

Financial Results for the 6 Months Ended June 30, 2023

August 9, 2023

SIOS ,Corp.

(Stock Code: 3744 on Standard Market of Tokyo Stock Exchange)



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1. Summary of Consolidated Business Results for the Six Months Ended June 30, 2023

Consolidated Financial Results for the 6 Months Ended June 30,2023



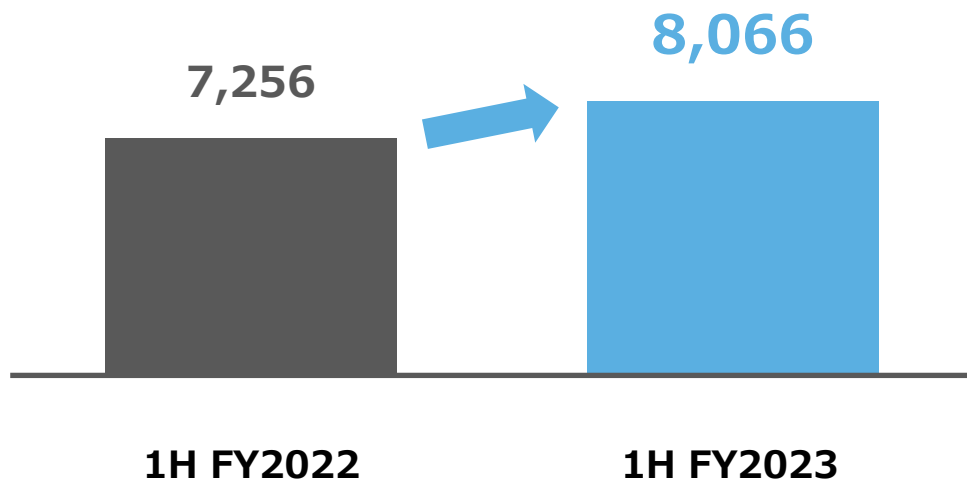
(In millions of yen)	Results for the 6 months ended June 30,2022	Results for the 6 months ended June 30,2023	Change	%Change
Net Sales	7,256	8,066	+ 809	+ 11.2%
Gross profit	2,298	2,665	+ 367	+ 16.0%
Operating income	-225	-106	+ 119	—
Ordinary income	-207	-78	+ 129	—
Profit attributable to owners of parent	-339	-176	+ 163	—
EBITDA	-157	-60	+ 97	—
ROIC (annualized)	-16.1%	-11.8%	—	—

*EBITDA: Operating profit + Depreciation + Amortization of goodwill

*ROIC: Operating profit after tax / (Shareholders' equity + Interest-bearing debts)

Consolidated Net Sales

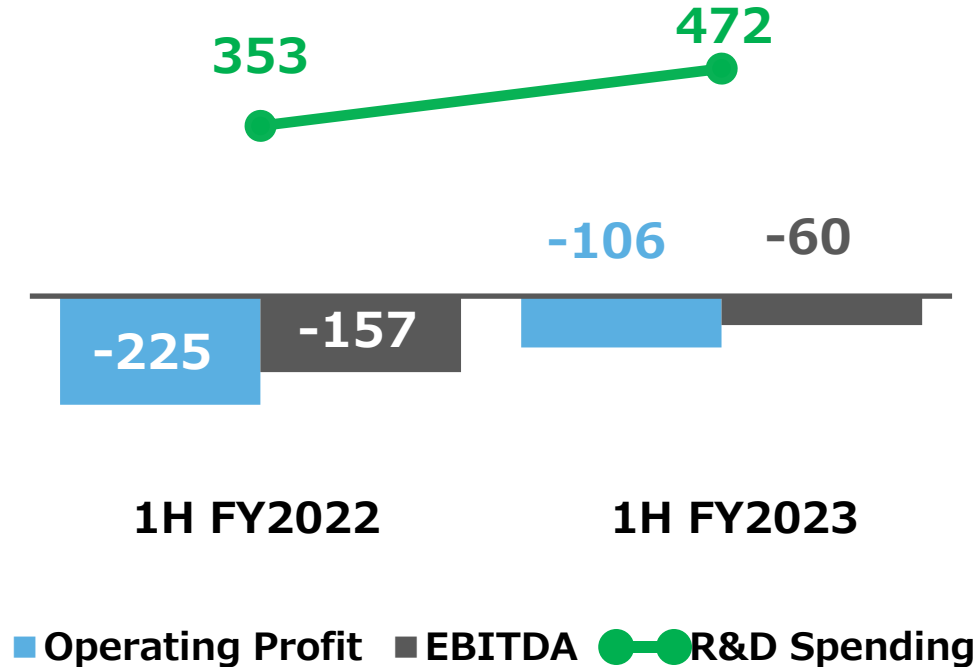
(In millions of yen)



