



## Consolidated Financial Result

(For the 6-month period ended June 30, 2023)



August 9, 2023

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 Stock exchange listings: Tokyo Stock Exchange (TSE)  
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Scheduled date for filing of quarterly financial report: August 10, 2023

(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, 2023 through June 30, 2023)

(% of change from previous second quarter)

#### (1) Consolidated business results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
<b>6-month period(2023/6)</b>	<b>8,066</b>	<b>11.2</b>	<b>-106</b>	-	<b>-78</b>	-	<b>-176</b>	-
6-month period(2022/6)	7,256	-10.2	-225	-	-207	-	-339	-

(Note) Comprehensive income

As of Jun. 30, 2023: -134 million yen/ -%

As of Jun. 30, 2022: -239 million yen/ -%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
<b>6-month period(2023/6)</b>	<b>-20.34</b>	-
6-month period(2022/6)	-39.21	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
<b>6-month period(2023/6)</b>	<b>6,114</b>	<b>1,033</b>	<b>15.5</b>
FY2022	6,022	1,243	19.4

(Reference) Equity

As of Jun. 30, 2023: 947 million yen

As of Dec. 31, 2022: 1,168 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
FY2022	-	0.00	-	10.00	10.00
FY2023	-	0.00			
FY2023 (expected)			-	-	-

(Note) 1. The dividend forecast for the fiscal year ending December 31, 2023 is undecided.

2. Revisions to recent dividend forecast: None

### 3. Forecast of consolidated results for FY2023 (January 1, 2023 through December 31, 2023)

(% 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
FY2023	-	-	-	-	-	-	-	-	-

(Note) 1. Regarding the consolidated earnings forecast for the fiscal year ending December 31, 2023, it is extremely difficult to reasonably calculate at this time. Since then, it is undecided. In the future, we will promptly announce it when it becomes possible to make a reasonable calculation.

2. 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)	Second quarter of FY2023	8,874,400 shares	FY2022	8,874,400 shares
(ii) Number of treasury stock	Second quarter of FY2023	205,838 shares	FY2022	205,838 shares
(iii) Average number of outstanding shares (6-month period)	Second quarter of FY2023	8,668,562 shares	Second quarter of FY2022	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 six months ended June 30, 2023, while the COVID-19 pandemic was settling down, the global economy continued to face lingering uncertainty due to soaring materials prices amid rising geopolitical risks, and volatile foreign-exchange markets caused by a global monetary-tightening trend.

In this business environment, the SIOS Group ("the Group") continued to restructure its business operations to make its revenue and profit base more robust and expanded its offerings of cloud-based products and services, including SaaS<sup>1</sup>, to better assist corporate clients in implementing DX<sup>2</sup> solutions.

The Group achieved consolidated business results by segment for the six months ended June 30, 2023, as follows:

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

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 Red Hat Enterprise Linux<sup>3</sup> and other software products sourced from Red Hat Inc.<sup>4</sup>, increased compared to the same period the previous year. We also enjoyed strong sales of LifeKeeper<sup>5</sup>, which is one of our core products, for both on-premise and cloud application. Net sales in this segment for the period under review jumped 16.2% from a year earlier to 4,999 million yen, with a segment profit of 56 million yen, up 270.2% year on year.

#### (ii) Application Business Segment

Sales of the management support system to financial institutions were slow. In contrast, revenues from the provision of support for system development and implementation were up year on year, especially from the support provided for API6 projects and business management systems of stock brokerage firms. The Gluegent series<sup>7</sup> also achieved a year-on-year increase in sales. As a result, net sales in this segment increased 3.8% to 3,060 million yen.

The Company posted a segment loss of 169 million yen, compared with a loss of 246 million yen the year before, due to rising personnel expenses and more aggressive investments in developing and marketing new products and services, mainly in the Med Tech<sup>8</sup> business.

The Group's combined net sales in these two segments for the period under review were up 11.2% year on year, to 8,066 million yen. The Company posted a consolidated operating loss of 106 million yen, compared with a loss of 225 million yen the year before, and an ordinary loss of 78 million yen, which reflected a favorable impact of the share of profit of entities accounted for using the equity method, compared with an ordinary loss of 207 million yen a year earlier. As a result of posting an impairment loss and a loss on sales of businesses, the loss attributable to owners of parent amounted to 176 million yen, compared with a loss of 339 million yen the previous year.

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 period under review are as follows:

EBITDA: -60 million yen, compared with -157 million yen for the same period the previous year

ROIC (annualized): -11.8%, compared with -16.1% for the year before

#### 1 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.

#### 2 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.

#### 3 Red Hat Enterprise Linux

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

#### 4 Red Hat, Inc. Related Items

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

## 5 LifeKeeper

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

## 6 API

A mechanism for software and applications to exchange information with each other.

## 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.

## 8 Med Tech

Short for medical technology. It refers to technology that delivers medical services through software applications.

