting Company

1. Shares, etc.

(1) Total number of shares, etc.

(i) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common stock	32,000,000
Total	32,000,000

(ii) Issued shares

Class	Number of issued shares as of March 31, 2023 (Shares)	Number of issued shares as of the filing date (June 29, 2023) (Shares)	Name of stock exchange on which the company is listed or name of authorized financial instruments firms association with which the Company is registered	Description
Common stock	12,418,460	12,418,460	Prime Market of Tokyo Stock Exchange	Standard stock of the Company with no restrictions on rights. The number of shares per one unit is 100 shares
Total	12,418,460	12,418,460	-	-

(2) Share acquisition rights

(i) Stock option plans

Not applicable.

(ii) Right plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, share capital, and legal capital surplus

(Thousand yen, unless otherwise stated)

Date	Increase (decrease) in total number of issued shares (Shares)	Balance of total number of issued shares (Shares)	Increase (decrease) in share capital	Balance of share capita	Increase (decrease) in legal capital surplus	Balance of legal capital surplus
April 1, 2021 through March 31, 2022 (Note 1)	597,000	6,209,230	458,739	1,535,409	458,739	1,497,047
April 1, 2022 through March 31, 2023 (Note 2)	6,209,230	12,418,460	-	1,535,409	-	1,497,047

Notes: 1. During the period from June 2, 2021 to September 22, 2021, upon the exercise of share acquisition rights, the total number of issued shares, the amount of share capital, and the amount of legal capital surplus increased by 597,000 shares, 458 million yen and 458 million yen, respectively.

2. The Company conducted a 2-for-1 stock split effective on October 1, 2022.

(5) Shareholding by shareholder category

As of March 31, 2023

Category	Shareholding status (Number of shares constituting one unit: 100 shares)								Odd-lot shares (Shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	-	10	20	12	60	6	2,060	2,168	-
Number of shares held (units)	-	12,432	2,232	30,835	37,097	24	41,524	124,144	4,060
Percentage of shareholdings (%)	-	10.01	1.80	24.84	29.88	0.02	33.45	100.00	-

Note: Out of 5,068 treasury shares, XX units are included in "Individuals and others," and 68 shares are included in "Odd-lot shares."

(6) Major shareholders

As of March 31, 2023

Name	Address	Number of shares held (Shares)	Shareholding ratio (excluding treasury shares) (%)
JUST Corporation	5-601-1, Hamadera Showacho, Nishi-ku, Sakai-shi, Osaka	2,900,200	23.36
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing proxy: MUFG Bank, Ltd.)	240 Greenwich Street, New York, New York 10286 U.S.A. (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	2,023,300	16.30
JAST's Employee Shareholding Association	2-3-18 Nakanoshima, Kita-ku, Osaka	1,165,380	9.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	709,500	5.72
Interactive Brokers LLC (Standing proxy: Interactive Brokers Securities Japan Inc.)	One Pickwick Plaza Greenwich, Connecticut 06830 USA (3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo)	701,600	5.65
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	326,000	2.63
Taku Hirabayashi	Nishi-ku, Sakai-shi, Osaka	278,640	2.24
Takeaki Hirabayashi	Nishi-ku, Sakai-shi, Osaka	193,800	1.56
The Bank of New York Mellon 140040 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	240 Greenwich Street, New York, NY 10286 U.S.A. (2-15-1 Konan, Minato-ku, Tokyo)	179,800	1.45
Goldman, Sachs & Co. Regular Account (Standing proxy: Goldman Sachs Japan Co., Ltd.	200 West Street New York, NY, USA (Roppongi Hills Mori Tower, 6-10-1 Roppongi, Minato-ku, Tokyo)	164,800	1.33
Total	-	8,643,020	69.62

Notes: 1. The Company holds 5,068 treasury shares but is excluded from the above major shareholders. The Company has established a Board Benefit Trust (BBT), and the 149,200 shares of the Company's stock held by Japan Custody Bank, Ltd. (Trust Account E) are not included in treasury shares above.

2. According to the Change Report that was made available for public inspection on January 24, 2023, the shares of the Company were held by Miri Capital Management LLC as of January 17, 2023 with the detail shown below. However, the Company did not include such information in the table above because it could not confirm the number of shares effectively held by these companies as of March 31, 2023. The detail of the Change Report is as follows:

Name	Address	Number of share certificates held (thousand shares)	Shareholding ratio (%)
Miri Capital Management LLC	745 Boylston Street, Suite 301, Boston, MA 02116, USA	2,626	21.15

(7) Voting rights

(i) Issued shares

As of March 31, 2023

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares with no voting rights	-	-	-
Shares with restricted voting rights (treasury shares, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury shares, etc.)	Common stock 5,000	-	-
Shares with full voting rights (other)	Common stock 12,409,400	124,094	-
Odd-lot shares	Common stock 4,060	-	-
Total number of issued shares	12,418,460	-	-
Voting rights held by all shareholders	-	124,094	-

Notes: 1. "Shares with full voting rights (other)" of common stock includes 149,200 shares (1,492 voting rights) of the Company held by the Board Benefit Trust (BBT).
2. "Odd-lot shares" includes 68 treasury shares held by the Company.

(ii) Treasury shares, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others' name (Shares)	Total number of shares held (Shares)	Ratio against total shares issued (%)
Japan System Techniques Co., Ltd.	2-3-18 Nakanoshima, Kita-ku, Osaka-shi	5,000	-	5,000	0.04
Total	-	5,000	-	5,000	0.04

Notes: 1. The Company's stock held by the BBT (149,200 shares) is included in the number of treasury shares in consolidated and non-consolidated financial statements.
2. In addition to the above, the Company holds 68 odd-lot shares.

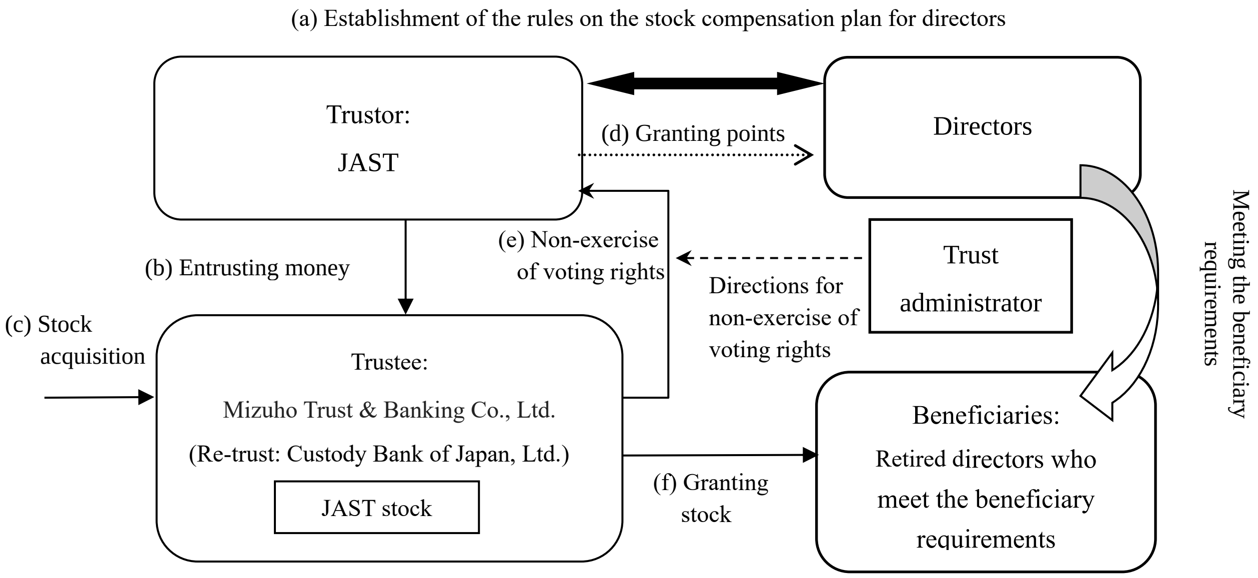
(8) Details of the Director and Employee Stock Ownership Plan

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.

i. 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 (and other officers). In principle, a director becomes eligible for stock compensation only after the individual is no longer a JAST director.

BBT Structure



(a) At the General Meeting of Shareholders, JAST will approve a resolution on directors' compensations for this plan, and within the framework approved by the General Meeting of Shareholders, JAST will establish the rules on the stock compensation plan for directors (and other officers).
(b) JAST will entrust money within the scope of the approval by the resolution of this General Meeting of Shareholders in (a) above.
(c) The Trust will acquire JAST stock using the money entrusted in (b) as the source of funds, either through the stock exchange market or by subscribing to the disposal of treasury shares.
(d) JAST grants points to directors in accordance with the rules on the stock compensation plan for directors (and other officers).
(e) The Trust shall not exercise voting rights with respect to JAST stock in the Trust Account in accordance with the instructions of the trust administrator, which is independent from JAST.
(f) The Trust will grant JAST stock to retired directors who meet the requirements for beneficiaries set forth in the rules on the stock compensation plan for directors (and other officers) (hereinafter "beneficiaries") in accordance with the number of points granted to such beneficiaries. However, if a director meets the requirements set forth in the rules, a monetary amount equivalent to the market value of the JAST stock will be made for a certain percentage of the points.

ii. Total number of shares acquired by the Trust

The total number of shares acquired by the Trust is 149,200. The number of shares to be acquired by the Trust is not determined yet.

iii. Scope of beneficiaries and other persons entitled to rights under this plan

Retired directors who meet the requirements for beneficiaries set forth in the rules on the stock compensation plan for directors (and other officers)

2. Acquisition and Disposal of Treasury Shares

Class of shares, etc.:

Acquisition of common stock under Article 155, item (vii) of the Companies Act

(1) Acquisition by resolution of Annual General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of the Board of Directors

Not applicable.

(3) Acquisition not based on resolution at Annual Shareholders meeting or the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year ended March 31, 2023 (Note)	186	439,076
Treasury shares acquired during the period for acquisition	77	157,944

Note: Treasury shares acquired during the fiscal year ended March 31, 2023 were due to acquisition of odd-lot shares.

(4) Disposal of acquired treasury shares and number of shares held

Category	FY3/23		Period for Acquisition	
	Number of shares (Shares)	Total amount of disposal (Thousand yen)	Number of shares (Shares)	Total amount of disposal (Thousand yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were disposed of	-	-	-	-
Acquired treasury shares that were transferred for merger, share exchange, share issuance and company split	-	-	-	-
Other	-	-	-	-
Treasury shares held (Note)	5,068	-	5,145	-

Note: The Company's stock held by the BBT (149,200 shares) is included in the number of treasury shares in consolidated and non-consolidated financial statements.

3. Dividend policy

Our basic policy for dividends is to achieve stable growth over the long term. We will decide on specific policies and amounts based on earnings trends, financial conditions and other environmental factors, while taking into consideration the payout ratio. Additionally, in regard to retained earnings, we hope to invest effectively in things like development of professional human resources, creation of new businesses, promotion of various alliances and R&D on new products.

We will continue our basic policy of treating record dates for paying dividends to shareholders of record as March 31 and September 30 but leave open the option of paying out dividends on other dates as well. Regarding the decision-making body for these dividends, the Articles of Incorporation stipulate that dividends may be paid by a resolution of the Board of Directors.

Taking into consideration earnings for FY3/23, JAST decided to pay a dividend of 32 yen (commemorative dividend of 5 yen and ordinary dividend of 27 yen) on June 9, 2023, based on a resolution by JAST Board of Directors on April 28, 2023.

JAST stipulate in the Articles of Incorporation that JAST may pay interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act of Japan.

The date of resolution by the Board of Directors meeting, total dividend amount and dividend per share for the dividends whose record date belongs to FY3/23 are as follows.

Date of resolution	Total dividend amount (Thousand yen)	Dividend per share (Yen)
Board of Directors held on April 28, 2023	397,228	32

4. Corporate Governance

(1) Overview of corporate governance

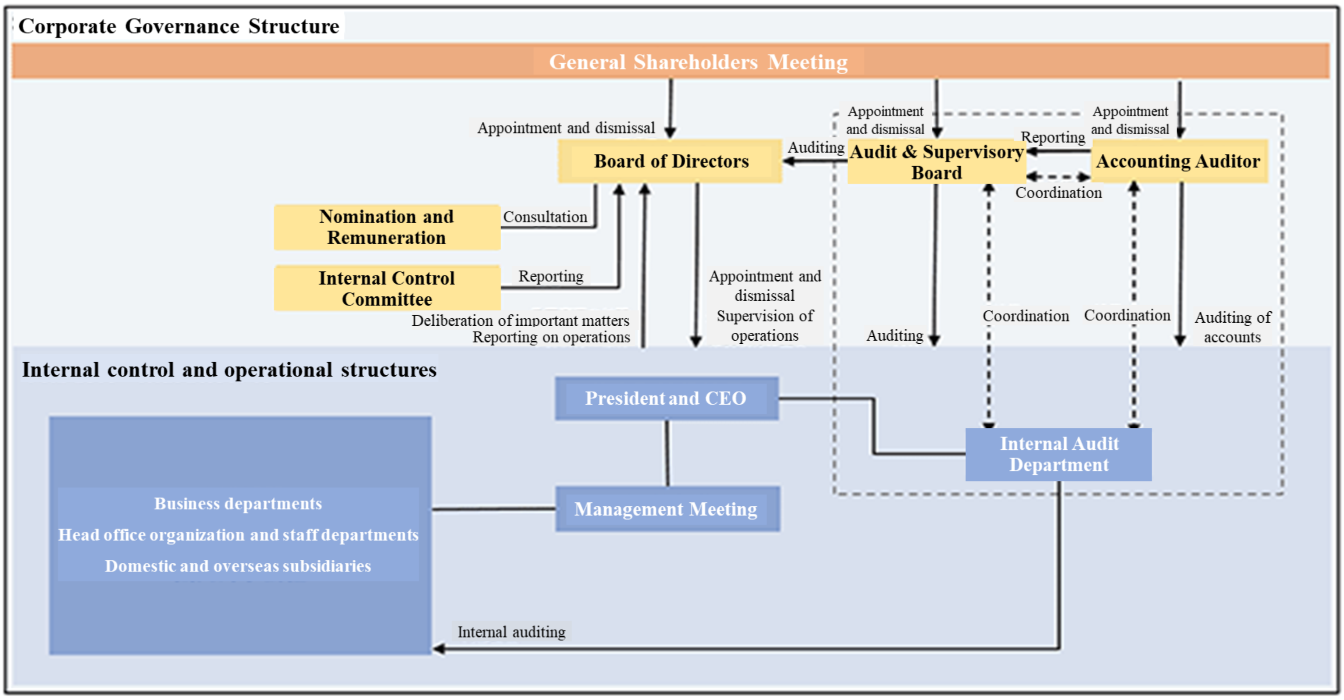
(i) Fundamental approach to corporate governance

At JAST, our focus is on achieving management which is ideally suited to the current economic environment while reflecting the fundamental principles of corporate governance. Towards this end, and in line with a philosophy which emphasizes what is best for our four key stakeholders—customers, shareholders, employees and society—we pursue win-win relationships with buyers, vendors, and investors, as well as with the public at large, in order to maximize value for each and realize a medium and long-term increase in corporate value together with the sustainable growth of the company. Moving forward, our corporate officers will sincerely consider all essential input as they boldly challenge the status quo and continue seeking out corporate transformation.

(ii) Overview of our corporate governance structure and reasons for its adoption

A. Overview of our corporate governance structure

The Company's corporate governance structure is shown in the following diagram.



At JAST, the members of the Audit & Supervisory Board encompass a broad range of specializations and are chosen with the aim of ensuring multifaceted oversight of Directors in the performance of their overall duties. JAST has the Board of Directors, the Audit & Supervisory Board Members, the Audit & Supervisory Board, and the Accounting Auditor, in addition to the General Meeting of Shareholders and Directors. Moreover, it has established the Management Meeting as a decision-making body based on the policies of the Board of Directors. The Board of Directors meetings are held monthly to make important management decisions. The Audit & Supervisory Board meetings are held regularly to determine audit policies and the responsibilities of each Audit & Supervisory Board Member. These meetings also discuss the Audit & Supervisory Board Members' audit results of the status of the execution of duties by Directors and the status of development and operation of the internal control system. The Management Meeting meetings are held monthly in principle to discuss important management issues. In order to separate management decision-making and supervisory functions from business execution, JAST has introduced an officer system to strengthen the supervisory function of the Board of Directors and to enable more flexible business execution by officers. Furthermore, we have established an Internal Control Committee to evaluate the status of development and operation of the internal control system, identify issues, and report to the Board of Directors. The committee has performed activities on an ongoing basis.

The number and members of each function are as follows. (The ◎ symbol denotes the chairperson.)

Position	Name	Board of Directors (13 members)	Audit & Supervisory Board (3 members)	Management Meeting (13 members)
President	Takeaki Hirabayashi	◎		◎
Senior Executive Director	Hiroaki Ban	○		○
Executive Director	Noriaki Okado	○		○
Director	Yuji Tsuchiya	○		○
Director	Chiharu Muguruma	○		○
External Director	Yutaka Hosoe	○		
External Director	Mitsugi Hanai	○		
External Director	Toshiyuki Akiba	○		
Full-time Audit & Supervisory Board Member	Katsuro Sonoda	○	◎	○
External Audit & Supervisory Board Member	Shigeki Taenaka	○	○	
External Audit & Supervisory Board Member	Jiro Mogami	○	○	
Officer	Keiji Koike			○
Officer	Kotaro Yamaki			○
Officer	Satoshi Ochiai			○
Officer	Masanori Kitafuku			○
Officer	Mitsunobu Hayashi			○

B. Reasons for adopting the structure

We believe that we can respond to changes quickly by each Director, who is familiar with the Company's business, being able to clarify their respective business responsibilities and manage business under the structure described in A. above. The Audit & Supervisory Board Members, including External Audit & Supervisory Board Members, attend meetings of the Board of Directors and other important internal meetings to audit the legality and appropriateness of overall management activities and business execution, thereby enhancing the management monitoring function. From this perspective of corporate governance, we have adopted the current structure.

