

# Financial Results for Fiscal Year Ended December 31, 2023

February 8, 2024

SIOS ,Corp.

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



# Table of Contents

- 1. Review of Business Results for the Fiscal Year Ended December 31, 2023 (FY 2023)**
- 2. Business Forecasts for the Fiscal Year Ending December 31, 2024 (FY 2024)**
- 3. Growth Strategies for FY 2024**
- 4. Medium-Term Business Plan for FY 2024-2026**
- 5. Appendix**

# **1. Review of Business Results for the Fiscal Year Ended December 31, 2023 (FY 2023)**

# Consolidated Financial Results for FY 2023 SIOS

(In millions of yen)

	FY2022 Results	FY2023 Results	Change	%Change
Net Sales	14,420	<b>15,889</b>	+ 1,469	+ 10.2%
Gross profit	4,666	<b>5,216</b>	+ 549	+ 11.8%
Operating income	△572	△ <b>208</b>	+ 364	—
Ordinary income	△499	△ <b>15</b>	+ 483	—
Profit (loss) attributable to owners of parent	△639	△ <b>18</b>	+ 620	—
EBITDA	△469	△ <b>147</b>	+ 322	—
ROIC	△25.1%	△ <b>10.1%</b>	—	—

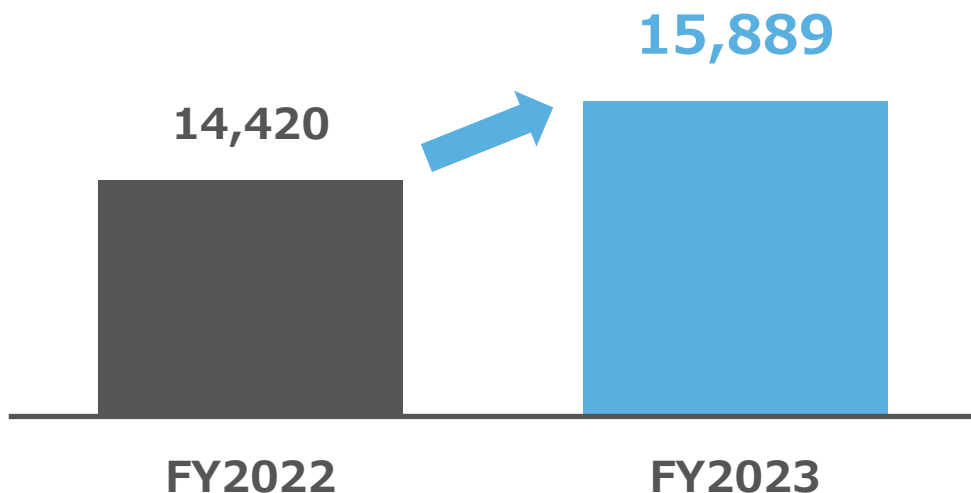
\*EBITDA: Operating profit + Depreciation + Amortization of goodwill

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

# Consolidated Net Sales



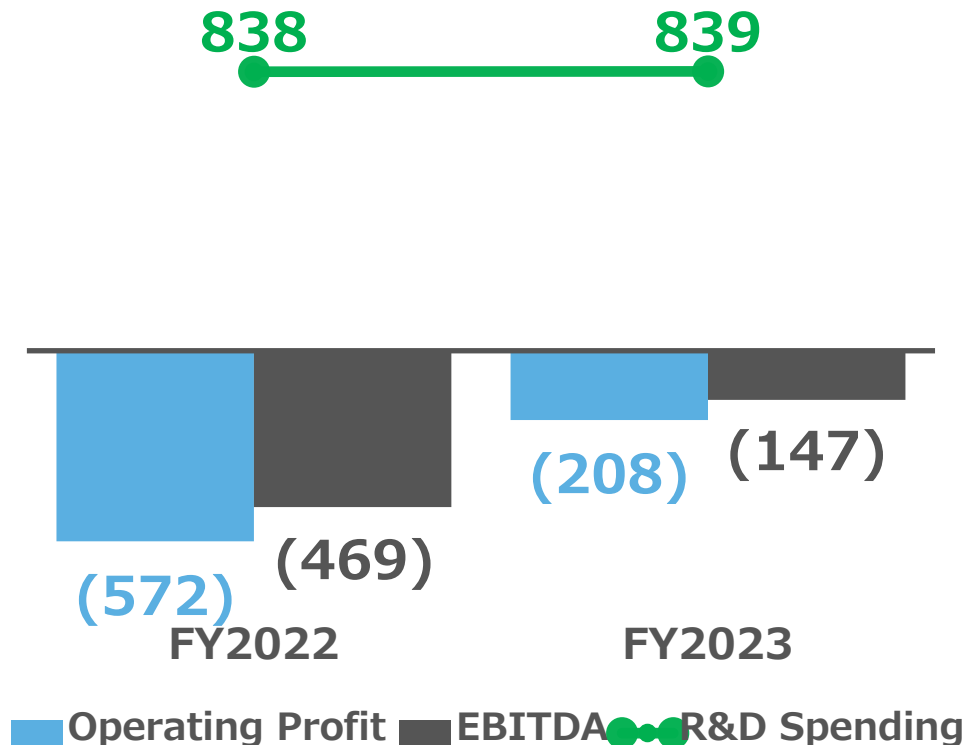
(In millions of yen)



**Up 10.2%**  
**year on year**

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

(In millions of yen)

