

# Financial Results for the 6 Months Ended June 30,2021

July 29,2021

SIOS ,Corp.

(Stock Code: 3744 on the Second Section of Tokyo Stock Exchange)

**Summary of Business Results  
for the 6 Months Ended  
June 30 ,2021**

# Consolidated Financial Results

## for the 6 Months Ended June 30,2021



(In millions of yen)

	Results for the 6 months ended June 30,2020	Results for the 6 months ended June 30,2021	Change	%Change
Net Sales	7,276	<b>8,079</b>	+802	+11.0%
Gross profit	2,178	<b>2,486</b>	+307	+14.1%
Operating income	54	<b>295</b>	+241	+443.2%
Ordinary income	57	<b>316</b>	+258	+446.0%
Profit attributable to owners of parent	19	<b>234</b>	+214	—
EBITDA	101	<b>334</b>	+233	+231.6%
ROIC (annualized)	3.5%	<b>16.9%</b>	—	—

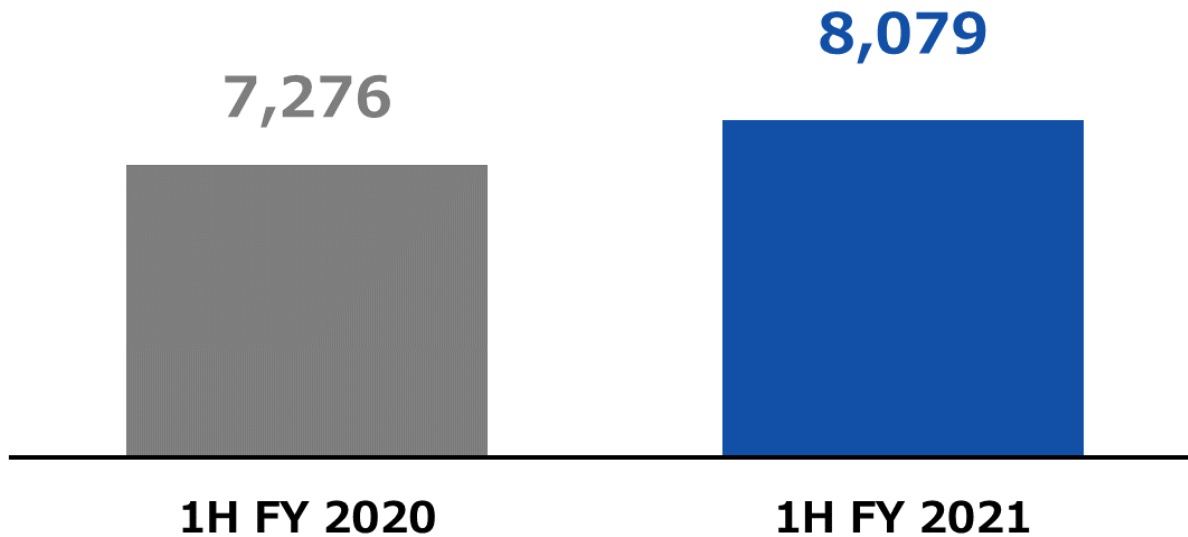
\*EBITDA: Operating profit + Depreciation + Amortization of goodwill

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

# Consolidated Net Sales



(In millions of yen)

