

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2020
(Based on Japanese GAAP)**

April 30, 2020

Company name: SMS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2175 URL <https://www.bm-sms.co.jp/>
 Representative: CEO Natsuki Goto
 Inquiries: CFO Masato Sugizaki TEL 03-6721-2400
 Scheduled date of ordinary general meeting of shareholders: June 19, 2020
 Scheduled date to file Securities Report: June 19, 2020
 Scheduled date to commence dividend payments: June 22, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	35,140	14.0	4,935	4.1	6,355	6.3	4,760	12.9
Year ended March 31, 2019	30,836	15.9	4,743	17.9	5,979	19.4	4,216	25.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2020	54.69	54.45	27.5	12.9	14.0
Year ended March 31, 2019	48.51	48.24	24.4	12.8	15.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	50,996	19,398	37.7	220.86
As of March 31, 2019	47,467	15,539	32.4	176.55

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2020	5,591	(2,127)	(3,132)	10,493
Year ended March 31, 2019	5,156	(1,066)	(2,943)	9,890

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2019	—	0.00	—	7.50	7.50	652	15.5	3.8
Year ended March 31, 2020	—	0.00	—	8.50	8.50	739	15.5	4.3
Year ending March 31, 2021 (Forecast)	—	0.00	—	—	—	—	—	—

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	37,436	6.5	5,028	1.9	6,459	1.6	4,785	0.5	54.98

4. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2020	87,057,600 shares	As of March 31, 2019	86,998,800 shares
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Number of treasury shares at the end of the period

As of March 31, 2020	445 shares	As of March 31, 2019	372 shares
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Average number of shares during the period

Year ended March 31, 2020	87,033,325 shares	Year ended March 31, 2019	86,934,982 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	10,703	11,091
Accounts receivable - trade	4,323	5,213
Merchandise and finished goods	1	–
Work in process	13	14
Supplies	36	30
Accounts receivable - other	4,478	6,183
Prepaid expenses	634	664
Other	46	18
Allowance for doubtful accounts	(114)	(113)
Total current assets	20,123	23,102
Non-current assets		
Property, plant and equipment		
Buildings	459	626
Accumulated depreciation	(276)	(291)
Buildings, net	183	335
Tools, furniture and fixtures	749	806
Accumulated depreciation	(498)	(545)
Tools, furniture and fixtures, net	251	261
Machinery, equipment and vehicles	42	37
Accumulated depreciation	(30)	(17)
Machinery, equipment and vehicles, net	12	20
Right-of-use assets	–	481
Accumulated depreciation	–	(91)
Right-of-use assets, net	–	389
Total property, plant and equipment	447	1,006
Intangible assets		
Goodwill	10,574	10,148
Software	1,174	1,637
Trademark right	9,246	9,126
Customer-related assets	2,088	1,825
Other	0	0
Total intangible assets	23,083	22,738
Investments and other assets		
Investment securities	2,048	2,225
Deferred tax assets	855	873
Leasehold and guarantee deposits	880	1,039
Other	30	11
Total investments and other assets	3,814	4,149
Total non-current assets	27,344	27,893
Total assets	47,467	50,996

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	353	314
Current portion of long-term borrowings	2,487	2,487
Accounts payable - other	6,064	7,711
Accrued expenses	529	451
Income taxes payable	623	534
Accrued consumption taxes	435	536
Advances received	583	725
Deposits received	78	84
Provision for bonuses	481	600
ProvisionForRepayment	227	242
Lease obligations	–	112
Other	24	30
Total current liabilities	11,891	13,831
Non-current liabilities		
Long-term borrowings	17,632	15,144
Retirement benefit liability	311	354
Deferred tax liabilities	2,078	1,994
Lease obligations	–	260
Other	13	11
Total non-current liabilities	20,037	17,766
Total liabilities	31,928	31,597
Net assets		
Shareholders' equity		
Share capital	2,208	2,246
Capital surplus	13	51
Retained earnings	14,971	19,079
Treasury shares	(0)	(0)
Total shareholders' equity	17,193	21,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(1,834)	(2,149)
Total accumulated other comprehensive income	(1,833)	(2,149)
Share acquisition rights	179	171
Total net assets	15,539	19,398
Total liabilities and net assets	47,467	50,996

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	30,836	35,140
Cost of sales	3,535	4,048
Gross profit	27,301	31,091
Selling, general and administrative expenses	22,558	26,156
Operating profit	4,743	4,935
Non-operating income		
Interest income	11	24
Share of profit of entities accounted for using equity method	1,352	1,486
Other	66	62
Total non-operating income	1,430	1,573
Non-operating expenses		
Foreign exchange losses	51	43
Interest expenses	66	102
Arrangement fee	46	–
Other	30	6
Total non-operating expenses	194	152
Ordinary profit	5,979	6,355
Extraordinary income		
Gain on sales of non-current assets	1	1
Gain on liquidation of subsidiaries	6	–
Gain on sale of businesses	–	55
Total extraordinary income	8	57
Extraordinary losses		
Loss on sales and retirement of non-current assets	165	23
Loss on valuation of investment securities	4	–
Loss on withdrawal from business	233	–
Event cancellation loss	–	13
Other	49	–
Total extraordinary losses	453	37
Profit before income taxes	5,534	6,375
Income taxes - current	1,564	1,702
Income taxes - deferred	(221)	(87)
Total income taxes	1,342	1,615
Profit	4,191	4,760
Profit attributable to non-controlling interests	(25)	–
Profit attributable to owners of parent	4,216	4,760

