Financial Statements

Year ended March 31, 2026

SMS CO., LTD.

Sumitomo Fudosan Shibakoen Tower,
2-11-1, Shibakoen, Minato-ku,
Tokyo, 105-0011, Japan

Consolidated Balance Sheets

SMS CO., LTD. and its Consolidated Subsidiaries

As of March 31, 2025 and 2026

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	16,175	13,728
Accounts receivable - trade	8,887	9,562
Work in process	89	53
Supplies	28	19
Accounts receivable - other	12,516	14,160
Prepaid expenses	1,285	1,219
Other	46	37
Allowance for doubtful accounts	(366)	(369)
Total current assets	38,664	38,411
Non-current assets		
Property, plant and equipment		
Buildings	1,295	1,348
Accumulated depreciation	(641)	(707)
Buildings, net	654	641
Tools, furniture and fixtures	1,193	1,175
Accumulated depreciation	(978)	(995)
Tools, furniture and fixtures, net	215	179
Machinery, equipment and vehicles	13	—
Accumulated depreciation	(12)	—
Machinery, equipment and vehicles, net	0	—
Right-of-use assets	872	481
Accumulated depreciation	(554)	(215)
Right-of-use assets, net	317	265
Total property, plant and equipment	1,187	1,087
Intangible assets		
Goodwill	9,701	64
Software	7,028	7,146
Trademark rights	13,176	—
Customer-related assets	935	—
Other	0	0
Total intangible assets	30,841	7,210
Investments and other assets		
Investment securities	* 2,875	* 2,909
Deferred tax assets	1,437	1,658
Lease and guarantee deposits	1,533	1,497
Total investments and other assets	5,846	6,065
Total non-current assets	37,876	14,363
Total assets	76,540	52,774

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Accounts payable - trade	423	405
Short-term loans payable	3,500	4,600
Current portion of long-term loans payable	1,901	1,300
Accounts payable - other	11,875	11,614
Accrued expenses	861	803
Income taxes payable	1,295	1,556
Accrued consumption taxes	824	861
Contract liabilities	1,483	1,571
Deposits received	184	172
Provision for bonuses	1,042	1,084
Lease obligations	128	117
Other	469	496
Total current liabilities	23,990	24,584
Non-current liabilities		
Long-term loans payable	2,350	1,050
Net defined benefit liability	236	247
Deferred tax liabilities	2,467	—
Lease obligations	174	165
Other	2	2
Total non-current liabilities	5,231	1,465
Total liabilities	29,221	26,050
Net assets		
Shareholders' equity		
Capital stock	2,551	2,551
Capital surplus	262	261
Retained earnings	43,430	26,691
Treasury shares	(5,713)	(9,711)
Total shareholders' equity	40,531	19,792
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	229	165
Foreign currency translation adjustments	6,328	6,536
Total accumulated other comprehensive income	6,558	6,702
Subscription rights to shares	229	229
Total net assets	47,319	26,724
Total liabilities and net assets	76,540	52,774

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

SMS CO., LTD. and Its Consolidated Subsidiaries

Fiscal years ended March 31, 2025 and 2026

(Millions of yen)

		Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026
Net sales	*1	60,952	*1	64,735
Cost of sales		7,098		7,602
Gross profit		53,854		57,132
Selling, general and administrative expenses	*2	47,518	*2	50,345
Operating income		6,335		6,787
Non-operating income				
Interest income		57		67
Share of profit of entities accounted for using equity method		2,027		2,158
Other		63		66
Total non-operating income		2,148		2,292
Non-operating expenses				
Foreign exchange losses		15		212
Interest expenses		101		130
Other		11		14
Total non-operating expenses		127		357
Ordinary income		8,357		8,721
Extraordinary income				
Gain on sale of non-current assets		2		0
Total extraordinary income		2		0
Extraordinary losses				
Loss on sale and retirement of non-current assets	*3	35	*3	6
Loss on withdrawal from business	*4	92	*4	127
Loss on reversal of foreign currency translation adjustments		–		64
Impairment losses		–	*5	22,957
Total extraordinary losses		128		23,155
Profit (loss) before income taxes		8,231		(14,433)
Income taxes – current		2,328		2,513
Income taxes – deferred		(150)		(2,629)
Total income taxes		2,177		(115)
Profit (loss)		6,054		(14,317)
Loss attributable to non-controlling interests		(0)		—
Profit (loss) attributable to owners of parent		6,054		(14,317)

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

SMS CO., LTD. and Its Consolidated Subsidiaries

Fiscal years ended March 31, 2025 and 2026

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit (loss)	6,054	(14,317)
Other comprehensive income		
Foreign currency translation adjustments	2,708	209
Share of other comprehensive income of entities accounted for using equity method	(80)	(65)
Total other comprehensive income	* 2,628	* 143
Comprehensive income	8,682	(14,174)
Comprehensive income attributable to:		
Owners of parent	8,682	(14,174)
Non-controlling interests	(0)	—

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

SMS CO., LTD. and Its Consolidated Subsidiaries

Fiscal years ended March 31, 2025 and 2026

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2024	2,551	313	39,111	(1,904)	40,071
Changes of items during period					
Dividends of surplus	—	—	(1,734)	—	(1,734)
Profit attributable to owners of parent	—	—	6,054	—	6,054
Purchase of treasury shares	—	—	—	(3,915)	(3,915)
Disposal of treasury shares	—	(51)	—	105	54
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	(51)	4,319	(3,809)	459
Balance at March 31, 2025	2,551	262	43,430	(5,713)	40,531

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2024	322	3,607	3,930	282	44,284
Changes of items during period					
Dividends of surplus	—	—	—	—	(1,734)
Profit attributable to owners of parent	—	—	—	—	6,054
Purchase of treasury shares	—	—	—	—	(3,915)
Disposal of treasury shares	—	—	—	—	54
Net changes of items other than shareholders' equity	(92)	2,720	2,628	(53)	2,574
Total changes of items during period	(92)	2,720	2,628	(53)	3,034
Balance at March 31, 2025	229	6,328	6,558	229	47,319

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2025	2,551	262	43,430	(5,713)	40,531
Changes of items during period					
Dividends of surplus	－	－	(2,421)	－	(2,421)
Profit (loss) attributable to owners of parent	－	－	(14,317)	－	(14,317)
Purchase of treasury shares	－	－	－	(3,999)	(3,999)
Disposal of treasury shares	－	(0)	－	1	0
Net changes of items other than shareholders' equity	－	－	－	－	－
Total changes of items during period	－	(0)	(16,739)	(3,998)	(20,738)
Balance at March 31, 2026	2,551	261	26,691	(9,711)	19,792

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2025	229	6,328	6,558	229	47,319
Changes of items during period					
Dividends of surplus	－	－	－	－	(2,421)
Profit (loss) attributable to owners of parent	－	－	－	－	(14,317)
Purchase of treasury shares	－	－	－	－	(3,999)
Disposal of treasury shares	－	－	－	－	0
Net changes of items other than shareholders' equity	(64)	207	143	(0)	143
Total changes of items during period	(64)	207	143	(0)	(20,594)
Balance at March 31, 2026	165	6,536	6,702	229	26,724

