

**Summary of Consolidated Financial Results
for the Second Quarter of Fiscal Year Ending March 31, 2024
(Six Months Ended September 30, 2023)**

[Japanese GAAP]

Company name: Japan System Techniques Co., Ltd.
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Scheduled date of filing of Quarterly Report: November 13, 2023
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: Yes (for analysts)

Note: The original disclosure in Japanese was released on November 10, 2023 at 16:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter Ended September 30, 2023

(April 1, 2023 – September 30, 2023)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2023	12,132	10.3	1,003	(0.0)	1,008	(2.7)	651	(11.7)
Six months ended Sep. 30, 2022	11,004	9.6	1,003	1.1	1,037	3.3	737	7.4

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2023: 699 (down 23.1%)
Six months ended Sep. 30, 2022: 908 (up 28.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	53.10	-
Six months ended Sep. 30, 2022	60.16	-

Note: JAST 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) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2023	18,545	11,116	59.7	902.61
As of Mar. 31, 2023	17,413	10,816	61.8	878.07

Reference: Shareholders' equity (million yen) As of Sep. 30, 2023: 11,069 As of Mar. 31, 2023: 10,768

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	-	0.00	-	32.00	32.00
Fiscal year ending Mar. 31, 2024	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2024 (forecasts)	-	-	-	40.00	40.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	25,300	7.6	2,540	6.5	2,600	6.1	1,880	6.1	153.29

Note: Revisions to the most recently announced consolidated earnings forecasts: None

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2023:	12,418,460 shares	As of Mar. 31, 2023:	12,418,460 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2023:	154,345 shares	As of Mar. 31, 2023:	154,268 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2023:	12,264,128 shares	Six months ended Sep. 30, 2022:	12,264,383 shares
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Note 1: The current quarterly summary report is not subject to quarterly review by certified public accountants or auditing firms.

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

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

Contents of Attachments

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

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Consolidated sales of the Japan System Techniques Group (Japan System Techniques Co., Ltd. (JAST) and its consolidated subsidiaries, hereafter “the Group”) in the first half of the current fiscal year were 12,132 million yen (up 10.3% year on year). Operating income was 1,003 million yen (down 0.0% year on year), ordinary income was 1,008 million yen (down 2.7% year on year), and profit attributable to owners of parent was 651 million yen (down 11.7% year on year). As explained in “General and administrative expenses not allocated to a reportable segment” below, earnings were down at all levels because of up-front investments based on the initial business plan for the fiscal year. Sales were higher in all segments. Furthermore, as explained in “(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements,” there is no change in the forecast for sales and earnings growth in the fiscal year ending in March 2024. We believe that results of operations are firm and expect to accomplish the fiscal year sales and earnings goals.

Business segment performance was as follows.

(Digital transformation and system integration (DX&SI) business)

Segment sales increased 6.2% from one year earlier to 7,299 million yen and the operating income increased 10.1% to 1,150 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 increased 9.9% from one year earlier to 2,255 million yen and the operating income increased 8.2% to 601 million yen. Sales of program products for BankNeo, an information systems integration package for financial institutions, were slightly lower. However, there was an increase 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.

(Medical big data business)

Segment sales increased 27.6% from one year earlier to 917 million yen and the operating income was up 46.6% to 103 million yen. The performance of this business improved primarily due to increased sales of analysis services, support services, and other highly profitable services.

(Global business)

Sales increased 21.8% from one year earlier to 1,661 million yen and the operating income increased 10.9% to 204 million yen. This can be largely attributed to the large number of orders received for SAP installation support services in Malaysia, even though there were lower sales in SI development projects and ERP package sales and installation consulting in Thailand.

(General and administrative expenses not allocated to a reportable segment)

Corporate general and administrative expenses increased 24.0% from one year earlier to 1,056 million yen. This increase was attributable mainly to more education and training programs as the number of employees increased, more recruiting activities, and expenditures involving the addition of office space and upgrading the IT infrastructure. These expenses involve short-term investments made during the fiscal year’s first half. Corporate general and administrative expenses are consistent with the initial plan for this fiscal year.

(2) Explanation of Financial Position

1) Balance sheet

Current assets at the end of the second quarter were 14,959 million yen, up 772 million yen from the end of the previous fiscal year. This was mainly due to increases in merchandise and finished goods, and cash and deposits due to collection of accounts receivable-trade and higher contract liabilities. Non-current assets were 3,585 million yen, up 358 million yen from the end of the previous fiscal year.

Current liabilities at the end of the second quarter were 5,506 million yen, up 802 million yen from the end of the previous fiscal year. This was mainly due to an increase in contract liabilities and a decrease in provision for bonuses. Non-current

liabilities were 1,922 million yen, up 28 million yen from the end of the previous fiscal year.