**Up 11.2%
YoY**

Consolidated Operating Profit, EBITDA, and R&D Spending

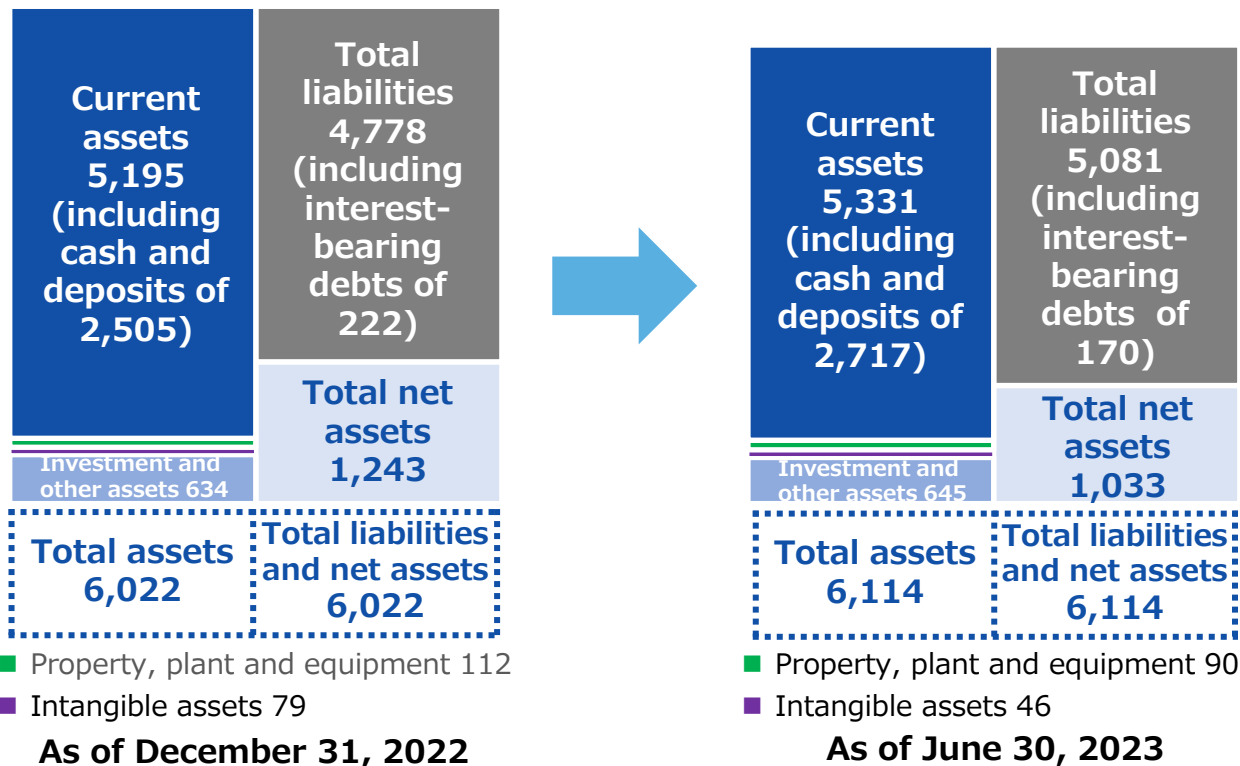
(In millions of yen)



- R&D expenses **increased** by ¥118M YoY.
- EBITDA **increased** by ¥97M YoY.

Consolidated Balance Sheets

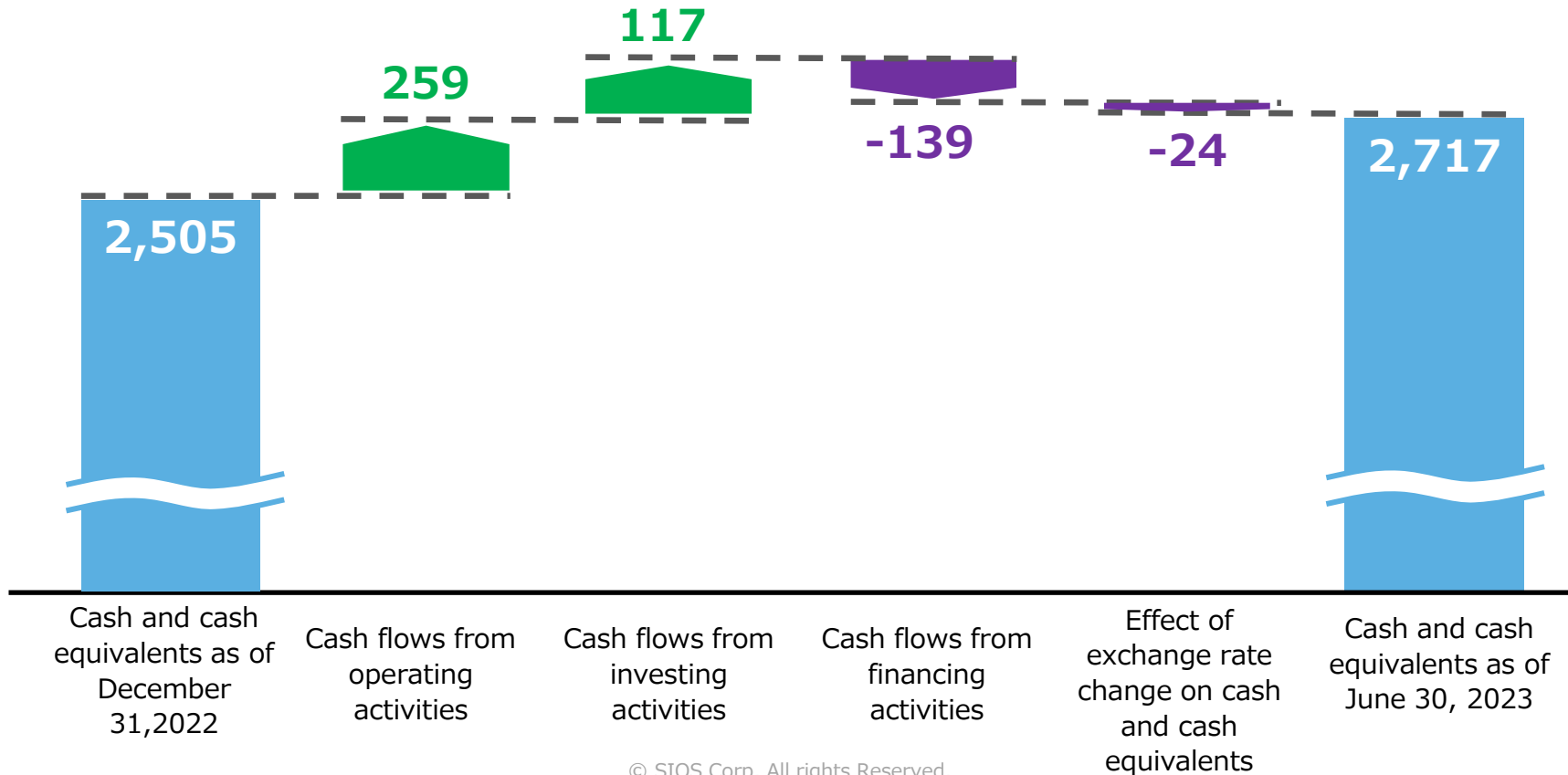
(In millions of yen)



- **Current assets** : An **increase** of 211 million yen in cash and deposits.
- **Current liabilities** : An **increase** of 304 million yen in contract liabilities.