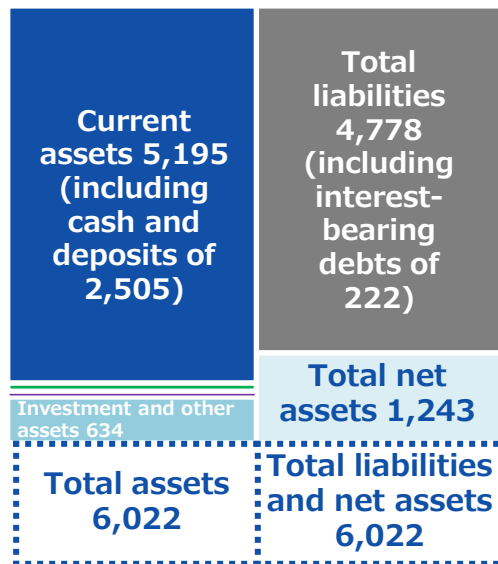


- **Operating loss decreased by ¥364M from the previous year.**
- **Negative EBITDA decreased by ¥322M YoY.**
- **R&D expenses increased by ¥1M YoY.**

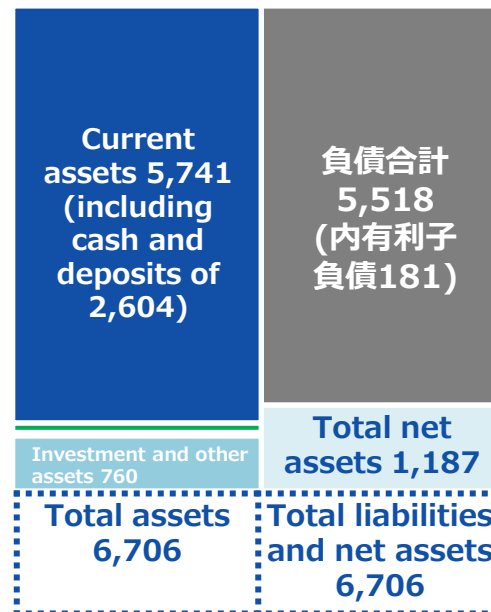
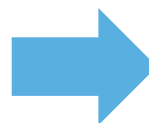
# Consolidated Balance Sheets

As of December 31, 2022

As of December 31, 2023 (In millions of yen)



- Property, plant and equipment 112
- Intangible assets 79

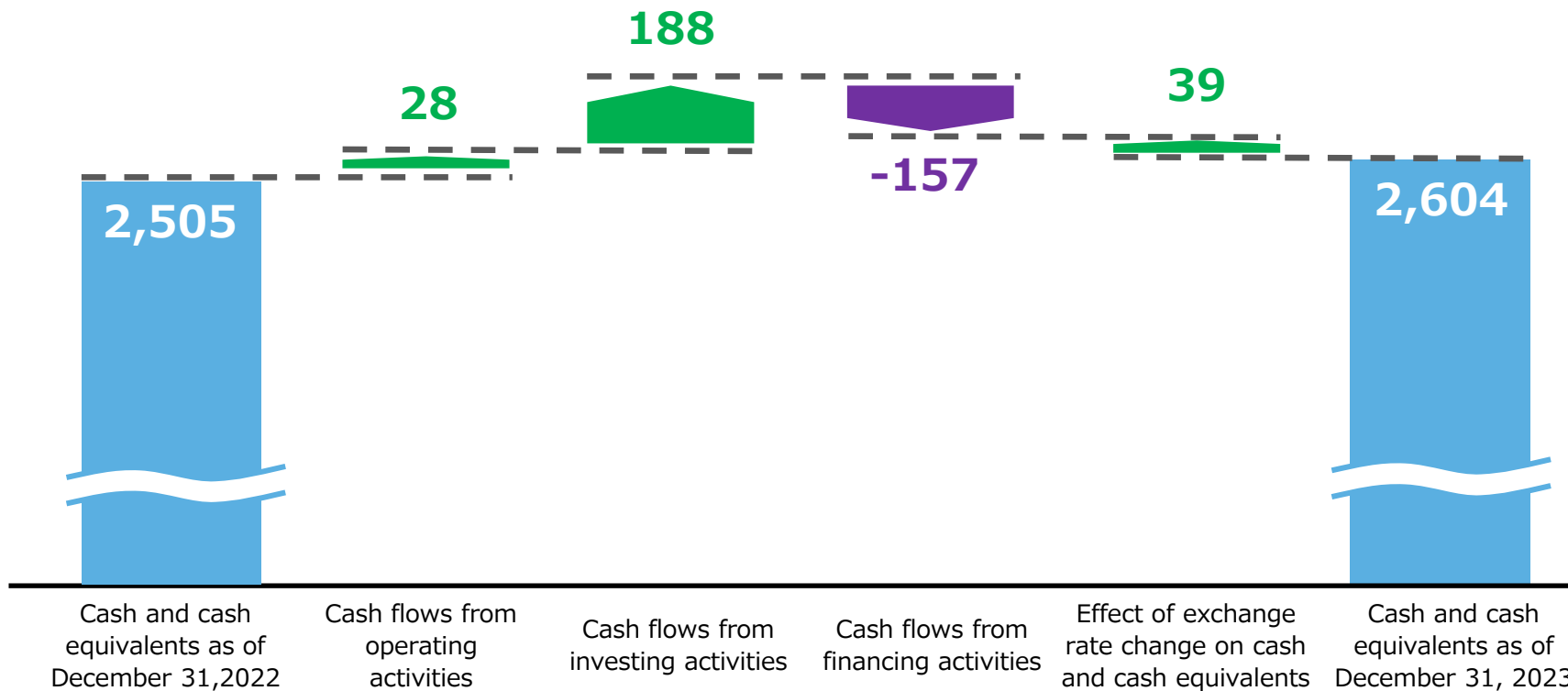


- Property, plant and equipment 132
- Intangible assets 72

- **Current assets:** Reflected an **increase** of ¥404M in notes and accounts receivable trade, as well as contract assets.
- **Current liabilities:** Reflected an **increase** of ¥451M in contract liabilities.

