

Financial Results for the 6 Months Ended June 30, 2024

August 8, 2024

SIOS ,Corp.

(Stock Code: 3744 on Standard Market of Tokyo Stock Exchange)



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1. Summary of Business Results for the Six Months Ended June 30, 2024

Consolidated Financial Results for the 6 Months Ended June 30,2023



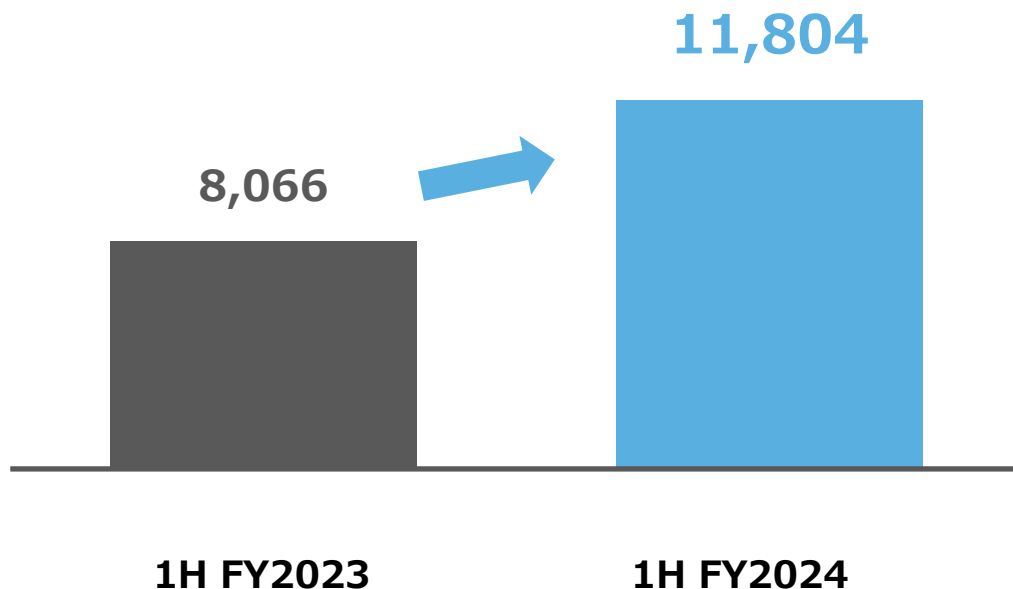
(In millions of yen)	Results for the 6 months ended June 30,2023	Results for the 6 months ended June 30,2024	Change	%Change
Net Sales	8,066	11,804	+ 3,738	+ 46.3%
Gross profit	2,665	2,667	+ 1	+ 0.1%
Operating income	-106	-18	+ 87	—
Ordinary income	-78	57	+ 135	—
Profit attributable to owners of parent	-176	23	+ 199	—
EBITDA	-60	6	+ 67	—
ROIC (annualized)	-11.8%	-1.9%	—	—

*EBITDA: Operating profit + Depreciation + Amortization of goodwill

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

Consolidated Net Sales

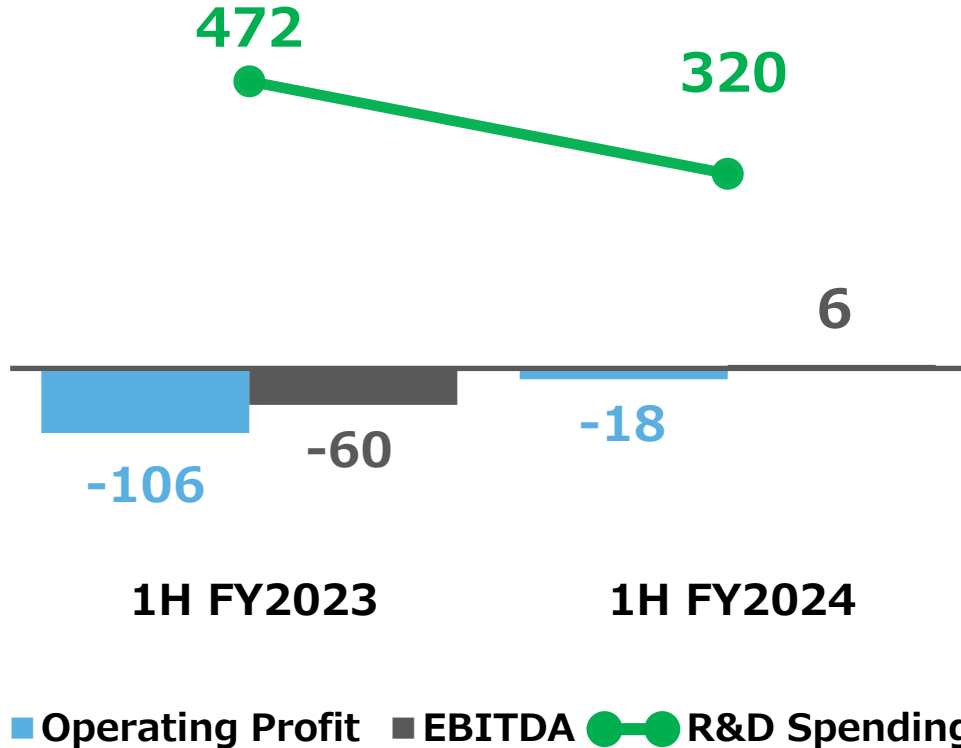
(In millions of yen)