Analysis of Consolidated Cash Flows

(In millions of yen)



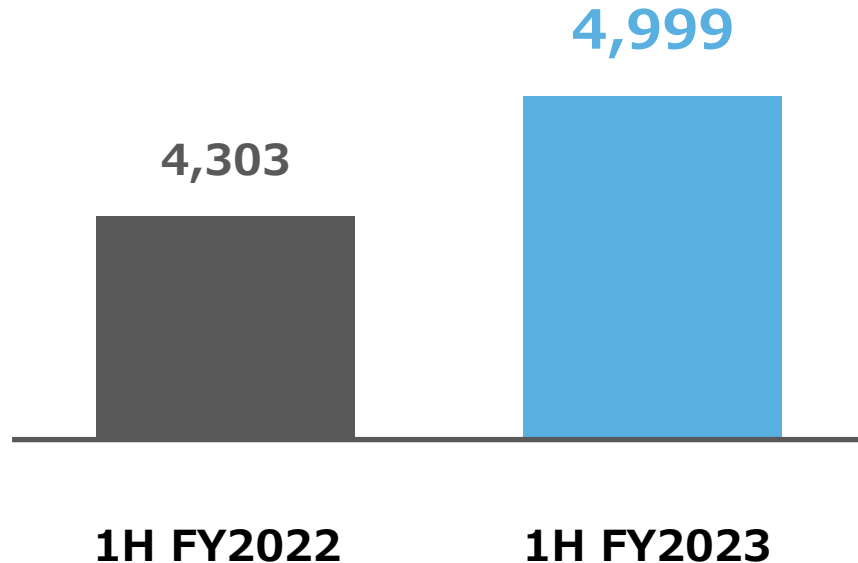
Cash Flow Analysis

		Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Net cash provided or used		¥259M net cash provided	¥117M net cash provided	¥139M net cash used
Breakdown	Amount of cash provided	<ul style="list-style-type: none"> • Depreciation: ¥45M • Increase of contract liabilities: ¥229M • Increase of accrued consumption taxes: ¥67M • Income taxes refund: ¥45M 	<ul style="list-style-type: none"> • Proceeds from refund of guarantee deposits: ¥47M • Proceeds from derivative transactions: ¥103M 	
	Amount of cash used	<ul style="list-style-type: none"> • Loss before income taxes: ¥146M 	<ul style="list-style-type: none"> • Payment of expenses associated with sale of businesses: ¥26M 	<ul style="list-style-type: none"> • Payment of dividends: ¥86M • Repayment of long-term borrowings: ¥33M

Net sales

4,999 million yen, Up 16.2% YoY

(In millions of yen)



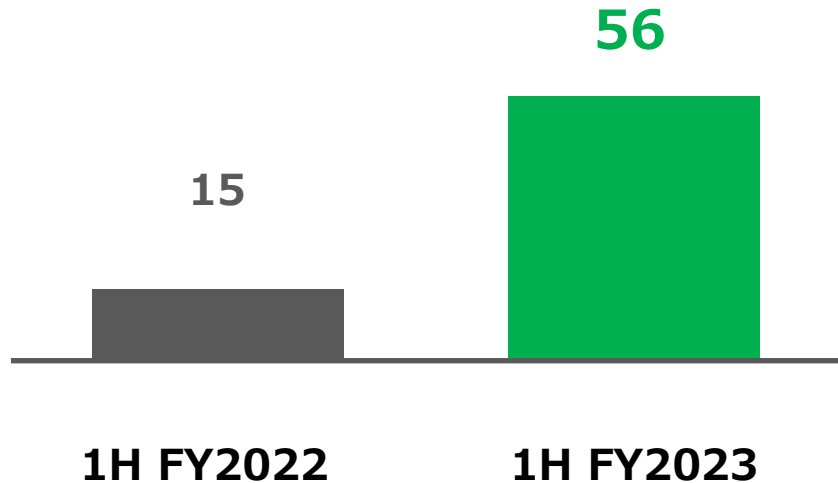
Sales of our products and services for on-premise application picked up, as chip shortages were resolved and the supply of hardware products started to clear a backlog of orders. As a result,

- Sales of software products sourced from Red Hat, Inc.* **increased from a year earlier.**
- Sales of LifeKeeper* were also **strong** for both on-premise and cloud application.

Note: See the Glossary on page 33 for descriptions of terms with an asterisk.