See the accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

SMS CO., LTD. and Its Consolidated Subsidiaries

Fiscal years ended March 31, 2025 and 2026

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit (loss) before income taxes	8,231	(14,433)
Depreciation	2,765	3,647
Amortization of goodwill	1,048	972
Loss (gain) on sale and retirement of non-current assets	33	6
Impairment losses	–	22,957
Share-based remuneration expenses	(58)	(6)
Loss on withdrawal from business	–	127
Loss (gain) on reversal of foreign currency translation adjustments	–	64
Share of (profit) loss of entities accounted for using equity method	(302)	(99)
Increase (decrease) in allowance for doubtful accounts	81	4
Increase (decrease) in provision for bonuses	95	45
Increase (decrease) in net defined benefit liability	10	12
Foreign exchange losses (gains)	15	136
Interest expenses	101	130
Decrease (increase) in notes and accounts receivable - trade	(334)	(764)
Increase (decrease) in accrued consumption taxes	(150)	40
Decrease (increase) in accounts receivable - other	(2,042)	(1,658)
Decrease (increase) in prepaid expenses	(223)	62
Increase (decrease) in contract liabilities	160	97
Increase (decrease) in accounts payable - other	(859)	(259)
Other, net	(354)	50
Subtotal	8,216	11,134
Interest and dividend income received	57	67
Interest expenses paid	(102)	(131)
Income taxes paid	(2,365)	(2,270)
Net cash provided by (used in) operating activities	5,806	8,799
Cash flows from investing activities		
Payments into time deposits	(1)	(224)
Purchase of property, plant and equipment	(425)	(145)
Purchase of intangible assets	(3,646)	(3,763)
Other, net	2	5
Net cash provided by (used in) investing activities	(4,071)	(4,128)

(Continued)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
		(Millions of yen)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,500	1,100
Repayments of long-term loans payable	(1,901)	(1,901)
Repayments of lease obligations	(157)	(132)
Proceeds from issuance of share acquisition rights	6	6
Purchase of treasury shares	(3,915)	(3,999)
Proceeds from disposal of treasury shares	54	0
Cash dividends paid	(1,735)	(2,421)
Net cash provided by (used in) financing activities	(4,148)	(7,347)
Effect of exchange rate change on cash and cash equivalents	301	(28)
Net increase (decrease) in cash and cash equivalents	(2,112)	(2,705)
Cash and cash equivalents at beginning of the year	17,365	15,253
Cash and cash equivalents at end of the year	* 15,253	* 12,547

See the accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

(Significant matters forming the basis for the preparation of consolidated financial statements)

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 38

Names of major consolidated subsidiaries

MEDICA ASIA (HOLDCO) LIMITED
MIMS PTE. LTD.
MIMS MEDICA SDN. BHD.
PT SENIOR MARKETING SYSTEM INDONESIA
MIMS (SHANGHAI) LIMITED.
MIMS Career (Shanghai) Co. Ltd.
KIMS CO., LTD.
MEDICA ASIA AUSTRALIA (HOLDCO) PTY LIMITED
MIMS AUSTRALIA PTY LTD
MIMS (NZ) LIMITED and others

SENIOR MARKETING SYSTEM ASIA PTE. LTD. is excluded from the scope of consolidation effective from the year ended March 31, 2026 since it has completed its liquidation.

2. Application of equity method

Number of affiliates accounted for using equity method: 2

Name of major affiliate

M3 Career, Inc.

3. Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries of the Company, the fiscal year-end of Medica Asia (Holdco) Limited and its 33 consolidated subsidiaries is December 31. Since the difference in fiscal year-end is not more than three months, financial statements as of December 31 are used in preparing the consolidated financial statements. For significant transactions that occurred in the period from their fiscal year-end to the Company’s fiscal year-end, necessary adjustments have been made upon consolidation.

4. Matters related to the accounting policies

(1) Basis and method of valuation of significant assets

Inventories

Work in process and supplies

Inventories are mainly measured at cost determined by the moving-average method. (The amounts on the consolidated balance sheets are calculated using a method of writing down the carrying amount due to decreased profitability.)

(2) Depreciation and amortization method of significant depreciable assets

a. Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment are depreciated using the declining-balance method. Buildings and accompanying fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Major useful lives are as follows:

Buildings	6 to 15 years
Tools, furniture and fixtures	5 to 15 years

b. Intangible assets

Intangible assets are amortized using the straight-line method.

Major useful lives are as follows:

Software	Estimated period of internal use (within 5 years)
Trademark rights	Not amortized
Customer-related assets	12 years

c. Right-of-use assets

Right-of-use assets are depreciated using the straight-line method.

(3) Basis of significant allowances and provisions

a. Allowance for doubtful accounts

For normal trade receivables, allowance for doubtful accounts is provided at an amount determined based on the historical loss rate of bad debt. For certain receivables such as doubtful receivables, uncollectible amounts are individually estimated.

b. Provision for bonuses

Provision for bonuses is provided for the payment of employees' bonuses based on the estimate of future payments attributed to the fiscal year.

(4) Accounting treatment for retirement benefits

a. Method of attributing expected benefit to periods

The benefit formula basis is used as the method of attributing expected benefit to periods through the fiscal year-end in calculating the projected benefit obligations.

b. Method of recognizing actuarial gain or loss

Actuarial gain or loss is charged to income in the fiscal year when such gain or loss is incurred.

(5) Basis for recognition of significant revenue and expenses

The Group mainly engages in the following businesses: (a) placement and recruiting services for medical care and elderly care professionals in the career field, (b) management support platform services for elderly/disability care operators, (c) medical marketing services overseas, (d) clinical decision support services overseas, (e) health and productivity management platform services in the area of business development (Specific Health Guidance), (f) health and productivity management platform services in the area of business development (Remote Occupational Health), and (g) problem-solving platform services in the area of business development.