**Up 46.3%
YoY**

Consolidated Operating Profit, EBITDA, and R&D Spending

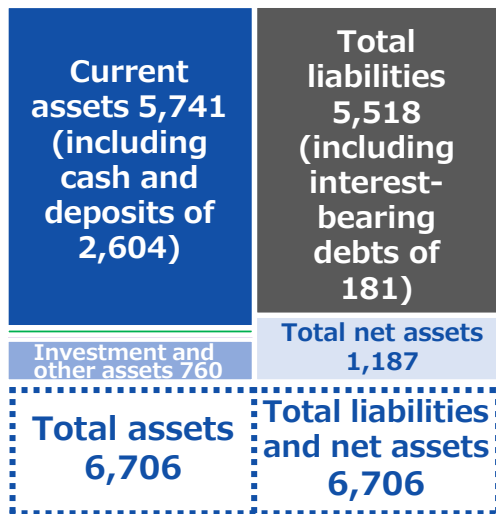
(In millions of yen)



- R&D expenses **increased** by ¥152M YoY.
- EBITDA **decreased** by ¥67M YoY.

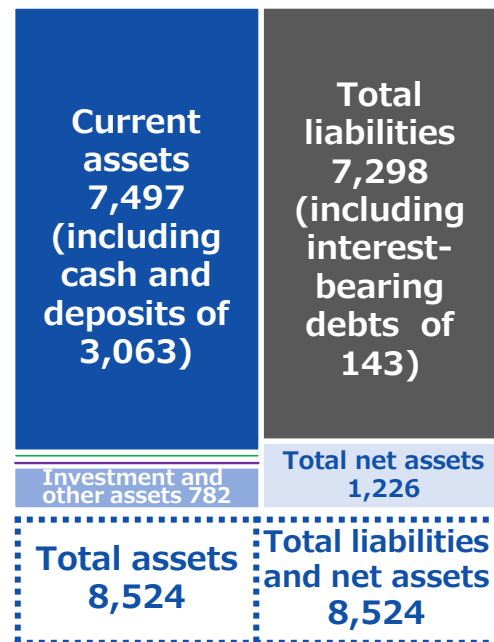
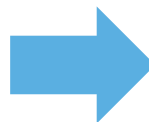
Consolidated Balance Sheets

(In millions of yen)



- Property, plant and equipment 132
- Intangible assets 72

As of December 31, 2023



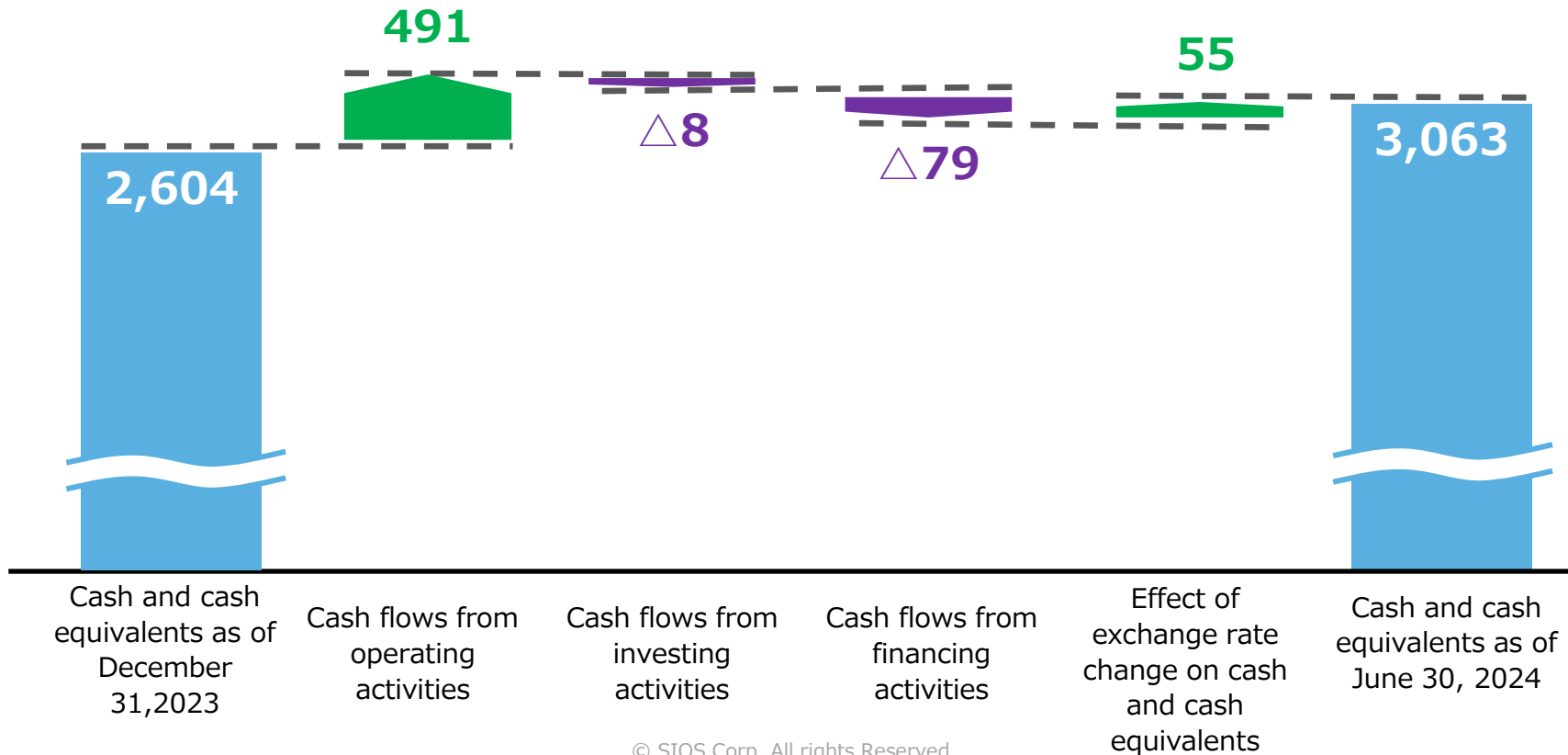
- Property, plant and equipment 123
- Intangible assets 120