**(2) Summary of Financial Position****(i) Assets**

Current assets amounted to 5,331 million yen as of June 30, 2023, up 2.6% from the end of the previous fiscal year, reflecting primarily an increase of 211 million yen in cash and deposits.

Non-current assets amounted to 778 million yen, down 5.4%, reflecting primarily a decrease of 29 million yen in software in progress.

As a result, total assets increased 1.5% to 6,114 million yen.

**(ii) Liabilities**

Current liabilities amounted to 4,674 million yen, up 7.8% from the previous fiscal year-end, reflecting primarily an increase of 304 million yen in contract liabilities.

Non-current liabilities amounted to 406 million yen, down 7.9%, reflecting primarily a decrease of 33 million yen in long-term borrowings.

As a result, total liabilities amounted to 5,081 million yen, up 6.3% from the previous fiscal year-end.

**(iii) Net assets**

Total net assets amounted to 1,033 million yen, down 16.9% from the previous fiscal year-end, reflecting primarily a decrease of 263 million yen in retained earnings.

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

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.

## 2. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	FY 2022 (as of December 31, 2022)	FY 2023 Q2 (as of June 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	2,505,766	2,717,533
Notes and accounts receivable-trade	2,028,395	2,090,908
Notes and accounts receivable - trade, and contract assets	13,558	5,858
Merchandise	13,267	519
Work in progress	272,047	336,982
Advance payments to suppliers	362,291	180,321
Other	-200	-200
Allowance for doubtful accounts	5,195,125	5,331,924
<b>Total current assets</b>	<b>2,505,766</b>	<b>2,717,533</b>
Fixed assets		
Tangible fixed assets		
Buildings (net)	50,131	40,958
Other (net)	62,699	49,652
<b>Total tangible fixed assets</b>	<b>112,830</b>	<b>90,611</b>
Intangible fixed assets		
Software	48,496	44,996
Software in progress	29,879	-
Other	1,441	1,441
<b>Total intangible fixed assets</b>	<b>79,817</b>	<b>46,437</b>
Investment and other assets		
Investment securities	380,634	387,647
Retirement benefit asset	50,635	58,156
Guarantee deposits	127,063	123,555
Other	76,225	76,225
<b>Total investment and other assets</b>	<b>634,558</b>	<b>645,584</b>
<b>Total fixed assets</b>	<b>827,206</b>	<b>782,633</b>
<b>Total assets</b>	<b>6,022,332</b>	<b>6,114,558</b>

(In thousands of yen)

	December 31, 2022	June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,084,110	1,087,512
Current portion of long-term borrowings	66,000	66,000
Lease liabilities	29,700	12,732
Income taxes payable	-	29,498
Contract liabilities	2,760,665	3,064,894
Other	396,729	413,859
Total current liabilities	4,337,206	4,674,498
Non-current liabilities		
Long-term borrowings	115,500	82,500
Retirement benefit liability	302,712	301,928
Lease liabilities	11,746	9,095
Long-term deposits received	11,632	11,632
Other	-	1,352
Total non-current liabilities	441,591	406,508
Total liabilities	4,778,798	5,081,006
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,481,520	1,481,520
Capital surplus	-130,975	-393,989
Treasury shares	-87,254	-87,254
Total shareholders' equity	1,263,289	1,000,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,147	8,964
Deferred gains or losses on hedges	-	2,557
Foreign currency translation adjustment	-100,273	-64,450
Total accumulated other comprehensive income	-95,125	-52,928
Subscription rights to shares	75,369	86,204
Total net assets	1,243,534	1,033,551
Total liabilities and net assets	6,022,332	6,114,558

**(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**Quarterly Consolidated Statements of Income  
Six months ended June 30

(In thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	7,256,374	8,066,359
Cost of sales	4,958,021	5,400,782
Gross profit	2,298,353	2,665,577
Selling, general and administrative expenses	2,523,635	2,771,581
Operating loss	-225,282	-106,003
Non-operating income		
Interest income	2,586	4,350
Gain on valuation of derivatives	94,202	34,821
Share of profit of entities accounted for using equity method	25,120	26,424
Other	6,236	4,983
Total non-operating income	128,145	70,579
Non-operating expenses		
Interest expenses	838	816
Loss on investments in investment partnerships	4,450	5,601
Foreign exchange losses	105,445	36,264
Other	—	0
Total non-operating expenses	110,735	42,681
Ordinary loss	-207,872	-78,106
Extraordinary income		
Gain on sale of non-current assets	-	88
Total extraordinary income	-	88
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	10,435
Impairment losses	29,074	30,201
Loss on retirement of non-current assets	767	123
Loss on sale of businesses	-	27,933
Total extraordinary losses	29,842	68,693
Loss before income taxes	-237,714	-146,711
Income taxes-current	24,685	29,616
Income taxes-deferred	77,489	-
Total income taxes	102,174	29,616
Loss	-339,888	-176,327
Loss attributable to owners of parent	-339,888	-176,327