Segment income

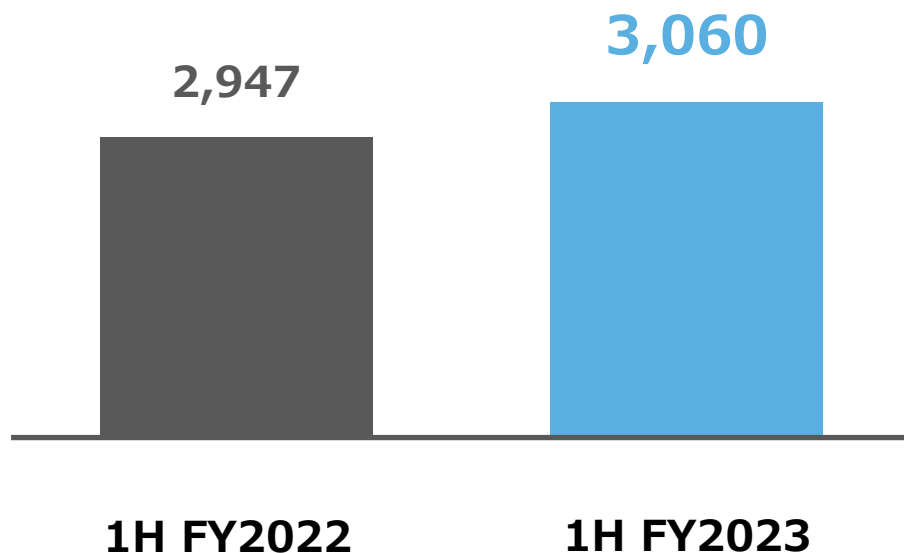
56 million yen, Up 270.2% YoY



Segment income was **up YoY** in the Open System Infrastructure Business, driven by robust sales.

Net sales

3,060 million yen, Up 3.8% YoY

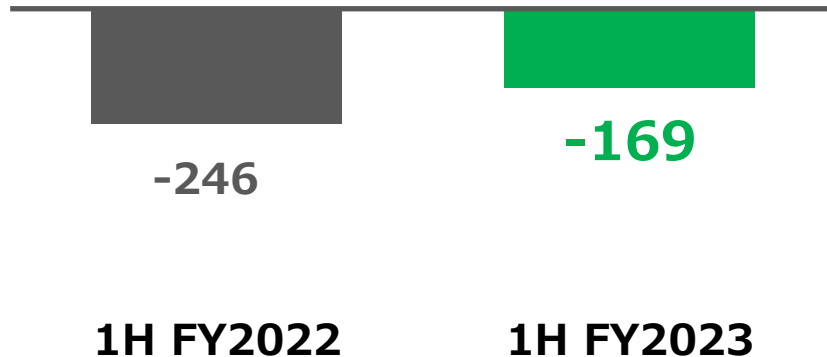


- Revenues from the provision of support for system development and implementation were up, especially from the support provided for API* projects and business management systems of stock brokerage firms.
- Revenues from the Gluegent series* **achieved steady growth.**
- Sales of the management support system to financial institutions were **slow.**

Segment income

Loss of 169 million yen, compared with on loss of 246 million yen the year before

(In millions of yen)



- Segment loss **decreased** in the Application Business due to robust sales.
- Posted a segment loss due to rising personnel expenses and more aggressive investments in developing and marketing new products and services, mainly in the Med Tech* business.

2. Key Initiatives Undertaken and Planned

We took a series of actions to give a further boost to our cloud-based business.

- 1. Continued to invest in our SaaS business.**
 - Gluegent series
 - Med tech solutions
 - YourDesk system
- 2. Bolstered sales of the cloud- and subscription-based versions of LifeKeeper**
- 3. Expanded API (Application Programming Interface) support services for corporate clients.**

Gluegent Series

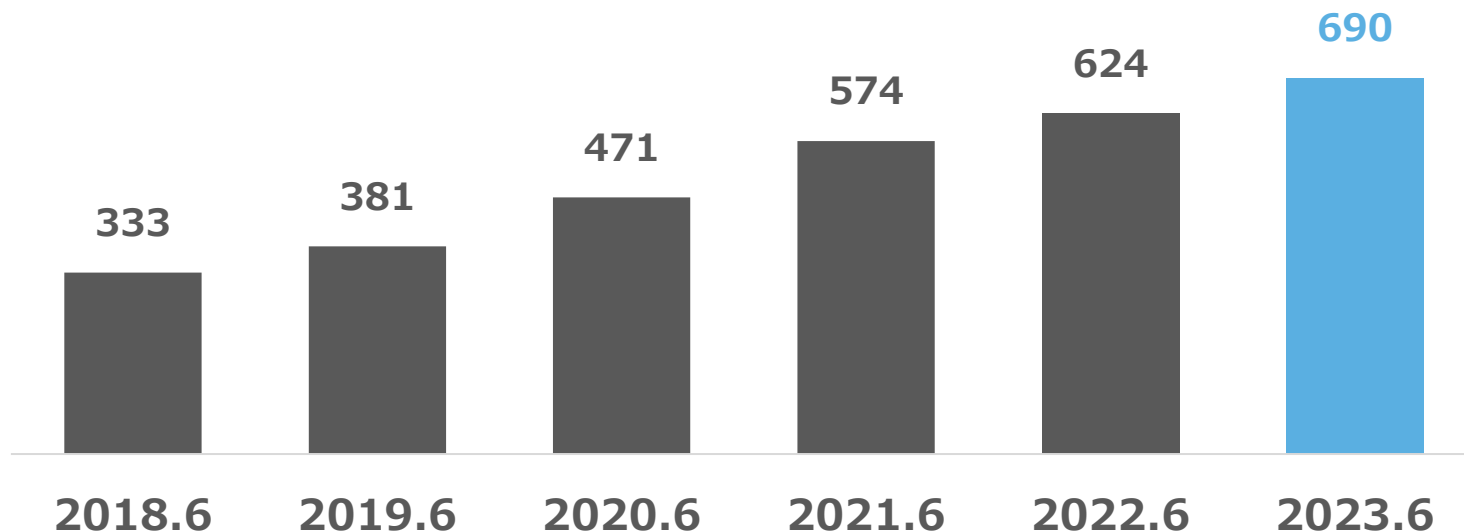
 Gluegent Flow

 Gluegent Gate

Both achieved consistent growth in revenue, as a result of our stepped-up efforts at product development and marketing.