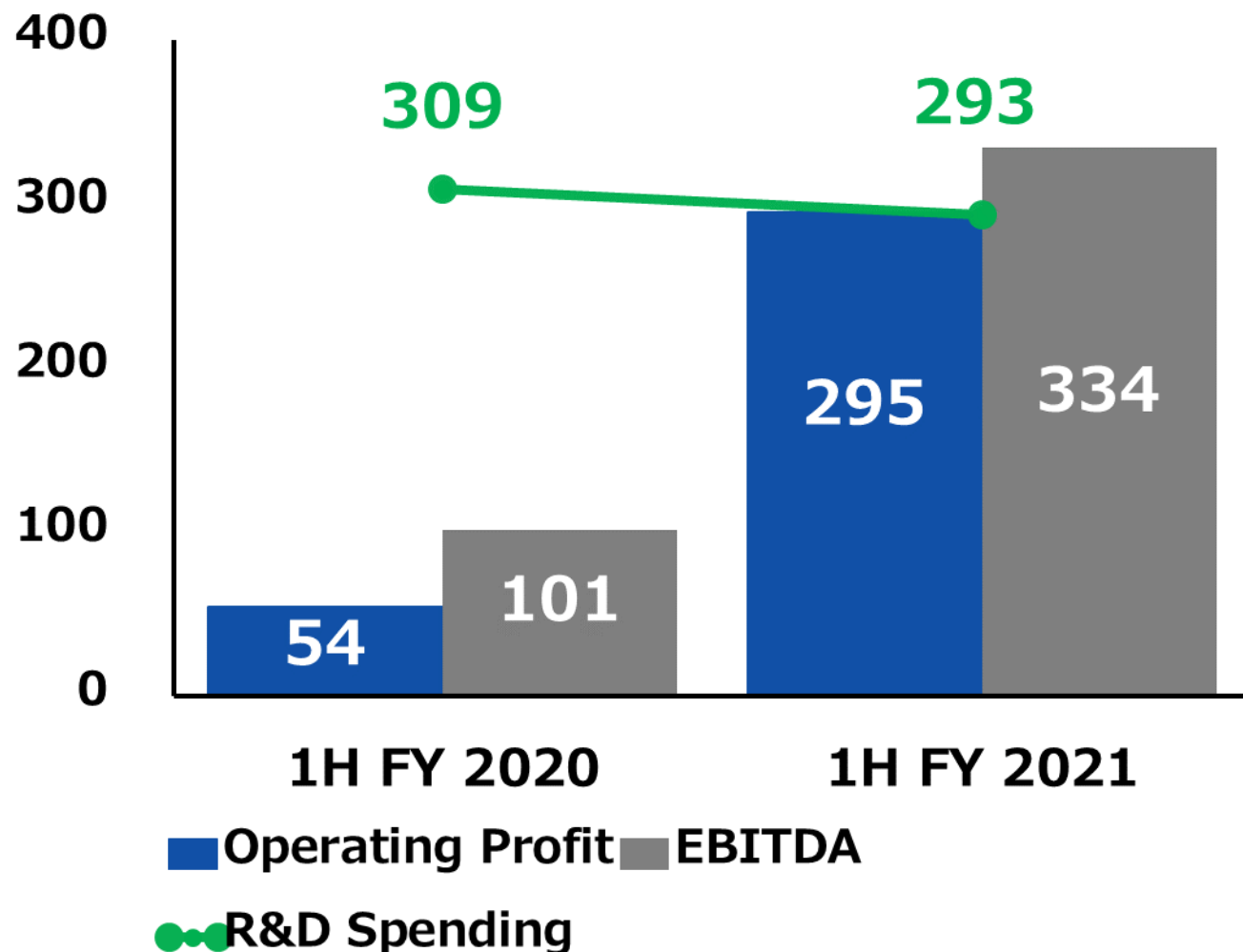


**Record-high net sales achieved in FY 2021**  
(Up 11.0% YoY)

# Consolidated Operating Profit, EBITDA, and R&D Spending



(In millions of yen)



- Operating profit for the first half of FY 2021 **increased** by ¥241 million from the same period the previous fiscal year.
- EBITDA **up** ¥233 million YoY.
- R&D spending **remained robust**.

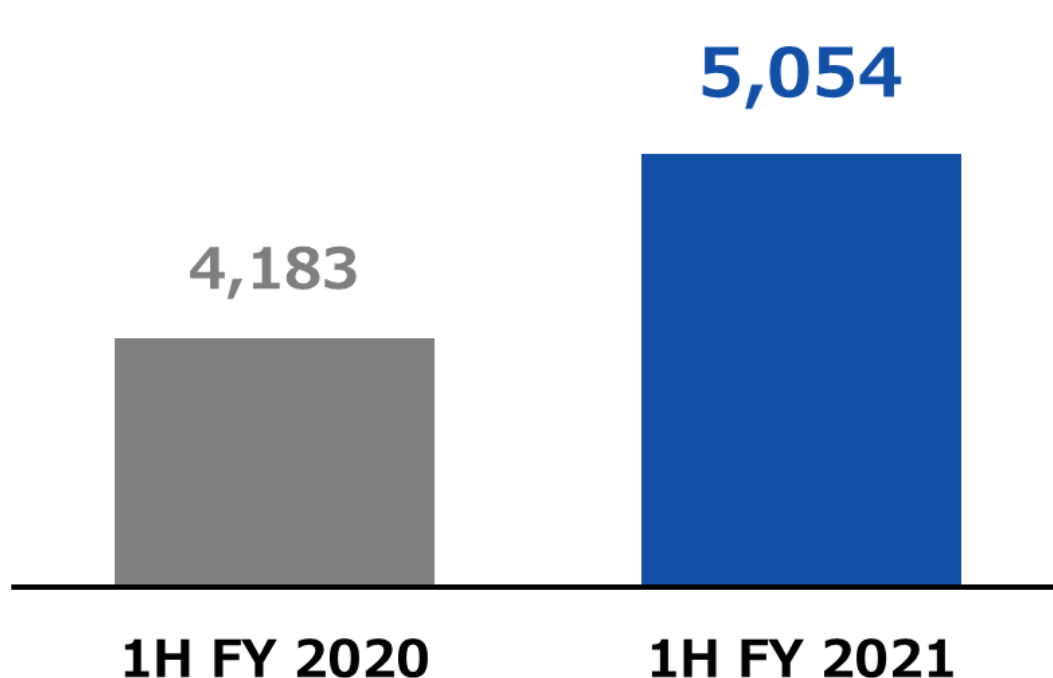
# Open System Infrastructure Business



**Net sales**

**5,054 million yen, up 20.8% YoY**

(In millions of yen)



As corporate clients continued to invest heavily in implementing DX\* solutions amid the COVID-19 crisis,

- Sales of software products sourced from Red Hat, Inc.\* **were strong.**
- Sales of LifeKeeper\*, which is our core product, **achieved stable growth.**

Note: See the Glossary on Page 28 for descriptions of terms with an asterisk.

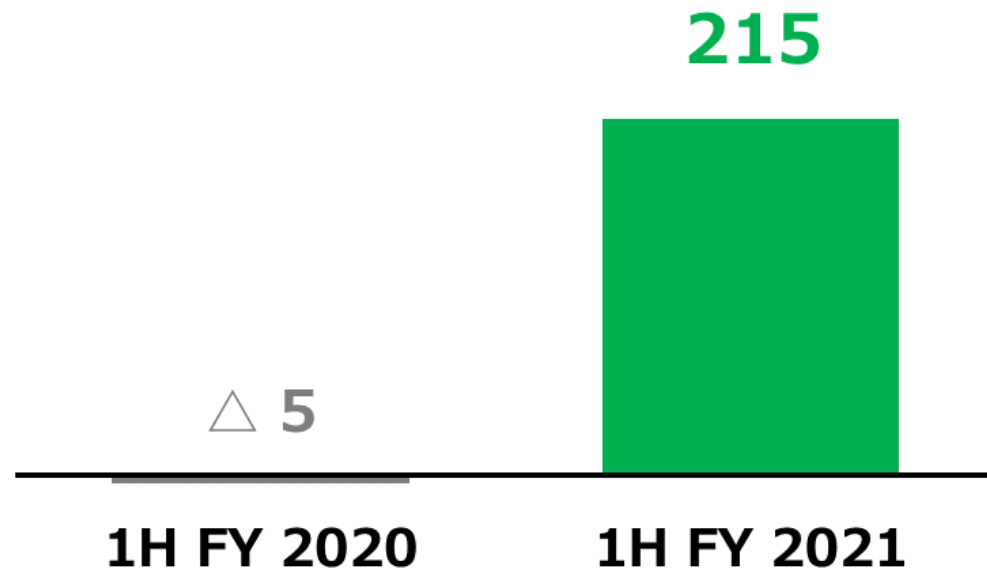
# Open System Infrastructure Business



## Segment income

**215 million yen**, compared with on loss of 5 million yen the year before

(In millions of yen)