(iii) Other matters concerning corporate governance

A. Development status of the internal control system

The Company has been working in a timely manner to develop internal control system mainly by developing internal regulations, structuring organizations so that mutual checks and balances function effectively, and evaluating and improving the internal control system through internal audits. In accounting audits, the status of internal control and its operation are reviewed as part of ordinary audit procedures. The Company aims to be fully compliant with the systems related to internal control evaluation and audit. These initiatives include documentation of related business processes, inspection of control status, and evaluation through verification in internal audits. The Board of Directors reviews the internal control system from time to time by evaluating its operation status and discussing the policy for maintenance of the system.

B. Risk management system

In the event of an emergency, in accordance with our risk management rules, we will promptly perform a series of procedures for fact-checking, investigation, the establishment of a task force, and recovery from the situation. In addition, the Board of Directors and the Management Meeting discuss risks to the Company and the Group to take necessary actions.

C. Development status of the system to ensure the appropriateness of business operations at subsidiaries

The Company has established a system to provide guidance and support to subsidiaries, while respecting their autonomy in management. At the same time, subsidiaries regularly submit business and financial reports to the Company's Management Meeting and other related bodies so that the Company can monitor the management status of each company. The Company's internal audit department also conducts audits of subsidiaries.

D. Overview of the liability limitation agreement

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has concluded an agreement with three External Directors and two External Audit & Supervisory Board Members limiting liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act. The limit of the amount of liability for damages under the agreement shall be the amount stipulated by laws and regulations. Such limitation of liability is limited to cases where any External Director or Audit & Supervisory Board Member who has performed duties that led to the liability executed his or her duties in good faith and without gross negligence.

The Company's Articles of Incorporation stipulate that, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt Directors (including former Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from liability for damages to the extent legally allowed. This is to ensure that Directors and Audit & Supervisory Board Members can fully exercise the roles expected of them in performing their duties.

E. Overview of the directors and officers liability insurance contract

The Company has concluded a directors and officers liability insurance contract with AIG General Insurance Company, Ltd., as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with Directors and Audit & Supervisory Board Members as the insured. The insured parties of the insurance contract are Directors (including external Directors) and Audit & Supervisory Board Members (including External Audit & Supervisory Board Members) of the Company and the Company's subsidiaries. This insurance contract covers damages that may arise when an officer, the insured, assumes liability for the execution of his or her duties or receives a claim related to the pursuit of such liability. The insurance premiums will be fully paid by the Company. The Company plans to renew the said insurance contract with the same contents at the next renewal.

F. Maximum number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors shall be no more than 10.

G. Resolution requirements for election and dismissal of Directors

The Company's Articles of Incorporation stipulate that resolutions for the election of Directors shall be adopted by a majority of the voting rights held by shareholders present at the meeting who represent not less than one-third of the voting rights of shareholders entitled to vote, and that resolutions for the dismissal of Directors shall be adopted by two-thirds or more of the voting rights held by shareholders present at the meeting who represent a majority of the voting rights of shareholders entitled to vote.

H. Authority for making decisions on dividends of surplus, etc.

The Company's Articles of Incorporation stipulate that the matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, shall be determined by a resolution of the Board of Directors, unless otherwise provided by laws and regulations. The purpose of this provision is to return profits to shareholders in a flexible manner by giving the Board of Directors the authority to distribute dividends of surplus, etc.

I. Requirements for special resolutions at General Meetings of Shareholders

The Company's Articles of Incorporation stipulate that the special resolutions at General Meetings of Shareholders provided in Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the voting rights held by shareholders present at the meeting who represent not less than one-third of the voting rights of shareholders entitled to vote. The purpose of this provision is to facilitate the smooth operation of General Meetings of Shareholders by easing the quorum for special resolutions at General Meetings of Shareholders.

(iv) Activities of the Board of Directors

The Company held 13 meetings of the Board of Directors during the fiscal year under review. The attendance of individual Directors and Audit & Supervisory Board Members is as follows.

Position	Name	Number of meetings held	Attendance
President	Takeaki Hirabayashi	13	13
Senior Executive Director	Hiroaki Ban	13	13
Executive Director	Noriaki Okado	13	13
Director	Yuji Tsuchiya	13	13
Director	Chiharu Muguruma	13	13
External Director	Yutaka Hosoe	13	12
External Director	Mitsugi Hanai	13	13
External Director	Toshiyuki Akiba	13	13
Full-time Audit & Supervisory Board Member	Katsuro Sonoda	13	13
External Audit & Supervisory Board Member	Shigeki Taenaka	13	13
External Audit & Supervisory Board Member	Jiro Mogami	13	13

The Board of Directors mainly discusses the following matters at meetings.

- Management policies and annual and medium-term management plans of the Group
- Next-generation management structure and management succession
- Leadership development for the next generation
- Selection of the Representative Director
- Organizational structure policy
- Amount of remuneration, bonuses, etc. paid to directors (and other officers)
- Shareholder return (dividend) policy
- M&A strategies
- Financial strategies
- Annual budget in financial accounting and earnings forecast disclosed
- Appropriation of surplus
- Corporate governance
- Evaluation of cross-shareholdings
- Establishment of and investment in group companies and capital increase to group companies
- Administration of General Meetings of Shareholders
- Establishment of important rules and regulations

(v) Activities of the Nomination and Remuneration Committee

The Company established a Nomination and Remuneration Committee (hereinafter, the "Committee") on August 22, 2022.

The Company held four meetings of the Committee. The attendance of individual members is as follows.

Position	Name	Number of meetings held	Attendance
External Director	Yutaka Hosoe	4	4
External Director	Toshiyuki Akiba	4	4
External Audit & Supervisory Board Member	Shigeki Taenaka	4	4
External Audit & Supervisory Board Member	Jiro Mogami	4	4

The Committee deliberates mainly on the following matters, in response to inquiries from Directors, and makes recommendations to the Board of Directors.

- Matters on the election and dismissal of the Representative Director
- Matters on the election and dismissal of Directors
- Matters on remuneration for Directors (including the maximum amount of remuneration for Directors)
- Other material management matters deemed necessary by the Board of Directors

(vi) Basic policy on the control over the Company

The Company believes that people who make decisions on the Company's business and financial policies should be able to maintain relationships with various stakeholders including shareholders and client companies, as well as to secure and enhance the Company's corporate value and the common interests of shareholders over the medium to long term.

On the other hand, as a company whose shares are listed on a financial instruments exchange, we respect free trading of our shares in the market and will not generally reject large-scale purchases of our shares by specific parties, as long as such purchases contribute to securing and enhancing our corporate value and the common interests of our shareholders. We also deem that the decision as to whether or not to accept a proposal for a large-scale purchase of our shares should ultimately be left to the judgment of our shareholders.

Nevertheless, among proposals for large-scale share acquisitions, there may be those that undermine our corporate value and the common interests of our shareholders mainly due to a possibility that we may not be able to maintain good relationships with our stakeholders; those that do not give our shareholders and the Board of Directors the time and information reasonably necessary for them to consider the details of the proposal and for the Board of Directors to present an alternative proposal, and those that do not fully reflect the Company's corporate value. For such a proposal, the Company's Board of Directors believes that it is necessary to protect the corporate value of the Group and the common interests of shareholders by securing the necessary time and information for its shareholders and negotiating with the proposer of a large-scale acquisition of the Company's shares, as the responsibility of those who are entrusted by shareholders.

(2) Directors and Audit & Supervisory Board Members

i. Directors

13 males, - female (Pct. of female officers: -%)

Official Title	Name	Date of Birth	Brief Career History		Term of Office	Number of the Company Shares Held (Thousands)
President	Takeaki Hirabayashi	April 23, 1938	March 1973 April 2005 June 2020	Established the Company, Representative Director President and CEO President (current)	Note 4	193.80
Senior Executive Director	Hiroaki Ban	January 13, 1961	January 1981 October 2006 June 2010 April 2011 June 2012 April 2013 April 2014 June 2019 June 2021 April 2023	Joined the Company Managing Executive Officer, Alpha Computer Co., Ltd. (secondment) Director and Managing Executive Officer, Alpha Computer Co., Ltd. (secondment) Officer in Charge of Tokyo Software; and General Manager, Eastern Japan Software Division, the Company Director in Charge of Tokyo Software; and General Manager, Eastern Japan Software Division, the Company Director in Charge of Tokyo Region, the Company Director in Charge of Eastern Japan Region, Medical Big Data Business, and Special Projects, the Company Executive Director in Charge of Eastern Japan Region, Medical Big Data Business, and Tokyo New Business Promotion, the Company Senior Executive Director in Charge of Eastern Japan Region, Medical Big Data Business, Tokyo New Business Promotion, and Global Business, the Company Senior Executive Director in Charge of Medical Big Data Business, Tokyo New Business Promotion, Global Business, and Tokyo Management Office, the Company (current)	Note 4	41.80
Executive Director	Noriaki Okado	February 11, 1960	February 1999 June 2007 June 2010 April 2014 April 2017 April 2019 June 2019 April 2023	Joined the Company Director; and General Manager, Finance Department, the Company Director in Charge of Headquarter Departments; and General Manager, Finance Department, the Company Director in Charge of Headquarter Departments and Global Management, the Company Director in Charge of Headquarter Departments, the Company Director in Charge of Headquarter Departments and International Operations, the Company Executive Director in Charge of Headquarter Departments and International Operations, the Company Executive Director in Charge of Finance & IR (current)	Note 4	27.30

Official Title	Name	Date of Birth	Brief Career History		Term of Office	Number of the Company Shares Held (Thousands)
Director	Yuji Tsuchiya	June 8, 1962	March 1983 April 2012 April 2014 June 2016 April 2017 April 2019 April 2021 June 2021 April 2022	Joined the Company Officer; and General Manager, GAKUEN Division, the Company Officer in Charge of GAKUEN Business, the Company Director in Charge of GAKUEN Business, the Company Director in Charge of GAKUEN Business and New Business Promotion, the Company Director in Charge of GAKUEN Business, New Business Promotion, and BankNeo Business, the Company Director in Charge of GAKUEN Business, New Business Promotion, BankNeo Business, and Western Japan System Integration Business, the Company Director in Charge of Western Japan Region, GAKUEN Business, New Business Promotion, and BankNeo Business, the Company Director in Charge of GAKUEN Business, New Business Promotion, BankNeo Business, and Western Japan System Integration Business, the Company (current)	Note 4	35.60
Director	Chiharu Muguruma	October 22, 1964	April 1988 April 2014 April 2018 June 2019 January 2020 January 2021 April 2023	Joined the Company Officer; and General Manager, Eastern Japan Software Business Department, the Company Officer in Charge of Eastern Japan System Integration Business, the Company Director in Charge of Eastern Japan System Integration Business, the Company Director in Charge of Eastern Japan System Integration Business; and Vice General Manager, Overseas Business Division, the Company Director in Charge of Eastern Japan System Integration Business; and General Manager, ASEAN Business Division, the Company Director in Charge of Eastern Japan System Integration Business; Digital Transformation Promotion; and General Manager, ASEAN Business Division, the Company (current)	Note 4	18.20
Director	Katsuro Sonoda	June 13, 1958	December 1978 April 1995 April 1997 April 2000 April 2004 June 2014 June 2023	General Manager, GAKUEN Business Department, the Company General Manager, GAKUEN Business Department, the Company General Manager, Package Business Department, the Company General Manager, CS Division, the Company General Manager, Solution Department 3, the Company Full-time Audit & Supervisory Board Member, the Company Director in Charge of Personnel & General Affairs Division, the Company (current)	Note 4	42.20

Official Title	Name	Date of Birth	Brief Career History		Term of Office	Number of the Company Shares Held (Thousands)
Director	Taku Hirabayashi	June 7, 1969	April 1998 April 2017 April 2021 April 2023 June 2023	Joined the Company General Manager, Finance and Accounting Department, the Company General Manager, Tokyo Administrative Department, Tokyo Administration Division, the Company Officer in Charge of Management Planning & Business Administration; and General Manager, Management Planning Department, the Company Director in Charge of Management Planning & Business Administration; and General Manager, Management Planning Department, the Company (current)	Note 4	278.64
Director	Yutaka Hosoe	August 16, 1959	April 1983 June 2004 January 2006 April 2007 July 2011 July 2014 June 2017	Joined Toyota Industries Corporation Director/Consultant, Admix Partners YK (current) Executive Vice-President, BNI Systems Corp. President, BNI Systems Corp. Executive Vice-President, NTT Data China Outsourcing Co., Ltd. Chief Executive Officer, Innovative Solutions Inc. (current) External Director, the Company (current)	Note 4	-
Director	Mitsugi Hanai	June 29, 1953	April 1977 August 1982 February 2005 August 2008 April 2015 December 2017 June 2019	Joined Nippon Univac Kaisha, Ltd. (now BIPROGY Inc.) Joined IBM Japan, Ltd. President, T&I Solution Co. Ltd. Senior Vice President, Nippon Information and Communication Corporation Adviser, DAIICHI COMPUTER RESOURCE CO., LTD. Adviser, S2I Co., Ltd. External Director, the Company (current position)	Note 4	-
Director	Toshiyuki Akiba	June 18, 1956	April 1980 March 2004 January 2012 July 2013 June 2015 June 2021	Joined Canon Sales Co., Inc. (now Canon Marketing Japan Inc.) President, Canon Supercomputing S.I. Inc.; and President, Canon Solutions Service Inc., a subsidiary of Canon Supercomputing S.I. Inc. (serving concurrently) Director (part-time), Canon BizAttenda Inc. Director (part-time), Qualysite Technologies Inc. Director, Ftime Corporation Managing Director, Ftime Corporation External Director, the Company (current)	Note 4	-

Official Title	Name	Date of Birth	Brief Career History		Term of Office	Number of the Company Shares Held (Thousands)
Full-time Audit & Supervisory Board Member	Masami Yabushita	June 3, 1965	April 1989 April 2014 April 2015 June 2023	Joined the Company General Manager, Logistics Business Division, the Company General Manager, Eastern Japan System Integration Business Division 2, the Company Full-time Audit & Supervisory Board Member, the Company (current)	Note 5	0.20
Audit & Supervisory Board Member	Shigeki Taenaka	September 10, 1961	August 1985 October 1989 June 1995 January 2006 June 2009 January 2018 June 2019 January 2022	Joined the Osaka office of Aoyama Audit Firm Joined TAENAKA Mikio Certified Public Accountant Office External Audit & Supervisory Board Member, Nishimoto Trading Co., Ltd. (now CANON MEDTECH SUPPLY CORPORATION) Principal, Taenaka Certified Public Accountant Office (current) External Audit & Supervisory Board Member, the Company (current) External Audit & Supervisory Board Member, Denkyo Group Holdings Co.,Ltd. (current) External Audit & Supervisory Board Member, DAIBIRU CORPORATION Representative Partner, Taenaka Accounting Firm (current)	Note 6	-
Audit & Supervisory Board Member	Jiro Mogami	August 2, 1978	November 2007 February 2011 July 2013 June 2014	Joined LEGAL PROFESSIONAL CORPORATION HONRYU Joined Yamashita Kawazoe Law Office Joined the Kanon Law Office (current) External Audit & Supervisory Board Member, the Company (current)	Note 5	-
Total						637.74

Notes: 1. The Company has introduced the executive officer system to separate the management decision-making and supervisory functions from the execution of operations.
2. Mr. Yutaka Hosoe, Mr. Mitsugi Hanai, and Mr. Toshiyuki Akiba are candidates for External Director.
3. Mr. Shigeki Taenaka and Mr. Jiro Mogami are candidates for External Audit & Supervisory Board Member.
4. The term of office will be one year from the conclusion of the Annual General Meeting of Shareholders held on June 28, 2023.
5. The term of office will be four years from the conclusion of the Annual General Meeting of Shareholders held on June 28, 2023.
6. The term of office will be four years from the conclusion of the Annual General Meeting of Shareholders held on June 24, 2020.

(ii) External directors (and other officers)

The Company has three External Directors and two Audit & Supervisory Board Members.

Mr. Yutaka Hosoe, External Director, is the Director and Consultant of Admix Partners YK, and the Chief Executive Officer of Innovative Solutions Inc., and has abundant experience and a broad range of knowledge in the leading-edge IT consulting business and business model reconstruction, including global business. He has made useful statements on matters such as the realization of the Group's growth strategies, evaluation and review of the execution of strategies, and approaches to risks.

Mr. Mitsugi Hanai, External Director, has abundant experience and a broad range of knowledge in areas including the sales of IT solutions to mainly automobile manufacturers and the management of sales teams as well as the branding of products and services, which he obtained while working at major IT companies. He has made useful statements on matters such as organizational framework and rules for internal control for the stable operation of the Group's business.

Mr. Toshiyuki Akiba, External Director, has a large network of contacts including IT vendors, abundant experience, and a broad range of knowledge in the information and communication industry, as he held multiple important positions including Representative Director at other companies. He has provided useful comments and advice on matters such as the improvement of the Group's presence in the market and stock market, as well as business succession to the next generation.

Mr. Shigeki Taenaka, External Audit & Supervisory Board Member, is the principal of Taenaka Certified Public Accountant Office, the representative partner of Taenaka Accounting Firm, and the Outside Corporate Auditor of Denkyo Group Holdings Co., Ltd. From his professional perspective as a certified public accountant and certified public tax accountant, he has asked questions and provided advice on accounting and tax matters as well as presented his views on the stock market and other advice and recommendations to ensure the validity and appropriateness of the decision-making of the Board of Directors. In addition, at meetings of the Audit & Supervisory Board, he has made necessary comments on the Company's accounting system, accounting policies, internal controls, and other matters as appropriate.

Jiro Mogami, External Audit & Supervisory Board Member, is an attorney at law of Kanon Law Office. From his professional perspective as an attorney at law, he has provided advice and recommendations on corporate governance and internal control to ensure the validity and appropriateness of the decision-making of the Board of Directors. In addition, at meetings of the Audit & Supervisory Board, he has made necessary comments on the Company's overall legal affairs as appropriate.

There are no personal, business, or other interests between the Company and External Directors, External Audit & Supervisory Board Members, and the entities where they hold concurrent positions.

