

## Fully independent DX provider with new growth strategy

### Revenue and profits are increasing at all-time highs

#### Summary

#### Continuing to post record profits

Business performance continues to expand, and the company's FY3/23 forecast calls for a 10th consecutive year of record-high sales and a fourth consecutive year of record-high recurring profit. Order backlog in the software business at end-FY3/22 reached a record high of ¥3,759 mn (+33.3% YoY) thanks to aggressive sales efforts, which should drive strong earnings growth in FY3/23. With continued record high profits, ROE reached 16.7% in FY3/22, surpassing the 13.7% average for peers (according to SIR). Based on its steady earnings growth, the company plans to raise its annual dividend by ¥10 per share to ¥50 per share in FY3/23. It will be ¥25 after implementation of the share split effective on Oct. 1<sup>st</sup>.

#### Introducing a new business portfolio classification

The company redefined its previous business portfolio and introduced its new business portfolio in FY3/23 (see (2) Reclassification of business portfolio on P25 for details). The new segment classifications consist of (1) DX & SI business, which includes contract software development and system equipment sales; (2) Packaged Software business, which is centered on the highly profitable in-house branded packaged software GAKUEN, a business support software for educational institutions, and BankNeo, a software package for financial institutions; (3) Medical Big Data business, which is centered on the in-house branded JMICS, which offer one stop service for insurers; and (4) Global business, which is centered on overseas subsidiaries that the company has been operating since the early stages of its establishment. The company clarified its growth strategy and established a new business structure to quickly capture business opportunities associated with the accelerating digital transformation (DX) initiatives in society, industry, and business.

#### Medium-term management plan and stock split aimed at boosting market capitalization

In its Plan for Compliance with Continued Listing Criteria submitted to the Tokyo Stock Exchange in November 2021, the company set its FY3/26 medium-term management targets at ¥30.0 bn in sales, ¥3.0 bn in recurring profit, and ¥289.9 in EPS, and also indicated that it plans to increase its annual dividend per share by 2.4 times from ¥40 in FY3/22 to ¥97 in FY3/26. In addition, on August 22, 2022, the company announced a 2-for-1 stock split of its common stock, effective October 1, 2022, in order to enhance the liquidity of its shares. The various action plans the company has in place to boost its market capitalization will certainly garner much attention going forward.

FY (¥mn,%)	Net Sales	YoY	Oper. Profit	YoY	Ord. Profit	YoY	Profit	YoY	EPS ¥	DPS ¥
3/2019	16,868	7.0	856	16	870	10.8	317	-45.1	61	28
3/2020	18,019	6.8	970	14	1,021	17.9	-30	-	-6	28
3/2021	18,789	4.3	1,216	25	1,310	28.3	578	-	108	28
3/2022	21,399	13.9	2,000	65	2,052	56.6	1,330	130.1	225	40
3/2023 CE	22,400	4.7	2,120	6	2,160	5.3	1,370	3.0	223	50

Source: compiled by SIR from company data

## Initiation



#### Focus Points:

Fully independent DX provider. High operating margins on own-brand packaged software. New business portfolio and growth strategy will continue to generate the highest profits.

#### Key Indicators

Share price (9/9)	2,697
YH (22/8/1)	2,820
YL (22/1/28)	2,011
10YH (21/12/9)	3,255
10YL (13/1/4)	575
Shrs out. (mn shrs)	6,209
Mkt cap (¥ bn)	16.144
Shr equity ratio (3/31)	56.0%
23.03 P/E (CE)	11.6x
22.03 P/B (act)	1.7x
22.03 ROE (act)	16.7%
23.03 DY (CE)	1.9%

#### 1Y stock price



Source: SEEDA data

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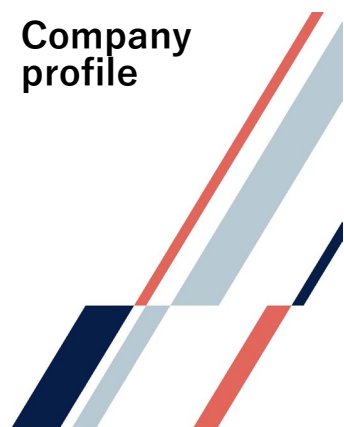


This report was prepared by Sessa Partners on behalf of the subject company. Please refer to the legal disclaimer at the end for details.

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## Company profile



Japan System Techniques (JAST) is an independent system integrator that develops and sells software and systems, which will celebrate its 50th anniversary in March 2023. The company's business portfolio consists of the Software business (67.2% of FY3/22 sales), the GAKUEN business (17.9% of FY3/22 sales), the Medical Big Data business (8.4% of FY3/22 sales), and the System Sales business (6.5% of FY3/22 sales). Starting in FY3/23, the company changed its business portfolio to align with its growth strategy in order to refine business management and decision-making, and to disclose and report business value more appropriately. The Software business was renamed as the DX & SI business, consisting of system integration solution services and system sales. In addition, the GAKUEN business was renamed as the Packaged Software business, and consists of GAKUEN and BankNeo software offerings. In addition, it spun off part of the Software business and newly created the Global business. No changes were made to the Medical Big Data business.

Leveraging its strength as an independent system integrator, the company develops systems for customers in a variety of industries and sectors, including finance, manufacturing, distribution, services, public services, telecommunications, transportation, and science and technology. Furthermore, as a developer, the company has three main JAST-branded software offerings for its customers, namely GAKUEN for the education industry, BankNeo for the financial industry, and JMICS (JAST Medical Insurance Checking System) for the medical industry.

### (1) History

Japan System Techniques was established in March 1973 in Osaka City, Osaka as a software development company. The company launched its GAKUEN business, which serves educational institutions and contributes substantially to profits, in 1994 when it introduced the GAKUEN series, and has been expanding its lineup of education-related products since then. Currently, 423 universities and other institutions have installed the company's GAKUEN series of packaged software. The company's second profit driver is its financial industry-related products under the Software business, boasting the Cloud BankNeo Deposit Management app, which ranked second in the Finance and Health sector in the 2021 Popular AppExchange Apps by Sector rankings in March 2021.

In terms of overseas business development, the company has operated in Asia for more than 40 years, entering the Singapore market in 1982, followed by Thailand, Malaysia, Vietnam, and China.

It listed its stock on the JASDAQ market in November 2001, moved to the Second Section of the Tokyo Stock Exchange in February 2003, and was listed on the First Section of the Tokyo Stock Exchange in June 2017. In April 2022, the company's shares were transferred to the TSE Prime Market after the Tokyo Stock Exchange reclassified its market segments.

Years	Matter
Mar.1973	Founded Japan System Techniques Co., Ltd. for the purpose of software development at 55, Uchihonmachi Hashizumecho, Higashi-ku (currently Chuo-ku), Osaka
Jul.1977	Established the Tokyo Branch Office in Minato-ku, Tokyo
Feb.1980	Relocated the Head Office to 3-2-18 Nakanoshima, Kita-ku, Osaka
Sep.1982	Established JAST TECHNIQUES PTE. LTD., a system development company in Singapore
Apr.1987	Established a dual head office system, with headquarters in both Osaka and Tokyo
Feb.1991	Registered as a systems integrator with the Ministry of International Trade and Industry (Currently Ministry of Economy, Trade and Industry)
Mar.1993	Relocated the Head Office to 2-2-28 Dojimahama, Kita-ku, Osaka. Relocated the Tokyo Branch Office to Bunkyo-ku, Tokyo
Oct.1994	Launched software package "GAKUEN" series, a school office work support integrated system
Jun.1996	Acquired controlling interest in Japan Architect Law Co., Ltd., a construction law content development and sales company, and made it into a consolidated subsidiary
Mar.1997	Certified as a systems integrator by the Ministry of International Trade and Industry (Currently Ministry of Economy, Trade and Industry)
Mar.1998	Established the Esaka Office in Suita, Osaka
Aug.1998	Launched "GAKUEN REVOLUTION (academic affairs)," a large-scale integrated school office work support system for universities
Apr.1999	Started to provide outsourcing services
Feb.2000	Launched UNIVERSAL PASSPORT, a software package that enables university staff and students to exchange information over a web-based environment

Years	Matter
Mar.2000	Acquired shares of JASTEC (THAILAND) CO., LTD. (a system development company in Thailand owned by JAST TECHNIQUES PTE. LTD) and made it into a subsidiary
Mar.2000	Eliminated dual head office system for Osaka and Tokyo, replacing it with divisional office structure
Nov.2001	Listed on the JASDAQ market
Mar.2002	Launched "GAKUEN REVOLUTION (management)," a large-scale integrated school office work support system for universities
Feb.2003	Listed on the Second Section of the Tokyo Stock Exchange
Apr.2003	Re-established dual head office system with offices in Osaka and Tokyo.Relocated the Tokyo Head Office to Minato-ku, Tokyo
Dec.2003	Communication Business Division obtained ISO14001 certification
Mar.2004	Dissolved Japan Architect Law Co., Ltd.
Apr.2004	Solutions Division No. 1 at Tokyo Head Office obtained ISMS certification
Aug.2005	Relocated the Osaka Head Office to 2-2-7 Nakanoshima. Integrated Shin-Osaka Office with the Head Office
Aug.2006	Acquired shares in Alpha Computer Co., Ltd. (marketer of IT systems to educational institutions) and made it into a subsidiary
Sep.2006	Launched "GAKUEN UNIVERSAL PASSPORT EX"
Mar.2007	Launched "GAKUEN REVOLUTION EX series (academic affairs)" and "GAKUEN EX series (academic affairs)"
Jun.2008	Launched "GAKUEN REVOLUTION EX (accounting and finance)"
Feb.2010	Launched "GAKUEN EX series (management: accounting and finance)"
Aug.2010	Launched "JMICS," automated electronic medical insurance claims checking system service
Dec.2010	Entire Tokyo Head Office obtained ISO27001 (ISMS) certification
Jan.2012	Medical Information Service Division obtained ISO9001 and ISO27001 certifications
Jul.2012	Acquired shares of NewNeeds Co., Ltd. , SafeNeeds Co., Ltd. and Guilin Anxin Software Co., Ltd. and made them into subsidiaries
Jul.2012	Entire Osaka Head Office obtained ISO9001, ISO14001 and ISO27001 certifications
Feb.2013	Relocated the Osaka Head Office to 2-3-18 Nakanoshima, Kita-ku, Osaka Integrated the Esaka Office with the Head Office
Mar.2014	The whole company obtained ISO9001, ISO14001 and ISO27001 certifications
Apr.2014	Launched "GAKUEN EduTrack," an integrated e-learning system
Nov.2014	Relocated and expanded the Tokyo Head Office to the upper floors in the same building
Sep.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
Jun.2017	Stock listing moved to the First Section of the Tokyo Stock Exchange
Nov.2017	Had a stake in CO-WELL Co., Ltd. Strengthened the collaboration
Apr.2018	Established JAST Asia Pacific Co., Ltd. , a system development company as ASEAN regional headquarters in Thailand
July.2018	Launched "GAKUEN UNIVERSAL PASSPORT RX"
Aug.2018	Healthcare Innovation Business Division Western Japan Region obtained ISO20000 (ITSMS) certification
Nov.2018	Acquired shares of Virtual Calibre Group in Malaysia and made it into subsidiaries
Jan.2019	Entire Healthcare Innovation Business Division Region obtained ISO20000 (ITSMS) certification
May.2019	Acquired shares of AG NET PTE.LTD. in Singapore and made it into subsidiaries
Sep.2019	Established a capital and business alliance with TerraSky Co., Ltd.
Apr.2020	Launched "GAKUEN RX"
Sep.2020	Launched "GAKUEN Subscription"
Oct.2020	Launched "mieHR," a talent management system
Oct.2020	Launched "iBss," a business support system for insurers
May.2021	Launched "SMART BankNeo"
Jul.2021	Established JAST Health Insurance Association
Jul.2021	Released a coronavirus information application service through the joint development
Oct.2021	Launched "Office DX," a facial recognition product
Mar.2022	JAST Cloud BankNeo Management System Ranked Second in Best Hit AppExchange Apps Ranking 2021 by Industry
Apr.2022	Moved to the Prime Market with regard to the restructuring of the market classification of the Tokyo Stock Exchange
Aug.2022	Established Bright & Better Co., Ltd., a system development company in Thailand

## (2) Domestic and overseas consolidated group companies

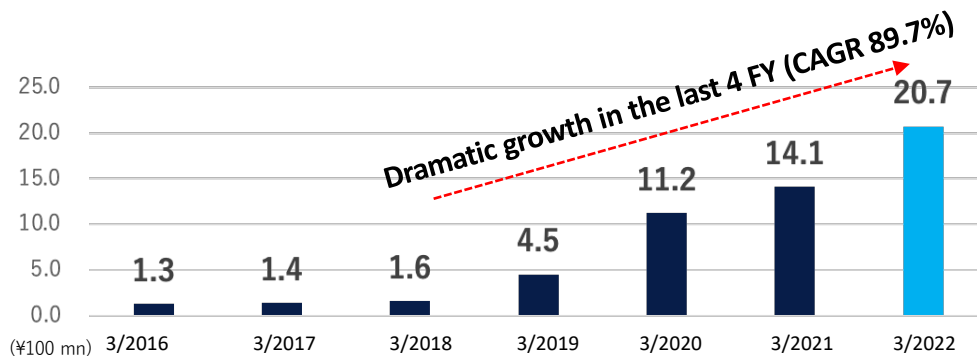
JAST has 12 consolidated group subsidiaries in Japan and overseas, three of which are in Japan and nine of which operate overseas in Asia. The main business of the domestic subsidiaries is selling computer systems to customers (System Sales Division) and undertaking contract software development from the parent company. Overseas subsidiaries are engaged in software sales and development, with JASTEC (THAILAND) in Thailand and AG NET in Singapore providing enterprise resource planning (ERP) services to Japanese companies operating in these countries. Other overseas subsidiaries mainly provide IT business support services to local companies. The Malaysian subsidiary provides SAP services to state-owned energy-related companies. One of the characteristics is that the company acquired most of its consolidated domestic and overseas group companies. The company plans to continue pursuing M&A opportunities in Japan and overseas as one of its key business expansion strategies. In addition, it is worth noting that the company's Global business has achieved a 89.7% sales CAGR over the last four fiscal years as a result of its aggressive overseas business development.

### Group company overview

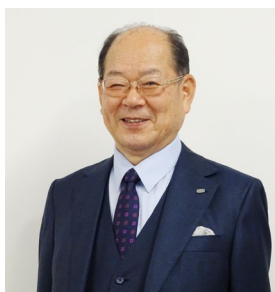
Consolidated subsidiaries	Location	Capital	Main business	Voting rights ownership ratio	Details of relationship
Alpha Computer Co., Ltd.	Shinagawa-ku, Tokyo	JPY80 mn	Multi-vendor IT infrastructure design (system sales)	100%	Sells JAST packaged software. Officers holding concurrent posts. Loan guarantees.
NewNeeds Co., Ltd.	Kita-ku, Osaka City	JPY10 mn	Software business (development and sales)	100%	Contract software development. Loan guarantees. Officers holding concurrent posts.
ISR Co., Ltd.	Chiyoda-ku, Tokyo	JPY24 mn	Software business (development and sales)	100%	Contract software development. Loan guarantees. Officers holding concurrent posts.
AG NET PTE, LTD.	Singapore	SGD102,000	Software business (development and sales). Also provides human resource management services to Japanese companies operating locally.	100%	Officers holding concurrent posts.
JASTEC (THAILAND) CO., LTD.	Thailand	THB3.0 mn	Software business (development and sales). Mainly provides IT services to Japanese companies operating locally.	49%	Officers holding concurrent posts.
Bright & Better Co., Ltd.	Thailand	THB2.0 mn	Software business (development and sales)	48.9%	Officers holding concurrent posts.
JAST Asia Pacific Co., Ltd.	Thailand	THB10.0 mn	Software business (development and sales)	99.97%	Officers holding concurrent posts.
GuiLin Anxin Software Co., Ltd.	China	RMB2.1 mn	Software business (development and sales). Provides some IT services to Japanese companies operating locally, and also undertakes software development from JAST.	90%	Contract software development. Officers holding concurrent posts.
Shanghai Jiafeng Information Technology Co., Ltd.	China	RMB2.48 mn	Packaged Software business (sales and development)	90.16%	Officers holding concurrent posts.
Virtual Calibre SDN, BHD.	Malaysia	MYR1.0 mn	Software business (development and sales). Provides SAP implementation services for local companies.	100%	Officers holding concurrent posts.
Virtual Calibre MSC, BHD.	Malaysia	MYR3.0 mn	Software business (development and sales). Provides SAP implementation services for local companies.	100%	Officers holding concurrent posts.
Virtual Calibre Consulting SDN, BHD.	Malaysia	MYR1.5 mn	Software business (development and sales). Provides SAP implementation services for local companies.	30%	Secondment of officers.
Other affiliates (non-consolidated)				23.36% indirect ownership.	Officers holding concurrent posts.
JAST Co., Ltd.	Nishi-ku, Sakai City	JPY50.0 mn	Real estate management		

Source: Compiled by SIR from Company annual securities report.

## Global Business Sales Trends



Source: compiled by SIR from company presentation of Financial Results.



