Financial Results for Fiscal Year Ended December 31, 2022

February 2,2023

SIOS ,Corp.

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

SIOS

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1. Highlights of Business Results for the Fiscal Year Ended December 31, 2022 (FY 2022), and Key Strategies for the Fiscal Year Ending December 31, 2023 (FY 2023)

Highlights of Consolidated Business Results

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(In millions of yen)

	FY2021 Results	FY2022 Results	Change	%Change
Net Sales	15,725	**14,420**	△1,305	△8.3%
Operating income	358	**△572**	△931	—
EBITDA	448	**△469**	△918	—
ROIC	10.0%	**△25.1%**	—	—

Sales of our products and services for on-premise environments fell sharply amid prolonged chip shortages.
Aggressive investments in our SaaS and other new businesses affected the bottom line.

EBITDA: The sum of operating profit, depreciation, and amortization of goodwill
ROIC: Ratio obtained by dividing operating profit after tax by the sum of shareholders' equity and interest-bearing debts
On-premise environment: Requires a user enterprise to own and operate servers and software on its premises.
Note: The application of the Accounting Standard for Revenue Recognition resulted in a decrease of 489 million yen in consolidated net sales, an increase of 22 million yen each in operating profit and ordinary profit, and an increase of 26 million yen in profit attributable to owners of parent for the fiscal year under review.

Key Strategies for FY 2023

Accelerate the growth of our cloud-based business to reduce our dependence on sales of products and services for on-premise environments

1. **Continue to invest in our SaaS business**
   Expand the scope and scale of our SaaS business, which provides subscription-based services, to make our business foundation more robust to changes in external business environments

2. **Bolster sales of the cloud- and subscription-based versions of LifeKeeper***

3. **Restructure our business operations to focus investments on what we can excel at**

Note: See the Glossary on page 37 for descriptions of terms with an asterisk.

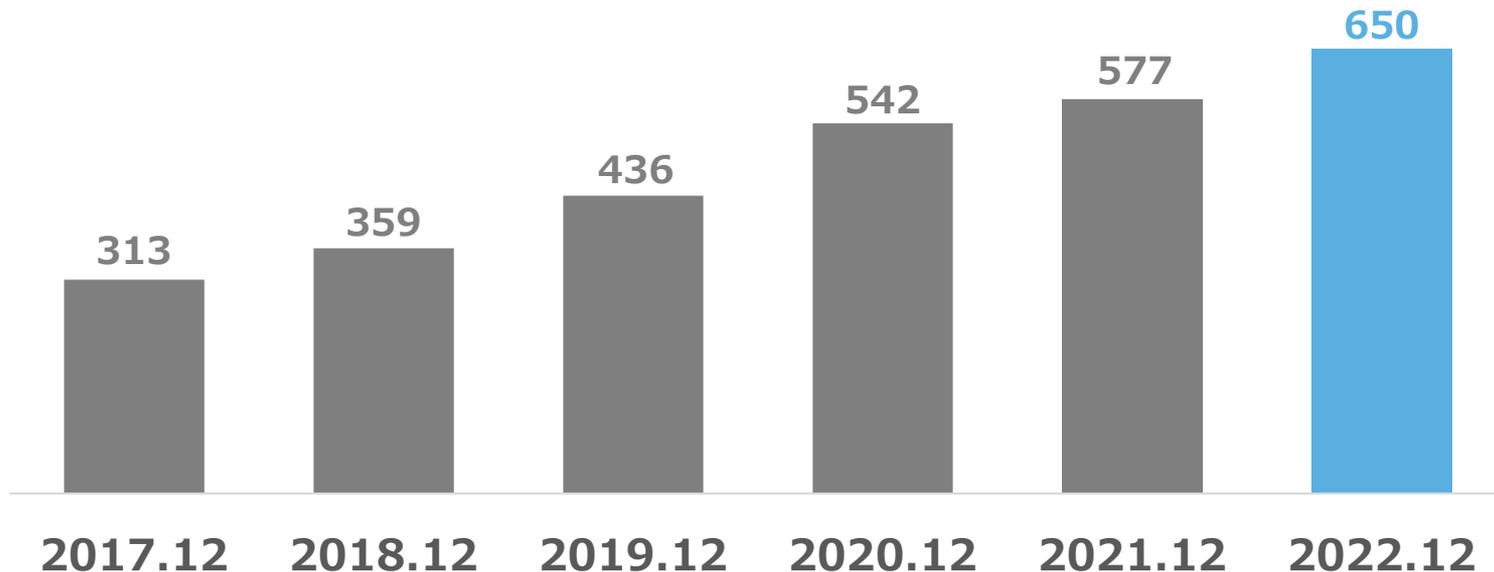# Continue to invest in our SaaS business

SaaS Business 1: Gluegent Series

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Gluegent Flow
Gluegent Gate

Both have achieved consistent growth in revenue, driven by our stepped-up efforts for product development and marketing.