In appointing External Directors and External Audit & Supervisory Board Members, the Company refers to the criteria for determining the independence of independent officers stipulated by the Tokyo Stock Exchange and other relevant standards. The Company's basic policy is to select candidates who can contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term, in accordance with the independence criteria stipulated in the "Practical Considerations in Electing Independent Officer" established by the Tokyo Stock Exchange.

(iii) Mutual coordination among supervision or audits by External Directors or External Audit & Supervisory Board Members and internal audits, audits by the Audit & Supervisory Board Members, and accounting audits, as well as their relationship with internal control departments

External Directors and External Audit & Supervisory Board Members exchange opinions at meetings of the Audit & Supervisory Board upon receiving information shared by the full-time Audit & Supervisory Board Member that is not brought up for discussion at the Board of Directors meetings. They supervise or audit Directors and the Board of Directors by asking questions and making statements based on their respective areas of expertise and knowledge at the Board of Directors meetings.

To enhance the Company's audit systems including internal audits, audits by the Audit & Supervisory Board Members, and accounting audits, the Internal Audit Department, the Accounting Auditor, and the Audit &

Supervisory Board share information on their audit plans and the status of audits, and exchange opinions on matters including audit findings as necessary during each fiscal year. The Internal Audit Department, as the secretariat for the internal control evaluation and reporting, oversees the evaluation of internal control departments and reports its status and results to the Management Meeting.

(3) Audits

(i) Audits by the Audit & Supervisory Board Members

The Audit & Supervisory Board of the Company consists of three members: one full-time Audit & Supervisory Board Member and two External Audit & Supervisory Board Members. Audits by the Audit & Supervisory Board Members are conducted in accordance with the Rules of the Audit & Supervisory Board and plans of audits by the Audit & Supervisory Board Members, as well as in response to changes in the circumstances surrounding the company.

Mr. Shigeki Taenaka, Audit & Supervisory Board Member, is a certified public accountant and certified public tax accountant, and Mr. Jiro Mogami, External Audit & Supervisory Board Member, is an attorney at law. They have abundant experience and knowledge in areas including corporate finance and internal control, using their professional expertise to audits by the Audit & Supervisory Board Members.

Mr. Katsuro Sonoda, full-time Audit & Supervisory Board Member, participates in important meetings such as those of the Management Meeting and asks questions of directors and employees to grasp the status of the entire Group, shares information with External Audit & Supervisory Board Members as appropriate, and exchanges opinions with all Audit & Supervisory Board Members at monthly meetings of the Audit & Supervisory Board. The status of audits by the Audit & Supervisory Board Members is regularly reported to the Board of Directors and recommendations are made as necessary.

The Audit & Supervisory Board held a total of 12 meetings during the fiscal year under review, all of which were attended by all Audit & Supervisory Board Members. The Audit & Supervisory Board Members review the overall execution of duties of the Board of Directors through questions and confirmations at meetings of the Board of Directors, based on the information shared and opinions exchanged at the Audit & Supervisory Board meetings.

The Company aims to enhance its audit systems including internal audits, audits by the Audit & Supervisory Board Members, and accounting audits. To this end, at the beginning of each fiscal year, the Accounting Auditor, the Internal Audit Department, and the Audit & Supervisory Board explain their respective audit plans and exchange opinions under the leadership of the Audit & Supervisory Board. The Audit & Supervisory Board receives reports on the status of reviews and audits from the Accounting Auditor during the period and exchanges opinions. During the fiscal year under review, opinions were exchanged on risks and internal controls of the Group, other statements in the business report, and key audit matters (KAM).

The full-time Audit & Supervisory Board Member receives regular reports from the Internal Audit Department on the status of audits and exchanges opinions, and reports the status of internal audits and results to the Audit & Supervisory Board.

In addition, External Directors attend meetings of the Audit & Supervisory Board as necessary when the full-time Audit & Supervisory Board Member reports so that the information that is not brought up for discussion at the Board of Directors meetings is shared with External Directors.

(ii) Internal audits

Internal audits of the Company are conducted by the Internal Audit Department (consisting of three full-time employees), which reports directly to the President. For internal audits, the Internal Audit Department conducts operational audits by selecting departments to be audited based on the Internal Audit Rules and audit plans, and also conducts audits on important themes. The results of these audits are reported to the President and the Management Meeting to be discussed as management issues.

For the fiscal year under review, audits were conducted from the perspective of organizational management and human resource development in each department in addition to operational audits. The Internal Audit Department conducted audits of subsidiaries through on-site visits to check the status of internal control for the entire Group.

The Internal Audit Department, as the secretariat for the internal control evaluation and reporting, summarized evaluation of all internal control departments and shared the results with the auditing firm, confirming that there were no significant problems with the internal control of the Company and its key subsidiaries with respect to the internal control evaluation for the fiscal year under review.

The status and results of operational audits and internal control evaluations conducted by the Internal Audit Department are reported to the full-time Audit & Supervisory Board Member as appropriate. Following confirmation by the full-time Audit & Supervisory Board Member and approval by the Representative Director, the status and results are notified to the audited departments. The status and results are also reported to the Management Meeting.

(iii) Accounting audits

A. Name of the auditing firm

Deloitte Touche Tohmatsu LLC

B. Continuous audit period

Since 2000

C. Certified public accountants who executed the audit duties

Designated Limited Liability Partner, Engagement Partner, Certified Public Accountant: Ikutoshi Senzaki
Designated Limited Liability Partner, Engagement Partner, Certified Public Accountant: Masaru Fujikawa

D. Other personnel engaged in assisting the accounting audit

Eleven certified public accountants and other twelve personnel engage in assisting the accounting audit of the Company.

E. Policy and reasons for selecting the auditing firm

When selecting an Accounting Auditor, the Company chooses an appropriate auditing firm after it obtains written information on matters including audit implementation systems and estimated audit fees, and holds interviews with the firm.

The Company appointed Deloitte Touche Tohmatsu LLC as its Accounting Auditor because it has a wealth of audit experience and an examination system that is in line with the Company's diversified and global business, in addition to the fact that the audit period and audit fees are reasonable and appropriate.

F. Evaluation of the auditing firm by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board Members and the Audit & Supervisory Board evaluate the auditing firm. Through evaluation, they have concluded that Deloitte Touche Tohmatsu LLC is capable of performing appropriate audits as no events have occurred that would impair the eligibility or independence of the Accounting Auditor.

(iv) Details of audit fees, etc.

A. Fees paid to auditing certified public accountants, etc.

(Million yen)

Classification	FY3/22		FY3/23	
	Fees for audit certification work	Fees for non-audit services	Fees for audit certification work	Fees for non-audit services
Reporting company	39	1	40	-
Consolidated subsidiaries	-	-	-	-
Total	39	1	40	-

Note: Non-audit services provided to the Company are advice and guidance on the adoption of the Accounting Standard for Revenue Recognition.

B. Fees paid to entities in the same network (the Deloitte group) as the auditing certified public accountants, etc. (excluding A.)

(Fiscal years ended March 31, 2022 and 2023)

There are no matters to be noted.

C. Other important details of fees for audit certification work

(Fiscal years ended March 31, 2022 and 2023)

There are no matters to be noted.

D. Policy for determining audit fees

Fees to be paid to auditing certified public accountants, etc. are determined, with reference to the actual number of auditing staff and the number of working days in the previous fiscal year and with consideration of the characteristics of the work in the relevant fiscal year, through the approval procedures stipulated in the internal rules after obtaining the consent of the Audit & Supervisory Board.

E. Reasons for the Audit & Supervisory Board's consent to the fees, etc., of the Accounting Auditor

The Audit & Supervisory Board reviewed the fees, etc. to be paid to the Accounting Auditor presented by the Board of Directors by taking into account matters including the audit plan, the number of audit days, and the size and characteristics of the Company and verifying the validity of them. As a result, the Audit & Supervisory Board determined that it was appropriate to give its consent under Article 399, Paragraph 1 of the Companies Act.

(4) Remuneration, etc. for directors (and other officers)

(i) Policy for determining amount or calculation method of remuneration, etc. for directors (and other officers)

The Company has a policy for determining amount or calculation method of remuneration, etc. for directors (and other officers). The Company has adopted a performance-based remuneration system. Remuneration, etc. is determined based on the evaluation of each director (and other officer) by the President, in accordance with a remuneration table by position and by performance evaluation rank of directors (and other officers), which was designed to avoid excessive discrepancies with the level of employee wages.

The resolution for remuneration, etc. for the Company's directors (and other officers) was passed at the General Meeting of Shareholders on June 20, 2008. At the meeting, the total annual remuneration for Directors was resolved to up to 300,000 thousand yen (excluding the portion of employee salaries for Directors concurrently serving as employees) and the total annual remuneration for Audit & Supervisory Board Members was resolved to up to 60,000 thousand yen.

The person who has the authority to determine the policy for determining amount or calculation method of remuneration, etc., for the Company' Directors is the Representative Director delegated by the Board of Directors, who determines the amount of individual remuneration within the scope of the total amount of remuneration resolved at the General Meeting of Shareholders. Remuneration, etc. for Audit & Supervisory Board Members is determined through discussions by the Audit & Supervisory Board Members within the scope of the total amount of remuneration resolved at the General Meeting of Shareholders.

Remuneration for the Company's directors (and other officers) consists of performance-linked remuneration and non-performance-linked remuneration. The payment ratio of remuneration is determined as stipulated by the Company's remuneration rules for directors (and other officers) and rules on the stock compensation plan for directors (and other officers), with comprehensive consideration of the relevant director or other officer's contribution to the Company, social status, and the value of the Company's shares.

The Company introduced the "Board Benefit Trust (BBT)," a stock compensation plan, as performance-linked remuneration at the 46th Annual General Meeting of Shareholders held on June 26, 2018. The Company uses its stock price as the index for performance-linked remuneration so that Directors can share with shareholders both the benefits of an increase in the stock price and the risks of a decline in the stock price. Furthermore, in accordance with the Act Partially Amending the Companies Act (Act No. 70 of 2019) came into effect on March 1, 2021, the Company determined the upper limit of the number of points per fiscal year to be granted to Directors (50,000 points) at the 49th Annual General Meeting of Shareholders held on June 25, 2021. This was determined with comprehensive consideration of aspects including the current level of compensation paid to directors (and other officers), the trend in the number of Directors and future prospects, and is judged to be appropriate.

A summary of the Company's method of determining performance-linked remuneration is as follows.

1) Granting of points

For each fiscal year, Directors (excluding External Directors; the same shall apply hereinafter) shall be granted the number of points determined in accordance with the rules on the stock compensation plan for directors (and other officers) as remuneration for the performance of their duties.

2) Distribution of the Company's shares, etc.

When a Director retires and satisfies the requirements for beneficiaries stipulated in the rules on the stock compensation plan for directors (and other officers), each point granted to the Director is converted into one common share of the Company in principle, and the common shares of the Company are distributed to the Director at the time of his/her retirement.

The Company's targets and results for indicators related to performance goals for the fiscal year under review are as follows.

1) Indicator targets

No target was set because the stock price was used as the indicator.

2) Indicator results

1,571 yen (average closing price of the Company's stock on the last day of each month from July 2022 to March 2023)

(ii) Total amount of remuneration, etc. by officer category, total amount of remuneration, etc. by type of remuneration, and the number of recipients

Officer category	Total amount of remuneration, etc. (Thousand yen)	Total amount of remuneration, etc. by type of remuneration (Thousand yen)				Number of recipients (Persons)
		Fixed remuneration	Bonus	Performance-linked remuneration	Of items left, non-monetary remuneration, etc.	
Directors (excluding External Directors)	195,083	145,141	28,729	21,212	21,212	5
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	21,230	17,726	3,504	-	-	1
External directors (and other officers)	17,040	14,248	2,792	-	-	5

Note: All non-monetary remuneration, etc. is performance-linked remuneration and is stock-based remuneration under the Board Benefit Trust (BBT).

(iii) Total amount of remuneration, etc. of persons whose total amount of remuneration, etc. is 100 million yen or more

Not applicable.

(iv) Significant employee salaries of directors (and other officers) concurrently serving as employees

Not applicable.

(5) Stocks held

(i) Criteria for and approach to investment stocks

The Company classifies stocks as investment stocks held for pure investment if they are held for the purpose of making profit from changes in the value of stocks or dividends on stocks, and other stocks as investment stocks held for purposes other than pure investment.

(ii) Investment stocks held for purposes other than pure investment

A. Holding policy, method for verifying holding rationale, and verification details of suitability of individual stock holdings by the Board of Director and others

The Company holds stocks of companies that are expected to maintain and expand the Company's products and services, and that the Company deems necessary and important for the smooth promotion of its business. The Board of Directors verifies the rationale for acquiring and holding such stocks through regular examination and verification of matters including the appropriateness of the purpose of holding and whether the benefits and risks associated with holding such stocks are commensurate with the cost of capital.

B. Number of stocks and carrying amount on the balance sheet

	Number of stocks (Issues)	Total carrying amount (Thousand yen)
Unlisted stocks	1	464
Stocks other than unlisted stocks	1	53,070

(Stocks with increased number of shares in the fiscal year under review)

Not applicable.

(Stocks with decreased number of shares in the fiscal year under review)

Not applicable.

C. Number of specified investment shares and deemed stockholdings per issue and the carrying amount on the balance sheet

Specified investment shares

Issue	FY3/23	FY3/22	Purpose of holding, outline of business alliance, etc., quantitative effects of holding, and the reason for an increase in the number of shares	Whether or not shares of the Company are held
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount on the balance sheet (Thousand yen)	Carrying amount on the balance sheet (Thousand yen)		
TerraSky Co., Ltd.	29,000	29,000	(Purpose of holding) Strengthen business relationships and enhance corporate value (Outline of business alliance, etc.) Development and human resource education in the business related to BankNeo, our branded product, project creation and human resource development in cloud-related business, and others	Yes
	53,070	45,472		

Note: Quantitative holding effects are difficult to describe but the Company verifies the rationale of holdings based on the purpose of holding, economic rationale, transaction status, and other factors.

(iii) Investment stocks held for pure investment

(Thousand yen, unless otherwise stated)

Classification	FY3/23		FY3/22	
	Number of stocks (Issues)	Total carrying amount on the balance sheet	Number of stocks (Issues)	Total carrying amount on the balance sheet
Unlisted stocks	-	-	-	-
Stocks other than unlisted stocks	5	389,239	5	368,968

Classification	FY3/23		
	Total dividends received	Total gains (losses) on sales	Total valuation gains (losses)
Unlisted stocks	-	-	-
Stocks other than unlisted stocks	8,937	-	193,496

Note: Total valuation gains (losses) for unlisted stocks are not shown because they are stocks with no market price, etc.

(iv) Investment stocks whose purpose of holding was reclassified from pure investment to other than pure investment during the fiscal year under review

Not applicable.

(v) Investment stocks whose purpose of holding was reclassified from other than pure investment to pure investment during the fiscal year under review

Not applicable.

V. Financial Information

1. Basis for preparation of consolidated and non-consolidated financial statements

(1) The consolidated financial statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter the "Regulation on Financial Statements").

The Company falls under a company allowed to file specified financial statements and prepares the non-consolidated financial statements pursuant to the provision of Article 127 of the Regulation on Financial Statements.

2. Audit certificate

The Company's consolidated and non-consolidated financial statements for the fiscal year from April 1, 2022 to March 31, 2023 were audited by Deloitte Touche Tohmatsu LLC, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special measures to ensure the appropriateness of consolidated financial statements, etc.