The revenue recognition policy for each of the major revenue categories is summarized below. The amount of variable consideration included in revenue is not material. The promised amount of consideration does not include a significant financing component since it is generally received within one year.

a. Placement and recruiting services

The Group provides placement and recruiting services mainly to medical and elderly/disability care service providers seeking appropriate professionals for their services. In these transactions, the Group is obligated, under contract, to provide services resulting in individual employment. Since the performance obligations are satisfied at a point in time when each applicant is hired as an employee, the Group recognizes relevant revenue at the same point in time.

b. Management support platform services

The Group provides a variety of management support services, with functions including insurance billing, mainly to elderly/disability care service providers through cloud computing. In these transactions, the Group is obligated to provide a platform environment to elderly/disability care providers who become members based on a membership application. Since the performance obligations are satisfied over time, the Group recognizes relevant revenue over the contract period.

c. Medical marketing services

The Group provides a variety of marketing support services to medical and healthcare service providers, mainly overseas, according to their needs. In these transactions, the Group is obligated, under contract, to provide healthcare professionals with medical and healthcare information through various channels including publications, websites, and events. Since the performance obligations are satisfied when the services are rendered in accordance with individual contracts, the Group recognizes relevant revenue when the services are rendered.

d. Clinical decision support services

The Group provides database solutions to detect prescription errors primarily to healthcare institutions overseas. In these transactions, the Group is obligated, under contract, to provide healthcare professionals with access to its prescription error-checking databases. Since the performance obligations are satisfied over time, the Group recognizes relevant revenue over the contract period.

e. Health and productivity management platform services (Specific Health Guidance)

The Group provides health insurance associations with ICT-based health guidance services. In these transactions, the Group is obligated, under contracts, to provide nutrition specialist guidance to participants in health insurance associations. Since the performance obligations are satisfied when the nutrition specialist guidance services are rendered, the Group recognizes relevant revenue at the same point in time.

f. Health and productivity management platform services (Remote Occupational Health)

The Group provides human resources departments of entities with ICT-based occupational health services. In these transactions, the Group is obligated, under contracts, to support overall industrial health services including health guidance by industrial physicians and implementation of stress checks. Since the performance obligations are satisfied over time, the Group recognizes relevant revenue over the contract period.

g. Problem-solving platform services

The Group provides elderly persons and their families (“end users”) with referral services by introducing affiliated service providers to solve issues and problems specific to the aging society. In these transactions, the Group is obligated, primarily under contracts, to act as an intermediary by introducing affiliated service providers to end users through the Company’s platform. Since the performance obligation is satisfied at a point in time when an end user enters into a contract with a service provider, the Group recognizes relevant revenue at the same point in time.

(6) Basis for translation of significant assets or liabilities denominated in foreign currencies into Japanese yen

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the fiscal year-end, and resulting gains and losses are included in income.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the exchange rates prevailing at the fiscal year-end, and income and expenses are translated into yen at average exchange rates during the year. Translation differences are included in “Foreign currency translation adjustments” under net assets.

(7) Methods for significant hedge accounting

a. Hedge accounting method

Deferral hedge accounting is applied. For interest rate swaps, special accounting treatment is applied if the criteria for special accounting treatment are met. For currency swaps, the allocation method is applied if the criteria for the allocation method are met.

b. Hedging instruments and hedged items

Hedging instruments:	Interest rate swaps and currency swaps
Hedged items:	Long-term loans payable and associated interest denominated in foreign currencies

c. Hedge policy

It is the Company’s policy to use interest rate swaps and currency swaps to mitigate interest rate and foreign exchange fluctuation risks.

d. Method of evaluating hedge effectiveness

Hedge effectiveness is evaluated by comparing the total changes in values of hedging instruments and hedged items for the periods from the commencement of hedge contracts to the evaluation dates. For interest rate swaps which meet the criteria for special accounting treatment, the evaluation of hedge effectiveness is omitted.

(8) Amortization of goodwill – method and period of amortization

Goodwill is amortized over its effective period, not exceeding 20 years, on a straight-line basis.

(9) Cash and cash equivalents in consolidated statements of cash flows

The Company considers cash on hand, readily available deposits, and all easily convertible short-term instruments with a maturity of three months or less when purchased that are exposed to insignificant risk of changes in value to be cash and cash equivalents.

(Significant accounting estimates)

(Recoverability of deferred tax assets)

(1) Amount recognized in the consolidated financial statements for the fiscal year ended March 31, 2026: ¥1,658 million

(2) Other information that contributes to an understanding of the accounting estimates

(i) Method of estimation

The recoverability of deferred tax assets is assessed after determining the appropriate entity classification in accordance with the “Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26).”

The Group has generated stable taxable income, excluding amounts arising from extraordinary factors, in each of the past three fiscal years and the current fiscal year. In addition, as of March 31, 2026, no significant changes in the business environment are expected in the foreseeable future. Accordingly, the Group has determined that deferred tax assets related to deductible temporary differences that can be scheduled for reversal are recoverable.

(ii) Key assumptions

The key assumption is that no significant changes in the business environment are expected in the foreseeable future as of March 31, 2026.

(iii) Effect on the consolidated financial statements for the following fiscal year

Estimates of future taxable income, which are based on the Group's future earnings capacity, may differ from actual results due to changes in uncertain future economic conditions and other factors.

If the key assumptions change due to a significant change in the business environment or other factors, deferred tax assets may need to be written down in the following fiscal year, which could have a significant impact on the consolidated financial statements.

(Accounting standards and guidance issued but not yet effective)

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

As part of efforts to align Japanese GAAP with international standards, the ASBJ has been discussing the development of an accounting standard for leases that would require lessees to recognize an asset and a liability for all leases, in line with international accounting standards. As a general policy, while IFRS 16’s single accounting model serves as a basis, the ASBJ has primarily adopted its major provisions, rather than all of its provisions. Accordingly, the new accounting standard was issued with the aim of being simple and practical, as well as compatible with the application of IFRS 16 provisions in non-consolidated financial statements without requiring adjustments.

As the accounting treatment for lessees, a single accounting model is applied to all leases in the same manner as IFRS 16, whereby depreciation on the right-of-use asset and interest expense on the lease liability are recognized, regardless of whether the lease is a finance lease or an operating lease.

(2) Planned date of application

The Company plans to apply the new accounting standard and guidance from the beginning of the fiscal year ending March 31, 2028.

(3) Effect of application

The impact on the Company’s consolidated financial statements from the application of the new accounting standard and guidance is under evaluation.

- “Accounting Standard for Subsequent Events” (ASBJ Statement No. 41, January 9, 2026)
- “Implementation Guidance on Accounting Standard for Subsequent Events” (ASBJ Guidance No. 35, January 9, 2026)

(1) Overview

The “Accounting Standard for Subsequent Events” and related guidance establish comprehensive accounting requirements for the definition, accounting treatment, and disclosure of subsequent events. In developing these standard and guidance, the ASBJ adopted as its basic policy the transfer of the accounting guidance contained in Practical Guideline No. 1, “Audit Considerations Relating to Subsequent Events” under Auditing Standards Committee Statement No. 560, issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants ("JICPA"). These standard and guidance include updates to the wording, clarification of the evaluation period for subsequent events, and the introduction of a new disclosure requirement regarding the authorization for the issuance of the financial statements.

(2) Planned date of application

The Company plans to apply the new accounting standard and guidance from the beginning of the fiscal year ending March 31, 2028.

(Consolidated balance sheets)

* Investment in non-consolidated subsidiaries and affiliates included in investment securities is as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Investment securities (shares)	2,875	2,909

(Consolidated statements of income)

*1. Revenue from contracts with customers

For net sales, revenue from contracts with customers and other revenue are not separately presented. The amounts of revenue from contracts with customers are disclosed in (Revenue recognition), 1. Information on disaggregated revenue from contracts with customers.