【ARR* of the Gluegent Series】

(In millions of yen)



1. ARR: Annual Recurring Revenue, obtained by multiplying MRR (monthly recurring revenue, which is a predictable revenue that a business counts on receiving every month from subscriptions) by 12

Actions to Drive ARR

To drive ARR, we must increase **A** while stemming **B**.

Formula for ARR

$$\text{ARR} = \text{MRR} \times 12 \text{ months}$$

$$\text{MRR} = \text{MRR for the previous month} + \overset{\mathbf{A}}{\boxed{\text{New} + \text{Upgrade}}} - \overset{\mathbf{B}}{\boxed{(\text{Downgrade} + \text{Churn})}}$$

New: Revenue increase from new clients

Upgrade: Revenue increase from clients who upgraded to a higher-tiered subscription plan

Downgrade: Revenue decline from clients who downgraded to a lower-tiered subscription plan

Churn: Revenue decline from cancellation of subscription



Developed new features and upgraded customer-success services to drive ARR.

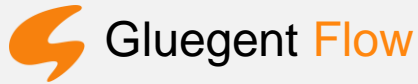
A. Increase revenue from new and upgrading clients

- Made the Gluegent series work better with groupware.
 - Added an automatic export function to Excel Online to make it work better with Microsoft 365.
- Made the Gluegent series work better with APIs.
 - Enhanced the benefit of its connected cloud services by making it work better with SaaS apps and enterprise systems to help clients achieve greater efficiency in their business processes.

B. Stem a revenue decline from downgrading and churning clients

- Upgraded customer-success services.
 - Provided end-to-end client support from implementation to operation and end-user experiences.

Gluegent Series

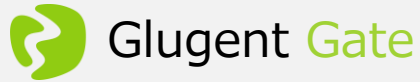


Received a BOXIL SaaS Award for its highly rated performance.



- Gluegent Flow received a Good Service Award in the workflow system category for the third consecutive year in BOXIL SaaS Award Summer 2023.
- Rated No. 1 in six evaluation criteria.

1. Evaluation period: From April 1, 2022, through March 31, 2023
2. A Good Service Award is given to the service that was rated the highest in a given category by users who posted comments to the BOXIL SaaS website.
3. A service product that received the highest average rating for an evaluation criterion is rated No. 1 for that criterion. Gluegent Flow received No. 1 ratings in the following six criteria: Ease of use; ease of initial setting; usefulness; support quality; responsiveness of vendor sales reps; and reasonable service fees.



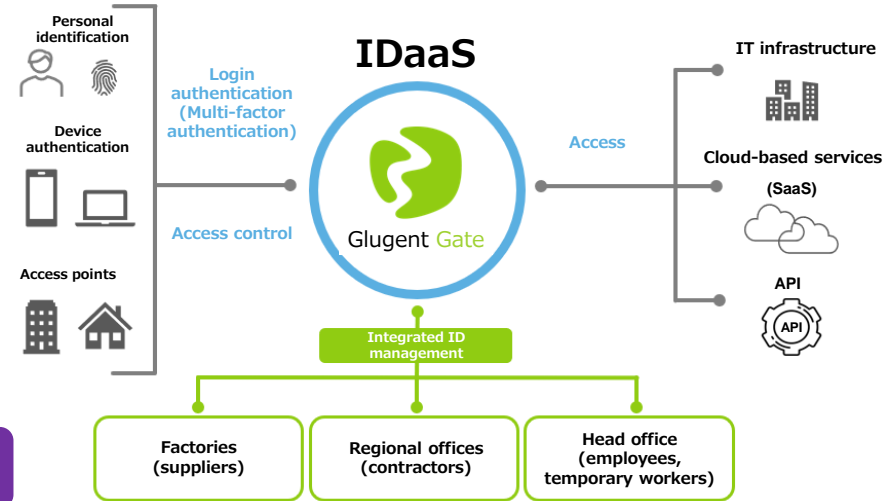
We are developing a versatile integrated ID management system.

A. Increase revenue from new and upgrading clients

We are developing a capability to be added to Gluegent Gate to centrally manage IDs of all employees of a client company, as well as those of its affiliates and business partners.

B. Stem a revenue decline from downgrading and churning clients

- Held briefing sessions for existing users.
 - Educated them on the importance of IDaaS* in a zero-trust* environment.
 - Demonstrated new features and their application.



INDIGO
NOTE

Added new features and upgraded existing ones in preparation for its full-scale commercial launch.

- **Product development**

- Updated user-interface designs.
- Added new features and upgraded existing ones.

- **Marketing**

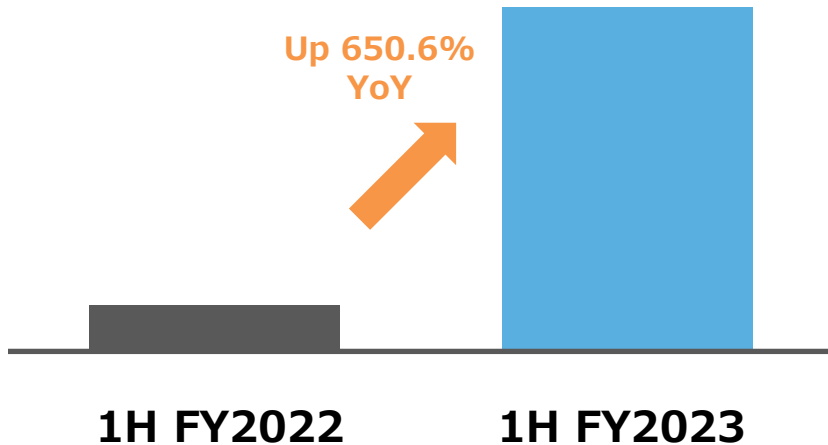
At the International Modern Hospital Show 2023 in Tokyo, we showcased INDIGO NOTE and Gluegent Gate as solutions for providing hospitals with a safe, versatile system environment.