Net assets at the end of the second quarter were 11,116 million yen, up 299 million yen from the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents increased 319 million yen from 6,793 million yen at the beginning of the current fiscal year to 7,112 million yen at the end of the first half of the current fiscal year.

Cash flows by category were as follows.

Net cash provided by operating activities totaled 929 million yen, an increase of 110 million yen from 818 million yen provided in the same period of the previous fiscal year. This increase was mainly due to a decrease in payments of trade payables.

Net cash used in investing activities totaled 219 million yen, a decrease of 133 million yen from 85 million yen used in the same period of the previous fiscal year. This was due to increases in payments of guarantee deposits, loan advances, and purchase of software.

Net cash used in financing activities totaled 409 million yen, a decrease of 135 million yen from 273 million yen used in the same period of the previous fiscal year. This was due to an increase in dividends paid.

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

There are no revisions to the May 12, 2023 forecasts for the fiscal year ending March 31, 2024: net sales of 25,300 million yen (up 7.6% year on year), operating income of 2,540 million yen (up 6.5% year on year), ordinary income of 2,600 million yen (up 6.1% year on year), and profit attributable to owners of parent of 1,880 million yen (up 6.1% year on year).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Assets		
Current assets		
Cash and deposits	7,206,690	7,551,713
Notes and accounts receivable-trade, and contract assets	6,532,385	6,405,721
Merchandise and finished goods	172,554	498,327
Work in process	100,612	110,569
Raw materials and supplies	8,239	4,158
Other	174,586	416,529
Allowance for doubtful accounts	(7,924)	(27,102)
Total current assets	14,187,144	14,959,918
Non-current assets		
Property, plant and equipment		
Buildings and structures	958,056	1,178,626
Accumulated depreciation	(589,641)	(618,826)
Buildings and structures, net	368,415	559,800
Land	142,361	142,361
Other	607,152	632,634
Accumulated depreciation	(485,935)	(476,453)
Other, net	121,216	156,180
Total property, plant and equipment	631,994	858,342
Intangible assets		
Goodwill	88,499	78,916
Customer-related assets	71,561	63,813
Software	74,913	113,647
Other	7,626	7,626
Total intangible assets	242,601	264,004
Investments and other assets		
Investment securities	612,807	624,213
Retirement benefit asset	674,681	676,171
Deferred tax assets	539,732	428,188
Guarantee deposits	435,927	518,770
Other	93,485	254,827
Allowance for doubtful accounts	(4,577)	(39,414)
Total investments and other assets	2,352,057	2,462,758
Total non-current assets	3,226,652	3,585,104
Total assets	17,413,797	18,545,022

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,495,532	1,571,955
Income taxes payable	498,990	301,900
Contract liabilities	354,018	1,329,353
Provision for bonuses	1,270,424	977,341
Provision for bonuses for directors (and other officers)	110,250	44,652
Provision for loss on construction contracts	6,801	29,660
Other	967,961	1,251,579
Total current liabilities	4,703,978	5,506,444
Non-current liabilities		
Provision for share awards for directors (and other officers)	141,759	149,704
Retirement benefit liability	1,110,713	1,094,564
Asset retirement obligations	239,628	275,470
Deferred tax liabilities	28,464	26,723
Other	373,011	375,986
Total non-current liabilities	1,893,578	1,922,450
Total liabilities	6,597,556	7,428,894
Net assets		
Shareholders' equity		
Share capital	1,535,409	1,535,409
Capital surplus	1,702,732	1,702,732
Retained earnings	7,389,420	7,643,450
Treasury shares	(175,703)	(175,861)
Total shareholders' equity	10,451,859	10,705,731
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	137,114	142,671
Foreign currency translation adjustment	119,184	166,934
Remeasurements of defined benefit plans	60,618	54,374
Total accumulated other comprehensive income	316,917	363,980
Non-controlling interests	47,463	46,416
Total net assets	10,816,240	11,116,128
Total liabilities and net assets	17,413,797	18,545,022

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

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	11,004,040	12,132,581
Cost of sales	8,076,392	8,875,494
Gross profit	2,927,648	3,257,086
Selling, general and administrative expenses	1,924,054	2,253,519
Operating income	1,003,593	1,003,566
Non-operating income		
Interest income	6,755	11,276
Dividend income	4,840	4,599
Rental income	1,211	1,588
Foreign exchange gains	14,292	8,842
Insurance claim income	-	14,700
Subsidy income	5,549	10,472
Other	5,756	7,395
Total non-operating income	38,406	58,874
Non-operating expenses		
Interest expenses	284	163
Provision of allowance for doubtful accounts	3,942	52,871
Other	698	479
Total non-operating expenses	4,926	53,514
Ordinary income	1,037,073	1,008,926
Profit before income taxes	1,037,073	1,008,926
Income taxes	288,681	359,844
Profit	748,391	649,082
Profit (loss) attributable to non-controlling interests	10,565	(2,176)
Profit attributable to owners of parent	737,825	651,258

