



Consolidated Financial Result

(For the 6-month period ended June 30, 2024)



August 8, 2024

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 Stock exchange listings: Tokyo Stock Exchange (TSE)
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Scheduled date for filing of quarterly financial report: August 9, 2024

(Note) All figures in the financial statements are rounded down to the nearest millionth.

‘-’ indicates a loss or negative figure.

1. Consolidated results (January 1, 2024 through June 30, 2024)

(Percentages indicate year-on-year changes.)

(1) Consolidated business results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
6-month period(2024/6)	11,804	46.3	-18	-	57	-	23	-
6-month period(2023/6)	8,066	11.2	-106	-	-78	-	-176	-

(Note) Comprehensive income

As of Jun. 30, 2024: 65 million yen/ -%

As of Jun. 30, 2023: -134 million yen/ -%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
6-month period(2024/6)	2.72	-
6-month period(2023/6)	-20.34	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
6-month period(2024/6)	8,524	1,226	13.2
FY2023	6,706	1,187	16.4

(Reference) Equity

As of Jun. 30, 2024: 1,121 million yen

As of Dec. 31, 2023: 1,099 million yen

2. Cash dividends

Record Date	Dividend per share				
	End of Q1	Interim	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2023	-	0.00	-	5.00	5.00
FY2024	-	0.00			
FY2024 (expected)			-	10.00	10.00

(Note) Revisions to recent dividend forecast: None

3. Forecast of consolidated results for FY2024 (January 1, 2024 through December 31, 2024)

(% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2023	20,000	25.9	250	-	330	-	220	-	25.38

(Note) Revisions to recent business forecast: Yes

4. Others

- (1) Reclassification of significant subsidiaries during the period (Reclassification due to change in scope of consolidation): None
 (2) Application of special accounting methods for the preparation of the consolidated quarterly financial statements: None
 (3) Change in accounting policies, accounting estimates and restatement
 (i) Change in accounting policies associated with revision of accounting standards: None
 (ii) Change arising from other factors: None
 (iii) Change in accounting estimates: None
 (iv) Restatement: None
 (4) Number of outstanding shares (common shares)

(i) Number of outstanding shares (including treasury stock)	As of June 30,2024	8,874,400 shares	FY2023	8,874,400 shares
(ii) Number of treasury stock	As of June 30,2024	205,838 shares	FY2023	205,838 shares
(iii) Average number of outstanding shares (6-month period)	As of June 30,2024	8,668,562 shares	As of June 30,2023	8,668,562 shares

Explanation about proper use of forecasts of consolidated financial results and other special notes

- Information Regarding the Audit Review Procedure: This report is outside the scope of the procedures for quarterly review of financial statements as required under the financial instruments and Exchange Act of Japan. The aforementioned procedures have not been completed as of the time of disclosure of this document.
- Net income per share was calculated by the number of outstanding shares (excluding treasury stocks) at the end of fiscal year.
- Forecasts announced by the company referred to above were prepared based on management's assumption with information available at this time and therefore involve known and unknown risks and uncertainties. Please note such risks and uncertainties may cause the actual results to be materially different from the forecasts.
- This information to above is an UNOFFICIAL English-language translation of the original Japanese-language version. The format and contents of this document are defined by the requirements of the Tokyo Stock Exchange's Standard. To the extent that there are discrepancies between this translation and the original version, the original version shall be definitive.

○Table of Contents of the Attached Document

1. Qualitative Information on Consolidated Business Results	4
(1) Results of Operations	4
(2) Summary of Financial Position.....	5
(3) Forward-looking Statements Including Consolidated Business Forecasts	5
2. Semi-annual Consolidated Financial Statements	6
(1) Semi-annual Consolidated Balance Sheet	6
(2) Semi-annual Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	8
Semi-annual Consolidated Statements of Income.....	8
Semi-annual Consolidated Statements of Comprehensive Income.....	9
(3) Semi-annual Consolidated Statements of Cash Flows.....	10
(4) Notes to Semi-annual Consolidated Financial Statements	11
(Notes to Going Concern Assumption)	11
(Notes on significant changes in the amount of shareholders' equity).....	11
(Segment Information)	11

1. Qualitative Information on Consolidated Business Results

(1) Results of Operations

During the six months ended June 30, 2024, some positive developments were observed in the Japanese economy, such as robust corporate earnings and improvements in the job market and personal income. The global economy, however, continued to face lingering uncertainty, due to soaring materials prices and volatile foreign-exchange markets.

In this business environment, the SIOS Group ("the Group") continued to restructure its business operations, expanded its SaaS¹ and subscription²-based businesses, and stepped up its efforts for new business development in order to increase its enterprise value.