Quarterly Consolidated Statements of Comprehensive Income  
Six months ended June 30

(Unit: thousand yen)

	Six months ended June 30, 2022 (From January 1, 2022 through June 30, 2022)	Six months ended June 30, 2023 (From January 1, 2023 through June 30, 2023)
Loss	-339,888	-176,327
Other comprehensive income		
Valuation difference on available-for-sale securities	5,657	3,816
Deferred gains or losses on hedges	-	2,557
Foreign currency translation adjustment	94,181	35,240
Share of other comprehensive income of entities accounted for using equity method	66	581
Total other comprehensive income	99,904	42,196
Quarterly comprehensive income	-239,984	-134,131
(Comprehensive income attributable to)		
Quarterly comprehensive income attributable to owners of the parent	-239,984	-134,131

## (3) Quarterly Consolidated Statements of Cash Flows

(In thousands of yen)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2023
<b>Cash flows from operating activities</b>		
Loss before income taxes	-237,714	-146,711
Depreciation	67,311	45,570
Impairment losses	29,074	30,201
Loss (gain) on sale of businesses	-	27,933
Interest and dividend income	-3,492	-4,948
Interest expenses	838	816
Loss (gain) on investments in investment partnerships	4,450	5,601
Share of loss (profit) of entities accounted for using equity method	-25,120	-26,424
Increase (decrease) in trade receivables and contract assets	110,911	-44,309
Decrease (increase) in inventories	77,602	19,012
Increase (decrease) in trade payables	-321,676	3,401
Increase (decrease) in retirement benefit liability	20,685	-784
Increase (decrease) in contract liabilities	220,933	229,276
Decrease (increase) in advance payments to suppliers	8,687	-64,935
Increase (decrease) in accrued consumption taxes	-143,976	67,906
Other	-2,980	77,972
<b>Sub-total</b>	<b>-194,464</b>	<b>219,580</b>
Interest and dividends received	9,067	12,720
Interest paid	-838	-816
Income taxes refund	40,802	45,078
Income taxes paid	-73,194	-17,343
<b>Net cash provided by (used in) operating activities</b>	<b>-218,628</b>	<b>259,220</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-22,476	-7,056
Purchase of intangible assets	-18,354	-7,358
Payments of guarantee deposits	-418	-506
Proceeds from refund of guarantee deposits	95	47,648
Purchase of investment securities	-45,000	-
Proceeds from collection of loans receivable	-	6,748
Proceeds from derivatives trading	-	103,840
Payments for acquisition of businesses	-	26,150
<b>Net cash provided by (used in) investing activities</b>	<b>-86,155</b>	<b>117,165</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-129,272	-86,135
Repayments of long-term borrowings	-61,560	-33,000
Other	-3,047	-20,544
<b>Net cash provided by (used in) financing activities</b>	<b>-193,880</b>	<b>-139,679</b>
Effect of exchange rate changes on cash and cash equivalents	88,154	-24,938
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-410,509</b>	<b>211,767</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,148,805</b>	<b>2,505,766</b>
<b>Cash and cash equivalents at end of quarter</b>	<b>2,738,295</b>	<b>2,717,533</b>

**(4) 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 Six months ended June 30, 2022 (From January 1, 2022 through June 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	4,303,677	2,947,285	7,250,962	5,411	7,256,374
Inter-segment sales and transfers	-	3,996	3,996	-3,996	-
Total	4,303,677	2,951,282	7,254,959	1,414	7,256,374
Segment profit (loss)	15,331	-246,024	-230,693	5,411	-225,282

Note: The total amount of segment profits or losses is the same as the amount of operating loss presented on 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

Six months ended June 30, 2022 (From January 1, 2022 through June 30, 2022)

(Unit: thousand yen)

Japan	Americas	Europe	Other regions	Total
6,879,442	248,178	81,875	46,877	7,256,374

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 29.074 million yen on non-current assets in the Application Business Segment.

## II. For the six months ended June 30, 2023 (From January 1, 2023 through June 30, 2023)

## 1. Information on the amount of sales and income 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	4,999,873	3,060,185	8,060,059	6,300	8,066,359
Inter-segment sales and transfers	-	2,864	2,864	-2,864	-
Total	4,999,873	3,063,049	8,062,923	3,435	8,066,359
Segment profit	56,756	-169,060	-112,304	6,300	-106,003

Note: The total amount of segment profits or losses is the same as the amount of operating loss presented on 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 six months ended June 30, 2023 (From January 1, 2023 through June 30, 2023)

(Unit: thousand yen)

Japan	Americas	Europe	Other regions	Total
7,649,805	279,667	87,349	49,536	8,066,359

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 29.074 million yen on non-current assets in the Application Business Segment.

**(Significant subsequent events)**

Not applicable