

# Financial Results for Fiscal Year Ended December 31, 2021

February 3, 2022

SIOS ,Corp.

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



**Summary of Business Results  
for the Fiscal Year Ended  
December 31, 2021 (FY 2021)**

# Consolidated Financial Results for FY 2021 SIOS

(In millions of yen)

	FY2020 Results	FY2021 Results	Change	%Change
Net Sales	14,841	<b>15,725</b>	+ 883	+ 6.0%
Gross profit	4,465	<b>4,884</b>	+ 419	+ 9.4%
Operating income	236	<b>358</b>	+ 122	+ 51.7%
Ordinary income	256	<b>400</b>	+ 143	+ 56.1%
Profit (loss) attributable to owners of parent	310	<b>367</b>	+ 57	+ 18.6%
EBITDA	329	<b>448</b>	+ 118	+ 36.1%
ROIC	6.9%	<b>10.0%</b>	—	—

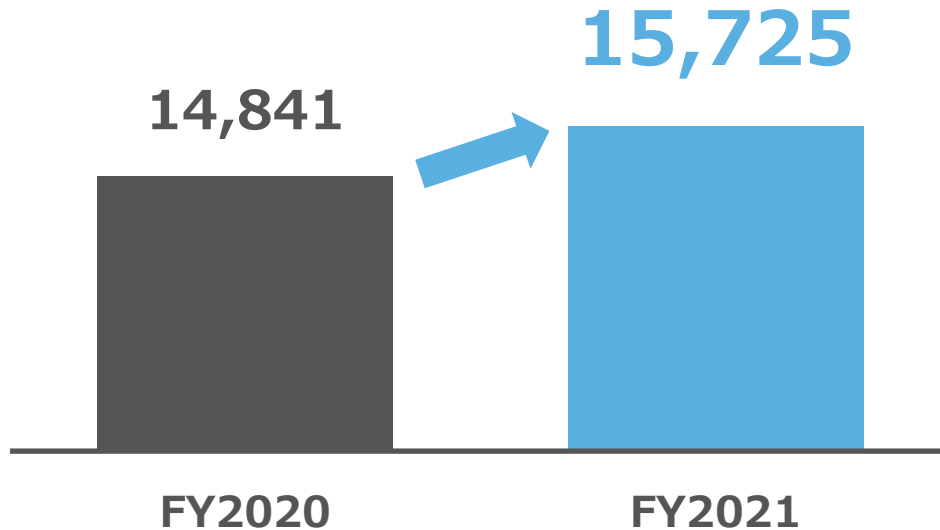
\*EBITDA: Operating profit + Depreciation + Amortization of goodwill

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

# Consolidated Net Sales



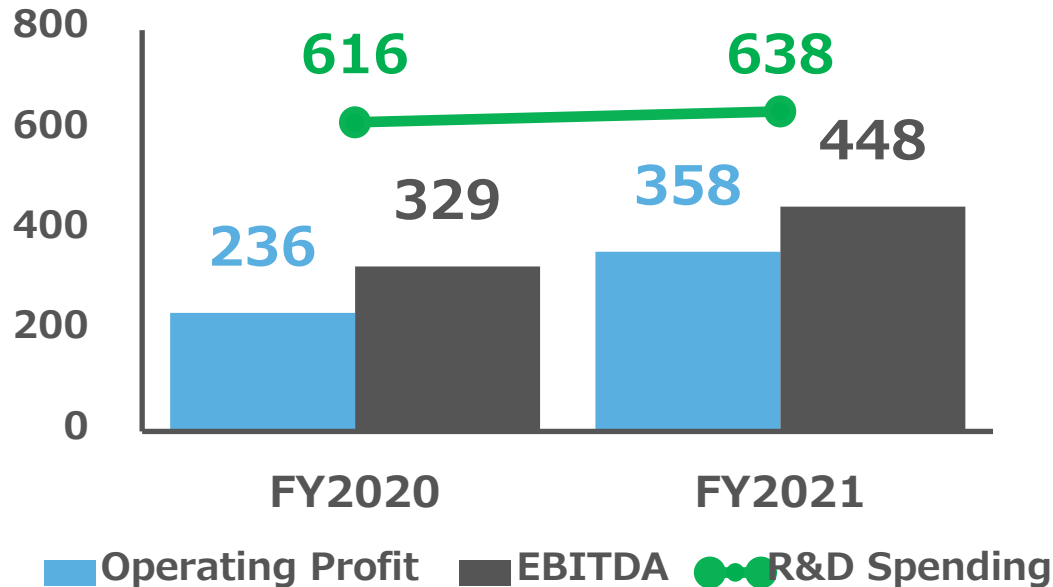
(In millions of yen)



