



## Consolidated Financial Result

(For the 9-month period ended September 30, 2021)



October 28, 2021

Company name: **SIOS Corporation**  
 Address: 2-12-3 Minami Azabu, Minato-ku, Tokyo 106-0047 Japan  
 Stock exchange listings: Tokyo Stock Exchange (TSE)  
 Code number : 3744  
 URL: <https://www.sios.com/>  
 Representative: Nobuo Kita, Representative Director  
 Contact: Tokutaro Kobayashi, S.V.P. of Finance & Accounting  
 Phone: +81-3-6401-5111

Scheduled date for filing of quarterly financial report: November 12, 2021

(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, 2021 through September 30, 2021) (% 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	%
<b>9-month period(2021/9)</b>	<b>11,707</b>	<b>11.2</b>	<b>279</b>	-	<b>312</b>	-	<b>224</b>	<b>99.6</b>
9-month period(2020/9)	10,529	3.9	-6	-	-2	-	112	-

(Note) Comprehensive income

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

As of September. 30, 2020: 93 million yen/ -%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>9-month period(2021/9)</b>	<b>25.88</b>	-
9-month period(2020/9)	12.97	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
<b>9-month period(2021/9)</b>	<b>6,398</b>	<b>1,736</b>	<b>26.3</b>
FY2020	6,851	1,548	21.9

(Reference) Equity

As of September. 30, 2021: 1,680 million yen

As of Dec. 31, 2020: 1,500 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
FY2020	-	0.00	-	10.00	10.00
FY2021	-	0.00	-	-	-
FY2021 (expected)	-	-	-	10.00	10.00

(Note) Revisions to recent dividend forecast: None

### 3. Forecast of consolidated results for FY2021 (January 1, 2021 through December 31, 2021)

(% 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
FY2021	15,700	5.8	480	103.2	510	98.9	390	25.8	44.99

(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: None  
 (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 FY2021	8,874,400 shares	FY2020	8,874,400 shares
(ii) Number of treasury stock	Third quarter of FY2021	205,838 shares	FY2020	205,838 shares
(iii) Average number of outstanding shares (9-month period)	Third quarter of FY2021	8,668,562 shares	Third quarter of FY2020	8,668,607 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 2nd Section. To the extent that there are discrepancies between this translation and the original version, the original version shall be definitive.

## ○Table of Contents of the Attached Document

1. Qualitative Information on Quarterly Results .....	4
(1) Results of Operations.....	4
(2) Financial Position.....	5
(3) Forward-looking Statements Including Consolidated Business Forecasts .....	5
2. Quarterly Consolidated Financial Statements .....	6
(1) Quarterly Consolidated Balance Sheet .....	6
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income .....	8
Quarterly Consolidated Statements of Income .....	8
Quarterly Consolidated Statements of Comprehensive Income .....	9
(3) Notes to Quarterly Consolidated Financial Statements.....	10
(Notes to Going Concern Assumption) .....	10
(Notes on significant changes in the amount of shareholders' equity) .....	10
(Segment Information) .....	11
(Additional Information).....	13
(Significant subsequent events) .....	13

## 1. Qualitative Information on Quarterly Results

### (1) Results of Operations

During the nine months ended September 30, 2021, while the spread of COVID-19 began to show signs of slowing down, the global economy continued to face lingering uncertainty.

In the IT solutions arena in which the SIOS Group operates, however, companies continued to invest at an accelerated pace in implementing digital transformation (DX)<sup>1</sup> solutions, including switching to teleworking and transitioning to cloud environments. In this favorable business environment, the Group pursued every growth opportunity by offering value-added products and services to corporate clients to assist them in moving forward with DX and by stepping up cross-selling efforts, following the realignment of Group companies.

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

#### (i) Open System Infrastructure Business Segment

As corporate clients continued to invest aggressively in implementing DX amid the COVID-19 crisis, the Group enjoyed strong sales of Red Hat Enterprise Linux<sup>2</sup> and other software products sourced from Red Hat, Inc.<sup>3</sup> The Group also achieved an increase in sales of its core LifeKeeper<sup>4</sup>. As a result, net sales in this segment amounted to 7,232 million yen, up 18.8% from the same period the previous year, with a segment income of 271 million yen, up 543.2% year on year.