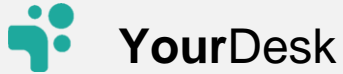


Upgrading features and revamping sales teams helped bolster the sales.

[Sales of YourDesk]



Sales for the first half of FY 2023 soared from the same period the previous year.



Made it work better with Microsoft 365 and released iPhone and Android apps.

All the great features of the standalone YourDesk are now available on smartphones.



Menu bar

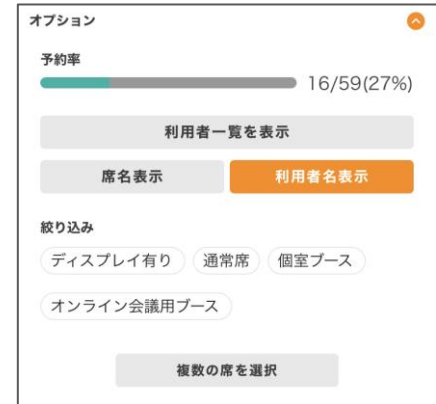
Select from a variety of features on the menu

Jump to home page, message, setting page, QR code scanning, and help page



Click to view the floor seating layout

Turn on and off user name display; choose seats by attributes

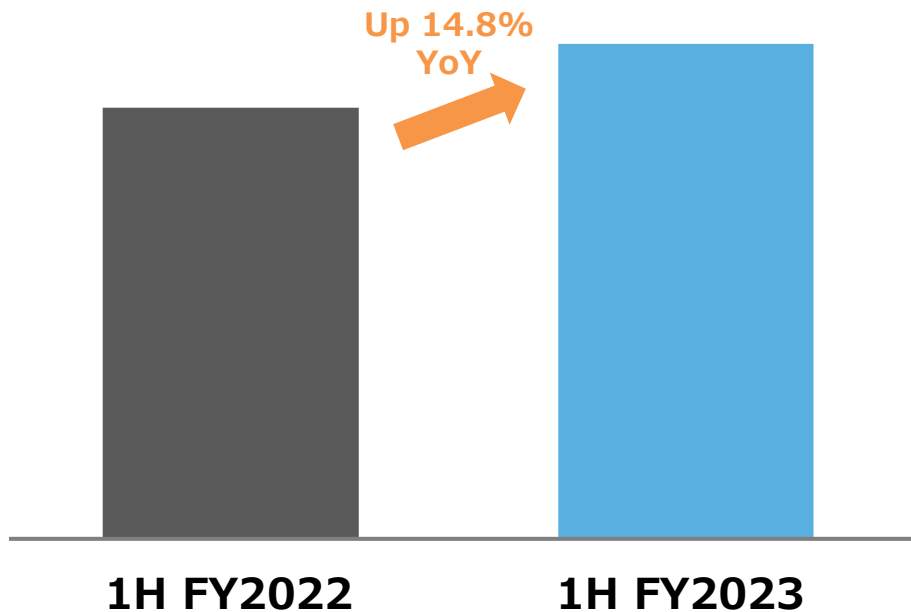


Screenshot of iPhone app



Global sales of LifeKeeper for cloud application have been growing.

【Global Sales of the Cloud-based Version of LifeKeeper to First-time Clients】



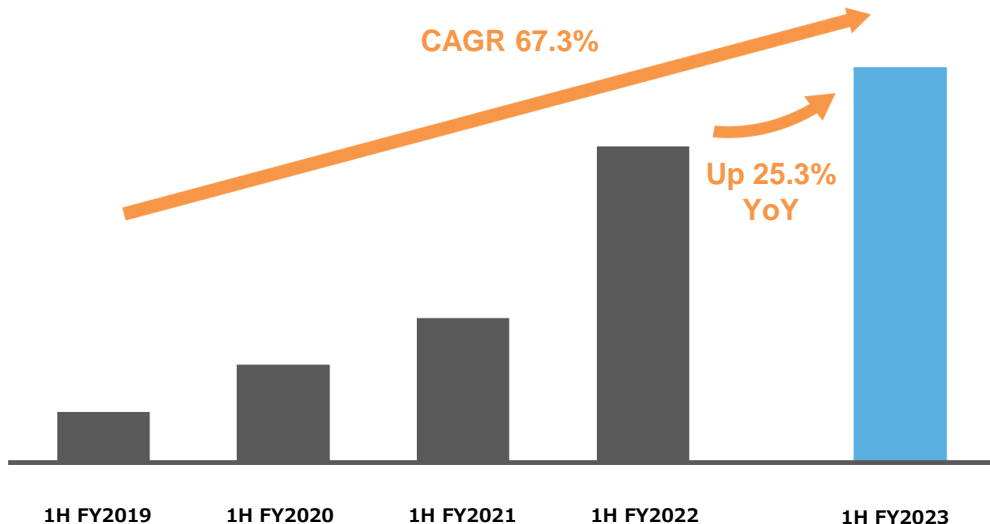
Sales of the cloud-based version of LifeKeeper have been growing globally to first-time clients who have switched their enterprise systems from on-premise to cloud environments.



LifeKeeper

We have been pushing subscription-based sales of LifeKeeper in Japan, which have already gained momentum outside Japan.

【Sales of Subscription-based LifeKeeper Outside Japan】



- Sales of subscription-based LifeKeeper have been gaining momentum outside Japan, where the cloud is more widely used.
 - Flat-rate subscription
 - Pay-as-you-go subscription
- We have started pushing subscription-based sales of LifeKeeper also in Japan.