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

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	748,391	649,082
Other comprehensive income		
Valuation difference on available-for-sale securities	725	5,556
Foreign currency translation adjustment	168,234	50,631
Remeasurements of defined benefit plans, net of tax	(8,824)	(6,243)
Total other comprehensive income	160,136	49,944
Comprehensive income	908,527	699,026
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	893,618	698,322
Comprehensive income attributable to non-controlling interests	14,909	704

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Cash flows from operating activities		
Profit before income taxes	1,037,073	1,008,926
Depreciation	55,194	66,710
Amortization of software	12,415	12,242
Amortization of goodwill	12,176	12,141
Amortization of customer-related assets	9,846	9,817
Increase (decrease) in provision for bonuses	(328,630)	(293,659)
Increase (decrease) in retirement benefit liability	8,027	(18,280)
Decrease (increase) in retirement benefit asset	(1,647)	(1,490)
Interest and dividend income	(11,596)	(15,875)
Interest expenses	284	163
Decrease (increase) in trade receivables and contract assets	642,867	170,679
Increase (decrease) in contract liabilities	720,591	974,137
Decrease (increase) in inventories	(81,300)	(331,649)
Increase (decrease) in trade payables	(313,474)	71,599
Other, net	(425,539)	(256,832)
Subtotal	1,336,288	1,408,628
Interest and dividends received	11,596	14,827
Interest paid	(285)	(163)
Income taxes paid	(528,793)	(494,026)
Net cash provided by (used in) operating activities	818,805	929,265
Cash flows from investing activities		
Payments into time deposits	-	(365,278)
Proceeds from withdrawal of time deposits	-	354,031
Purchase of property, plant and equipment	(36,400)	(33,525)
Proceeds from sale of property, plant and equipment	1,080	80
Purchase of software	(4,963)	(54,785)
Purchase of investment securities	(47,542)	(962)
Loan advances	(1,292)	(59,589)
Proceeds from collection of loans receivable	3,378	8,913
Proceeds from refund of guarantee deposits	2,428	-
Payments of guarantee deposits	(972)	(83,132)
Other, net	(1,406)	14,686
Net cash provided by (used in) investing activities	(85,691)	(219,564)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(9,808)	-
Repayments of lease liabilities	(13,273)	(10,216)
Purchase of treasury shares	(385)	(157)
Dividends paid	(248,274)	(397,228)
Dividends paid to non-controlling interests	(1,680)	(1,752)
Net cash provided by (used in) financing activities	(273,422)	(409,355)
Effect of exchange rate change on cash and cash equivalents	102,663	19,588
Net increase (decrease) in cash and cash equivalents	562,355	319,933
Cash and cash equivalents at beginning of period	6,463,823	6,793,050
Cash and cash equivalents at end of period	7,026,178	7,112,983

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Board Benefit Trust (BBT)

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

1) Overview

This is a stock compensation plan in which directors receive stock compensation through a BBT. The BBT acquires JAST stock using cash contributions from JAST as the source of funds. Directors (excluding external directors; same afterward unless indicated otherwise) receive stock compensation or a monetary amount equivalent to the market value of the stock in lieu of stock compensation in accordance with the rules on the stock compensation plan for directors. In principle, a director becomes eligible for stock compensation only after the individual is no longer a JAST director.

2) JAST stock held by the BBT

The book value (excluding associated expenses) of JAST stock held by the BBT is shown as treasury shares in the net assets section of the consolidated balance sheet. The BBT held 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 second quarter of the current fiscal year.

Segment and Other Information

Segment information

I. First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	DX&SI business	Package business	Medical big data business	Global business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales							
1. External sales	6,870,153	2,051,526	718,883	1,363,476	11,004,040	-	11,004,040
2. Inter-segment sales and transfers	42,063	28,015	-	18,821	88,900	(88,900)	-
Total	6,912,216	2,079,542	718,883	1,382,298	11,092,940	(88,900)	11,004,040
Segment profit	1,044,698	555,731	70,923	184,168	1,855,521	(851,927)	1,003,593

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 profit is consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

II. First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	DX&SI business	Package business	Medical big data business	Global business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales							
1. External sales	7,299,159	2,255,060	917,161	1,661,199	12,132,581	-	12,132,581
2. Inter-segment sales and transfers	54,142	407	-	34,317	88,867	(88,867)	-
Total	7,353,302	2,255,468	917,161	1,695,517	12,221,449	(88,867)	12,132,581
Segment profit	1,150,438	601,490	103,986	204,206	2,060,122	(1,056,556)	1,003,566

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 profit is consistent with operating income shown on the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

Business Combinations

This information is omitted due to immateriality.

Subsequent Events

Not applicable.

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.