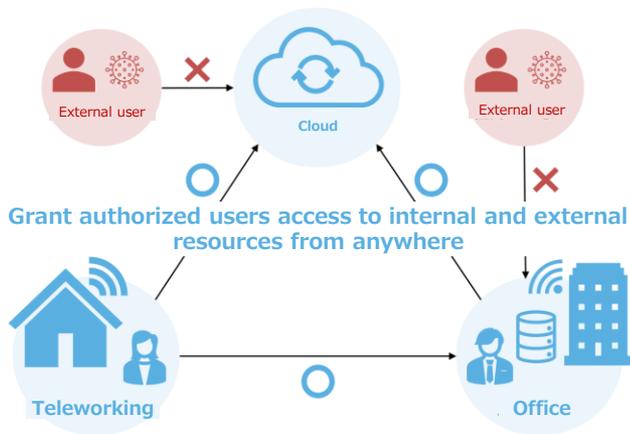## 【ARR*of the Gluegent Series (In millions of yen) 】

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

SaaS Business 1: Gluegent Series

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Gluegent Gate

An ideal access-management system intended for zero-trust environments*

Gluegent Gate IDaaS* provides a high level of security and usability, which is essential for zero-trust environments.
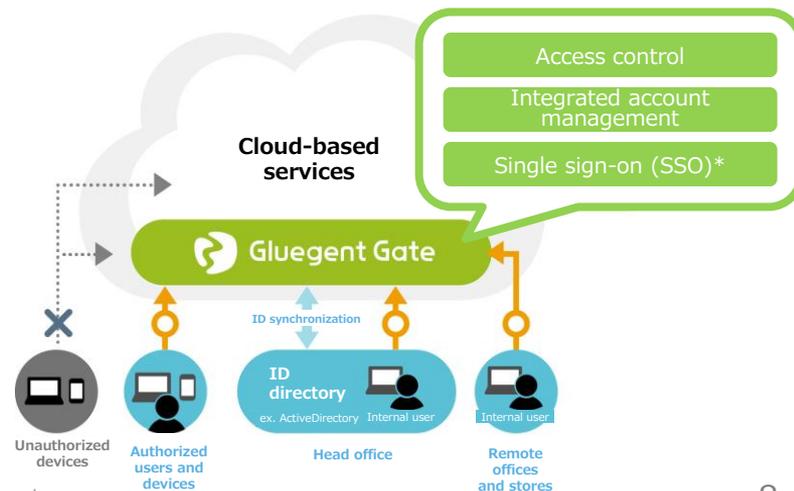
Zero-trust environment

External user

Cloud

External user

Grant authorized users access to internal and external resources from anywhere

Teleworking

Office

Authentication and authorization management (Multi-factor authentication)

How Gluegent Gate works

Access control

Integrated account management

Single sign-on (SSO)*

Cloud-based services

Gluegent Gate

ID synchronization

Unauthorized devices

Authorized users and devices

ID directory
ex. ActiveDirectory

Internal user

Head office

Internal user

Remote offices and stores

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SaaS Business 1: Gluegent Series

Gluegent Flow

Case study in product development

Upgraded to an end-to-end cloud-based workflow system for contracts that covers the process from drafting to reviewing to signing

- Works with third-party e-contract services to save users the time and risks associated with contract preparation and signing.

Gluegent Flow | **Third-party e-contract services**

(1) Submit a draft contract for review and approval

(2) Managers to consult and review it

(3) Decision-maker to approve and authorize it

Once the contract is approved, its digital data is uploaded to the cloud automatically.

(4) Forward the contract to the other party

(5) Both parties to sign it

- Gluegent Flow has been rated high in customer satisfaction and has won several trade awards for its outstanding usability as described below:
  - ➢ Beginner-friendly simplified operation screen
  - ➢ Working well with Google Workspace and Microsoft 365
  - ➢ End-to-end support provided from implementation to operation

SaaS Business 1: Gluegent Series

Gluegent Flow
Gluegent Gate

Step up product development and marketing efforts

Key initiatives for FY 2023

	Gluegent Flow	**Gluegent Gate**
Product development	● Make it work better with third-party services and incorporate updated features to help business users resolve a wider range of issues	● Make it work better with cloud-based network, threat-detection, and device-management solutions in zero-trust environments
Marketing	● Work more closely with partner resellers ● Implement a more stringent PDCA management cycle with KPIs	● Work more closely with zero-trust solution vendors and partners to bolster sales to larger enterprises

SaaS Business 2: Med Tech

INDIGO NOTE

An entirely cloud-based e-medical records service that assists psychiatric hospitals in implementing DX[*] solutions

- **Compliant with the next-generation standards for exchanging healthcare information between different systems**
  - ➢ Responding to the government's and healthcare industry's efforts to standardize healthcare data formats
  - ➢ Enabling hospitals to share healthcare data with each other
  - ➢ Can be applied to clinical research.

- **Entirely cloud-based subscription model**
  - ➢ Significantly reduces initial cost.
  - ➢ Makes it easy for hospitals to implement an e-medical records system at a lower cost.
  - ➢ Service can be available anytime, anywhere, and from any devices.