# Analysis of Consolidated Cash Flows

(In millions of yen)





# Cash Flow Analysis

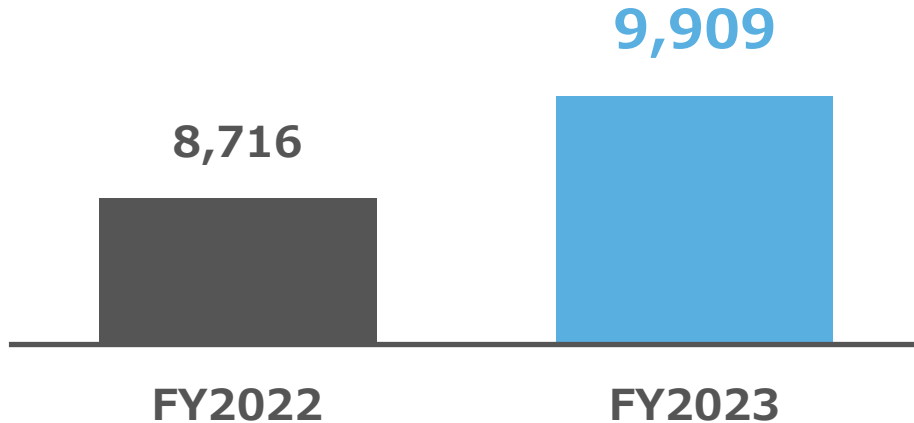
		Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Net cash provided or used		¥28M net cash provided	¥188M net cash provided	¥157M net cash used
Breakdown	Amount of cash provided	<ul style="list-style-type: none"> <li>• Increase in trade payables: ¥150M</li> <li>• Increase in contract liabilities: ¥399M</li> <li>• Increase in accrued consumption taxes: ¥117M</li> </ul>	<ul style="list-style-type: none"> <li>• Proceeds from refund of guarantee deposits: ¥49M</li> <li>• Proceeds from derivative transactions: ¥103M</li> <li>• Proceeds from distributions from investment partnerships: ¥97M</li> </ul>	
	Amount of cash used	<ul style="list-style-type: none"> <li>• Increase in trade receivables and contract assets: ¥393M</li> <li>• Increase in advance payments to suppliers: ¥260M</li> </ul>		<ul style="list-style-type: none"> <li>• Dividends paid: ¥86M</li> <li>• Repayments of long-term borrowings: ¥66M</li> </ul>

# Open System Infrastructure Business

Net sales

9,909 million yen, Up 13.7% YoY

(In millions of yen)



- Sales of software products sourced from Red Hat Inc.\* **increased YoY.**
- Sales of LifeKeeper\* were **strong** for both on-premise\* and cloud\* application.

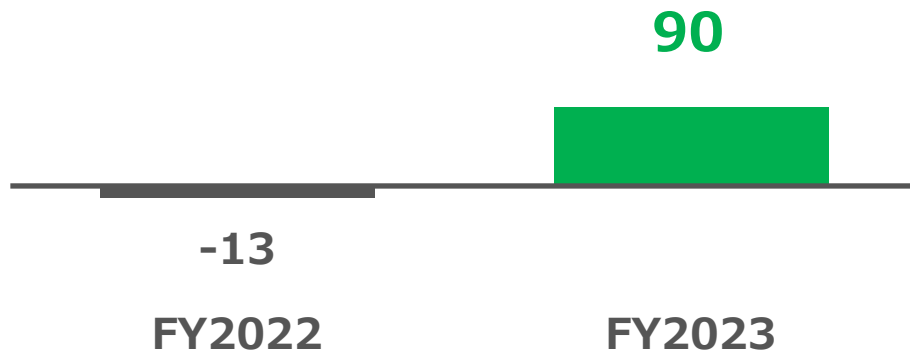
Note: See the Glossary on page 38 for descriptions of terms with an asterisk.

# Open System Infrastructure Business

## Segment income

(In millions of yen)

**90 million yen**, compared with a loss of 13 million yen the year before

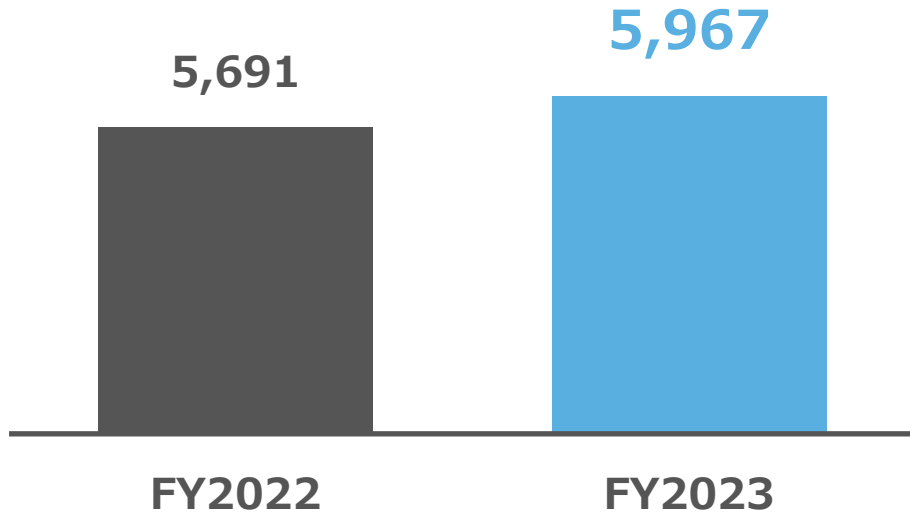


Segment income was **up YoY**, driven by robust sales in this segment.