Takeaki Hirabayashi  
Founder, President & CEO

### (3) Management policy and system

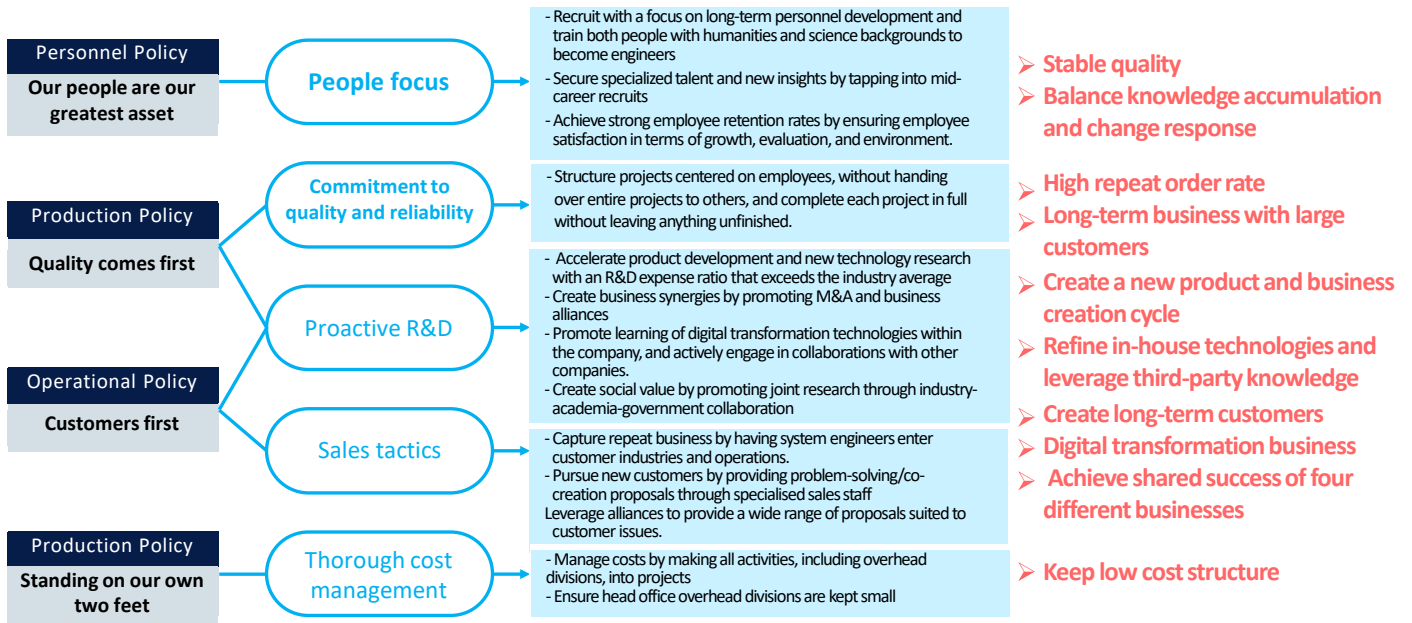
Japan System Techniques Co., Ltd. was founded in March 1973 as a software company by its current President and CEO, Takeaki Hirabayashi. Since its inception, the company has been a wholly independent IT company with no corporate affiliations and has been involved in a wide range of development technologies across industries, technology fields, and platforms. In addition to providing a full range of IT services extending from system proposals to development, operation, and construction, the company also markets JAST-branded products such as the industry-leading GAKUEN series of strategic university management systems, the JMICS medical information service, and BankNeo, an integrated information system package for financial institutions.

The management team consists of five directors, three outside directors, three corporate auditors (one full-time and two external), and four executive officers, led by President and CEO Takeaki Hirabayashi.

Since its establishment, the company has achieved earnings growth under its corporate philosophy of “making society a better place by creating and providing new types of IT services,” rooted in both its “unchanging beliefs,” which transcend current trends at any time, and its “changing management”, which changes with the times and the surrounding environment. In addition, as shown in the chart below, its management policy has been incorporated into the philosophy of human resources, production, sales, and finance, and serves as a guideline for stable long-term performance and growth.

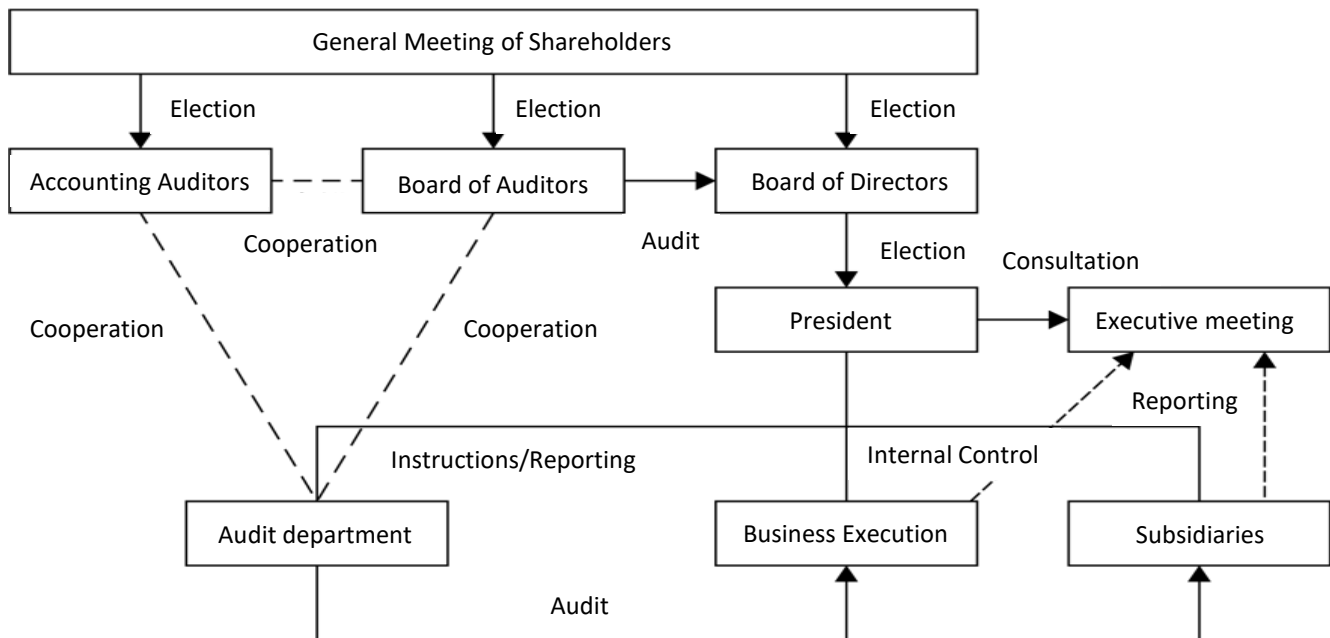
With regard to corporate governance, the company aims to build mutually beneficial relationships among buyers, sellers, investors, and the public, and to maximize the value provided to customers, shareholders, employees, and society based on its win-win philosophy to boost corporate value over the medium to long term and achieve sustainable corporate growth.

Management policy



Source: Compiled by SIR from Company earnings briefing materials

Management policy



Source: Compiled by SIR from Company annual securities report.

### Members of Directors

Position	Name	Number of Shares ('000)
President and CEO(founder)	Takeaki Hirabayashi	96.60
Senior Managing Director	Hiroaki Ban	20.60
Managing Director	Noriaki Ohkado	13.40
Director	Yuji Tsuchiya	17.70
Director	Chiharu Muguruma	8.90
Outside Director	Yutaka Hosoe	-
Outside Director	Mitsugi Hanae	-
Outside Director	Toshiyuki Akiba	-
Full-time Auditor	Katsuro Sonoda	20.60
Outside Auditor	Shigeki Taenaka	-
Outside Auditor	Jiro Mogami	-

Source: Compiled by SIR from Company annual securities report.

## Business model



### (1) Overview by business

JUST reclassified its business portfolio from FY3/23 and aims to better reflect the value of its businesses and further improve business management efficiency. Please see page 20 for details on the business portfolio reclassification. The overview by business in this section provides an overview of each business according to the business portfolio classification as of the end of FY3/22.

The company's business portfolio consists of the Software business, GAKUEN business, Medical Big Data business, and System Sales business. The Software business is mainly engaged in the contract development of customized software tailored to the individual needs of customers. The GAKUEN business focuses on the development and sales of packaged business software for educational institutions in the education market. The Medical Big Data business offers a comprehensive service that automatically checks and analyzes medical receipts (medical fee statements) and provides notification for medical expenses, as well as other big data solutions that leverage a variety of medical-related data. Finally, the System Sales business sells hardware (IT equipment) and software and builds information and telecommunications infrastructures, mainly to educational and public institutions.

The Software business accounted for around 68% of total sales during the five-year period from FY3/18 to FY3/22, making it the largest of the four businesses in terms of sales. On the other hand, the GAKUEN business has overtaken the Software business in terms of operating profit since FY3/20. It's profitability improved substantially over the past five years, accounting for 53.1% of total operating profit in FY3/22.

The following factors likely contributed to the change in segment profit for the Software and GAKUEN businesses.

The Software business has a wide range of customers in telecommunications, finance/insurance, service/distribution, education, manufacturing, medical care, and



government. While the wide range of customers provides many business opportunities, innovations in hardware and network technology, the evolution of operating systems, middleware, and programming languages, and the rapid spread and transition of new information processing technologies such as cloud services in recent years have made information systems more and more complex to develop. In addition, the cost of developing products and services, including the time required for development, is likely to be more complicated than in other businesses. Furthermore, the business is quite labor-intensive and its fixed costs centered mainly on personnel expenses are likely to be large, as its customer base is spread across a wide range of industries.

For example, of the company's 1,448 employees (FY3/22), 1,067 were in the Software business, accounting for 74% of the total. This is a 71% increase from the 623 employees that the business had five years ago in FY3/18. In contrast, customers in the GAKUEN business are almost exclusively limited to education and government, and there are likely more overlapping areas in the development of products and services provided to each of these customers compared to the Software business. This suggests that the break-even point for the GAKUEN business is much lower.

In addition, the following factors helped make FY3/20 a turning point for both businesses.

In the Software business, some projects in Japan turned out to be unprofitable. In addition, the change of government in Malaysia led to a freeze on investments in some state-owned projects, resulting in a temporary drop in earnings for the Virtual Calibre Group, which serves state-owned energy companies. On the other hand, the GAKUEN business saw a substantial increase in the install base of the GAKUEN series to 402 schools in FY3/20 (423 schools in FY3/22) from 387 schools in FY3/19, mainly driven by the launch of the new GAKUEN RX series in the comprehensive university administration support system. This quickly elevated earnings contribution from the GAKUEN business.

## Sales and operating profit by business (FY3/18–FY3/22)

(¥mn)	FY3/2018			FY3/2019			FY3/2020			FY3/2021			FY3/2022		
	AMT	YoY	%	AMT	YoY	%	AMT	YoY	%	AMT	YoY	%	AMT	YoY	%
Software business	10,584	5.2%	67.7%	11,623	9.8%	68.9%	12,081	3.9%	67.0%	12,688	5.0%	67.5%	14,375	13.3%	67.2%
GAKUEN business	2,255	-0.9%	14.4%	2,587	14.7%	15.3%	3,058	18.2%	17.0%	3,216	5.2%	17.1%	3,833	19.2%	17.9%
System sales business	1,817	62.8%	11.6%	1,682	-7.4%	10.0%	1,567	-6.8%	8.7%	1,466	-6.4%	7.8%	1,385	-5.5%	6.5%
medical big data business	975	26.0%	6.2%	978	0.3%	5.8%	1,314	34.4%	7.3%	1,419	8.0%	7.6%	1,806	27.3%	8.4%
<b>Total Consolidated Net Sales</b>	<b>15,631</b>	<b>9.9%</b>	<b>100%</b>	<b>16,870</b>	<b>7.9%</b>	<b>100%</b>	<b>18,020</b>	<b>6.8%</b>	<b>100%</b>	<b>18,789</b>	<b>4.3%</b>	<b>100%</b>	<b>21,399</b>	<b>13.9%</b>	<b>100%</b>
Software business	448	13.7%	60.5%	481	7.4%	56.5%	78	-83.8%	8.0%	161	106.4%	13.2%	585	263.4%	29.3%
GAKUEN business	255	17.0%	34.4%	318	24.7%	37.3%	711	123.6%	73.2%	856	20.4%	70.4%	1,061	23.9%	53.1%
System sales business	46	667.0%	6.2%	140	204.3%	16.4%	95	-32.1%	9.8%	121	27.4%	10.0%	107	-11.6%	5.4%
Medical big data business	-13	-	-	-96	-	-11.3%	94	-	9.7%	91	-3.2%	7.5%	245	169.2%	12.3%
Adjustment	5	-	-	9	-	-	-7	-	-	-13	-	-	2	-	-
<b>Consolidated operating income</b>	<b>741</b>	<b>29.8%</b>	<b>100%</b>	<b>852</b>	<b>15.0%</b>	<b>100%</b>	<b>971</b>	<b>14.0%</b>	<b>100%</b>	<b>1,216</b>	<b>25.2%</b>	<b>100%</b>	<b>2,000</b>	<b>64.5%</b>	<b>100%</b>

Source: Compiled by SIR based on company annual securities report and earnings summary

Note: Figures are rounded to the nearest thousand yen. Therefore, there may be slight differences from the amounts, YoY comparisons, and segment sales compositions shown in the annual securities reports, earnings summaries, earnings briefing materials, and other sources.

### (1) Software business (contracted software development + JAST-branded software, 67.2% of sales and 29.3% of operating profit in FY3/22)

In the Software business, the company leverages its strength as a fully independent system integrator to provide information systems/services to customers in a wide range of industries, including telecommunications, finance and insurance, service and distribution, education, manufacturing, medical care, and government. This business is engaged in contract software development in the areas of business applications and engineering applications tailor-made to meet the individual needs of customers, as well as the sale of in-house branded packaged solutions under the JAST brand.

Orders from existing customers remained firm in FY3/22. In addition, the company received more large contract software development orders from new customers, which led to a 33.3% YoY increase in order backlog at end-FY3/22 to ¥3,759 mn, the largest order backlog in the past five years. Demand for BankNeo, an integrated information system for financial institutions under the JAST brand, also remained strong, with the install base rising by about 6% YoY to 53 financial institutions (end-May 2021 vs. end-May 2022). Outside of Japan, results from the ASEAN business expanded, especially in Malaysia. Sales in the Software business rose 13.3% YoY to ¥14,375 mn, the first double-digit YoY increase in the past five years. Operating profit grew 263.7% YoY to ¥585 mn reflecting the absence of some unprofitable projects that weighed down results in FY3/21. Segment profit margin also improved 2.8pp YoY to 4.1%, which is on par with margins seen prior to the unprofitable projects.

#### ■ Contract software development

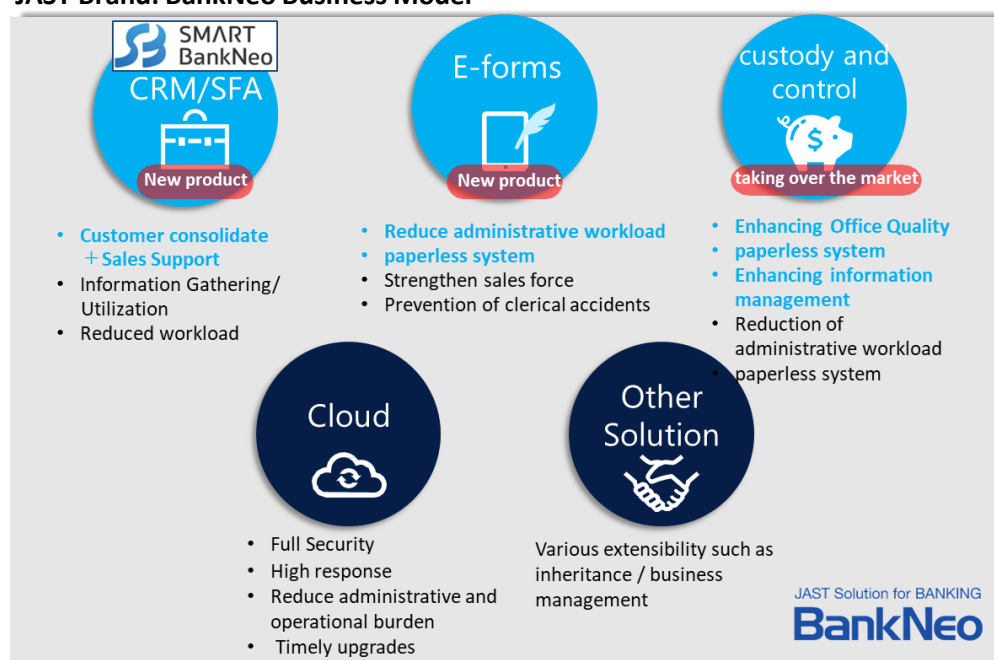
- Business application area: Provides a full range of IT services, from system proposals to development, operation, and maintenance, with a focus on office processing systems.
- Engineering application area: Provides mobile devices, embedded systems for digital AV equipment, software for in-vehicle systems, and information and communication systems, with a focus on communication, control, and engineering systems.

■ JAST brand

- BankNeo software package for financial institutions
- AGHRM® human resource development solution
- mieHR human resource data platform
- In-house cashless service
- Office DX -Face Recognition Clocking System-

BankNeo has the largest sales among JAST-branded offerings in the Software business. It has been over 30 years since it was first released, and its ease of implementation and scalability have been well received as a result of continuous improvements achieved through accumulated technology and user feedback. BankNeo comes with a wealth of smart and niche solutions, and is an integrated package that promotes digital transformation for financial institutions.

JAST Brand: BankNeo Business Model



Source: compiled by SIR from Company earnings briefing materials

(2) GAKUEN business (development and sales of JAST-branded GAKUEN business packages for educational institutions; 17.9% of sales and 53.1% of operating profit in FY3/22)

Centered on the GAKUEN series, the top brand in education IT, the company provides comprehensive solutions that promote digital transformation in education. The GAKUEN series consists of two products: GAKUEN RX, an integrated school administration support system, and UNIVERSAL PASSPORT RX, a comprehensive online service system for universities. Since the initial release of the GAKUEN series in 1994, the system has been continuously upgraded and is now installed in 423 schools (as of May 2022). Of the 423 schools, 315 are universities, 90 are junior colleges, and 18 are vocational schools. Taking into account that there are approximately 1,100 universities and junior colleges in Japan, and that the company has an install base of 405 universities and junior colleges, this means that 37% of the universities and junior colleges in Japan use the GAKUEN series of products.

The GAKUEN series, which is highly acclaimed in the EdTech market as a platform that provides comprehensive support for the activities of higher education institutions, features a software package that encompasses all the operations of school management personnel, students, and faculty members, including student course registration and assignment submission, access to posted information, information on employment seminars, and class attendance management,



which can also be accessed from a smart phone and a tablet device.