SaaS Business 2: Med Tech

INDIGO NOTE

Offers a wide range of features to meet every operational need mental hospitals may have.
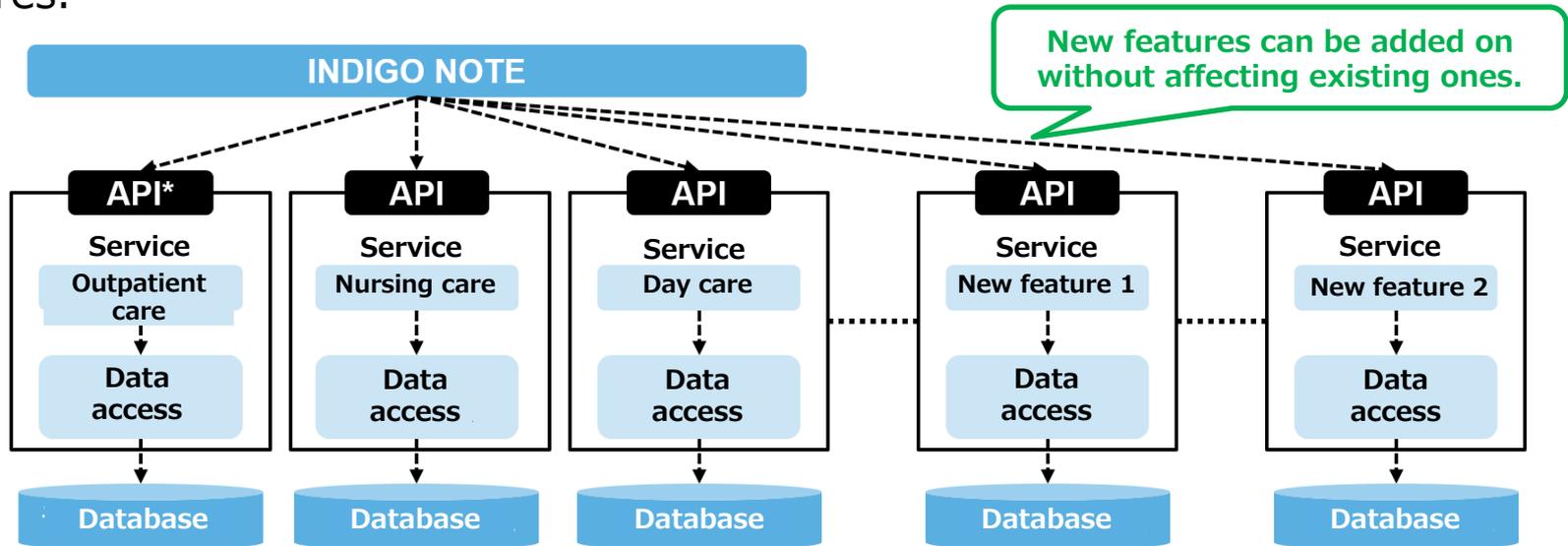
Category	Feature menu of INDIGO NOTE
Patient information management	Patient directory (inpatients and outpatients), reception, reservation, consultation
Examination	SOAP notes entry, support for examination records entry, templates, patients' profiles
Ordering	Prescription, regular hospitalization, antibody tests, psychological tests, operations, injections, treatments, imaging tests, ECT, diet treatments, day care, work therapy, group mental therapy, home-care service
Document management	Document creation, retention management
Hospitalization	Treatment of inpatients, physical isolation and restriction, movement restriction
Nursing care	Nursing planning, nursing record-keeping, bed management, examination planning for inpatients, exit and sleepover passes
Communication	Reporting, sharing of patient information, bulletin boards posted for patients

SaaS Business 2: Med Tech

INDIGO NOTE

Offers each function as a separate service to make it easy to add or update features.

Its microservice architecture, under which to develop and operate services broken into smaller modules with specialized functions, makes it easy to add or update features.

New features can be added on without affecting existing ones.

INDIGO NOTE				
API*	API	API	API	API
Service	Service	Service	Service	Service
Outpatient care	Nursing care	Day care	New feature 1	New feature 2
Data access	Data access	Data access	Data access	Data access
Database	Database	Database	Database	Database

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SaaS Business 2: Med Tech

INDIGO NOTE

Continue to develop and offer new and upgraded features and services, and expand the customer base

Key initiatives for FY 2023

- **Product development**
  - ➢ Continue to develop new and upgraded features
  - ➢ Make it work better with third-party systems via APIs

- **Marketing**
  - ➢ Expand the customer base for the service among psychiatric hospitals in Japan

SaaS Business 3: HR Tech

Your Desk
OurEngage

Provide end-to-end solutions for analyzing and improving employee engagement.[*]

Cycle of achieving greater employee engagement

OurEngage

- It is a service to analyze levels of employee engagement.
- Measures employee engagement levels using ten key metrics to identify issues.
- Provides a short, easy-to-complete questionnaire for employees.

Analyze to identify issues

Solution for achieving greater employee engagement

Conduct employee surveys regularly
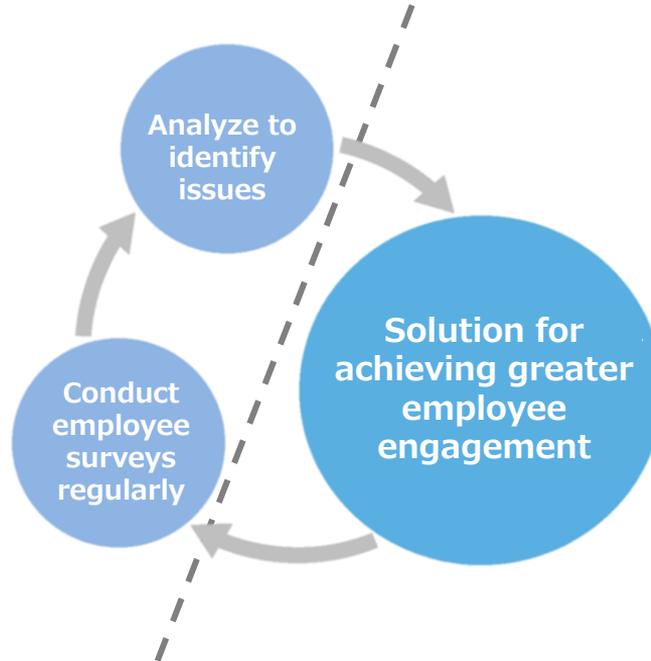
Your Desk

- It is a free-address seating management system.
- Visualizes employees' attendance and seating arrangements.
- Randomly assigns seating arrangements to employees to foster greater communication among them.