**Record-high net sales achieved in FY 2021**  
(Up 6.0% YoY)

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

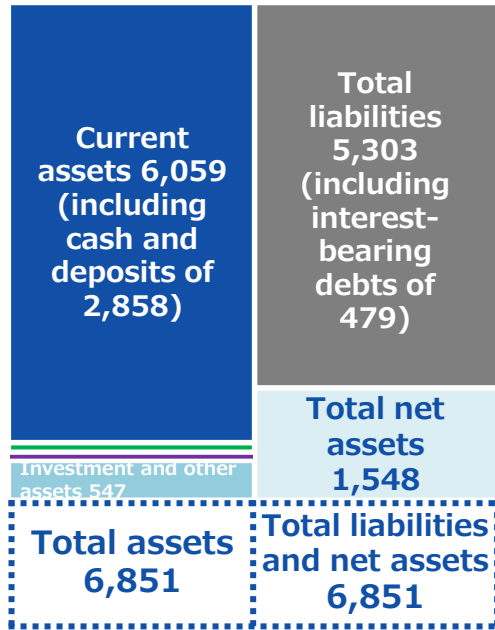
(In millions of yen)



- Operating profit for the first half of FY 2021 **increased** by ¥122 million from the same period the previous fiscal year.
- EBITDA **up** ¥118million YoY.

# Consolidated Balance Sheets

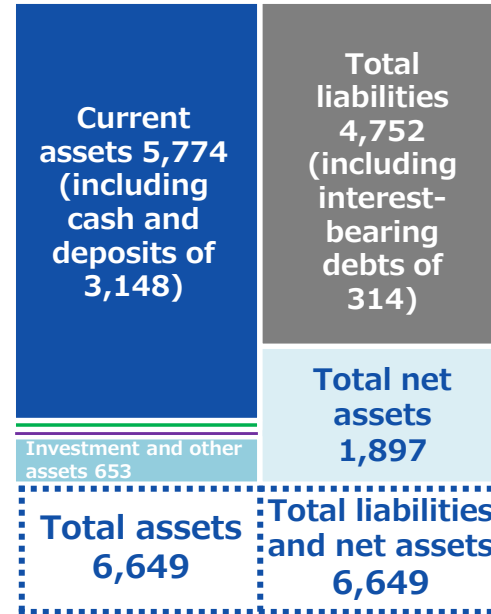
As of December 31, 2020



- Property, plant and equipment 131
- Intangible assets 112

As of December 31, 2021

(In millions of yen)

