



Consolidated Financial Result

(For the 9-month period ended September 30, 2022)



October 27, 2022

Company name: **SIOS Corporation**
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 Stock exchange listings: Tokyo Stock Exchange (TSE)
 Code number : 3744
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Scheduled date for filing of quarterly financial report: November 14, 2022

(Note) All figures in the financial statements are rounded down to the nearest millionth.
 ‘-’ indicates a loss or negative figure.

1. Consolidated results (January 1, 2022 through September 30, 2022) (% of change from previous third quarter)

(1) Consolidated business results

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|------------------------|-------------|------|------------------|---|-----------------|---|-------------|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| 9-month period(2022/9) | 10,686 | -8.7 | -468 | - | -419 | - | -566 | - |
| 9-month period(2021/9) | 11,707 | 11.2 | 279 | - | 312 | - | 224 | 99.6 |

(Note) Comprehensive income

As of September. 30, 2022: -435 million yen/ -%

As of September. 30, 2021: 266 million yen/ 184.0%

| | Net income per share - Basic | Net income per share - Diluted |
|------------------------|---------------------------------|-----------------------------------|
| | Yen | Yen |
| 9-month period(2022/9) | -65.31 | - |
| 9-month period(2021/9) | 25.88 | - |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| 9-month period(2022/9) | 5,796 | 1,361 | 22.1 |
| FY2021 | 6,649 | 1,897 | 27.7 |

(Reference) Equity

As of September. 30, 2022: 1,280 million yen

As of Dec. 31, 2021: 1,838 million yen

2. Cash dividends

| Record Date | Dividend per share | | | | |
|-------------------|--------------------|---------|-----------|----------|--------|
| | End of Q1 | Interim | End of Q3 | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY2021 | - | 0.00 | - | 15.00 | 15.00 |
| FY2022 | - | 0.00 | - | | |
| FY2022 (expected) | | | | 10.00 | 10.00 |

(Note) Revisions to recent dividend forecast: None

3. Forecast of consolidated results for FY2022 (January 1, 2022 through December 31, 2022)

(% of change from previous year)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|--------|-------------|------|------------------|---|-----------------|---|-------------|---|-------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| FY2022 | 15,000 | -4.6 | -550 | - | -500 | - | -650 | - | -74.98 |

(Note) Revisions to recent business forecast: None

4. Others

- (1) Reclassification of significant subsidiaries during the period (Reclassification due to change in scope of consolidation): None
 (2) Application of special accounting methods for the preparation of the consolidated quarterly financial statements: None
 (3) Change in accounting policies, accounting estimates and restatement
 (i) Change in accounting policies associated with revision of accounting standards: YES
 (ii) Change arising from other factors: None
 (iii) Change in accounting estimates: None
 (iv) Restatement: None
 (4) Number of outstanding shares (common shares)

| | | | | |
|--|----------------------------|------------------|----------------------------|------------------|
| (i) Number of outstanding shares (including treasury stock) | Third quarter of FY2022 | 8,874,400 shares | FY2021 | 8,874,400 shares |
| (ii) Number of treasury stock | Third quarter of FY2022 | 205,838 shares | FY2021 | 205,838 shares |
| (iii) Average number of outstanding shares (9-month period) | Third quarter of FY2022 | 8,668,562 shares | Third quarter of FY2021 | 8,668,562 shares |

Explanation about proper use of forecasts of consolidated financial results and other special notes

- Information Regarding the Audit Review Procedure: This report is outside the scope of the procedures for quarterly review of financial statements as required under the financial instruments and Exchange Act of Japan. The aforementioned procedures have not been completed as of the time of disclosure of this document.
- Net income per share was calculated by the number of outstanding shares (excluding treasury stocks) at the end of fiscal year.
- Forecasts announced by the company referred to above were prepared based on management's assumption with information available at this time and therefore involve known and unknown risks and uncertainties. Please note such risks and uncertainties may cause the actual results to be materially different from the forecasts.
- This information to above is an UNOFFICIAL English-language translation of the original Japanese-language version. The format and contents of this document are defined by the requirements of the Tokyo Stock Exchange's Standard. To the extent that there are discrepancies between this translation and the original version, the original version shall be definitive.

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1. Qualitative Information on Quarterly Results

(1) Results of Operations

During the nine months ended September 30, 2022, the global economy continued to face lingering uncertainty amid the pervasive COVID-19 pandemic, the Russia-Ukraine conflict, the sharp devaluation of the Japanese yen, and the prolonged chip shortages.