## Net sales

**5,967 million yen, Up 4.8% YoY**

(In millions of yen)

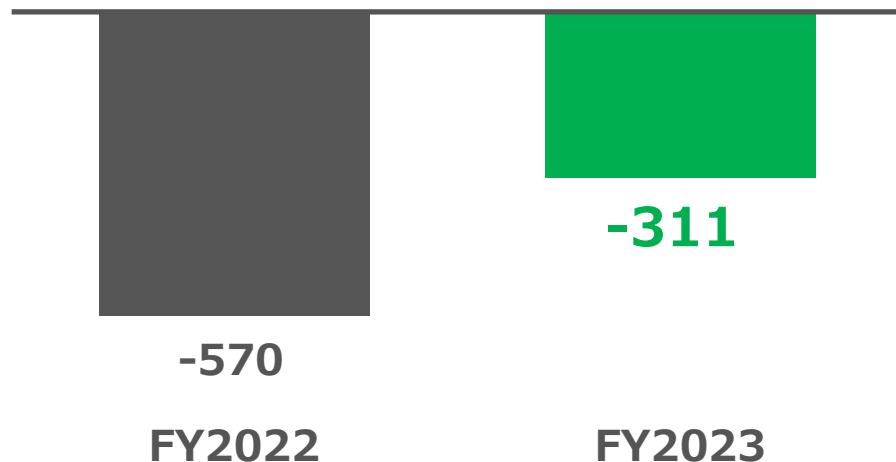


- Revenues from the provision of support for system development and implementation were **up YoY**, especially from the support provided for API\* projects and business management systems of stock brokerage firms.
- Revenues from the Gluegent series\* **achieved steady growth**.
- Sales of the management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

## Segment income

**-311 million yen**, compared with a loss of 570 million yen the year before

(In millions of yen)



### Segment loss decreased YoY

with increases in personnel expenses and investments in new products and services partially offset by increased sales in this segment.

## **2. Business Forecasts for the Fiscal Year Ending December 31, 2024 (FY 2024)**

# Consolidated Business Forecast for FY2024

The Company projects an increase in consolidated net sales for two consecutive years and a return to operating profit for FY 2024.

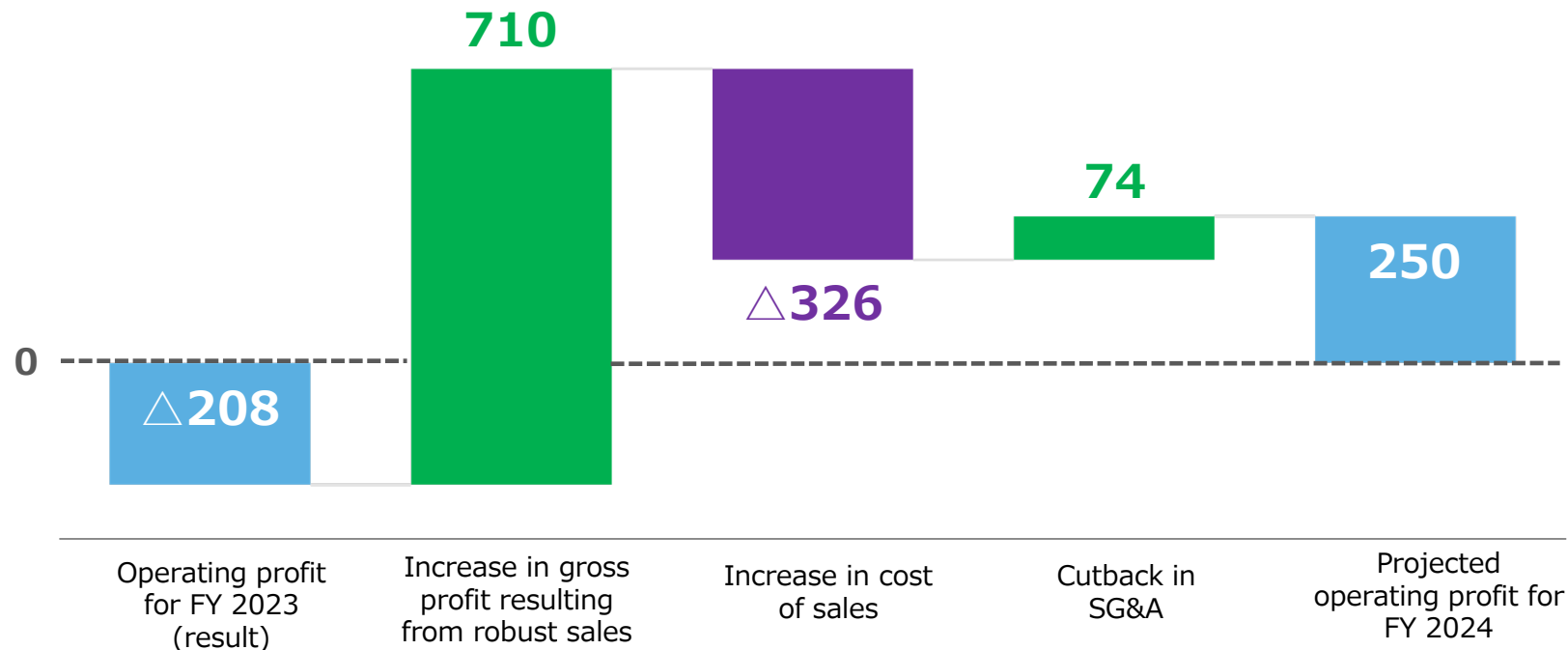
(In millions of yen)

	FY2023 Results	FY2024 Results	Change	%Change
Net Sales	15,889	<b>16,600</b>	+710	+4.5%
Gross profit	△208	<b>250</b>	+458	—
Operating income	△15	<b>330</b>	+345	—
Ordinary income	△18	<b>220</b>	+238	—
Profit (loss) attributable to owners of parent	△147	<b>310</b>	+457	—
EBITDA	△10.1%	<b>11.6%</b>	—	—

# Analysis of Projected Operating Profit for FY 2024 SIOS

We expect to return to operating profit for FY 2024, due to an increase in gross profit resulting from robust sales and a cutback in R&D and other SG&A expenses.

