



# Consolidated Financial Results for the Six Months Ended June 30, 2016 (Under Japanese GAAP)



July 29, 2016

Company name: SIOS Technology, Inc.  
 Shares listed on: Tokyo Stock Exchange  
 Code number: 3744  
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 Scheduled filing date of quarterly securities report: August 12, 2016  
 Scheduled commencement date of dividend payment: -  
 Supplementary materials prepared for quarterly financial results: Yes  
 Presentation of quarterly financial results: Yes (for institutional investors and analysts)

## 1. Consolidated Financial Results for the Six Months Ended June 30, 2016 (From January 1, 2016 through June 30, 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 (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended June 30, 2016	6,238	42.0	330	—	292	—	88	—
Six months ended June 30, 2015	4,392	21.1	(55)	—	(38)	—	(59)	—

Note: Comprehensive income (loss) Six months ended June 30, 2016 (2) million yen (-%)  
 Six months ended June 30, 2015 (48) million yen (-%)

	Net income (loss) per share (Basic)	Net income per share (Diluted)
	Yen	Yen
Six months ended June 30, 2016	10.34	10.32
Six months ended June 30, 2015	(6.90)	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2016	5,597	1,392	24.5
As of December 31, 2015	5,642	1,414	24.4

Note: Equity As of June 30, 2016 1,370 million yen  
 As of December 31, 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	—	0.00	—	0.00	0.00
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	Net income attributable to	Net income per share

							owners of the parent company		
FY 2016	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	11,500	22.8	370	—	310	—	100	—	11.62

Note: Revision to the previously announced business forecasts: Yes

\* Notes

(1) Material changes in subsidiaries during the six months ended June 30, 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 : Yes

(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)

FY 2016 Q2	8,874,400 shares	FY 2015	8,874,400 shares
FY 2016 Q2	260,841 shares	FY 2015	274,241 shares
Six months ended June 30, 2016	8,605,613 shares	Six months ended June 30, 2015	8,597,058 shares

(ii) Number of treasury stocks at the end of the period

(iii) Average number of shares during the period (cumulative from the beginning of the fiscal year)

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 4 of the attached document.

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## 1. Qualitative Information on Consolidated Results

### (1) Results of Operations

#### Overview of the consolidated business performance for the six months ended June 30, 2016

In the six months ended June 30, 2016, the SIOS Group's net sales soared by 42.0% year on year to 6,238 million yen, bolstered by the addition of sales by Keyport Solutions, Inc. (KPS) and Profit Cube Inc. (PCI), both of which the Company acquired in the previous fiscal year.

In addition to an increased gross margin resulting from the addition of sales by KPS and PCI, the Group enjoyed a year-on-year increase in operating income from existing businesses, which comprise LifeKeeper, software applications for multifunction printers, and support services for system implementation, as we delivered these products and services to a growing number of corporate customers. As a result, the Group posted an operating income of 330 million yen for the first half of FY 2016, compared with an operating loss of 55 million yen in the same period of the previous fiscal year, and an ordinary income of 292 million yen, compared with an operating loss of 38 million yen in the same period of the previous year. The Group also posted a net income of 88 million yen attributable to owners of the parent company, including the recognition of expenses related to a retrospective adjustment of 139 million yen as extraordinary loss, compared with a net loss of 59 million yen in the same period of the previous fiscal year. The Group's key management indicator EBITDA, which is the sum of operating income, depreciation, and amortization of goodwill, stood at 417 million yen, compared with a negative of 21 million yen in the same period of the previous fiscal year.

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

In the six months ended June 30, 2016, as part of an initiative to expand into new business segments including FinTech, PCI, which is the Company's subsidiary, acquired a patent for its new proprietary technology that enables greater flexibility and agility of a profit management system for financial institutions. PCI also developed an automated loan-screening system for financial institutions and filed a patent for the technology incorporated into the system.

As part of efforts to invest in research and development, the Group continued to invest in machine-learning technology<sup>(\*)2</sup> and released an upgraded version of SIOS iQ<sup>(\*)3</sup>, a software platform for IT operations analytics<sup>(\*)4</sup>, to provide greater versatility.

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 software applications for multifunction printers<sup>(\*)6</sup>, and expanded services for open-source software<sup>(\*)7</sup> (OSS) for cloud<sup>(\*)8</sup>.

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 OSS and OSS-related products also achieved solid sales growth. As a result, net sales in this segment amounted to 3,203 million yen, up 18.1% year on year, with a segment income of 81 million yen, compared with a loss of 88 million yen in the same period of the previous fiscal year.