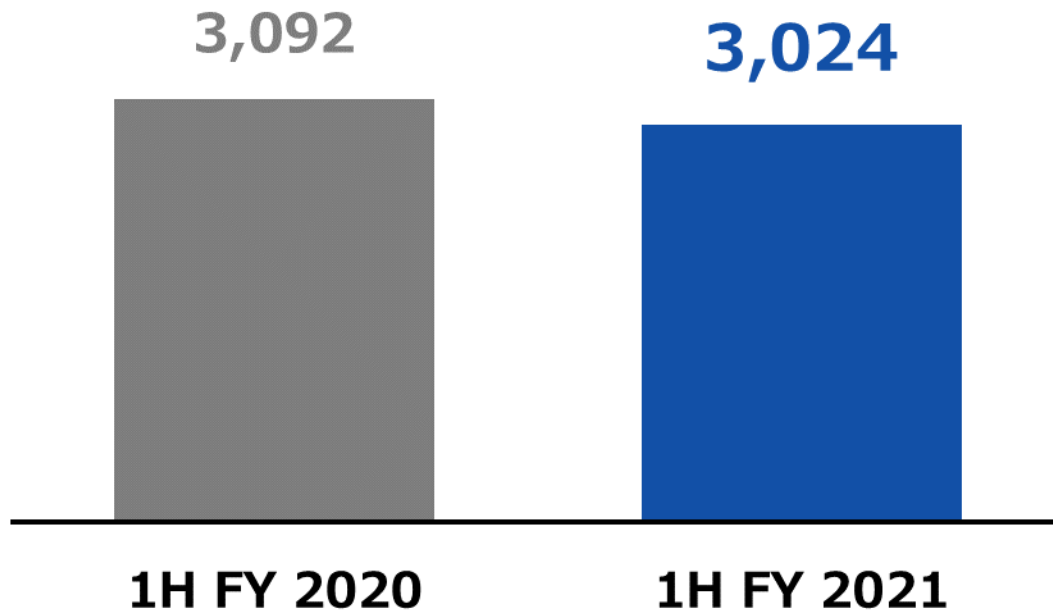
- Segment income of the Open System Infrastructure Business **was up YoY** as a result of increased sales.

# Application Business

## Net sales

3,024 million yen, down 2.2% YoY

(In millions of yen)



- Sales of software applications for MFPs\*, which are our core products, and revenues from the Gluegent series\* **achieved YoY growth**.
- Revenues from the provision of support for system development and implementation to financial institutions **declined**.

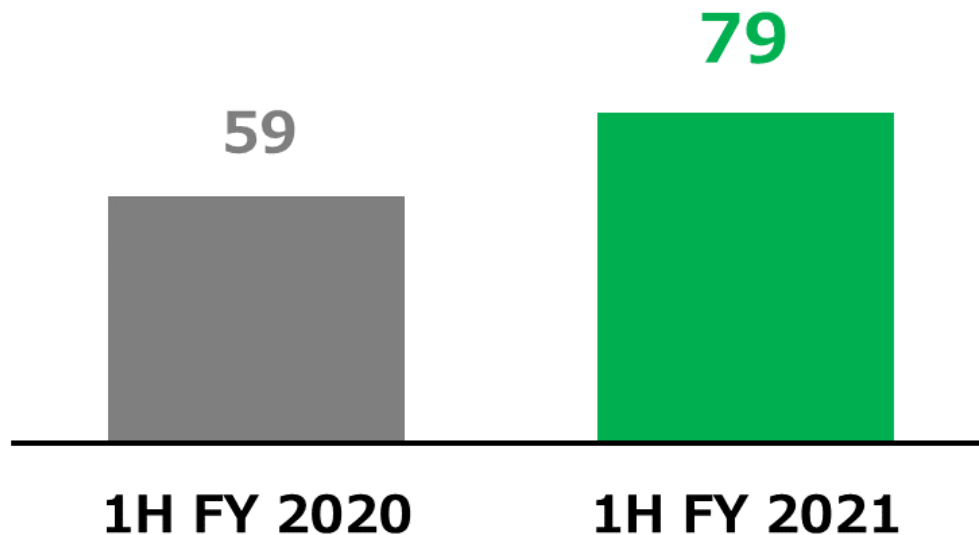


# Application Business

Segment income

79 million yen, up 32.7% YoY

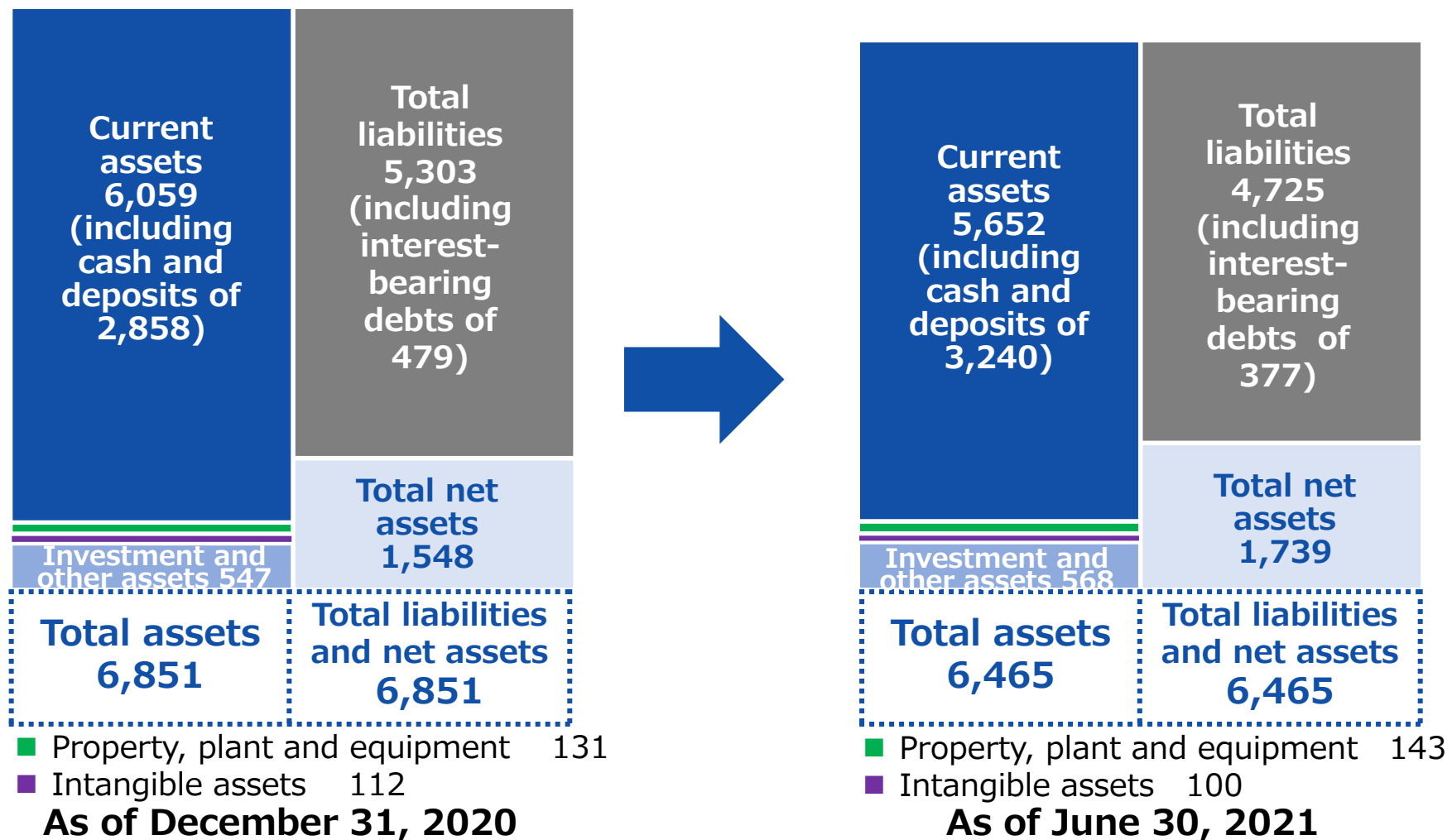
(In millions of yen)