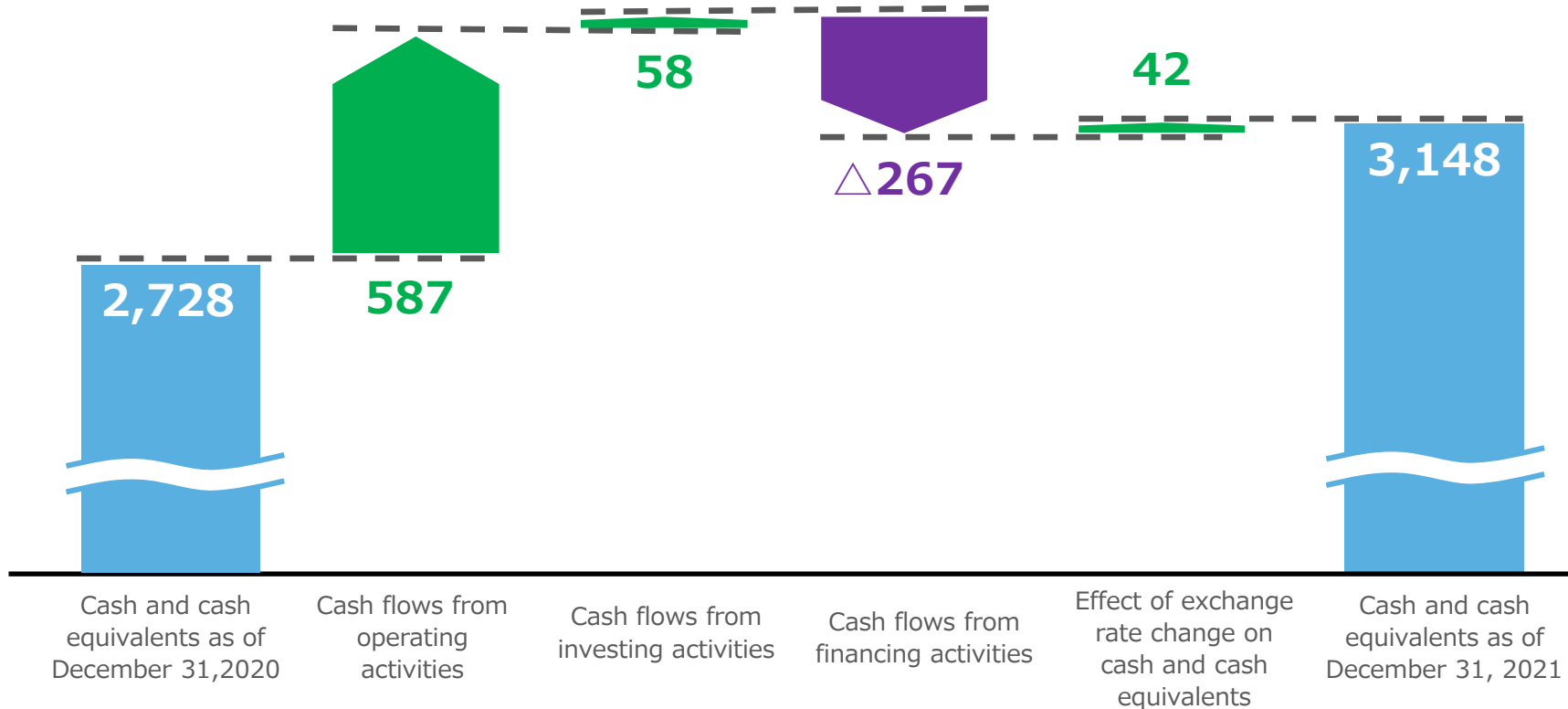


- Property, plant and equipment 121
- Intangible assets 100

- **Current assets** : A **decrease** of 484 million yen in merchandise.
- **Current liabilities** : A **decrease** of 628 million yen in accounts payable trade.  
an **increase** of 328 million yen in advances received.

# Analysis of Consolidated Cash Flows

(In millions of yen)



# Year-on-Year Changes in Cash Flows

(In millions of yen)

		Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
<b>Net amount of cash generated or used</b>		<b>¥587M net cash generated</b>	<b>¥58M net cash generated</b>	<b>¥267M net cash used</b>
<b>Breakdown</b>	<b>Amount of cash generated</b>	<b>Profit before income taxes:</b> <b>¥396M</b> <b>Cash generated as a result of a decrease in trade receivables:</b> <b>¥222M</b> <b>Cash generated as a result of a decrease in inventories:</b> <b>¥429M</b> <b>Cash generated as a result of an increase in advances received:</b> <b>¥271M</b>	<b>Proceeds from withdrawal of time deposits:</b> <b>¥130M</b>	
	<b>Amount of cash used</b>	<b>Cash used to reduce trade payables:</b> <b>¥628M</b>		<b>Cash used to pay dividends:</b> <b>¥87M</b> <b>Cash used to repay long-term borrowings:</b> <b>¥123M</b>

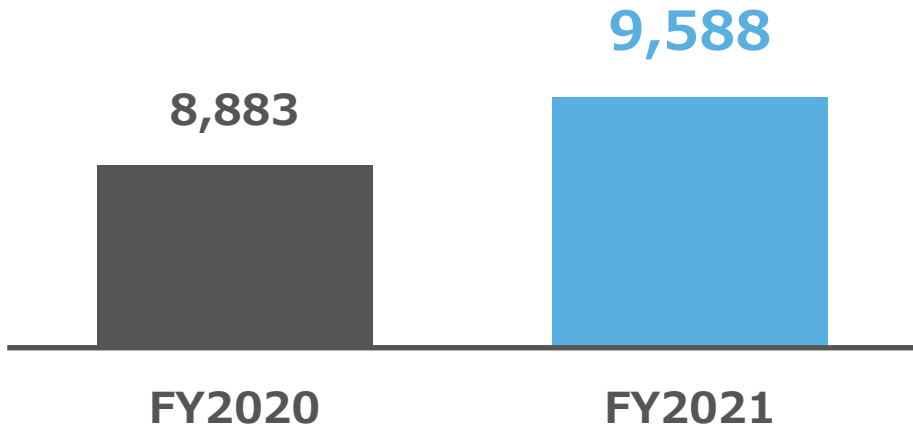


# Open System Infrastructure Business SIOS

Net sales

9,588 million yen, Up 7.9% YoY)

(In millions of yen)



As corporate clients rushed to invest in DX\* to better deal with the challenges brought about by the COVID-19 crisis,

- sales of software products sourced from Red Hat, Inc.\* **remained strong,**
- and sales of our core LifeKeeper\* **increased.**

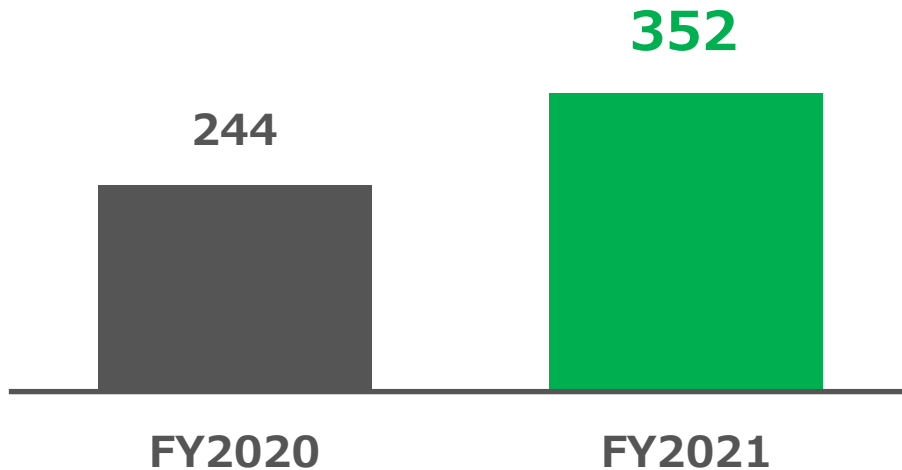
Note: See the Glossary on Page 33 for descriptions of terms with an asterisk.