*2. Major items and amounts included in selling, general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Salaries and allowances	17,395	17,816
Advertising expenses	12,524	13,970
Amortization of goodwill	1,048	972
Depreciation	2,765	3,414
Business consignment expenses	3,486	3,847
Legal welfare expenses	2,896	2,958
Rents	2,214	2,314
Provision for bonuses	844	835
Retirement benefit expenses	87	58
Provision of allowance for doubtful accounts	178	158

*3. Loss on sale and retirement of non-current assets is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Buildings	8	2
Tools, furniture and fixtures	2	0
Machinery and vehicles	0	－
Software	23	3
Total	35	6

*4. Loss on withdrawal from business

The breakdown of loss on withdrawal from business under extraordinary losses is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Loss on withdrawal from business at an overseas subsidiary	64	127
Other	27	－
Total	92	127

*5. Impairment losses

For the fiscal year ended March 31, 2026, the Group recognized an impairment loss on the following asset groups.

No impairment loss was recognized for the fiscal year ended March 31, 2025.

(Millions of yen)

Use	Type	Location	Impairment losses
Business assets	Goodwill	–	8,649
	Customer-related assets	–	589
	Trademark rights	–	13,041
	Software	Singapore, etc.	677
Total			22,957

In principle, the Group groups its assets based on the classifications used for management accounting purposes under which income and expenses are continuously monitored.

With respect to goodwill and intangible assets related to the MIMS Group, a consolidated subsidiary of the Company, the performance of the MIMS Group has been below the level initially planned. As a result of reviewing its future business plans under the new management structure, the carrying amounts of such assets were reduced to their recoverable amounts, and the resulting decrease was recognized as an impairment loss under extraordinary losses.

The recoverable amounts of the asset group were measured based on the value in use, which was calculated by discounting future cash flows at a rate of 15.0%.

(Consolidated statements of comprehensive income)

* Reclassification adjustments, income taxes and tax effects in connection with other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Foreign currency translation adjustments:		
Amount arising during the year	2,708	164
Reclassification adjustments	—	66
Before income taxes and tax effect adjustments	2,708	230
Income taxes and tax effect adjustments	—	(21)
Foreign currency translation adjustments	2,708	209
Share of other comprehensive income of entities accounted for using equity method:		
Amount arising during the year	(80)	(65)
Reclassification adjustments	—	—
Share of other comprehensive income of entities accounted for using equity method	(80)	(65)
Total other comprehensive income	2,628	143

(Consolidated statements of changes in net assets)

Fiscal year ended March 31, 2025

1. Matters regarding class and number of issued shares and class and number of treasury shares

(Shares)

	Number of shares at beginning of the year	Increase	Decrease	Number of shares at end of the year
Issued shares:				
Common stock	87,561,600	—	—	87,561,600
Total	87,561,600	—	—	87,561,600
Treasury shares:				
Common stock (Notes 1, 2)	812,832	1,831,519	45,200	2,599,151
Total	812,832	1,831,519	45,200	2,599,151

(Notes) 1. The increase in treasury shares (1,831,519 shares) consists of the purchase of treasury shares based on the resolution of the Board of Directors' meeting and the buyback of fractional shares of less than one unit.
2. The decrease in treasury shares (45,200 shares) is due to the exercise of subscription rights to shares.

2. Matters regarding subscription rights to shares

Classification	Description of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (shares)				Balance at end of the year (Millions of yen)
			Beginning of the year	Increase	Decrease	End of the year	
The Company (Parent company)	Subscription rights to shares as stock options	–	–	–	–	–	229
Total		–	–	–	–	–	229

3. Matters regarding dividends

(1) Dividend payment

Resolution	Class	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2024	Common stock	1,734	20.0	March 31, 2024	June 24, 2024

(2) Dividends whose record date is in the fiscal year ended March 31, 2025 and whose effective date is in the fiscal year ending March 31, 2026

Resolution	Class	Source	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 20, 2025	Common stock	Retained earnings	2,421	28.5	March 31, 2025	June 23, 2025

Fiscal year ended March 31, 2026

1. Matters regarding class and number of issued shares and class and number of treasury shares

(Shares)

	Number of shares at beginning of the year	Increase	Decrease	Number of shares at end of the year
Issued shares:				
Common stock	87,561,600	—	—	87,561,600
Total	87,561,600	—	—	87,561,600
Treasury shares:				
Common stock (Notes 1, 2)	2,599,151	2,882,600	600	5,481,151
Total	2,599,151	2,882,600	600	5,481,151

(Notes) 1. The increase in treasury shares (2,882,600 shares) consists of the purchase of treasury shares based on the resolution of the Board of Directors' meeting.
2. The decrease in treasury shares (600 shares) is due to the exercise of subscription rights to shares.

2. Matters regarding subscription rights to shares

Classification	Description of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (shares)				Balance at end of the year (Millions of yen)
			Beginning of the year	Increase	Decrease	End of the year	
The Company (Parent company)	Subscription rights to shares as stock options	–	–	–	–	–	229
Total		–	–	–	–	–	229

3. Matters regarding dividends

(1) Dividend payment

Resolution	Class	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 20, 2025	Common stock	2,421	28.5	March 31, 2025	June 23, 2025

(2) Dividends whose record date is in the fiscal year ended March 31, 2026 and whose effective date is in the fiscal year ending March 31, 2027

Resolution	Class	Source	Dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2026	Common stock	Retained earnings	2,421	29.5	March 31, 2026	June 22, 2026

(Consolidated statements of cash flows)

* Reconciliation of cash and cash equivalents in the consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash and deposits	16,175	13,728
Time deposits with maturity in excess of three months	(922)	(1,180)
Cash and cash equivalents	15,253	12,547

(Leases)

(As a lessee)

1. Finance leases

Right-of-use assets at subsidiaries applying IFRS 16

(1) Details of right-of-use assets

Property, plant and equipment

Certain overseas consolidated subsidiaries have applied IFRS 16. As a result of the application of IFRS 16, the Company has recognized amounts such as office rents of the consolidated subsidiaries as right-of-use assets.

(2) Depreciation method of right-of-use assets

The depreciation method of leased assets is stated in “Significant matters forming the basis for the preparation of consolidated financial statements, 4. Matters related to the accounting policies, (2) Depreciation and amortization method of significant depreciable assets.”

2. Operating leases

Future minimum lease payments under non-cancellable operating leases are as follows:

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Due within one year	1,217	1,190
Due after one year	—	3,571
Total	1,217	4,762

(Financial instruments)

1. Status of financial instruments

(1) Policy on financial instruments

It is the Company's policy to generally operate its business using funds provided by operating activities, and to invest temporary surplus funds in highly safe financial instruments. The Company does not enter into financial transactions for trading or speculative purposes.

(2) Types of financial instruments, related risk and risk management

Accounts receivable - trade and accounts receivable - other are exposed to the credit risk of customers; however, the risk is limited because most of these receivables are due within two months. In accordance with the Company's credit management policy, the Company manages such risk by monitoring due dates and outstanding balances by customer and evaluating their credit status.