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	4,191	4,760
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	(399)	(310)
Share of other comprehensive income of entities accounted for using equity method	(3)	(4)
Total other comprehensive income	(402)	(315)
Comprehensive income	3,788	4,444
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,806	4,444
Comprehensive income attributable to non-controlling interests	(17)	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,167	3,965	14,545	(0)	20,677
Changes during period					
Issuance of new shares	41	41	–	–	82
Dividends of surplus	–	–	(564)	–	(564)
Profit attributable to owners of parent	–	–	4,216	–	4,216
Change in ownership interest of parent due to transactions with non-controlling interests	–	(3,992)	(3,225)	–	(7,218)
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	41	(3,951)	426	(0)	(3,484)
Balance at end of period	2,208	13	14,971	(0)	17,193

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	0	(1,423)	(1,423)	135	4,252	23,641
Changes during period						
Issuance of new shares	–	–	–	–	–	82
Dividends of surplus	–	–	–	–	–	(564)
Profit attributable to owners of parent	–	–	–	–	–	4,216
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	(7,218)
Purchase of treasury shares	–	–	–	–	–	(0)
Net changes in items other than shareholders' equity	0	(410)	(410)	44	(4,252)	(4,618)
Total changes during period	0	(410)	(410)	44	(4,252)	(8,102)
Balance at end of period	0	(1,834)	(1,833)	179	–	15,539

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,208	13	14,971	(0)	17,193
Changes during period					
Issuance of new shares	37	37	–	–	75
Dividends of surplus	–	–	(652)	–	(652)
Profit attributable to owners of parent	–	–	4,760	–	4,760
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	37	37	4,107	(0)	4,183
Balance at end of period	2,246	51	19,079	(0)	21,376

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	0	(1,834)	(1,833)	179	15,539
Changes during period					
Issuance of new shares	–	–	–	–	75
Dividends of surplus	–	–	–	–	(652)
Profit attributable to owners of parent	–	–	–	–	4,760
Purchase of treasury shares	–	–	–	–	(0)
Net changes in items other than shareholders' equity	(0)	(315)	(315)	(7)	(323)
Total changes during period	(0)	(315)	(315)	(7)	3,859
Balance at end of period	0	(2,149)	(2,149)	171	19,398

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	5,534	6,375
Depreciation	1,061	1,211
Amortization of goodwill	807	809
Loss (gain) on sales and retirement of non-current assets	163	21
Loss (gain) on valuation of investment securities	4	–
Share-based remuneration expenses	71	(10)
Loss on withdrawal from business	233	–
Loss (gain) on sale of businesses	–	(55)
Share of loss (profit) of entities accounted for using equity method	(334)	(179)
Increase (decrease) in allowance for doubtful accounts	(109)	(0)
Increase (decrease) in provision for bonuses	39	121
IncreaseDecreaseInProvisionForRepaymentOpeCF	74	14
Increase (decrease) in retirement benefit liability	150	43
Foreign exchange losses (gains)	51	43
Interest expenses	66	102
Decrease (increase) in trade receivables	(34)	(910)
Increase (decrease) in accrued consumption taxes	28	101
Decrease (increase) in accounts receivable - other	(1,004)	(1,626)
Decrease (increase) in prepaid expenses	(64)	(30)
Increase (decrease) in advances received	(581)	176
Increase (decrease) in accounts payable - other	993	1,647
Other, net	73	(308)
Subtotal	7,225	7,547
Interest and dividends received	11	27
Interest paid	(62)	(102)
Income taxes paid	(2,018)	(1,880)
Net cash provided by (used in) operating activities	5,156	5,591
Cash flows from investing activities		
Payments into time deposits	(1,047)	(729)
Proceeds from withdrawal of time deposits	982	916
Purchase of property, plant and equipment	(216)	(419)
Purchase of intangible assets	(731)	(1,186)
Payments for acquisition of businesses	–	(5)
Proceeds from sale of businesses	–	57
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(23)	(762)
Other, net	(29)	1
Net cash provided by (used in) investing activities	(1,066)	(2,127)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Proceeds from long-term borrowings	10,953	–
Repayments of long-term borrowings	(1,941)	(2,488)
Repayments of lease obligations	–	(78)
Proceeds from issuance of share acquisition rights	4	8
Proceeds from issuance of shares resulting from exercise of share acquisition rights	50	70
Dividends paid	(557)	(644)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(11,453)	–
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(2,943)	(3,132)
Effect of exchange rate change on cash and cash equivalents	(24)	270
Net increase (decrease) in cash and cash equivalents	1,122	602
Cash and cash equivalents at beginning of period	8,768	9,890
Cash and cash equivalents at end of period	9,890	10,493