

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2021 (Based on Japanese GAAP)

October 29, 2021

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 to file Quarterly Securities Report: November 12, 2021  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2021	19,927	6.9	3,682	24.8	4,700	22.0	3,404	22.7
Six months ended September 30, 2020	18,638	5.7	2,949	42.2	3,852	23.5	2,775	19.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	39.07		38.89	
Six months ended September 30, 2020	31.88		31.74	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	54,114	26,676	48.7
As of March 31, 2021	49,444	22,658	45.3

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2021	–	0.00	–	9.50	9.50
Year ending March 31, 2022	–	0.00	–	–	–
Year ending March 31, 2022 (Forecast)	–	–	–	–	–

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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	40,043	11.4	6,205	13.4	7,352	10.5	5,281	10.0	60.62

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2021  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2021	87,129,100 shares	As of March 31, 2021	87,109,600 shares
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Number of treasury shares at the end of the period

As of September 30, 2021	561 shares	As of March 31, 2021	491 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2021	87,125,207 shares	Six months ended September 30, 2020	87,065,555 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,538	13,864
Accounts receivable - trade	4,933	5,070
Work in process	16	32
Supplies	31	38
Accounts receivable - other	6,324	7,131
Income taxes receivable	598	–
Prepaid expenses	808	773
Other	156	71
Allowance for doubtful accounts	(188)	(170)
<b>Total current assets</b>	<b>23,218</b>	<b>26,813</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	619	707
Accumulated depreciation	(324)	(365)
Buildings, net	295	342
Tools, furniture and fixtures	792	841
Accumulated depreciation	(552)	(589)
Tools, furniture and fixtures, net	239	252
Machinery, equipment and vehicles	36	27
Accumulated depreciation	(20)	(17)
Machinery, equipment and vehicles, net	16	9
Right-of-use assets	618	669
Accumulated depreciation	(230)	(319)
Right-of-use assets, net	387	349
<b>Total property, plant and equipment</b>	<b>939</b>	<b>954</b>
<b>Intangible assets</b>		
Goodwill	8,834	8,983
Software	2,355	2,746
Trademark right	8,621	9,211
Customer-related assets	1,502	1,485
Other	0	0
<b>Total intangible assets</b>	<b>21,313</b>	<b>22,427</b>
<b>Investments and other assets</b>		
Investment securities	1,975	1,852
Deferred tax assets	879	950
Leasehold and guarantee deposits	1,110	1,116
Other	7	–
<b>Total investments and other assets</b>	<b>3,972</b>	<b>3,919</b>
<b>Total non-current assets</b>	<b>26,225</b>	<b>27,300</b>
<b>Total assets</b>	<b>49,444</b>	<b>54,114</b>

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	258	213
Current portion of long-term borrowings	2,479	2,092
Accounts payable - other	7,750	9,116
Accrued expenses	438	587
Income taxes payable	374	1,286
Accrued consumption taxes	505	527
Advances received	869	–
Contract liabilities	–	1,130
Deposits received	147	131
Provision for bonuses	669	582
Provision for repayment	233	–
Lease obligations	115	106
Other	33	309
<b>Total current liabilities</b>	<b>13,875</b>	<b>16,084</b>
<b>Non-current liabilities</b>		
Long-term borrowings	10,644	9,004
Retirement benefit liability	149	159
Deferred tax liabilities	1,830	1,926
Lease obligations	281	261
Other	3	0
<b>Total non-current liabilities</b>	<b>12,909</b>	<b>11,353</b>
<b>Total liabilities</b>	<b>26,785</b>	<b>27,437</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,281	2,296
Capital surplus	85	101
Retained earnings	23,140	25,695
Treasury shares	(0)	(1)
<b>Total shareholders' equity</b>	<b>25,506</b>	<b>28,092</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(3,107)	(1,723)
<b>Total accumulated other comprehensive income</b>	<b>(3,107)</b>	<b>(1,723)</b>
Share acquisition rights	259	307
<b>Total net assets</b>	<b>22,658</b>	<b>26,676</b>
<b>Total liabilities and net assets</b>	<b>49,444</b>	<b>54,114</b>

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	18,638	19,927
Cost of sales	1,831	2,046
Gross profit	16,806	17,881
Selling, general and administrative expenses	13,857	14,198
Operating profit	2,949	3,682
Non-operating income		
Share of profit of entities accounted for using equity method	942	1,113
Other	34	17
Total non-operating income	976	1,130
Non-operating expenses		
Foreign exchange losses	24	59
Interest expenses	47	42
Other	1	10
Total non-operating expenses	74	112
Ordinary profit	3,852	4,700
Extraordinary income		
Gain on sale of non-current assets	0	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	52	14
Loss on valuation of investment securities	3	–
Event cancellation loss	10	–
Total extraordinary losses	66	14
Profit before income taxes	3,786	4,687
Income taxes	1,010	1,283
Profit	2,775	3,404
Profit attributable to owners of parent	2,775	3,404

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit	2,775	3,404
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(375)	1,394
Share of other comprehensive income of entities accounted for using equity method	(1)	(10)
Total other comprehensive income	(376)	1,384
Comprehensive income	2,398	4,788
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,398	4,788
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	3,786	4,687
Depreciation	657	792
Amortization of goodwill	407	415
Loss (gain) on sale and retirement of non-current assets	52	13
Loss (gain) on valuation of investment securities	3	–
Share of loss (profit) of entities accounted for using equity method	539	133
Increase (decrease) in allowance for doubtful accounts	6	(25)
Increase (decrease) in provision for bonuses	(32)	(103)
Increase/Decrease/In/Provision/For/Repayment/Oper/CF	25	–
Increase (decrease) in retirement benefit liability	16	0
Foreign exchange losses (gains)	24	59
Interest expenses	47	42
Decrease (increase) in trade receivables	728	(51)
Increase (decrease) in accrued consumption taxes	30	21
Decrease (increase) in accounts receivable - other	(94)	(805)
Decrease (increase) in prepaid expenses	(184)	41
Increase (decrease) in advances received	289	–
Increase (decrease) in contract liabilities	–	208
Increase (decrease) in accounts payable - other	616	1,357
Other, net	(30)	258
Subtotal	6,891	7,046
Interest and dividends received	4	3
Interest paid	(48)	(42)
Income taxes refund (paid)	(1,282)	101
Net cash provided by (used in) operating activities	5,565	7,108
Cash flows from investing activities		
Payments into time deposits	(200)	(122)
Proceeds from withdrawal of time deposits	158	42
Purchase of property, plant and equipment	(159)	(168)
Purchase of intangible assets	(717)	(888)
Other, net	0	7
Net cash provided by (used in) investing activities	(918)	(1,129)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,266)	(2,026)
Repayments of lease obligations	(57)	(55)
Proceeds from issuance of share acquisition rights	12	7
Proceeds from issuance of shares resulting from exercise of share acquisition rights	40	27
Dividends paid	(732)	(849)
Other, net	–	(0)
Net cash provided by (used in) financing activities	(2,003)	(2,897)
Effect of exchange rate change on cash and cash equivalents	(28)	162
Net increase (decrease) in cash and cash equivalents	2,614	3,244
Cash and cash equivalents at beginning of period	10,493	10,144
Cash and cash equivalents at end of period	13,108	13,389