



## FY 2016 First Quarter Consolidated Financial Results (Under Japanese GAAP)



June 16, 2016

Company name: SIOS Technology  
 Shares listed on: Tokyo Stock Exchange  
 Code number: 3744  
 URL: <http://www.sios.com>  
 Representative: Nobuo Kita, Representative Director and President  
 Contact person: Tokutaro Kobayashi, Managing Executive Officer  
 Telephone: 03-6401-5111  
 Scheduled filing date of quarterly securities report: June 16, 2016  
 Scheduled commencement date of dividend payment: -  
 Supplementary materials prepared for quarterly financial results: No  
 Presentation of quarterly financial results: No

### 1. Consolidated Financial Results of FY 2016 Q1 (From January 1, 2016 through March 31, 2016)

(Fractions less than one million yen are rounded off)

(1) Consolidated Results of Operations (cumulative) (Percentage of change from the same period of the previous year)

|            | Net sales   |      | Operating income |        | Ordinary income |        | Quarterly net income attributable to owners of the parent company |   |
|------------|-------------|------|------------------|--------|-----------------|--------|---|---|
|            | Million yen | %    | Million yen      | %      | Million yen     | %      | Million yen   | % |
| FY 2016 Q1 | 3,281       | 56.3 | 223              | 760.1  | 207             | 562.7  | 129   | — |
| FY 2015 Q1 | 2,099       | 10.6 | 25               | (71.2) | 31              | (66.2) | (29)  | — |

Note: Comprehensive income FY 2016 Q1 86 million yen (-%)  
 FY 2015 Q1 (32) million yen (-%)

|            | Quarterly net income per share (Basic) | Quarterly net income per share (Diluted) |
|------------|--|--|
|            | Yen                                    | Yen                                      |
| FY 2016 Q1 | 15.09                                  | 15.08                                    |
| FY 2015 Q1 | (3.47)                                 | —  |

### (2) Consolidated Financial Position

|            | Total assets | Net assets  | Equity ratio |
|------------|--------------|-------------|--------------|
|            | Million yen  | Million yen | %            |
| FY 2016 Q1 | 5,552        | 1,474       | 26.2         |
| FY 2015    | 5,642        | 1,414       | 24.4         |

Note: Equity FY 2016 Q1 1,452 million yen  
 FY 2015 1,376 million yen

### 2. Cash Dividends

|                    | Annual dividend |           |           |          |        |
|--------------------|-----------------|-----------|-----------|----------|--------|
|                    | End of Q1       | End of Q2 | End of Q3 | Year-end | Annual |
|                    | Yen             | Yen       | Yen       | Yen      | Yen    |
| FY 2015            | —               | 0.00      | —         | 0.00     | 0.00   |
| FY 2016            | —               | —         | —         | —        | —      |
| FY 2016 (expected) | —               | 0.00      | —         | 0.00     | 0.00   |

Note: Revision to the previously announced forecasts of dividend: No

### 3. Consolidated Business Forecasts for FY 2016 (From January 1, 2016 through December 31, 2016)

(Percentage of change from previous fiscal year)

|         | Sales       |      | Operating income |   | Ordinary income |   | Profit attributable to owners of the parent company |   | Net income per share |
|---------|-------------|------|------------------|---|-----------------|---|---|---|----------------------|
|         | Million yen | %    | Million yen      | % | Million yen     | % | Million yen   | % | Million yen          |
| FY 2016 | 10,500      | 12.1 | 140              | — | 100             | — | 50  | — | 5.81                 |

Note: Revision to the previously announced business forecasts: No

\* Notes

(1) Material changes in subsidiaries during the three months ended March 31, 2016: No

(Changes in specified subsidiaries resulting in the change of scope of consolidation)

Newly included: –company (Company name) Excluded: –company (Company name)

Notes relating to material changes in subsidiaries during the period

(2) Adoption of special accounting treatments for the preparation of quarterly consolidated financial statements : No

Notes relating to the adoption of special accounting treatments for the preparation of quarterly consolidated financial statements

(3) Changes in accounting policies and accounting estimates and retrospective restatement

- (i) Changes in accounting policies based on revisions of accounting standard : No
- (ii) Changes in accounting policies other than the above (i) : None
- (iii) Changes in accounting estimates : None
- (iv) Retrospective restatement : None

Notes relating to changes in accounting policies

(4) Number of issued and outstanding shares (common stock)