(In millions of yen)





## **3. Growth Strategies for FY 2024**

# Growth Strategies for FY 2024

We will continue to focus on our SaaS\* and subscription-based\* businesses while developing new businesses into growth drivers.

**1**

**Continue to invest in our SaaS and subscription-based businesses**

**2**

**Expand our API solutions business**

**3**

**Maximize the benefits of generative AI\* solutions in our business development and operations**

# Revenue from the Gluegent Series



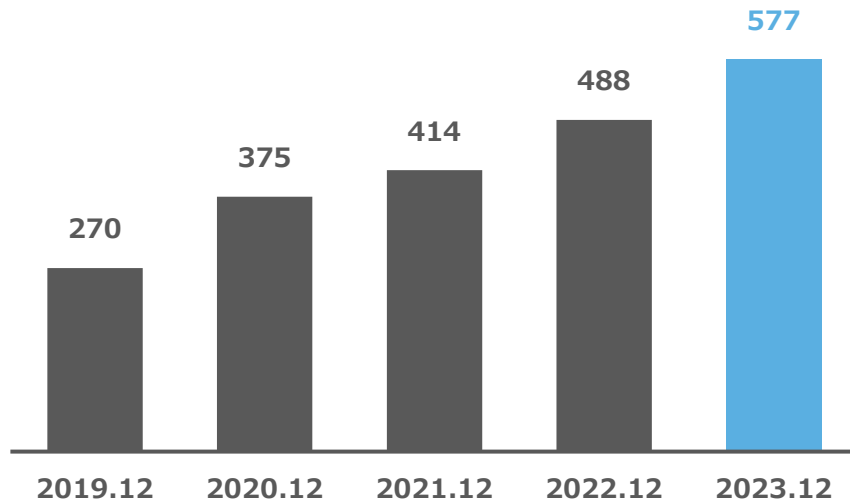
 Gluegent **Flow**

 Gluegent **Gate**

Our enhanced product development and user support have been keeping the ARR<sup>1</sup> of the series on a solid growth path.

## Combined ARR of Gluegent Flow and Gluegent Gate

(In millions of yen)



Combined ARR for FY 2023  
was **up 18.2% YoY**

Gluegent **Flow**  
**Up 22.2%**

Gluegent **Gate**  
**Up 16.7%**

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

# Actions Taken to Drive the Revenue Growth of the Gluegent Series



We made it work more closely with Microsoft 365 to help corporate users achieve greater operational efficiency.

## A. Increase revenue from new and upgrading clients

We have made it work more closely with Microsoft 365.

- Gluegent Flow has been upgraded to work seamlessly with corporate clients' enterprise systems via Excel and help their end users achieve greater efficiency at work.

## B. Stem a revenue decline from downgrading and churning clients

We have set up a customer-facing support team.

- Assist corporate clients in making Gluegent Flow work with their enterprise systems
- Provide a training program to assist end users in familiarizing with Gluegent Flow



Received many awards for its highly rated performance.

- Gluegent Flow received a High Performer award in the workflow system category in ITreview Grid Award 2024 Winter, announced by the IT reviewing platform ITreview in January 2024. It was the third consecutive year of award winning for Gluegent Flow, which made it into the award's Hall of Fame.



- Gluegent Flow has been also rated highly by online word-of-mouth review sites for SaaS solutions.

# Actions Taken to Drive the Revenue Growth of the Gluegent Series

## Gluegent Gate

Enables efficient management of user IDs of employees across a corporate group and its supply-chain partners in a zero-trust\* environment.

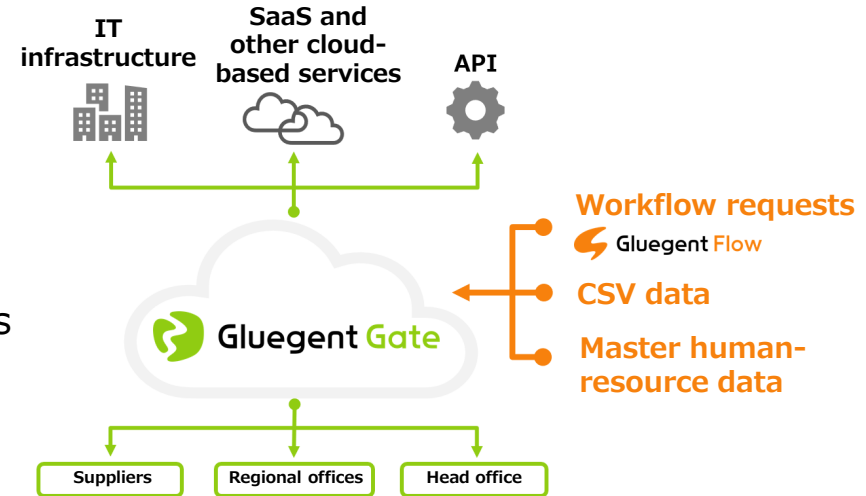
### A. Increase revenue from new and upgrading clients

Implementation of integrated user ID management

- Requesting workflows and updating human-resources data trigger automatic addition and deletion of user IDs.
- Enables integrated management of user IDs across a corporate group and its supply-chain partners.