Accounts payable - other and income taxes payable generally have payment due dates within one year. Current liabilities including these payables are exposed to liquidity risk at the time of settlement. However, the Company avoids such risk by reviewing its cash management plan on a monthly basis.

Of loans payable, short-term loans payable are primarily to meet funding needs arising from the expansion of transaction volume in factoring services, while long-term loans payable are primarily for share acquisitions related to M&A transactions. The Company manages interest rate and foreign exchange fluctuation risks on a contract-by-contract basis by using derivative transactions such as interest rate swaps and currency swaps as hedging instruments, except for certain syndicated loans payable.

The derivative transactions used by the Company are currency and interest rate swap transactions for the purpose of hedging the currency and interest rate fluctuation risks associated with long-term loans payable denominated in foreign currencies. Hedging instruments, hedged items, the hedge policy, and the method of evaluating hedge effectiveness are stated in "Significant matters forming the basis for the preparation of consolidated financial statements, 4. Matters related to the accounting policies, (7) Methods for significant hedge accounting."

(3) Supplemental information regarding fair value of financial instruments

Fair value measurements of financial instruments incorporate variable factors. Fair value may vary when different assumptions are applied.

2. Matters regarding fair value of financial instruments

The carrying amount, fair value and the difference between them are as follows:

As of March 31, 2025

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable (*1)	4,251	4,167	(84)
Liabilities, total	4,251	4,167	(84)
Derivative transactions	—	—	—

(*1) The amount includes the current portion of long-term loans payable.

(*2) Disclosure is omitted for cash. Disclosure is also omitted for deposits, accounts receivable - trade, accounts receivable -

other, short-term loans payable, accounts payable - other, and income taxes payable since their fair value approximates their carrying amount due to their short maturities.

(*3) Equity securities without market prices are not included in the table above. Their carrying amount is as follows:

Classification	Carrying amount
Investment securities	
Unlisted equity securities	2,875

As of March 31, 2026

(Millions of yen)

	Carrying amount	Fair value	Difference
Long-term loans payable (*1)	2,350	2,301	(49)
Liabilities, total	2,350	2,301	(49)
Derivative transactions	—	—	—

(*1) The amount includes the current portion of long-term loans payable.

(*2) Disclosure is omitted for cash. Disclosure is also omitted for deposits, accounts receivable - trade, accounts receivable - other, short-term loans payable, accounts payable - other, and income taxes payable since their fair value approximates their carrying amount due to their short maturities.

(*3) Equity securities without market prices are not included in the table above. Their carrying amount is as follows:

Classification	Carrying amount
Investment securities	
Unlisted equity securities	2,909

(Note 1) Maturity analysis for financial assets and securities with contractual maturities

As of March 31, 2025

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	16,171	–	–	–
Accounts receivable - trade	8,887	–	–	–
Accounts receivable - other	12,516	–	–	–
Total	37,576	–	–	–

As of March 31, 2026

(Millions of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	13,724	–	–	–
Accounts receivable - trade	9,562	–	–	–
Accounts receivable - other	14,160	–	–	–
Total	37,447	–	–	–

(Note 2) Maturity analysis for bonds, long-term loans payable, leases obligations and other interest-bearing debt

As of March 31, 2025

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	3,500	–	–	–	–	–
Long-term loans payable	1,901	1,300	700	350	–	–
Total	5,401	1,300	700	350	–	–

As of March 31, 2026

(Millions of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	4,600	–	–	–	–	–
Long-term loans payable	1,300	700	350	–	–	–
Total	5,900	700	350	–	–	–

3. Matters regarding fair value hierarchy of financial instruments

The Company classifies the fair value of financial instruments into three categories depending on whether inputs for a fair value measurement are observable or significant.

Level 1 fair value: Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to a fair value measurement

Level 2 fair value: Fair value measured by using observable inputs other than those for Level 1

Level 3 fair value: Fair value measured by using unobservable inputs

When multiple inputs that significantly affect the fair value measurement are used, the Company classifies the fair value into the category with the lowest priority among the categories to which those inputs belong.

(1) Financial instruments measured at fair value in the consolidated balance sheets

As of March 31, 2025

None to report.

As of March 31, 2026

None to report.

(2) Financial instruments other than those measured at fair value in the consolidated balance sheets

As of March 31, 2025

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	–	4,167	–	4,167
Liabilities, total	–	4,167	–	4,167

As of March 31, 2026

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	–	2,301	–	2,301
Liabilities, total	–	2,301	–	2,301

(Note) Explanation of valuation techniques and inputs used for fair value measurement

Long-term loans payable (including current portion)

The fair value of loans payable is measured at the present value calculated by discounting the aggregate amount of principal and interest at the interest rate reflecting the remaining period of each loan payable and credit risk. The fair value is classified as Level 2.

Derivative transactions

Interest rate swaps under the special accounting treatment and currency swaps under the allocation method are accounted for as an integral component of long-term loans payable, etc. designated as hedged items. Thus, their fair value is included in the fair values of the loans payable.

(Derivative transactions)

1. Derivative transactions for which hedge accounting has not been applied

None to report.

2. Derivative transactions for which hedge accounting has been applied

(1) Currency-related

As of March 31, 2025

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method	Currency swaps Receive: U.S. dollar/ Pay: Yen	Long-term loans payable	1,039	346	(Note)

(Note) Currency swaps under the allocation method are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in the fair value of the loans payable.

As of March 31, 2026

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Allocation method	Currency swaps Receive: U.S. dollar/ Pay: Yen	Long-term loans payable	346	–	(Note)

(Note) Currency swaps under the allocation method are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in the fair value of the loans payable.

(2) Interest rate-related

As of March 31, 2025

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Special accounting treatment	Interest rate swaps Receive: Floating / Pay: Fixed	Long-term loans payable	1,039	346	(Note)

(Note) Interest rate swaps under special accounting treatment are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in the fair value of the loans payable.

As of March 31, 2026

(Millions of yen)

Hedge accounting method	Transaction	Main hedged item	Contract amount	Contract amount over one year	Fair value
Special accounting treatment	Interest rate swaps Receive: Floating / Pay: Fixed	Long-term loans payable	346	–	(Note)

(Note) Interest rate swaps under special accounting treatment are accounted for as an integral component of long-term loans payable designated as hedged items. Thus, their fair value is included in the fair value of the loans payable.

(Retirement benefit)

1. Summary of retirement benefit plans

   Some overseas subsidiaries of the Company have a lump-sum payment plan.