- (i) Number of issued and outstanding shares at the end of the period (including treasury stock)
- (ii) Number of treasury stocks at the end of the period
- (iii) Average number of shares during the period (on a quarterly cumulative basis)

|            |                  |            |                  |
|------------|------------------|------------|------------------|
| FY 2016 Q1 | 8,874,400 shares | FY 2015    | 8,874,400 shares |
| FY 2016 Q1 | 274,241 shares   | FY 2015    | 274,241 shares   |
| FY 2016 Q1 | 8,600,159 shares | FY 2015 Q1 | 8,593,923 shares |

Notes relating to the number of issued and outstanding shares

\* Presentation of the status of progress in carrying out quarterly review procedures

This summary of quarterly consolidated financial results is not subject to a quarterly review to be conducted in accordance with the Financial Instruments and Exchange Law of Japan. At the time of the release of this summary of quarterly consolidated financial results, the quarterly review procedures in accordance with the Financial Instruments and Exchange Law of Japan have not been completed.

\* Proper use of business forecasts and other important matters

Forward-looking statements, such as business forecasts included in this document, are based on currently available information or assumptions that the Company considers reasonable, and business results may differ significantly from forecasts due to various factors. For assumptions used as a basis for making business forecasts and notes on the use of business forecasts, refer to “(3) Forward-looking Statements Including Consolidated Business Forecasts” on Page 3 of the attached document.

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## 1. Qualitative Information on Quarterly Results

### (1) Results of Operations

#### Overview of the consolidated business performance for the three months ended March 31, 2016

The SIOS Group continued to implement its growth initiatives, which are outlined in the Group's medium-term business strategy and focused on investing in research and development, expanding into new business segments including FinTech<sup>(\*)1</sup>, and becoming more competitive in its core businesses, so as to become a leading player in the fast-changing IT industry.

In the three months ended March 31, 2016, the Group continued to invest in machine-learning technology<sup>(\*)2</sup> as part of efforts to invest in R&D, and released an upgraded version of SIOS iQ<sup>(\*)3</sup>, a software platform for IT operations analytics<sup>(\*)4</sup>.

As part of an initiative to expand into new business segments including FinTech, Profit Cube Inc. (PCI), which is the Company's subsidiary, acquired a patent in March 2016 for its proprietary technology that enables greater flexibility and agility of a profit management system for financial institutions. In April 2016, PCI also developed an automated loan-screening system for financial institutions and filed a patent for the technology incorporated into the system.

In an effort to become more competitive in the Group's core businesses, the Group significantly upgraded LifeKeeper<sup>(\*)5</sup>, which is one of its core products, and a software application for multifunction printers<sup>(\*)6</sup> to boost their sales.

With the implementation of these initiatives, business results by segment turned out as follows:

#### Open System Infrastructure Business Segment

The Group increased sales of LifeKeeper in Japan, the Americas, Europe, and Asia/Oceania. Red Hat Enterprise Linux<sup>(\*)7</sup> and other products offered by Red Hat, Inc. also enjoyed robust sales, buoyed by stepped up sales and marketing efforts. Support services for open-source software<sup>(\*)8</sup> (OSS) and OSS-related products also achieved solid sales growth. As a result, net sales in this segment amounted to 1,721 million yen, up 21.4% year on year, with an operating income of 51 million yen, compared with an operating loss of 40 million yen in the same period of the previous fiscal year.

#### Application Business Segment

Sales in this segment increased substantially due to the addition of sales by Keyport Solutions Inc. (KPS) and PCI, both of which the Company acquired in the previous fiscal year. The sharp increase in sales also resulted from the delivery of support services for system implementation to a growing number of corporate customers. As a result, net sales in this segment jumped 128.9% year on year to 1,559 million yen.

The operating income in this segment surged 159.8% year on year to 172 million yen, with an increased gross profit gained from a sales increase more than offsetting an increase in personnel and property lease expenses resulting from the addition of two consolidated subsidiaries mentioned earlier.

Combining these two segments, net sales increased substantially to 3,281 million yen, up 56.3% year on year in the three months ended March 31, 2016, which was a record for the Group's quarterly net sales.

Consequently, the Group posted an operating income of 223 million yen, up 760.1% year on year, an ordinary income of 207 million yen, up 562.7% year on year, and a quarterly net income of 129 million yen, compared with a quarterly net loss of 29 million yen in the year before, attributable to owners of the parent company. The Group's key management indicator EBITDA (operating income + depreciation + amortization of goodwill) stood at 265 million yen, up 587.8% year on year.