- Segment income of the Application Business **was up YoY** as a result of strong sales of our products developed in-house.

# Consolidated Balance Sheets

(In millions of yen)

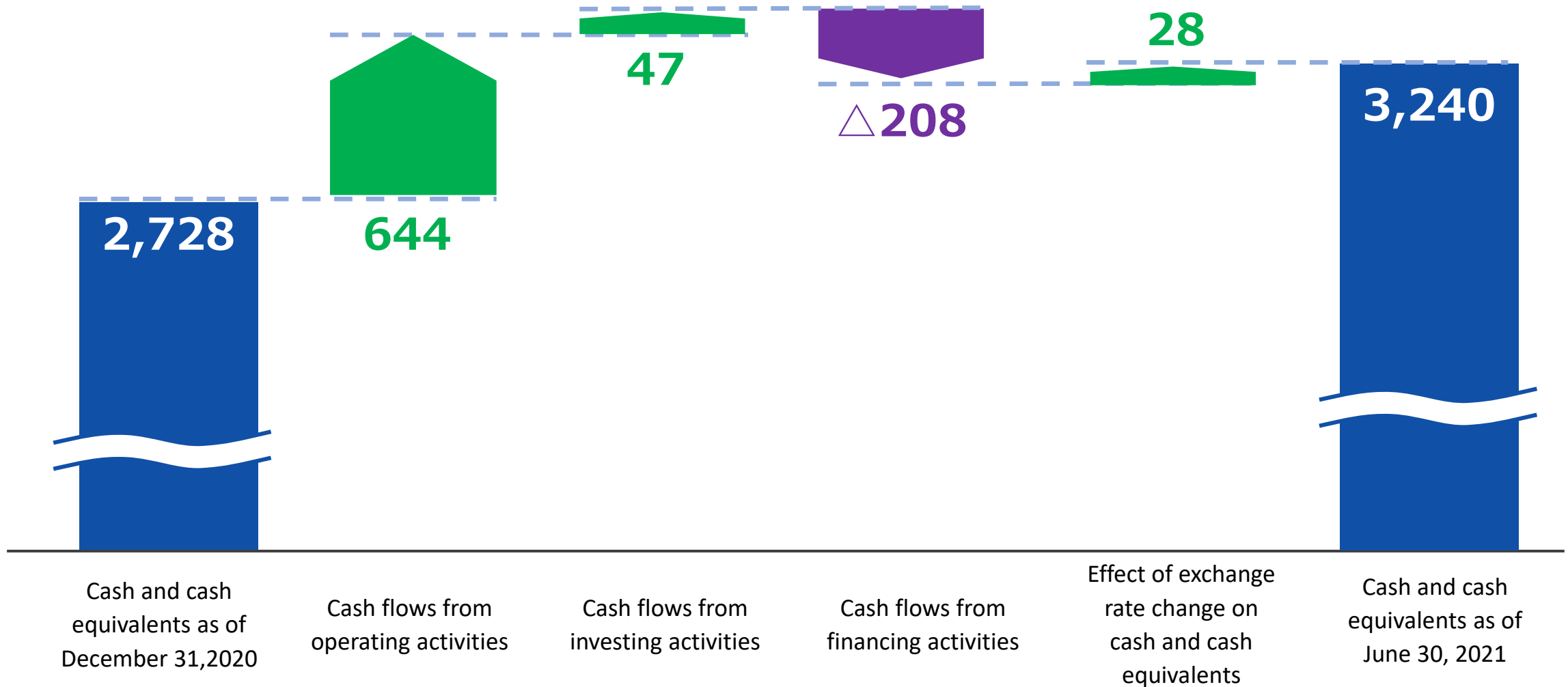


- **Current assets: Down** by ¥481M in inventories
- **Current liabilities: Down** by ¥865M in accounts payable trade; **up** by ¥502M in advances received

# Analysis of Consolidated Cash Flows



(In millions of yen)