#### Application Business Segment

Net sales in this segment increased substantially due to the addition of sales by KPS and PCI, both of which the Company acquired in the previous fiscal year. The increase in sales also resulted from the delivery of software applications for multifunction printers and support services for system implementation to a growing number of corporate customers. As a result, net sales in this segment soared 80.7% year on year to 3,034 million yen.

The income in this segment surged 658.7% year on year to 249 million yen, with an increased gross profit gained from a sales increase more than offsetting an increase in personnel costs and rents resulting from the addition of the two consolidated subsidiaries mentioned earlier.

The Company, to reflect the impact of inappropriate accounting practices found to be conducted by Kanshin!, Inc. (formerly SIIS

Inc.), which is one of its consolidated subsidiaries, revised its publicly released consolidated financial statements for past fiscal years, as stated in the “Notice Regarding the Submission of FY 2016 Q1 Consolidated Financial Results, the Revision of Consolidated Financial Results for Past Fiscal Years, the Filing of Amendments to Past Securities Reports, and Dividends of Retained Earnings and Acquisition of Treasury Stocks in Past Fiscal Years” dated June 16, 2016.

Furthermore, in the “Notice Regarding Measures to Prevent the Recurrence of Inappropriate Accounting Practices by the Company’s Consolidated Subsidiaries” dated July 8, 2016, the Company announced preventive measures to be implemented across the Group. The outline of the measures is as follows:

- (1) Perform thorough due diligence when considering acquiring other companies
- (2) Enhance the corporate governance structure in every company in the SIOS Group
- (3) Ensure that every company in the SIOS Group has a heightened awareness of regulatory compliance

We appreciate your understanding and support as we endeavor to take actions to prevent the recurrence of misconduct so as to ensure regulatory compliance by the Company and its subsidiaries and 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) 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.

(\*4) IT operations analytics

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

(\*5) LifeKeeper

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

(\*6) Software applications 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) 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.

(\*8) Cloud

A new form of computing that provides computing resources as services over the Internet.

(\*9) Red Hat Enterprise Linux

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

## (2) Financial Position

< Assets, liabilities and net assets >

(i) Assets

Current assets amounted to 3,927 million yen as of June 30, 2016, up 0.7% from the end of the previous fiscal year, mainly due to an increase of 66 million yen in advance payments and a decrease of 46 million yen in notes and accounts receivable-trade.

Fixed assets amounted to 1,670 million yen, down 4.1% from the end of the previous fiscal year, mainly due to a decrease of 57 million yen in investment securities.

As a result, total assets amounted to 5,597 million yen, down 0.8% from the end of the previous fiscal year.

(ii) Liabilities

Current liabilities amounted to 3,063 million yen as of June 30, 2016, up 6.6% from the end of the previous fiscal year, mainly due to an increase of 295 million yen in advance received and a decrease of 240 million yen in short-term loans payable.

Fixed liabilities amounted to 1,141 million yen, down 15.8% from the end of the previous fiscal year, mainly due to a decrease

of 96 million yen in long-term loans payable and a decrease of 93 million yen in long-term deposits received.

As a result, total liabilities amounted to 4,204 million yen, down 0.6% from the end of the previous fiscal year.

(iii) Net assets

Total net assets amounted to 1,392 million yen, down 1.5% from the end of the previous fiscal year, mainly due to a net income of 88 million yen attributable to owners of the parent company posted for the six months ended June 30, 2016, and a decrease of 80 million yen in foreign currency translation adjustment.

<Cash flow>

As of June 30, 2016, the balance of cash and cash equivalents (hereinafter “cash”) amounted to 2,118 million yen, an increase of 72 million yen from the end of the previous fiscal year.

For the six months ended June 30, 2016, cash flows by segment were as follows:

- Cash flows from operating activities

Net cash provided by operating activities amounted to 636 million yen, compared with a gain of 110 million yen in the same period of the previous fiscal year, mainly due to net income of 152 million yen before income taxes, depreciation and amortization of 44 million yen, an increase of 356 million yen in advance received, an increase of 114 million yen in notes and accounts payable-other, and a decrease of 51 million yen in notes and accounts payable-trade.

- Cash flows from investing activities

Net cash used in investing activities amounted to 55 million yen, compared with the use of 41 million yen in the same period of the previous fiscal year, mainly due to proceeds of 160 million yen from withdrawal of time deposits, payment of 131 million yen into time deposits, and payment of 49 million yen for guarantee deposits.