2. Defined benefit plan

(1) Reconciliation between beginning balance and ending balance of projected benefit obligations

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Balance at beginning of the year	203	236
Service cost	39	49
Interest cost	11	10
Actuarial gain or loss	36	(1)
Retirement benefits paid	(54)	(43)
Other	0	(4)
Balance at end of the year	236	247

(2) Reconciliation between the ending balance of projected benefit obligations and net defined benefit liability recorded on the consolidated balance sheets

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Unfunded retirement benefit obligations	236	247
Net defined benefit liability	236	247

(3) The components of retirement benefit expenses and their amounts

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Service cost	39	49
Interest cost	11	10
Amortization of actuarial gain or loss	36	(1)
Total retirement benefit expenses	87	58

(4) Major assumptions used in the actuarial calculation (weighted averages)

	As of March 31, 2025	As of March 31, 2026
Discount rate	4.6%	5.1%

(Stock options)

1. The amount of costs incurred for the stock option plans and the account under which such amount is recorded are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Share-based remuneration expenses included in general and administrative expenses	(58)	(6)

2. Outline, number and status of changes in number of stock options

(1) Overview of stock options

	No. 11 Stock Option	No. 13 Stock Option	No. 14 Stock Option
Position and number of grantees	3 directors (excluding outside directors)	2 directors (excluding outside directors), 44 employees	2 directors (excluding outside directors), 45 employees
Number of options granted (Notes 1 and 2)	36,000 shares	318,000 shares	180,000 shares
Date of grant	August 9, 2016	June 21, 2017	August 7, 2018
Vesting condition	The grantee shall be in the position of director of the Company. This shall not apply in cases where the grantee resigned the position due to expiration of the term of office or other legitimate reasons. Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	Only when operating income for the fiscal year ending March 31, 2020 exceeds one of the thresholds in (a), (b), or (c) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable ("exercisable ratio") shall be determined as follows: (a) Operating income exceeds ¥4,853 million: exercisable ratio is 10% (b) Operating income exceeds ¥6,301 million: exercisable ratio is 50% (c) Operating income exceeds ¥8,011 million: exercisable ratio is 100% Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	Only when EBITDA for the fiscal year ending March 31, 2021 (Note 3) exceeds one of the thresholds in (a), (b), or (c) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable ("exercisable ratio") shall be determined as follows: (a) EBITDA exceeds ¥7,670 million: exercisable ratio is 10% (b) EBITDA exceeds ¥8,764 million: exercisable ratio is 50% (c) EBITDA exceeds ¥9,958 million: exercisable ratio is 100% Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.
Service period	August 9, 2016 – July 19, 2019	–	–
Exercise period	July 20, 2019 – July 19, 2026	July 1, 2020 – June 30, 2025	July 1, 2021 – June 30, 2026

	No. 15 Stock Option	No. 16 Stock Option	No. 17 Stock Option
Position and number of grantees	2 directors (excluding outside directors), 64 employees	2 directors (excluding outside directors), 24 employees	2 directors (excluding outside directors), 25 employees
Number of options granted (Notes 1 and 2)	254,000 shares	200,000 shares	183,000 shares
Date of grant	September 3, 2019	July 29, 2020	July 28, 2021
Vesting condition	Only when adjusted operating income for the fiscal year ending March 31, 2022 (Note 4) exceeds one of the thresholds in (a), (b), or (c) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable (“exercisable ratio”) shall be determined as follows: (a) Adjusted operating income exceeds ¥6,408 million: exercisable ratio is 10% (b) Adjusted operating income exceeds ¥7,322 million: exercisable ratio is 70% (c) Adjusted operating income exceeds ¥8,319 million: exercisable ratio is 100% Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	Only when adjusted operating income for the fiscal year ending March 31, 2023 (Note 5) exceeds one of the thresholds in (a) or (b) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable (“exercisable ratio”) shall be determined as follows: (a) Adjusted operating income exceeds ¥6,647 million: exercisable ratio is 10% (b) Adjusted operating income exceeds ¥7,237 million: exercisable ratio is 100% Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	Only when adjusted operating income for the fiscal year ending March 31, 2024 (Note 6) exceeds one of the thresholds in (a), (b), or (c) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable (“exercisable ratio”) shall be determined as follows: (a) Adjusted operating income exceeds ¥7,390 million: exercisable ratio is 10% (b) Adjusted operating income exceeds ¥8,444 million: exercisable ratio is 70% (c) Adjusted operating income exceeds ¥9,594 million: exercisable ratio is 100% Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.
Service period	–	–	–
Exercise period	July 1, 2022 – June 30, 2027	July 1, 2023 – June 30, 2028	July 1, 2024 – June 30, 2029

	No. 18 Stock Option	No. 19 Stock Option	No. 20 Stock Option
Position and number of grantees	2 directors (excluding outside directors), 27 employees	2 directors (excluding outside directors), 30 employees	2 directors (excluding outside directors), 33 employees
Number of options granted (Notes 1 and 2)	192,000 shares	213,000 shares	231,000 shares
Date of grant	July 27, 2022	July 26, 2023	July 24, 2024
Vesting condition	Only when adjusted operating income for the fiscal year ending March 31, 2025 (Note 7) exceeds one of the thresholds in (a), (b), or (c) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable ("exercisable ratio") shall be determined as follows: (a) Adjusted operating income exceeds ¥8,532 million: exercisable ratio is 10% (b) Adjusted operating income exceeds ¥9,750 million: exercisable ratio is 70% (c) Adjusted operating income exceeds ¥11,077 million: exercisable ratio is 100% Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	Only when adjusted operating income for the fiscal year ending March 31, 2026 (Note 8) exceeds one of the thresholds in (a), (b), or (c) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable ("exercisable ratio") shall be determined as follows: (a) Adjusted operating income exceeds ¥9,858 million: exercisable ratio is 10% (b) Adjusted operating income exceeds ¥11,265 million: exercisable ratio is 70% (c) Adjusted operating income exceeds ¥12,799 million: exercisable ratio is 100% Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.	Only when adjusted operating income for the fiscal year ending March 31, 2027 (Note 9) exceeds one of the thresholds in (a), (b), (c), or (d) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable ("exercisable ratio") shall be determined as follows: (a) Adjusted operating income exceeds ¥10,962 million: exercisable ratio is 20% (b) Adjusted operating income exceeds ¥11,726 million: exercisable ratio is 50% (c) Adjusted operating income exceeds ¥12,525 million: exercisable ratio is 70% (d) Adjusted operating income exceeds ¥14,231 million: exercisable ratio is 100%. Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.
Service period	–	–	–
Exercise period	July 1, 2025 – June 30, 2030	July 1, 2026 – June 30, 2031	July 1, 2027 – June 30, 2032

	No. 21 Stock Option
Position and number of grantees	3 directors (excluding outside directors), 36 employees
Number of options granted (Notes 1 and 2)	237,000 shares
Date of grant	July 24, 2025
Vesting condition	Only when adjusted operating income for the fiscal year ending March 31, 2028 (Note 10) exceeds one of the thresholds in (a), (b), (c), or (d) below, subscription rights to shares shall become exercisable. Of the subscription rights allotted to each grantee, the number of rights which become exercisable (“exercisable ratio”) shall be determined as follows: (a) Adjusted operating income exceeds ¥8,355 million: exercisable ratio is 20% (b) Adjusted operating income exceeds ¥8,937 million: exercisable ratio is 50% (c) Adjusted operating income exceeds ¥9,547 million: exercisable ratio is 70% (d) Adjusted operating income exceeds ¥10,847 million: exercisable ratio is 100%. Other terms and conditions shall be stipulated in the contract for allotment of subscription rights to shares.
Service period	–
Exercise period	July 1, 2028 – June 30, 2033

(Notes) 1. The number of options granted above represents the number of shares when options are converted.