# Year-on-Year Changes in Cash Flows



		Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Net amount of cash generated or used		¥644M net cash generated	¥47M net cash generated	¥208M net cash used
Breakdown	Amount of cash generated	Profit before income taxes: ¥313M Cash generated as a result of a decrease in trade receivables: ¥420M Cash generated as a result of a decrease in inventories: ¥481M Cash generated as a result of an increase in advances received: ¥467M	Proceeds from withdrawal of time deposits: ¥130M	
	Amount of cash used	Cash used to reduce trade payables: ¥865M	Cash used to pay for asset retirement obligations: ¥30M Cash used to purchase investment securities: ¥25M	Cash used to repay long-term borrowings: ¥61M Net decrease in short-term borrowings: ¥50M Cash used to pay dividends: ¥86M

# **Major Achievements in the First Six Months of FY 2021**

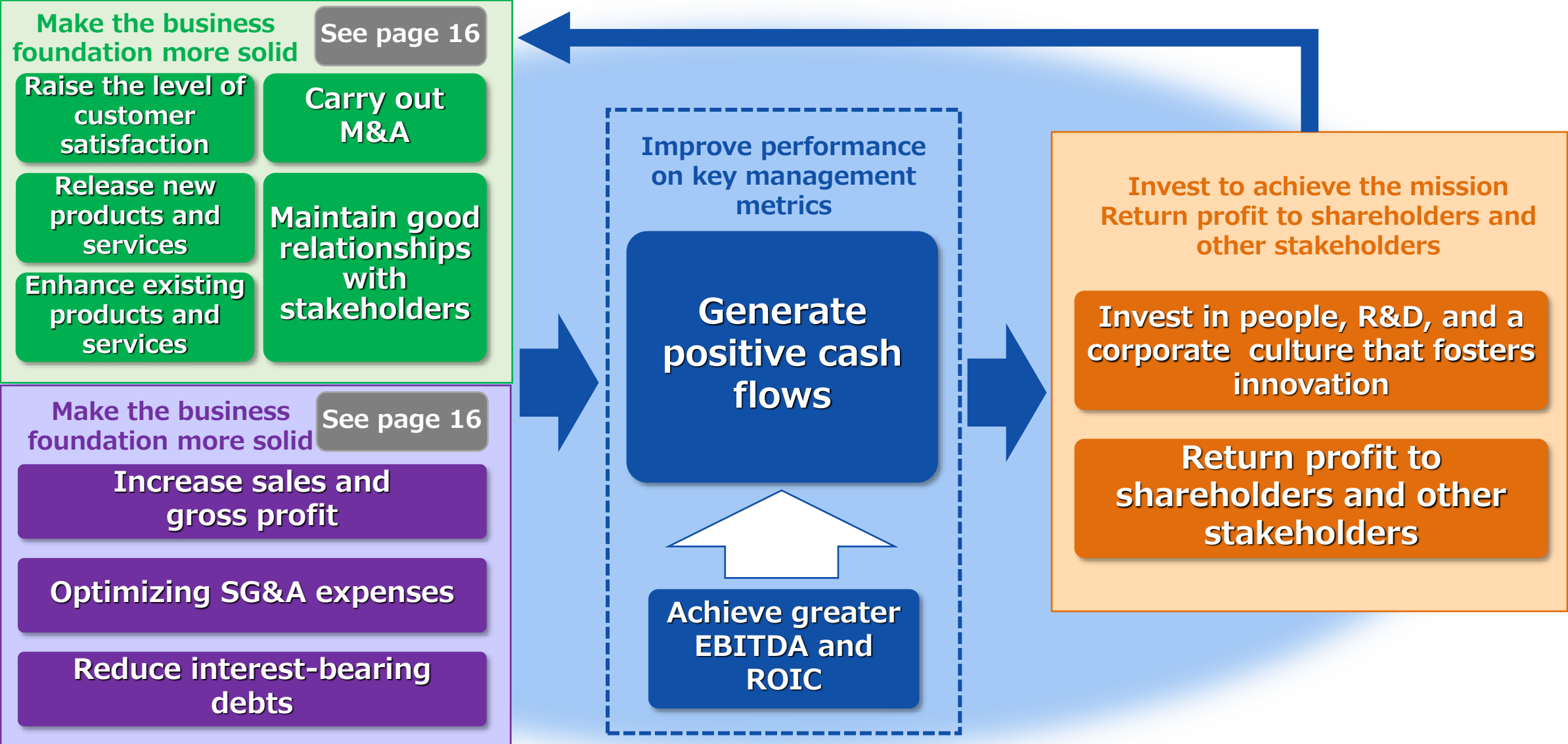
## Primary Management Objective

Under the mission of **making the impossible possible for the people of the world**, the SIOS Group works toward achieving its primary management objective of pursuing innovative solutions to resolve issues affecting people and to contribute to a better society.

## Management Metrics

The Group uses **EBITDA** and **ROIC** as its key management metrics to continue to generate positive cash flow. Positive cash flow enables the Group to invest in the three driving forces for our growth—people, research and development, and a corporate culture that fosters innovation—and to return profit to our shareholders and stakeholders. Through these efforts, the Group works toward achieving its primary management objective.

# Basis for Achieving the SIOS Group Mission



# Review of 1H FY 2021

## Enhance existing products and services

- Bolstered our SaaS\* business, including Gluegent series service products (see pages 17 to 21 for details).
- Upgraded cloud application for LifeKeeper.
- Stepped up our efforts to assist colleges and universities in implementing cloud solutions.

## Optimizing SG&A expenses

Facilitated a merger between two consolidated subsidiaries.

(SIOS Technology absorbed Profit Cube on April 1, 2021.)

## Reduce interest-bearing debts

Repaid ¥111 million of loans payable.