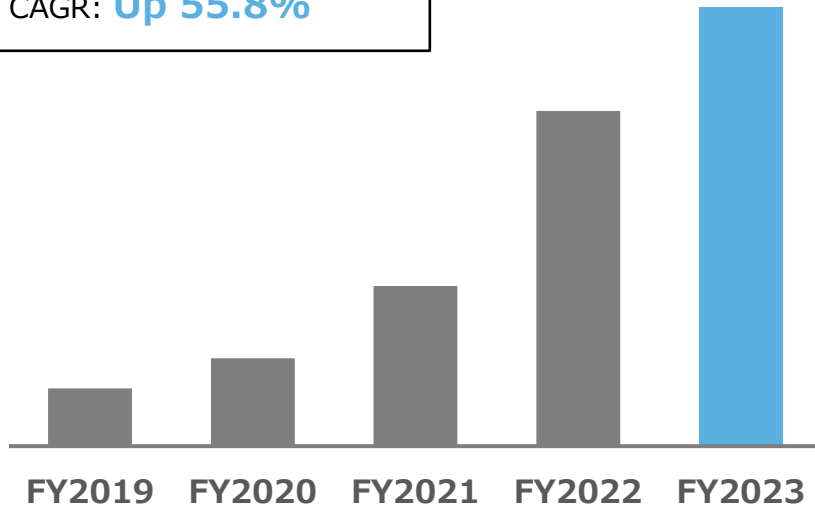
### B. Stem a revenue decline from downgrading and churning clients

We have set up a customer-success team to provide end-to-end support that starts with pre-project consulting and continues well after the system becomes operational.



## Subscription Revenue of LifeKeeper Outside Japan

Revenue for FY 2023:  
Up 22.6% YoY  
CAGR: Up 55.8%



- Subscription revenue of LifeKeeper has been following a solid growth path outside Japan.
- We have also stepped up our sales and marketing efforts for its subscription business in Japan.
  - Launched "My Page" service to make it easy for corporate clients to review their subscription terms and available options.

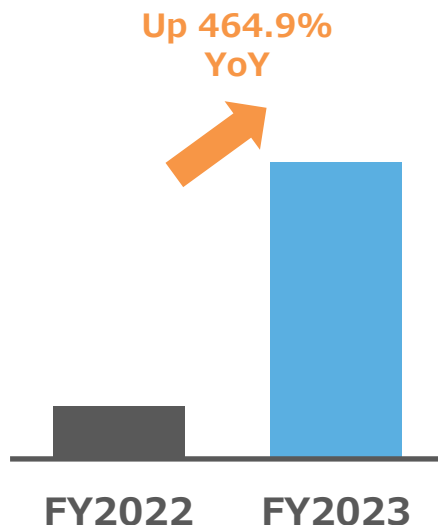


**A cloud-based e-medical records system that assists psychiatric hospitals in making greater use of DX solutions**

- The Japanese government has established the Office of Promoting Medical DX to encourage hospitals to make greater use of DX solutions and e-medical data.
- We have discontinued INDIGO NOTE Version 1.0 and started developing the next-generation INDIGO NOTE Version 2.0, which will be a radical departure from conventional e-medical records systems.

**A system that manages employees' seating arrangement and attendance records in a teleworking and hot-desking environment**

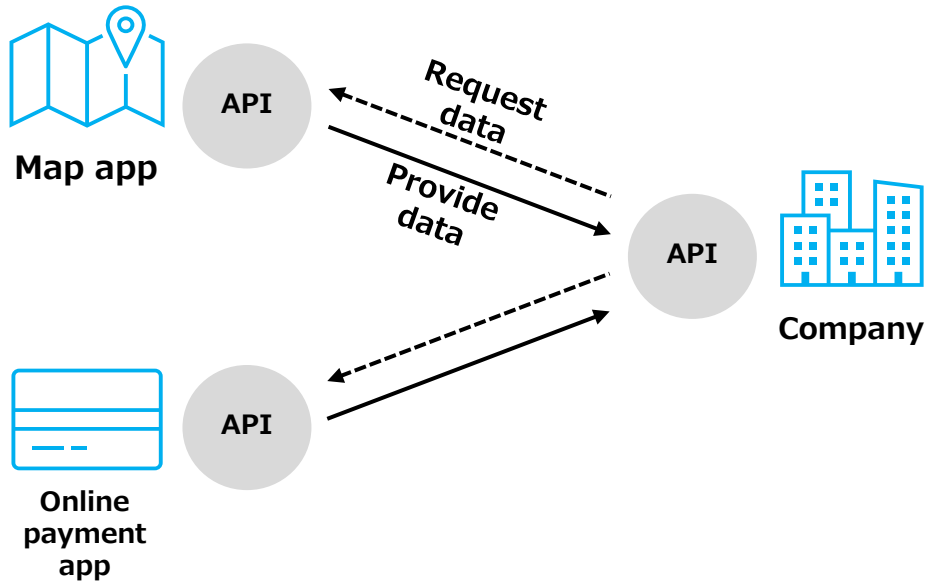
## Sales of YourDesk



Enhanced marketing efforts have driven the sales growth of YourDesk.

API stands for application programming interface, which is a set of protocols that enables different software programs and applications to share functions.

## Example of How APIs Work in Business



- A company can launch a new service by sharing data with other companies via APIs.
- An API economy that facilitates shared use of APIs among businesses has been gaining momentum.