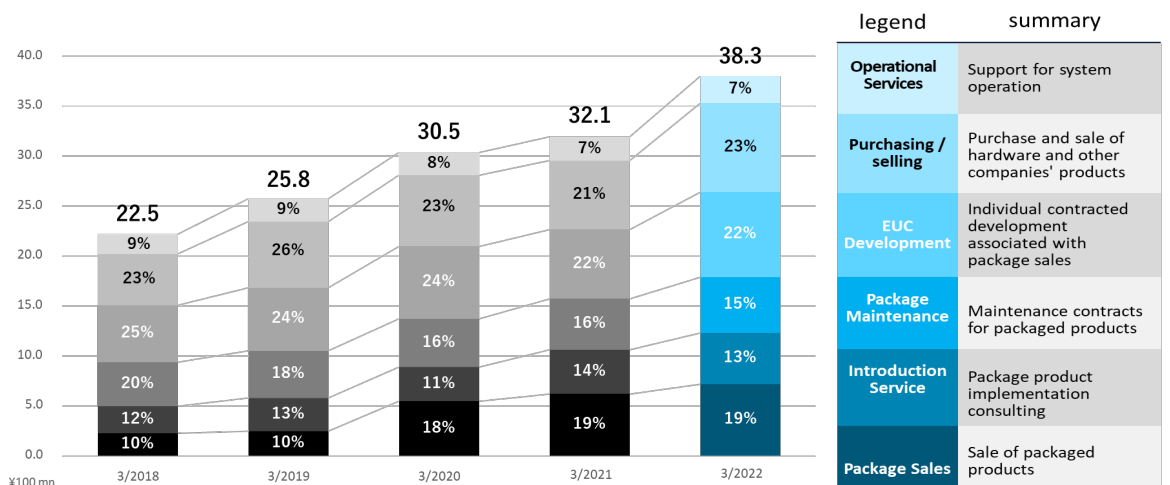
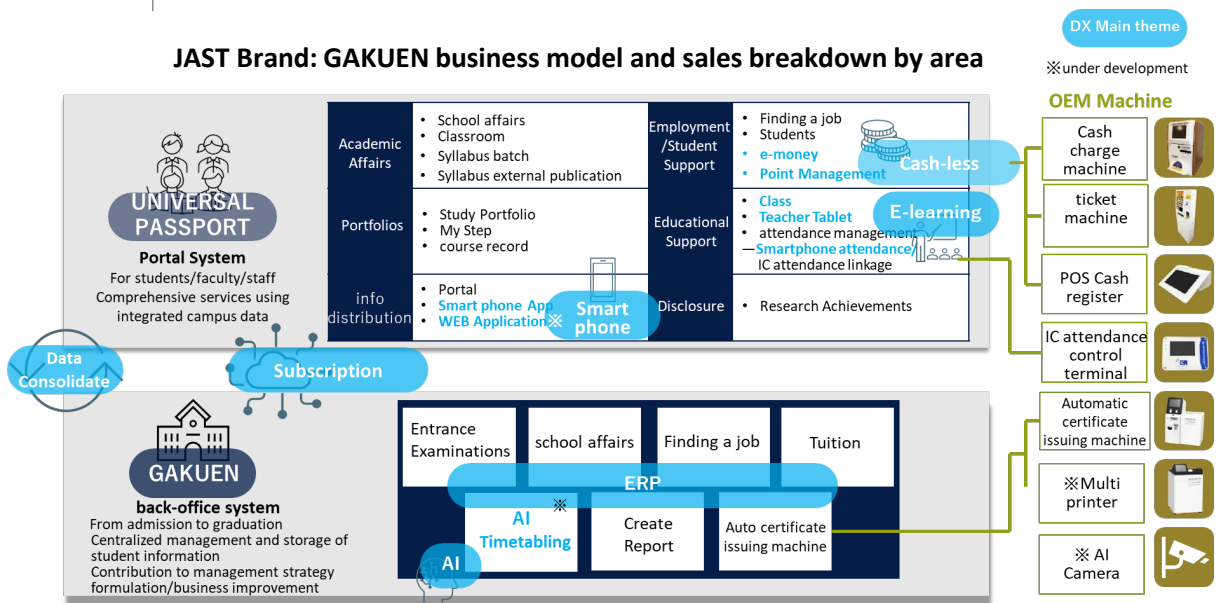
In addition, by changing the software parameter configuration, the software can be adjusted flexibly to meet the scale and needs of each university, from large universities to small junior colleges. Accordingly, there is no need to engage in custom development work for each school, and sales per school ranges from several hundred thousand yen to several hundred million yen, while providing considerable benefits for the customer as well. Furthermore, the company offers GAKUEN Subscription, which can be used by smaller schools with less than 1,000 students, and demand from vocational schools is also on the rise.

In FY3/22, sales in the GAKUEN business grew 19.2% YoY to ¥3,832 mn, while operating profit rose 23.9% YoY to ¥1,060 mn. Segment profit margin improved by 1.1pp YoY to 27.6%. Sales, operating profit, and segment profit margin all reached record levels. The new GAKUEN RX series launched in April 2020 boosted earnings in the GAKUEN business thanks to replacement demand from existing customers, as well as a steady increase in new customer installations.

■ Development and sales of university management software package

- GAKUEN RX integrated school administration support system
- UNIVERSAL PASSPORT RX comprehensive online service system for universities

JUST Brand: GAKUEN business model and sales breakdown by area



Source: Compiled by SIR based on company earnings briefing materials

(3) Medical Big Data business (Inspection and analysis of medical information and development and sales of related services under the JAST brand; 8.4% of sales and 12.3% of operating profit in FY3/22)

The company operates five healthcare-related businesses under the Medical Big Data business, providing medical information data inspection and analysis and related services to health insurance associations affiliated with the National Health Insurance Association, mutual aid associations, national health insurance associations of local governments, and independent health insurance associations of private companies and organizations. The core of this business is JMICS (JAST Medical Insurance Checking System), which provides a comprehensive service that automatically checks and analyzes medical receipts (medical fee statements), and provides notification for medical expenses. iBss, a business support service for insurers, provides information services to health insurance associations and mutual aid associations by leveraging a wide variety of medical big data. The company's Medical Big Data business handles large volumes of medical data, processing 7 to 10 million medical receipts per month, and can offer one-stop services covering everything from insurer operational support to analysis, business consulting, and insurance operations.

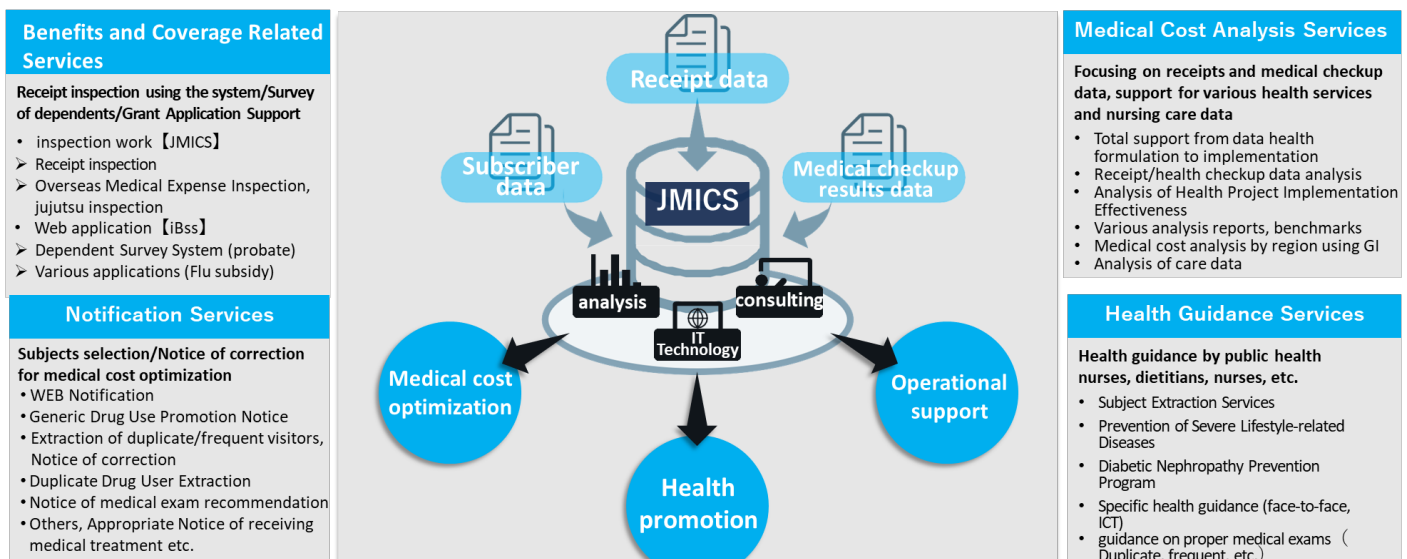
Although fewer people were visiting medical institutions amid the ongoing COVID-19 pandemic, sales in the Medical Big Data business rose 27.2% YoY to ¥1,806 mn in FY3/22 on the back of a recovery in automatic receipt checking service JMICS and higher demand for data analysis and insurer business support services (iBss). Operating profit grew 170.0% YoY to ¥245 mn, and segment profit margin improved substantially by 7.2pp YoY to 13.6%. The Medical Big Data business achieved its greatest earnings growth since it became a stand-alone segment in FY3/14.

■ Medical data inspection, analysis, and related services

- JMICS medical receipt automatic inspection system
- iBss insurer business support service
- Data health business
- REZULT data utilization business
- RezeptPlus health insurance claim management system (collaboration with Fujitsu Japan)

Source: compiled by SIR from Company earnings briefing materials

JAST Brand: JMICS Business Model



Source: compiled by SIR from Company earnings briefing materials

(4) System Sales business (IT equipment sales and information and telecommunications infrastructure development; 8.4% of sales and 12.3% of operating profit in FY3/22)

In the System Sales business, the company sells hardware (IT equipment) and software, and builds information and telecommunications infrastructure, mainly for educational and public institutions. For infrastructure design and construction, the company focuses on system infrastructure, providing hardware and software design and system development services. As for system product sales, the company offers everything from system product proposals to operation and maintenance services. JAST does not manufacture system products itself, but rather buys and sells them from its large and diverse supplier base of manufacturers. For cloud services, the company offers comprehensive services from design and system construction to post-implementation support. It also provides ICT consulting services ranging from existing ICT implementation analysis to implementation, deployment, and maintenance.

In FY3/22, system equipment sales to universities fell below plan owing to delays in the procurement of hardware equipment and other factors stemming from the global shortage of semiconductors, partly due to the COVID-19 pandemic. As a result, sales fell 5.5% YoY to ¥1,384 mn, and operating profit dropped 11.6% YoY to ¥106 mn. Segment profit margin fell 0.5pp to 7.7%.

■ **IT equipment sales and information and telecommunications infrastructure construction**

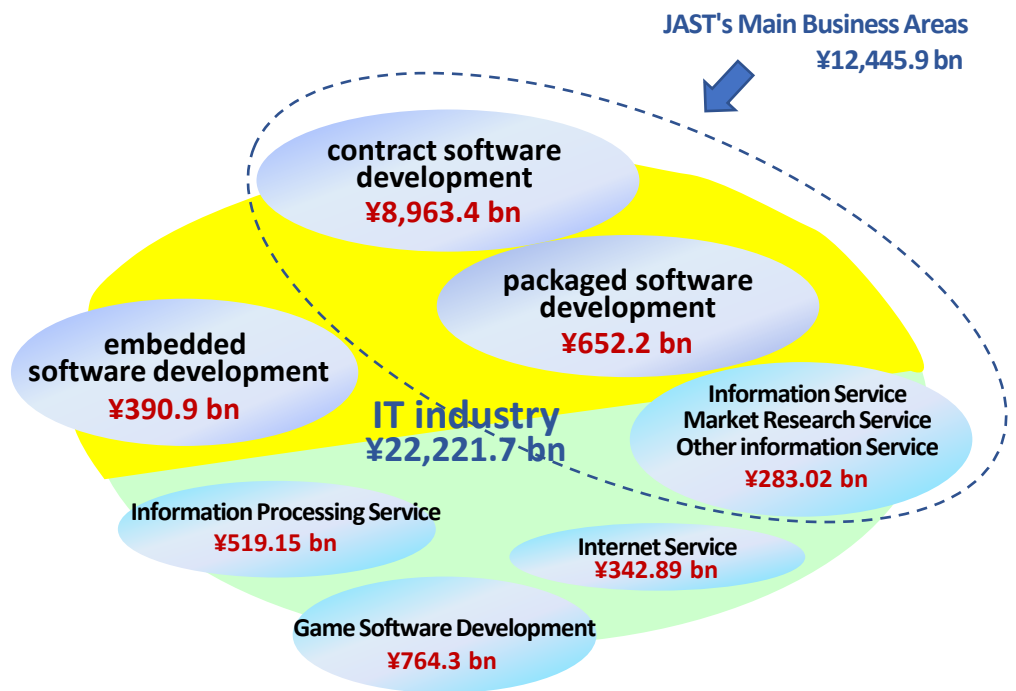
- Infrastructure design and construction
- System product sales
- Cloud service
- ICT consulting

**(2) Major market with substantial untapped business opportunities**

JAST estimates that the size of the IT industry, excluding hardware and other system equipment, is ¥22,221.7 bn, based on sales in nine industry categories in the 2021 Ministry of Economy, Trade and Industry's Basic Survey of the Information and Telecommunications Industry statistical tables. Of this, the market size for JAST's business domain excluding its global business equate to ¥9,963.4 bn for contract software development, ¥652.2 bn for packaged software development, and ¥2,830.2 bn for information distribution services, market research services, and other information services, combining for a total of ¥12,445.9 bn. In a similar manner, the ¥12,445.9 bn market can be viewed as the size of the system integrator industry, which includes the company's competitors.

There are reportedly several hundred companies in the system integrator industry, including unlisted companies. There are no companies with a dominant market share, and NTT Data and the top 10 companies by sales are estimated to have a stable 50-60% share of the market. This suggests that the system integrator market is a loose oligopoly. The push for digital transformation is unlikely to slow down going forward, and the risk of a market contraction is low. Therefore, securing excellent system development personnel and technological capabilities will become important factors in the system integrator market, and will have an increasingly large impact on growth potential in the future. On the other hand, the underlying business opportunities are quite large, making it an attractive market for all players.

**System integrator industry market size**



Source: Created by SIR based on company materials

**(3) Order Backlog**

For JAST, the average time from order receipt to delivery is about five to six months, with major projects sometimes requiring one to two years. In addition, the company's earnings tends to gravitate toward 2H (end-March), with order backlogs usually building up through end-1H (end-September), which are then delivered in 2H and recorded as sales.

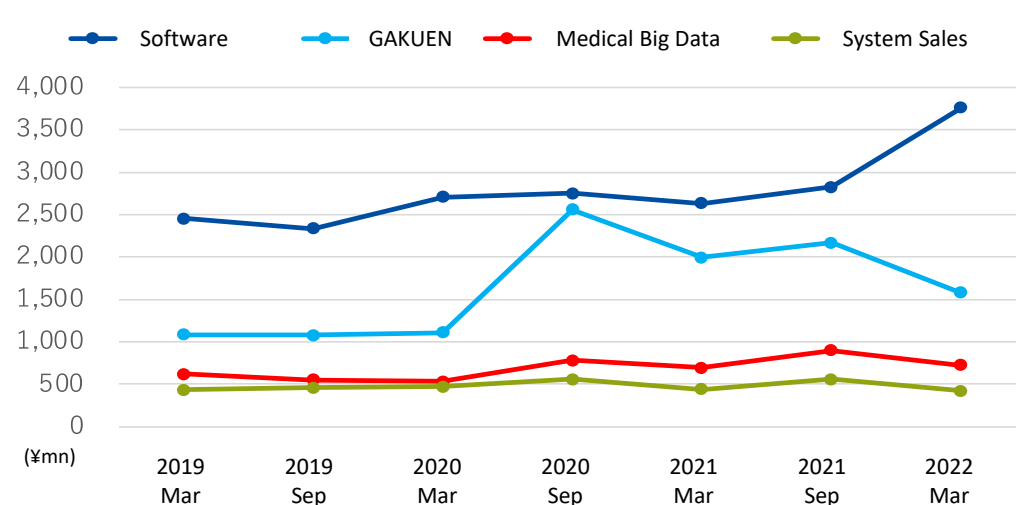
Despite this tendency, the total order backlog at end-FY3/22 remained almost unchanged from that at end-1H FY3/22. Moreover, the order backlog rose 12.6% YoY. This was attributed to delayed project deliveries and a 22.9% YoY jump in orders received in the Software business in FY3/22.

**Backlog of orders by segments for the past 7 years**

(¥mn)

Business/FY	3/2019	9/2019	3/2020	9/2020	3/2021	9/2021	3/2022
Software	2,455	2,336	2,705	2,748	2,634	2,821	3,759
GAKUEN	1,084	1,079	1,108	2,559	1,993	2,164	1,576
Medical Big Data	619	549	532	782	692	900	727
System Sales	435	457	471	555	439	559	423
<b>Backorder TOTAL</b>	<b>4,595</b>	<b>4,423</b>	<b>4,818</b>	<b>6,645</b>	<b>5,760</b>	<b>6,446</b>	<b>6,486</b>

Source: Excerpts from Company financial results presentation materials

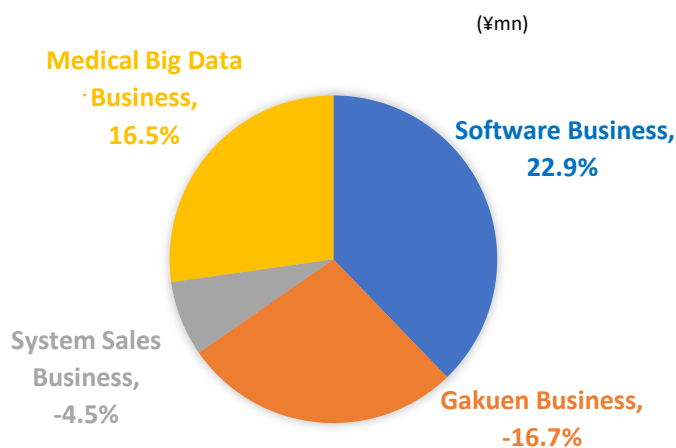


Source: Compiled by SIR from Company financial results presentation materials

**FY3/22 Orders Received by Business Segment**

Business Segment	Orders received	YoY(%)
Software business	15,501	22.9
GAKUEN business	3,415	-16.7
Medical Big Data business	1,369	-4.5
System Sales business	1,840	16.5
<b>TOTAL</b>	<b>22,125</b>	<b>12.1</b>

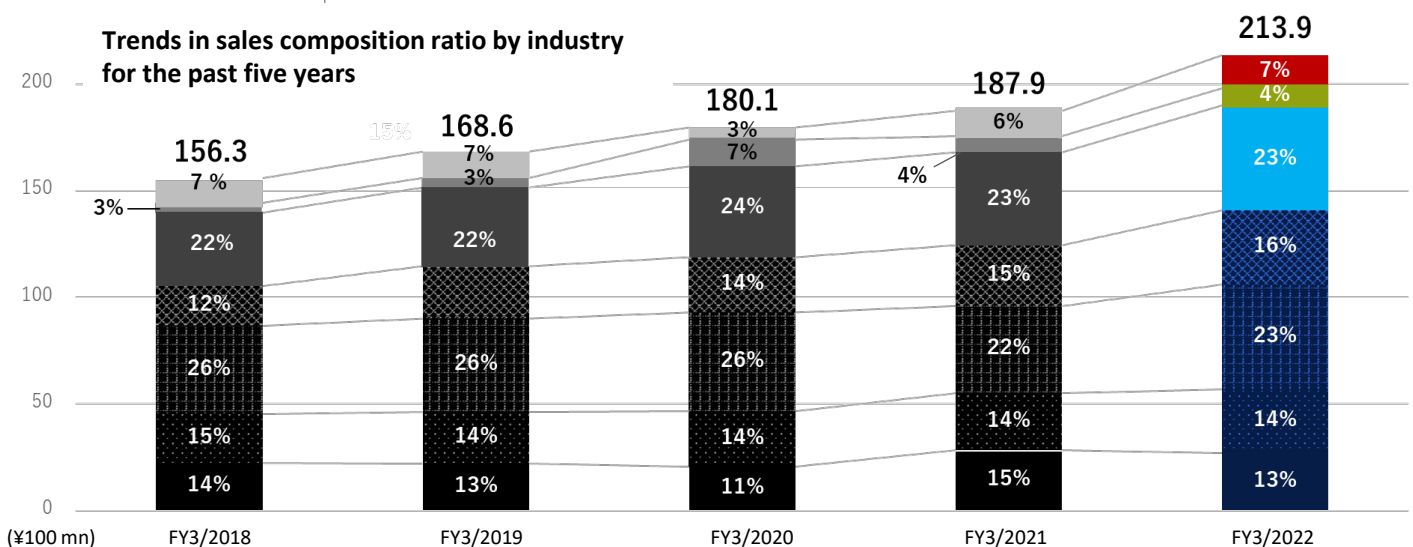
Source: Compiled by SIR from Company annual securities report.