Willysm ウィリズム

- It is a service to visualize how employees feel about themselves at work.

SaaS Business 3: HR Tech

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Your Desk / OurEngage

Increase awareness of the services among business users by improving usability and stepping up marketing efforts

Key initiatives for FY 2023

	Your Desk	OurEngage
Product development	• Incorporate customer feedback to improve its usability • Make it work better with third-party employee-attendance-management systems	• Improve its usability
Marketing	• Increase awareness of the product through expanded marketing programs • Make greater use of reseller channels, in addition to direct sales channels	• Step up digital marketing efforts, with a focus on online advertising • Continue to update its dedicated website

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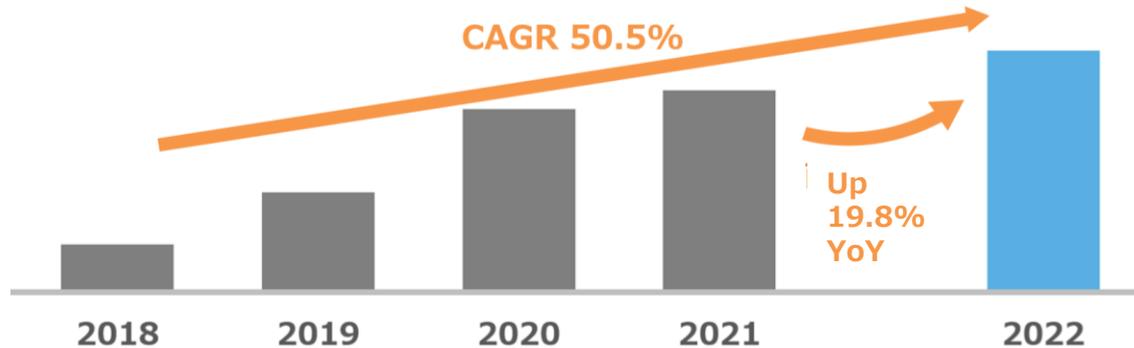# Bolster sales of the cloud- and subscription-based versions of LifeKeeper

LifeKeeper Assists Enterprises in Making Greater Use of Cloud Environments

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LifeKeeper

Sales of the cloud-based version of LifeKeeper have been growing in Japan.

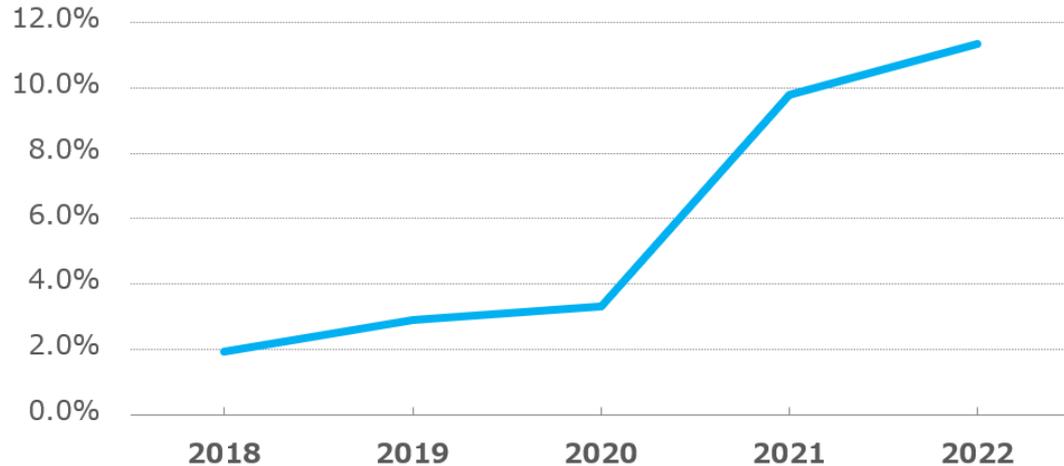## Sales of the cloud-based version of LifeKeeper in Japan

CAGR 50.5%

Up 19.8% YoY

2018   2019   2020   2021   2022

- Sales of LifeKeeper for cloud environments have continued to rise, while those for on-premise environments have been declining.
- LifeKeeper, with its system redundancy, provides greater availability when corporate customers switch their enterprise systems from on-premise environments to cloud environments.

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LifeKeeper Assists Enterprises in Making Greater Use of Cloud Environments

LifeKeeper

The percentage of sales of the subscription-based version of LifeKeeper has been rising sharply outside Japan.

Percentage of sales of the subscription-based version of LifeKeeper outside Japan

- The subscription-based version of LifeKeeper has been gaining popularity among corporate users as it provides quick and hassle-free implementation.