# Open System Infrastructure Business SIOS

## Segment income

352 million yen, Up 44.6% YoY)

(In millions of yen)

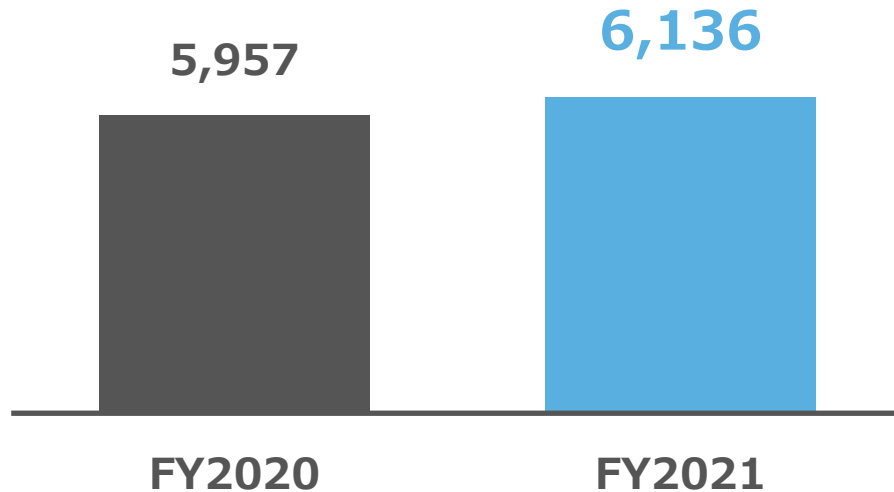


Segment income of the Open System Infrastructure Business was **up YoY**, driven by robust sales.

## Net sales

6,136 million yen, Up 3.0% YoY)

(In millions of yen)



- Revenues from our core software applications for MFPs\* and the Gluegent series\* **grew year on year.**
- Sales of the management support system to financial institutions **recorded growth.**
- Revenues from providing financial institutions with support for system development and implementation **declined.**

## Segment income

(In millions of yen)

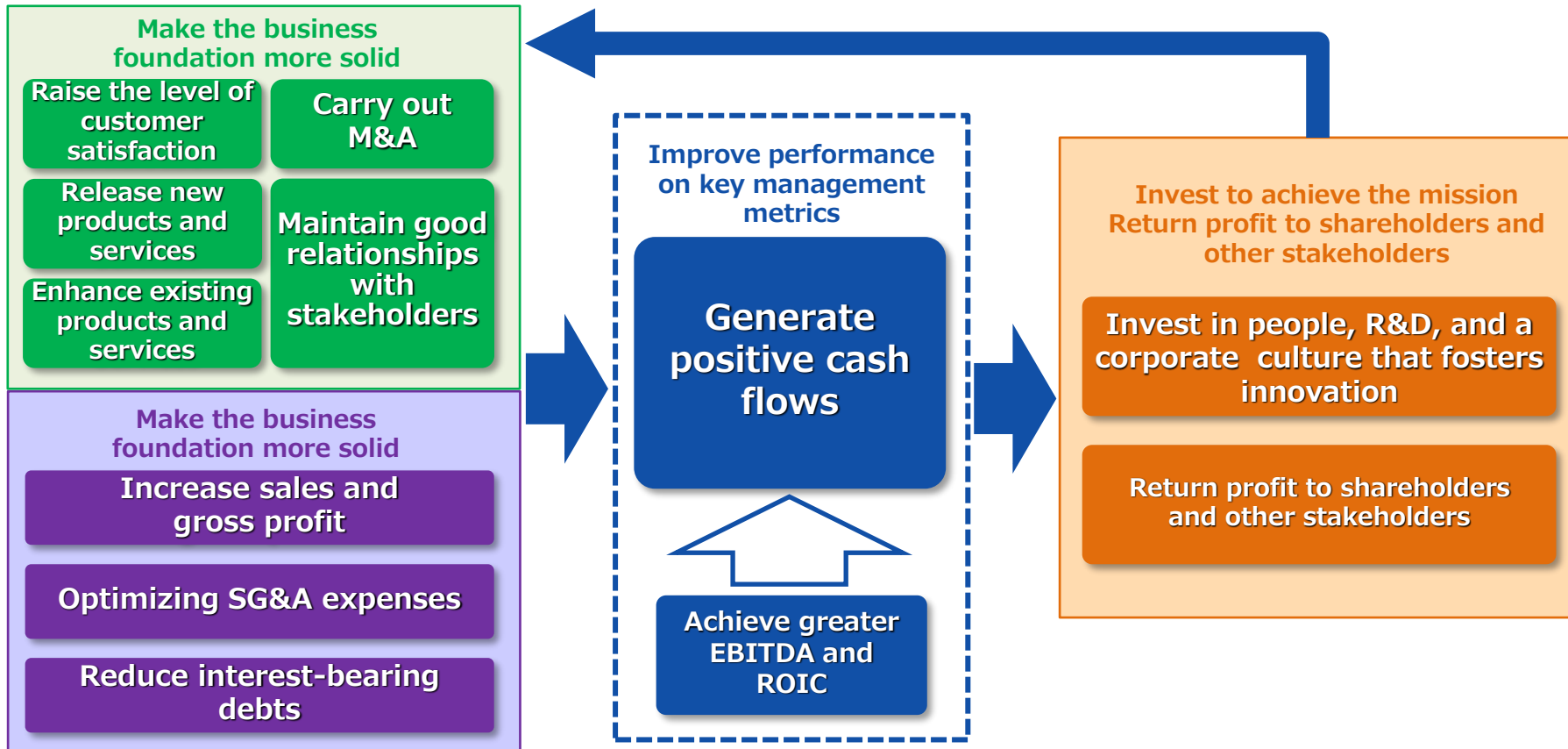
**4 million yen**, compared with on loss of 8 million yen the year before