2. The Company implemented 2-for-1 stock split effective July 1, 2018. The number of shares above represents those after these stock splits.

3. EBITDA is calculated by adding the amounts of depreciation and amortization of goodwill on the Consolidated Statements of Cash Flows, and the amount of share-based remuneration expenses described in Notes to Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income for the fiscal year ended March 31, 2021.

4. Adjusted operating income is calculated by adding the amount of share-based remuneration expenses stated in Notes to Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income contained in the Annual Securities Report for the fiscal year ended March 31, 2022.

5. Adjusted operating income is calculated by adding the amount of share-based remuneration expenses stated in Notes to

Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income contained in the Annual Securities Report for the fiscal year ended March 31, 2023.

6. Adjusted operating income is calculated by adding the amount of share-based remuneration expenses stated in Notes to Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income contained in the Annual Securities Report for the fiscal year ended March 31, 2024.
7. Adjusted operating income is calculated by adding the amount of share-based remuneration expenses stated in Notes to Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income contained in the Annual Securities Report for the fiscal year ended March 31, 2025.
8. Adjusted operating income is calculated by adding the amount of share-based remuneration expenses stated in Notes to Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income contained in the Annual Securities Report for the fiscal year ended March 31, 2026.
9. Adjusted operating income is calculated by adding the amount of share-based remuneration expenses stated in Notes to Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income contained in the Annual Securities Report for the fiscal year ending March 31, 2027, and deducting the reduction in depreciation and amortization expenses resulting from the impairment loss recognized for the fiscal year ended March 31, 2026 (the amount equivalent to the depreciation expense and goodwill amortization that would have been recognized if the impairment loss had not been recognized).
10. Adjusted operating income is calculated by adding the amount of share-based remuneration expenses stated in Notes to Consolidated Financial Statements to the amount of operating income on the Consolidated Statements of Income contained in the Annual Securities Report for the fiscal year ending March 31, 2028, and deducting the reduction in depreciation and amortization expenses resulting from the impairment loss recognized for the fiscal year ended March 31, 2026 (the amount equivalent to the depreciation expense and goodwill amortization that would have been recognized if the impairment loss had not been recognized).

(2) Number and status of changes in number of stock options

The following tables are based on the stock options that existed for the fiscal year ended March 31, 2026. The number of stock options is converted and stated as the number of shares.

a. Number of stock options

(Shares)

	No. 11 Stock Option	No. 13 Stock Option	No. 14 Stock Option
Non-vested:			
Outstanding at March 31, 2025	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at March 31, 2026	–	–	–
Vested:			
Outstanding at March 31, 2025	14,000	14,400	10,400
Vested	—	—	—
Exercised	—	600	—
Forfeited	—	13,800	—
Outstanding at March 31, 2026	14,000	—	10,400

	No. 15 Stock Option	No. 16 Stock Option	No. 17 Stock Option
Non-vested:			
Outstanding at March 31, 2025	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding at March 31, 2026	–	–	–
Vested:			
Outstanding at March 31, 2025	24,200	200,000	18,300
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Outstanding at March 31, 2026	24,200	200,000	18,300

	No. 18 Stock Option	No. 19 Stock Option	No. 20 Stock Option
Non-vested:			
Outstanding at March 31, 2025	192,000	213,000	231,000
Granted	—	—	—
Forfeited	192,000	—	—
Vested	—	—	—
Outstanding at March 31, 2026	—	213,000	231,000
Vested:			
Outstanding at March 31, 2025	–	–	–
Vested	–	–	–
Exercised	–	–	–
Forfeited	–	–	–
Outstanding at March 31, 2026	–	–	–

	No. 21 Stock Option
Non-vested:	
Outstanding at March 31, 2025	–
Granted	237,000
Forfeited	–
Vested	–
Outstanding at March 31, 2026	237,000
Vested:	
Outstanding at March 31, 2025	–
Vested	–
Exercised	–
Forfeited	–
Outstanding at March 31, 2026	–

b. Price information for stock options (Yen)

	No. 11 Stock Option	No. 13 Stock Option	No. 14 Stock Option
Exercise price	1,205	1,528	1,978
Average market price of the stock at the time of exercise	–	1,354	—
Fair unit value (date of grant)	568.5	—	969.0

	No. 15 Stock Option	No. 16 Stock Option	No. 17 Stock Option
Exercise price	2,544	2,322	3,290
Average market price of the stock at the time of exercise	—	—	—
Fair unit value (date of grant)	792.0	879.0	901.0

	No. 18 Stock Option	No. 19 Stock Option	No. 20 Stock Option
Exercise price	2,951	2,708	1,983
Average market price of the stock at the time of exercise	—	—	—
Fair unit value (date of grant)	1,091.0	928.0	651.0

	No. 21 Stock Option
Exercise price	1,462.5
Average market price of the stock at the time of exercise	—
Fair unit value (date of grant)	472.0

(Note) The Company implemented another 2-for-1 stock split effective July 1, 2018. The number of shares above represents those after these stock splits.

3. Methods to estimate fair value of stock options

The methods to estimate fair value of No. 21 Stock Option granted for the fiscal year ended March 31, 2026 are as follows:

No. 21 Stock Option

a. Valuation technique Black-Scholes Model

b. Major assumptions and estimation method

	No. 21 Stock Option
Volatility of stock price (Note 1)	38.85%
Estimated remaining period to maturity (Note 2)	5.4 years
Estimated dividend (Note 3)	¥28.5 per share
Risk-free interest rate (Note 4)	1.144%

(Notes) 1. The volatility of stock price is estimated based on the actual stock prices from February 15, 2020 to July 24, 2025.

2. Since it is difficult to make reliable estimates due to insufficient historical data, the remaining period was calculated based on the assumption that the rights were exercised in the middle of each exercise period.

3. An amount of the actual dividend for the fiscal year ended March 31, 2025 is used for the assumption.

4. This rate is the yield of Japanese government bonds maturing on December 20, 2030 as of the date of valuation.

4. Method of estimating number of stock options vested

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, only the number of options that have been forfeited is reflected.