As stated in the "Notice of Receipt of Report Submitted by the Internal Investigative Committee," dated June 9, 2016, the Company, recognizing that Kanshin!, Inc. (formerly SIIS Inc.), its consolidated subsidiary, had allegedly conducted inappropriate transactions with respect to its subsidized projects during the period between October 2011 and March 2014, established an internal investigative committee that comprised corporate auditors (including external corporate auditors) and external directors. The committee investigated the allegation with the assistance of external experts including attorneys and certified public accountants, and submitted a report of its findings to the Company's Board of Directors on June 9, 2016.

The committee found that SIIS had conducted transactions inappropriately by outsourcing jobs to subcontractors through its affiliates with a padded amount of outsourcing and other costs, then having the affiliates flow the surplus back to SIIS, and also by overcharging subsidized costs based on overstated SIIS's in-house personnel expenses for the purpose of fraudulently obtaining more

than its fair share of subsidies.

The committee's report states that a portion of the subsidies in question need not necessarily be considered a fraudulently received amount based on padded expenses. If, however, SIIIS is found to have committed a fraudulent act with respect to said subsidies, the decision to grant such subsidies to SIIIS may be reversed retroactively in whole or in part, and the grant of the whole subsidies including said amount may be rescinded. Accordingly, the Company amended its consolidated financial statements, non-consolidated financial statements, and quarterly consolidated financial statements posted in the previous fiscal years to the amount of 125,661 thousand yen, comprising the full amount of subsidies in question (93,661 thousand yen) received by SIIIS and a surcharge to be imposed upon the subsidies (calculated based on an annual interest rate of 10.95%) in accordance with the regulations for granting subsidies.

We appreciate your understanding and support as we endeavor to take actions as soon as possible to prevent the recurrence of such misconducts so as to restore your confidence in the SIOS Group.

(\*1) FinTech

An emerging technology for facilitating innovations in the financial sector.

(\*2) Machine-learning technology

A technology for giving the computer the same learning ability as a human being and for extracting useful information from a variety of data.

(\*3) IT operations analytics

Analyzing data generated in IT operations and converting them into practical and easy-to-digest information.

(\*4) SIOS iQ

A software platform that comprehensively monitors, analyzes, and optimizes operations of applications in virtual and cloud environments to improve performance and efficiency and ensure reliability in resolving complex issues.

(\*5) LifeKeeper

A failover software product that automatically switches a failed primary server to a backup server.

(\*6) Software application for multifunction printers

A multifunction printer (MFP) is a piece of office equipment that incorporates print, scan, copy, and fax capabilities into one unit. SIOS develops, markets, and updates Quick Scan and Speedoc, document management software applications running on an MFP.

(\*7) Red Hat Enterprise Linux

Linux OS developed by the open solution provider Red Hat, Inc.

(\*8) Open-source software

Software whose source code, which is the fundamental component of the program, is made available for free and can be used, modified, and redistributed.

## (2) Financial Position

Current assets amounted to 3,856 million yen, down 1.1% from the end of the previous consolidated fiscal year, mainly due to a decrease of 397 million yen in cash and deposits and an increase of 282 million yen in accounts receivable-trade.

Fixed assets amounted to 1,695 million yen, down 2.7% from the end of the previous consolidated fiscal year, mainly due to a decrease of 25 million yen in investment securities and a decrease of 21 million yen in goodwill.

As a result, total assets amounted to 5,522 million yen (down 1.6% from the end of the previous fiscal year).

(ii) Liabilities

Current liabilities amounted to 2,784 million yen, down 3.1% from the end of the previous fiscal year, due to a decrease of 240 million yen in short-term loans payable.

Fixed liabilities amounted to 1,293 million yen, down 4.6% from the end of the previous fiscal year, due to a decrease of 63 million yen in long-term loans payable.

As a result, total liabilities amounted to 4,077 million yen, down 3.6% from the end of the previous fiscal year.

(iii) Net assets

Total net assets amounted to 1,474 million yen, up 4.3% from the end of the previous fiscal year, mainly due to a quarterly net

income of 129 million yen attributable to owners of the parent company posted in the three months ended March 31, 2016.

### **(3) Forward-looking Statements Including Consolidated Business Forecasts**

There is no change to the full-year consolidated business forecasts for FY 2016 announced on February 2, 2016, as net sales and each of the profit items below operating income, as stated above, remained essentially in line with those in the earlier forecasts.