As of June 30, 2024

- **Current assets:** Reflected an **increase** of ¥1,238M in notes and accounts receivable trade, as well as contract assets.
- **Current liabilities:** Reflected an **increase** of ¥1,342M in accounts payable trade.

Analysis of Consolidated Cash Flows

(In millions of yen)



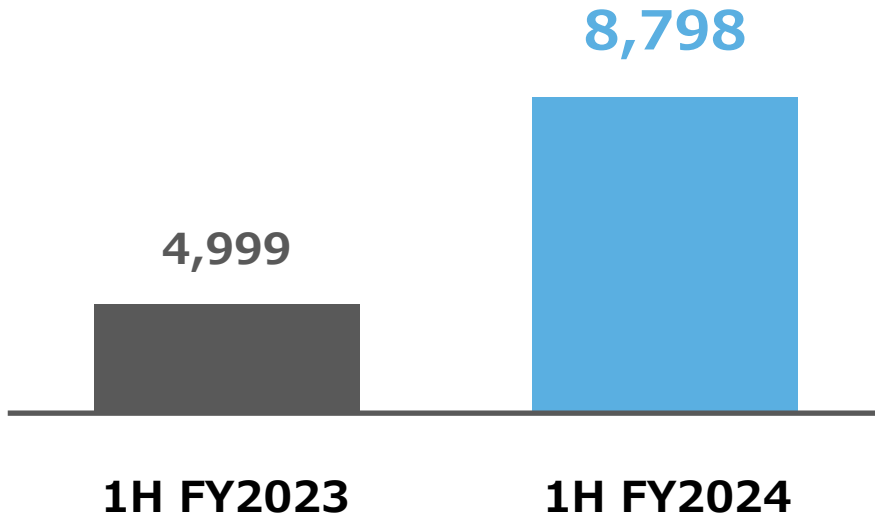
Cash Flow Analysis

		Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities
Net cash provided or used		¥491M net cash provided	¥8M net cash used	¥79M net cash used
Breakdown	Amount of cash provided	<ul style="list-style-type: none"> • Increase in profit before income taxes: ¥80M • Increase in trade payables: ¥1,342M • Increase in contract liabilities: ¥305M 	<ul style="list-style-type: none"> • Proceeds from sale of investment securities: ¥37M 	
	Amount of cash used	<ul style="list-style-type: none"> • Increase in trade receivables and contract assets: ¥1,208M 	<ul style="list-style-type: none"> • Purchase of intangible assets: ¥43M 	<ul style="list-style-type: none"> • Dividends paid: ¥43M • Repayments of long-term borrowings: ¥33M

Net sales

8,798 million yen, Up 76.0% YoY

(In millions of yen)



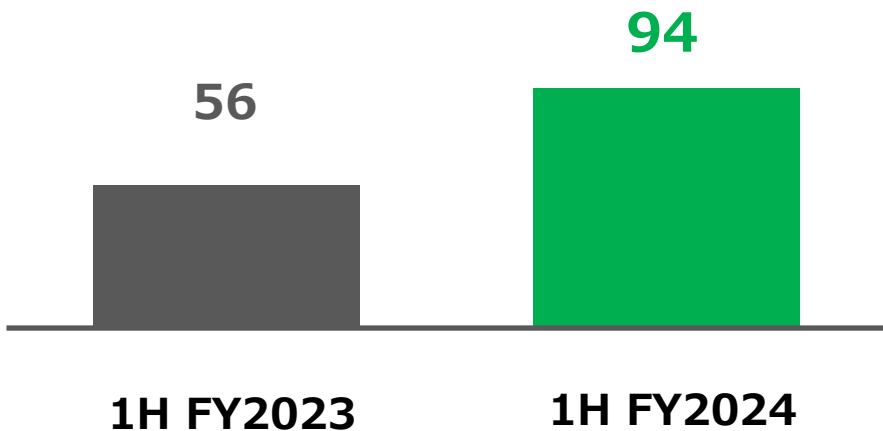
- Sales of software products sourced from Red Hat, Inc.* , **jumped substantially** to fulfill major project orders.
- Sales of LifeKeeper* were **up YoY**, due to strong perpetual license sales in Japan.

Note: See the Glossary on page 36 for descriptions of terms with an asterisk.