- Cash flows from financing activities

Net cash used in financing activities amounted to 376 million yen, compared with the use of 42 million yen in the same period of the previous fiscal year, mainly due to a decrease of 240 million yen in short-term loans payable and a decrease of 117 million yen in long-term loans payable.

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

Taking the current business environment and other factors into account, we revised the full-year consolidated business forecasts for FY 2016, which were announced on February 2, 2016.

The details are described in the “Notice Regarding the Posting of Extraordinary Loss and Revision of Business Forecasts,” separately released on July 29, 2016.

Business forecasts are calculated at 110 yen to the US dollar.

## 2. Matters Concerning Summary Information (Notes)

### (1) Material changes in subsidiaries during the six months ended June 30, 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

Six months ended June 30, 2016  
(From January 1, 2016 through June 30, 2016)

- Application of Accounting Standard for Business Combinations

Effective at the beginning of the first quarter of the current fiscal year, the Company adopted the “Revised Accounting Standard for

Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013). Under these revised accounting standards, the Company recognizes as capital surplus any difference arising from changes in the Company's ownership interests in its subsidiaries over which the Company retains control, and recognizes the acquisition-related costs as expenses in the fiscal year in which they are incurred. In addition, regarding a business combination conducted at or after the beginning of the first quarter of the current fiscal year, the Company, when it finalizes its provisional accounting treatments, revises acquisition cost allocation in the quarterly consolidated financial statements to which the date of the business combination belongs. Furthermore, the Company changed the way its quarterly net income is presented, and records minority interests as non-controlling interests. To reflect these changes in presentation, the consolidated financial statements for the six months ended June 30, 2015, and for the previous fiscal year were reclassified.

In the consolidated statements of cash flows for the six months ended June 30, 2016, cash flows related to the acquisition or sale of shares of subsidiaries not resulting in changes in the scope of consolidation are recognized under “cash flows from financing activities,” and cash flows related to the cost associated with the acquisition of shares of subsidiaries resulting in changes in the scope of consolidation or to the cost associated with the acquisition or sale of shares of subsidiaries not resulting in changes in the scope of consolidation are recognized under “cash flows from operating activities.”

With respect to the application of the Accounting Standard for Business Combinations and other accounting standards, the Company has been following the transitional arrangement set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures since the beginning of the first quarter of the current fiscal year.

As a result, capital surplus decreased by 9 million yen at the end of the second quarter of the current fiscal year.

- Change in Depreciation Method

In accordance with the revision of the Corporation Tax Act of Japan, the Company adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, issued on June 17, 2016) in the six months ended June 30, 2016, and changed the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

This change has no impact on the consolidated financial statements for the six months ended June 30, 2016.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheet

(In thousands of yen)

	As of December 31, 2015	As of June 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	2,206,352	2,250,466
Notes and accounts receivable-trade	1,346,277	1,299,791
Work in progress	114,680	94,253
Advance payment	106,473	173,226
Other	127,536	109,713
Allowance for doubtful accounts	(200)	(200)
Total current assets	3,901,120	3,927,251
Fixed assets		
Tangible fixed assets		
Buildings (net)	92,841	85,356
Other (net)	71,963	73,552
Total tangible fixed assets	164,805	158,908
Intangible fixed assets		
Goodwill	838,787	796,101
Other	248,472	232,564
Total intangible fixed assets	1,087,259	1,028,665
Investment and other assets		
Investment securities	244,983	187,389
Net defined benefit assets	26,249	24,795
Guarantee deposits	216,140	260,098
Other	7,193	15,419
Allowance for doubtful accounts	(5,071)	(5,071)
Total investment and other assets	489,494	482,630
Total fixed assets	1,741,559	1,670,205
<b>Total assets</b>	<b>5,642,680</b>	<b>5,597,457</b>



(In thousands of yen)