The Company has taken special measures to ensure the appropriateness of its consolidated financial statements, etc. Specifically, to establish a system that allows the Company to understand accounting standards properly and adapt to changes in accounting standards appropriately, the Company strives to collect necessary information by joining the Financial Accounting Standards Foundation (FASF), referring to materials disclosed by the FASF, participating in seminars, and other means.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

i. Consolidated Balance Sheet

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	6,464,852	7,206,690
Notes and accounts receivable-trade, and contract assets	*2 5,533,330	*2 6,532,385
Merchandise and finished goods	147,538	172,554
Work in process	99,301	100,612
Raw materials and supplies	5,761	8,239
Other	144,293	174,586
Allowance for doubtful accounts	(5,875)	(7,924)
Total current assets	12,389,203	14,187,144
Non-current assets		
Property, plant and equipment		
Buildings and structures	842,406	958,056
Accumulated depreciation	(548,763)	(589,641)
Buildings and structures, net	293,643	368,415
Land	142,361	142,361
Other	565,150	607,152
Accumulated depreciation	(454,587)	(485,935)
Other, net	110,562	121,216
Total property, plant and equipment	546,567	631,994
Intangible assets		
Goodwill	102,785	88,499
Customer-related assets	83,113	71,561
Software	80,909	74,913
Other	7,626	7,626
Total intangible assets	274,435	242,601
Investments and other assets		
Investment securities	542,531	612,807
Retirement benefit asset	705,144	674,681
Deferred tax assets	536,929	539,732
Guarantee deposits	457,167	435,927
Other	89,934	93,485
Allowance for doubtful accounts	(1,925)	(4,577)
Total investments and other assets	2,329,781	2,352,057
Total non-current assets	3,150,785	3,226,652
Total assets	15,539,989	17,413,797

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,380,056	1,495,532
Short-term borrowings	8,518	-
Income taxes payable	563,468	498,990
Contract liabilities	430,851	354,018
Provision for bonuses	1,194,536	1,270,424
Provision for bonuses for directors (and other officers)	77,530	110,250
Provision for loss on construction contracts	52,960	6,801
Other	913,152	967,961
Total current liabilities	4,621,074	4,703,978
Non-current liabilities		
Provision for share awards for directors (and other officers)	120,728	141,759
Provision for retirement benefits for directors (and other officers)	6,646	-
Retirement benefit liability	1,058,791	1,110,713
Asset retirement obligations	132,613	239,628
Deferred tax liabilities	24,655	28,464
Other	380,995	373,011
Total non-current liabilities	1,724,430	1,893,578
Total liabilities	6,345,505	6,597,556
Net assets		
Shareholders' equity		
Share capital	1,535,409	1,535,409
Capital surplus	1,703,991	1,702,732
Retained earnings	5,865,484	7,389,420
Treasury shares	(175,264)	(175,703)
Total shareholders' equity	8,929,621	10,451,859
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	121,768	137,114
Foreign currency translation adjustment	(2,240)	119,184
Remeasurements of defined benefit plans	110,706	60,618
Total accumulated other comprehensive income	230,234	316,917
Non-controlling interests	34,628	47,463
Total net assets	9,194,483	10,816,240
Total liabilities and net assets	15,539,989	17,413,797

ii. Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousand yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	*1 21,399,553	*1 23,519,516
Cost of sales	*4, *6 15,711,508	*4, *6 17,143,676
Gross profit	5,688,045	6,375,839
Selling, general and administrative expenses	*2, *3 3,687,543	*2, *3 3,990,171
Operating income	2,000,501	2,385,668
Non-operating income		
Interest income	12,020	16,012
Dividend income	6,391	8,937
Rental income	2,483	3,086
Commission income	1,971	2,100
Foreign exchange gains	14,225	12,286
Subsidy income	14,937	20,792
Other	9,268	5,535
Total non-operating income	61,298	68,752
Non-operating expenses		
Interest expenses	1,199	620
Provision of allowance for doubtful accounts	-	2,345
Commission expenses	1,899	758
Share issuance costs	5,773	-
Other	415	547
Total non-operating expenses	9,287	4,271
Ordinary income	2,052,512	2,450,148
Extraordinary losses		
Impairment losses	*5 87,398	-
Total extraordinary losses	87,398	-
Profit before income taxes	1,965,114	2,450,148
Income taxes-current	773,626	658,607
Income taxes-deferred	(140,936)	13,513
Total income taxes	632,689	672,121
Profit	1,332,424	1,778,027
Profit attributable to non-controlling interests	1,866	5,816
Profit attributable to owners of parent	1,330,558	1,772,210

Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Profit	1,332,424	1,778,027
Other comprehensive income		
Valuation difference on available-for-sale securities	(65,007)	15,346
Foreign currency translation adjustment	79,646	125,124
Remeasurements of defined benefit plans, net of tax	(4,860)	(50,087)
Total other comprehensive income	*1 9,779	*1 90,382
Comprehensive income	1,342,203	1,868,410
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,339,796	1,858,894
Comprehensive income attributable to non-controlling interests	2,407	9,516

iii. Consolidated Statement of Changes in Equity

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) (Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,076,669	1,128,115	4,605,874	(218,515)	6,592,143
Cumulative effects of changes in accounting policies			81,080		81,080
Restated balance	1,076,669	1,128,115	4,686,954	(218,515)	6,673,223
Changes during period					
Issuance of new shares	458,739	458,739			917,479
Dividends of surplus			(152,028)		(152,028)
Profit attributable to owners of parent			1,330,558		1,330,558
Purchase of treasury shares				(87,750)	(87,750)
Disposal of treasury shares		116,125		131,002	247,127
Change in ownership interest of parent due to transactions with non-controlling interests		1,011			1,011
Net changes in items other than shareholders' equity					
Total changes during period	458,739	575,876	1,178,529	43,251	2,256,397
Balance at end of period	1,535,409	1,703,991	5,865,484	(175,264)	8,929,621

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	186,775	(81,346)	115,566	220,996	5,530	31,705	6,850,375
Cumulative effects of changes in accounting policies							81,080
Restated balance	186,775	(81,346)	115,566	220,996	5,530	31,705	6,931,456
Changes during period							
Issuance of new shares							917,479
Dividends of surplus							(152,028)
Profit attributable to owners of parent							1,330,558
Purchase of treasury shares							(87,750)
Disposal of treasury shares							247,127
Change in ownership interest of parent due to transactions with non-controlling interests							1,011
Net changes in items other than shareholders' equity	(65,007)	79,105	(4,860)	9,238	(5,530)	2,923	6,630
Total changes during period	(65,007)	79,105	(4,860)	9,238	(5,530)	2,923	2,263,027
Balance at end of period	121,768	(2,240)	110,706	230,234	-	34,628	9,194,483

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) (Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,535,409	1,703,991	5,865,484	(175,264)	8,929,621
Cumulative effects of changes in accounting policies					-
Restated balance	1,535,409	1,703,991	5,865,484	(175,264)	8,929,621
Changes during period					
Issuance of new shares					-
Dividends of surplus			(248,274)		(248,274)
Profit attributable to owners of parent			1,772,210		1,772,210
Purchase of treasury shares				(439)	(439)
Disposal of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests		(1,258)			(1,258)
Net changes in items other than shareholders' equity					
Total changes during period	-	(1,258)	1,523,936	(439)	1,522,238
Balance at end of period	1,535,409	1,702,732	7,389,420	(175,703)	10,451,859

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	121,768	(2,240)	110,706	230,234	-	34,628	9,194,483
Cumulative effects of changes in accounting policies							-
Restated balance	121,768	(2,240)	110,706	230,234	-	34,628	9,194,483
Changes during period							
Issuance of new shares							-
Dividends of surplus							(248,274)
Profit attributable to owners of parent							1,772,210
Purchase of treasury shares							(439)
Disposal of treasury shares							-
Change in ownership interest of parent due to transactions with non-controlling interests							(1,258)
Net changes in items other than shareholders' equity	15,346	121,425	(50,087)	86,683	-	12,835	99,518
Total changes during period	15,346	121,425	(50,087)	86,683	-	12,835	1,621,756
Balance at end of period	137,114	119,184	60,618	316,917	-	47,463	10,816,240

iv. Consolidated Statement of Cash Flows

(Thousand yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,965,114	2,450,148
Depreciation	114,387	118,347
Amortization of software	23,215	25,110
Amortization of goodwill	31,361	23,599
Amortization of customer-related assets	20,279	19,083
Amortization of trademark	976	-
Amortization of technology assets	1,733	-
Impairment loss	87,398	-
Increase (decrease) in provision for bonuses	308,751	74,896
Decrease (increase) in retirement benefit asset	(38,329)	30,463
Increase (decrease) in retirement benefit liability	41,363	48,816
Interest and dividend income	(18,411)	(24,950)
Interest expenses	1,199	620
Decrease (increase) in trade receivables and contract assets	(1,316,502)	(937,570)
Increase (decrease) in contract liabilities	35,117	(79,016)
Decrease (increase) in inventories	309,800	(28,805)
Increase (decrease) in trade payables	339,136	101,276
Other, net	(72,578)	(52,232)
Subtotal	1,834,014	1,769,788
Interest and dividends received	38,519	24,950
Interest paid	(1,151)	(620)
Income taxes paid	(708,462)	(720,202)
Net cash provided by (used in) operating activities	1,162,919	1,073,916
Cash flows from investing activities		
Proceeds from sale of membership	690	-
Payments into time deposits	-	(415,785)
Proceeds from withdrawal of time deposits	-	3,291
Purchase of property, plant and equipment	(51,486)	(80,953)
Proceeds from sale of property, plant and equipment	6,483	1,481
Purchase of software	(32,391)	(16,724)
Purchase of investment securities	(1,532)	(46,994)
Proceeds from sale of investment securities	22,601	-
Loan advances	(51,812)	(15,906)
Proceeds from collection of loans receivable	45,405	8,571
Payments of guarantee deposits	(19,111)	(2,631)
Proceeds from refund of guarantee deposits	1,194	24,945
Other, net	(952)	(950)
Net cash provided by (used in) investing activities	(80,912)	(541,656)

(Thousand yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(400,000)	(9,047)
Repayments of lease liabilities	(28,185)	(25,115)
Repayments of long-term borrowings	(2,800)	-
Proceeds from issuance of shares	914,768	-
Dividends paid	(152,028)	(248,274)
Purchase of treasury shares	(87,750)	(439)
Proceeds from share issuance to non-controlling shareholders	-	3,740
Dividends paid to non-controlling interests	-	(1,680)
Proceeds from disposal of treasury shares	242,854	-
Net cash provided by (used in) financing activities	486,858	(280,816)
Effect of exchange rate change on cash and cash equivalents	41,262	77,782
Net increase (decrease) in cash and cash equivalents	1,610,127	329,226
Cash and cash equivalents at beginning of period	4,853,695	6,463,823
Cash and cash equivalents at end of period	*1 6,463,823	*1 6,793,050

Notes to Consolidated Financial Statements

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of consolidated subsidiaries:

JASTEC (THAILAND) CO., LTD.
Alpha Computer Co., Ltd.
NewNeeds Co., Ltd.
GuiLin Anxin Software Co., Ltd.
Shanghai Jiafeng Information Technology Co., Ltd.
ISR Co., Ltd.
JAST Asia Pacific Co., Ltd.
Virtual Calibre SDN. BHD.
Virtual Calibre MSC SDN. BHD.
Virtual Calibre Consulting SDN. BHD.
AG NET PTE. LTD.
Bright & Better Co., Ltd.
Virtual Calibre Consulting India Pvt. Ltd.

Virtual Calibre Consulting India Pvt. Ltd. was included in the scope of consolidation because it was established as a subsidiary of the Company during the current fiscal year.

(2) Name of unconsolidated subsidiary

AGHRM Malaysia SDN. BHD.

Reason for exclusion from scope of consolidation

This unconsolidated subsidiary is excluded from the scope of consolidation because it is a smaller company and thus has no material impact on the consolidated financial statements in terms of total assets, net sales, net income or loss (amount proportionate to the Company's equity interest), retained earnings (amount proportionate to the Company's equity interest) and other items.

2. Application of equity method

(1) Number of unconsolidated subsidiaries accounted for by the equity method

Not applicable.

(2) Name of unconsolidated subsidiary not accounted for by the equity method, etc.

AGHRM Malaysia SDN. BHD.

(Reason for not applying the equity method)

This unconsolidated subsidiary is not accounted for by the equity method because it has only an insignificant effect on the consolidated financial statements in terms of net income or loss (amount proportionate to the Company's equity interest), retained earnings (amount proportionate to the Company's equity interest) and other items, and has no significance as a whole in terms of the Company's equity interest.

3. Fiscal year of consolidated subsidiaries

At the nine overseas consolidated subsidiaries, the fiscal year under review ended on December 31, 2022. The consolidated financial statements include the financial statements of these consolidated subsidiaries as of December 31, 2022. Necessary adjustments have been made for the consolidation concerning material transactions arising between January 1, 2023 and March 31, 2023.

The fiscal year of the three consolidated subsidiaries in Japan and one overseas consolidated subsidiary ends on the closing date of consolidated financial statements.

4. Accounting policies

(1) Valuation standards and methods for principal assets

A. Marketable securities

(i) Held-to-maturity debt securities

Stated at cost determined by the amortized cost method (straight-line method).

(ii) Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Stated at fair value. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)

Shares, etc. that do not have a market price

Stated at cost determined by the moving-average method.

B. Inventories

(i) Merchandise

Stated at cost determined by the specific identification method. (The carrying amount on the balance sheet is written down to reflect the effect of lower profit margins.)

(ii) Finished goods

Stated at cost determined by the periodic average method. (The carrying amount on the balance sheet is written down to reflect the effect of lower profit margins.)

(iii) Work in process

Stated at cost determined by the specific identification method. (The carrying amount on the balance sheet is written down to reflect the effect of lower profit margins.)

(iv) Supplies

Valued by the last purchased price method.

(2) Depreciation and amortization of significant depreciable assets

A. Property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment at the Company and its consolidated subsidiaries in Japan is calculated by the declining-balance method, except for facilities attached to buildings and structures acquired on or after April 1, 2016, on which depreciation is calculated by the straight-line method.

Depreciation of property, plant and equipment at the overseas consolidated subsidiaries is calculated by the straight-line method.

Useful life of principle assets is as follows.

Buildings and structures:	10–35 years
Other:	4–10 years

B. Intangible assets (excluding lease assets)

Amortization of intangible assets is calculated by the straight-line method.

Software is amortized over an expected internal useful life of 3-5 years by the straight-line method.

C. Leased assets

(i) Lease assets associated with finance lease transactions where there is transfer of ownership

Depreciated by the same method as depreciation method used for non-current assets held by the Company.

(ii) Lease assets associated with finance lease transactions where there is no transfer of ownership

Depreciated by the straight-line method, assuming the lease period to be the useful life and a residual value of zero.

(3) Recognition of significant allowances

A. Allowance for doubtful accounts

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.

B. Provision for bonuses

To provide for employee bonus obligation, the Company and its certain consolidated subsidiaries provide an allowance equal to the estimated bonus obligations.

C. Provision for retirement benefits for directors (and other officers)

To provide for retirement benefits for directors (and other officers), the Company's certain consolidated subsidiaries in Japan provide an allowance for the aggregate amount payable at the end of the current fiscal year pursuant to the Company's rules on retirement benefits for directors (and other officers).

D. Provision for bonuses for directors (and other officers)

To provide for bonuses for directors (and other officers), the Company and its certain consolidated subsidiaries provide an allowance equal to the estimated bonus obligations in the current fiscal year.

E. Provision for share awards for directors (and other officers)

To provide for the payment of the Company's shares to the Company's directors (and other officers) in accordance with the rules on the stock compensation plan for directors (and other officers), an allowance is provided based on the estimated obligations for share awards in the current fiscal year.

F. Provision for loss on construction contracts

To prepare for future losses on construction contracts, such as contracted software production and development, an allowance is provided for estimated losses on contracts for which losses are expected to be incurred in the next fiscal year or later and the amount can be reasonably estimated.

(4) Accounting method for retirement benefits

(i) Method of attributing estimated retirement benefit obligations to periods

In calculation of retirement benefit obligations, the Company uses the benefit formula standard as the method for attributing estimated retirement benefit obligations to periods.

(ii) Amortization of actuarial differences and prior service costs

Prior service cost is amortized by the declining-balance method over a certain period (10 years) within estimated average remaining years of service of the eligible employees.

Actuarial differences are amortized and charged to expense in the year following the fiscal year in which such gain or loss is recognized by the declining-balance method over a certain period (10 years) which is within the estimated average remaining years of service of the eligible employees.

(iii) Accounting method for unrecognized actuarial gains and losses and unrecognized past service costs

Unrecognized actuarial gains and losses and unrecognized past service costs would be recorded as "Remeasurements of defined benefit plans" under "Accumulated other comprehensive income" in the net asset section after adjusting for tax effects.

(iv) Adoption of the simple method for smaller enterprises, etc.

Certain consolidated subsidiaries apply the simple method to calculate retirement benefit liability and retirement benefit expenses, using the amount payable for voluntary retirement benefits at the end of the fiscal year as retirement benefit obligations.

(5) Recognition of significant revenues and expenses

The nature of the main performance obligations related to revenue from contracts with customers in the major businesses of the Company and its consolidated subsidiaries and the timing when those performance obligations are typically satisfied (when revenue is typically recognized) are as follows.

The Company and its consolidated subsidiaries have four business segments: DX&SI business, Package business, Medical big data business, and Global business. The Company and its consolidated subsidiaries recognize revenue from contracts with customers mainly for contracted software production, maintenance and relevant services. For contracts where the performance obligation is fulfilled over a specified period, the progress of fulfilling the performance obligation is estimated, except when the period is extremely short, and revenue based on the progress is recognized for that period. The progress is determined mainly by the input method based on the ratio of the actual costs incurred to the estimated total construction cost (the cost-to-cost basis). For contracts where the performance obligation is fulfilled at a point in time, such as the sale of products related to system equipment, revenue is recognized at the point in time when the customer accepts the products.

For transactions, such as the sale of products, where the Company and its consolidated subsidiaries function as agents, the amount paid to the supplier of the product is deducted from the total payment received from the customer and the resulting net amount is recognized as revenue.

(6) Method and period of goodwill amortization

Goodwill is amortized over a period of 5 to 10 years by the straight-line method.

(7) Scope of cash and cash equivalents on consolidated statement of cash flows

Cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and time deposit with maturities less than 3 months.

Significant Accounting Estimates

1. Estimate of total construction cost for revenue recognition over a specified period based on progress

(1) Amounts recorded in the consolidated financial statements of the current fiscal year

(Thousand yen)

	FY3/22	FY3/23
Net sales from revenue recognized over a specified period based on progress	1,185,650	1,856,776

(2) Other information that contributes to the understanding of accounting estimates

For contracts where the performance obligation is fulfilled over a specified period, such as contracted software production and relevant services, net sales are recorded by recognizing revenue based on the progress for that period. Net sales from revenue recognized over a specified period based on progress are calculated by multiplying the total construction revenue by the progress. The progress is determined by the input method based on the ratio of the actual costs incurred by the end of the current fiscal year to the estimated total construction cost (the cost-to-cost basis). The total construction cost based on incurred costs is estimated by estimating the number of man-hours required for the work in consideration of its individualized nature, such as the specifications and work period of contracted software production and relevant services.

In the event that the estimate of man-hours requires a significant revision, the change in estimate of the total construction cost due to the revision may have a material impact on the consolidated financial statements for the following fiscal year.

Accounting Standards, Others That Have Not Yet Been Applied

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

The above standards and guidance define the accounting classification of income taxes when other comprehensive income is taxable and the treatment of tax effects on the sale of shares of subsidiaries, etc. when the group taxation regime is adopted.

(2) Effective date

Scheduled to be effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effects of application of the accounting standards and guidance

The effects of the application are under assessment at the time of preparing these consolidated financial statements.

Reclassifications

"Asset retirement obligations," included in "Other" under non-current liabilities in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since it has increased materiality in the context of financial statements. The prior-period consolidated financial statements are restated to conform to the current-period presentation.

"Other" under non-current liabilities (513,608 thousand yen) shown in the prior-period consolidated balance sheet is reclassified and divided into "Asset retirement obligations" (132,613 thousand yen) and "Other" (380,995 thousand yen).

Changes in Accounting-based Estimates

In the current fiscal year, the Company restated asset retirement obligations, which had been recorded as obligations for returning leased space to its original condition in association for real estate leasing contracts of the Company, to reflect a change in the estimate of restoration costs due to the availability of new information on restoration costs. The increase of 100,582 thousand yen attributable to this change in estimate was added to the balance of asset retirement obligations before the change.