Segment income

94 million yen, Up 66.6% YoY

(In millions of yen)

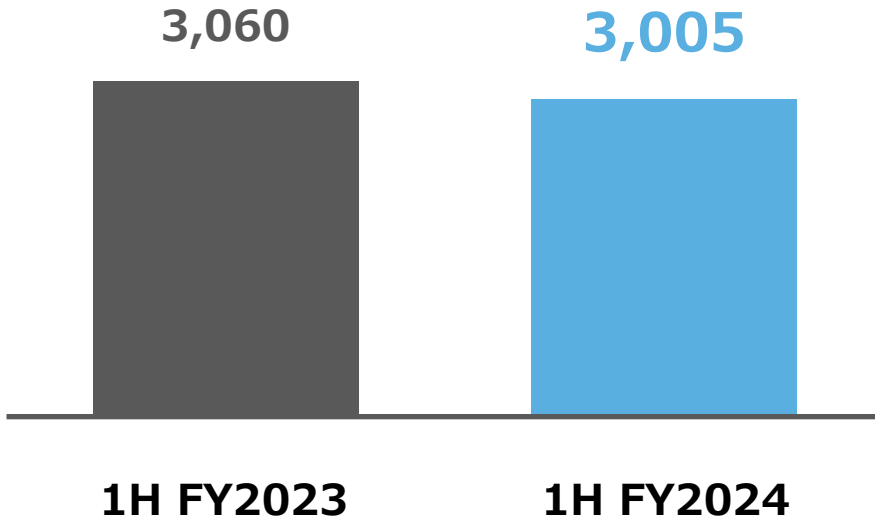


- Sales of software products sourced from Red Hat, Inc., were bolstered by major project orders, but had little impact on the Group's profitability as those were low-margin projects.
- Robust sales of LifeKeeper **bolstered its profit.**

Net sales

3,005 million yen, Down 1.8% YoY

(In millions of yen)

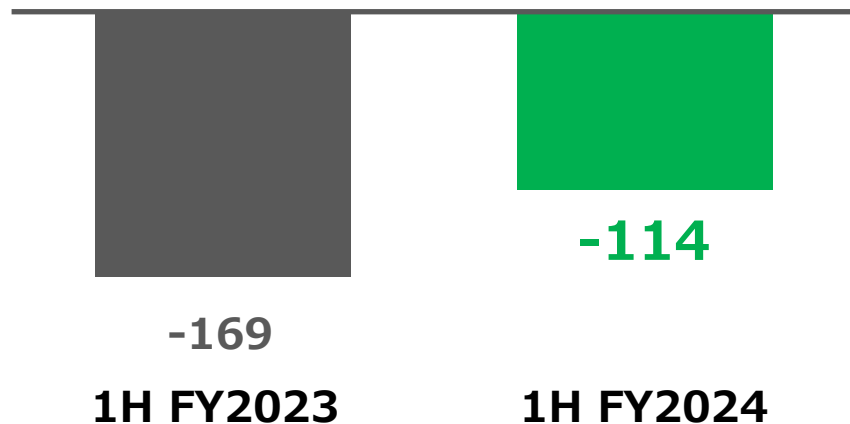


- Revenue in the API* Solutions Business **achieved solid growth**, as our engineering strengths in the field of API economy met surging business needs.
- Revenue from the Gluegent series* **achieved steady growth**.
- Sales of software applications for multifunction printers (MFPs)* **achieved YoY growth**.
- Revenue from the provision of support for system development and implementation to financial institutions and universities was **below the year-earlier level**, and so were sales of the management support system to financial institutions.

Segment income

Loss of 114 million yen, compared with on loss of 169 million yen the year before

(In millions of yen)



- This segment posted a loss due to decreased revenue from the provision of support for system development and implementation to financial institutions and universities, as well as from sales of the management support system to financial institutions.
- The amount of **segment loss decreased** YoY as a result of the reassessment and reallocation of R&D expenses.

2. Consolidated Financial Guidance for FY2024

Update Business Forecasts for FY2024 SIOS

(In millions of yen)	Earlier Forecasts (announced February 8, 2024)	Update Forecasts	% Change
Net Sales	16,600	20,000	+3,400
Gross profit	250	250	—
Operating income	330	330	—
Ordinary income	220	220	—
Profit attributable to owners of parent	310	310	—
EBITDA	11.6%	11.6%	—

While robust sales of software products sourced from Red Hat, Inc., driven by major projects orders, are projected to bolster the Group's net sales for FY2024, they will have little impact on our profit as those were low-margin projects. Accordingly, we have updated the guidance only for consolidated net sales for the year.

Cash Dividends for FY 2024



	27th term Fiscal year ended December 31, 2023	28th term Fiscal year ended December 31, 2024 (Forecast)
Annual cash dividend per share	¥ 5	¥10 (unchanged)

Our dividend policy

We intend to provide a steady level of dividends to our shareholders, while taking into consideration the Group's consolidated financial performance and guidance, its dividend payout ratio and yield, and its equity capital ratio.

3. Progress of Growth Strategy for FY2024

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



Standardizes workflows and helps achieve greater enterprise productivity.

