

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2021 (Based on Japanese GAAP)

January 31, 2022

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: February 10, 2022
 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 nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	%
Nine months ended December 31, 2021	28,315	7.4	3,895	21.0	5,119	20.6	3,649	27.2
Nine months ended December 31, 2020	26,366	4.2	3,220	54.2	4,245	24.5	2,868	14.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	41.88		41.68	
Nine months ended December 31, 2020	32.94		32.79	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	54,981	27,545	49.5
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 nine months ended December 31, 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 December 31, 2021	87,130,600 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 December 31, 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)

Nine months ended December 31, 2021	87,126,584 shares	Nine months ended December 31, 2020	87,077,811 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	10,538	14,540
Accounts receivable - trade	4,933	4,338
Work in process	16	18
Supplies	31	25
Accounts receivable - other	6,324	7,325
Income taxes receivable	598	–
Prepaid expenses	808	801
Other	156	79
Allowance for doubtful accounts	(188)	(153)
Total current assets	23,218	26,975
Non-current assets		
Property, plant and equipment		
Buildings	619	726
Accumulated depreciation	(324)	(379)
Buildings, net	295	347
Tools, furniture and fixtures	792	846
Accumulated depreciation	(552)	(608)
Tools, furniture and fixtures, net	239	237
Machinery, equipment and vehicles	36	26
Accumulated depreciation	(20)	(16)
Machinery, equipment and vehicles, net	16	9
Right-of-use assets	618	669
Accumulated depreciation	(230)	(348)
Right-of-use assets, net	387	320
Total property, plant and equipment	939	914
Intangible assets		
Goodwill	8,834	8,872
Software	2,355	2,843
Trademark right	8,621	9,322
Customer-related assets	1,502	1,443
Other	0	0
Total intangible assets	21,313	22,483
Investments and other assets		
Investment securities	1,975	2,551
Deferred tax assets	879	957
Leasehold and guarantee deposits	1,110	1,099
Other	7	–
Total investments and other assets	3,972	4,608
Total non-current assets	26,225	28,006
Total assets	49,444	54,981

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	258	211
Current portion of long-term borrowings	2,479	2,043
Accounts payable - other	7,750	9,515
Accrued expenses	438	974
Income taxes payable	374	925
Accrued consumption taxes	505	355
Advances received	869	–
Contract liabilities	–	1,155
Deposits received	147	123
Provision for bonuses	669	463
ProvisionForRepayment	233	–
Lease obligations	115	94
Other	33	230
Total current liabilities	13,875	16,092
Non-current liabilities		
Long-term borrowings	10,644	9,004
Retirement benefit liability	149	160
Deferred tax liabilities	1,830	1,935
Lease obligations	281	243
Other	3	0
Total non-current liabilities	12,909	11,344
Total liabilities	26,785	27,436
Net assets		
Shareholders' equity		
Share capital	2,281	2,298
Capital surplus	85	102
Retained earnings	23,140	25,939
Treasury shares	(0)	(1)
Total shareholders' equity	25,506	28,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	493
Foreign currency translation adjustment	(3,107)	(1,618)
Total accumulated other comprehensive income	(3,107)	(1,124)
Share acquisition rights	259	330
Total net assets	22,658	27,545
Total liabilities and net assets	49,444	54,981

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	26,366	28,315
Cost of sales	2,801	3,184
Gross profit	23,564	25,130
Selling, general and administrative expenses	20,344	21,235
Operating profit	3,220	3,895
Non-operating income		
Share of profit of entities accounted for using equity method	1,095	1,312
Other	68	36
Total non-operating income	1,163	1,348
Non-operating expenses		
Foreign exchange losses	56	51
Interest expenses	70	62
Other	11	10
Total non-operating expenses	138	124
Ordinary profit	4,245	5,119
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	71	15
Loss on valuation of investment securities	3	-
Loss on termination of retirement benefit plan	121	-
Event cancellation loss	11	-
Total extraordinary losses	207	15
Profit before income taxes	4,038	5,105
Income taxes	1,169	1,456
Profit	2,868	3,649
Profit attributable to owners of parent	2,868	3,649

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	2,868	3,649
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(642)	1,472
Share of other comprehensive income of entities accounted for using equity method	(4)	510
Total other comprehensive income	(646)	1,982
Comprehensive income	2,221	5,631
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,221	5,631
Comprehensive income attributable to non-controlling interests	—	—