In addition, as a result of this change in estimate, operating income, ordinary income, and profit before income taxes for the current fiscal year each decreased by 9,781 thousand yen.

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 (and other officers). 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 149,200 shares of JAST with a book value of 171,700 thousand yen as of the end of the previous fiscal year, and the BBT held 149,200 shares with a book value of 171,700 thousand yen as of the end of the current fiscal year.

Note: JAST conducted a 2-for-1 common stock split on October 1, 2022. The number of shares has been calculated as if this stock split has taken place at the beginning of the fiscal year ended March 31, 2022.

Notes to Consolidated Balance Sheet

*1 The Company has commitment line agreements with 4 banks, in order to raise funds efficiently. The balances of credit available as of the balance sheet date were as follows.

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Commitment line	500,000	500,000
Credit used	-	-
Credit available	500,000	500,000

*2 Notes and accounts receivable-trade, and contract assets arising from contracts with customers were as follows.

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Notes receivable-trade	4,827	22,826
Accounts receivable-trade	4,599,320	5,073,898
Contract assets	929,182	1,435,660

Notes to Consolidated Statement of Income

*1 Revenue from contracts with customers

Net sales are not presented separately into revenues arising from contracts with customers and other revenues. The amount of revenue from contracts with customers is presented in "(Revenue Recognition), 1. Information on disaggregated revenue from contracts with customers" in the Notes to Consolidated Financial Statements.

*2 Major items of selling, general and administrative expenses

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Compensations for directors (and other officers)	265,302	293,944
Wages, sales and other allowances	1,436,314	1,552,084
Provision for bonuses	226,470	216,507
Provision for bonuses for directors (and other officers)	76,705	117,666
Provision for retirement benefits for directors (and other officers)	2,407	352
Stock compensation expenses for directors (and other officers)	41,687	21,031
Retirement benefit expenses	50,984	63,741
Research and development expenses	436,763	469,246

*3 Total amount of research and development expenses included in general and administrative expenses

(Thousand yen)

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
436,763	469,246

*4 Provision for loss on construction contracts included in cost of sales

(Thousand yen)

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
52,960	6,801

*5 Impairment losses

In the previous fiscal year, the Group recorded impairment losses on each of the following goodwill, customer-related assets, trademark rights, and technology assets.

Location	Purpose of use	Class	Impairment losses (Thousand yen)
Singapore	Other	Goodwill	55,939
Singapore	Business use	Customer-related assets	11,129
Singapore	Business use	Trademark rights	7,325
Singapore	Business use	Technology assets	13,004

The Group's assets, in principle, are grouped by business segment for assessing impairment losses.

Because it was no longer likely that AG NET PTE. LTD., a consolidated subsidiary of the Company, would generate the expected earnings upon its stock acquisition, the book value of goodwill, customer-related assets, trademark rights, and technology assets was reduced to their respective recoverable amount, and the total reduction of 87,398 thousand yen was recorded as an impairment loss: 55,939 thousand yen for goodwill, 11,129 thousand yen for customer-related assets, 7,325 thousand yen for trademark rights, and 13,004 thousand yen for technology assets.

The recoverable amount of the assets was measured by value in use, and assessed as zero.

*6 The balance of inventories at the end of the fiscal year is the amount after the write-down of book value due to the effect of lower profit margins, and the following inventory write-down is included in cost of sales.

(Thousand yen)

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
22,929	53,368

Notes to Consolidated Statement of Comprehensive Income

*1 Re-classification adjustments and tax effect with respect to other comprehensive income

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	(93,651)	22,118
Re-classification adjustments	(46)	-
Before tax effect adjustments	(93,697)	22,118
Tax effect	28,690	(6,772)
Valuation difference on available-for-sale securities	(65,007)	15,346
Foreign currency translation adjustment:		
Amount incurred during the year	79,646	125,124
Remeasurements of defined benefit plans:		
Amount incurred during the year	27,307	(38,469)
Re-classification adjustments	(34,313)	(33,723)
Before tax effect adjustments	(7,005)	(72,193)
Tax effect	2,145	22,105
Remeasurements of defined benefit plans, net of tax	(4,860)	(50,087)
Total other comprehensive income	9,779	90,382

Notes to Consolidated Statement of Changes in Equity

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)

1. Type of share and the number of outstanding shares and treasury shares

(Shares)

	Number of shares as of Apr. 1, 2021	Increase	Decrease	Number of shares as of Mar. 31, 2022
Outstanding shares				
Common stock	5,612,230	597,000	-	6,209,230
Total	5,612,230	597,000	-	6,209,230
Treasury shares				
Common stock (Note 1, 2)	230,423	30,543	184,000	76,966
Total	230,423	30,543	184,000	76,966

Notes: 1. Number of outstanding shares of common stock increased 597,000 shares due to exercise of share acquisition rights.

2. Number of treasury shares of common stock increased 30,543 shares:
   Increase due to purchase by the Board Benefit Trust (BBT) 28,800 shares
   Increase due to acquisition without contribution by the restricted stock compensation plan 1,700 shares
   Increase due to acquisition of odd-lot shares 43 shares

3. Number of treasury shares of common stock decreased 184,000 shares:
   Decrease due to disposal of treasury shares through exercise of share acquisition rights 182,000 shares
   Decrease due to stock compensation for retired directors (and other officers) from the BBT 2,000 shares

4. Number of treasury shares of common stock includes the Company's stock held by the BBT (47,800 shares as of April 1, 2021 and 74,600 shares as of March 31, 2022).

2. Items related to share acquisition rights and treasury share acquisition rights

Item	Share acquisition rights (itemized)	Type of shares under share acquisition rights	Number of shares under share acquisition rights (Shares)				Balance as of Mar. 31, 2022 (Thousand yen)
			As of Apr. 1, 2021	Increase	Decrease	As of Mar. 31, 2022	
Reporting company (parent company)	Share acquisition rights (2021) (Note)	Common stock	779,000	-	779,000	-	-
Total		-	779,000	-	779,000	-	-

Note: Number of share acquisition rights (2021) decreased due to the exercise of share acquisition rights.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on April 28, 2021	Common stock	152,028	28	March 31, 2021	June 11, 2021

Note: The amount of total dividends resolved by the Board of Directors' meeting on April 28, 2021 includes dividends of 1,338 thousand yen for the Company's stock held by the Board Benefit Trust (BBT).

(2) Dividends with a record date in FY3/22, but an effective date in FY3/23

Resolution	Type of share	Total dividends (Thousand yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting on April 28, 2022	Common stock	248,274	Retained earnings	40	March 31, 2022	June 9, 2022

Note: The amount of total dividends resolved by the Board of Directors' meeting on April 28, 2022 includes dividends of 2,984 thousand yen for the Company's stock held by the Board Benefit Trust (BBT).

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

1. Type of share and the number of outstanding shares and treasury shares

(Shares)

	Number of shares as of Apr. 1, 2022	Increase	Decrease	Number of shares as of Mar. 31, 2023
Outstanding shares				
Common stock (Note 1)	6,209,230	6,209,230	-	12,418,460
Total	6,209,230	6,209,230	-	12,418,460
Treasury shares				
Common stock (Note 2, 3)	76,966	77,302	-	154,268
Total	76,966	77,302	-	154,268

Notes: 1. Number of outstanding shares of common stock increased 6,209,230 shares due to stock split.

2. Number of treasury shares of common stock increased 77,302 shares:

Increase due to acquisition of odd-lot shares before stock split	150 shares
Increase due to acquisition of odd-lot shares after stock split	36 shares
Increase due to stock split	77,116 shares

3. Number of treasury shares of common stock includes the Company’s stock held by the BBT (74,600 shares as of April 1, 2022 and 149,200 shares as of March 31, 2023).

2. Items related to share acquisition rights and treasury share acquisition rights

Not applicable.

3. Dividends

(1) Dividend payment

Resolution	Type of share	Total dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors’ meeting on April 28, 2022	Common stock	248,274	40	March 31, 2022	June 9, 2022

Note: The amount of total dividends resolved by the Board of Directors’ meeting on April 28, 2022 includes dividends of 2,984 thousand yen for the Company’s stock held by the Board Benefit Trust (BBT).

(2) Dividends with a record date in FY3/23, but an effective date in FY3/24

Resolution	Type of share	Total dividends (Thousand yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
Board of Directors’ meeting on April 28, 2023	Common stock	397,228	Retained earnings	32	March 31, 2023	June 9, 2023

Note: The amount of total dividends resolved by the Board of Directors’ meeting on April 28, 2023 includes dividends of 4,774 thousand yen for the Company’s stock held by the Board Benefit Trust (BBT).

Notes to Consolidated Statement of Cash Flows

*1 Reconciliation of cash and cash equivalents at the end of the fiscal year and amount of balance sheet is made as follows.

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Cash and deposits	6,464,852	7,206,690
Time deposit with maturities over 3 months	(1,029)	(413,639)
Cash and cash equivalents	6,463,823	6,793,050

Financial Instruments

1. Status of financial instruments

(1) Policies on financial instruments

The Group covers necessary funds mainly with its own funds, but also raises funds by borrowing from banks, depending on the cash flow situation and financial conditions. Temporary surplus funds are invested only in highly secure financial assets such as deposits with guaranteed principal and fixed interest rates. The Group does not engage in derivative transactions.

(2) Nature and risks of financial instruments

Notes and accounts receivable-trade, which are trade receivables, are exposed to customers' credit risk. Investment securities mainly comprise held-to-maturity bonds and shares of companies with which we have business relationships, and are exposed to the risk of market price fluctuations.

Accounts payable-trade, which are trade payables, are mostly due within two months. Borrowings are mainly for the purpose of financing working capital and are exposed to liquidity risk.

(3) Risk management system for financial instruments

(i) Management of credit risk (risk of non-performance by counterparties)

In accordance with the credit management rules, the department in charge regularly monitors the status of business partners and manages due dates and outstanding balances by business partner in order to early identify and mitigate concerns about collection due to deterioration of financial conditions and other reasons.

(ii) Management of market risk (risk of exchange rate and interest rate fluctuations)

For investment securities, the Group assesses the fair value and financial conditions of the issuers (business partners) regularly, and reviews its holdings of such securities on an ongoing basis, taking into consideration market conditions and the relationship with the business partners.

(iii) Management of liquidity risk in financing (risk of being unable to make payments on due dates)

The Group manages its liquidity risk by having the department in charge prepare and update cash management plans in a timely manner, maintaining liquidity on hand, and other measures.

(4) Supplementary explanation on fair value of financial instruments

As certain assumptions are used in the calculation of the value of financial instruments, such value may vary if different assumptions are applied.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments and their difference are as follows.

FY3/22 (As of Mar. 31, 2022)

(Thousand yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*2)			
(i) Available-for-sale securities	520,240	520,240	-
(2) Guarantee deposits	457,167	451,995	(5,172)
Total assets	977,408	972,236	(5,172)

(*1) "Cash and deposits," "Notes and accounts receivable-trade, and contract assets," "Accounts payable-trade," "Short-term borrowings," and "Income taxes payable" are omitted because they are cash, and their fair value approximates their carrying amount since they are settled in a short period of time.

(*2) Shares, etc. that do not have a market price are not included in "(1) Investment securities." The carrying amount of such financial instruments are as follows.

Item	FY3/22 (Thousand yen)
Unlisted shares	22,290

FY3/23 (As of Mar. 31, 2023)

(Thousand yen)

	Carrying amount	Fair value	Difference
(1) Investment securities (*2)			
(i) Available-for-sale securities	589,354	589,354	-
(2) Guarantee deposits	435,927	430,246	(5,681)
Total assets	1,025,282	1,019,601	(5,681)

(*1) "Cash and deposits," "Notes and accounts receivable-trade, and contract assets," "Accounts payable-trade," and "Income taxes payable" are omitted because they are cash, and their fair value approximates their carrying amount since they are settled in a short period of time.

(*2) Shares, etc. that do not have a market price are not included in "(1) Investment securities." The carrying amount of such financial instruments are as follows.

Item	FY3/23 (Thousand yen)
Unlisted shares	23,452

Note 1: Redemption schedule of monetary claims and securities with maturities after the consolidated balance sheet date

FY3/22 (As of Mar. 31, 2022)

(Thousand yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	6,464,852	-	-	-
Notes and accounts receivable-trade, and contract assets	5,533,330	-	-	-
Investment securities				
Available-for-sale securities with maturities				
Bonds	-	105,800	-	-
Total	11,998,183	105,800	-	-

FY3/23 (As of Mar. 31, 2023)

(Thousand yen)

	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	7,206,690	-	-	-
Notes and accounts receivable-trade, and contract assets	6,532,385	-	-	-
Investment securities				
Available-for-sale securities with maturities				
Bonds	-	101,910	-	-
Negotiable certificates of deposit	-	45,135	-	-
Total	13,739,075	147,045	-	-

Note 2: Repayment schedule of short-term borrowings and long-term borrowings after the consolidated balance sheet date

FY3/22 (As of Mar. 31, 2022)

(Thousand yen)

	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term borrowings	8,518	-	-	-	-	-
Long-term borrowings	-	-	-	-	-	-
Total	8,518	-	-	-	-	-

FY3/23 (As of Mar. 31, 2023)
Not applicable.

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

FY3/22 (As of Mar. 31, 2022)

Item	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	414,440	-	-	414,440
Corporate bonds	-	105,800	-	105,800
Total assets	414,440	105,800	-	520,240

FY3/23 (As of Mar. 31, 2023)

Item	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	442,309	-	-	442,309
Corporate bonds	-	101,910	-	101,910
Negotiable certificates of deposit	-	45,135	-	45,135
Total assets	442,309	147,045	-	589,354

(2) Financial instruments other than those measured at fair value

FY3/22 (As of Mar. 31, 2022)

Item	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	-	451,995	-	451,995
Total assets	-	451,995	-	451,995

FY3/23 (As of Mar. 31, 2023)

Item	Fair value (Thousand yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	-	430,246	-	430,246
Total assets	-	430,246	-	430,246

Note: A description of the valuation techniques and inputs used in the fair value measurements

Investment securities

Listed shares, corporate bonds and negotiable certificates of deposit are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1. On the other hand, the fair value of corporate bonds and negotiable certificates of deposit held by the Company are classified as Level 2 because they are not traded frequently in the public market and not considered to have quoted prices in active markets.

Guarantee deposits

The fair value is calculated based on the present value of guarantee deposits, net of future non-refundable guarantee deposits, discounted at the yield on government bonds, and is classified as Level 2.

Marketable Securities

1. Held-to-maturity debt securities

FY3/22 (As of Mar. 31, 2022)

Not applicable.

FY3/23 (As of Mar. 31, 2023)

Not applicable.

2. Available-for-sale securities

FY3/22 (As of Mar. 31, 2022)

(Thousand yen)

	Type	Carrying amount	Acquisition costs	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition costs	Shares	368,968	193,883	175,085
	Bonds	105,800	81,327	24,473
	Others	-	-	-
	Subtotal	474,768	275,210	199,558
Securities with carrying amount not exceeding acquisition costs	Shares	45,472	69,520	(24,048)
	Bonds	-	-	-
	Others	-	-	-
	Subtotal	45,472	69,520	(24,048)
Total		520,240	344,731	175,509

Note: Shares of unconsolidated subsidiaries (carrying amount of 141 thousand yen) and unlisted shares (carrying amount of 22,148 thousand yen) are not included in “Available-for-sale securities” in the above table because they are shares, etc. that do not have a market price.

FY3/23 (As of Mar. 31, 2023)

(Thousand yen)

	Type	Carrying amount	Acquisition costs	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition costs	Shares	389,239	195,743	193,496
	Bonds	101,910	81,327	20,583
	Others	-	-	-
	Subtotal	491,149	277,070	214,079
Securities with carrying amount not exceeding acquisition costs	Shares	53,070	69,520	(16,450)
	Bonds	-	-	-
	Negotiable certificates of deposit	45,135	45,135	-
	Others	-	-	-
	Subtotal	98,205	114,655	(16,450)
Total		589,354	391,725	197,628

Note: Shares of unconsolidated subsidiaries (carrying amount of 164 thousand yen) and unlisted shares (carrying amount of 23,288 thousand yen) are not included in “Available-for-sale securities” in the above table because they are shares, etc. that do not have a market price.

3. Sales of other securities

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)

(Thousand yen)

Type	Sales amount	Aggregate gain	Aggregate loss
(1) Shares	105	46	-
(2) Bonds			
(i) National and local government bonds, etc.	-	-	-
(ii) Corporate bonds	-	-	-
(iii) Others	-	-	-
(3) Others	-	-	-
Total	105	46	-

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

Not applicable.

4. Other securities written down due to impairment

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)

Not applicable.

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

Not applicable.

Derivative Transactions

Not applicable because the Group had no derivative transactions.

Retirement Benefits

1. Retirement benefit plans

The Company has adopted defined benefit plans, which are a lump-sum retirement benefit payment plan in line with the Company’s regulation, and a defined benefit pension plan as well as a defined contribution pension plan. The Company and ISR Co., Ltd. participate in the Japan Computer Information Service Employee’s Pension Fund. The amount to be contributed to plan assets accounted for as retirement benefit expenses was 47,922 thousand yen in the consolidated financial statements for FY3/23.

Alpha Computer Co., Ltd. has adopted a lump-sum retirement benefit payment plan as defined benefit plan, and participates in the Nihon IT Software Pension Fund. The amount to be contributed to plan assets accounted for as retirement benefit expenses was 2,134 thousand yen in the consolidated financial statements for FY3/23.

NewNeeds Co., Ltd. participates in the Small Enterprise Retirement Allowance Mutual Aid Fund for retirement fund. The amount to be contributed to plan assets accounted for as retirement benefit expenses was 4,981 thousand yen in the consolidated financial statements for FY3/23.

An overseas consolidated subsidiary has a retirement benefit plan based on its local program.

Following is the information regarding the multi-employer pension plan under which the amount to be contributed to plan assets is accounted for as retirement benefit expenses.