(1) Submit a draft contract for review and approval



(2) Managers to consult and review it



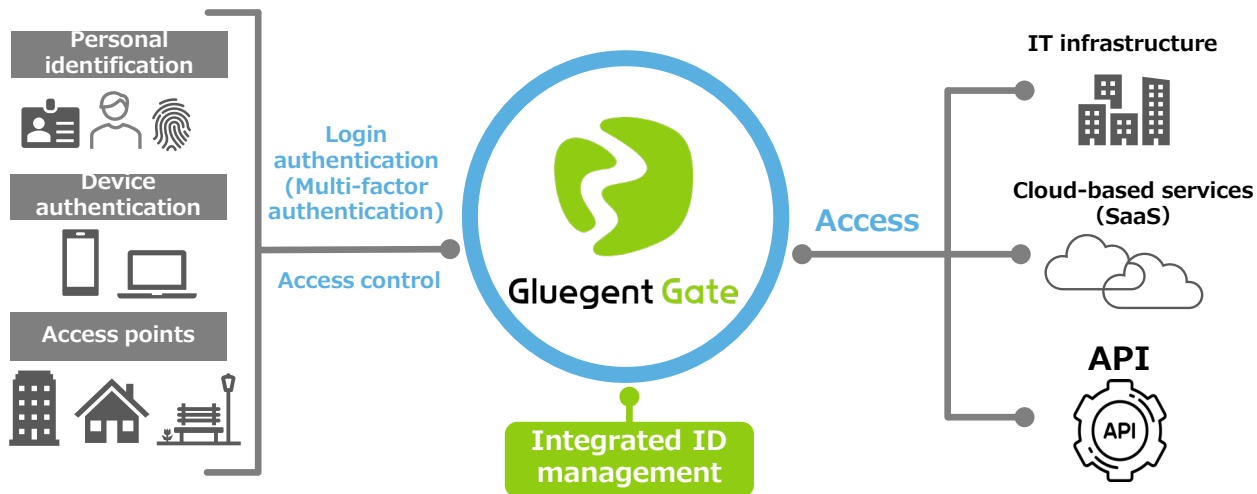
(3) Decision-maker to approve and authorize it



- Enables the submission, review, and approval of requests anytime, anywhere, on any device, bringing greater efficiency to business processes.
- Visualizes workflows and consolidates data to standardize business processes.



IDaaS* solution for single sign-on (SSO)*, multi-factor authentication, and integrated ID management



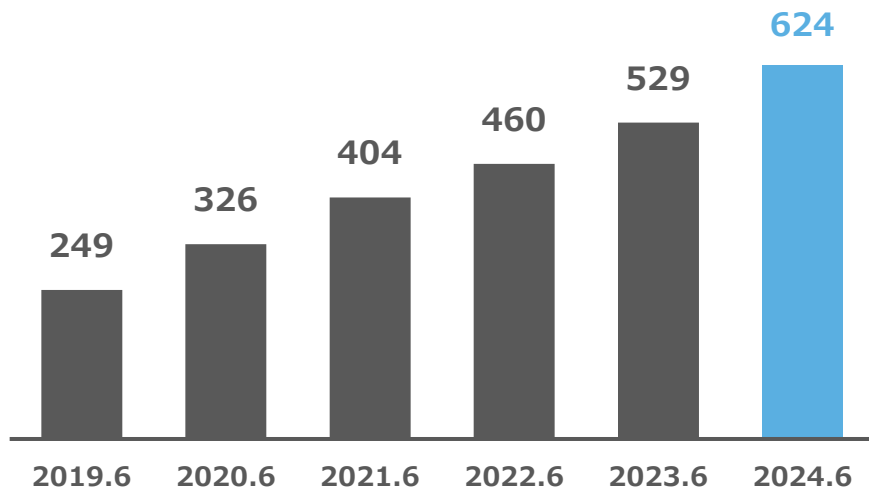
- SSO enables users to log in to a system once and gain access to all connected services.
- Gluegent Gate enhances access security by setting a security level, such as multi-factor authentication and access restriction, for each service.

 **Gluegent Flow**
 **Gluegent Gate**

Enhanced product development and user support have been keeping the ARR 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 18.0% YoY

Gluegent Flow
Up 32.8%

Gluegent Gate
Up 12.3%

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

Action: Work more closely with partner resellers and upgrade feature sets

Increase	New	Revenue increase from new clients
	Upgrade	Revenue increase from clients who upgraded to a higher-tiered subscription plan
Prevent	Downgrade	Revenue decline from clients who downgraded to a lower-tiered subscription plan
	Churn	Revenue decline from cancellation of subscription

Action: Enhance support for customer success

<Formula for ARR>

$$\text{ARR} = \text{MRR} \times 12\text{months}$$

$$\text{MRR} = \text{MRR for the previous month} + \text{New} + \text{Upgrade} - (\text{Downgrade} + \text{Churn})$$

Awards and Recognition Accorded to the Gluegent Series



Received many awards for providing an exceptionally high level of customer satisfaction.



- In the BOXIL SaaS AWARD 2024¹, Gluegent Flow was top rated in the Case Studies category for small and medium-sized businesses².
- Gluegent Flow was also rated highly in online word-of-mouth review sites for IT products and SaaS solutions.