**(4) Major Customers – Balanced Customer Portfolio**

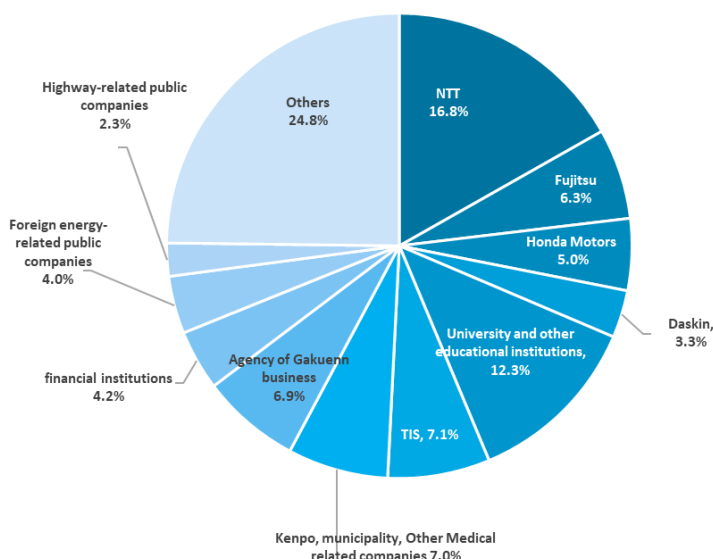
JAST has developed its business in a wide range of industries, including telecommunications, finance, insurance, securities, services, distribution, educational institutions, medical care, and public offices. The customer composition has not changed significantly from five years ago, suggesting that the company continues to have stable and good relationships with major customers in each of its industries. The wide range of business areas the company serves likely minimizes the impact of economic fluctuations in specific industries on the company's performance. In addition, the company's involvement in cutting-edge technology and development projects that reflect the changing times in various industries will help foster a wealth of knowledge and ideas that enhances its software development capabilities, and being in an environment with constant access to cutting-edge technology creates a virtuous cycle that enables the company to provide advanced consulting proposals to its customers.



Source: Compiled by SIR from Company financial results presentation materials

**Sales by Customer Group**

Customer group	FY3/2021	FY3/2022
<i>*XX years = the number of years of trading</i>		
NTT (27 years)	21.4%	16.8%
Fujitsu (45 years)	7.7%	6.3%
Honda Motors (38 years)	5.0%	5.0%
Daskin (33 years)	3.2%	3.3%
<b>Above 4 companies</b>	<b>37.3%</b>	<b>31.4%</b>
University and other educational institutions	15.0%	12.3%
TIS	7.7%	7.1%
Kenpo, municipality, Other Medical related companies	4.7%	7.0%
Agency of Gakuenn business	3.3%	6.9%
financial institutions	4.3%	4.2%
Foreign energy-related public companies	2.9%	4.0%
Highway-related public companies	1.6%	2.3%
System sales business and other public companies	0.6%	0.0%
Others	22.6%	24.8%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>



Source: Compiled by SIR from Company financial results presentation materials

**(5) R&D system**

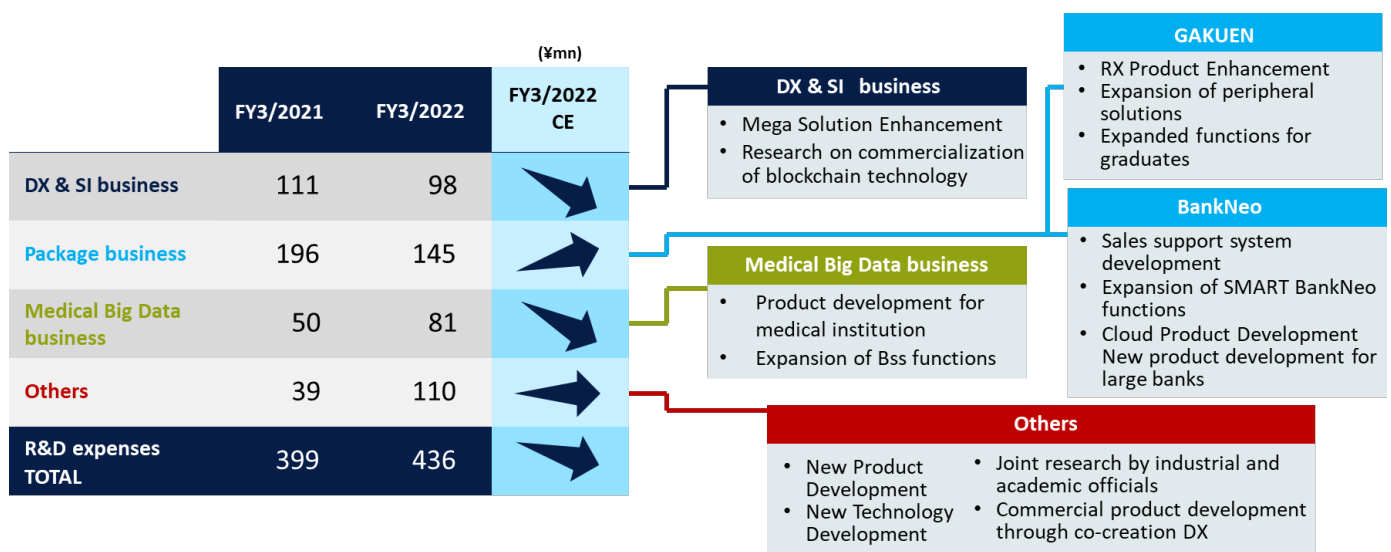
For many years, JAST did not have an R&D department, and new product development was carried out by the system development staff of each business division, who conducted R&D in their respective fields while simultaneously performing development work on orders received. This structure remains in place today, but the functions and conveniences demanded of system solutions have expanded over the years as the digital transformation movement in society continues, and the importance of a dedicated R&D organization to research and develop new products has grown. Accordingly, the company established a New Business Development Office in April 2017. The office has been given the function and purpose of researching new technologies and developing new brands, and will be responsible for promoting both commercialization and monetization to accelerate the pace of commercialization and laterally deploy the expertise and technologies to existing business divisions.

In addition, the company actively participates in and invests in joint industry-academia-government research to enhance the value of its vast amount of medical-related big data, and in April 2018 established the Mirai Kyoso Lab, an R&D organization responsible for developing new commercial products by leveraging various types of big data, including medical-related big data.

The office has already developed and commercialized human resources data platform mieHR, in-house cashless payments, and Office DX Facial Recognition Clocking System, all of which are currently in the process of expanding sales and branding

R&D in the new business segment for FY3/23 will be focused on strengthening investments related to the Packaged Software business and new businesses. In addition to developing new products, the company plans to invest in R&D with a focus on technology development and collaborative research with industry, academia, and government. Since R&D investment in the DX&SI and medical big data businesses will be somewhat restrained, overall R&D investment is planned to be slightly lower than the previous year's expenses.

**Trends in R&D Expenses and Allocation by Business**



The arrow angle in the FY2023 forecast is an image of the percentage increase/decrease.

Source: Compiled by SIR from Company earnings briefing materials

**(6) Employees - Software business is a labor-intensive business model**

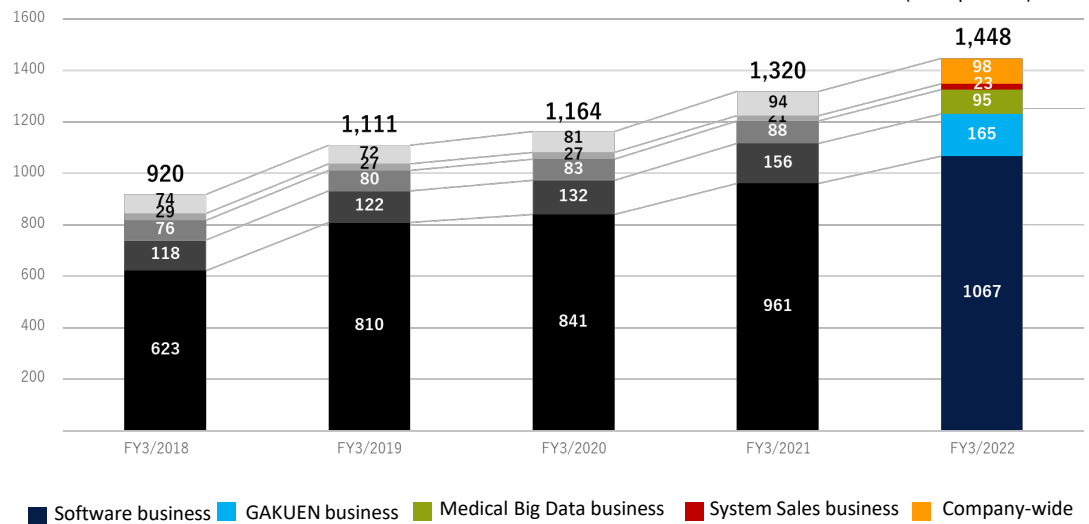
The company's employee headcount has been increasing continuously for the past five years. This is largely attributable to the company's successful expansion over the same period.

By business, employee headcount in the Software business is the largest by far. In FY3/22, the Software business generated ¥13.4 mn in sales per employee, compared with just under ¥14.8 mn in sales per employee for the company as a whole. On the other hand, the GAKUEN business, which has the highest operating profit margin among the company's businesses, generates ¥23.0 mn in sales per employee, nearly double the amount of the Software business. The Software business is more labor intensive than other business segments, likely due to the fact that the Software business operates in a wide range of business areas.

Most contract software development is for custom-made software. Unlike when building software for the masses, the headcount increases more or less in proportion to the number of projects secured. In addition, systems are becoming more sophisticated, complex, and specialized, and securing and training talented personnel is essential to ensuring the competitiveness and growth potential of the Software business. In addition, the entire IT industry has become a seller's market owing to the personnel shortage and mobility stemming from the digital transformation movement in society. The company's ability to maintain a stable workforce under such circumstances is likely a result of its strong name recognition in the industry.

**Employees by business**

(Unit: persons)



Source: Created by SIR based on company earnings briefing materials

## Key financial indicators

### (1) Characteristics of balance sheet and cash flow statement

JAST has a strong financial position and is effectively debt free. As a result, its D/E ratio at end-FY3/22 was almost zero, and its free cash flow (FCF) has been positive for the past five years, with the exception of FY3/20. FY3/20 results were affected by an impairment loss of ¥783 mn recorded for its overseas subsidiary in Thailand, Virtual Calibre, due to a temporary decline in earnings. This was followed by two consecutive periods of substantial positive free cash flow as the company's business expanded. Total assets at end-FY3/22 were ¥15,539 mn, up ¥2,678 mn from end-FY3/21. This was a result of the issuance of new shares due to the exercise of stock acquisition rights (800,000 shares) allotted on March 22, 2021, an increase in cash and deposits from the disposal of treasury stock, and an increase in accounts receivable collected in line with business expansion. The company's equity ratio is high at 58.9%, but slightly lower than the peer average of 64.9%. Its ROE of 16.7% is roughly 20% higher than the peer average of 13.7%.

#### Key Financial Indicators

(¥mn)

	FY	3/2018	3/2019	3/2020	3/2021	3/2022
EBITDA (¥mn)		855	961	1,135	1,398	2,145
ROE(%)		9.7	5.1	-0.5	8.9	16.7
ROA (%)		5.1	2.5	-0.2	4.5	9.4
ROIC (%)		8.7	9.4	8.3	11.1	16.6
Interest-bearing debt (¥mn)		246	1,564	1,511	411	9
Net interest-bearing debt (¥mn)		-2,749	-2,696	-2,398	-4,444	-6,456
D/E Ratio (X)		0.0	0.2	0.2	0.1	0.0
Net D/E Ratio (X)		0.3	1.6	1.3	0.3	0.0
Interest-bearing debt/EBITDA		0.3	1.6	1.3	0.3	0.0
Equity Ratio (%)		50.4	46.8	47.7	53.0	58.9

Source: Compiled by SIR based on annual securities report

#### Cash Flow

(¥mn)

	FY	3/2018	3/2019	3/2020	3/2021	3/2022
Operating Cash Flow (1)		643	1,342	417	2,131	1,163
Investment Cash Flow (2)		147	-1,064	-527	87	-91
Financial Cash Flow		39	1,157	-185	-1,247	487
FCF (1)+(2)		790	278	-110	2,218	1,072
Cash and deposits		2,785	4,205	3,908	4,854	6,464

Source: Compiled by SIR based on annual securities report

**(2) B/S highlight**

FY	3/2018	3/2019	3/2020	3/2021	3/2022
Total Current Asset	<b>9,441</b>	<b>9,610</b>	<b>9,603</b>	<b>9,696</b>	<b>12,389</b>
Cash & deposits	2,995	4,260	3,909	4,855	6,465
Trade receivables [Trade and other receivables]	-	-	-	-	5,533
Trade receivables	4,992	4,341	4,503	3,954	-
Inventories	1,290	703	771	715	253
Other Current Asset	201	344	439	185	144
Provision for doubtful a/c	-37	-38	-19	-13	-6
Fixed Asset [Non-current Asset]	<b>2,867</b>	<b>4,026</b>	<b>3,385</b>	<b>3,165</b>	<b>3,151</b>
Property, plant and equipment	523	558	572	543	547
Intangible Asset	124	1,180	794	379	274
Investment and other assets	2,221	2,288	2,019	2,244	2,330
<b>Total Asset</b>	<b>12,308</b>	<b>13,637</b>	<b>12,988</b>	<b>12,862</b>	<b>15,540</b>
Total Current Liabilities	<b>4,564</b>	<b>5,588</b>	<b>5,168</b>	<b>4,388</b>	<b>4,621</b>
Notes payable-trade and Accounts payable-trade	2,041	1,128	990	1,022	1,380
Short term debt	219	1,544	1,500	408	8
Current portion for long term debt	8	8	8	3	-
Other Current Liabilities	2,296	2,908	2,670	2,955	3,233
Fixed Liabilities	<b>1,498</b>	<b>1,630</b>	<b>1,602</b>	<b>1,623</b>	<b>1,724</b>
Long term debt	20	12	3	-	-
Provision for retirement benefit	920	958	992	1,018	1059
Allowance for directors' stock benefits	-	20	48	84	121
Deferred tax liabilities	-	1	61	35	25
Other fixed Liabilities	558	639	498	486	811
<b>Total Liabilities</b>	<b>6,062</b>	<b>7,218</b>	<b>6,770</b>	<b>6,011</b>	<b>6346</b>
Total shareholders equity	<b>5,993</b>	<b>6,244</b>	<b>6,136</b>	<b>6,592</b>	<b>8,930</b>
Share capital	1,077	1,077	1,077	1,077	1,535
Capital surplus	995	1,086	1,114	1,128	1,704
Retained earnings	4,188	4,359	4,179	4,606	5,865
Treasury shares	-267	-277	-233	-216	-175
Accumulated other comprehensive income	<b>208</b>	<b>137</b>	<b>54</b>	<b>221</b>	<b>230</b>
Valuation difference on available for sale securities	127	114	113	187	122
Foreign currency translation adjustment	-10	-37	-31	-81	-2
Remeasurements of defined benefit plans, net of tax	92	60	-29	116	111
	6,247				
Subscription rights to shares	-	-	-	6	-
Non-controlling interests	46	37	29	32	35
<b>Total Net Assets</b>	<b>6,247</b>	<b>6,418</b>	<b>6,218</b>	<b>6,850</b>	<b>9,194</b>
<b>Total Liabilities and Net Asset</b>	<b>12,309</b>	<b>13,637</b>	<b>12,988</b>	<b>12,862</b>	<b>15,540</b>

Source: compiled by SIR from Company the Annual Securities Report.

Note: There may be slight inconsistencies in figures because of rounding, etc.

**Strength  
& Weakness**

**(1) Strength**
**Customer portfolio spanning a wide range of industries**


JAST's customers are spread across various industries, including telecommunications, finance/insurance/securities, services/distribution, manufacturing, educational institutions, medical care, and government agencies. The sales composition for each of these industries is well diversified, ranging from 4% to 23% of total sales, and the company's customer base is such that economic fluctuations in specific industries do not have a large impact on overall business performance. JAST is deeply involved in cutting-edge technology and development projects that reflect the changing times in various industries, and this environment helps to constantly foster a wealth of knowledge, ideas, and cutting-edge technology that enhances its software development capabilities, which enables the company to provide advanced consulting proposals to a wide range of customers.

