

Translation

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## Summary of Consolidated Financial Results for the Year Ended March 31, 2022 (Based on Japanese GAAP)

April 28, 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 of ordinary general meeting of shareholders: June 24, 2022  
 Scheduled date to file Securities Report: June 24, 2022  
 Scheduled date to commence dividend payments: June 27, 2022  
 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, 2022 (from April 1, 2021 to March 31, 2022)

#### (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, 2022	38,899	8.2	6,318	15.5	7,726	16.1	5,408	12.7
Year ended March 31, 2021	35,960	2.3	5,470	10.8	6,653	4.7	4,800	0.9

	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, 2022	62.07	61.77	20.8	14.6	16.2
Year ended March 31, 2021	55.13	54.86	23.1	13.2	15.2

#### (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, 2022	56,585	29,991	52.4	340.10
As of March 31, 2021	49,444	22,658	45.3	257.14

#### (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, 2022	9,818	(2,079)	(3,987)	14,126
Year ended March 31, 2021	6,769	(1,783)	(5,224)	10,144

### 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, 2021	—	0.00	—	9.50	9.50	827	17.2	4.0
Year ended March 31, 2022	—	0.00	—	10.50	10.50	915	16.9	3.5
Year ending March 31, 2023 (Forecast)	—	0.00	—	—	—	—	—	—

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	46,063	18.4	7,238	14.6	8,499	10.0	5,984	10.6	68.68

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2022

(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, 2022	87,147,800 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 March 31, 2022	561 shares	As of March 31, 2021	491 shares
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Average number of shares during the period

Year ended March 31, 2022	87,131,740 shares	Year ended March 31, 2021	87,085,303 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	10,538	14,640
Accounts receivable - trade	4,933	5,842
Work in process	16	28
Supplies	31	25
Accounts receivable - other	6,324	6,757
Income taxes refund receivable	598	–
Prepaid expenses	808	665
Other	156	27
Allowance for doubtful accounts	(188)	(163)
Total current assets	23,218	27,823
Non-current assets		
Property, plant and equipment		
Buildings	619	746
Accumulated depreciation	(324)	(396)
Buildings, net	295	350
Tools, furniture and fixtures	792	864
Accumulated depreciation	(552)	(642)
Tools, furniture and fixtures, net	239	222
Machinery, equipment and vehicles	36	28
Accumulated depreciation	(20)	(18)
Machinery, equipment and vehicles, net	16	9
Right-of-use assets	618	688
Accumulated depreciation	(230)	(394)
Right-of-use assets, net	387	294
Total property, plant and equipment	939	876
Intangible assets		
Goodwill	8,834	8,907
Software	2,355	3,013
Trademark right	8,621	9,581
Customer-related assets	1,502	1,421
Other	0	0
Total intangible assets	21,313	22,923
Investments and other assets		
Investment securities	1,975	2,825
Deferred tax assets	879	975
Leasehold and guarantee deposits	1,110	1,160
Other	7	–
Total investments and other assets	3,972	4,962
Total non-current assets	26,225	28,762
Total assets	49,444	56,585

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	258	307
Current portion of long-term borrowings	2,479	1,999
Accounts payable - other	7,750	8,933
Accrued expenses	438	577
Income taxes payable	374	1,674
Accrued consumption taxes	505	460
Advances received	869	–
Contract liabilities	–	1,004
Deposits received	147	169
Provision for bonuses	669	704
ProvisionForRepayment	233	–
Lease liabilities	115	131
Other	33	244
<b>Total current liabilities</b>	<b>13,875</b>	<b>16,207</b>
<b>Non-current liabilities</b>		
Long-term borrowings	10,644	8,054
Retirement benefit liability	149	173
Deferred tax liabilities	1,830	1,973
Lease liabilities	281	185
Other	3	0
<b>Total non-current liabilities</b>	<b>12,909</b>	<b>10,387</b>
<b>Total liabilities</b>	<b>26,785</b>	<b>26,594</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,281	2,310
Capital surplus	85	114
Retained earnings	23,140	27,699
Treasury shares	(0)	(1)
<b>Total shareholders' equity</b>	<b>25,506</b>	<b>30,123</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	0	567
Foreign currency translation adjustment	(3,107)	(1,052)
<b>Total accumulated other comprehensive income</b>	<b>(3,107)</b>	<b>(484)</b>
Share acquisition rights	259	352
<b>Total net assets</b>	<b>22,658</b>	<b>29,991</b>
<b>Total liabilities and net assets</b>	<b>49,444</b>	<b>56,585</b>