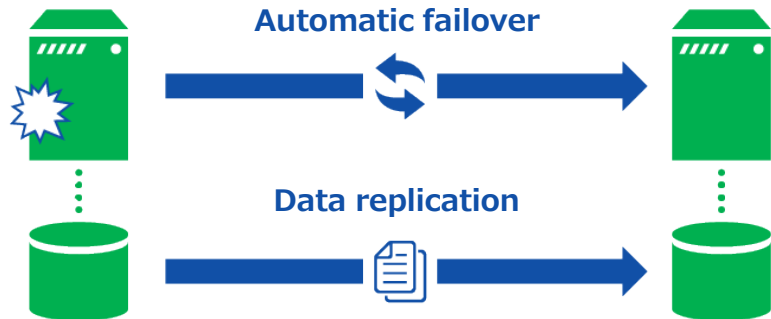
1. The BOXIL SaaS AWARD is sponsored by SMARTCAMP Co., Ltd., which operates the BOXIL SaaS review site, and evaluates, selects, and recognizes high-performing commercial SaaS solutions quarterly and annually.
2. In the Case Studies category, SMARTCAMP selects and recognizes high-performing commercial SaaS solutions from among those that submit case studies, from the perspective of how much positive impact their services for flexible working arrangements and DX support have on client success and social good. Small and medium-sized businesses are those that have 101 to 499 employees on their payroll.



High-availability cluster software for preventing a system failure from impeding business operations

Primary system

Backup system

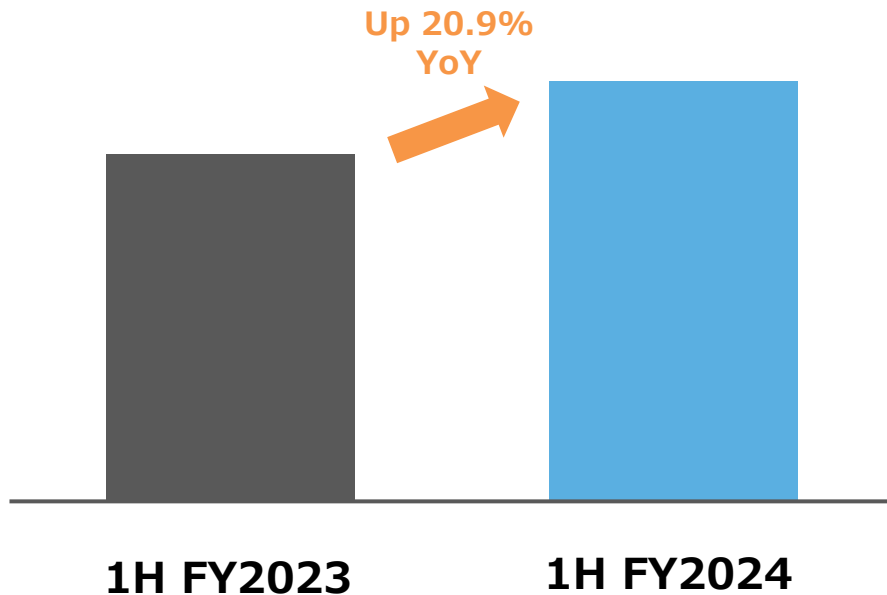


- LifeKeeper monitors system operations, and when it detects a failure of a primary system, it automatically switches to a backup system to keep the system downtime and business disruption to a minimum.
- It works in a variety of cloud environments and makes it easy for an enterprise to switch to a cloud environment while maintaining the same level of availability as provided in an on-premise environment.



Global sales of LifeKeeper for cloud application have been growing.

【Global Sales of the Cloud-based Version of LifeKeeper to First-time Clients】



Sales of the cloud-based version of LifeKeeper have been growing globally to first-time clients who have switched their enterprise systems from on-premise to cloud environments.



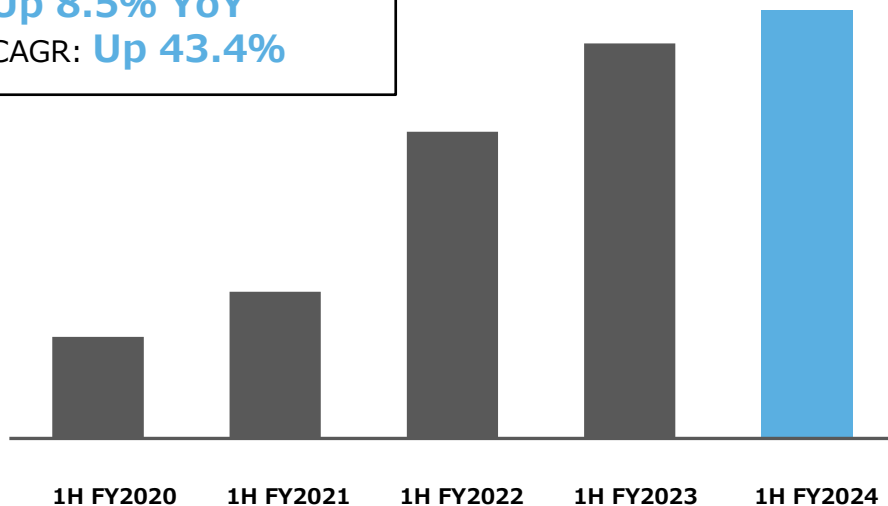
Subscription revenue of LifeKeeper has been following a growth path outside Japan.