Growth of revenues from our core software products helped **return this segment into profitability.**

# Review of FY 2021

# Basis for Achieving the SIOS Group Mission



## Enhance existing products and services

### 【Key strategies and actions planned for FY 2021】

To promote the Group's offerings of cloud solutions to meet corporate clients' increasing appetite to invest in DX

- To upgrade the cloud application for LifeKeeper
- To step up sales efforts for the Gluegent series
- To provide broader support to universities in their efforts to implement a cloud environment

### 【Achievements】

- LifeKeeper turned out to be a key profit driver for the Group. The Group continued to upgrade its cloud application.
- The provision of assistance to universities in implementing a cloud environment also contributed to the Group's profit.
- The Group's efforts to expand its SaaS\* business paid off; the Gluegent series, the focus of the efforts, achieved growth in sales and contributed to the Group's bottom line.

# Review of FY 2021②

**Enhance existing products and services**

**Optimizing SG&A expenses**

**[Key strategies and actions planned for FY 2021]**

- To consolidate the Group's business operations in Japan into SIOS Technology, Inc.
- To pursue greater cross-selling opportunities for the Group's products and services and make the Group's management structure more robust
- To achieve greater operational efficiency and productivity

**[Achievements]**

- Consolidated the Group's business operations in Japan into SIOS Technology in April 2021.
- The Group achieved record-high net sales for the year (15.7 billion yen), as a result of pursuing cross-selling opportunities for the Group's products and services and achieving greater operational efficiency and productivity.



# Review of FY 2021 ③

## Optimizing SG&A expenses

To close the Platinum Tower Office in Minato-ku, Tokyo

**Achievement:** Closed the office as planned, which would lead to savings on operating costs for FY 2022 and beyond.

## Return profit to shareholders and other stakeholders

To pay an ordinary dividend of ¥10 per share for the year

**Achievement:** The Company plans to pay a 25th anniversary commemorative dividend of ¥5 per share in addition to an ordinary dividend of ¥10 per share for the year.

**Medium-Term Business Plan  
for FY2022-2024 • Business  
Forecasts for FY 2022**

## 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.

# Key Strategies for FY 2022<sup>①</sup>

**Enhance  
existing  
products and  
services**

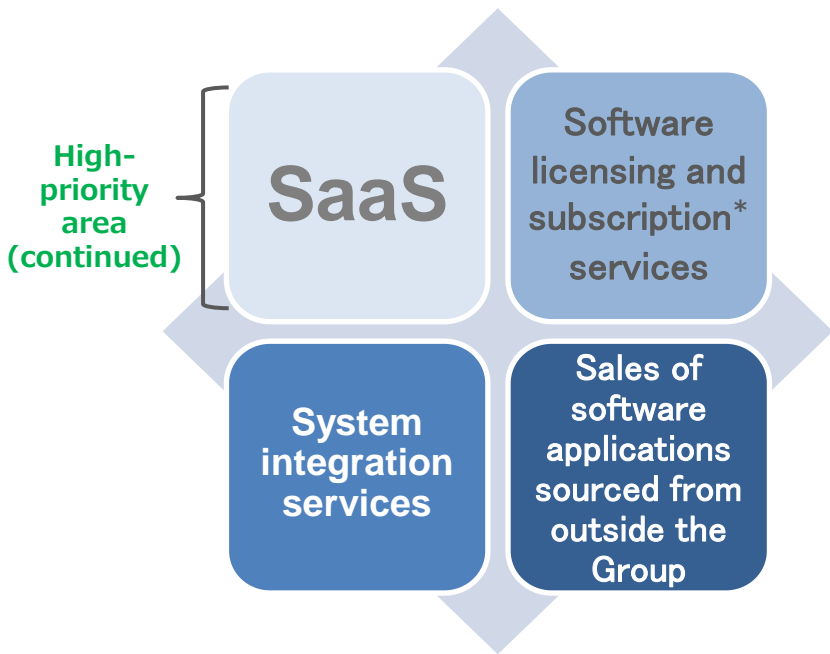
**Release new  
products and  
services**