To better adapt to this fast-changing socioeconomic landscape, many businesses continued to invest aggressively in implementing digital transformation (DX)¹ solutions, including making greater use of cloud environments. In this business environment, the SIOS Group leveraged its vast technical expertise and experience in open-source software development to offer corporate clients the right solutions to assist them in moving forward with DX, with a focus on products and services that work in the cloud, as well as the SaaS² business.

The Group achieved consolidated business results by segment for the period under review as follows:

On a side note, effective at the beginning of the period under review, the Company has adopted the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, issued on March 31, 2020) in its financial reporting.

(i) Open System Infrastructure Business Segment

While sales of LifeKeeper³, which is one of the Group's core software products, declined in Japan, its sales were strong in the Americas, Asia, and Oceania. In contrast, sales of Red Hat Enterprise Linux⁴ and other software products sourced from Red Hat, Inc.⁵ plummeted. This was primarily because high-volume sales to corporate clients were sluggish, due to delays in their system development projects caused by longer delivery lead times for hardware products at the height of chip shortages. As a result, net sales in this segment fell 11.6% year on year to 6,395 million yen.

The Group posted a segment loss of 20 million yen, compared with a profit of 271 million yen the year before, due to the decrease in sales described above and an increase in personnel expenses.

The application of the Accounting Standard for Revenue Recognition had no effect on the segment sales or profit during the period under review.

(ii) Application Business Segment

Revenue from the Gluegent series⁶ and software applications for MFP⁷ was up year on year. Sales of the management support system were slow to financial institutions. This was primarily because of delays in their system development projects, caused by longer delivery lead times for hardware products at the height of chip shortages. Combined with the effect of the application of the Accounting Standard for Revenue Recognition, net sales in this segment were down 4.3% year on year, to 4,282 million yen.

The Group posted a segment loss of 455 million yen, compared with a profit of 7 million yen the year before, due to the decrease in sales described above, an increase in personnel expenses, and an increase in investments in new products and services, mainly in the Med Tech⁸ category.

The application of the Accounting Standard for Revenue Recognition resulted in a decrease of 344 million yen in segment sales and an increase of 22 million yen in segment profit.

The Group's combined net sales in these two segments for the period under review were down 8.7% year on year, to 10,686 million yen. The Company posted a consolidated operating loss of 468 million yen, compared with an operating profit of 279 million yen the year before, and an ordinary loss of 419 million yen, which reflected 40 million yen of the share of profit of entities accounted for using the equity method, compared with an ordinary profit of 312 million yen a year earlier. The Company posted a loss of 566 million yen, attributable to owners of parent, compared with a profit of 224 million yen the year before. The loss included an impairment loss of 29 million yen on non-current assets associated with sales of the management support system to financial institutions, and deferred income taxes of 77 million yen resulting from the reversal of deferred tax assets.

The application of the Accounting Standard for Revenue Recognition resulted in a decrease of 344 million yen in consolidated net sales, an increase of 22 million yen each in operating profit and ordinary profit, and an increase of 27 million yen in profit attributable to owners of parent.

The Group's key management metrics EBITDA (the sum of operating profit, depreciation, and amortization of goodwill) and ROIC (ratio obtained by dividing operating profit after tax by the sum of shareholders' equity and interest-bearing debts) for the fiscal year under review are as follows:

EBITDA: -383 million yen, compared with +338 million yen for the same period the previous year

ROIC (annualized): -26.1%, compared with +10.9% for the same period the previous year

- 1 Digital transformation(DX)
A process in which a company uses data and digital technology to transform its products, services, and business models to more effectively respond to constantly changing business environments and deliver greater value to customers and society as well as to transform its business processes and organizational structure and culture to gain greater competitive advantage.
- 2 SaaS
Software as a Service. A software licensing and distribution model that allows users to connect to and use cloud-based software applications over the internet.
- 3 LifeKeeper
A failover software product that automatically switches a failed primary server to a backup server.
- 4 Red Hat Enterprise Linux
Linux OS developed by the open solution provider Red Hat, Inc.
- 5 Red Hat, Inc. Related Items
Linux OS product developed by Red Hat, Inc., a provider of open source solutions.
- 6 Gluegent series
Service products designed to assist corporate clients in achieving greater operational efficiency using cloud solutions. The series includes the Gluegent Gate cloud-based management of user IDs, the Gluegent Flow cloud-based workflow system, and the Gluegent Apps Group Scheduler, which incorporated a function to manage schedules of team members into Google Calendar.
- 7 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.
- 8 Med Tech
Short for medical technology.
It refers to technology that delivers medical services through software applications.