The Group achieved consolidated business results by segment for the period under review as follows:

(i) Open System Infrastructure Business Segment

Sales of Red Hat Enterprise Linux³ and other software products sourced from Red Hat, Inc.⁴, jumped substantially to fulfill major project orders, but they had little impact on the Group's profitability as those were low-margin projects. Sales and profit of LifeKeeper⁵, which is one of the Group's core software products, were up year on year, due to strong perpetual license sales in Japan. As a result, net sales in this segment amounted to 8,798 million yen, up 76.0% from the same period the previous year, with a segment income of 94 million yen, up 66.6%.

(ii) Application Business Segment

Revenue in the API⁶ Solutions Business achieved solid growth, as our engineering strengths in the field of API economy met surging business needs. Revenue from the sales of the Gluegent series⁷ and software applications for MFPs⁸ was up year on year. By contrast, 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. As a result, net sales in this segment fell 1.8% year on year to 3,005 million yen.

As a result of the reassessment and reallocation of research and development expenses, the segment loss reduced to 114 million yen, compared with a loss of 169 million yen posted for the same period the year before.

The Group's consolidated net sales for the period under review jumped 46.3% year on year to 11,804 million yen, primarily due to a substantial sales increase in software products sourced from Red Hat, Inc., as reported earlier. The Group posted a consolidated operating loss of 18 million yen, down from a loss of 106 million yen the year before, and an ordinary profit of 57 million yen, compared with an ordinary loss of 78 million yen the previous year, which reflected the gain on valuation of derivatives and the share of profit of entities accounted for using the equity method. The profit attributable to owners of parent amounted to 23 million yen, compared with a loss of 176 million yen the year before.

The Group's key management metrics EBITDA (the sum of operating profit, depreciation, and amortization of goodwill) and ROIC (ratio obtained by dividing operating profit after tax by the sum of shareholders' equity and interest-bearing debts) for the period under review were as follows:

EBITDA: 6 million yen, compared with -60 million yen for the same period the previous year

ROIC (annualized): -1.9%, compared with -11.8% for the same period the previous year

1 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.

2 Subscription business model

A business model that charges customers a recurring monthly or annual fee to access a software product or service.

3 Red Hat Enterprise Linux

Linux OS developed by the open solution provider Red Hat, Inc.

4 Red Hat, Inc. Related Items

Linux OS product developed by Red Hat, Inc., a provider of open source solutions.

5 LifeKeeper

A failover software product that automatically switches a failed primary server to a backup server.

6 API

A mechanism for software and applications to exchange information with each other.

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 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.

(2) Summary of Financial Position**(i) Assets**

Current assets amounted to 7,497 million yen as of June 30, 2024, up 30.6% from the end of the previous fiscal year, reflecting primarily an increase of 1,238 million yen in notes and accounts receivable trade, as well as contract assets.

Non-current assets amounted to 1,026 million yen, up 6.3%, reflecting primarily an increase of 60 million yen in software in progress.

As a result, total assets increased 27.1% to 8,524 million yen.

(ii) Liabilities

Current liabilities amounted to 6,867 million yen, up 33.9%, reflecting primarily an increase of 1,342 million yen in accounts payable trade.

Non-current liabilities amounted to 430 million yen, up 11.0%, reflecting primarily an increase of 34 million yen in lease liabilities.

As a result, total liabilities amounted to 7,298 million yen, up 32.3% from the previous fiscal year-end.

(iii) Net assets

Total net assets amounted to 1,226 million yen, up 3.2% from the previous fiscal year-end, reflecting the posting of a profit of 23 million yen attributable to owners of parent.

(3) Forward-looking Statements Including Consolidated Business Forecasts

We have updated the consolidated financial guidance for the fiscal year ending December 31, 2024, which was originally announced on February 8, 2024.

For details, refer to "An Update on Consolidated Financial Guidance," announced on August 8, 2024.

2. Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheet

(Unit: thousand yen)

	FY 2023 (as of December 31, 2023)	FY 2024 Q2 (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	2,604,002	3,063,404
Notes and accounts receivable - trade, and contract assets	2,433,031	3,671,180
Merchandise	-	171
Work in process	2,267	3,000
Advance payments to suppliers	532,496	462,410
Other	169,429	297,759
Allowance for doubtful accounts	-200	-
Total current assets	5,741,026	7,497,926
Fixed assets		
Tangible fixed assets		
Buildings (net)	42,149	39,865
Other (net)	90,672	83,306
Total tangible fixed assets	132,822	123,172
Intangible fixed assets		
Software	36,780	24,864
Software in progress	34,332	94,607
Other	1,441	1,441
Total intangible fixed assets	72,554	120,913
Investment and other assets		
Investment securities	407,162	400,586
Retirement benefit asset	57,004	60,664
Guarantee deposits	119,273	116,925
Other	176,736	204,495
Total investment and other assets	760,177	782,672
Total fixed assets	965,554	1,026,757
Total assets	6,706,581	8,524,684