To continue to invest heavily in expanding the Group's SaaS business in order to better serve corporate clients and accelerate the Group's growth

- To continue to upgrade cloud application for LifeKeepr and other existing products
- To continue to step up sales efforts for the Gluegent series
- To venture into the Med Tech business

To continue to pursue cross-selling opportunities for the Group's products and services in order to achieve greater productivity

【Our B2B Business Domains】



The SaaS market is projected to maintain strong growth momentum, buoyed by an accelerating DX trend in corporate environments.

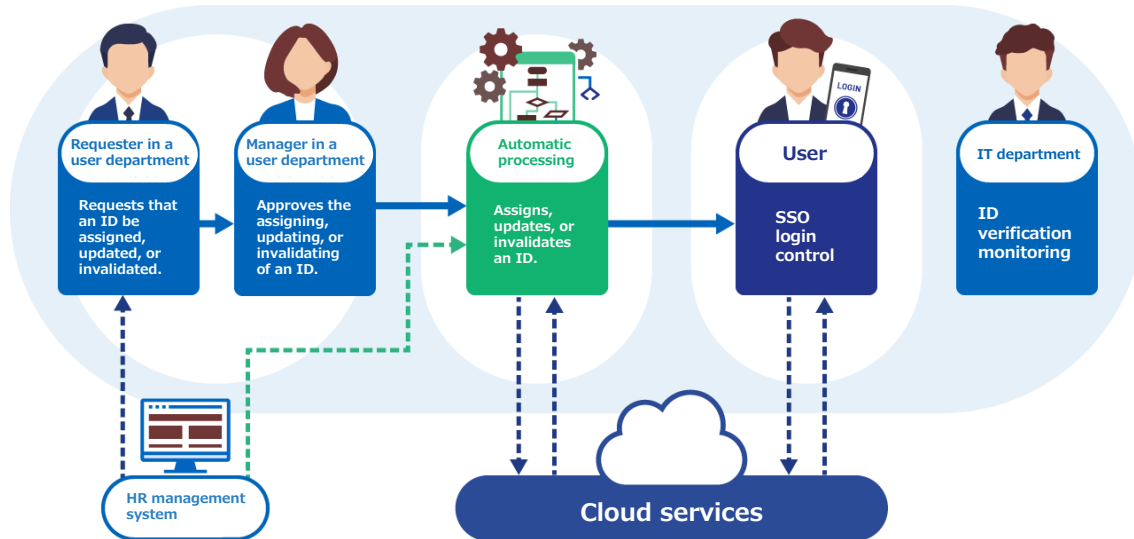


The Group will continue to invest heavily in its SaaS business, while taking advantage of its existing B2B products and services, including system integration services and software products.