LifeKeeper Assists Enterprises in Making Greater Use of Cloud Environments

LifeKeeper **Bolster sales of the cloud-based version of LifeKeeper both in Japan and overseas**

Key initiatives for FY 2023

- **Product development**
  - ➢ Develop features deemed useful in cloud environments in order to provide the same level of operational availability in cloud environments as in on-premise environments

- **Marketing**
  - ➢ Work more closely with partner resellers
  - ➢ Bolster sales of the subscription-based version outside Japan

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Restructuring of Business Operations/Business Forecasts for FY 2023 and Medium-Term Business Plan

Business Forecasts for FY 2023 and Medium-Term Business Plan

As the Group's revenue comes largely from the sales of products and services intended for on-premise environments, its business performance tends to be significantly affected by external factors beyond its control, such as corporate customers' capital expenditure projects and the supply-demand balance of electronic components.

To make the Group's revenue base more robust against changes in external environments, we intend to restructure our business operations and bolster our cloud-based business, including the SaaS business and the subscription-based version of LifeKeeper.

We are not disclosing at this time the Group's consolidated business forecasts for the fiscal year ending December 31, 2023, or its medium-term business plan, as we are unable to make reasonable assumptions or estimates.

As soon as we can make reasonable assumptions and estimates, we will disclose the above-mentioned information.

Cash Dividends for FY2022

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	24th term Fiscal Year Ended December 31,2021	25th term Fiscal Year Ended December 31,2022
Annual dividend rate	**¥15** (Ordinary dividend: ¥10) (Commemorative dividend: ¥5)	**¥10**

Year-end Cash Dividend (for fiscal year ended December 31,2022)	**Pay an ordinary dividend of ¥10 per share**

We have not determined yet the dividend rate for the fiscal year ending December 31, 2023. We will announce it as soon as we finalize it.

2. Review of Business Results for FY 2022

Consolidated Financial Results for FY 2022 ⬤ SIOS

(In millions of yen)

|	FY2021 Results	FY2022 Results	Change	%Change
Net Sales	15,725	**14,420**	△1,305	△8.3%
Gross profit	4,884	**4,666**	△217	△4.5%
Operating income	358	**△572**	△931	―
Ordinary income	400	**△499**	△899	―
Profit (loss) attributable to owners of parent	367	**△639**	△1,007	―
EBITDA	448	**△469**	△918	―
ROIC	10.0%	**△25.1%**	―	―

*EBITDA: Operating profit + Depreciation + Amortization of goodwill
*ROIC: Operating profit after tax / (Shareholders' equity + Interest-bearing debts)
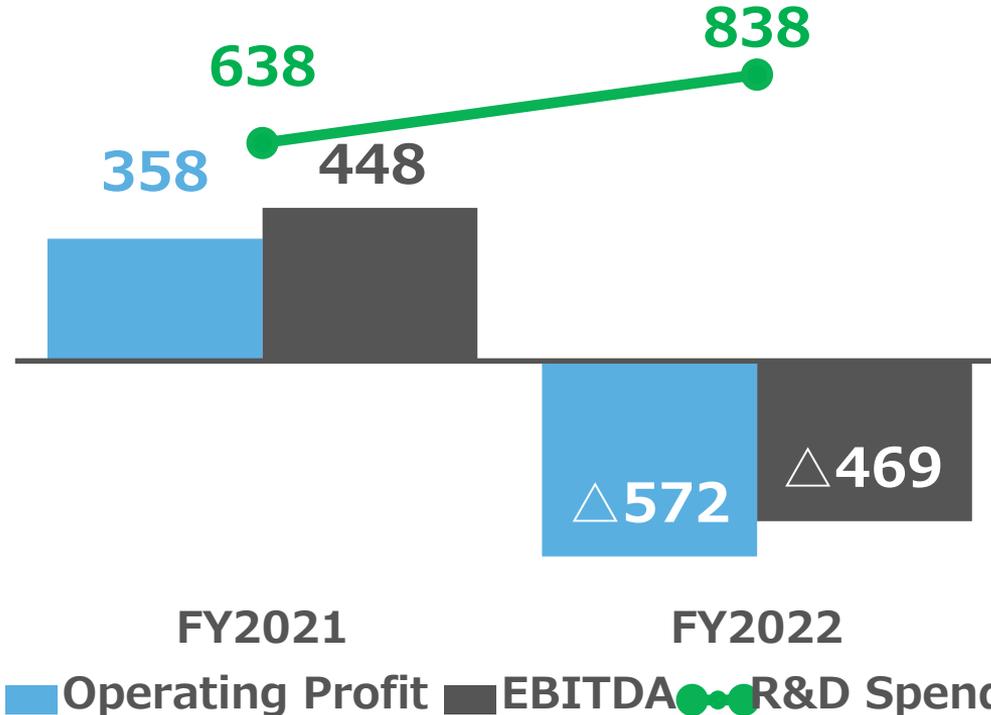
Consolidated Net Sales