(In thousands of yen)

	December 31, 2023	June 30, 2024
Liabilities		
Current liabilities		
Accounts payable-trade	1,235,031	2,578,015
Current portion of long-term borrowings	66,000	66,000
Lease liabilities	59,039	20,118
Income taxes payable	30,509	78,350
Contract liabilities	3,212,077	3,640,093
Provision for bonuses for directors (and other officers)	-	5,300
Other	527,833	479,910
Total current liabilities	5,130,492	6,867,789
Non-current liabilities		
Long-term borrowings	49,500	16,500
Retirement benefit liability	320,317	338,248
Lease liabilities	6,676	40,889
Long-term deposits received	11,632	11,632
Provision for share awards for directors (and other officers)	-	17,700
Other	-	5,919
Total non-current liabilities	388,127	430,889
Total liabilities	5,518,619	7,298,679
Net assets		
Shareholders' equity		
Share capital	1,481,520	1,481,520
Retained earnings	-236,541	-256,282
Treasury shares	-87,254	-87,254
Total shareholders' equity	1,157,723	1,137,982
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,796	-1,512
Deferred gains or losses on hedges	187	11,193
Foreign currency translation adjustment	-68,280	-26,029
Total accumulated other comprehensive income	-58,296	-16,348
Subscription rights to shares	88,534	104,370
Total net assets	1,187,961	1,226,004
Total liabilities and net assets	6,706,581	8,524,684

(2) Semi-annual Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive IncomeSemi-annual Consolidated Statements of Income
Six months ended June 30

(In thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	8,066,359	11,804,980
Cost of sales	5,400,782	9,137,452
Gross profit	2,665,577	2,667,528
Selling, general and administrative expenses	2,771,581	2,686,118
Operating loss	-106,003	-18,589
Non-operating income		
Interest income	4,350	11,551
Gain on valuation of derivatives	34,821	91,456
Share of profit of entities accounted for using equity method	26,424	31,281
Other	4,983	11,326
Total non-operating income	70,579	145,617
Non-operating expenses		
Interest expenses	816	545
Loss on investments in investment partnerships	5,601	-
Foreign exchange losses	36,264	67,791
Other	0	1,612
Total non-operating expenses	42,681	69,949
Ordinary loss	-78,106	57,078
Extraordinary income		
Loss on valuation of shares of subsidiaries and associates	10,435	-
Impairment losses	30,201	-
Loss on retirement of non-current assets	123	-
Loss on sale of businesses	27,933	-
Total extraordinary income	68,693	-
Profit (loss) before income taxes	-146,711	80,702
Income taxes-current	29,616	74,306
Income taxes-deferred	-	-17,150
Total income taxes	29,616	57,155
Profit (loss)	-176,327	23,546
Profit (loss) attributable to owners of parent	-176,327	23,546

Semi-annual Consolidated Statements of Comprehensive Income
Six months ended June 30

	(Unit: thousand yen)	
	Six months ended June 30, 2023 (From January 1, 2023 through June 30, 2023)	Six months ended June 30, 2024 (From January 1, 2024 through June 30, 2024)
Profit (loss)	-176,327	23,546
Other comprehensive income		
Valuation difference on available-for-sale securities	3,816	-11,309
Deferred gains or losses on hedges	2,557	11,005
Foreign currency translation adjustment	35,240	41,145
Share of other comprehensive income of entities accounted for using equity method	581	1,105
Total other comprehensive income	42,196	41,947
Comprehensive income	-134,131	65,494
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	-134,131	65,494