# Focused Business ① Gluegent Series

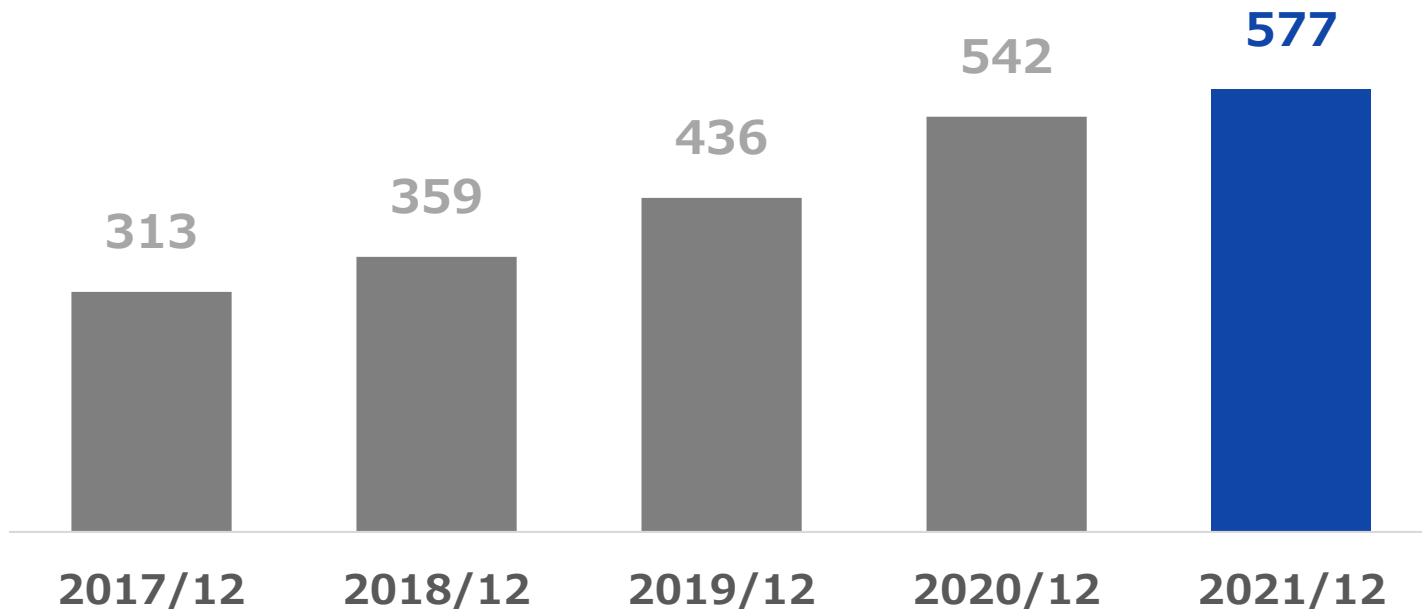
The Gluegent series service products are designed to assist corporate clients in shifting to teleworking and implementing DX solutions, and include the Gluegent Flow cloud-based workflow system and the Gluegent Gate SaaS authentication system.

【Gluegent Flow Information System Cloud (released in December 2021)】



# Focused Business ① Gluegent Series SIOS

【 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 for FY 2022

### Step up marketing efforts

Recruit marketing professionals and continue to step up digital marketing efforts in order to raise awareness of the product in the market and win additional projects from corporate clients

### Step up product development efforts

Add more engineers to the development team to create and deliver products that meet corporate users' needs and expectations



## The INDIGO NOTE electronic medical record service to be released in spring 2022

### 【Advantages of INDIGO NOTE】

- Offers features that specifically benefit mental hospitals.
- The first electronic medical record service in Japan to be compliant with the HL7®FHIR® international standards for exchanging healthcare information between different systems
- Enables medical professionals to access medical records stored
- in the cloud from anywhere and anytime.

### 【Objectives】

- Ensure the service's interoperability with diverse medical care systems
- Develop the Med Tech business into another core business of the Group and continue to deliver innovative services as part of the group-wide efforts to help achieve a creative society



# Key Strategies for FY 2022<sup>②</sup>

## Optimizing SG&A expenses

To close the Tennozu Office in Shinagawa-ku, Tokyo, which will lead to savings on operating costs for FY 2023 and beyond

## Return profit to shareholders and other stakeholders

To continue to pay an ordinary annual dividend of ¥10 per share

Continue to invest in expanding the SaaS business to achieve an EBITDA of 850 million yen and an ROIC of 21.5% for FY 2024

(In millions of yen)

	2021	2022	2023	2024
EBITDA	448	220	530	850
ROIC	10.0%	3.0%	12.3%	21.5%

# Consolidated Business Forecasts for FY 2022 SIOS

We intend to maintain our **momentum of growth for 12 consecutive fiscal years** and achieve net sales of ¥16 billion in FY 2022.

(In millions of yen)