In addition, as stated in the “Notice of Receipt of Report Submitted by the Internal Investigative Committee,” dated June 9, 2016, it was found that Kanshin!, Inc. (formerly SIIS Inc.), the Company's consolidated subsidiary, had conducted inappropriate transactions with respect to its subsidized projects. Consequently, the Company intends to post in the six months ending June 30, 2016 expenses incurred to investigate SIIS's misconducts as well as expenses incurred to revise publicly released financial statements for previous fiscal years. However, it is impossible to estimate, with reasonable accuracy, the amount of those expenses at this time and quantify its impact on the Group's business performance and financial position for the year. Should any necessity arise of revising the Group's consolidated business forecasts, we will promptly announce revised forecasts.

## **2. Matters Concerning Summary Information (Notes)**

(1) Material changes in subsidiaries during the three months ended March 31, 2016

Not applicable

(2) Adoption of special accounting treatments for the preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies, changes or restatement of accounting estimates

Not applicable

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

|                                     | FY 2015<br>(as of December 31, 2015) | FY 2016 Q1<br>(as of March 31, 2016) |
|-------------------------------------|--------------------------------------|--------------------------------------|
| <b>Assets</b>                       |                                      |                                      |
| Current assets                      |                                      |                                      |
| Cash and deposits                   | 2,206,352                            | 1,808,945                            |
| Notes and accounts receivable-trade | 1,346,277                            | 1,629,137                            |
| Work in progress                    | 114,680                              | 124,163                              |
| Advance payment                     | 106,473                              | 171,197                              |
| Other                               | 127,536                              | 123,655                              |
| Allowance for doubtful accounts     | (200)                                | (200)                                |
| Total current assets                | 3,901,120                            | 3,856,899                            |
| Fixed assets                        |                                      |                                      |
| Tangible fixed assets               |                                      |                                      |
| Buildings (net)                     | 92,841                               | 88,974                               |
| Other (net)                         | 71,963                               | 74,198                               |
| Total tangible fixed assets         | 164,805                              | 163,173                              |
| Intangible fixed assets             |                                      |                                      |
| Goodwill                            | 838,787                              | 817,444                              |
| Other                               | 248,472                              | 242,159                              |
| Total intangible fixed assets       | 1,087,259                            | 1,059,603                            |
| Investment and other assets         |                                      |                                      |
| Investment securities               | 244,983                              | 219,119                              |
| Net defined retirement assets       | 26,249                               | 25,941                               |
| Guarantee deposits                  | 216,140                              | 215,642                              |
| Other                               | 7,193                                | 16,805                               |
| Allowance for doubtful accounts     | (5,071)                              | (5,071)                              |
| Total investment and other assets   | 489,494                              | 472,437                              |
| Total fixed assets                  | 1,741,559                            | 1,695,213                            |
| Total assets                        | 5,642,680                            | 5,552,113                            |

(Unit: thousand yen)

|  | FY 2015<br>(as of December 31, 2015) | FY 2016 Q1<br>(as of March 31, 2016) |
|--|--------------------------------------|--------------------------------------|
| <b>Liabilities</b>   |                                      |                                      |
| Current liabilities  |                                      |                                      |
| Accounts payable-trade   | 543,741                              | 675,210                              |
| Short-term loans payable   | 240,000                              | —                                    |
| Current portion of long-term loans payable                           | 155,442                              | 134,999                              |
| Income taxes payable   | 28,450                               | 92,297                               |
| Advance received   | 1,339,886                            | 1,434,982                            |
| Reserve for bonuses  | 26,678                               | 75,301                               |
| Reserve  | 2,515                                | 4,499                                |
| Other  | 535,653                              | 367,115                              |
| Total current liabilities  | 2,872,367                            | 2,784,406                            |
| Fixed liabilities  |                                      |                                      |
| Long-term loans payable  | 974,765                              | 911,539                              |
| Deferred tax liabilities   | 68,814                               | 67,837                               |
| Reserve for additional payment resulting from repayment of subsidies | 32,267                               | 34,831                               |
| Net defined benefit liabilities                                      | 158,985                              | 162,124                              |
| Other  | 121,448                              | 117,179                              |
| Total fixed liabilities  | 1,356,280                            | 1,293,512                            |
| Total liabilities  | 4,228,648                            | 4,077,918                            |
| Net assets   |                                      |                                      |
| Shareholders' equity   |                                      |                                      |
| Capital stock  | 1,481,520                            | 1,481,520                            |
| Capital surplus  | 474,415                              | 464,992                              |
| Retained earnings  | (321,538)                            | (191,724)                            |
| Treasury stock   | (116,194)                            | (116,194)                            |
| Total shareholders' equity   | 1,518,201                            | 1,638,593                            |
| Accumulated other comprehensive income                               |                                      |                                      |
| Valuation difference on available-for-sale securities                | 1,420                                | (9,065)                              |
| Foreign currency translation adjustment                              | (143,423)                            | (177,269)                            |
| Total accumulated other comprehensive income                         | (142,002)                            | (186,334)                            |
| Equity warrants  | 22,281                               | 21,936                               |
| Non-controlling interests  | 15,551                               | —                                    |
| Total net assets   | 1,414,031                            | 1,474,195                            |
| Total liabilities and net assets                                     | 5,642,680                            | 5,552,113                            |