**Independent system integrator**

There are three types of system integrators in the industry, namely, manufacturer-affiliated, user-affiliated, and independent system integrators. Unlike manufacturer- and user-affiliated companies, JAST is not constrained by a parent company or group affiliation. Therefore, the company can freely select the hardware equipment and software needed to build the customer's IT system, enabling it to make optimal proposals to the customer in terms of both cost and functionality. Manufacturer- and user-affiliated integrators often receive projects from related group companies. Independent integrators do not have these opportunities, and must engage in sales activities to constantly secure development projects. In addition to system development orders, the company's business model generates stable and strong earnings from several specific industries through its strong JAST brand, which it developed independently.

**(2) Weakness**
**Need to strengthen personnel resources that can manage multiple large projects across the board**

Since its listing transfer to the First Section of the Tokyo Stock Exchange in 2017, the company has been able to acquire large multi-hundred million yen projects and development projects from a variety of new customers as its industry position has strengthened. On the other hand, there has been a shortage of management personnel at the development field level who are capable of managing new projects, including large projects, across the board, from delivery timelines to profitability, which has resulted in some unprofitable projects over the past several years. Recently, by strengthening the company-wide management and follow-up system for awarded projects, the company has managed to prevent nearly all projects from becoming unprofitable. However, the digital transformation movement is accelerating at the societal, industrial, and corporate levels, and the demand for competent field-level product managers will increase as the IT industry as a whole continues to experience personnel shortages and mobility owing to advances in cloud services, AI (artificial intelligence), and IoT technologies.



## Earnings and reclassification of business portfolio

### Sales per employee

The company's sales per employee are approximately ¥15 mn, which is lower than the ¥29 mn average of 74 competing system integrators, according to Sessa Partners estimates. This is one of the reasons why the company's operating profit margin of 9.3% is lower than the competitor average of 13.1%. Taking into consideration that JAST-branded GAKUEN and JMICS products have much higher operating profit margins than the competitor average, the company's operating profit margin can rise dramatically if it is able to improve the profitability of contract software development in its DX & SI business (formerly Software business).

### (1) FY3/22 results - 11 consecutive years of sales growth, 7 consecutive years of recurring profit growth

Starting from FY3/22, the company has adopted the Accounting Standard for Revenue Recognition, so its consolidated FY3/22 results do not include YoY comparisons for sales and profits. As a result of this change, sales decreased by ¥260 mn and cost of sales decreased by ¥344 mn, while operating profit, recurring profit, and pre-tax profit increased by ¥83 mn, respectively. Due to the relatively small impact of the change, unless otherwise noted, this report shows YoY changes in sales and profit based on the company's FY3/22 earnings briefing materials.

In FY3/22, the company reported sales of ¥21,399 mn, a double-digit increase of 13.9% YoY. Operating profit rose 64.5% YoY to ¥2,000 mn, and recurring profit rose 56.6% YoY to ¥2,052 mn. ROE improved substantially to 16.7%, almost doubling from 8.9% in FY3/21.

By business segment, the Systems business posted a 13.3% YoY gain in sales to ¥14,375 mn, thanks to an increase in new large prime contracts, strong sales of BankNeo Deposit Management, and growth in the ASEAN business.

In the highly profitable GAKUEN business, sales of the new GAKUEN RX and GAKUEN UNIVERSAL PASSPORT RX series rose 19.2% YoY to ¥3,832 mn, driven by strong replacement demand from existing customers as well as new customer additions for the new GAKUEN RX series.

In the Medical Big Data business, sales were up 27.2% YoY to ¥1,806 mn. This was aided by a recovery in demand for automatic receipt inspection services, which was sluggish in FY3/21 as fewer people visited medical institutions amid the COVID-19 pandemic, as well as growth in highly profitable businesses such as insurer operational support services.

The only business segment to see a drop in sales was the System Sales business, where sales fell 5.5% YoY to ¥1,384 mn. This was mainly attributable to lower equipment sales to universities stemming from procurement delays for hardware equipment caused by the global semiconductor shortage.

The company's operating profit margin rose 2.8pp to 9.3%. On top of a nearly 20% increase in sales in the highly profitable GAKUEN business, the absence of some unprofitable development projects in the Software business seen in FY3/21 helped lift operating margins substantially. In addition, recurring profit rose 56.6% YoY, slightly less than the YoY growth for operating profit, as non-operating income such as interest income and subsidy income were lower YoY. Net income increased sharply to ¥1,330 mn in FY3/22, reflecting a significant decrease in goodwill and other impairment losses related to Singapore-based consolidated subsidiary AG recorded in FY3/21. Non-operating income/expenses remained roughly on par with FY3/21.

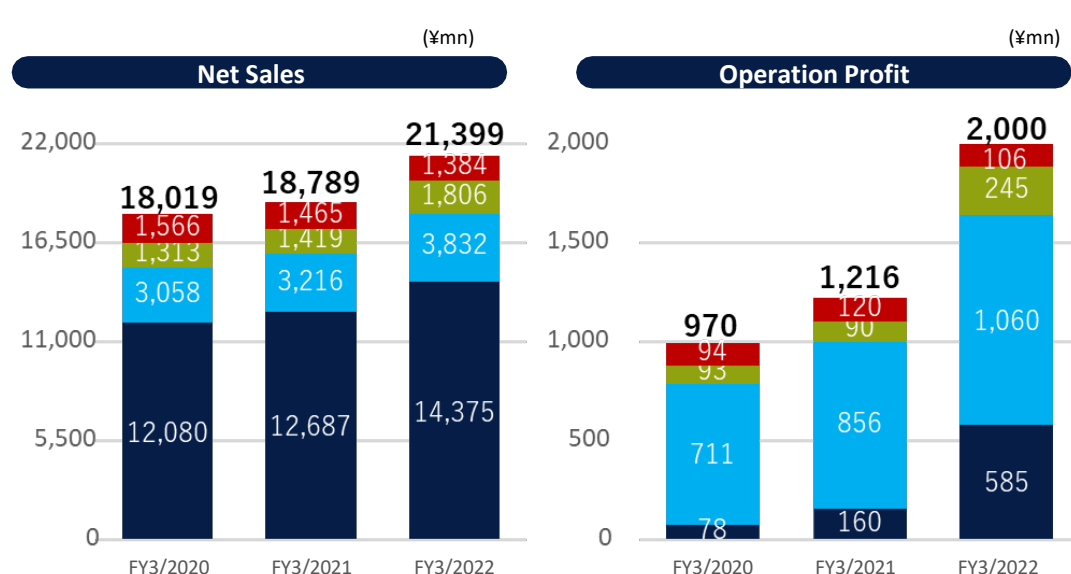
ROE rose to 16.7%, the company's third highest ROE on record (FY3/01: 19.5%, FY3/06: 18.5%). This was mostly driven by the net income margin, which rose to an all-time high of 6.2%. The company's management policy is to minimize debt items as much as possible, and if it can further boost its asset turnover ratio, it can boost profitability to lift its ROE past previous highs.

Detailed earnings trends by business segment for FY3/22 are discussed in the Overview by business under the Business Model section (page 8).

Trends by Short-term Business (Net Sales, Operating Profit)

(¥mn)

Business segment	Summary of FY3/2022	Net Sales	OP	OP margin
<b>Software business</b>	Increase in new large prime contracts, Strong sales of BankNeo, growth in the ASEAN business, Significant improvement in revenue reflecting the absence of some unprofitable projects	14,375 (+13.3%)	585 (+263.7%)	4.1% (+2.8pt)
<b>GAKUEN business</b>	Continued rapid growth due to the release of the new "RX Series" which led to the replacement demand from existing customers, as well as a steady increase in new customer installations.	3,832 (+19.2%)	1,060 (+23.9%)	27.7% (+1.1pt)
<b>Medical Big Data business</b>	In addition to the recovery of the automatic receipt check service, which has recovered from the impact of COVID-19, the high-margin analysis and notification service and insurer operational support service have grown.	1,806 (+27.2%)	245 (+170.0%)	13.6% (+7.2pt)
<b>System Sales business</b>	Sales of mainstay equipment for universities declined due to prolonged procurement of hardware equipment caused by the global shortage of semiconductors.	1,384 (▲5.5%)	106 (▲11.6%)	7.7% (▲0.5pt)



Source: Compiled by SIR from Company earnings briefing materials and annual securities report.



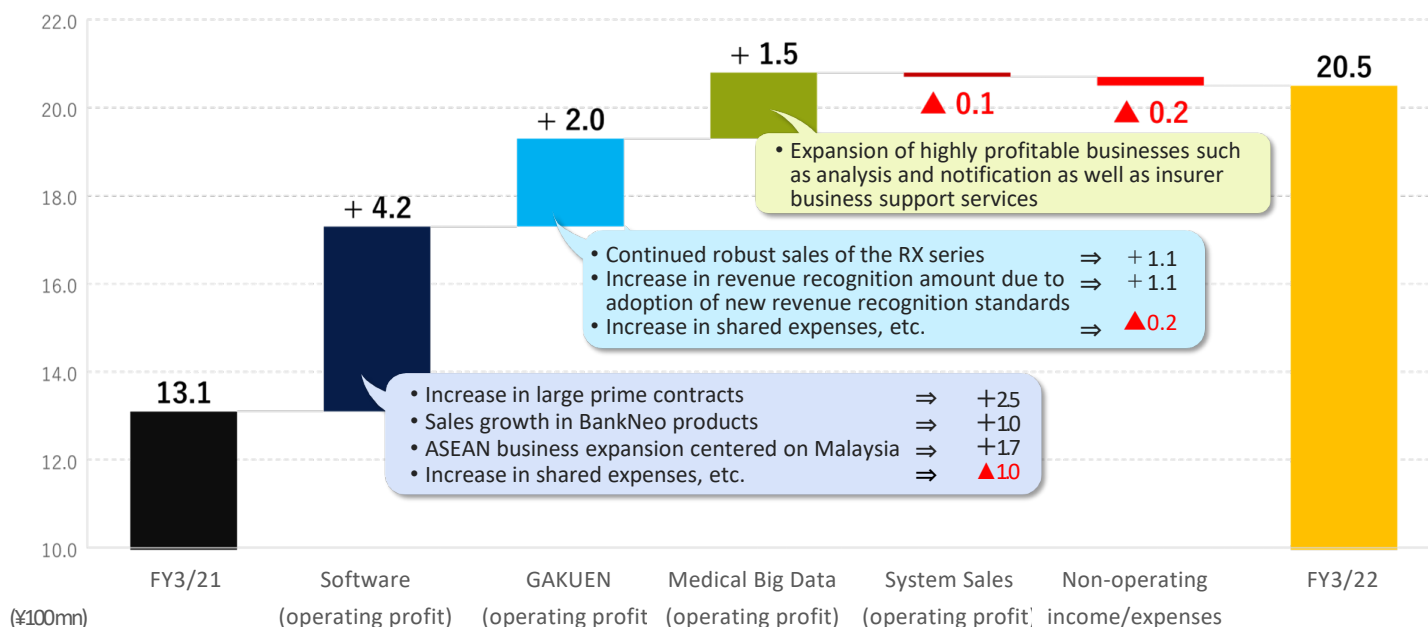
## Short-term Consolidated Financial Highlights

(¥mn)

FY	3/2020			3/2021			3/2022		
	Act	sales ratio	growth rate (%、pt)	Act	sales ratio	growth rate (%、pt)	Act	sales ratio	growth rate (%、pt)
Net Sales	18,019	100.0%	100.0%	18,789	100.0%	4.3%	21,399	100.0%	13.9%
Gross profit	4,412	24.5%	24.5%	4,620	24.6%	4.7%	5,688	26.6%	23.1%
Operating profit	970	5.4%	5.4%	1,216	6.5%	25.4%	2,000	9.3%	64.5%
Ordinary income	1,021	5.7%	5.7%	1,310	7.0%	28.3%	2,052	9.6%	56.6%
Net Income	-30	-0.2%	-0.2%	578	3.1%	-	1,330	6.2%	130.1%
Earnings per share (EPS)	-5.76	-	-	107.95	-	-	224.7	-	108.1%
Total assets	12,988	-	-4.8%	12,861	-	-1.0%	15,539	-	20.8%
Net assets	6,218	-	-3.1%	6,850	-	10.2%	9,194	-	34.2%
Equity	6,189	-	-3.1%	6,813	-	-	9,159	-	34.4%
Equity ratio (%)	47.7	-	+1.0pt	53	-	+5.3pt	58.9	-	+5.9pt
Financial Leverage	2.1	-	-	1.9	-	-	1.7	-	-
ROE (%)	-0.5	-	-	8.9	-	+9.4pt	16.7	-	+7.8pt
Number of employees (persons)	1,164	-	4.8%	1,320	-	13.4%	1,448	-	9.7%

Source: Compiled by SIR from Company earnings briefing materials and annual securities report.

## FY3/22 changes in recurring profit



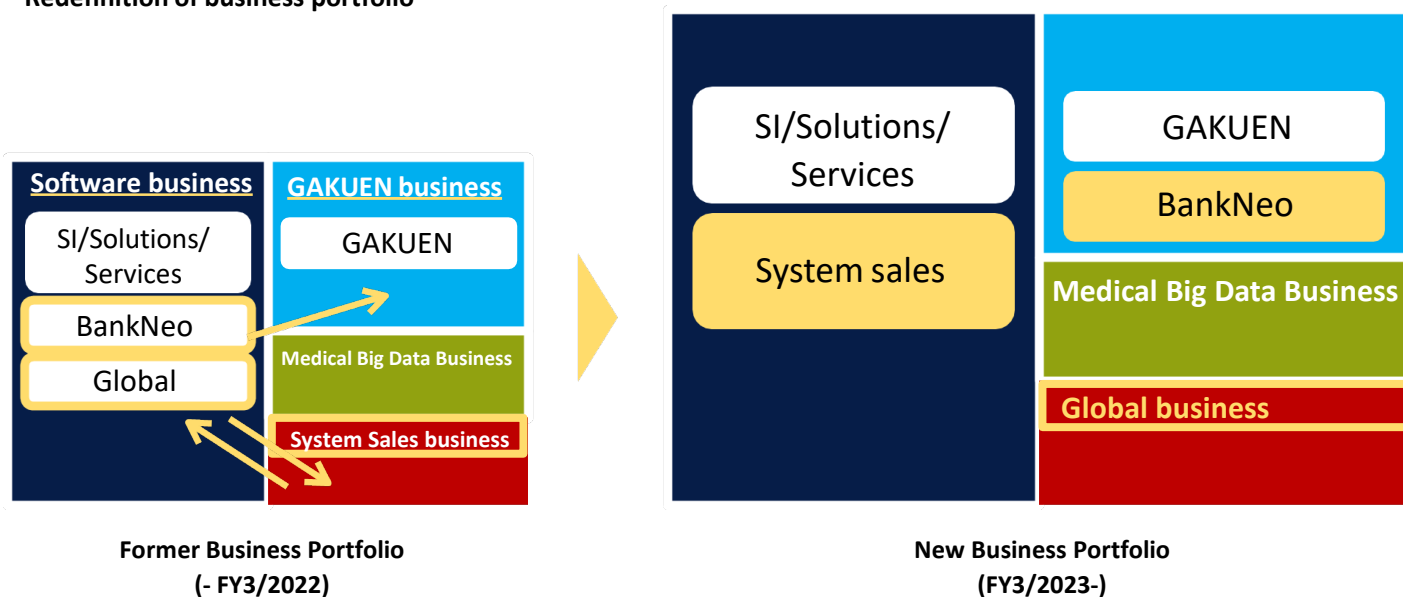
Source: Compiled by SIR from TANSWIN and Company earnings briefing materials.

**(2) Reclassification of business portfolio**

The company reclassified its business portfolio in FY3/23. To continue with its growth strategy, the company believes that it must further improve business value and efficiently manage its businesses. To achieve this, it believes it must develop and provide cutting-edge products and services that stay ahead of the new business environment surrounding the company, such as the digital transformation movement, while creating work styles that can respond quickly to changes in the environment commonly referred to as the “new normal” and developing human resources at an accelerated pace.

Based on this understanding, the company has reclassified its existing businesses from a digital transformation perspective and reorganized its reportable segments into four segments: (1) DX & SI business, (2) Package business, (3) Medical Big Data business, and (4) Global business, in order to better disclose the progress of its growth strategy. The existing Software business and System Sales business were merged and relabeled as the DX & SI business to clarify its digital transformation strategy while placing emphasis on system integration, its current largest earnings base. In addition, the company added BankNeo to the GAKUEN business and renamed it as the Packaged Software business, clarifying its direction toward developing comprehensive digital transformation services centered on the JAST-branded packaged systems. As for the Medical Big Data business, the company kept the existing business format, and plans to further strengthen its medical digital transformation services by pursuing different business models, expanding into new areas such as data health, creating seeds by collaborating with academia, and bolstering businesses that leverage medical receipt data by developing advanced commercial products. Its overseas businesses centered in Asia were classified as the Global business, and the company aims to enhance synergies among its overseas subsidiaries by broadly deploying solutions to strengthen its one-stop support system for promoting digital transformation services to ASEAN companies and Japanese companies operating in Asia.

**Redefinition of business portfolio**



Source: Compiled by SIR from Company earnings briefing materials.

CF: Area of each business is an image of sales composition ratio

### (3) Overview of 1Q FY3/23 results - Affected by the backlash from 1Q FY3/22

1Q FY3/23 results mark the first quarterly results after the company reclassified its business portfolio. As explained in the previous section, the new business segments are (1) DX & SI business, (2) Packaged Software business, (3) Medical Big Data business, and (4) Global business. The business segment reclassification had no direct impact on consolidated earnings in 1Q FY3/23, and the YoY percentage change was calculated by reflecting the new segment classifications to 1Q FY3/22 results.

In 1Q FY3/23, the company reported sales of ¥5,119 mn (+4.5% YoY), operating profit of ¥261 mn (-23.6% YoY), recurring profit of ¥289 mn (-16.8% YoY), and net income attributable to owners of the parent of ¥223 mn (-5.8% YoY). Results by business segment were as follows.