(2) Financial Position

(i) Assets

Current assets amounted to 4,983 million yen as of September 30, 2022, down 13.7% from the end of the previous fiscal year, reflecting primarily a decrease of 674 million yen in cash and deposits.

Non-current assets amounted to 813 million yen, down 7.1%, reflecting a decrease of 34 million yen in guarantee deposits.

As a result, total assets decreased 12.8% to 5,796 million yen.

(ii) Liabilities

Current liabilities amounted to 3,974 million yen, down 6.9% from the previous fiscal year-end, reflecting primarily a decrease of 307 million yen in accounts payable trade.

Non-current liabilities amounted to 460 million yen, down 4.7%, reflecting primarily a decrease of 49 million yen in long-term borrowings.

As a result, total liabilities decreased 6.7%, to 4,434 million yen.

(iii) Net assets

Total net assets amounted to 1,361 million yen, down 28.2% from the previous fiscal year-end, reflecting primarily a decrease of 688 million yen in retained earnings.

(3) Forward-looking Statements Including Consolidated Business Forecasts

The consolidated business forecasts for the fiscal year ending December 31, 2022, remain unchanged from those announced on July 28, 2022. The Company will announce promptly an update on consolidated business forecasts if any material change should arise.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

| | FY 2021 (as of December 31, 2021) | FY 2022 Q3 (as of September 30, 2022) |
|--|--------------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,148,805 | 2,474,280 |
| Notes and accounts receivable-trade | 2,101,204 | — |
| Notes and accounts receivable - trade, and contract assets | — | 1,868,258 |
| Merchandise | 6,842 | 10,005 |
| Work in progress | 81,243 | 3,732 |
| Advance payments to suppliers | 223,317 | 245,799 |
| Other | 213,671 | 381,722 |
| Allowance for doubtful accounts | -200 | -200 |
| Total current assets | 5,774,885 | 4,983,600 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings (net) | 59,276 | 56,426 |
| Other (net) | 61,929 | 48,595 |
| Total tangible fixed assets | 121,206 | 105,022 |
| Intangible fixed assets | | |
| Software | 86,913 | 59,955 |
| Software in progress | 11,524 | 29,879 |
| Other | 1,781 | 1,441 |
| Total intangible fixed assets | 100,218 | 91,275 |
| Investment and other assets | | |
| Investment securities | 289,222 | 366,947 |
| Retirement benefit asset | 53,453 | 51,877 |
| Guarantee deposits | 172,939 | 138,851 |
| Other | 142,205 | 63,338 |
| Allowance for doubtful accounts | -4,221 | -4,221 |
| Total investment and other assets | 653,599 | 616,793 |
| Total fixed assets | 875,025 | 813,091 |
| Total assets | 6,649,910 | 5,796,691 |

(In thousands of yen)

| | December 31, 2021 | September 30, 2022 |
|---|-------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 1,216,499 | 909,196 |
| Current portion of long-term borrowings | 109,000 | 66,000 |
| Lease liabilities | 6,000 | 5,368 |
| Income taxes payable | 24,484 | — |
| Advances received | 2,399,175 | — |
| Contract liabilities | — | 2,657,322 |
| Other | 513,734 | 336,533 |
| Total current liabilities | 4,268,894 | 3,974,421 |
| Non-current liabilities | | |
| Long-term borrowings | 181,500 | 132,000 |
| Retirement benefit liability | 271,844 | 303,645 |
| Lease liabilities | 18,353 | 13,099 |
| Long-term deposits received | 11,632 | 11,632 |
| Other | — | 27 |
| Total non-current liabilities | 483,331 | 460,405 |
| Total liabilities | 4,752,225 | 4,434,827 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,481,520 | 1,481,520 |
| Legal retained earnings | 630,831 | -57,310 |
| Treasury shares | -87,254 | -87,254 |
| Total shareholders' equity | 2,025,096 | 1,336,954 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | -3,592 | 972 |
| Deferred gains or losses on hedges | — | 52 |
| Foreign currency translation adjustment | -182,701 | -57,043 |
| Total accumulated other comprehensive income | -186,294 | -56,017 |
| Subscription rights to shares | 58,882 | 80,927 |
| Total net assets | 1,897,685 | 1,361,864 |
| Total liabilities and net assets | 6,649,910 | 5,796,691 |

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive IncomeQuarterly Consolidated Statements of Income
Nine months ended September 30