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	35,960	38,899
Cost of sales	3,957	4,455
Gross profit	32,003	34,443
Selling, general and administrative expenses	26,533	28,125
Operating profit	5,470	6,318
Non-operating income		
Interest income	10	12
Share of profit of entities accounted for using equity method	1,241	1,509
Other	88	47
Total non-operating income	1,340	1,569
Non-operating expenses		
Foreign exchange losses	53	43
Interest expenses	90	79
Other	13	38
Total non-operating expenses	157	160
Ordinary profit	6,653	7,726
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on sale of investment securities	70	–
Total extraordinary income	70	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	117	15
Impairment losses	–	3
Loss on valuation of investment securities	3	1
Loss on termination of retirement benefit plan	121	–
Event cancellation loss	11	–
Total extraordinary losses	253	21
Profit before income taxes	6,470	7,707
Income taxes - current	1,734	2,444
Income taxes - deferred	(65)	(145)
Total income taxes	1,669	2,298
Profit	4,800	5,408
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	4,800	5,408

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	4,800	5,408
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	(952)	2,031
Share of other comprehensive income of entities accounted for using equity method	(5)	590
Total other comprehensive income	(957)	2,622
Comprehensive income	3,843	8,031
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,843	8,031
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,246	51	19,079	(0)	21,376
Changes during period					
Issuance of new shares	34	34	–	–	68
Dividends of surplus	–	–	(739)	–	(739)
Profit attributable to owners of parent	–	–	4,800	–	4,800
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	34	34	4,060	(0)	4,129
Balance at end of period	2,281	85	23,140	(0)	25,506

	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	(2,149)	(2,149)	171	19,398
Changes during period					
Issuance of new shares	–	–	–	–	68
Dividends of surplus	–	–	–	–	(739)
Profit attributable to owners of parent	–	–	–	–	4,800
Purchase of treasury shares	–	–	–	–	(0)
Net changes in items other than shareholders' equity	0	(957)	(957)	88	(869)
Total changes during period	0	(957)	(957)	88	3,259
Balance at end of period	0	(3,107)	(3,107)	259	22,658

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,281	85	23,140	(0)	25,506
Cumulative effects of changes in accounting policies	–	–	(22)	–	(22)
Restated balance	2,281	85	23,118	(0)	25,484
Changes during period					
Issuance of new shares	29	29	–	–	58
Dividends of surplus	–	–	(827)	–	(827)
Profit attributable to owners of parent	–	–	5,408	–	5,408
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	29	29	4,580	(0)	4,639
Balance at end of period	2,310	114	27,699	(1)	30,123

	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	(3,107)	(3,107)	259	22,658
Cumulative effects of changes in accounting policies	–	–	–	–	(22)
Restated balance	0	(3,107)	(3,107)	259	22,636
Changes during period					
Issuance of new shares	–	–	–	–	58
Dividends of surplus	–	–	–	–	(827)
Profit attributable to owners of parent	–	–	–	–	5,408
Purchase of treasury shares	–	–	–	–	(0)
Net changes in items other than shareholders' equity	567	2,055	2,622	92	2,715
Total changes during period	567	2,055	2,622	92	7,354
Balance at end of period	567	(1,052)	(484)	352	29,991



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	6,470	7,707
Depreciation	1,371	1,649
Amortization of goodwill	814	833
Loss (gain) on sale and retirement of non-current assets	117	14
Impairment losses	–	3
Loss (gain) on sale of investment securities	(70)	–
Loss (gain) on valuation of investment securities	3	1
Share-based payment expenses	81	91
Share of loss (profit) of entities accounted for using equity method	240	(262)
Increase (decrease) in allowance for doubtful accounts	79	(36)
Increase (decrease) in provision for bonuses	82	4
Increase/Decrease/In/Provision/For/Repayment/Op/CF	(9)	–
Increase (decrease) in retirement benefit liability	(198)	7
Foreign exchange losses (gains)	53	43
Interest expenses	90	79
Decrease (increase) in trade receivables	208	(750)
Increase (decrease) in accrued consumption taxes	(30)	(49)
Decrease (increase) in accounts receivable - other	(142)	(428)
Decrease (increase) in prepaid expenses	(148)	152
Increase (decrease) in advances received	180	–
Increase (decrease) in contract liabilities	–	54
Increase (decrease) in accounts payable - other	44	1,169
Other, net	64	213
Subtotal	9,303	10,498
Interest and dividends received	20	15
Interest paid	(90)	(80)
Income taxes paid	(2,463)	(616)
Net cash provided by (used in) operating activities	6,769	9,818
Cash flows from investing activities		
Payments into time deposits	(218)	(171)
Proceeds from withdrawal of time deposits	399	95
Purchase of property, plant and equipment	(376)	(212)
Purchase of intangible assets	(1,659)	(1,800)
Proceeds from sale of investment securities	71	–
Other, net	0	9
Net cash provided by (used in) investing activities	(1,783)	(2,079)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Repayments of long-term borrowings	(4,507)	(3,070)
Repayments of lease liabilities	(60)	(126)
Proceeds from issuance of share acquisition rights	12	7
Proceeds from issuance of shares resulting from exercise of share acquisition rights	64	52
Dividends paid	(732)	(849)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(5,224)	(3,987)
Effect of exchange rate change on cash and cash equivalents	(110)	229
Net increase (decrease) in cash and cash equivalents	(348)	3,981
Cash and cash equivalents at beginning of period	10,493	10,144
Cash and cash equivalents at end of period	10,144	14,126