#### ➤ DX & SI business

The DX & SI business posted higher sales and profit YoY, with sales up 4.8% YoY to ¥3,253 mn and operating profit up 23.2% YoY to ¥512 mn. Key factors affecting segment results were lower sales in the former System Sales business owing to the absence of large system equipment sales to universities and the Japan Highway Public Corporation seen in 1Q FY3/22. This was offset by an increase in development projects for the distribution and telecommunications industries in the former Software business, which contributed to higher sales and profits in the DX & SI business.

#### ➤ Packaged Software business

The Packaged Software business reported lower sales and profits YoY, with sales at ¥864 mn (-12.9% YoY) and operating profit at ¥132 mn (-58.2% YoY). Key factors affecting performance were unfavorable comparisons for sales of JAST-branded GAKUEN RX series and BankNeo, which enjoyed strong sales in 1Q FY/22. One of the characteristics of the company's products is that 1Q (April-June) sales are relatively small compared to other quarters, and sales increases from quarter to quarter, with 4Q (January-March) sales usually being the highest. In 1Q FY3/22, many universities installed the GAKUEN RX series and financial institutions installed BankNeo ahead of schedule, resulting in higher than usual 1Q sales.

#### ➤ Medical Big Data business

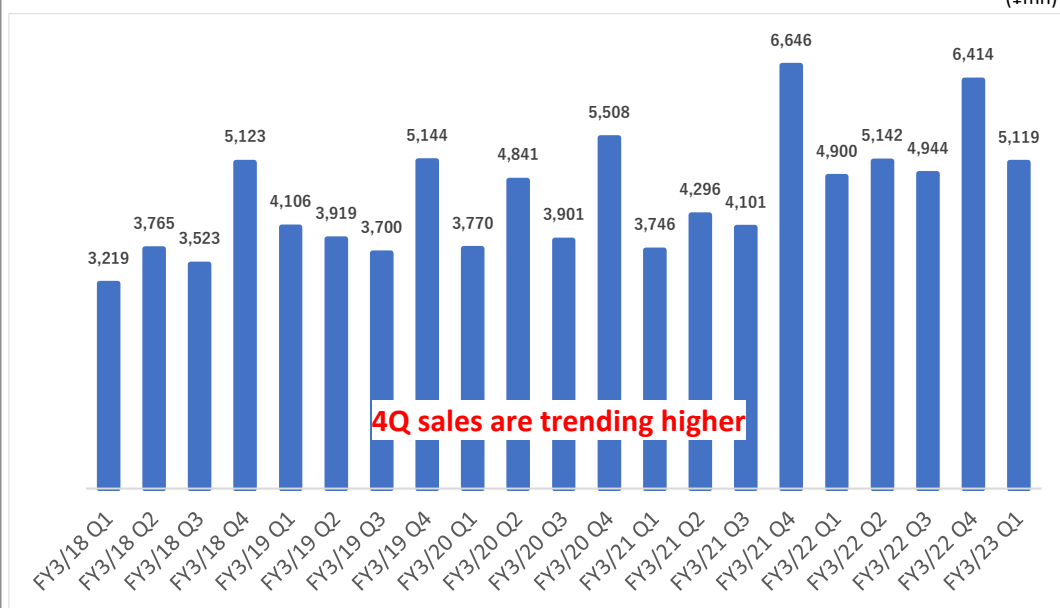
The Medical Big Data business also saw lower sales and profits owing to a pull-back from 1Q FY3/22. Sales were down 10.9% YoY to ¥319 mn, and operating profit was down 79.5% YoY to ¥10 mn. Although sales for insurer business support services came in higher YoY, sales of highly profitable analytical services and other services fell, which substantially affected results. 1Q FY3/20 was the first real year of the COVID-19 pandemic, which led people to refrain from going out for a prolonged period of time, and as a result, fewer people visited medical institutions, and demand for analysis services for medical receipts and other services fell accordingly. With more people visiting medical institutions in 1Q FY3/21, sales in the Medical Big Data business rose sharply by about 50% YoY. In response to the sharp increase, sales of JMICS fell YoY in 1Q FY3/22.

➤ Global business

The Global business includes sales of the company's overseas subsidiaries. Sales and profits rose YoY in 1Q FY3/23, with sales totaling ¥681 mn (+53.4% YoY) and operating profit at ¥119 mn (vs. profit of ¥6 mn in 1Q FY3/22; +19.8x YoY). The substantial boost in earnings was attributable to a large SAP implementation support project for a local company in Malaysia.

As mentioned earlier, sales of the highly profitable JAST-branded GAKUEN RX series, BankNeo, and JMICS were extremely high in 1Q FY3/22 owing to accelerated demand and the impact of COVID-19, which substantially lifted 1Q FY3/22 sales and in turn led to unfavorable comparisons for 1Q FY3/23. As a result, gross profit margin fell by 0.7pp to 25.2%. The company's SG&A ratio rose 1.1pp YoY to 20.1%, mostly reflecting higher personnel costs stemming from the company's aggressive hiring of employees, particularly system engineers. Accordingly, operating profit margin fell 1.9pp to 5.1%, from 7.0% in 1Q FY3/22. Non-operating income and expenses improved by ¥22 mn YoY thanks to a foreign exchange gain of ¥14 mn which was not seen in 1Q FY3/22, and recurring profit margin dropped by 1.5pp YoY to 5.6%.

Quarterly Net Sales (FY3/18 Q1 – FY3/23 Q1)



Source: Compiled by SIR from Company TANSBIN report.

#### (4) FY3/23 earnings forecast and policy – Aiming for continued record high results

The company's full-year FY3/23 earnings forecast calls for sales of ¥22,400 mn (+4.7% YoY), operating profit of ¥2,121 mn (+6.0% YoY), recurring profit of ¥216 mn (+5.3% YoY), and net income of ¥1,370 mn (+6.1% YoY), which would mark the 12th consecutive year of sales growth and 8th consecutive year of recurring profit growth. This forecast was announced on May 13, 2022, at the time of the full-year FY3/22 earnings announcement, and the company has maintained its initial forecast at the time of its latest 1Q FY3/23 earnings announcement on August 10, 2022. As for dividends, the company is guiding for an annual dividend of ¥50 per share in FY3/23, up ¥10 from the annual dividend of ¥40 per share paid in FY3/22. On a consolidated basis, this translates into a dividend payout ratio of 22.4%. Order backlog in the Software business rose sharply by 33.3% YoY to a record high of ¥3,759 mn at end-FY3/22, and the company expects this ample backlog to drive earnings in FY3/23.

#### FY3/23 earnings forecast

FY (¥mn)	FY3/21			FY3/22			FY3/23 ※		
	Act	YoY	Ratio to Net Sales	Act	YoY	Ratio to Net Sales	CE	YoY	Ratio to Net Sales
Net Sales	18,789	4.3%	100.0%	21,399	13.9%	100.0%	22,400	4.7%	100.0%
Operating profit	1,216	25.3%	6.5%	2,000	64.5%	9.3%	2,120	6.0%	9.5%
Ordinary income	1,310	28.3%	7.0%	2,052	56.6%	9.6%	2,160	5.3%	9.6%
Net Income	578	-	3.1%	1,330	130.1%	6.2%	1,370	3.0%	6.1%
EPS (yen)	107.95	-	-	224.65	108.1%	-	223.41	-0.6%	-

Source: Created by SIR based on company earnings briefing materials

\* No YoY comparisons are shown in the earnings summary and annual securities report for FY3/22 as the company adopted the Accounting Standard for Revenue Recognition in FY3/22. However, since the impact of this change on sales and profits is small, the above chart shows the YoY change based on the company's FY3/22 earnings briefing materials.

For FY3/23, which is also the first year under its new business portfolio classification, JAST clarified its priority targets and tasks for each business segment as shown below. In addition, the company as a whole has adopted a policy of "achieving results through agile and proactive initiatives and actions", and plans to achieve consecutive record-high performance.

For the DX & SI business, the company reclassified its business into the following three categories, with the aim of evolving into a high-value-added business while ensuring stable growth of its earnings base. First, in the system integration business, the company plans to (1) shift toward offering proposal-based co-creation digital transformation services aimed at creating value together with customers as their business transformation partner, propose solutions based on cutting-edge technologies to meet customer challenges, and provide a wider range of digital services, including consulting services.

In the Packaged Software business, the company will expand sales of its current business by leveraging the brand power it has cultivated to date with the GAKUEN series, while also aiming to expand its market by developing comprehensive services for education digital transformation that go beyond education big data and IT services. For BankNeo, the company looks to evolve into a financial digital transformation business that serves the entire financial industry by promoting the shift to cloud services and continually releasing niche solution services.

In the Medical Big Data business, the company aims to boost earnings by increasing its share in inspection services through automating the medical receipt inspection process and developing new markets for insurers, enhancing its expertise by actively hiring qualified personnel, and providing high-value-added businesses such as consulting services. At the same time, it aims to evolve into a medical digital transformation service by pursuing different business models, expanding into new areas such as data health, creating seeds by collaborating with academia, and bolstering businesses that leverage medical receipt data by developing advanced commercial products.

In its Global business, the company plans to further strengthen its one-stop support system to enhance its product lineup and expand its business domain in the Asia region. This includes providing ERP implementation consulting services for SAP and other ERP products to support customer digital transformation efforts, and expanding its cloud-based human resource management solution, AGHRM, in the Asia region.

DX & SI		Create seed businesses and expand earnings base through digital transformation co-creation and existing system integration businesses
Packaged Software	GAKUEN	Lead the way in Education Digital Transformation with solid existing services and alliances
	BankNeo	Expand market to the entire banking industry by promoting smart products and financial digital transformation
Medical Big Data		Achieve leading position in each service area by expanding size and improving quality of businesses and multilateral cooperation between industry, academia, and government.
Global		Contribute to group management by expanding business areas, enhancing products, and promoting alliances.
Business Management	Finance / IR	Enhance corporate value and market presence by pursuing return on capital and strengthening domestic and overseas investor relations
	HR	Maximize corporate potential through work style reforms, HR and training measures, and management digital transformation
	R&D	Proactive investment in R&D and new business creation
	PR	Maximize visibility and brand image by stepping up strategic PR efforts
	Sustainability	Build a sustainable growth environment that's a win-win for all parties by promoting sustainability management

Source: Compiled by SIR from Company earnings briefing materials

## Medium-term management targets and growth strategies

### (1) Medium-term management targets

The company stated its medium-term management targets for FY3/26 as part of its Plan for Compliance with Continued Listing Criteria, which it submitted to the Tokyo Stock Exchange in November 2021. Its performance targets call for sales of ¥30,000 mn (8.8% CAGR from FY3/22), recurring profit of ¥3,000 mn (10.0% CAGR), and EPS of ¥289.9 (6.6% CAGR), with an annual dividend of ¥97 per share, 2.4 times the ¥40 per share paid in FY3/22, for a payout ratio of 33%. The target ROE is 15.4%, but the company already reached 16.7% in FY3/22. In the company's case, its profitability has reached a level where a slight increase in net income margin and asset turnover ratio would lift ROE past the previous record of 19.5% in FY3/01 and the second highest of 18.5% in FY3/06, without using leverage.

The company has not yet announced sales targets for each of the new business segments in relation to its medium-term management target of ¥30,000 mn in sales, but based on the previous business segments, the former Software business will likely account for 66.5% (67.5% in FY3/22), the former GAKUEN business for 16.3% (17.1%), the former Medical Big Data business for 8.4% (7.6%), and the former System Sales business for 8.8% (7.8%). The DX & SI business, which includes the former Software business, will account for about 2/3 of the ¥30,000 mn, and the remaining 1/3 will consist of the Packaged Software business, which merged the JAST-branded GAKUEN series and BankNeo, the Medical Big Data business, also a JAST-branded service, and the Global business, which mainly consists of sales in overseas markets.

In terms of measures for achieving the medium-term management targets, the company clearly defined growth strategies for its new business segments (see page 23) starting in FY3/23 as shown in (1) through (4) below, with the aim of making prompt business decisions to capture business opportunities in the accelerating digital transformation movement in society, and to further expand business performance and improve corporate value through highly efficient business management. In addition, since the company has continuously expanded its business results through M&A opportunities in the past, its medium-term management targets also include M&A and alliances with industry, academia, government, and research institutions as an important growth strategy.

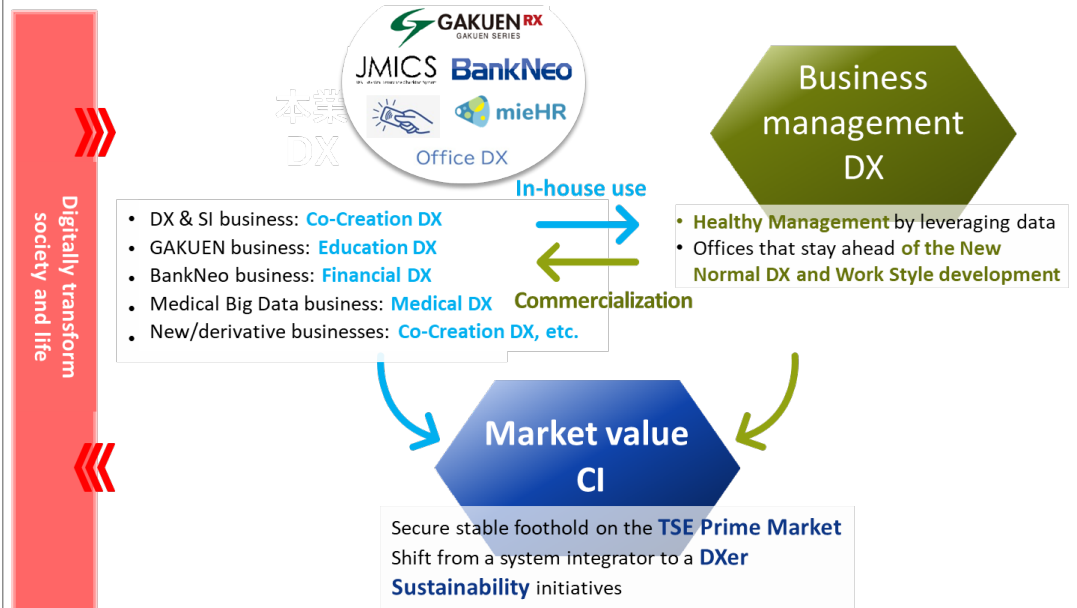
#### Medium-term management target

Target items	FY3/22	FY3/26	CAGR
Sales (billions of yen)	214	300	8.8%
Recurring profit (billions of yen)	20.5	30	10.0%
EPS (yen)	224.7	289.9	6.6%
ROE(%)	16.7	15.4	-
Dividend (yen)	40	97	24.8%

Source: Created by SIR based on company earnings briefing materials

To increase the liquidity of its tradable shares, one of the issues in its medium-term management targets, the company's board of directors resolved on August 22, 2022 to carry out a 2-for-1 stock split of its common shares, effective October 1, 2022, and made an announcement on the same day. Based on this assumption, the current medium-term management target EPS for FY3/26 would be ¥111.70. The annual dividend for FY3/26 will also be revised to ¥48.5 per share.

JAST's digital transformation concept



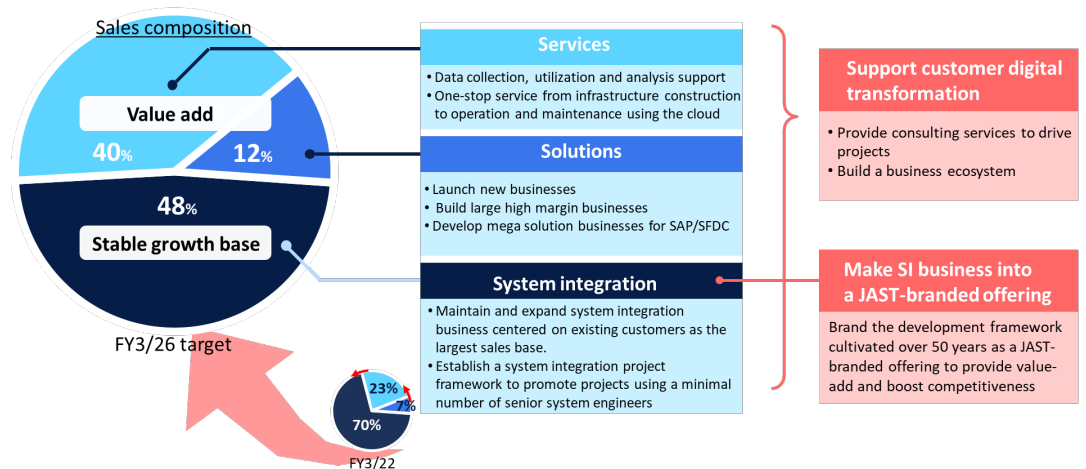
Source: Created by SIR based on company earnings briefing materials

(2) Growth strategies by business

➤ Growth strategy – DX & SI business

The company will divide the DX & SI business into the service, solution, and system integration categories, with the aim of maintaining and expanding its system integration business, which is the foundation for stable growth and holds existing customers with the largest sales. At the same time, it will expand sales of high-value-added services and solutions by providing consulting services to drive projects and building business ecosystems through inter-business and inter-group collaborations.

DX & SI business growth strategy



Source: Created by SIR based on company earnings briefing materials

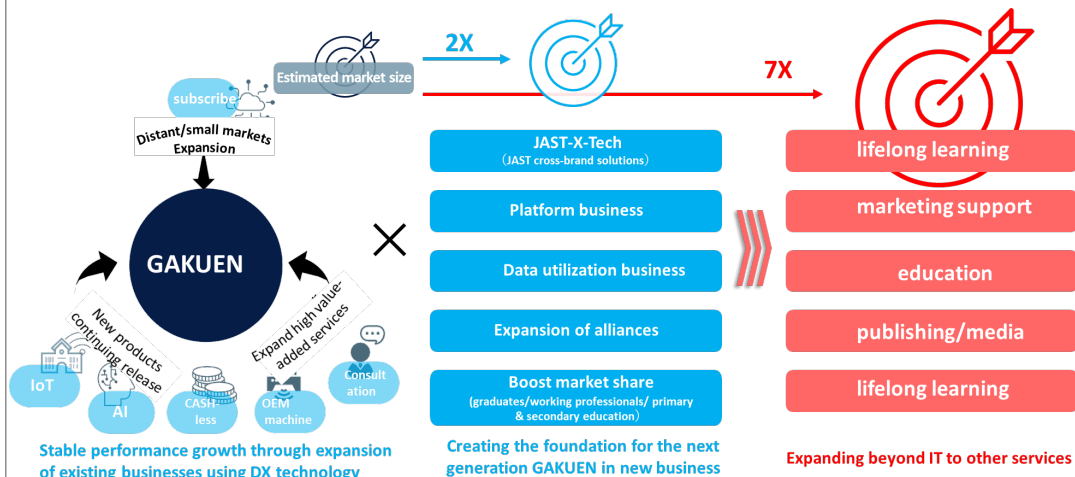


➤ Growth strategy – Packaged Software business

For the JAST-branded GAKUEN series and BankNeo, the company aims to enhance their respective brands and boost market share as the digital transformation movement progresses in the education and financial sectors.