(3) Semi-annual Consolidated Statements of Cash Flows

(In thousands of yen)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	-146,711	80,702
Depreciation	45,570	25,426
Impairment losses	30,201	-
Loss (gain) on sale of businesses	27,933	-
Interest and dividend income	-4,948	-12,008
Interest expenses	816	545
Loss (gain) on investments in investment partnerships	5,601	-
Loss (gain) on sale of investment securities	-	-23,623
Share of loss (profit) of entities accounted for using equity method	-26,424	-31,281
Decrease (increase) in accounts receivable - trade, and contract assets	-44,309	-1,208,549
Decrease (increase) in inventories	19,012	-903
Increase (decrease) in trade payables	3,401	1,342,984
Increase (decrease) in retirement benefit liability	-784	17,930
Increase (decrease) in provision for share awards	-	17,700
Increase (decrease) in contract liabilities	229,276	305,426
Decrease (increase) in advance payments to suppliers	-64,935	70,085
Increase (decrease) in accrued consumption taxes	67,906	-68,966
Other	77,972	-14,041
Sub-total	219,580	501,427
Interest and dividends received	12,720	19,529
Interest paid	-816	-545
Income taxes refund	45,078	1,364
Income taxes paid	-17,343	-30,488
Net cash provided by (used in) operating activities	259,220	491,287
Cash flows from investing activities		
Purchase of property, plant and equipment	-7,056	-2,255
Purchase of intangible assets	-7,358	-43,540
Payments of guarantee deposits	-506	-192
Proceeds from refund of guarantee deposits	47,648	-
Proceeds from sale of investment securities	-	37,479
Proceeds from collection of loans receivable	6,748	-
Proceeds from derivatives trading	103,840	-
Payments for acquisition of businesses	-26,150	-
Net cash provided by (used in) investing activities	117,165	-8,508
Cash flows from financing activities		
Dividends paid	-86,135	-43,470
Repayments of long-term borrowings	-33,000	-33,000
Other	-20,544	-2,578
Net cash provided by (used in) financing activities	-139,679	-79,049
Effect of exchange rate changes on cash and cash equivalents	-24,938	55,672
Net increase (decrease) in cash and cash equivalents	211,767	459,402
Cash and cash equivalents at beginning of year	2,505,766	2,604,002
Cash and cash equivalents at end of quarter	※ 2,717,533	※ 3,063,404

(4) Notes to Semi-annual Consolidated Financial Statements**(Notes to Going Concern Assumption)**

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment Information)**【Segment Information】**

I. For the Six months ended June 30, 2023 (From January 1, 2023 through June 30, 2023)

1. Information on the amount of sales and income/loss by reportable segment

(Unit: thousand yen)

	Reportable segment			Adjustments	Amount recorded in semi-annual consolidated statements of income (Note)
	Open system infrastructure business	Application business	Total		
Net sales					
Sales to external customers	4,999,873	3,060,185	8,060,059	6,300	8,066,359
Inter-segment sales and transfers	-	2,864	2,864	-2,864	-
Total	4,999,873	3,063,049	8,062,923	3,435	8,066,359
Segment profit (loss)	56,756	-169,060	-112,304	6,300	-106,003

Note: The total amount of segment profits or losses is the same as the amount of operating loss presented on the Semi-annual Consolidated Statements of Income for the period under review.

Supplementary Information

Information by region

In addition to the disclosure required by "Accounting Standard for Semi-annual Financial Statements," information (Sales) by region is disclosed in accordance with "Accounting Standard for the Disclosure of Segment Information" for the purpose of providing users of financial statement with valuable information.

Net sales

Six months ended June 30, 2023 (From January 1, 2023 through June 30, 2023)

(Unit: thousand yen)

Japan	Americas	Europe	Other regions	Total
7,649,805	279,667	87,349	49,536	8,066,359

Note: Sales are classified by country or region in which customers are located.

2. Information on impairment loss of fixed assets or goodwill by reportable segment

(Significant impairment loss on non-current assets)

During the period under review, the Company posted an impairment loss of 30.201 million yen on non-current assets in the Application Business Segment.

II. For the six months ended June 30, 2024 (From January 1, 2024 through June 30, 2024)

1. Information on the amount of sales and income by reportable segment

(Unit: thousand yen)

	Reportable segment			Adjustments	Amount recorded in quarterly consolidated statements of income (Note)
	Open system infrastructure business	Application business	Total		
Net sales					
Sales to external customers	8,798,633	3,005,047	11,803,680	1,300	11,804,980
Inter-segment sales and transfers	-	3,567	3,567	-3,567	-
Total	8,798,633	3,008,614	11,807,247	-2,267	11,804,980
Segment profit	94,539	-114,428	-19,889	1,300	-18,589

Note: The total amount of segment profits or losses is the same as the amount of operating loss presented on the Semi-annual Consolidated Statements of Income for the period under review.

Supplementary Information

Information by region

In addition to the disclosure required by “Accounting Standard for Semi-annual Financial Statements,” information (Sales) by region is disclosed in accordance with “Accounting Standard for the Disclosure of Segment Information” for the purpose of providing users of financial statement with valuable information.

For the six months ended June 30, 2024 (From January 1, 2024 through June 30, 2024)

(Unit: thousand yen)

Japan	Americas	Europe	Other regions	Total
11,397,199	233,539	110,261	63,980	11,804,980

Note: Sales are classified by country or region in which customers are located.

2. Information on impairment loss of fixed assets or goodwill by reportable segment

Not applicable