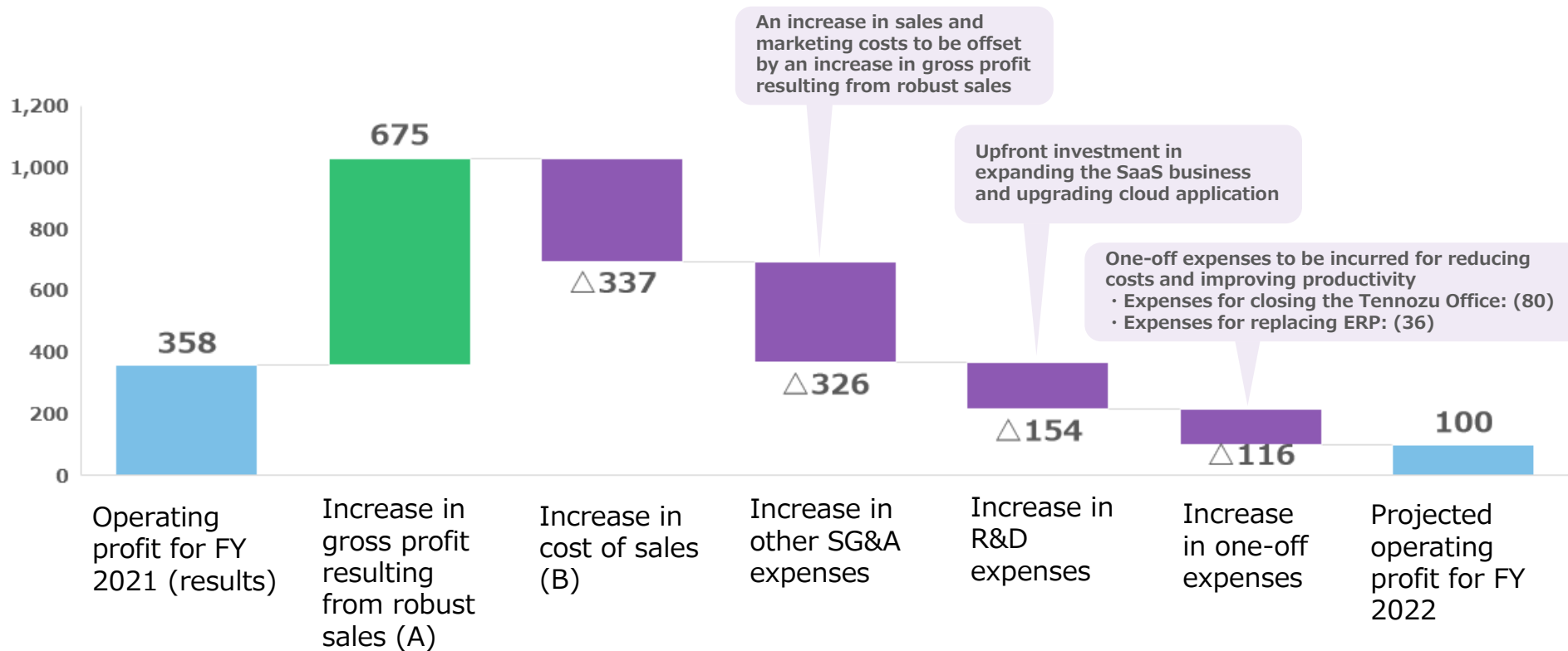
	FY 2021 Result	FY 2022 Forecasts	Change	% Change
Net sales	15,725	<b>16,000</b>	—	—
(With the impact of the adoption of the "Amended Accounting Standards for Revenue Recognition" factored out)	15,725	<b>16,400</b>	675	+4.3%
Operating income	358	<b>100</b>	△258	△72.1%
Ordinary income	400	<b>120</b>	△280	△70.0%
Profit attributable to owners of parent	367	<b>60</b>	△307	△83.7%
EBITDA	448	<b>220</b>	△228	△50.9%
ROIC	10.0%	<b>3.0%</b>	—	—

Note: We plan to apply the "Amended Accounting Standard for Revenue Recognition" from the fiscal year ending December 2022, which is expected to affect sales.

# Analysis of Projected Operating Profit for FY 2022



(In millions of yen)



Note: Negative impact of ¥400M, resulting from the adoption of the "Amended Accounting Standards for Revenue Recognition," not factored into (A) or (B)

# Cash Dividends for FY 2021 and 2022

	<b>24th term</b> Fiscal Year Ended December 31, 2021	<b>25th term</b> Fiscal Year Ended December 31, 2022	<b>26th term</b> Fiscal Year Ended December 31, 2023
<b>Annual cash dividend per share</b>	<b>¥10</b>	<b>¥15</b>	<b>¥10</b>

## Year-end cash dividend

(for fiscal year ended  
December 31, 2021)

To pay a 25th anniversary commemorative dividend of ¥5 per share in addition to an ordinary dividend of ¥10 per share

## Projected Year-end cash dividend

(for fiscal year ending  
December 31, 2022)

To continue to pay an ordinary dividend of ¥10 per share

# Appendix

# About SIOS Corporation



## 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. It is listed in the Second Section of the Tokyo Stock Exchange, and serves as a holding company of a group that 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 pursues innovative solutions to resolve issues affecting people and to contribute to a better society.

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

<b>Headquarters</b>	<b>SIOS Building, 2-12-3 Minami Azabu Minato-ku, Tokyo, Japan</b>	
<b>Capital</b>	<b>1,481 million yen</b>	
<b>Established</b>	<b>May 23, 1997</b>	
<b>No. of employees</b>	<b>489 on a consolidated basis (as of December 31, 2021)</b>	
<b>Main consolidated subsidiaries</b>	<b>Japan: SIOS Technology, Inc.</b>	<b>U.S.A.: SIOS Technology Corp.</b>





# Glossary



Page	Term	Description
9	<b>DX</b> <b>(Digital transformation)</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.
9	<b>Software products sourced from Red Hat, Inc.</b>	Open-source software products developed by Red Hat, Inc., a provider of open-source solutions.
9	<b>LifeKeeper</b>	A failover software product that automatically switches a failed primary server to a backup server.
11	<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.
11	<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.
15	<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.
21	<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)