（In millions of yen）

15,725

14,420

FY2021

FY2022
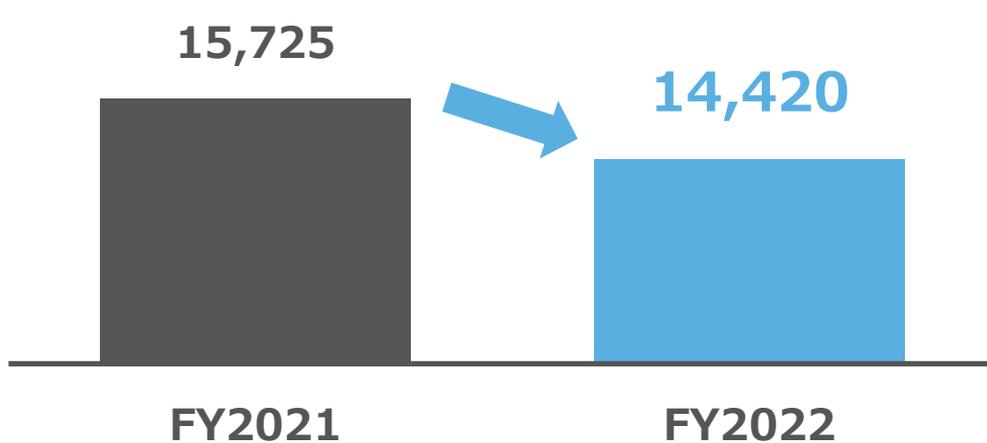
**Down
8.3% YoY**

Consolidated Operating Profit, EBITDA, and R&D Spending

(In millions of yen)

638
358   448
838

△572   △469

FY2021   FY2022

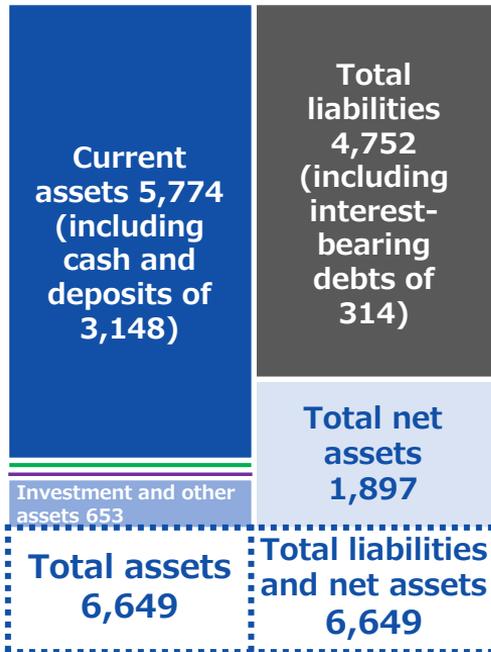**Operating Profit** **EBITDA** **R&D Spending**

- **R&D expenses increased by ¥199M YoY.**

- **EBITDA decreased by ¥918M YoY.**

Consolidated Balance Sheets

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(In millions of yen)

As of December 31, 2021

Current assets 5,774 (including cash and deposits of 3,148)	Total liabilities 4,752 (including interest-bearing debts of 314)
Investment and other assets 653	Total net assets 1,897
Total assets 6,649	**Total liabilities and net assets 6,649**

■ Property, plant and equipment 121
■ Intangible assets 100

As of December 31, 2022

Current assets 5,195 (including cash and deposits of 2,505)	Total liabilities 4,778 (including interest-bearing debts of 222)
Investment and other assets 634	Total net assets 1,243
Total assets 6,022	**Total liabilities and net assets 6,022**