【Subscription Revenue of LifeKeeper Outside Japan】

Revenue for FY 2023:

Up 8.5% YoY

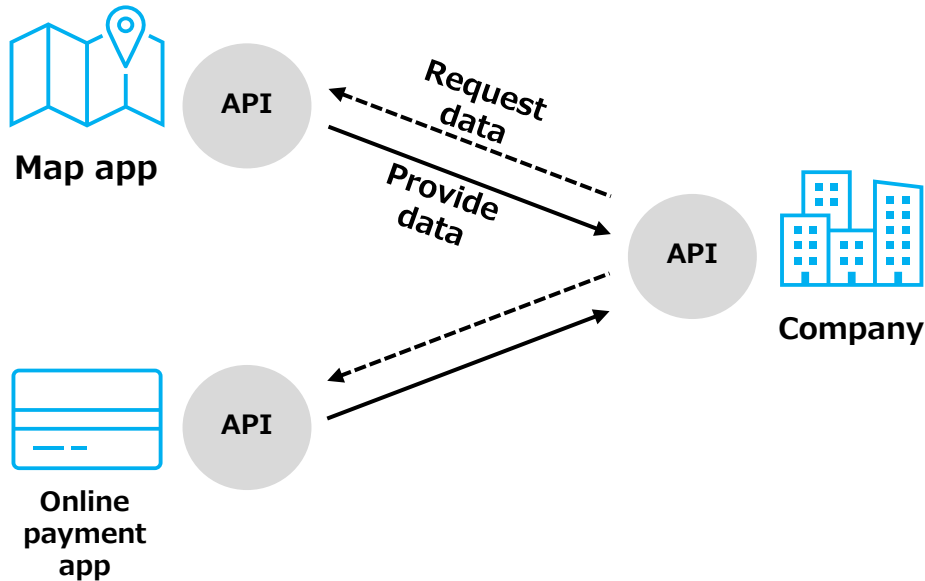
CAGR: Up 43.4%



Sales of subscription-based LifeKeeper on the flat-rate and pay-per-use bases have continued to grow outside Japan, where the cloud is becoming widely used.

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

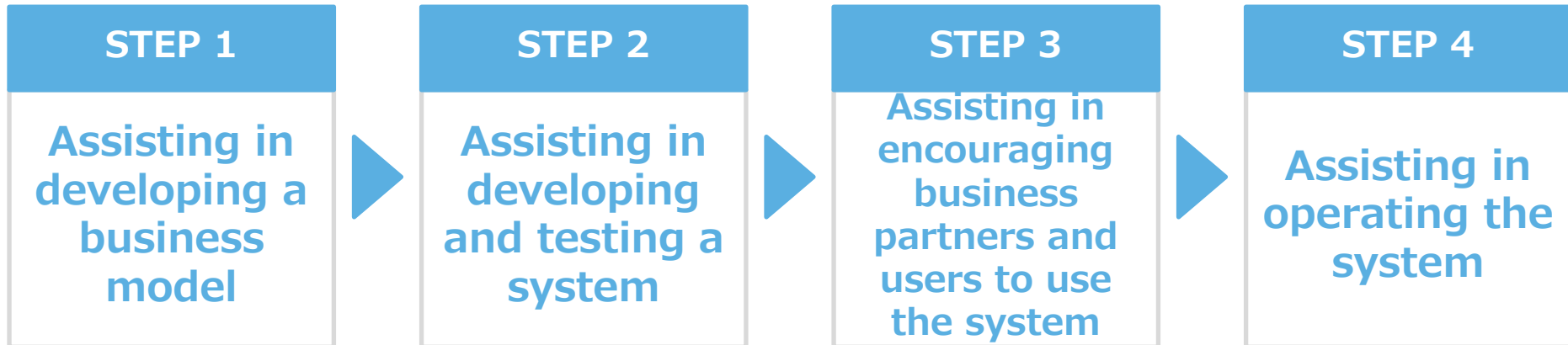
Example of How APIs Work in Business



- 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 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



Our sales growth has been driven by stepped-up sales efforts and the expansion of service offerings.

Step up sales efforts



- Worked more closely with system developers and consulting firms to attract new corporate clients.
- Won large projects from automakers and financial institutions.

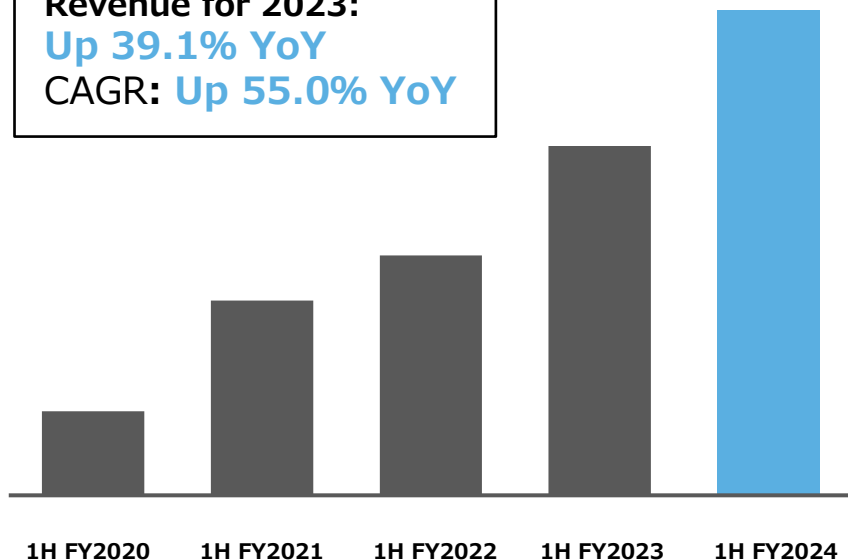
Expand service offerings



- Partnership with Aerospike, Inc.* now enables us to assist corporate clients in developing a high-quality infrastructure for big data analytics.
- We will continue to expand API service offerings to meet increasingly diverse business needs.