## (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended March 31

(Unit: thousand yen)

|  | Three months ended March<br>31, 2015<br>(From January 1, 2015<br>through March 31, 2015) | Three months ended March<br>31, 2016<br>(From January 1, 2016<br>through March 31, 2016) |
|--|--|--|
| Sales  | 2,099,816  | 3,281,064  |
| Cost of sales  | 1,308,996  | 2,097,012  |
| Gross margin   | 790,819  | 1,184,052  |
| Selling, general and administrative expenses                                       | 764,826  | 960,492  |
| Operating income   | 25,993   | 223,560  |
| Non-operating revenues   |  |  |
| Interest income  | 565  | 476  |
| Exchange gain  | 7,774  | 5,293  |
| Other  | 77   | 1,657  |
| Total non-operating revenues   | 8,417  | 7,427  |
| Non-operating expenses   |  |  |
| Interest expenses  | 37   | 2,373  |
| Investment loss on the equity method   | —  | 17,682   |
| Loss on investment of investment partnership                                       | —  | 676  |
| Provision for Reserve for additional payment resulting from repayment of subsidies | 2,563  | 2,563  |
| Other  | 504  | 227  |
| Total non-operating expenses   | 3,105  | 23,524   |
| Ordinary income  | 31,305   | 207,464  |
| Extraordinary income   |  |  |
| Gain on reversal of equity warrants  | 1,231  | 1,166  |
| Total extraordinary gain   | 1,231  | 1,166  |
| Extraordinary loss   |  |  |
| Loss on retirement of fixed assets   | 341  | 116  |
| Loss on withdrawal from employees' pension fund                                    | 13,738   | —  |
| Total extraordinary loss   | 14,080   | 116  |
| Quarterly net income before income taxes   | 18,457   | 208,514  |
| Income taxes-current   | 48,252   | 79,732   |
| Income taxes-deferred  | —  | (1,950)  |
| Total income taxes   | 48,252   | 77,781   |
| Quarterly net income (loss)  | (29,794)   | 130,733  |
| Quarterly net income attributable to non-controlling interests                     | —  | 918  |
| Quarterly net income (loss) attributable to owners of the parent                   | (29,794)   | 129,814  |

Quarterly Consolidated Statements of Comprehensive Income

Three months ended March 31

(Unit: thousand yen)

|  | Three months ended March 31,<br>2015<br>(From January 1, 2015<br>through March 31, 2015) | Three months ended March 31,<br>2016<br>(From January 1, 2016<br>through March 31, 2016) |
|--|--|--|
| Quarterly net income (loss)  | (29,794)   | 130,733  |
| Other comprehensive income   |  |  |
| Foreign currency translation adjustment                                  | (2,638)  | (33,846)   |
| Valuation difference on available-for-sale securities                    | —  | (10,485)   |
| Total other comprehensive income   | (2,638)  | (44,332)   |
| Quarterly comprehensive income   | (32,433)   | 86,400   |
| (Comprehensive income attributable to)                                   |  |  |
| Quarterly comprehensive income attributable to owners of the parent      | (32,433)   | 85,482   |
| Quarterly comprehensive income attributable to non-controlling interests | —  | 918  |