API Support Services

We have been upgrading our API-related technologies since we started offering API support services in 2017.

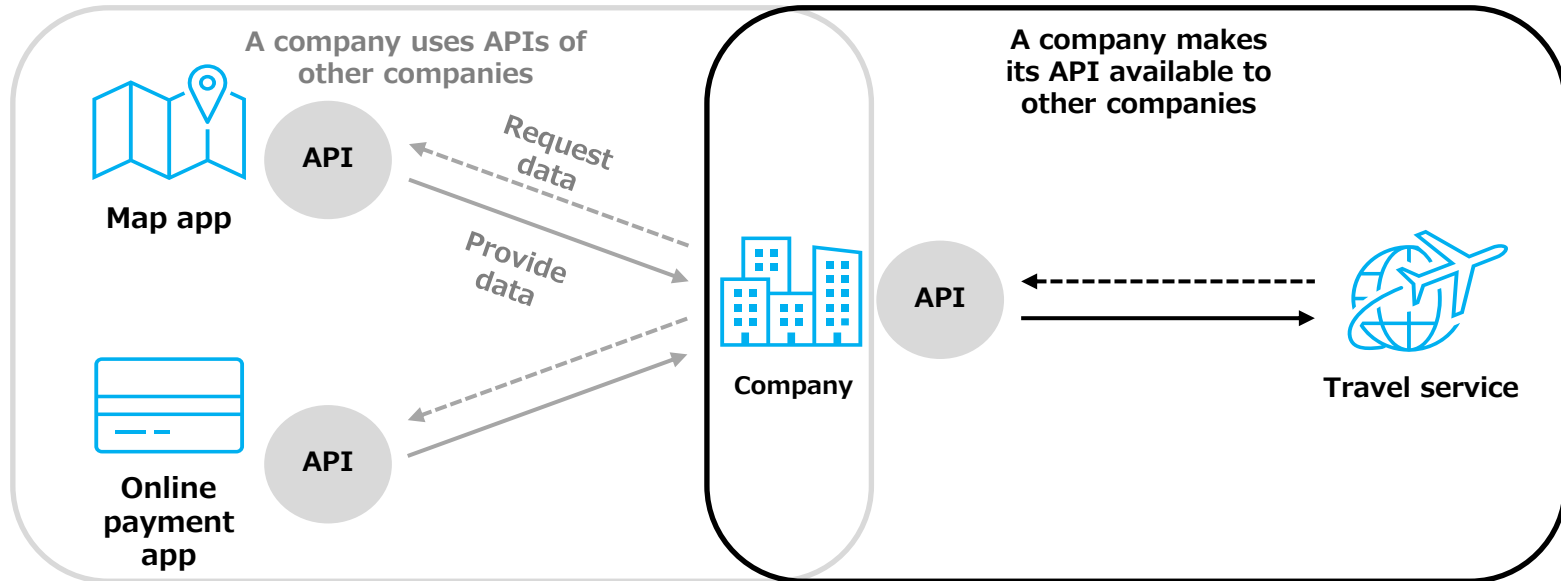
- SIOS launched API support services in 2017 in anticipation of the emergence of APIs that connect many systems to make them work with each other.
- Since then, we have been hiring and developing talent to continually upgrade our API-related technologies.
- We have designed and developed cutting-edge applications.



API Support Services

An API economy has been gaining momentum in scope and scale.

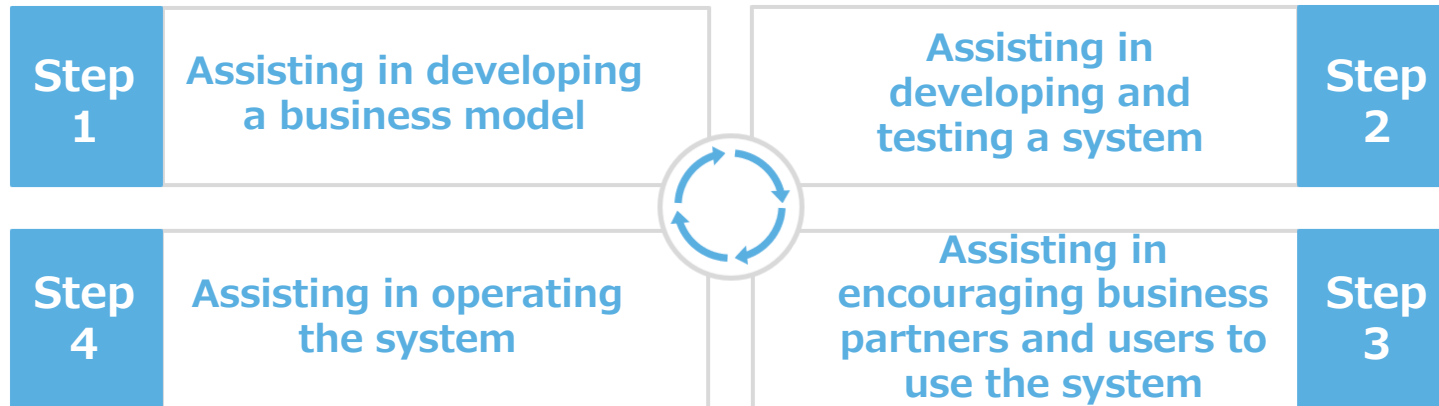
An API enables communications and data exchange among different services. A company can launch a new service by sharing data with other companies via APIs.



API Support Services

SIOS provides end-to-end assistance to corporate clients planning to launch new services in an API economy.

SIOS leverages its wealth of experience and expertise in building a system in an API economy to provide corporate clients with end-to-end assistance in designing, developing, and operating an API-based system.