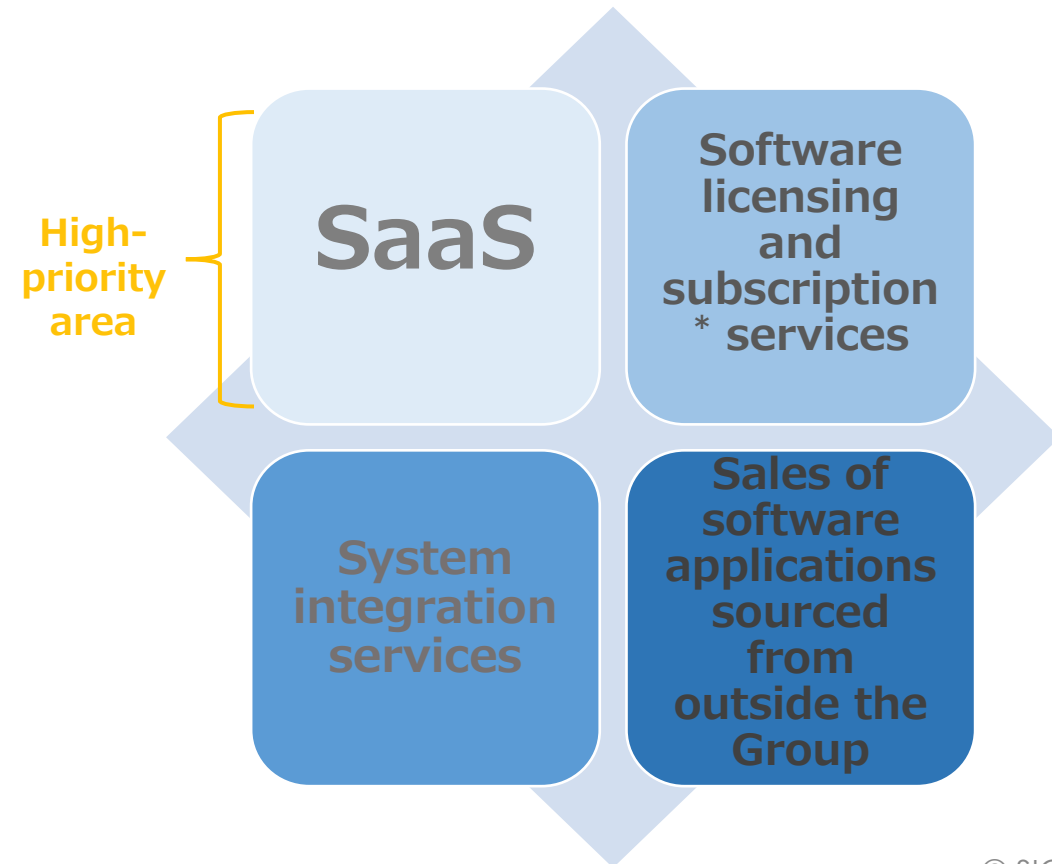


# **High-Priority Business Strategy: Bolstering Our SaaS Business**

# High-Priority Business Strategy: Bolstering Our SaaS Business

Invest more heavily in expanding our SaaS business to better serve corporate clients and accelerate the Group's growth

Our B2B Business Domains



- Projected Japanese market for SaaS for 2021: 1.2 trillion yen  
(Source: "Cloud Computing Market 2021--Today and Future," published by Fuji Chimera Research Institute, Inc.)
- The SaaS market is projected to maintain strong growth momentum, benefiting from a shift to teleworking and DX solutions in corporate environments.



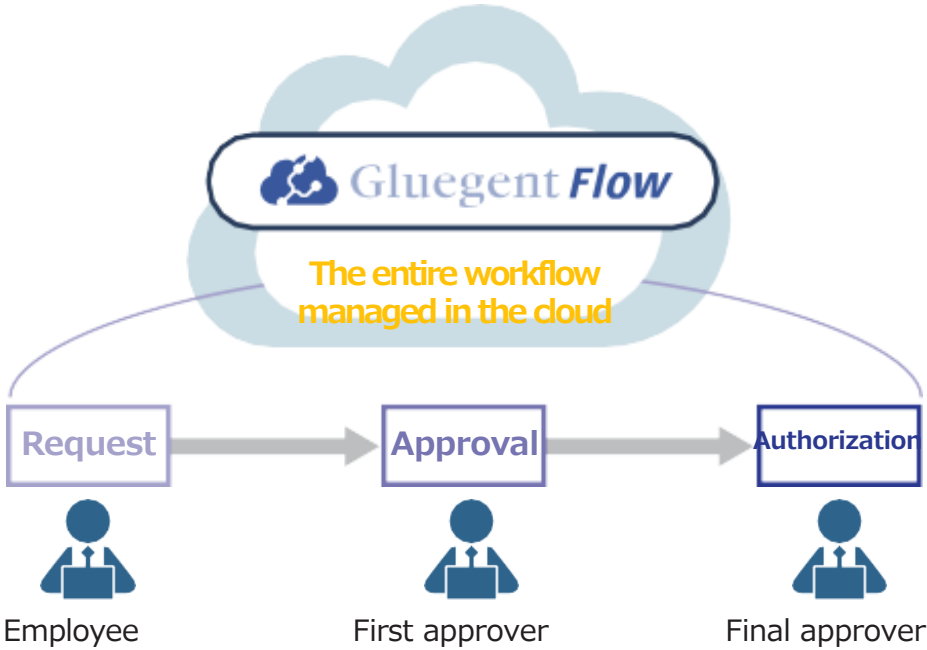
**We will invest more heavily in our SaaS business, while taking advantage of our existing B2B products and services, such as system integration services and software applications.**