### (3) Notes to Quarterly Consolidated Financial Statements

#### Notes to Going Concern Assumption

Not applicable

#### Notes to Significant Changes in Shareholders' Equity

Not applicable

#### Segment Information

##### 【Segment Information】

I. For the three months ended March 31, 2015 (From January 1, 2015 through March 31, 2015)

1. Information on the amount of sales and income/loss by reportable segment

(Unit: thousand yen)

|                                   | Reportable segment                  |                      |           | Adjustments | Amount recorded in quarterly consolidated statements of income (Note) |
|-----------------------------------|-------------------------------------|----------------------|-----------|-------------|---|
|                                   | Open system infrastructure business | Application business | Total     |             |   |
| Net sales                         |                                     |                      |           |             |   |
| Sales to external customers       | 1,418,530                           | 681,285              | 2,099,816 | —           | 2,099,816   |
| Inter-segment sales and transfers | 279                                 | —                    | 279       | (279)       | —   |
| Total                             | 1,418,809                           | 681,285              | 2,100,095 | (279)       | 2,099,816   |
| Segment income (loss)             | (40,376)                            | 66,369               | 25,993    | —           | 25,993  |

Note: The total amount of segment income (loss) is equal to operating income recorded in the quarterly consolidated statements of income.

#### Supplementary Information

Information by region

In addition to the disclosure required by “Accounting Standard for Quarterly Financial Statements,” information (Sales) by region is disclosed in accordance with “Accounting Standard for the Disclosure of Segment Information” for the purpose of providing users of financial statement with valuable information.

Net sales

Three months ended March 31, 2016

(From January 1, 2016 through March 31, 2016)

(Unit: thousand yen)

| Japan     | Americas | Europe | Other regions | Total     |
|-----------|----------|--------|---------------|-----------|
| 1,985,703 | 72,329   | 23,319 | 18,463        | 2,099,816 |

Note: Sales are classified by country or region in which customers are located.

2. Information on impairment loss of fixed assets or goodwill by reportable segment

Not applicable

II. For the three months ended March 31, 2016 (From January 1, 2016 through March 31, 2016)

1. Information on the amount of sales and income/loss by reportable segment

(Unit: thousand yen)

|                                   | Reportable segment                  |                      |           | Adjustments | Amount recorded in quarterly consolidated statements of income (Note) |
|-----------------------------------|-------------------------------------|----------------------|-----------|-------------|---|
|                                   | Open system infrastructure business | Application business | Total     |             |   |
| Net sales                         |                                     |                      |           |             |   |
| Sales to external customers       | 1,721,466                           | 1,559,598            | 3,281,064 | —           | 3,281,064   |
| Inter-segment sales and transfers | 16                                  | —                    | 16        | (16)        | —   |
| Total                             | 1,721,482                           | 1,559,598            | 3,281,080 | (16)        | 3,281,064   |
| Segment income                    | 51,154                              | 172,405              | 223,560   | —           | 223,560   |

Note: The total amount of segment income is equal to operating income recorded in the quarterly consolidated statements of income.

**Supplementary Information**

Information by region

In addition to the disclosure required by “Accounting Standard for Quarterly Financial Statements,” information (Sales) by region is disclosed in accordance with “Accounting Standard for the Disclosure of Segment Information” for the purpose of providing users of financial statement with valuable information.

For the three months ended March 31, 2016 (From January 1, 2016 through March 31, 2016)

(Unit: thousand yen)

| Japan     | Americas | Europe | Other regions | Total     |
|-----------|----------|--------|---------------|-----------|
| 3,106,036 | 114,113  | 35,956 | 24,958        | 3,281,064 |

Note: Sales are classified by country or region in which customers are located.

2. Matters related to changes in reportable segments

The Group’s Web application business segment is shown as application business segment from the current fiscal year, considering that its business has expanded into fields beyond web applications. Accordingly, the segment formerly presented as the “Web application business” has changed to the “application business” from the three months ended March 31, 2016. Likewise, the segment information pertaining to said segment for the three months ended March 31, 2015 is presented under the “application business.”

This change in the segment name has no impact on the segment information.

3. Information on impairment loss of fixed assets or goodwill by reportable segment

Not applicable

**Significant Subsequent Events**

Revision to publicly released financial results for previous fiscal years

As stated in the “Notice of Receipt of Report Submitted by the Internal Investigative Committee,” dated June 9, 2016, it was found that Kanshin!, Inc. (formerly SIIS Inc.), the Company's consolidated subsidiary, had conducted inappropriate transactions with respect to its subsidized projects. Consequently, the Company intends to post in the six months ending June 30, 2016 expenses incurred to investigate SIIS's misconducts as well as expenses incurred to revise publicly released financial statements for previous fiscal years. However, it is impossible to estimate, with reasonable accuracy, the amount of those expenses at this time and quantify its impact on the Group's business results and financial position for the year. Should any necessity arise of revising the Group's consolidated earnings forecasts, we will promptly announce revised forecasts.