	As of December 31, 2015	As of June 30, 2016
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	543,741	490,160
Short-term loans payable	240,000	—
Current portion of long-term loans payable	155,442	134,474
Lease obligations	1,244	1,265
Income taxes payable	28,450	86,409
Advance received	1,339,886	1,635,188
Reserve for bonuses	26,678	41,009
Reserve for loss on orders received	2,515	10,398
Provision for surcharge resulting from repayment of subsidies	—	37,395
Other	534,409	626,893
<b>Total current liabilities</b>	<b>2,872,367</b>	<b>3,063,196</b>
Fixed liabilities		
Long-term loans payable	974,765	878,008
Deferred tax liabilities	68,814	66,590
Provision for surcharge resulting from repayment of subsidies	32,267	—
Net defined benefit liabilities	158,985	169,905
Lease obligations	5,132	4,494
Long-term deposits received	109,955	16,294
Other	6,359	6,413
<b>Total fixed liabilities</b>	<b>1,356,280</b>	<b>1,141,705</b>
<b>Total liabilities</b>	<b>4,228,648</b>	<b>4,204,902</b>
Net assets		
Shareholders' equity		
Capital stock	1,481,520	1,481,520
Capital surplus	474,415	466,563
Retained earnings	(321,538)	(232,547)
Treasury stock	(116,194)	(110,516)
<b>Total shareholders' equity</b>	<b>1,518,201</b>	<b>1,605,018</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,420	(9,845)
Foreign currency translation adjustment	(143,423)	(224,412)
<b>Total accumulated other comprehensive income</b>	<b>(142,002)</b>	<b>(234,258)</b>
Equity warrants	22,281	21,795
Non-controlling interests	15,551	—
<b>Total net assets</b>	<b>1,414,031</b>	<b>1,392,554</b>
<b>Total liabilities and net assets</b>	<b>5,642,680</b>	<b>5,597,457</b>

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

Consolidated Statements of Income  
for six months ended June 30

(In thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Sales	4,392,454	6,238,401
Cost of sales	2,812,076	3,969,671
Gross margin	1,580,378	2,268,729
Selling, general and administrative expenses	1,636,064	1,938,404
Operating income (loss)	(55,685)	330,325
Non-operating income		
Interest income	946	718
Foreign exchange gain	13,091	10,488
Compensation received	10,000	—
Other	1,030	4,292
Total non-operating income	25,068	15,499
Non-operating expenses		
Interest expenses	76	3,686
Loss on investment of investment partnership	1,967	4,254
Provision for surcharge resulting from repayment of subsidies	5,127	5,127
Equity in losses of affiliates	—	38,081
Other	509	2,057
Total non-operating expenses	7,682	53,207
Ordinary income (loss)	(38,299)	292,617
Extraordinary income		
Gain on sale of investment securities	8,169	—
Gain on negative goodwill	11,386	—
Gain on reversal of equity warrants	1,231	1,166
Total extraordinary income	20,787	1,166
Extraordinary loss		
Loss on valuation of golf club membership	—	1,350
Loss on retirement of fixed assets	341	379
Loss on withdrawal from employees' pension fund	13,739	—
Loss on valuation of investment securities	—	799
Expense related to retrospective adjustment	—	139,212
Total extraordinary loss	14,081	141,741
Net income (loss) before income taxes	(31,593)	152,043
Income taxes-current	27,154	65,926
Income taxes-deferred	—	(3,792)
Total income taxes	27,154	62,134
Net income (loss)	(58,747)	89,909
Net income attributable to non-controlling interests	600	918
Net income (loss) attributable to owners of the parent company	(59,347)	88,990

Consolidated Statements of Comprehensive Income  
for six months ended June 30

(In thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net income (loss)	(58,747)	89,909
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	1,938	(11,266)
Foreign currency translation adjustment	7,924	(80,989)
Total other comprehensive income (loss)	9,863	(92,255)
Comprehensive income (loss)	(48,883)	(2,346)
Comprehensive income (loss) attributable to:		
Owners of the parent company	(49,484)	(3,264)
Non-controlling interests	600	918