#### (ii) Application Business Segment

Revenues from the provision of support for system development and implementation to financial institutions declined. In addition, as the web service business for broadcasters as well as the social and public outsourcing service business had been sold to outside the Group in the previous fiscal year, revenues from those two businesses were no longer counted toward segment sales for the period under review. Revenues from software applications for MFPs<sup>5</sup> grew year on year, helped by the fact that the revenues from subscriptions<sup>6</sup> for these applications that corporate clients had signed on for during the previous fiscal year began to be recognized during the period under review. The Gluegent series<sup>7</sup> also achieved a year-on-year increase in sales. Both revenues from the provision of support for system development and implementation and sales of the management support system to financial institutions showed a year-on-year increase. As a result, net sales in this segment increased 0.8% year on year to 4,474 million yen.

The segment income was 7 million yen, compared with a loss of 48 million yen the year before, thanks primarily to the strong sales of products developed in-house, such as software applications for MFPs and Gluegent series products mentioned earlier.

The Group's combined net sales of these two segments jumped 11.2% year on year to 11,707 million yen, which marked the record-high nine-month sales for the Group. The Company posted a consolidated operating profit of 279 million yen for the period under review, compared with a loss of 6 million yen a year earlier. The consolidated ordinary profit was 312 million yen, compared with a loss of 2 million yen the year before, and the consolidated profit attributable to owners of parent was up 99.6% year on year to 224 million yen.

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) are as follows:

EBITDA: 338 million yen, up 437.8% year on year

ROIC (annualized): 10.9%, compared with -0.3% 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 Red Hat Enterprise Linux

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

3 Red Hat, Inc. Related Items

Linux OS product developed by Red Hat, Inc., a provider of open source solutions.

4 LifeKeeper

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

5 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.

6 Subscription business model

A business model that charges customers a recurring monthly or annual fee to access a software product or service.

7 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.

## **(2) Financial Position**

### **(i) Assets**

Current assets amounted to 5,593 million yen as of September 30, 2021, down 7.7% from the end of the previous fiscal year, reflecting primarily a decrease of 483 million yen in merchandise.

Non-current assets amounted to 805 million yen, up 1.7%, reflecting primarily an increase of 53 million yen in investment securities.

As a result, total assets amounted to 6,398 million yen, down 6.6% from the previous fiscal year-end.

### **(ii) Liabilities**

Current liabilities amounted to 4,167 million yen, down 12.3% from the previous fiscal year-end, reflecting primarily a decrease of 720 million yen in accounts payable trade.

Non-current liabilities amounted to 495 million yen, down 10.3%, reflecting primarily a decrease of 92 million yen in long-term borrowings.

As a result, total liabilities amounted to 4,662 million yen, down 12.1% from the previous fiscal year-end.

### **(iii) Net assets**

Total net assets amounted to 1,736 million yen, up 12.2% from the previous fiscal year-end, reflecting primarily the posting of a profit of 224 million yen attributable to owners of parent for the period under review.

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

The consolidated business forecasts for the fiscal year ending December 31, 2021, remains unchanged from those announced on July 29, 2021.

While consolidated net sales as well as operating and other profits were on target for the period under review, we will announce promptly any update on consolidated business forecasts for the fiscal year ending December 31, 2021, if any material changes should arise.

## 2. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	FY 2020 (as of December 31, 2020)	FY 2021 Q3 (as of September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	2,858,289	3,209,009
Notes and accounts receivable-trade	2,311,150	1,887,144
Merchandise	491,228	8,012
Work in progress	26,741	58,157
Advance payment	245,565	241,324
Other	127,097	190,228
Allowance for doubtful accounts	-200	-200
Total current assets	6,059,872	5,593,678
Fixed assets		
Tangible fixed assets		
Buildings (net)	76,527	65,303
Other (net)	55,086	68,471
Total tangible fixed assets	131,614	133,774
Intangible fixed assets		
Software	110,467	91,463
Other	1,781	1,781
Total intangible fixed assets	112,249	93,245
Investment and other assets		
Investment securities	233,775	287,618
Net defined retirement assets	47,093	52,575
Guarantee deposits	193,996	182,514
Other	77,319	59,778
Allowance for doubtful accounts	-4,221	-4,221
Total investment and other assets	547,963	578,265
Total fixed assets	791,826	805,285
Total assets	6,851,698	6,398,964

(In thousands of yen)