Japan Computer Information Service Employees' Pension Fund

(1) Most recent funding status of the multi-employer pension plan

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Amount of plan assets	262,373,998	273,942,108
Total of actuarial obligations based on pension finance accounting and the minimum actuarial reserve	206,858,224	221,054,258
Difference	55,515,774	52,887,849

(2) The percentage of the Group's contribution out of the total contribution to the multi-employer pension plan

FY3/22 (Apr. 1, 2021–Mar. 31, 2022): 0.74%

FY3/23 (Apr. 1, 2022–Mar. 31, 2023): 0.76%

(3) Supplementary explanation

The main factors of the difference in (1) above are as follows.

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Balance of prior service cost	(55,345)	(54,275)
Surplus for the fiscal year	55,571,119	52,942,124
Total	55,515,774	52,887,849

The percentages in (2) above do not correspond to the actual share of the Group's contribution.

Nihon IT Software Pension Fund

(1) Most recent funding status of the multi-employer pension plan

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Amount of plan assets	54,166,754	56,574,025
Total of actuarial obligations based on pension finance accounting and the minimum actuarial reserve	52,445,038	54,852,309
Difference	1,721,716	1,721,716

(2) The percentage of the Group's contribution out of the total contribution to the multi-employer pension plan

FY3/22 (Apr. 1, 2021–Mar. 31, 2022): 0.11%

FY3/23 (Apr. 1, 2022–Mar. 31, 2023): 0.10%

(3) Supplementary explanation

The main factors of the difference in (1) above are as follows.

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
General reserve	1,721,716	1,721,716
Surplus for the fiscal year	-	-
Total	1,721,716	1,721,716

The percentages in (2) above do not correspond to the actual share of the Group's contribution.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligation

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Retirement benefit obligations at beginning of period	1,796,476	1,846,523
Service cost	148,573	157,659
Interest cost	18,335	18,769
Actuarial differences	8,415	20,483
Payment of retirement benefit	(118,750)	(112,218)
Others	(6,527)	(6,780)
Retirement benefit obligations at end of period	1,846,523	1,924,437

Note: Plans using the simple method are included.

(2) Reconciliation of beginning and ending balances of plan assets

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Plan assets at beginning of period	1,445,785	1,492,876
Expected return on plan assets	14,457	14,928
Actuarial differences	35,723	(22,130)
Contributions by the employer	55,241	57,292
Payment of retirement benefit	(58,331)	(54,563)
Plan assets at end of period	1,492,876	1,488,404

(3) Reconciliation of ending balances of retirement benefit obligation and plan assets against retirement benefit liability and retirement benefit asset recognized in the consolidated balance sheet

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Retirement benefit obligation of contributory plan	787,732	813,723
Plan assets	(1,492,876)	(1,488,404)
	(705,144)	(674,681)
Retirement benefit obligation of non-contributory plan	1,058,791	1,110,713
Net liability / asset recognized in the consolidated balance sheet	353,647	436,032
Retirement benefit liability	1,058,791	1,110,713
Retirement benefit asset	(705,144)	(674,681)
Net liability / asset recognized in the consolidated balance sheet	353,647	436,032

Note: Plans using the simple method are included.

(4) Components of retirement benefit expenses

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Service cost	148,573	157,659
Interest cost	18,335	18,769
Expected return on plan assets	(14,457)	(14,928)
Amortization of actuarial differences	(34,236)	(33,662)
Amortization of prior service cost	(77)	(61)
Retirement benefit expenses for defined benefit plan	118,138	127,776

Note: Plans using the simple method are included.

(5) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before tax effect)

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Prior service costs	(77)	(61)
Actuarial differences	(6,928)	(76,275)
Total	(7,005)	(76,337)

(6) Remeasurements of defined benefit plans, cumulative

Components of accumulated remeasurements of defined benefit plans (before tax effect)

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Unrecognized prior service costs	297	236
Unrecognized actuarial differences	163,411	87,135
Total	163,708	87,371

(7) Relevant information on plan assets

(i) Major breakdown of plan assets

The allocation percentage by major investment category to the total amount of plan assets is presented as follows.

(%)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Bonds	56	57
Shares	41	40
Cash and deposits	3	3
Total	100	100

(ii) Method of determining expected long-term return on assets

The expected long-term return on plan assets is determined by considering the current and expected portfolio structure of the plan assets as well as the current and expected future long-term rate of return on various investments that comprise the plan assets.

(8) Relevant information on assumptions for actuarial calculation

Principal assumptions for actuarial calculation (presented by the weighted average)

(%)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Discount rate	1.07	1.07
Expected long-term return on assets	1.0	1.0
Lump sum election rate	100	100

3. Defined contribution plan

The amounts to be contributed to the defined contribution plan for the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2022 and 2023 were 83,657 thousand yen and 88,326 thousand yen, respectively.

Stock Options

Not applicable.

Tax Effect Accounting

1. Significant components of deferred tax assets and liabilities

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Deferred tax assets		
Provision for bonuses	365,190	387,799
Accrued expenses	52,967	54,944
Accounts payable-other	947	808
Accrued business office taxes	39,603	38,034
Provision for loss on construction contracts	16,216	2,082
Inventories	7,945	17,000
Long-term accounts payable-other	105,099	104,942
Provision for retirement benefits for directors (and other officers)	2,231	-
Provision for share awards for directors (and other officers)	36,967	43,406
Retirement benefit liability	318,260	332,400
Allowance for doubtful accounts	1,890	2,821
Asset retirement obligations	40,464	76,612
Tax loss carryforwards (Note 1)	79,041	86,271
Other	29,484	31,418
Subtotal deferred tax assets	1,096,312	1,178,544
Less valuation allowance for tax loss carryforwards (Note 1)	(79,041)	(86,271)
Less valuation allowance for future deductible temporary differences	(192,417)	(241,483)
Subtotal valuation allowance	(271,459)	(327,755)
Total	824,853	850,788
Deferred tax liabilities		
Valuation difference on available-for-sale securities	53,741	60,513
Retirement benefit asset	215,915	206,587
Other	42,922	72,419
Total	312,579	339,520
Net deferred tax assets	512,274	511,268

Note: 1. Expiration of tax loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets

FY3/22 (As of Mar. 31, 2022)

(Thousand yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	2,324	5,868	14,066	5,845	3,369	47,566	79,041
Less valuation allowance for tax loss carryforwards	(2,324)	(5,868)	(14,066)	(5,845)	(3,369)	(47,566)	(79,041)
Deferred tax assets	-	-	-	-	-	-	-

(*1) Tax loss carryforwards are calculated by applying the statutory tax rate.

FY3/23 (As of Mar. 31, 2023)

(Thousand yen)

	Within 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	4,918	13,139	6,312	3,552	427	57,920	86,271
Less valuation allowance for tax loss carryforwards	(4,918)	(13,139)	(6,312)	(3,552)	(427)	(57,920)	(86,271)
Deferred tax assets	-	-	-	-	-	-	-

(*1) Tax loss carryforwards are calculated by applying the statutory tax rate.

2. Significant sources of differences between the statutory tax and effective tax rate

(%)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Statutory tax rate	30.6	30.6
(Adjustments)		
Permanent difference of entertainment expenses and other items	1.5	0.7
Residential tax for the period	0.3	0.3
Increase (decrease) in valuation allowance	0.3	1.9
Tax credit	(2.1)	(5.5)
Amortization of goodwill	0.5	0.3
Impairment loss	0.9	-
Tax effect of undistributed earnings	-	0.2
Tax rate difference between the Company and its consolidated subsidiaries	(0.2)	(0.6)
Others	0.4	(0.4)
Effective tax rate	32.2	27.4

Business Combinations

This information is omitted due to immateriality.

Asset Retirement Obligations

Asset retirement obligations included in the consolidated balance sheet

A. Summary of balance sheet asset retirement obligations

Balance sheet asset retirement obligations are mainly for returning leased space to its original condition in association for real estate leasing contracts for Company business sites.

B. Method for calculation balance sheet asset retirement obligations

Balance sheet asset retirement obligations are calculated by using a period of 15 years starting from the acquisition date as the estimated expected period of use and a discount rate of mainly 0.212%.

C. Change in balance sheet asset retirement obligations

In the current fiscal year, the Company changed its estimate of restoration costs because it became clear, as a result of obtaining new information, that the removal costs required at the time of asset retirement are expected to significantly exceed the amount estimated at the time of acquisition of the non-current assets. The increase of 100,582 thousand yen attributable to this change in estimate was added to the balance of asset retirement obligations before the change. Changes in the balance of asset retirement obligations are as follows.

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Beginning balance	131,001	132,613
Purchase of property, plant and equipment	-	18,960
Accretion	1,612	1,933
Payments for asset retirement obligations	-	(3,300)
Increase due to change in estimate	-	100,582
Ending balance	132,613	250,789

Rental and Other Properties

This information is omitted due to immateriality.

Revenue Recognition

1. Information on disaggregated revenue from contracts with customers

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)

(Thousand yen)

		Reportable segment				Total
		DX&SI business	Package business	Medical big data business	Global business	
Industry	Telecommunications	2,685,876	-	-	677	2,686,553
	Finance/insurance	2,245,376	766,588	3,000	812	3,015,777
	Service/retail	3,466,333	-	327,184	1,132,609	4,926,127
	Education	1,110,414	3,830,144	500	310	4,941,369
	Manufacturing	2,534,366	-	1,220	943,013	3,478,600
	Medical care	45	-	800,512	1,293	801,851
	Public sector and others	861,329	4,898	674,013	9,033	1,549,274
Revenue from contracts with customers		12,903,742	4,601,631	1,806,430	2,087,749	21,399,553
Other revenues		-	-	-	-	-
External sales		12,903,742	4,601,631	1,806,430	2,087,749	21,399,553

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

(Thousand yen)

		Reportable segment				Total
		DX&SI business	Package business	Medical big data business	Global business	
Industry	Telecommunications	3,201,315	3,595	-	-	3,204,910
	Finance/insurance	1,901,536	865,440	1,800	994	2,769,771
	Service/retail	4,763,900	-	383,229	1,999,236	7,146,366
	Education	1,290,839	3,598,525	2,665	3,455	4,895,485
	Manufacturing	2,457,389	-	2,443	667,553	3,127,386
	Medical care	47	-	886,494	251	886,793
	Public sector and others	720,458	21,783	744,599	1,961	1,488,802
Revenue from contracts with customers		14,335,487	4,489,345	2,021,231	2,673,452	23,519,516
Other revenues		-	-	-	-	-
External sales		14,335,487	4,489,345	2,021,231	2,673,452	23,519,516

Note: The Group started using new business segments for its reportable segments in FY3/23. Information on disaggregated revenue from contracts with customers for FY3/22 is based on the new reportable segments.

2. Basic information in understanding revenue from contracts with customers

This information is as described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements, 4. Accounting policies, (5) Recognition of significant revenues and expenses.”

3. Reconciliation of satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in the next fiscal year and thereafter arising from contracts with customers that existed at the end of the current fiscal year

FY3/22 (Apr. 1, 2021–Mar. 31, 2022)

(1) Balances of receivables from contracts with customers, contract assets, and contract liabilities

(Thousand yen)

	FY3/22	
	Beginning balance	Ending balance
Receivables from contracts with customers	3,678,728	4,604,147
Contract assets	518,876	929,182
Contract liabilities	395,861	430,851

Contract assets primarily relate to the right of the Company and its consolidated subsidiaries to unbilled consideration for contracts where the performance obligation is fulfilled over a specified period, such as contracted software production and relevant services. Once the Company and its consolidated subsidiaries have an unconditional right to consideration, contract assets are reclassified to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers for contracts where the performance obligation is fulfilled over a specified period, such as contracted software production, maintenance and relevant services. Contract liabilities are reversed as revenue is recognized.

Revenue recognized in FY3/22 that was included in the beginning balance of contract liabilities was 329,813 thousand yen.

(2) Transaction price allocated to the remaining performance obligations

The description of the remaining performance obligations is omitted since the Company and its consolidated subsidiaries have no significant contracts with an original expected contractual duration of one year or more at the end of FY3/22.

FY3/23 (Apr. 1, 2022–Mar. 31, 2023)

(1) Balances of receivables from contracts with customers, contract assets, and contract liabilities

(Thousand yen)

	FY3/23	
	Beginning balance	Ending balance
Receivables from contracts with customers	4,604,147	5,096,724
Contract assets	929,182	1,435,660
Contract liabilities	430,851	354,018

Contract assets primarily relate to the right of the Company and its consolidated subsidiaries to unbilled consideration for contracts where the performance obligation is fulfilled over a specified period, such as contracted software production and relevant services. Once the Company and its consolidated subsidiaries have an unconditional right to consideration, contract assets are reclassified to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers for contracts where the performance obligation is fulfilled over a specified period, such as contracted software production, maintenance and relevant services. Contract liabilities are reversed as revenue is recognized.

Revenue recognized in FY3/23 that was included in the beginning balance of contract liabilities was 328,539 thousand yen.

(2) Transaction price allocated to the remaining performance obligations

The description of the remaining performance obligations is omitted since the Company and its consolidated subsidiaries have no significant contracts with an original expected contractual duration of one year or more at the end of FY3/23.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are JAST and its subsidiaries for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group has four reportable business segments: the digital transformation and system integration (DX&SI) business, package business, medical big data business and global business. Each segment conducts its business in line with the comprehensive strategy it has devised for products and services in Japan and other countries.

The DX&SI business uses its distinctive strengths to supply a diverse array of information systems and services in a large number of business sectors. The package business develops and sells products that use JAST's own brands and provides associated environment and system development services, chiefly consulting for the use of these products. The medical big data business has several healthcare businesses that make it a one-stop source of services for the use of medical data and business process reform at health insurance organizations. The global business develops and sells enterprise resource planning (ERP) and human resource management (HRM) products outside Japan, provides consulting for the use of these products and develops IT systems.

(Revisions to reportable segments)

During the past several years, the scale and composition of business operations of the JAST Group as well as the types of services provided have changed significantly along with dramatic shifts in the social and business environment. In response to these changes, the JAST Group started using new business segments in the fiscal year ended in March 2023. The purposes of the new segments are to facilitate more accurate and thorough management and decision-making concerning growth strategies and other items and to disclose information to investors in a more suitable format. In previous fiscal years, the reportable segments were the software business, GAKUEN business, system sales business and medical big data business. The new segments are the digital transformation and system integration (DX&SI) business, package business, medical big data business and global business.

The former software business has been renamed the DX&SI business for the purpose of clearly expressing the

commitment of this business to providing even more added value and creating seeds for new businesses. This business aims to continue the steady growth of system integration, currently the largest source of JAST's earnings, while shifting emphasis to co-creation digital transformation activities. The goal of these activities with customers is to use digital technologies for business process innovation and for making customers and the JAST Group more competitive. The DX&SI business includes former system sales business. The former GAKUEN business has been renamed the package business because this business uses package systems with JAST brands to provide comprehensive digital transformation services and aim for growth. The package business includes the BankNeo financial institution information systems integration package that was in the software business in prior years. The activities of the global business were included in the former software business in prior years. Beginning with this fiscal year, global operations are a separate business segment to provide information more accurately about the distinctive characteristics and growth strategies of the JAST Group's businesses, such as solutions and wide-area activities in the ASEAN region and China.
Segment information for FY3/22 is based on the new reportable segments.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment
The accounting method used for reportable business segments is generally the same as the methods listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."
Profits for reportable business segments are operating income figures.
Inter-segment sales and transfers are based on market prices.

(Change in method for calculating segment profit and loss)
In recent years, the scale and characteristics of the business activities of the JAST Group have changed and the importance of properly managing these activities has increased. To more appropriately evaluate the performance of the group's reportable segments, the allocation of expenses for head office functions has been reexamined. In prior years, general and administrative expenses that could not be allocated to a reportable segment were allocated in accordance with expense allocation standards. Beginning with the fiscal year that ended in March 2023, these expenses are instead recognized as corporate expenses that are part of the adjustment to segment profit.
Segment profit and loss for FY3/22 is based on the new calculation method.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) (Thousand yen)

	DX&SI business	Package business	Medical big data business	Global business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	12,903,742	4,601,631	1,806,430	2,087,749	21,399,553	-	21,399,553
2. Inter-segment sales and transfers	71,860	6,339	-	15,966	94,166	(94,166)	-
Total	12,975,603	4,607,970	1,806,430	2,103,716	21,493,719	(94,166)	21,399,553
Segment profit	1,559,400	1,529,924	381,205	49,408	3,519,939	(1,519,437)	2,000,501
Segment assets	7,404,851	3,257,245	1,238,156	1,884,289	13,784,541	1,755,447	15,539,989
Other items							
Depreciation	57,186	27,937	15,938	59,530	160,593	-	160,593
Increase in property, plant and equipment and intangible assets	36,284	23,214	12,690	39,874	112,063	-	112,063

Notes: 1. Segment profit in the above adjustment represents includes corporate expenses. These corporate expenses mainly include general and administration expenses that cannot be attributed to any of the reportable segments.
2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.
3. Segment profit is adjusted with operating income shown on the consolidated statement of income.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) (Thousand yen)

	DX&SI business	Package business	Medical big data business	Global business	Total	Adjustment (Note 1) (Note 2)	Amounts shown on consolidated financial statements (Note 3)
Net sales							
1. External sales	14,335,487	4,489,345	2,021,231	2,673,452	23,519,516	-	23,519,516
2. Inter-segment sales and transfers	89,922	42,155	-	50,312	182,390	(182,390)	-
Total	14,425,409	4,531,501	2,021,231	2,723,765	23,701,906	(182,390)	23,519,516
Segment profit	2,078,787	1,250,729	457,107	271,017	4,057,641	(1,671,973)	2,385,668
Segment assets	8,087,574	3,551,540	1,639,504	2,126,797	15,405,417	2,008,379	17,413,797
Other items							
Depreciation	61,306	27,621	19,214	54,400	162,541	-	162,541
Increase in property, plant and equipment and intangible assets	41,635	19,034	29,855	32,268	122,793	-	122,793

Notes: 1. Segment profit in the above adjustment represents includes corporate expenses. These corporate expenses mainly include general and administration expenses that cannot be attributed to any of the reportable segments.
2. Segment assets in the above adjustment consist mainly of corporate assets that cannot be attributed to any of the reportable segments.
3. Segment profit is adjusted with operating income shown on the consolidated statement of income.