# First Phase of SaaS Enhancement: Gluegent Series

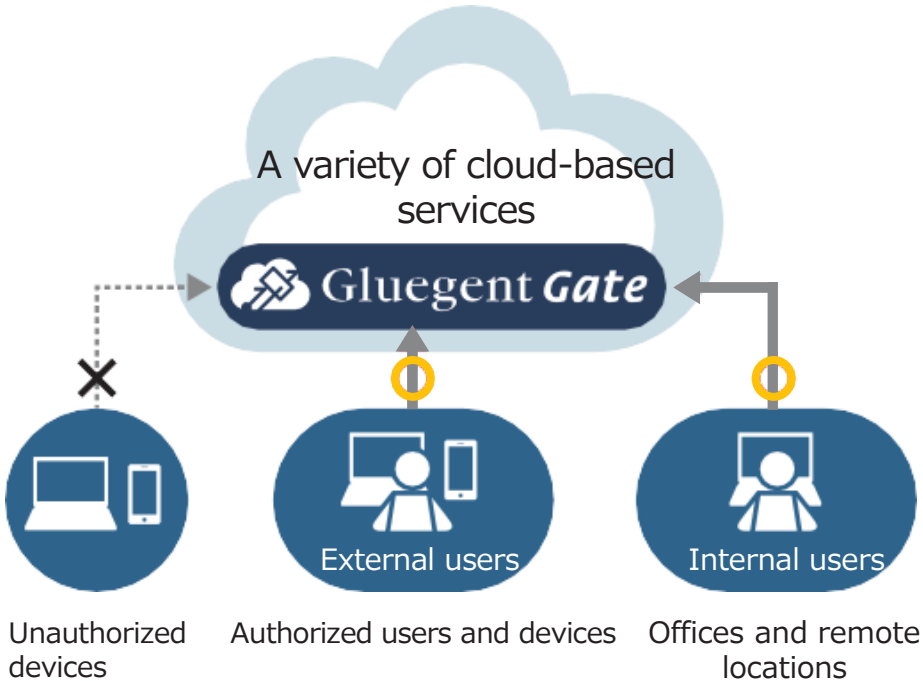


The Gluegent series service products are designed to **assist corporate clients in shifting to teleworking and implementing DX solutions**, and include the Gluegent Flow cloud-based workflow system and the Gluegent Gate SaaS authentication system.

Cloud-based workflow system



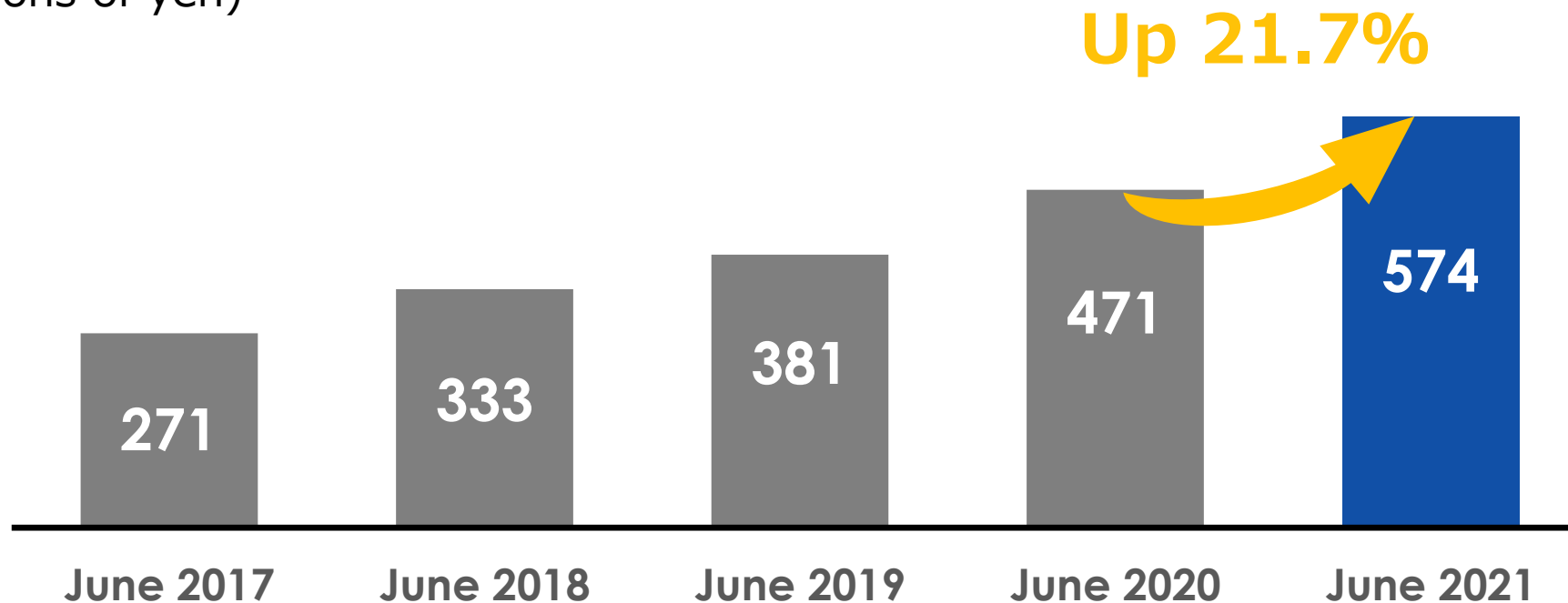
SaaS authentication infrastructure solution



# ARR<sup>1</sup> of the Gluegent Series

The Gluegent series growing faster than the SaaS market<sup>2</sup>

(Millions of yen)