■ Property, plant and equipment 112
■ Intangible assets 79

Analysis of Consolidated Cash Flows

（単位：百万円）

3,148 — Cash and cash equivalents as of December 31,2021

△370 — Cash flows from operating activities

△107 — Cash flows from investing activities

△245 — Cash flows from financing activities

80 — Effect of exchange rate change on cash and cash equivalents

2,505 — Cash and cash equivalents as of December 31, 2022

29
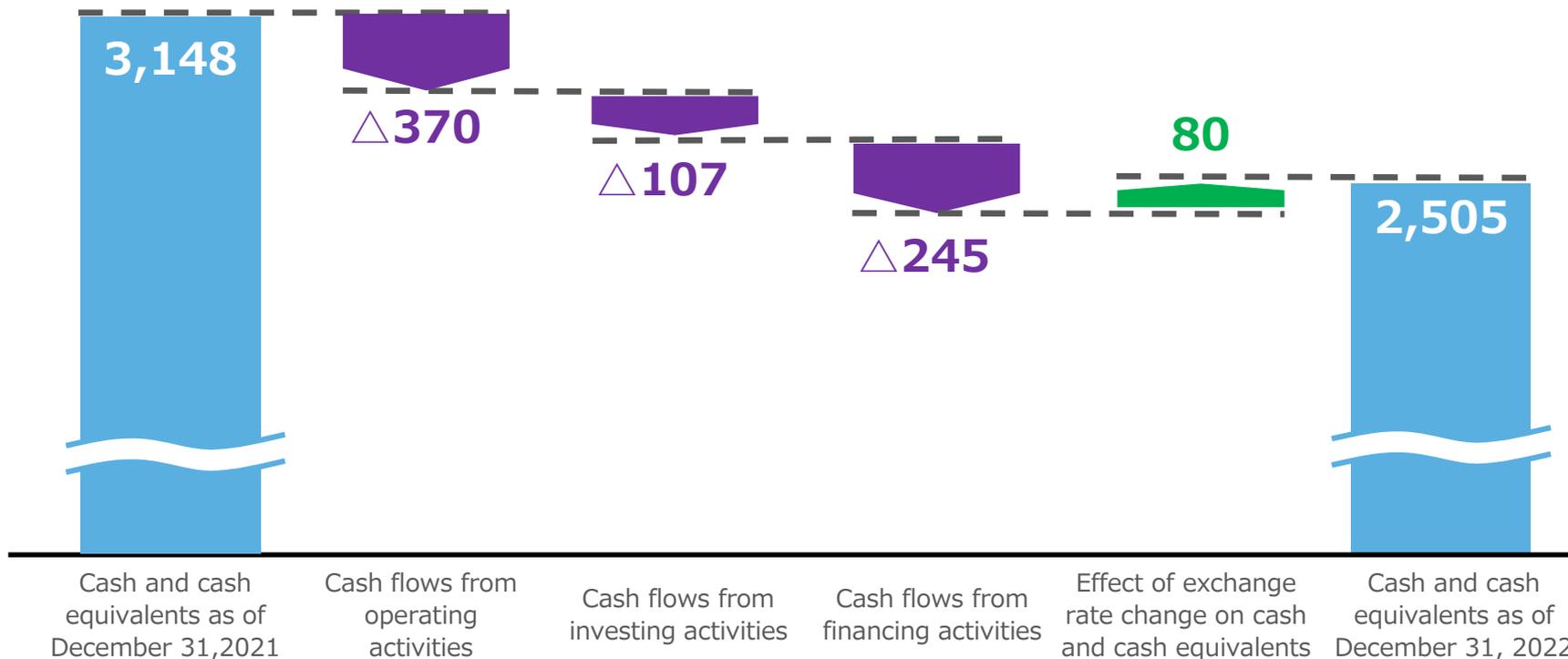
Year-on-Year Changes in Cash Flows

SIOS

(In millions of yen)

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

Open System Infrastructure Business

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Net sales	8,716 million yen, Down 9.1% YoY)

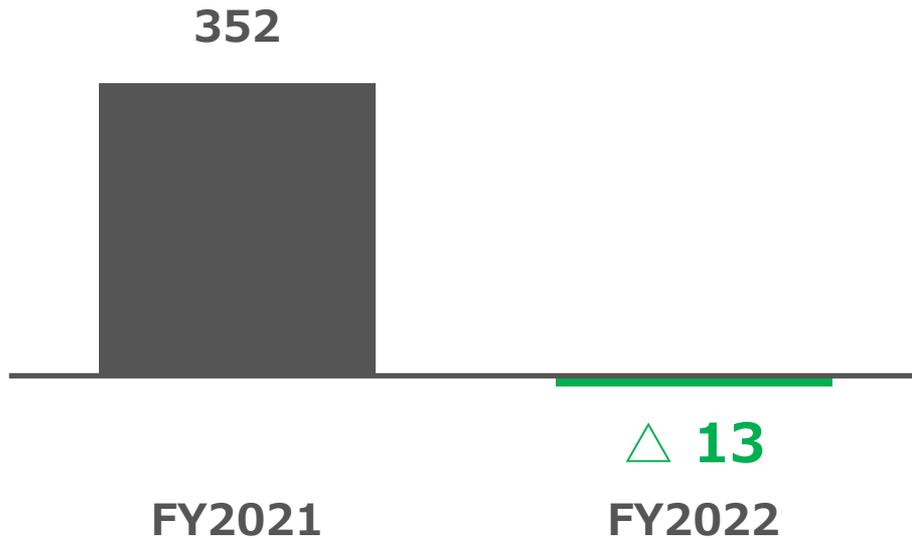（In millions of yen）

9,588

8,716

FY2021   FY2022
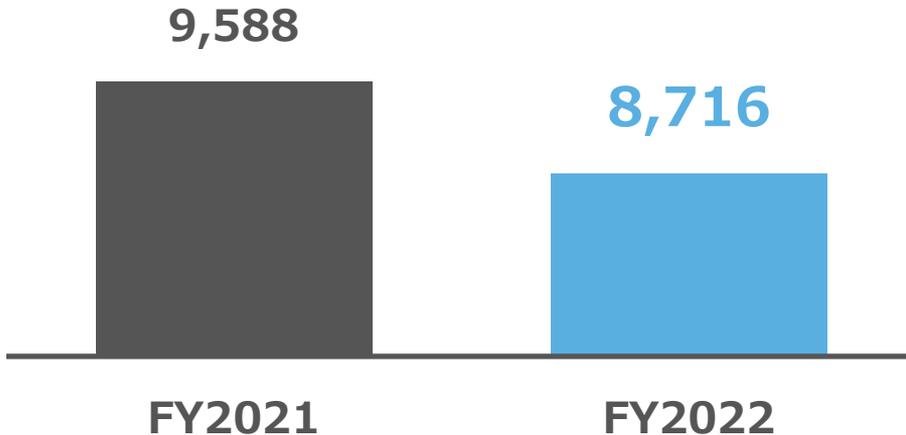
- While perpetual license sales of LifeKeeper declined in Japan, sales were **strong** in the Americas, Asia, and Oceania.
- Sales of software products sourced from Red Hat, Inc.[*] **declined**, as high-volume sales to corporate clients were sluggish, due to delays and reassessments of their capital expenditure projects at the height of chip shortages.

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Open System Infrastructure Business

Segment income | **-13 million yen,** compared with a profit of 352 million yen the year before

(In millions of yen)

352

△ 13

FY2021

FY2022

Segment profit was **down YoY**, due to decreased sales and increased personnel expenses.