Related information

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

1. Information by product or service

This information is omitted because the same information is presented segment information.

2. Information by region

(1) Net sales

Geographical information concerning sales to external customers in Japan is not presented since sales to external customers exceeded 90% of net sales shown on the consolidated statement of income.

(2) Property, plant and equipment

(Thousand yen)

Japan	Overseas	Total
479,692	66,875	546,567

3. Information by major client

(Thousand yen)

Company name	Net sales	Business segment
TIS Inc.	1,520,224	DX&SI business

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

1. Information by product or service

This information is omitted because the same information is presented segment information.

2. Information by region

(1) Net sales

(Thousand yen)

Japan	Overseas	Total
20,831,987	2,687,528	23,519,516

(2) Property, plant and equipment

(Thousand yen)

Japan	Overseas	Total
579,246	52,747	631,994

3. Information by major client

(Thousand yen)

Company name	Net sales	Business segment
NTT COMWARE CORPORATION	2,102,664	DX&SI business

Information related to impairment losses of non-current assets for each reportable segment

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) (Thousand yen)

	DX&SI business	Package business	Medical big data business	Global business	Elimination or corporate	Total
Impairment losses	-	-	-	87,398	-	87,398

Note: In the software business, there were impairment losses of 55,939 thousand yen for goodwill, 11,129 thousand yen for customer-related assets, 7,325 thousand yen for trademark rights and 13,004 thousand yen for technology assets.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) (Thousand yen)

	DX&SI business	Package business	Medical big data business	Global business	Elimination or corporate	Total
Amortization for the period	2,264	-	-	29,097	-	31,361
Balance at end of period	-	-	-	102,785	-	102,785

Note: In the Global business, there was an impairment loss of 55,939 thousand yen for goodwill.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) (Thousand yen)

	DX&SI business	Package business	Medical big data business	Global business	Elimination or corporate	Total
Amortization for the period	-	-	-	23,599	-	23,599
Balance at end of period	-	-	-	88,499	-	88,499

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Related Party Information

Not applicable.

Per-share Information

(Yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net assets per share	746.86	878.07
Net income per share	112.32	144.50

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. JAST conducted a 2-for-1 common stock split on October 1, 2022. Net assets per share and net income per share have been calculated as if this stock split has taken place at the beginning of the fiscal year ended March 31, 2022.

3. The basis of calculation is as follows.

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Net assets per share		
Total net assets on balance sheet	9,194,483	10,816,240
Deduction on total net assets	34,628	47,463
(Non-controlling interests)	(34,628)	(47,463)
Net assets applicable to common shares	9,159,855	10,768,776
Number of common shares used in calculation of net assets per share	12,264,528 shares	12,264,192 shares

(Thousand yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net income per share		
Profit attributable to owners of parent	1,330,558	1,772,210
Amount not available to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	1,330,558	1,772,210
Average number of shares outstanding during period	11,845,742 shares	12,264,292 shares

Note: JAST has established a new Board Benefit Trust (BBT). The Company's stock remaining in the BBT (149,200 shares as of March 31, 2022 and 149,200 as of March 31, 2023) is included in treasury shares in shareholders' equity and deducted from the number of shares outstanding at the end of the period that is used to calculate net assets per share. Moreover, the BBT shares (149,200 shares in FY3/22 and 149,200 shares in FY3/23) are included in treasury shares deducted from the number of shares used to calculate the average number of shares outstanding during the period that is used to calculate net income per share.

Subsequent Events

Not applicable.

(v) Annexed consolidated detailed schedules

Annexed consolidated detailed schedule of corporate bonds

Not applicable.

Annexed consolidated detailed schedule of borrowings

(Thousand yen, unless otherwise stated)

Item	Balance as of Apr. 1, 2022	Balance as of Mar. 31, 2023	Average interest rate (%)	Repayment due (Year)
Short-term borrowings	8,518	-	-	-
Current portion of long-term borrowings	-	-	-	-
Current portion of lease liabilities	22,617	17,218	-	-
Long-term borrowings (excluding current portion)	-	-	-	-
Lease liabilities (excluding current portion)	31,482	23,143	-	2025 to 2028
Other interest-bearing debt	-	-	-	-
Total	62,618	40,362	-	-

Notes: 1. The average interest rate on lease liabilities is not presented because lease liabilities are recorded on the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in the total lease payments.

2. The repayment schedule within five years after the consolidated balance sheet date of lease liabilities (excluding current portion) is as follows.

(Thousand yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Lease liabilities	11,695	6,770	3,821	857

Annexed consolidated detailed schedule of asset retirement obligations

This information is omitted because the items to be presented in this schedule are presented as notes stipulated in Article 15-23 of the Ordinance on Consolidated Financial Statements.

(2) Other Information

Quarterly results for the fiscal year ended March 31, 2023

(Thousand yen, unless otherwise stated)

(Cumulative period)	First three months	First six months	First nine months	Current fiscal year
Net sales	5,119,276	11,004,040	16,635,219	23,519,516
Profit before income taxes	289,963	1,037,073	1,605,296	2,450,148
Profit attributable to owners of parent	223,888	737,825	1,167,103	1,772,210
Net income per share (Yen)	18.26	60.16	95.16	144.50

(Accounting period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net income per share (Yen)	18.26	41.91	35.00	49.34

Note: The Company conducted a 2-for-1 common stock split on October 1, 2022. Net income per share has been calculated as if this stock split has taken place at the beginning of the fiscal year ended March 31, 2023.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

i. Non-consolidated Balance Sheet

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	4,229,612	4,896,049
Notes and accounts receivable-trade, and contract assets	*1 4,538,761	*1 5,221,967
Merchandise and finished goods	144,408	128,353
Work in process	40,376	44,662
Raw materials and supplies	5,635	8,118
Prepaid expenses	*1 94,514	*1 110,684
Accounts receivable-other	*1 9,107	*1 8,686
Other	*1 12,503	*1 12,638
Allowance for doubtful accounts	(3,422)	(3,655)
Total current assets	9,071,498	10,427,505
Non-current assets		
Property, plant and equipment		
Buildings	240,360	328,636
Structures	3,066	5,844
Tools, furniture and fixtures	82,482	84,341
Land	142,361	142,361
Construction in progress	-	1,066
Total property, plant and equipment	468,270	562,250
Intangible assets		
Software	81,784	75,053
Telephone subscription right	6,180	6,180
Total intangible assets	87,964	81,233
Investments and other assets		
Investment securities	520,705	544,683
Shares of subsidiaries and associates	2,179,925	2,183,505
Investments in capital of subsidiaries and associates	37,515	75,953
Long-term loans receivable from subsidiaries and associates	171,343	142,567
Prepaid pension cost	531,812	570,660
Deferred tax assets	511,471	489,358
Guarantee deposits	420,913	399,890
Insurance funds	68,092	64,987
Other	-	4,126
Allowance for doubtful accounts	(94,953)	(42,435)
Total investments and other assets	4,346,826	4,433,299
Total non-current assets	4,903,061	5,076,783
Total assets	13,974,559	15,504,289

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	*1 946,692	*1 916,555
Accounts payable-other	*1 130,595	*1 166,452
Accrued expenses	*1 286,978	*1 296,437
Income taxes payable	497,847	439,120
Accrued consumption taxes	196,010	194,372
Contract liabilities	280,586	262,549
Provision for bonuses	1,095,710	1,167,316
Provision for bonuses for directors (and other officers)	33,727	35,025
Provision for loss on construction contracts	52,960	6,801
Other	*1 93,541	*1 104,555
Total current liabilities	3,614,649	3,589,185
Non-current liabilities		
Provision for share awards for directors (and other officers)	120,728	141,759
Provision for retirement benefits	956,848	991,918
Asset retirement obligations	117,567	223,887
Long-term accounts payable-other	342,216	343,188
Other	17,512	12,217
Total non-current liabilities	1,554,872	1,712,971
Total liabilities	5,169,522	5,302,157
Net assets		
Shareholders' equity		
Share capital	1,535,409	1,535,409
Capital surplus		
Legal capital surplus	1,497,047	1,497,047
Other capital surplus	250,404	250,404
Total capital surpluses	1,747,452	1,747,452
Retained earnings		
Legal retained earnings	32,665	32,665
Other retained earnings		
General reserve	4,313,000	5,207,000
Retained earnings brought forward	1,230,005	1,718,193
Total retained earnings	5,575,670	6,957,858
Treasury shares	(175,264)	(175,703)
Total shareholders' equity	8,683,268	10,065,017
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	121,768	137,114
Total valuation and translation adjustments	121,768	137,114
Total net assets	8,805,037	10,202,132
Total liabilities and net assets	13,974,559	15,504,289

ii. Non-consolidated Statements of Income

(Thousand yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	*2 17,082,806	*2 18,552,222
Cost of sales	*2 12,688,277	*2 13,733,626
Gross profit	4,394,529	4,818,595
Selling, general and administrative expenses	*1, *2 2,774,477	*1, *2 3,017,008
Operating income	1,620,051	1,801,586
Non-operating income		
Interest and dividend income	*2 104,577	*2 254,292
Rental income	2,483	3,086
Commission income	1,915	2,097
Interest on securities	2,400	2,400
Reversal of allowance for doubtful accounts	-	61,988
Subsidy income	-	9,843
Foreign exchange gains	15,479	6,377
Other	12,031	2,770
Total non-operating income	138,887	342,856
Non-operating expenses		
Interest expenses	121	-
Provision of allowance for doubtful accounts	78	9,470
Commission expenses	1,899	753
Share issuance costs	5,773	-
Other	0	0
Total non-operating expenses	7,872	10,223
Ordinary income	1,751,066	2,134,219
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	*3 177,306	-
Loss on valuation of investments in capital of subsidiaries and associates	*4 34,412	-
Total extraordinary losses	211,718	-
Profit before income taxes	1,539,348	2,134,219
Income taxes-current	653,340	488,416
Income taxes-deferred	(113,635)	15,340
Total income taxes	539,704	503,757
Profit	999,643	1,630,462

iii. Non-consolidated Statement of Changes in Equity

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022) (Thousand yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: General reserve	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of period	1,076,669	1,038,308	134,279	1,172,587	32,665	4,086,000	555,853	4,674,518
Cumulative effects of changes in accounting policies							53,537	53,537
Restated balance	1,076,669	1,038,308	134,279	1,172,587	32,665	4,086,000	609,391	4,728,056
Changes during period								
Issuance of new shares	458,739	458,739		458,739				
Provision of general reserve						227,000	(227,000)	-
Dividends of surplus							(152,028)	(152,028)
Profit							999,643	999,643
Purchase of treasury shares								
Disposal of treasury shares			116,125	116,125				
Net changes in items other than shareholders' equity								
Total changes during period	458,739	458,739	116,125	574,864	-	227,000	620,614	847,614
Balance at end of period	1,535,409	1,497,047	250,404	1,747,452	32,665	4,313,000	1,230,005	5,575,670

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(218,515)	6,705,259	186,775	186,775	5,530	6,897,566
Cumulative effects of changes in accounting policies		53,537				53,537
Restated balance	(218,515)	6,758,797	186,775	186,775	5,530	6,951,104
Changes during period						
Issuance of new shares		917,479				917,479
Provision of general reserve		-				-
Dividends of surplus		(152,028)				(152,028)
Profit		999,643				999,643
Purchase of treasury shares	(87,750)	(87,750)				(87,750)
Disposal of treasury shares	131,002	247,127				247,127
Net changes in items other than shareholders' equity			(65,007)	(65,007)	(5,530)	(70,538)
Total changes during period	43,251	1,924,470	(65,007)	(65,007)	(5,530)	1,853,932
Balance at end of period	(175,264)	8,683,268	121,768	121,768	-	8,805,037

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023) (Thousand yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	1,535,409	1,497,047	250,404	1,747,452	32,665	4,313,000	1,230,005	5,575,670
Cumulative effects of changes in accounting policies								
Restated balance	1,535,409	1,497,047	250,404	1,747,452	32,665	4,313,000	1,230,005	5,575,670
Changes during period								
Issuance of new shares								
Provision of general reserve						894,000	(894,000)	-
Dividends of surplus							(248,274)	(248,274)
Profit							1,630,462	1,630,462
Purchase of treasury shares								
Disposal of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	-	-	-	-	-	894,000	488,187	1,382,187
Balance at end of period	1,535,409	1,497,047	250,404	1,747,452	32,665	5,207,000	1,718,193	6,957,858

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(175,264)	8,683,268	121,768	121,768	-	8,805,037
Cumulative effects of changes in accounting policies		-				-
Restated balance	(175,264)	8,683,268	121,768	121,768	-	8,805,037
Changes during period						
Issuance of new shares		-				-
Provision of general reserve		-				-
Dividends of surplus		(248,274)				(248,274)
Profit		1,630,462				1,630,462
Purchase of treasury shares	(439)	(439)				(439)
Disposal of treasury shares		-				-
Net changes in items other than shareholders' equity			15,346	15,346	-	15,346
Total changes during period	(439)	1,381,748	15,346	15,346	-	1,397,094
Balance at end of period	(175,703)	10,065,017	137,114	137,114	-	10,202,132

Notes to Non-consolidated Financial Statements

Significant Accounting Policies

1. Valuation standards and methods for assets

(1) Valuation standards and methods for marketable securities

(i) Subsidiaries' stocks

Stated at cost determined by the moving-average method.

(ii) Held-to-maturity debt securities

Stated at cost determined by the amortized cost method (straight-line method).

(iii) Available-for-sale securities

- Securities other than shares, etc. that do not have a market price

Stated at fair value. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)

- Shares, etc. that do not have a market price

Stated at cost determined by the moving-average method.

(2) Valuation standards and methods for inventories

(i) Merchandise

Stated at cost determined by the specific identification method. (The carrying amount on the balance sheet is written down to reflect the effect of lower profit margins.)

(ii) Finished goods

Stated at cost determined by the periodic average method. (The carrying amount on the balance sheet is written down to reflect the effect of lower profit margins.)

(iii) Work in process

Stated at cost determined by the specific identification method. (The carrying amount on the balance sheet is written down to reflect the effect of lower profit margins.)

(iv) Supplies

Valued by the last purchased price method.

2. Depreciation and amortization of non-current assets

(1) Property, plant and equipment (excluding leased assets)

The declining-balance method, except for facilities attached to buildings and structures acquired on or after April 1, 2016, on which depreciation is calculated by the straight-line method.

Useful life of principle assets is as follows.

Buildings: 10–35 years
Tools, furniture and fixtures: 4–10 years

(2) Software (excluding leased assets)

Software for internal use is amortized over an expected useful life of 3-5 years by the straight-line method.

(3) Leased assets

(i) Lease assets associated with finance lease transactions where there is transfer of ownership

Depreciated by the same method as depreciation method used for non-current assets held by the Company.

(ii) Lease assets associated with finance lease transactions where there is no transfer of ownership

Depreciated by the straight-line method, assuming the lease period to be the useful life and a residual value of zero.

3. Recognition of allowances

(1) Allowance for doubtful accounts

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.

(2) Provision for bonuses

To provide for employee bonus obligation, an allowance is provided in the amount equal to the estimated bonus obligations.

(3) Provision for retirement benefits

To provide for accrued retirement benefits for employees, an allowance is provided based on projected benefit obligations and plan assets at the end of the current fiscal year.

The actuarial difference is expensed in the following fiscal years using the declining-balance method based on a certain period (10 years) within the average length of remaining service period of employees.

The prior service cost is expensed using the declining-balance method based on a certain period (10 years) within the average length of remaining service period of employees from the year when it is recognized.

(4) Provision for bonuses for directors (and other officers)

To provide for bonuses for directors (and other officers), an allowance is provided in the amount equal to the estimated bonus obligations in the current fiscal year.

(5) Provision for share awards for directors (and other officers)

To provide for the payment of the Company's shares to the Company's directors (and other officers) in accordance with the rules on the stock compensation plan for directors (and other officers), an allowance is provided based on the estimated obligations for share awards in the current fiscal year.

(6) Provision for loss on construction contracts

To prepare for future losses on construction contracts, such as contracted software production and development, an allowance is provided for estimated losses on contracts for which losses are expected to be incurred in the next fiscal year or later and the amount can be reasonably estimated.

4. Recognition of revenues and expenses

The nature of the main performance obligations related to revenue from contracts with customers in the major businesses of the Company and the timing when those performance obligations are typically satisfied (when revenue is typically recognized) are as follows.

The Company has four business segments: DX&SI business, Package business, Medical big data business, and Global business. The Company recognizes revenue from contracts with customers mainly for contracted software production, maintenance and relevant services. For contracts where the performance obligation is fulfilled over a specified period, the progress of fulfilling the performance obligation is estimated, except when the period is extremely short, and revenue based on the progress is recognized for that period. The progress is determined mainly by the input method based on the ratio of the actual costs incurred to the estimated total construction cost (the cost-to-cost basis). For contracts where the performance obligation is fulfilled at a point in time, such as the sale of products, revenue is recognized at the point in time when the customer accepts the products.

For transactions, such as the sale of products, where the Company functions as an agent, the amount paid to the supplier of the product is deducted from the total payment received from the customer and the resulting net amount is recognized as revenue.

5. Other significant accounting policies in the preparation of financial statements

(1) Accounting method for retirement benefits

Accounting method for outstanding balance of unrecognized actuarial differences and unrecognized prior service costs related to retirement benefit is different from those for the consolidated financial statements.

Significant Accounting Estimates

1. Estimate of total construction cost for revenue recognition over a specified period based on progress

(1) Amounts recorded in the non-consolidated financial statements of the current fiscal year

(Thousand yen)

	FY3/22	FY3/23
Net sales from revenue recognized over a specified period based on progress	1,185,650	1,844,911

(2) Other information that contributes to the understanding of accounting estimates

For contracts where the performance obligation is fulfilled over a specified period, such as contracted software production and relevant services, net sales are recorded by recognizing revenue based on the progress for that period. Net sales from revenue recognized over a specified period based on progress are calculated by multiplying the total construction revenue by the progress. The progress is determined by the input method based on the ratio of the actual costs incurred by the end of the current fiscal year to the estimated total construction cost (the cost-to-cost basis). The total construction cost based on incurred costs is estimated by estimating the number of man-hours required for the work in consideration of its individualized nature, such as the specifications and work period of contracted software production and relevant services.