【Revenue in Our API Solutions Business】

Revenue for 2023:
Up 39.1% YoY
CAGR: Up 55.0% YoY



The actions discussed on the previous page have helped us grow our API Solutions Business in a robust market.

Started offering an end-to-end solution service for generative AI, in collaboration with U.S.-based Elastic NV.

SIOS has become Elastic's first distributor in Japan and started offering a solution service based on the Elastic Search AI Platform to assist corporate clients in using generative AI in a safe and secure environment.

Company overview

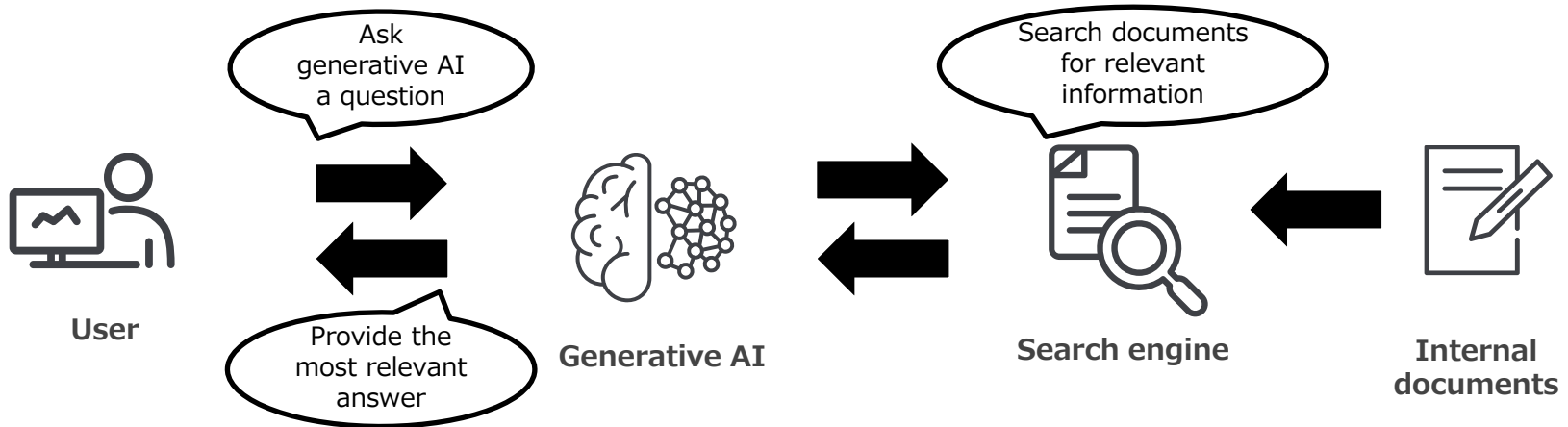
- Established in Amsterdam in 2012.
- Listed on NYSE in 2018.
- Elasticsearch is one of the most widely used database search engines in the world.
- Annual revenue for fiscal year ended April 30, 2024: 1,267 million dollars



elastic

Use RAG technology to make generative AI more relevant to business

Retrieval augmented generation (RAG) is a technique to make generative AI provide a more relevant response to a query by using searchable unpublished internal data as context.



Use Elastic's technology to assist corporate clients in implementing RAG successfully

We provide corporate clients with an end-to-end consulting service for RAG implementation based on the Elastic Search AI Platform. Our consulting service comprises the following three phases:

Implementation planning phase

Understand a client's objective in deploying generative AI, as well as issues with their data sources, as a basis for developing a project plan and schedule

PoC phase

Build a PoC environment for RAG based on the project plan and evaluate the effectiveness of search methods and the relevance of AI-generated responses

Implementation phase

Based on PoC results, assist in designing and building a production environment based on the Elastic Search AI Platform, and train client users in its operation

4. 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.

Headquarters	SIOS Building, 2-12-3 Minami Azabu Minato-ku, Tokyo, Japan	
Capital	1,481 million yen	
Established	May 23, 1997	
Stock listed on	TSE Standard Market (stock code: 3744)	
No. of employees	550 on a consolidated basis (as of December 31, 2023)	
Main consolidated subsidiaries	Japan: SIOS Technology, Inc.	U.S.A.: SIOS Technology Corp.

page	Term	Description
10	Software products sourced from Red Hat, Inc.	Open-source software products developed by Red Hat, Inc., a provider of open-source solutions
10	LifeKeeper	A failover software product that automatically switches a failed primary server to a backup server
12	API	A set of protocols that enables different software programs and applications to share information and functions
12	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
12	Software applications for multifunction printers	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
18	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
18	Subscription business model	A business model that charges customers a recurring monthly or annual fee to access a software product or service
18	Generative AI	An AI system capable of generating new data and content from learned data
20	Single sign-on	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
20	IDaaS	Identity as a Service. It is an identity and access management (IAM) solution delivered in the form of a cloud-based service.
24	On-premises	A user enterprise owns and operates servers and software on its premises
29	Aerospike, Inc.	A global company based in Mountain View, California, that provides advanced highly scalable real-time data solutions

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. 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