Application Business

| Net sales | 5,691 million yen, Down 7.2% YoY) |

(In millions of yen)

6,136 (FY2021)

5,691 (FY2022)
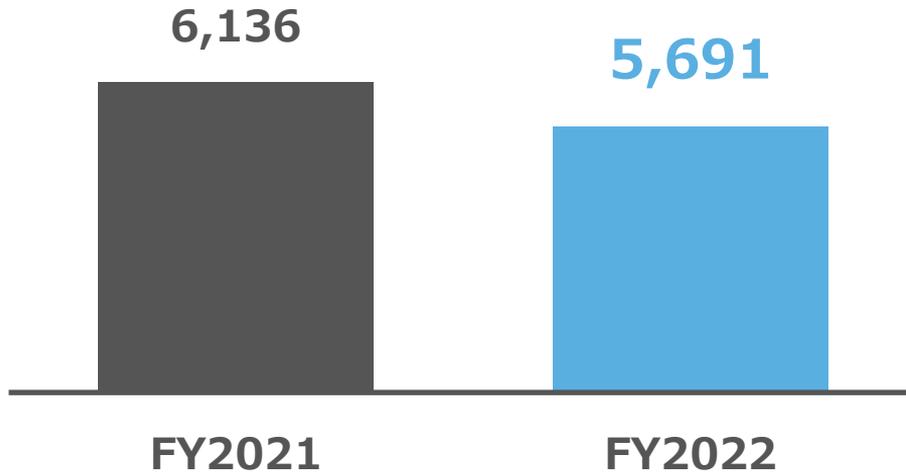
- Revenue from the sales of the Gluegent series and software applications for MFPs* was **up YoY**.
- Sales of the management support system were **slow** to financial institutions because of delays and reassessments of their capital expenditure projects at the height of chip shortages.
- The application of the Accounting Standard for Revenue Recognition resulted in **a decrease in net sales** in this segment.

Application Business

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| Segment income | -570 million yen, compared with a profit of 4 million yen the year before |

(In millions of yen)

4

FY2021

△ 570

FY2022
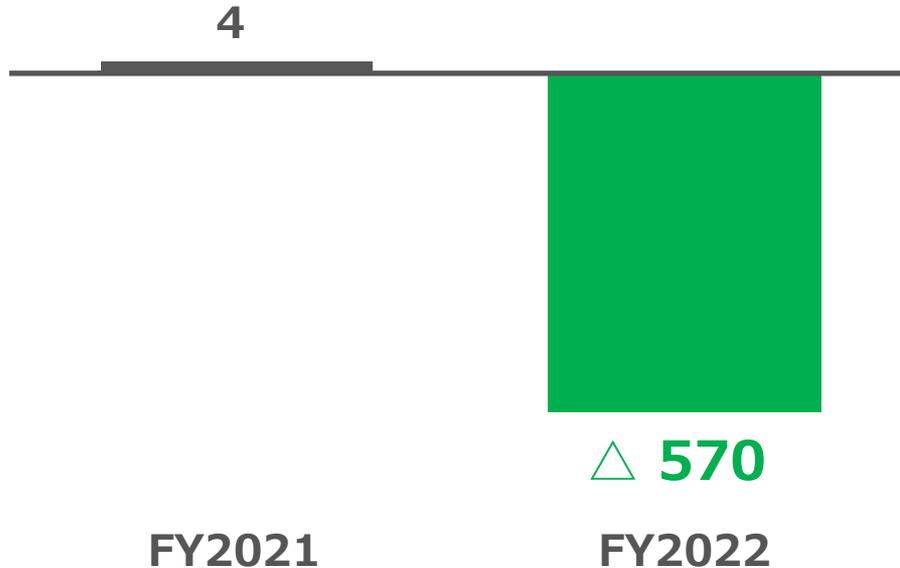
Posted a **segment loss**, due to decreased sales, increased personnel expenses, and increased investments in new products and services.

3. 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. Today, the company is listed in the Standard Market of the Tokyo Stock Exchange, and 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**	
No. of employees	**525on a consolidated basis (as of December 31, 2022)**	
Main consolidated subsidiaries	**Japan: SIOS Technology, Inc.**	**U.S.A.: SIOS Technology Corp.**

Glossary

SIOS

Page	Term	Description
5	**Subscription business model**	A business model that charges customers a recurring monthly or annual fee to access a software product or service.
5	**LifeKeeper**	A failover software product that automatically switches a failed primary server to a backup server.
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	**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.
8	**IDaaS**	Acronym of Identity as a Service, which is a cloud-based solution for unified identity and access management of users of multiple services.
8	**Single sign-on (SSO)**	An authentication method that enables a user to authenticate with multiple web and cloud services by using just one set of user IDs and passwords.
11	**DX (Digital transformation)**	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.
13	**API**	Stands for application programming interface, which is a set of protocols that enables different software programs and applications to communicate with each other.
15	**Employee engagement**	A workplace approach based on two-way commitment between a company and employees that contributes to achieving greater organizational and individual performance.

Glossary

Page	Term	Description
31	**Software products sourced from Red Hat, Inc.**	Open-source software products developed by Red Hat, Inc., a provider of open-source solutions.
33	**Software applications for multifunction printers (MFPs)**	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.

Cautionary Statement

SIOS

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