(In thousands of yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|---|---|---|
| Net sales | 11,707,510 | 10,686,284 |
| Cost of sales | 8,079,864 | 7,285,377 |
| Gross profit | 3,627,646 | 3,400,907 |
| Selling, general and administrative expenses | 3,348,367 | 3,869,156 |
| Operating profit (loss) | 279,278 | -468,249 |
| Non-operating income | | |
| Interest income | 3,412 | 4,231 |
| Gain on valuation of derivatives | 42,370 | 135,244 |
| Share of profit of entities accounted for using equity method | 28,956 | 40,415 |
| Other | 7,231 | 9,550 |
| Total non-operating income | 81,970 | 189,441 |
| Non-operating expenses | | |
| Interest expenses | 1,689 | 1,235 |
| Loss on investments in investment partnerships | — | 4,450 |
| Foreign exchange losses | 46,451 | 135,444 |
| Other | 255 | — |
| Total non-operating expenses | 48,396 | 141,130 |
| Ordinary profit (loss) | 312,853 | -419,939 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 74 | — |
| Total extraordinary income | 74 | — |
| Extraordinary losses | | |
| Impairment losses | — | 29,909 |
| Loss on retirement of non-current assets | 2,856 | 2,409 |
| Total extraordinary losses | 2,856 | 32,319 |
| Profit (loss) before income taxes | 310,071 | -452,258 |
| Income taxes - current | 56,289 | 36,381 |
| Income taxes - deferred | 29,438 | 77,489 |
| Total income taxes | 85,727 | 113,870 |
| Profit (loss) | 224,343 | -566,128 |
| Profit (loss) attributable to owners of parent | 224,343 | -566,128 |

Quarterly Consolidated Statements of Comprehensive Income
Nine months ended September 30

(Unit: thousand yen)

| | Nine months ended September 30, 2021 (From January 1, 2021 through September 30, 2021) | Nine months ended September 30, 2022 (From January 1, 2022 through September 30, 2022) |
|---|--|--|
| Profit (loss) | 224,343 | -566,128 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,367 | 4,564 |
| Deferred gains or losses on hedges | — | 52 |
| Foreign currency translation adjustment | 39,187 | 125,147 |
| Share of other comprehensive income of entities accounted for using equity method | -415 | 510 |
| Total other comprehensive income | 42,139 | 130,276 |
| Quarterly comprehensive income | 266,483 | -435,852 |
| (Comprehensive income attributable to) | | |
| Quarterly comprehensive income attributable to owners of the parent | 266,483 | -435,852 |

**(3) Notes to Quarterly Consolidated Financial Statements
(Notes to Going Concern Assumption)**

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition)

Effective at the beginning of the period under review, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020) in its financial reporting. Under this standard, the Company recognizes revenue when control of a promised good or service has been transferred to a customer, and the recognized amount of revenue is the amount of the consideration expected to be received from the customer in exchange for the good or service.

With the application of the Accounting Standard for Revenue Recognition, the Company has made the following changes to its accounting policies:

(1) Recognizing revenue from transactions in which the Group acts as an agent

When the Group acts as an agent in providing a good or service to a customer, the Company previously recognized as revenue the total amount of the consideration to be received from the customer in exchange for the good or service. Under the new accounting policy, the Company recognizes as revenue the net amount after the amount to be paid to the supplier (principal) for the product or service is deducted from the amount of the consideration to be received from the customer.

(2) Recognizing revenue from made-to-order software development projects

The Company previously recognized revenue from made-to-order software development projects, based on the percentage-of-completion method when the outcome of the completed portion of development was deemed certain, and based on the completed-contract method when it was not. Under the new accounting policy, the Company recognizes revenue from such a project over a period of time, based on a reasonably estimated performance obligation satisfied to date as a percentage of the total obligation to be performed under the contract. In cases where such a reasonable estimate cannot be made, the Company recognizes revenue based on the cost-recovery method.

In a contract under which a performance obligation is expected to be fully satisfied shortly after the transaction begins, the Company employs an alternative method of recognizing revenue only when the performance obligation is fully satisfied.

(3) Recognizing revenue from the transfer of control of a licensed intellectual property

The Company previously recognized revenue from the transfer of control of a licensed intellectual property when the right to access the property was granted to a customer.

Under the new accounting policy, the Company recognizes revenue when the customer has acquired the ability to direct the use of, and receive the benefit from, a licensed intellectual property.