# Our Approaches to the API Solutions Business

**We have been upgrading our API-related technologies to be able to meet diverse business needs.**

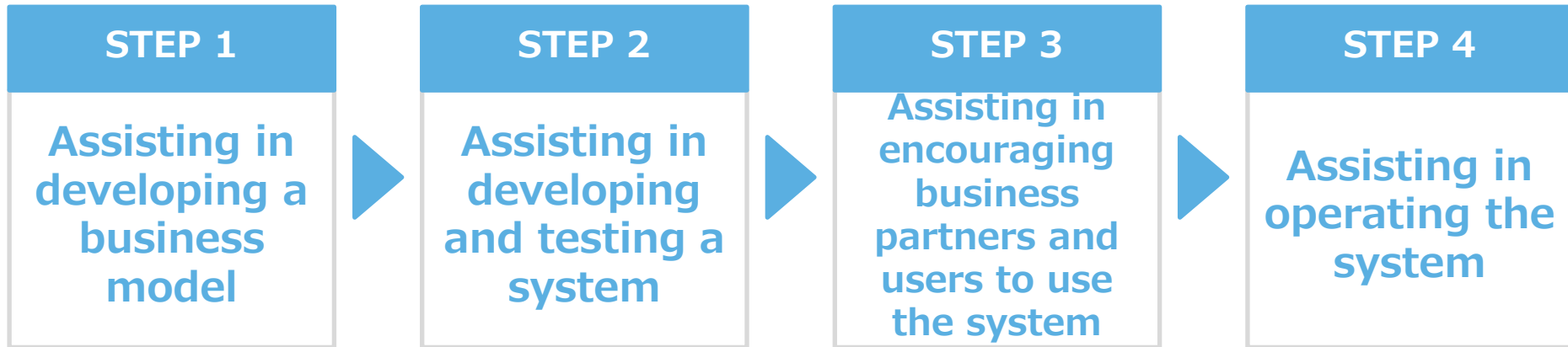
- SIOS launched its API solutions business in 2017 in anticipation of the emergence of APIs that connect many systems to make them work with each other.
- We have since hired and developed engineers to upgrade our API-related technologies and have been designing, developing, and offering cutting-edge applications.
- As a next step, we intend to work more closely with system developers, consultancies, and cloud service providers and hire additional talent so that we can accommodate broader business needs.

# API Solutions Business Model



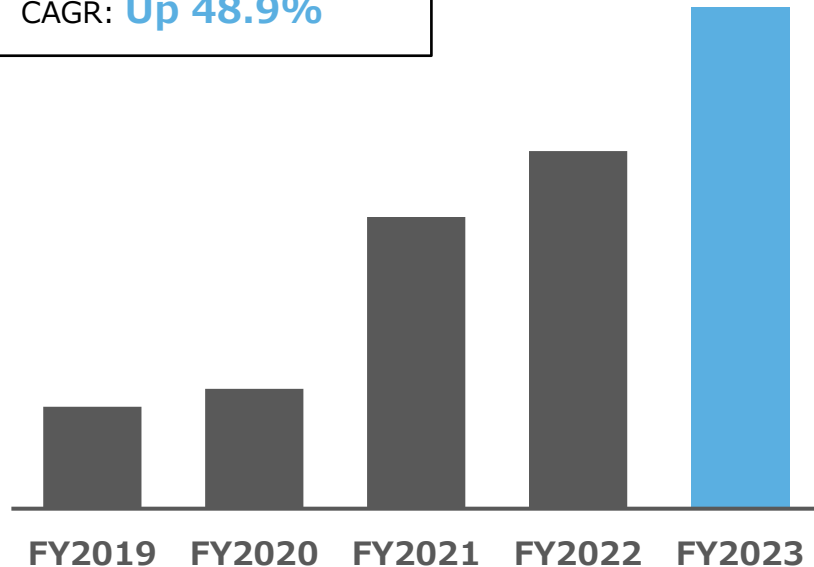
Our dedicated API infrastructure team uses their wealth of professional business and API knowledge to assist corporate clients in designing, developing, operating, and supporting API solutions.

## One-Stop API Solutions



## Revenue in Our API Solutions Business

Revenue for FY 2023:  
Up 40.3% YoY  
CAGR: Up 48.9%



Our revenue in this business has been following a solid growth path, as our engineering strengths in the field of API economy have met surging business needs.

# Maximize the Benefits of Generative AI Solutions in Our Business Development and Operations



Make greater use of generative AI to achieve higher operational productivity and efficiency internally and create greater value for clients

1

Launch a consulting service focused on generative AI solutions



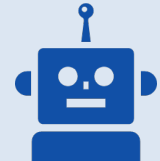
2

Use generative AI to achieve greater operational efficiency internally

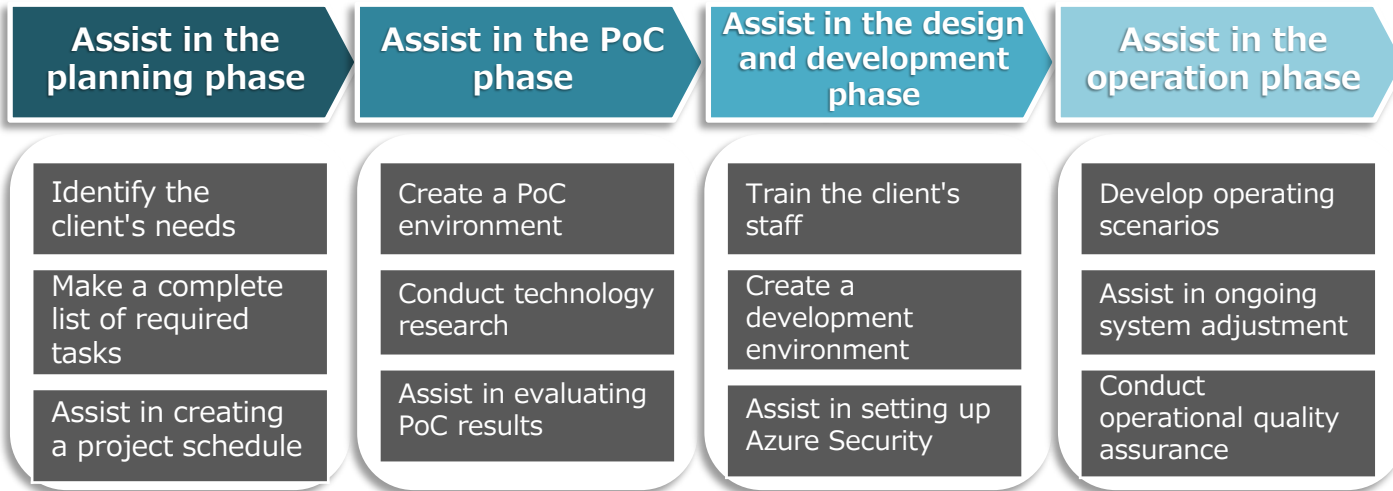


3

Maximize the benefits of generative AI in our existing products and services



We have launched a consulting service focused on Azure OpenAI Service.\*



We provide corporate clients that intend to implement, but are not familiar with, Azure OpenAI Service with end-to-end consulting that spans from the planning through to operation phases.