**(3) Consolidated Statements of Cash Flows**

(In thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
<b>Cash flows from operating activities</b>		
Net income (loss) before income taxes	(31,593)	152,043
Depreciation and amortization	28,575	44,077
Provision for surcharge resulting from repayment of subsidies	5,127	5,127
Amortization of premiums	60	—
Amortization of goodwill	5,196	42,686
Gain on negative goodwill	(11,386)	—
Increase (decrease) in reserve for loss on orders received	(9,379)	7,883
Interest and dividends income	(976)	(1,172)
Interest expenses	—	3,686
Compensation received	(10,000)	—
Loss (gain) on sale of investment securities	(8,169)	—
Loss on valuation of golf club membership	—	1,350
Loss on retirement of fixed assets	341	23
Loss (gain) on investment of investment partnership	1,967	4,254
Investment loss (gain) on the equity method	—	38,081
Gain on reversal of equity warrants	(1,231)	(1,166)
Foreign exchange loss (gain)	(79)	816
Decrease (increase) in notes and accounts receivable-trade	132,913	24,104
Decrease (increase) in inventories	3,488	20,426
Increase (decrease) in notes and accounts payable-trade	(66,703)	(51,656)
Increase (decrease) in net defined benefit liabilities	11,442	10,919
Increase (decrease) in advance received	68,607	356,801
Decrease (increase) in advance payment	42,225	(66,772)
Increase (decrease) in notes and accounts payable-other	6,878	114,432
Decrease (increase) in notes and accounts receivable-other	849	(4,871)
Increase (decrease) in consumption taxes payable	36,250	(74,184)
Other	6,017	(12,146)
Sub-total	210,424	614,743
Interest and dividends income	978	1,172
Interest expenses paid	—	(3,686)
Income taxes refund	—	38,155
Income taxes paid	(101,020)	(13,827)
Net cash provided by (used in) operating activities	110,382	636,557
<b>Cash flows from investing activities</b>		
Payment into time deposits	—	(131,200)
Proceeds from withdrawal of time deposits	—	160,000
Purchase of tangible fixed assets	(6,465)	(16,228)
Purchase of intangible fixed assets	(19,176)	(7,649)
Payment of guarantee deposits	—	(49,592)
Proceeds from collection of guarantee deposits	1,432	166
Purchase of golf club membership	(3,958)	(8,776)
Purchase of shares of subsidiaries resulting in changes in the scope of consolidation	(107,414)	—
Purchase of shares of subsidiaries and affiliates	—	(2,205)
Purchase of investment securities	(480,265)	—
Proceeds from sales of investment securities	573,940	—
Other	208	163

(In thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Net cash provided by (used in) investing activities	(41,697)	(55,321)
Cash flows from financing activities		
Cash dividends paid	(42,730)	(28)
Repayment of short-term loans payable	—	(240,000)
Repayment of long-term loans payable	(1,554)	(117,725)
Purchase of shares of subsidiaries not resulting in changes in the scope of consolidation	—	(25,888)
Proceeds from exercise of stock option	1,258	7,181
Proceeds from issuance of equity warrants	921	—
Net cash provided by (used in) financing activities	(42,105)	(376,460)
Effect of exchange rate changes on cash and cash equivalents	13,665	(131,861)
Increase (decrease) in cash and cash equivalents	40,244	72,913
Cash and cash equivalents at beginning of period	1,882,108	2,045,352
Cash and cash equivalents at end of period	1,922,353	2,118,266

**(4) Notes to Consolidated Financial Statements**

**Notes to Going Concern Assumption**

Not applicable

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

Not applicable

## Segment Information

### 【Segment Information】

I. Six months ended June 30, 2015

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

(In thousands of 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	2,712,807	1,679,647	4,392,454	—	4,392,454
Inter-segment sales and transfers	279	—	279	(279)	—
Total	2,713,086	1,679,647	4,392,733	(279)	4,392,454
Segment income (loss)	(88,532)	32,846	(55,685)	—	(55,685)

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

## Supplementary Information

Information by region

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

Net sales

For the six months ended June 30, 2015

(In thousands of yen)

Japan	Americas	Europe	Other regions	Total
4,119,846	166,615	58,311	47,681	4,392,454

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

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

### Significant gain on negative goodwill

In the application business segment, negative goodwill resulted from the acquisition of shares of Keyport Solutions, Inc.

Gain on negative goodwill from this event amounted to 11,386,000 yen in the six months ended June 30, 2016.

II. Six months ended June 30, 2016

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

(In thousands of 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	3,203,462	3,034,939	6,238,401	—	6,238,401
Inter-segment sales and transfers	311	—	311	(311)	—
Total	3,203,773	3,034,939	6,238,712	(311)	6,238,401
Segment income	81,104	249,221	330,325	—	330,325

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 the “Accounting Standard for Quarterly Financial Statements,” information (sales) by region is disclosed in accordance with the “Accounting Standard for the Disclosure of Segment Information” for the purpose of providing users of financial statements with valuable information.

Net sales

For the six months ended June 30, 2016

(In thousands of yen)

Japan	Americas	Europe	Other regions	Total
5,883,577	229,644	68,115	57,063	6,238,401

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 the application business segment effective from the current fiscal year, considering that the business has expanded into fields beyond web applications. Accordingly, the segment formerly presented as the “Web application business” was reclassified to the “application business” effective from the three months ended March 31, 2016. Likewise, the segment information pertaining to the said segment for the six months ended June 30, 2015, is presented under the “application business.”

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

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

Not applicable

**Significant Subsequent Events**

Not applicable