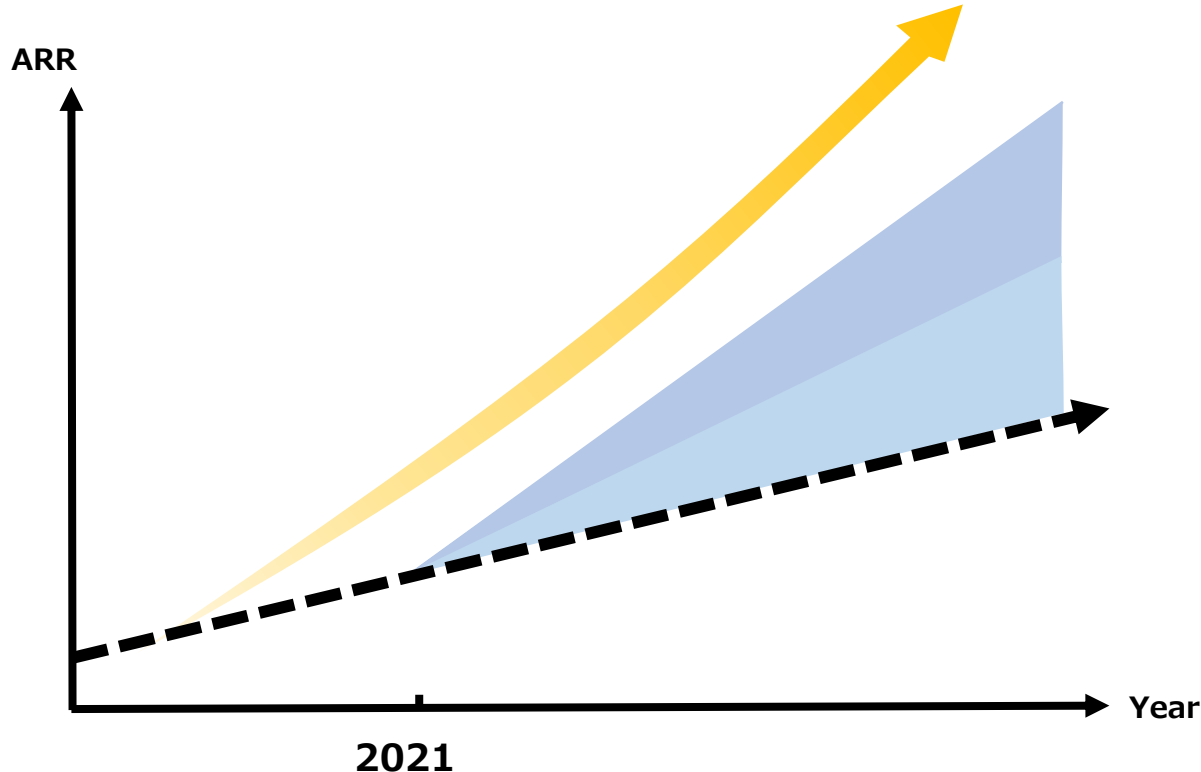


1. ARR: Annual Recurring Revenue, obtained by multiplying MRR (monthly recurring revenue, which is a predictable revenue that a business counts on receiving every month from subscriptions) by 12

2. "Cloud Computing Market 2021--Today and Future," published by Fuji Chimera Research Institute, Inc., predicts that the Japanese SaaS market for 2021 will grow 15.6% year on year to 1.2 trillion yen.

# Strategy to Increase ARR of the Gluegent Series

**2021 will prove to be the turning point that will accelerate the growth of ARR of the Gluegent series.**



## Step up marketing efforts

- Recruit experienced marketing professionals
  - Invest in digital marketing programs
- ➔ **Increase awareness of Gluegent in the market and acquire new businesses**

## Step up product development efforts

- Assign more engineers to product development projects
  - Develop products that will meet user needs
- ➔ **Offer clients the right products at the right time**

# **Business Forecasts for Fiscal Year Ending December 31, 2021**

# Updated Business Forecasts for FY2021



Annual forecasts revised upward to reflect the better-than-expected business results for the first half

(Millions of yen)

	Earlier Forecasts (announced January 28, 2021)	Updated Forecasts	% Change
Net Sales	15,500	<b>15,700</b>	+1.3%
Operating Income	320	<b>480</b>	+50.0%
EBITDA	410	<b>560</b>	+36.6%
ROIC	9.2%	<b>13.2%</b>	—

# Percentage of First-Half Results to Updated Forecasts



We intend to maintain our **momentum of growth for 11 consecutive fiscal years** and achieve net sales of ¥15.7 billion in FY 2021.

(In millions of yen)	Results for the 6 months ended June 30, 2021	Forecast for fiscal year ending December 31, 2021	Percentage of achievement
Net sales	8,079	<b>15,700</b>	51.5%
Operating income	295	<b>480</b>	61.6%
Ordinary income	316	<b>510</b>	62.0%
Profit attributable to owners of parent	234	<b>390</b>	60.1%
EBITDA	334	<b>560</b>	59.8%
ROIC (annualized)	16.9%	<b>13.2%</b>	—



# Cash Dividends for FY 2020

	<b>24th term</b> Fiscal year ended December 31, 2020	<b>25th term</b> Fiscal year ending December 31, 2021 (Forecast)
<b>Annual cash dividend per share</b>	<b>¥10</b>	<b>¥10</b>

**Fiscal year ending  
December 31, 2021  
(Forecast)**

**Plan to pay a cash dividend of ¥10 per share at fiscal year-end.**

# Appendix

# About SIOS Corporation



## SIOS is Innovative Open Solutions

Listed on the Second Section of the Tokyo Stock Exchange, SIOS Corporation is a holding company that manages subsidiaries having a wealth of expertise and assets in open source software, including Linux, AI and cloud technologies, and Fintech.

Under the mission of making the impossible possible for the people of the world, the SIOS Group pursues innovative solutions to resolve issues affecting people and to contribute to a better society.

Headquarters	SIOS Building, 2-12-3 Minami Azabu Minato-ku, Tokyo, Japan	
Capital	1,481 million yen	
Established	May 23, 1997	
No. of employees	454 on a consolidated basis (as of December 31, 2020)	
Main consolidated subsidiaries	Japan: SIOS Technology, Inc.	U.S.A.: SIOS Technology Corp.



# Glossary

Page	Term	Description
6	<b>Digital transformation (DX)</b>	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.
6	<b>Software products sourced from Red Hat, Inc.</b>	Open-source software products developed by Red Hat, Inc., a provider of open-source solutions.
6	<b>LifeKeeper</b>	A failover software product that automatically switches a failed primary server to a backup server.
8	<b>Software applications for multifunction printers (MFPs)</b>	A multifunction printer (MFP) is a piece of office equipment that incorporates print, scan, copy, and fax capabilities into one unit. The Group develops, markets, and updates document management software applications, such as Quick Scan and Speedoc, that run on an MFP.
8	<b>Gluegent series</b>	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.
16	<b>SaaS</b>	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.
18	<b>Subscription business model</b>	A business model that charges customers a recurring monthly or annual fee to access a software product or service.

# Cautionary Statement



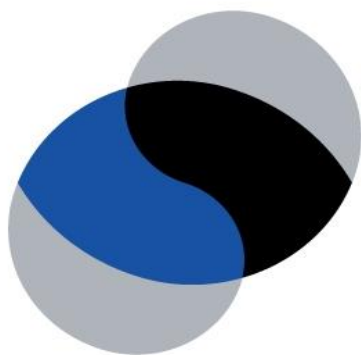
Forward-looking statements about the Company's business outlook contained in this document reflect management's assumptions and judgments made on the basis of available information, and may include risks and uncertainties. We caution that significant risks and uncertainties could cause actual performance to differ materially from what is discussed in the forward-looking statements. 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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**(+81-3-6401-5111 from outside Japan)**

or fill in and send an online inquiry form available at:

[https://mk.sios.com/SIOS\\_Inquiry\\_english.html](https://mk.sios.com/SIOS_Inquiry_english.html)



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