## **4. Medium-Term Business Plan for FY 2024-2026**



# Medium-Term Business Plan for FY 2024-2026 SIOS

We intend to continually bolster our EBITDA and ROIC performance by expanding our SaaS business and growing new businesses.

Our goal is to bring our ROIC ratio well above our WACC ratio by FY 2026.

(In millions of yen)

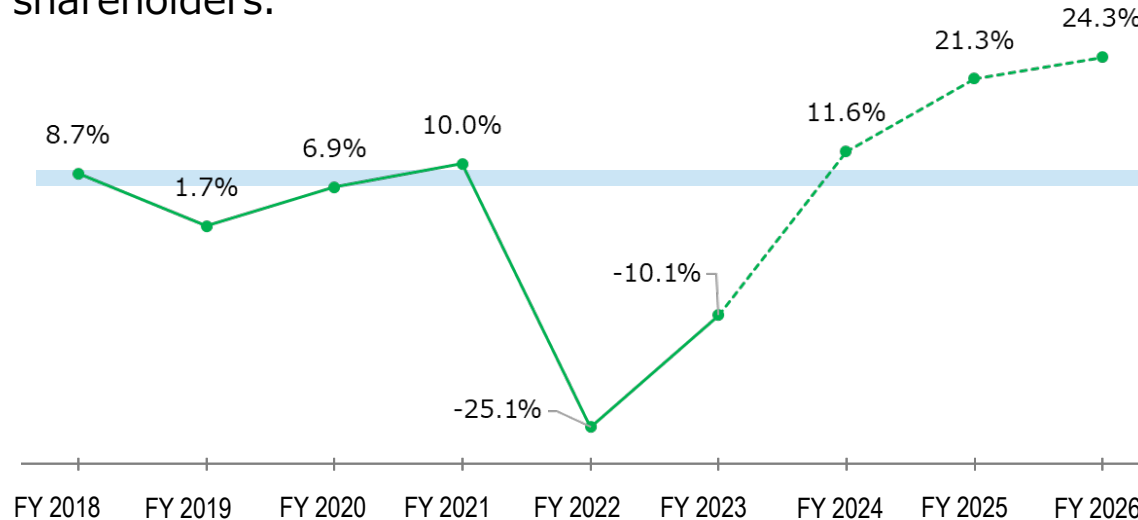
	2023	2024	2025	2026
EBITDA	-147	310	610	880
ROIC	-10.1%	11.6%	21.3%	24.3%

Our WACC ratio is in the range between 7 and 9%.

# Increasing Our Enterprise Value with a Keen Eye on Our Capital Cost

The SIOS Group has been using the ROIC as a key metric to keep track of its financial performance since FY 2019. After experiencing a business downturn in FY 2022, we have taken a variety of actions to bolster our financial strengths. As a result, our ROIC is projected to go above our WACC<sup>1</sup> in FY 2024 and to continue to rise from FY 2025 onward.

We intend to keep a keen eye on our WACC and stock price performance so that we can continually increase our enterprise value and meet the expectations of investors and shareholders.



**Our WACC ratio is in the range between 7 and 9%.**

● ROIC  
■ WACC

1. Weighted average cost of capital, which indicates the blended cost that a company pays on all its debt and equity

# Dividend Rates for FY 2023 and 2024

	<b>26th term</b> Fiscal Year Ended December 31, 2023	<b>27th term</b> Fiscal Year Ended December 31, 2023	<b>28th term</b> Fiscal Year Ended December 31, 2023
<b>Annual cash dividend per share</b>	<b>¥10</b>	<b>¥5</b>	<b>¥10</b>
<b>Dividend rate for FY 2023</b>	<b>¥5</b>		
<b>Projected dividend rate for FY 2024</b>	<b>¥10 (up by ¥5 from the previous year)</b>		

# 5. 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.

<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>Stock listed on</b>	<b>TSE Standard Market (stock code: 3744)</b>	
<b>No. of employees</b>	<b>550 on a consolidated basis (as of December 31, 2023)</b>	
<b>Main consolidated subsidiaries</b>	<b>Japan: SIOS Technology, Inc.</b>	<b>U.S.A.: SIOS Technology Corp.</b>

# Glossary



page	Term	Description
10	<b>Software products sourced from Red Hat, Inc.</b>	Open-source software products developed by Red Hat, Inc., a provider of open-source solutions
10	<b>LifeKeeper</b>	A failover software product that automatically switches a failed primary server to a backup server
10	<b>On-premises</b>	A user enterprise owns and operates servers and software on its premises
10	<b>Cloud</b>	A user enterprise uses services provided by networks without owning servers or software on its premises
12	<b>API</b>	A set of protocols that enables different software programs and applications to share information and functions
12	<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
18	<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
18	<b>Generative AI</b>	An AI system capable of generating new data and content from learned data
23	<b>Zero-trust environment</b>	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
31	<b>Azure OpenAI Service</b>	A service that enables the use of an AI model developed by OpenAI in the Microsoft Azure cloud service environment

# 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

Call the IR Section of SIOS Corporation on **03-6401-5111**  
**(+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)