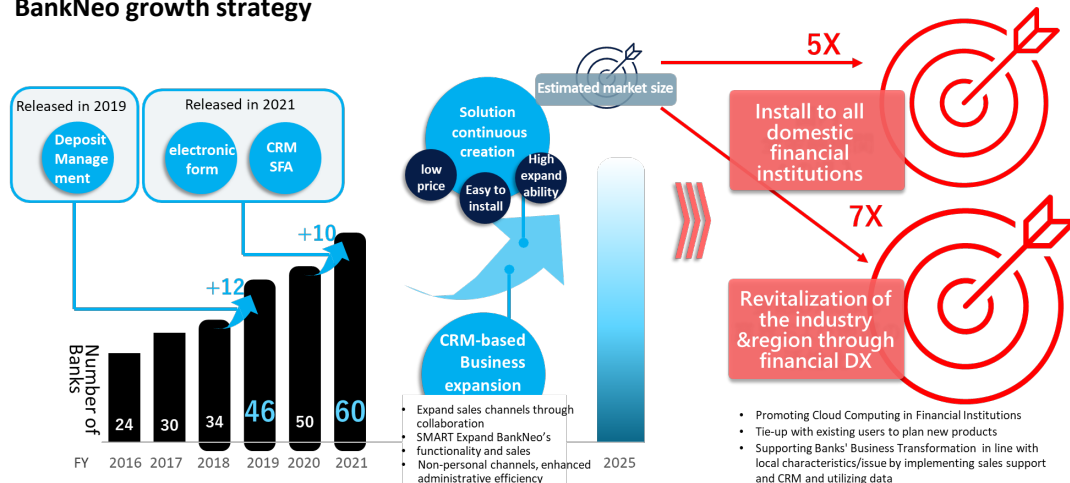
It aims to expand the target market for the GAKUEN series with new services by leveraging its foundation as a leading brand. Some specific examples include JAST-X-Tech (JAST cross-brand solutions), platform business, data utilization business, expansion of alliances, and creating the foundation for the next generation GAKUEN in new business areas covering graduates, working professionals, and primary and secondary education. In addition, the company aims to expand GAKUEN business services beyond IT into areas such as lifelong learning, marketing support, education, publishing/media, and community services. For BankNeo, the company plans to continuously release new solutions centered on the concept of smart, niche, and cloud services. Furthermore, it aims to become a financial digital transformation service provider that contributes to communities by developing its own products and expanding its target markets.

GAKUEN series growth strategy



Source: Created by SIR based on company earnings briefing materials

BankNeo growth strategy

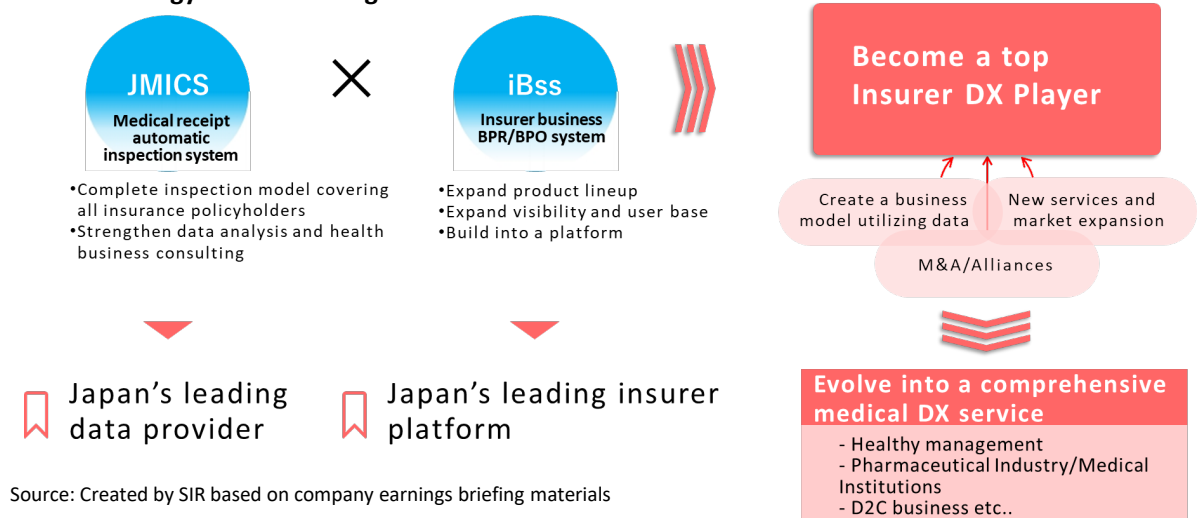


Source: Created by SIR based on company earnings briefing materials

**(3) Growth strategy – Medical Big Data business**

For the Medical Big Data business, the company aims to establish itself as the top data provider in Japan by leveraging its unparalleled strength in terms of the number of medical receipts processed, and to become a top player in insurer digital transformation by leveraging its two platforms under the JAST brand, the JMICS automatic receipt inspection system and the iBss insurer business support system. Furthermore, the company plans to expand its product lineup and, through M&A opportunities and alliances, become a provider of comprehensive medical digital transformation services covering healthy business management, the pharmaceutical industry, medical institutions, and B2C businesses.

**Growth strategy for Medical Big Data business**

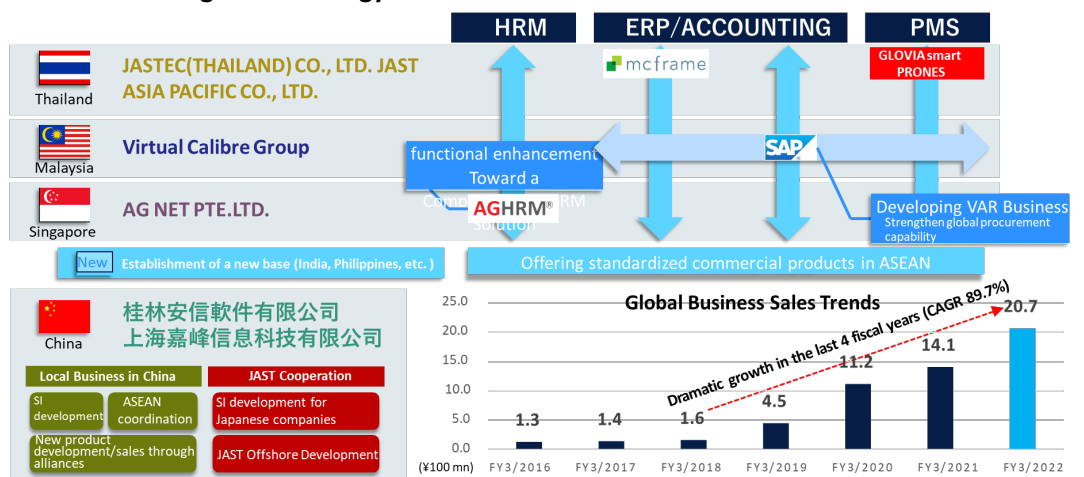


Source: Created by SIR based on company earnings briefing materials

**➤ Growth strategy – Global business**

In the Global business, the company aims to expand its sales channels through M&A opportunities and by establishing new bases in the Asia region, while developing new commercial products and offering standardized commercial products. In China, the company will work to strengthen its business for the local market and enhance coordination with the JAST brand.

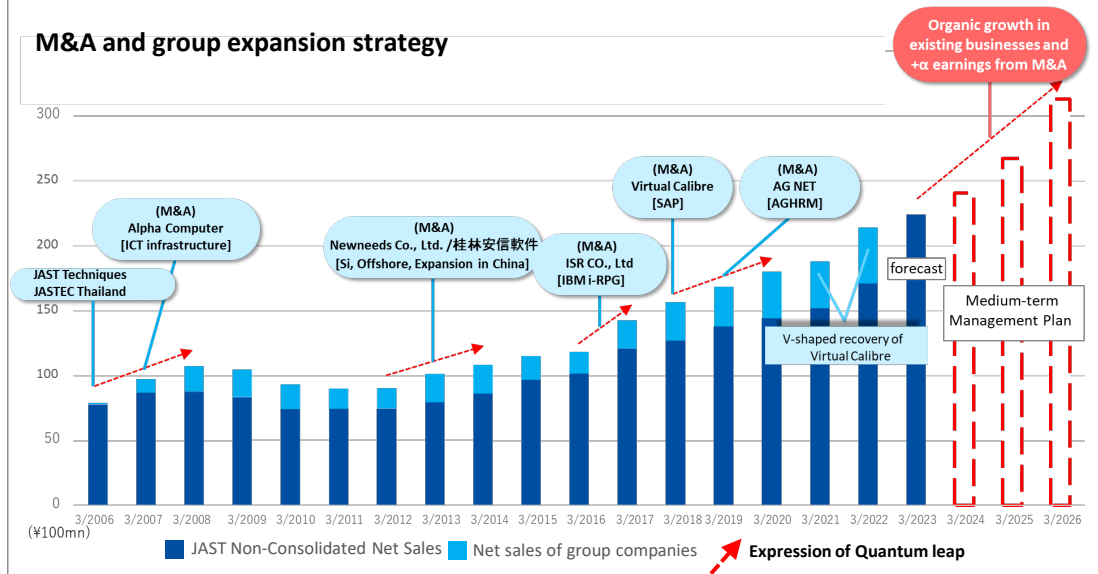
**Global business growth strategy**



Source: Created by SIR based on company earnings briefing materials

➤ Growth strategy – M&A and alliances

JAST expanded overseas quickly, establishing a systems development company JAST TECHNIQUES. PTE. LTD in Singapore in 1983, nine years after the company was established in 1973. Since then, the company has acquired six of its nine overseas subsidiaries through M&A deals. In addition, the company acquired all three of its domestic subsidiaries through M&A deals, and has continued to grow through M&A opportunities since its early days. In its medium-term management plan, the company has positioned M&A with synergy potential, both in the same industry and in other industries, as an important growth strategy. At the same time, the company will actively seek to create new products through industry-academia-government collaboration and alliances with research institutions that leverage its big data.



Source: Created by SIR based on company earnings briefing materials

Adaptation to new areas and alliance strategies

	Big data Data Science	NewNormal DX	Blockchain FinTech	AI, Biometrics, VR	Cloud
DX & SI	✓ Expansion of data science projects	✓ EC Site Building ✓ SAP※2 ✓ Talent Management System ✓ mieHR		✓ Expanding application in SI development ✓ Office DX – facial recognition –	✓ Expanding application in SI development ✓ SAP※2
BankNeo (Packaged Software)	✓ [BankNeo for CRM/SFA]	✓ Deposit Management ✓ electronic form Non-personal/office efficiency enhancement Sales Productivity Improvement Support		Application to Package Functions	✓ [SMART BankNeo]
GAKUEN (Packaged Software)	✓ Management Decision Support (BI) ✓ IR	✓ Smartphone Apps ✓ E-learning	✓ on-campus electronic money	✓ Package function AI-ization	✓ GAKUEN subscription
Medical big data	✓ Expansion of monthly receipts processed data utilization services ✓ Medical Big Data Service, REZULT	Linkage with Textbook Selection DB ✓ Web service, iBss ✓ Prediction model for severe disease B toBtoC product	Blockchain Utilization	Applying additions to the package ✓ Academia Collaboration ✓ AI Health Management Support AI for receipt processing	✓ Cloud version Receipt Inspection
Global	✓ Culture& Education BI	✓ SAP※2    ✓ mcframe※3			✓ AGHRM    ✓ SAP※2
• Alliance • New business creation through in-house ventures	✓ Co-Creation DX Service, MDP ✓ Industry-University-Government Collaboration		✓ Office cashless payment	Business Use of Natural Language Processing	

✓ Current business areas and measures
JAST Brand
under planning/development

Source: Created by SIR based on company earnings briefing materials



## Progress in measures for complying with continued listing criteria

### (1) Prime market criteria and conditions

JAST has moved from the First Section of the Tokyo Stock Exchange to the Prime Market on April 1, 2022, as a result of a change in the Tokyo Stock Exchange's market classification. There were 1,839 companies that were transferred from the First Section to the Prime Market (1,466 to the Standard Market and 466 to the Growth Market). The Prime Market has stipulated liquidity requirements including having a minimum of 800 shareholders, 20,000 tradable shares, ¥10 bn in tradable share market capitalization, 35% tradable share ratio, and average daily trading value of ¥200 mn. However, not all companies that transferred to the Prime Market fulfilled these liquidity requirements. In JAST's case, the only requirement it has not met is the ¥10 bn minimum tradable share market capitalization, with this figure sitting at ¥8.6 bn as of end-August 2022. As of August 31, 2022, there were 271 companies listed on the Prime Market, including the company, with a tradable share market capitalization of less than ¥10 bn. Currently, companies that do not meet the criteria can remain on the Prime Market during the transitional measure period and are required to submit a Plan for Compliance with Continued Listing Criteria to the Tokyo Stock Exchange. Although there are no set dates for the transitional measure period at this time, experts believe that this will last from three to five years.

#### Prime Market Listing Criteria and Company Status

	# of shareholders (persons)	# of tradable shares	Tradable share market capitalization (¥100 mn)	Tradable share ratio (%)	Average daily trading value (¥100 mn)
Prime Market Continued Listing Criteria	800+	20,000+	¥10 bn+	35+%	¥200 mn+
JAST	2,166	35,358	¥8.6 bn	56.8%	¥604 mn+
Compliance	○	○	X	○	○

\* Market capitalization based on the number of shares issued is ¥16,579 mn (based on closing price at end-August 2022).  
Source: Created by SIR based on interviews with the company, TSE website, and stock market data.

### (2) Action plan for boosting market capitalization

As explained in the medium-term management target section earlier, the company submitted a Plan for Compliance with Continued Listing Criteria to the Tokyo Stock Exchange in November 2021. The key items in the plan include medium-term management targets, growth strategies for new business segments, dividend policy, and measures to increase tradable shares, and the company aims to achieve a tradable share market capitalization of ¥10 bn or more at an early stage by FY3/26. Accordingly, the future progress of the company's performance in line with its medium-term management targets will have a substantial impact on its share price. Below are the key items and details in the Plan for Compliance with Continued Listing Criteria submitted to the Tokyo Stock Exchange.

#### Growth in business performance

Based on the medium-term management targets, the company aims to achieve sales of ¥30,000 mn, recurring profit of ¥3,000 mn, and ROE of 15.4% in FY3/26. The company already achieved ROE of 16.7% in FY3/22, which exceeds its ROE target, and will likely set a new target.

**Stock price valuation metrics**

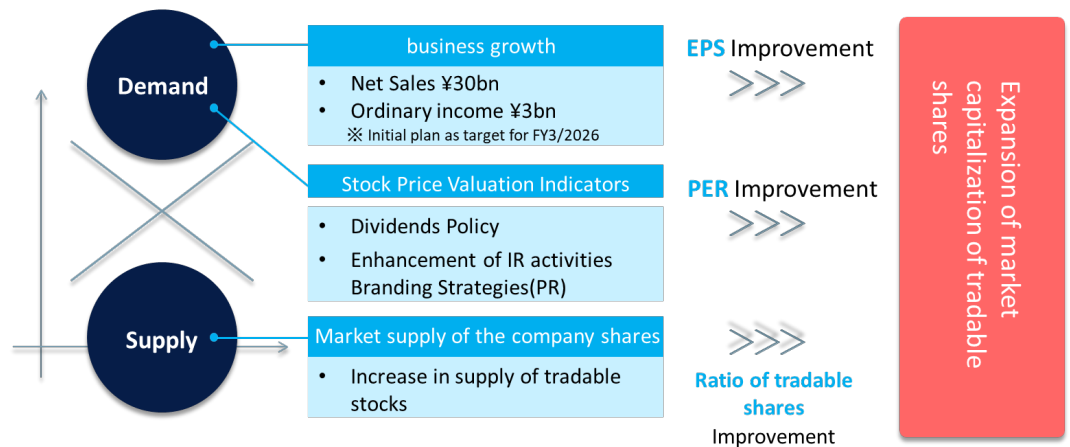
The company is focusing on measures that will improve its share price, and its dividend policy is to pay a dividend of ¥97 per share in FY3/26. In addition, it will enhance its IR activities by preparing English-language earnings summaries, expanding its information distribution network to investors in Japan and overseas, and creating more opportunities for IR events.

As mentioned earlier, the company announced on August 22, 2022 that it will conduct a 2-for-1 stock split, effective October 1, 2022. Accordingly, the ¥97 per share dividend for FY3/26 shown in the current medium-term management plan will likely be revised to ¥48.5 per share in the future.

**Increasing tradable shares**

The company had noted in its medium-term management plan that one of its key priorities was to increase the supply of tradable shares by converting non-tradable shares into tradable shares and improving liquidity through stock splits. As mentioned previously, the company's board of directors announced on August 22, 2022 that it will execute a 2-for-1 stock split, with an effective date of October 1, 2022. This has increased the prospects for the company to fulfill the tradable share market capitalization requirement.

**Plan for boosting market capitalization**



Source: Excerpt from the company's Plan for Compliance with Continued Listing Criteria for the New Market Classification

## Stock price insights



### (1) Stock price trends

The company's share price in 2022 reached its lowest on January 28 at ¥2,011 and its highest on August 1 at ¥2,820. Its recent share price is up about 29% from the lowest and down about 8% from the highest. In addition, in response to the stock split announced on August 22 (a two-for-one common stock split effective October 1, 2022), the stock price was up 6.1% at close on the following August 23, and trading volume jumped 11.8 times to 225,200 shares.

### (2) Valuation

The company's P/E ratio stood at 11.6 times against its initial full-year FY3/23 EPS forecast of ¥223.41 as of its 1Q FY3/23 results announcement on August 10, 2022.