In the event that the estimate of man-hours requires a significant revision, the change in estimate of the total construction cost due to the revision may have a material impact on the non-consolidated financial statements for the following fiscal year.

Reclassifications

“Asset retirement obligations,” included in “Other” under non-current liabilities in the previous fiscal year, is reclassified and presented as a separate line item in the current fiscal year since it has increased materiality in the context of financial statements. The prior-period non-consolidated financial statements are restated to conform to the current-period presentation.

“Other” under non-current liabilities (135,079 thousand yen) shown in the prior-period non-consolidated balance sheet is reclassified and divided into “Asset retirement obligations” (117,567 thousand yen) and “Other” (17,512 thousand yen).

Changes in Accounting-based Estimates

In the current fiscal year, the Company restated asset retirement obligations, which had been recorded as obligations for returning leased space to its original condition in association for real estate leasing contracts of the Company, to reflect a change in the estimate of restoration costs due to the availability of new information on restoration costs. The increase of 100,582 thousand yen attributable to this change in estimate was added to the balance of asset retirement obligations before the change.

In addition, as a result of this change in estimate, operating income, ordinary income, and profit before income taxes for the current fiscal year each decreased by 9,781 thousand yen.

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 (and other officers). 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 non-consolidated balance sheet. The BBT held 149,200 shares of JAST with a book value of 171,700 thousand yen as of the end of the previous fiscal year, and the BBT held 149,200 shares with a book value of 171,700 thousand yen as of the end of the current fiscal year.

Note: JAST conducted a 2-for-1 common stock split on October 1, 2022. The number of shares has been calculated as if this stock split has taken place at the beginning of the fiscal year ended March 31, 2022.

Notes to Balance Sheet

*1 Monetary claims and monetary liabilities to affiliates (excluding those separately presented)

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Short-term monetary claims	72,419	61,297
Short-term monetary liabilities	88,376	130,927

2 Guarantee liabilities

Guarantees for affiliate's bank loans

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
NewNeeds Co., Ltd.	70,000	70,000
AG NET PTE. LTD.	45,235	-

Foreign currency-denominated guarantees are translated into yen at the exchange rate in effect on the fiscal year balance sheet date.

The Company guarantees the overdraft contract that NewNeeds Co., Ltd. has entered into with financial institutions, and the amount of the overdraft line of credit is shown in the above table.

3 The Company has commitment line agreements with 4 banks, in order to raise funds efficiently. The balances of credit available as of the balance sheet date were as follows.

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Commitment line	500,000	500,000
Credit used	-	-
Credit available	500,000	500,000

Notes to Statement of Income

*1 Selling expenses represent approximately 24% of the total selling, general and administrative expenses, and general and administrative expenses approximately 76% in FY3/22, and selling expenses represent approximately 26% of the total selling, general and administrative expenses, and general and administrative expenses approximately 74% in FY3/23.

Major items of selling, general and administrative expenses

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Compensations for directors (and other officers)	169,866	177,115
Wages, sales and other allowances	1,001,870	1,090,069
Provision for bonuses	187,714	184,630
Provision for bonuses for directors (and other officers)	33,727	35,025
Retirement benefit expenses	42,150	47,558
Stock compensation expenses for directors (and other officers)	41,687	21,031
Depreciation	60,221	65,206
Research and development expenses	436,077	469,246
Rent expenses	122,046	135,554

*2 Transactions with subsidiaries and affiliates

(Thousand yen)

	FY3/22 (Apr. 1, 2021–Mar. 31, 2022)	FY3/23 (Apr. 1, 2022–Mar. 31, 2023)
Amount of business transactions		
Net sales	120,172	109,613
Operating expenses	510,940	749,592
Amount of non-business transactions	98,177	245,345

*3 Loss on valuation of shares of subsidiaries and associates

This is related to AG NET PTE. LTD., a consolidated subsidiary of the Company.

*4 Loss on valuation of investments in capital of subsidiaries and associates

This is related to GuiLin Anxin Software Co., Ltd., a consolidated subsidiary of the Company.

Marketable Securities

Shares of subsidiaries (carrying amount of 2,179,925 thousand yen and 2,183,505 thousand yen in FY3/22 and FY3/23, respectively) are not presented because they are shares, etc. that do not have a market price.

Tax Effect Accounting

1. Significant components of deferred tax assets and liabilities

(Thousand yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Deferred tax assets		
Provision for bonuses	335,506	357,432
Accrued expenses	48,378	50,467
Accounts payable-other	947	808
Accrued business office taxes	34,849	35,310
Provision for loss on construction contracts	16,216	2,082
Long-term accounts payable-other	104,786	104,786
Provision for share awards for directors (and other officers)	36,967	43,406
Provision for retirement benefits	292,987	303,725
Allowance for doubtful accounts	30,122	14,112
Asset retirement obligations	35,999	71,971
Shares of subsidiaries and associates	463,427	463,427
Other	18,541	32,178
Subtotal deferred tax assets	1,418,729	1,479,711
Less valuation allowance	(673,801)	(707,675)
Total	744,928	772,036
Deferred tax liabilities		
Valuation difference on available-for-sale securities	53,741	60,513
Prepaid pension cost	162,841	174,736
Other	16,874	47,427
Total	233,456	282,677
Net deferred tax assets	511,471	489,358

2. Significant sources of differences between the statutory tax and effective tax rate

(%)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Statutory tax rate	30.6	30.6
(Adjustments)		
Permanent difference of entertainment expenses and other items	(0.1)	(2.6)
Residential tax for the period	0.4	0.3
Increase (decrease) in valuation allowance	4.6	1.6
Tax credit	(0.4)	(6.3)
Others	(0.0)	(0.0)
Effective tax rate	35.1	23.6

Revenue Recognition

Basic information in understanding revenue from contracts with customers is not presented because it is the same as described in "(Revenue Recognition)" in the Notes to Consolidated Financial Statements.

Subsequent Events

Not applicable.

(iv) Annexed non-consolidated detailed schedules

Annexed detailed schedule of property, plant and equipment, etc.

(Thousand yen)

Item	Type of assets	Balance as of Apr. 1, 2022	Increase	Decrease	Depreciation or amortization	Balance as of Mar. 31, 2023	Accumulated depreciation or amortization
Property, plant and equipment	Buildings	240,360	135,696	0	47,419	328,636	531,216
	Structures	3,066	3,157	-	378	5,844	1,986
	Tools, furniture and fixtures	82,482	32,845	0	30,986	84,341	399,981
	Land	142,361	-	-	-	142,361	-
	Construction in progress	-	1,066	-	-	1,066	-
	Total property, plant and equipment	468,270	172,764	0	78,784	562,250	933,183
Intangible assets	Software	81,784	18,465	-	25,196	75,053	-
	Telephone subscription right	6,180	-	-	-	6,180	-
	Total intangible assets	87,964	18,465	-	25,196	81,233	-

Annexed detailed schedule of provisions

(Thousand yen)

Account	Balance as of Apr. 1, 2022	Increase	Decrease	Balance as of Mar. 31, 2023
Allowance for doubtful accounts	98,375	13,125	65,410	46,090
Provision for bonuses	1,095,710	1,167,316	1,095,710	1,167,316
Provision for bonuses for directors (and other officers)	33,727	35,025	33,727	35,025
Provision for loss on construction contracts	52,960	6,801	52,960	6,801
Provision for retirement benefits	956,848	92,725	57,655	991,918
Provision for share awards for directors (and other officers)	120,728	21,031	-	141,759

(2) Components of major assets and liabilities

This information is omitted because the Group has prepared the consolidated financial statements.

(3) Other information

Not applicable.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	In June
Record date	March 31
Record date of dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Acquisition of odd-lot shares	
Handling office	(Special account) 4-5-33 Kitahama, Chuo-ku, Osaka Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder register administrator	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Agency	―
Acquisition fee	Separately specified amount equivalent to share trading brokerage fees
Method of public notice	The Company posts electronic public notices on its website; provided, however, that when electronic public notice cannot be used due to an accident or any other unavoidable reason, the public notices shall be given in The Nihon Keizai Shimbun. The Company's website https://www.jast.jp/en/
Special benefits for shareholders	Not applicable.

Note: In accordance with the Company's Articles of Incorporation, a shareholder holding odd-lot shares does not have any rights other than those listed below:
(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act;
(2) Rights to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act; and
(3) Rights to receive allotment of shares for subscription and allotment of share acquisition rights for subscription in proportion to the number of shares held by the shareholder.

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

Not applicable, because the Company does not have a parent company.

2. Other Reference Information

From the beginning of the current fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents:

(1) Annual Securities Report and attached document thereof and Confirmation Letter

Filed for the 50th fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022) with the Director-General of the Kinki Local Finance Bureau on June 24, 2022.

(2) Internal Control Report and attached document thereof

Filed with the Director-General of the Kinki Local Finance Bureau on June 24, 2022.

(3) Quarterly Reports and Confirmation Letter

Filed for the first quarter (from April 1 to June 30, 2022) of the 51st fiscal year ended March 31, 2023 with the Director-General of the Kinki Local Finance Bureau on August 12, 2022.

Filed for the second quarter (from July 1 to September 30, 2022) of the 51st fiscal year ended March 31, 2023 with the Director-General of the Kinki Local Finance Bureau on November 11, 2022.

Filed for the third quarter (from October 1 to December 31, 2022) of the 51st fiscal year ended March 31, 2023 with the Director-General of the Kinki Local Finance Bureau on February 13, 2023.

(4) Extraordinary Report

Filed the Extraordinary Report pursuant to the provisions of Article 19, Paragraph 2, (ix)-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (resolutions made at the General Meeting of Shareholders) with the Director-General of the Kinki Local Finance Bureau on June 28, 2022.

Section 2 Information about Reporting Company's Guarantor, etc.

Not applicable.

Independent Auditor's Report and Internal Control Audit Report

June 28, 2023

To the Board of Directors of
Japan System Techniques Co., Ltd.

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Ikutoshi Senzaki

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masaru Fujikawa

Audit of Financial Statements

Audit Opinion

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Japan System Techniques Co., Ltd. (the “Company”) and its consolidated subsidiaries (the “Group”) provided in the “Financial Information” section in the Company’s Annual Securities Report, namely, the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2022 to March 31, 2023, and the notes to significant accounting policies in the preparation of consolidated financial statements and other notes and the annexed consolidated detailed schedules.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2023, and its consolidated financial performance and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current fiscal year. Those matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Estimate of total construction cost for revenue recognition over a specified period based on progress</th></tr>
<tr><th>Key audit matter description</th><th>How the key audit matter was addressed in the audit</th></tr>
<tr><td>As described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements, 4. Accounting policies, (5) Recognition of significant revenues and expenses” and “Significant Accounting Estimates, 1. Estimate of total construction cost for revenue recognition over a specified period based on progress” in the Notes to Consolidated Financial Statements, the Company records net sales for contracts where the performance obligation is fulfilled over a specified period, such as contracted software production and relevant services, which are the Company’s major businesses, by estimating the progress of fulfilling the performance obligation and recognizing revenue based on the progress for that period. Net sales for the current fiscal year amounted to 23,519,516 thousand yen, of which 1,856,776 thousand yen was from revenue recognized over a specified period based on progress.
Net sales from revenue recognized over a specified period based on progress are calculated by multiplying the total construction revenue by the progress. The progress is determined by the input method based on the ratio of the actual costs incurred by the end of the current fiscal year to the estimated total construction cost (the cost-to-cost basis). Contracted software production and relevant services, mainly including a contracted system integration service, are of highly individualized nature, such as due to different specifications and work periods. Any revisions to specifications after the start of contracted software production and relevant services may change the man-hours required for the work. Therefore, in estimating the total construction cost, which is the basis for net sales from revenue recognized over a specified period based on progress, it is necessary to update the estimate of the number of man-hours required to complete the work in a timely manner, and appropriate estimates require management’s judgment.
Given the above, we considered the estimate of total construction cost for revenue recognition over a specified period based on progress in contracted software production and relevant services to be of particular importance and determined this matter as a key audit matter.</td><td>Our audit procedures related to the estimate of total construction cost for revenue recognition over a specified period based on progress included the following, among others:

• We examined the effectiveness of the development and operation of internal controls over the estimate of total construction cost.
• We compared the total construction cost in the previous fiscal year and the actual costs incurred in the current fiscal year for projects to which progress-based revenue recognition was applied in the previous fiscal year to examine the accuracy of the estimate of total construction cost.
• After questioning each business head manager and reviewing monthly management meeting minutes, monthly reports and other documents to determine whether there were any projects that would require revisions to the original estimates, we questioned the managers of projects concerned and reviewed relevant documents pertaining to the progress of the projects to ensure that the total construction cost was reviewed in a timely manner.
• We compared the original estimate of total construction cost with the actual costs incurred, questioned the managers of projects concerned about the factors contributing to the discrepancies for projects with large discrepancies, and reviewed relevant documents related to the progress, to ensure that the revised estimate of total construction cost has been updated appropriately.
• We analyzed the cost accruals of significant projects to which net sales were recorded by recognizing revenue over a specified period based on progress, from the perspectives such as whether there were any projects with cost accruals that were not initially anticipated. For projects concerned, we questioned the managers of the projects concerned and, if necessary, performed additional procedures to examine the appropriateness of the cost accruals.
• Net sales from revenue recognized over a specified period based on progress were reconciled with the contract and cost calculation documents for estimating the total construction cost, and recalculated on the cost to cost basis.</td></tr>
</table>

Other Information

Other information included in the Annual Securities Report is information other than the consolidated financial statements and non-consolidated financial statements and their audit reports. Management is responsible for preparing and disclosing the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the development and operation of the reporting process for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

Our responsibility in the audit of the consolidated financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for the development and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the development and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the consolidated financial statements to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by the management and their method of application, as well as the reasonableness of accounting estimates made by the management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements. And, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained by or on the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the notes thereto, and whether the consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or reduce obstruction factors.

Of the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current fiscal year as key audit matters. We describe these matters in our auditor's report unless laws and regulations preclude public disclosure about the matters or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Audit Opinion

Pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report of the Company as of March 31, 2023.

In our opinion, the accompanying Internal Control Report, in which the Company states that internal control over financial reporting was effective as of March 31, 2023, presents fairly, in all material respects, the assessment of internal control over financial reporting, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Internal Control" section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the development and operation of internal control over financial reporting, and the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the development and operation of internal control over financial reporting.

Internal control over financial reporting may not fully prevent or detect misstatements in financial reporting.

Auditor's Responsibilities for the Audit of the Internal Control

Our responsibilities are to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement and to issue an internal control audit report that includes our opinion on the Internal Control Report based on our internal control audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. The procedures are selected and applied by the auditor's judgment based on the significance of effects on the reliability of financial reporting.
- Evaluate the overall presentation of the Internal Control Report, including the appropriateness of the scope, procedures, and results of management's assessments of internal control over financial reporting.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision, and performance of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of the planned internal control audit, the results thereof, significant deficiencies in internal control to be disclosed that we identify during our audit and those that were remediated, and other matters required by auditing standards for internal control.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan
Our firm and its engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The original copy of the above report is kept separately by the Company (the reporting company of the Annual Securities Report).
2. The associated XBRL data are not included in the scope of the audit.

Independent Auditor's Report

June 28, 2023

To the Board of Directors of
Japan System Techniques Co., Ltd.

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Ikutoshi Senzaki

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masaru Fujikawa

Audit Opinion

Pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the non-consolidated financial statements of Japan System Techniques Co., Ltd. (the "Company") provided in the "Financial Information" section in the Company's Annual Securities Report, namely, the non-consolidated balance sheet as of March 31, 2023, and the non-consolidated statement of income and non-consolidated statement of changes in equity and the notes to significant accounting policies for the 51st fiscal year from April 1, 2022 to March 31, 2023, and the related notes and the annexed detailed schedules.
In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and its financial performance for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-consolidated financial statements for the current fiscal year. Those matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of total construction cost for revenue recognition over a specified period based on progress
As described in "Significant Accounting Policies, 4. Recognition of revenues and expenses" and "Significant Accounting Estimates, 1. Estimate of total construction cost for revenue recognition over a specified period based on progress" in the Notes to Non-consolidated Financial Statements, the Company records net sales for contracts where the performance obligation is fulfilled over a specified period, such as contracted software production and relevant services, which are the Company's major businesses, by estimating the progress of fulfilling the performance obligation and recognizing revenue based on the progress for that period. Net sales for the current fiscal year amounted to 18,552,222 thousand yen, of which 1,844,911 thousand yen was from revenue recognized over a specified period based on progress.

Key audit matter description and how the key audit matter was addressed in the audit for this matter are not presented because they are the same as described in "Key Audit Matters (Estimate of total construction cost for revenue recognition over a specified period based on progress)" in the audit report on the consolidated financial statements.

Other Information

Other information included in the Annual Securities Report is information other than the consolidated financial statements and non-consolidated financial statements and their audit reports. Management is responsible for preparing and disclosing the other information. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the development and operation of the reporting process for the other information.
Our audit opinion on the non-consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.
Our responsibility in the audit of the non-consolidated financial statements is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for the development and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors in the development and operation of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the non-consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. The procedures selected to be applied depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of auditing the non-consolidated financial statements to express an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and their method of application, as well as the reasonableness of accounting estimates made by the management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements. And, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements or, if such notes are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation of the non-consolidated financial statements and the notes thereto are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the non-consolidated financial statements, including the notes thereto, and whether the non-consolidated financial statements represent the underlying transactions and accounting events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or reduce obstruction factors.

Of the matters communicated with Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the non-consolidated financial statements for the current fiscal year as key audit matters. We describe these matters in our auditor's report unless laws and regulations preclude public disclosure about the matters or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes: 1. The original copy of the above report is kept separately by the Company (the reporting company of the Annual Securities Report).

2. The associated XBRL data are not included in the scope of the audit.