	December 31, 2020	September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,845,041	1,124,694
Short-term loans payable	50,000	—
Current portion of long-term loans payable	123,120	123,120
Lease obligations	7,099	6,173
Income taxes payable	57,673	7,031
Advances received	2,070,735	2,461,626
Provision for bonuses	35,328	—
Provision for loss on order received	604	—
Other	561,448	444,399
Total current liabilities	4,751,052	4,167,046
Non-current liabilities		
Long-term loans payable	290,500	198,160
Net defined benefit liability	241,315	265,880
Lease obligations	8,908	19,815
Long-term deposits received	11,632	11,632
Total non-current liabilities	552,357	495,489
Total liabilities	5,303,409	4,662,536
Net assets		
Shareholders' equity		
Capital stock	1,481,520	1,481,520
Retained earnings	349,766	487,424
Treasury shares	-87,254	-87,254
Total shareholders' equity	1,744,031	1,881,690
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-6,848	-3,480
Foreign currency translation adjustment	-236,209	-197,437
Total accumulated other comprehensive income	-243,057	-200,917
Subscription rights to shares	47,315	55,655
Total net assets	1,548,289	1,736,428
Total liabilities and net assets	6,851,698	6,398,964

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

(In thousands of yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net sales	10,529,292	11,707,510
Cost of sales	7,384,914	8,079,864
Gross profit	3,144,378	3,627,646
Selling, general and administrative expenses	3,150,827	3,348,367
Operating profit (loss)	-6,449	279,278
Non-operating income		
Interest income	5,082	3,412
Foreign exchange gains	19,770	—
Gain on valuation of derivatives	—	42,370
Share of profit of entities accounted for using equity method	—	28,956
Other	8,339	7,231
Total non-operating income	33,192	81,970
Non-operating expenses		
Interest expenses	2,369	1,689
Loss on investments in partnership	1,269	—
Share of loss of entities accounted for using equity method	13,797	—
Loss on valuation of derivatives	11,936	—
Foreign exchange losses	—	46,451
Other	293	255
Total non-operating expenses	29,667	48,396
Ordinary profit (loss)	-2,924	312,853
Extraordinary income		
Gain on transfer from business divestitures	192,881	—
Gain on sale of non-current assets	—	74
Total extraordinary income	192,881	74
Extraordinary losses		
Loss on retirement of non-current assets	615	2,856
Loss on valuation of golf club membership	268	—
Loss on valuation of investment securities	1,133	—
Total extraordinary losses	2,016	2,856
Profit before income taxes	187,940	310,071
Income taxes-current	75,529	56,289
Income taxes-deferred	—	29,438
Total income taxes	75,529	85,727
Profit	112,410	224,343
Profit attributable to owners of parent	112,410	224,343



Quarterly Consolidated Statements of Comprehensive Income  
**Nine months ended September 30**

	(Unit: thousand yen)	
	Nine months ended September 30, 2020 (From January 1, 2020 through September 30, 2020)	Nine months ended September 30, 2021 (From January 1, 2021 through September 30, 2021)
Profit	112,410	224,343
Other comprehensive income		
Valuation difference on available-for-sale securities	-2,393	3,367
Foreign currency translation adjustment	-16,516	39,187
Share of other comprehensive income of entities accounted for using equity method	328	-415
Total other comprehensive income	-18,581	42,139
Quarterly comprehensive income	93,828	266,483
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	93,828	266,483

**(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

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

I. For the nine months ended September 30, 2020 (From January 1, 2020 through September 30, 2020)

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	6,089,421	4,439,691	10,529,112	180	10,529,292
Inter-segment sales and transfers	836	1,971	2,807	-2,807	—
Total	6,090,257	4,441,662	10,531,920	-2,627	10,529,292
Segment profit (loss)	42,155	-48,784	-6,629	180	-6,449

Note: The total amount of segment income (loss) is equal to operating profit (loss) presented 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

Nine months ended September 30, 2020

(From January 1, 2020 through September 30, 2020)

(Unit: thousand yen)

Japan	Americas	Europe	Other regions	Total
10,069,683	308,242	102,505	48,861	10,529,292

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, 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	271,157	7,671	278,828	450	279,278

Note: The total amount of segment income is equal to operating profit presented 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 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

**(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, 2020.

**(Significant subsequent events)**

Not applicable