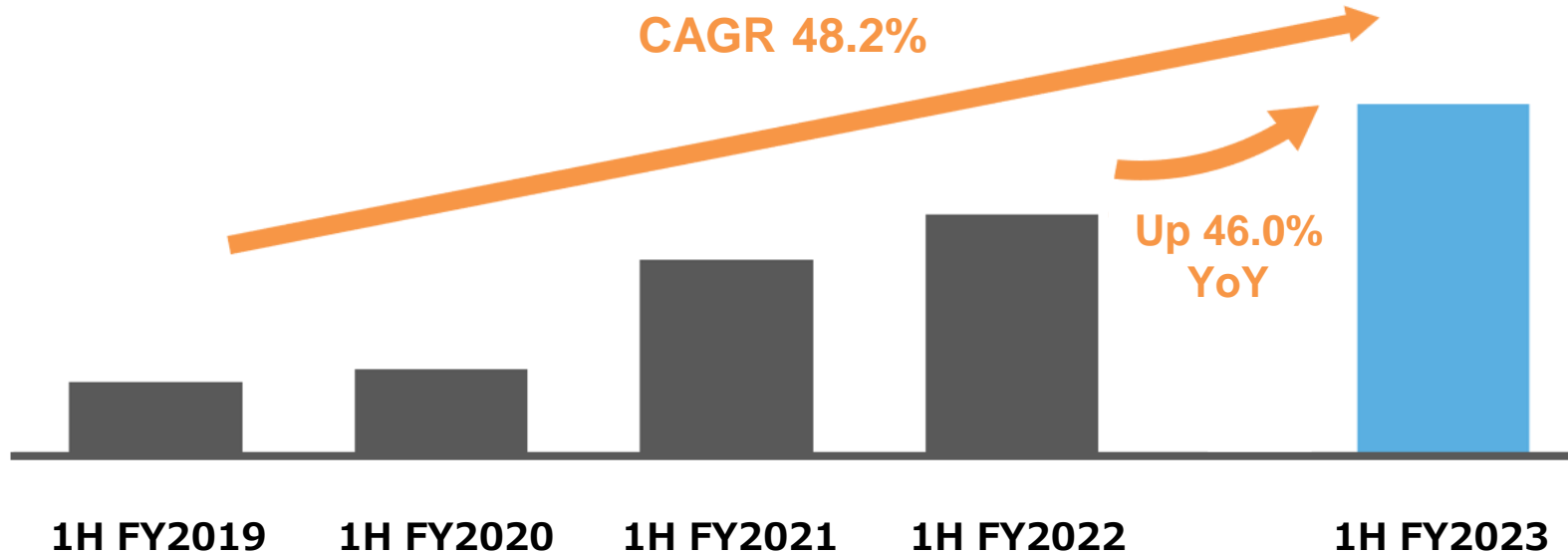


API Support Services



Our revenue from API support services has been soaring after expanding the scope of our services to meet increasingly diverse corporate needs.

Revenue from Our API Support Services



Business Forecasts for FY 2023 and Medium-Term Business Plan



As stated in the Consolidated Financial Result for the fiscal year ended December 31, 2022, announced on February 2, 2023, the Group has been restructuring its business operations and bolstering its cloud-based business in order to make its revenue and profit base more robust.

During the six months ended June 30, 2023, the Group reallocated internal human resources and chose to focus on businesses that offered a greater chance of growth and success.

As we are still in the middle of restructuring and are unable to make reasonable assumptions or estimates of forecasts, we are not disclosing at this time the Group's business forecasts for the fiscal year ending December 31, 2023.

As soon as we are able to make reasonable assumptions and estimates, we will announce updated forecasts.

3. Appendix

SIOS is Innovative Open Solutions

SIOS Corporation started as a system integrator that provided solutions based on Linux and other varieties of open source software. Today, the company serves as a holding company of the SIOS Group, which includes technology firms specializing in software products and SaaS solutions.

Under the mission of making the impossible possible for the people of the world, the SIOS Group is committed to pursuing innovative solutions that resolve issues affecting people and contributing to a better society.

Visit <https://www.sios.com/en> to learn more about us.

Headquarters	SIOS Building, 2-12-3 Minami Azabu Minato-ku, Tokyo, Japan	
Capital	1,481 million yen	
Established	May 23, 1997	
Stock listed on	TSE Standard Market (stock code: 3744)	
No. of employees	525 on a consolidated basis (as of December 31, 2022)	
Main consolidated subsidiaries	Japan: SIOS Technology, Inc.	U.S.A.: SIOS Technology Corp.

Page	Term	Description
10	Software products sourced from Red Hat, Inc.	Open-source software products developed by Red Hat, Inc., a provider of open-source solutions.
10	LifeKeeper	A failover software product that automatically switches a failed primary server to a backup server.
12	API	A mechanism for software and applications to exchange information with each other.
12	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.
13	Med Tech	Short for medical technology. It refers to technology that delivers medical services through software applications.
20	Zero-trust environment	A security framework that assumes there is no traditional network edge and requires all users, whether inside or outside the organization's network, to be authenticated, authorized, and continuously validated for security before being granted access to information assets.
20	IDaaS	Acronym of Identity as a Service, which is a cloud-based solution for unified identity and access management of users of multiple services.

Cautionary Statement



Forward-looking statements about the Company's business outlook contained in this document reflect management's assumptions and judgments made on the basis of available information, and may include risks and uncertainties. Significant risks and uncertainties that might affect our performance include, but are not limited to, the economic environment and market conditions in which we operate.

For inquiries about this document

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or fill in and send an online inquiry form available at:
https://mk.sios.com/SIOS_Inquiry_english.html