In accordance with the transitional treatment as permitted in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the Company has treated the assumed cumulative amount of effect from retroactively applying the new accounting policies up to the end of the previous fiscal year as an adjustment to retained earnings at the beginning of the period under review, and has begun to apply the new accounting policies to the beginning balance of retained earnings from the period under review.

As a result of the application of these new accounting policies, consolidated net sales decreased by 344.179 million yen for the period under review; cost of sales decreased by 367.006 million yen; operating profit, ordinary profit, and profit before income taxes increased by 22.827 million yen each; deferred income taxes decreased by 4.238 million yen; and profit attributable to owners of parent increased by 27.065 million yen. Retained earnings increased by 8.014 million yen at the beginning of the period under review.

With the application of the Accounting Standard for Revenue Recognition, "Notes and accounts payable trade," presented

under "Current Assets" in the Consolidated Balance Sheet for the previous fiscal year, is included in "Notes, accounts payable trade, and contract assets," beginning in the period under review. "Advances received," presented under "Current Liabilities" in the Consolidated Balance Sheet for the previous fiscal year, is included in "Contract liabilities," beginning in the period under review.

In accordance with the transitional treatment as permitted in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not restated the results for the previous fiscal year, using the new presentation methods described above.

(Application of the Accounting Standard for Fair Value Measurement)

Effective at the beginning of the period under review, the Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, issued on July 4, 2019) in its financial reporting. In accordance with the transitional treatment as permitted in Paragraph 19 of the standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, issued on July 4, 2019), the Company will prospectively apply a new accounting policy as prescribed by the Accounting Standard for Fair Value Measurement. The application of this new accounting policy has no effect on the Company's quarterly consolidated financial statements.

(Segment Information)**【Segment Information】**

I. For the nine months ended September 30, 2021 (From January 1, 2021 through September 30, 2021)

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 | 7,232,576 | 4,474,484 | 11,707,060 | 450 | 11,707,510 |
| Inter-segment sales and transfers | 920 | 15,458 | 16,379 | -16,379 | — |
| Total | 7,233,496 | 4,489,943 | 11,723,439 | -15,929 | 11,707,510 |
| Segment profit (loss) | 271,157 | 7,671 | 278,828 | 450 | 279,278 |

Note: The total amount of segment profits is equal to the operating profit presented in the Consolidated Statements of Income for the period under review.

(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

Nine months ended September 30, 2021

(From January 1, 2021 through September 30, 2021)

(Unit: thousand yen)

| Japan | Americas | Europe | Other regions | Total |
|------------|----------|---------|---------------|------------|
| 11,231,753 | 308,167 | 113,038 | 54,550 | 11,707,510 |

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 nine months ended September 30, 2022 (From January 1, 2022 through September 30, 2022)

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 | 6,395,070 | 4,282,653 | 10,677,723 | 8,561 | 10,686,284 |
| Inter-segment sales and transfers | — | 5,342 | 5,342 | -5,342 | — |
| Total | 6,395,070 | 4,287,995 | 10,683,065 | 3,219 | 10,686,284 |
| Segment profit | -20,999 | -455,811 | -476,810 | 8,561 | -468,249 |

Note: The total amount of segment losses is equal to the operating loss presented in the Consolidated Statements of Income for the period under review.

(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 nine months ended September 30, 2022 (From January 1, 2022 through September 30, 2022)

(Unit: thousand yen)

| Japan | Americas | Europe | Other regions | Total |
|------------|----------|---------|---------------|------------|
| 10,112,955 | 380,692 | 125,305 | 67,331 | 10,686,284 |

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

(Significant impairment loss on non-current assets)

The Company posted an impairment loss of 29.909 million yen on non-current assets in the Application Business Segment.

3. Changes in reportable segments

As described in “Changes in accounting policies,” effective at the beginning of the period under review, the Company has adopted the Accounting Standard for Revenue Recognition and revised the accounting methods for revenue recognition. Accordingly, the Company has changed the methods of accounting for net sales and profit/loss for each reportable segment.

As a result of this change, net sales in the Application Business Segment for the period under review decreased by 344.179 million yen, and the segment profit increased by 22.827 million yen, compared with the numbers under the previous method. The change had no effect on net sales or profit/loss in the Open System Infrastructure Business Segment.

(Additional Information)

There is no significant change to the assumptions we made earlier about the effect that the COVID-19 crisis might have on the Group's business performance going forward, which were provided in the "Additional information" section of the Company's securities filings for the fiscal year ended December 31, 2021.

(Significant subsequent events)

Not applicable