The stock market often compares valuations with similar companies when evaluating stock prices, but it is difficult to select similar companies with exactly the same profitability, business portfolio, customer characteristics, supply chain, capital structure, and so on. In addition, it is difficult to incorporate scarcity and other intangible values that do not appear in financial indicators into a valuation metrics. There are many companies in the system integration industry, and they are contracted by customers in various industries to develop systems for different purposes, and their business environments are considerably different from each other.

Based on this, Sessa Partners selected 75 companies with market capitalizations of at least ¥10 bn (excluding loss-making companies) from the 363 companies that primarily engage in contract software development according to Nikkei's subsector classifications, and compared JAST's valuations against a broad universe of similar companies.

While each investor decides which valuation metrics are useful, the substantial ROE improvement in recent years does not seem to be reflected in the company's valuation. After recovering from the losses in FY3/20 caused by impairment losses stemming from the slump in earnings at overseas subsidiaries, the company's ROE in FY3/22 reached 16.7%, which is higher than the peer average. It is also worth noting that the company's profitability has reached a point where if it improves its asset turnover ratio slightly, it will be able to reach its record high ROE of 19.5% (FY3/01).

Currently, the company's operating margin has yet to reach double digits, and is below the peer average of 13.1%. This may have caused valuations to come below the peer average. The operating profit margin of the company's in-house branded GAKUEN series of business support solutions for educational institutions and JMICS, an automated medical receipt inspection system, is much higher than that of its peers. As such, progress in boosting the value-add for the contract software development business in line with the company's growth strategy will likely lead to higher operating profit margins in the DX & SI business.

### Comparison of valuations with similar companies

	PER (X)	EV/ EVITDA (X)	PBR(X)	PSR(X)	ROE(X)	DPS (%)	OPM (%)	Equity ratio (%)
JAST	11.6	4.5	1.7	0.7	16.7	1.9	9.3	58.9
Average of comparable companies ※	19.0	8.7	2.8	2.1	13.7	2.3	13.1	64.9

Source: Compiled by SIR from SPEEDA data

\* Selected 75 system integrators primarily engaged in software development with a market capitalization of at least ¥10 bn, excluding loss-making companies. P/E ratio was calculated using the company's EPS forecast. P/B ratio and ROE are based on actual results. P/S ratio is calculated using actual sales, and market capitalization is calculated based on the most recent share price.

### Relative Stock Price Chart /TOPIX(Weekly)



Source: TradingView

Non-financial Information

(1) Major share holders

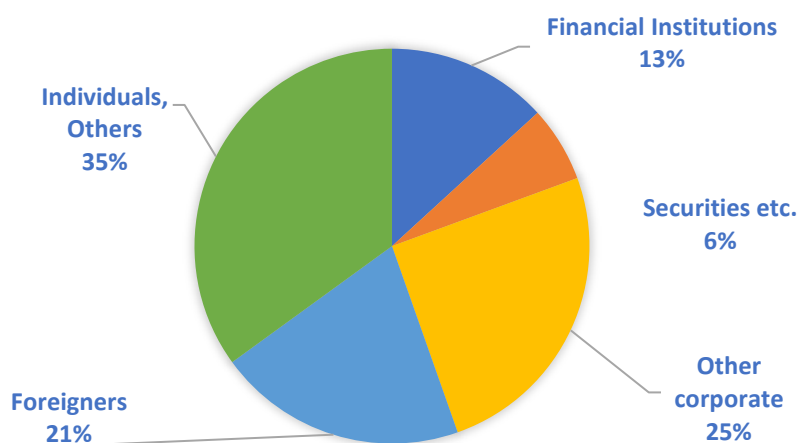
Major share holders Top 10

As of the end of March 2022

Order	Name	Shares owned	Shares Out (%)
1	JUST Co., Ltd		23.36
2	BNYM AS AGT/CLTS NON TREATY JASDEC	625,500	10.08
3	JAST Employee Stock Ownership Plan	593,040	9.55
4	The MasterTrust Bank of Japan, Ltd (Trust account)	454,500	7.32
5	Custody Bank of Japan, Ltd (Trust account)	191,500	3.09
6	Suguru Hirabayashi	139,320	2.24
7	Nomura Securities Co., Ltd.	103,400	1.67
8	Nomura Securities Co., Ltd. (Proprietary Account)	100,000	1.61
9	Takeaki Hirabayashi	96,600	1.56
10	MSCO CUSTOMER SECURITIES	90,900	1.46
<b>TOTAL</b>		<b>3,844,860</b>	<b>61.95</b>

Source: Compiled by SIR from Company annual securities report.

Distribution of Share Ownership by Shareholder Type



Source: Compiled by SIR from Company annual securities report.



(2) Overview of sustainability management



Source: Company earnings briefing materials

(3)SDGs

List of SDG initiatives

Priority issues	Business area	Details	SDGs Theme
Industry and ICT innovation	Overall business	<ul style="list-style-type: none"> <li>Contribute to society by creating and providing information technology</li> <li>Support the transformation of industrial structure with ICT</li> <li>Create a co-creation and collaboration system, and contribute to transforming the ecosystem</li> </ul>	9
Education support that leverages ICT	GAKUEN	<ul style="list-style-type: none"> <li>Provide total solutions that create the future of universities</li> <li>Support high-quality classes by utilizing ICT, and technology-based education</li> <li>Support quality improvement in education by using educational big data</li> <li>Help create a lifetime education environment</li> </ul>	4, 9
Optimizing medical expenses and promoting health	Medical Big Data	<ul style="list-style-type: none"> <li>Contribute to preventing serious illnesses and providing corrective medical care through the use of medical big data</li> <li>Tackle diseases such as infectious diseases and medical issues through joint research with academia, etc.</li> </ul>	3, 9
Healthy management initiatives	Healthy management	<ul style="list-style-type: none"> <li>Promote healthy management</li> <li>Promote regular health checkups and physical examinations</li> <li>Eliminate long working hours</li> <li>Take on initiatives to promote communication (events, etc.)</li> <li>Promote physical and mental health amid COVID-19 pandemic</li> </ul>	3, 8
Providing educational opportunities	Training and education	<ul style="list-style-type: none"> <li>Enhance in-house training system (such as offering in-house certification, etc.)</li> <li>Internships (providing students with work experience as system engineers)</li> <li>Support education and learning through system development</li> </ul>	4
Diversity initiatives	Recruiting and treatment	<ul style="list-style-type: none"> <li>Recruitment and fair treatment without regard to race, nationality, gender, etc.</li> <li>In-house systems that support diverse work styles</li> </ul>	5, 8, 10
Lowering environmental impact	Overall business management	<ul style="list-style-type: none"> <li>Paperless initiatives through promoting office DX</li> <li>Environmental initiatives at offices, data centers, etc.</li> </ul>	7, 13

Source: Company earnings briefing materials

## (4)CSR

### List of CSR initiatives

Core issues for ISO26000	JAST initiatives
<b>Organizational governance</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Strengthen corporate governance</li> <li><input type="checkbox"/> Continuous operation and improvement of internal control system</li> <li><input type="checkbox"/> Establish risk management system</li> <li><input type="checkbox"/> Engage in dialogue with stakeholders</li> </ul>
<b>Human rights</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Respect human rights and prohibit discrimination</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Conduct management activities in accordance with ISO 14001</li> <li><input type="checkbox"/> Promote energy saving in offices</li> </ul>
<b>Work practices</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Promote work-life balance</li> <li><input type="checkbox"/> Promote diversity</li> <li><input type="checkbox"/> Regularly engaged in improvement activities led by the Occupational Health and Safety Committee</li> <li><input type="checkbox"/> Take on health management initiatives</li> </ul>
<b>Fair business practices</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Build awareness of legal compliance (periodic awareness training)</li> </ul>
<b>Consumer issues</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Obtain ISO9001 and Personal Information Protection Management System (P Mark) certifications</li> </ul>
<b>Community involvement and development</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Engage in community cleanup activities</li> <li><input type="checkbox"/> Take on Bell Mark and Eco bottle cap collection activities</li> <li><input type="checkbox"/> Make donations (monetary and in-kind)</li> <li><input type="checkbox"/> Engage in volunteer activities (disaster area support)</li> </ul>

Source: Company earnings briefing materials

## Consolidated Statement of Profit and Loss

¥mn,%	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/20201	3/2022	3/2023 CE
<b>Net Sales [Revenue]</b>	<b>10,828</b>	<b>11,505</b>	<b>11,821</b>	<b>14,223</b>	<b>15,630</b>	<b>16,869</b>	<b>18,020</b>	<b>18,789</b>	<b>21,400</b>	<b>22,400</b>
Cost of sales	8,650	9,149	9,254	11,288	12,285	13,028	13,607	14,169	15,712	
Gross profit	2,179	2,356	2,567	2,936	3,345	3,841	4,412	4,620	5,688	
<i>GP margin</i>	20.1	20.5	21.7	20.6	21.4	22.8	24.5	24.6	26.6	
SG&A	1,751	1,992	2,165	2,365	2,604	2,985	3,441	3,404	3,688	
<b>Operating profit</b>	<b>428</b>	<b>364</b>	<b>402</b>	<b>571</b>	<b>742</b>	<b>856</b>	<b>971</b>	<b>1,216</b>	<b>2,001</b>	<b>2,120</b>
<i>OP margin</i>	4.0	3.2	3.4	4.0	4.7	5.1	5.4	6.5	9.4	9.5
Non operating profit	69	84	52	70	56	47	75	103	61	
Non operating expenses	23	12	12	17	13	33	25	9	9	
<b>Recurrent profit</b>	<b>474</b>	<b>436</b>	<b>441</b>	<b>624</b>	<b>785</b>	<b>870</b>	<b>1,022</b>	<b>1,310</b>	<b>2,053</b>	<b>2,160</b>
<i>RP margin</i>	4.4	3.8	3.7	4.4	5.0	5.2	5.7	7.0	9.6	9.6
Extraordinary profit and loss			0		-7	-384	-738	-345	-87	
Profit before tax	474	436	441	624	779	486	283	965	1,965	
Income tax expense	188	206	167	213	204	176	321	382	633	
<b>Net profit attributable to owners of parent company</b>	<b>279</b>	<b>229</b>	<b>292</b>	<b>411</b>	<b>579</b>	<b>318</b>	<b>-31</b>	<b>579</b>	<b>1,331</b>	<b>1,370</b>
<i>Profit margin</i>	2.6	2.0	2.5	2.9	3.7	1.9	-0.2	3.1	6.2	6.1
Other comprehensive income	26	85	-82	19	63	-72	-82	166	10	
Comprehensive income	312	315	192	430	637	238	-119	749	1,342	

Source: Compiled by SIR from SPEEDA data

## Consolidated Balance Sheet

¥mn	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022
<b>Total Asset</b>	<b>8,817</b>	<b>8,718</b>	<b>9,020</b>	<b>10,281</b>	<b>12,309</b>	<b>13,520</b>	<b>12,988</b>	<b>12,862</b>	<b>15,540</b>
<b>Current Asset</b>	<b>6,563</b>	<b>6,201</b>	<b>6,597</b>	<b>7,751</b>	<b>9,743</b>	<b>9,610</b>	<b>9,603</b>	<b>9,696</b>	<b>12,389</b>
Cash & short term securities	3,320	2,762	2,437	2,366	2,995	4,260	4,110	4,855	6,465
Cash & deposits	3,320	2,762	2,437	2,366	2,995	4,260	3,909	4,855	6,465
Trade receivables							201		
Notes and accounts receivable-trade	2,608	2,784	3,436	4,374	4,992	4,341	4,503	3,954	5,533
Inventories	268	341	408	595	1,290	702	771	716	253
Products & Goods	97	59	78	87	576	130	72	186	148
Other Inventories	170	282	330	509	714	572	700	530	105
Provision for doubtful a/c- current	-4	-5	-4	-4	-37	-38	-19	-13	-6
<b>Fixed Asset</b>	<b>2,254</b>	<b>2,517</b>	<b>2,422</b>	<b>2,531</b>	<b>2,566</b>	<b>3,910</b>	<b>3,385</b>	<b>3,165</b>	<b>3,151</b>
Property, plant and equipment	504	582	525	599	523	558	572	543	547
Land	142	142	142	142	142	142	142	142	142
Intangible assets	131	175	137	158	124	1,064	794	379	274
Goodwill	27	18	10	40	29	988	437	176	103
Investment and other assets	1,619	1,760	1,760	1,773	1,919	2,288	2,019	2,244	2,330
Investment securities(Incl. Shares of subsidiaries & associates)	363	580	564	625	705	689	558	632	543
Investment securities	363	580	564	625	705	689	558	632	543
Deferred tax assets- fixed	235	57	66	77	87	503	437	416	537
Provision for doubtful a/c- fixed	-54	-54	-45	-45	-45	-12	-48	-15	-2
<b>Total Liabilities</b>	<b>3,751</b>	<b>3,285</b>	<b>3,571</b>	<b>4,540</b>	<b>6,062</b>	<b>7,102</b>	<b>6,770</b>	<b>6,011</b>	<b>6,346</b>
<b>Current Liabilities</b>	<b>2,364</b>	<b>2,026</b>	<b>2,265</b>	<b>3,078</b>	<b>4,564</b>	<b>5,588</b>	<b>5,168</b>	<b>4,388</b>	<b>4,621</b>
Trade payable	907	752	908	1,122	2,041	1,128	990	1,022	1,380
Short term debt	2	25	10	47	239	1,566	1,517	428	31
Short term borrowings		23		27	219	1,544	1,500	408	9
Current portion for long term debt	2	2	10	21	21	22	17	20	23
Long term debt	2	2	10	21	21	22	17	20	23
Advances received					652	649	823	605	431
<b>Fixed Liabilities</b>	<b>1,386</b>	<b>1,258</b>	<b>1,306</b>	<b>1,462</b>	<b>1,498</b>	<b>1,514</b>	<b>1,602</b>	<b>1,623</b>	<b>1,724</b>
Long term debt	2		31	54	34	18	14	5	31
Long terms borrowings	2		31	54	34	18	14	5	31
Deferred tax liabilities-fixed						1	61	35	25
Provision for retirement benefit	1,326	1,122	1,173	1,284	1,346	972	994	1,022	1,065
Asset retirement obligations-fixed	71	88	89	103	104	124	128	131	133
<b>Total Net Asset</b>	<b>5,066</b>	<b>5,433</b>	<b>5,448</b>	<b>5,741</b>	<b>6,247</b>	<b>6,418</b>	<b>6,218</b>	<b>6,850</b>	<b>9,194</b>
<b>Total shareholders equity</b>	<b>4,992</b>	<b>5,353</b>	<b>5,396</b>	<b>5,693</b>	<b>6,201</b>	<b>6,381</b>	<b>6,189</b>	<b>6,818</b>	<b>9,159</b>
Shareholders equity	4,864	5,148	5,270	5,545	5,993	6,244	6,136	6,592	8,930
Share capital	1,071	1,077	1,077	1,077	1,077	1,077	1,077	1,077	1,535
Capital surplus	1,033	1,038	999	995	995	1,086	1,114	1,128	1,704
Retained earnings	3,026	3,300	3,461	3,740	4,188	4,359	4,179	4,606	5,865
Treasury shares	-267	-267	-267	-267	-267	-277	-233	-219	-175
Valuation & translation adjustments	128	205	127	148	208	137	54	221	230
Valuation difference on available- for sale securities	52	61	51	86	127	114	113	187	122
Foreign currency translation adjustment	-15	-10	-14	-13	-10	-37	-31	-81	-2
Subscription rights to shares	1							6	
Non-controlling interests	74	80	52	48	46	37	29	32	35

Source: Compiled by SIR from SPEEDA data

## Cash Flows Statement

¥mn	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	3/2022
<b>Cash Flows from Operating Activities</b>	<b>393</b>	<b>-204</b>	<b>-12</b>	<b>133</b>	<b>643</b>	<b>1,342</b>	<b>417</b>	<b>2,131</b>	<b>1,163</b>
Depreciation and Amortization - CF	98	128	130	141	157	160	196	207	171
Depreciation-CF	90	120	115	126	146	120	123	160	140
Amortization of goodwill-CF	8	8	15	15	11	40	73	47	31
Interests and dividend income-Operating CF	15	17	15	14	13	20	23	32	39
Interest expensesi-Operating CF	-2	-2	-2	-2	-1	-3	-4	-3	-1
<b>Cash Flows from Investing Activities</b>	<b>-13</b>	<b>-282</b>	<b>120</b>	<b>494</b>	<b>147</b>	<b>-1,064</b>	<b>-527</b>	<b>87</b>	<b>-81</b>
Securities and purchase of securities	-102	-208	-2	-2	-32	-2	-72	-21	-2
Purchase of investment securities	-102	-208	-2	-2	-32	-2	-72	-21	-2
Sales of securities and investment securities					9			10	23
Sales of investment securities					9			10	23
Gain and sales of property, plant and equipment	-19	-134	-16	-137	-22	-86	-66	-81	-45
Gain of property, plant and equipment	-19	-134	-16	-137	-22	-86	-66	-81	-51
Sales of property, plant and equipment									6
Gain and sales of intangible assets	-92	-17	-25	-13	-27	-29	-30	-22	-32
Gain of intangible assets	-92	-17	-25	-13	-27	-29	-30	-22	-32
<b>Cash Flows from Financing Activities</b>	<b>150</b>	<b>-102</b>	<b>-217</b>	<b>-123</b>	<b>39</b>	<b>1,157</b>	<b>-185</b>	<b>-1,247</b>	<b>487</b>
Proceeds from short-term borrowings		23		27	191	1,326			
Repayment of short-term borrowings	-20		-22				-44	-1,092	-400
Repayment of long-term obligations	-2	-2	-2	-48	-8	-8	-38	-8	-3
Repayment of long-term borrowings	-2	-2	-2	-48	-8	-8	-38	-8	-3
Share issuance cost	294	10					70	29	1,158
Amortization of share issuance cost							0	0	-88
Dividend paid	-120	-133	-134	-132	-132	-147	-150	-152	-152
Effect of exchange rate changes on cash and cash equivalents	4	4	-3	0	5	-16	-2	-26	41
Net increase/decrease in cash and cash equivalents -	534	-584	-112	504	834	1,420	-296	945	1,610
Cash and cash equivalents at beginning of period	1,610	2,144	1,560	1,447	1,951	2,785	4,205	3,908	4,854
Cash and cash equivalents at end of period	2,144	1,560	1,447	1,951	2,785	4,205	3,908	4,854	6,464

Source: Compiled by SIR from SPEEDA data

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