

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

October 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 to file Quarterly Securities Report: November 11, 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 six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(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, 2022	23,334	17.1	4,609	25.2	5,758	22.5	4,129	21.3
Six months ended September 30, 2021	19,927	6.9	3,682	24.8	4,700	22.0	3,404	22.7

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2022	47.38		47.17	
Six months ended September 30, 2021	39.07		38.89	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	64,752	36,945	56.4
As of March 31, 2022	56,585	29,991	52.4

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, 2022	–	0.00	–	10.50	10.50
Year ending March 31, 2023	–	0.00	–	–	–
Year ending March 31, 2023 (Forecast)	–	–	–	–	–

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	68.67

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(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: No
- 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, 2022	87,148,500 shares	As of March 31, 2022	87,147,800 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	561 shares	As of March 31, 2022	561 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, 2022	87,147,506 shares	Six months ended September 30, 2021	87,125,207 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	14,640	17,813
Accounts receivable - trade	5,842	5,991
Work in process	28	33
Supplies	25	25
Accounts receivable - other	6,757	8,126
Prepaid expenses	665	809
Other	27	68
Allowance for doubtful accounts	(163)	(178)
Total current assets	27,823	32,687
Non-current assets		
Property, plant and equipment		
Buildings	746	838
Accumulated depreciation	(396)	(452)
Buildings, net	350	386
Tools, furniture and fixtures	864	994
Accumulated depreciation	(642)	(751)
Tools, furniture and fixtures, net	222	243
Machinery, equipment and vehicles	28	26
Accumulated depreciation	(18)	(16)
Machinery, equipment and vehicles, net	9	9
Right-of-use assets	688	813
Accumulated depreciation	(394)	(539)
Right-of-use assets, net	294	274
Total property, plant and equipment	876	913
Intangible assets		
Goodwill	8,907	10,043
Software	3,013	3,574
Trademark right	9,581	11,385
Customer-related assets	1,421	1,542
Other	0	0
Total intangible assets	22,923	26,546
Investments and other assets		
Investment securities	2,825	2,376
Deferred tax assets	975	1,025
Leasehold and guarantee deposits	1,160	1,203
Total investments and other assets	4,962	4,604
Total non-current assets	28,762	32,064
Total assets	56,585	64,752

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	307	258
Current portion of long-term borrowings	1,999	1,901
Accounts payable - other	8,933	10,259
Accrued expenses	577	721
Income taxes payable	1,674	1,422
Accrued consumption taxes	460	664
Contract liabilities	1,004	1,427
Deposits received	169	215
Provision for bonuses	704	689
Lease liabilities	131	149
Other	244	336
Total current liabilities	16,207	18,044
Non-current liabilities		
Long-term borrowings	8,054	7,103
Retirement benefit liability	173	191
Deferred tax liabilities	1,973	2,310
Lease liabilities	185	156
Other	0	0
Total non-current liabilities	10,387	9,762
Total liabilities	26,594	27,807
Net assets		
Shareholders' equity		
Share capital	2,310	2,311
Capital surplus	114	115
Retained earnings	27,699	30,913
Treasury shares	(1)	(1)
Total shareholders' equity	30,123	33,339
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	567	502
Foreign currency translation adjustment	(1,052)	2,686
Total accumulated other comprehensive income	(484)	3,189
Share acquisition rights	352	416
Total net assets	29,991	36,945
Total liabilities and net assets	56,585	64,752

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, 2021	Six months ended September 30, 2022
Net sales	19,927	23,334
Cost of sales	2,046	2,451
Gross profit	17,881	20,883
Selling, general and administrative expenses	14,198	16,274
Operating profit	3,682	4,609
Non-operating income		
Share of profit of entities accounted for using equity method	1,113	1,152
Other	17	38
Total non-operating income	1,130	1,191
Non-operating expenses		
Foreign exchange losses	59	3
Interest expenses	42	35
Other	10	3
Total non-operating expenses	112	42
Ordinary profit	4,700	5,758
Extraordinary income		
Gain on sale of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	14	8
Loss on sale of investment securities	–	1
Loss of reversal of foreign currency translation adjustment	–	33
Total extraordinary losses	14	43
Profit before income taxes	4,687	5,715
Income taxes	1,283	1,586
Profit	3,404	4,129
Profit attributable to owners of parent	3,404	4,129

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	3,404	4,129
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	1,394	3,702
Share of other comprehensive income of entities accounted for using equity method	(10)	(28)
Total other comprehensive income	1,384	3,674
Comprehensive income	4,788	7,803
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,788	7,803
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	4,687	5,715
Depreciation	792	938
Amortization of goodwill	415	438
Loss (gain) on sale and retirement of non-current assets	13	8
Loss (gain) on sale of investment securities	–	1
Loss on Reversal of Foreign currency translation adjustment	–	33
Share of loss (profit) of entities accounted for using equity method	133	419
Increase (decrease) in allowance for doubtful accounts	(25)	(5)
Increase (decrease) in provision for bonuses	(103)	(61)
Increase (decrease) in retirement benefit liability	0	(10)
Foreign exchange losses (gains)	59	3
Interest expenses	42	35
Decrease (increase) in trade receivables	(51)	140
Increase (decrease) in accrued consumption taxes	21	185
Decrease (increase) in accounts receivable - other	(805)	(1,349)
Decrease (increase) in prepaid expenses	41	(129)
Increase (decrease) in contract liabilities	208	238
Increase (decrease) in accounts payable - other	1,357	1,308
Other, net	258	62
Subtotal	7,046	7,975
Interest and dividends received	3	12
Interest paid	(42)	(36)
Income taxes refund (paid)	101	(1,913)
Net cash provided by (used in) operating activities	7,108	6,038
Cash flows from investing activities		
Payments into time deposits	(122)	(215)
Proceeds from withdrawal of time deposits	42	16
Purchase of property, plant and equipment	(168)	(131)
Purchase of intangible assets	(888)	(1,217)
Proceeds from sale of investment securities	–	0
Other, net	7	0
Net cash provided by (used in) investing activities	(1,129)	(1,548)
Cash flows from financing activities		
Repayments of long-term borrowings	(2,026)	(1,048)
Repayments of lease liabilities	(55)	(64)
Proceeds from issuance of share acquisition rights	7	6
Proceeds from issuance of shares resulting from exercise of share acquisition rights	27	1
Dividends paid	(849)	(915)
Other, net	(0)	–
Net cash provided by (used in) financing activities	(2,897)	(2,020)
Effect of exchange rate change on cash and cash equivalents	162	442
Net increase (decrease) in cash and cash equivalents	3,244	2,912
Cash and cash equivalents at beginning of period	10,144	14,126
Cash and cash equivalents at end of period	13,389	17,039