(Tax-effect accounting)

1. Major components of deferred tax assets and deferred tax liabilities

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Deferred tax assets:		
Enterprise tax payable	71	87
Provision for bonuses	243	263
Refund liabilities	99	108
Legal welfare expenses payable	31	33
Allowance for doubtful accounts	62	62
Excess depreciation and amortization	494	608
Bad debt expenses	23	24
Loss carryforward	140	215
Temporary difference associated with investments in subsidiaries	82	84
Other	187	194
Subtotal deferred tax assets	1,438	1,682
Valuation allowance	–	(24)
Total deferred tax assets	1,438	1,658
Offset by deferred tax liabilities	(0)	–
Deferred tax assets, net	1,437	1,658
Deferred tax liabilities:		
Trademark rights	2,467	–
Other	0	–
Total deferred tax liabilities	2,467	–
Offset by deferred tax assets	(0)	–
Deferred tax liabilities, net	2,467	–

2. Reconciliation between the statutory tax rate and the effective tax rate reflected in the consolidated statements of income

	As of March 31, 2025	As of March 31, 2026
Statutory tax rate	30.62%	—
Tax credit granted as tax incentives to encourage higher wages	(3.78)%	—
Amortization of goodwill	3.90%	—
Share of profit/loss of entities accounted for using equity method	(7.54)%	—
Difference in tax rates at overseas subsidiaries	3.16%	—
Other	0.10%	—
Effective tax rate	26.45%	—

(Note) The note is omitted since the Company reported loss before income taxes for the fiscal year ended March 31, 2026.

3. Accounting treatment of corporation tax/local corporation tax and related tax effect accounting

The Company and certain domestic consolidated subsidiaries have applied the group tax sharing system. Accordingly, the Company has followed the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021) with regard to the accounting treatment and disclosures of corporation tax/local corporation tax and related tax effect accounting.

(Asset retirement obligations)

Fiscal year ended March 31, 2025

The Group has obligations to restore assets to their original state on leaving the properties based on real estate lease contracts for office spaces, which are asset retirement obligations. Instead of recognizing asset retirement obligations, the Group reasonably estimates the amounts which would not be recoverable at the end of the lease periods and recognizes expenses for the year by amortizing the amounts of lease deposits over the expected periods of use.

The total amount of restoration costs is estimated to be ¥344 million, of which the amount recognized as expenses for the fiscal year ended March 31, 2025 is ¥19 million.

Fiscal year ended March 31, 2026

The Group has obligations to restore assets to their original state on leaving the properties based on real estate lease contracts for office spaces, which are asset retirement obligations. Instead of recognizing asset retirement obligations, the Group reasonably estimates the amounts which would not be recoverable at the end of the lease periods and recognizes expenses for the year by amortizing the amounts of lease deposits over the expected periods of use.

The total amount of restoration costs is estimated to be ¥357 million, of which the amount recognized as expenses for the fiscal year ended March 31, 2026 is ¥30 million.

(Revenue recognition)

1. Information on disaggregated revenue from contracts with customers

Fiscal year ended March 31, 2025

(Millions of yen)

	Name of business					Total
	Career		Elderly/Disability Care Management Support	Overseas	Business development	
	Elderly care	Medical care				
Japan	19,320	16,891	11,957	—	3,397	51,567
Other	—	—	—	9,385	—	9,385
Revenue from contracts with customers	19,320	16,891	11,957	9,385	3,397	60,952
Other revenue	—	—	—	—	—	—
Net sales to outside customers	19,320	16,891	11,957	9,385	3,397	60,952

Fiscal year ended March 31, 2026

(Millions of yen)

	Name of business					Total
	Career		Elderly/Disability Care Management Support	Overseas	Business development	
	Elderly care	Medical care				
Japan	20,487	17,788	13,715	—	3,893	55,884
Other	—	—	—	8,851	—	8,851
Revenue from contracts with customers	20,487	17,788	13,715	8,851	3,893	64,735
Other revenue	—	—	—	—	—	—
Net sales to outside customers	20,487	17,788	13,715	8,851	3,893	64,735

2. Information forming the basis for understanding revenue from contracts with customers

Disclosure is omitted since the same information is disclosed in “Significant matters forming the basis for the preparation of consolidated financial statements, 4. Matters related to the accounting policies, (5) Basis for recognition of significant revenue and expenses.”

3. Information on the relationship between satisfaction of performance obligations based on contracts with customers and cash flows from the contracts, and information on amounts of revenue expected to be recognized from contracts with customers that exist as of the end of the current fiscal year and the expected timing of revenue recognition after the end of the current fiscal year

(1) Balances of contract assets and contract liabilities

Contract assets represent a right to consideration to be received in exchange for satisfying a performance obligation, other than for receivables. The Group has no applicable transactions, and therefore, contract assets are not accounted for in the consolidated balance sheet.

Contract liabilities, presented as “contract liabilities” in the consolidated balance sheet, represent consideration received in advance before a performance obligation is satisfied. The balances of contract liabilities as of April 1, 2024 and 2025 were recognized as revenue for the fiscal years ended March 31, 2025 and 2026, respectively.

(2) Transaction prices allocated to remaining performance obligations

Disclosure is omitted because there are no significant transactions with expected individual contract periods exceeding one year. In addition, all significant consideration arising from contracts with customers is included in the transaction prices.

(Segment and other information)

[Segment information]

Overview of reportable segments

The Company and its consolidated subsidiaries consist of a single business, which aims to build information infrastructure

suitable for the aging society, and operations incidental thereto.
Accordingly, there is no segment information to be disclosed and, as such, the disclosure is omitted.

[Related information]

Fiscal year ended March 31, 2025

1. Information by products and services

The Company and its consolidated subsidiaries consist of a single business, which aims to build information infrastructure suitable for the aging society, and operations incidental thereto. Accordingly, there is no segment information to be disclosed and, as such, the disclosure is omitted.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Other	Total
51,567	9,385	60,952

(Note) The amount of net sales is classified by country and region based on customers' locations.

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
657	530	1,187

3. Information on major customers

Information on major customers is omitted since no single customer accounts for 10% or more of the amount of net sales presented in the consolidated statements of income.

Fiscal year ended March 31, 2026

1. Information by products and services

The Company and its consolidated subsidiaries consist of a single business, which aims to build information infrastructure suitable for the aging society, and operations incidental thereto. Accordingly, there is no segment information to be disclosed and, as such, the disclosure is omitted.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	Other	Total
55,884	8,851	64,735

(Note) The amount of net sales is classified by country and region based on customers' locations.

(2) Property, plant and equipment

(Millions of yen)

Japan	Other	Total
581	505	1,087

3. Information on major customers

Information on major customers is omitted since no single customer accounts for 10% or more of the amount of net sales presented in the consolidated statements of income.

[Information on impairment losses of non-current assets by reportable segment]

Disclosure is omitted since there is only one segment in the Group.

[Information on amortization of goodwill and balance of unamortized goodwill by reportable segment]

Disclosure is omitted since there is only one segment in the Group.

[Information on negative goodwill incurred by reportable segment]

None to report.

[Related party transactions]

1. Related party transactions

Transactions between the Company and related parties

Fiscal year ended March 31, 2025

Directors and major individual shareholders, etc.

Type	Name of company, etc., or individual	Location	Capital (Millions of yen)	Detail of business or occupation	Ownership ratio of voting rights (Owned) (%)	Relationship	Detail of transaction	Transaction amount (Millions of yen)	Account name	Ending balance (Millions of yen)
Director	Masato Sugizaki	—	—	Director of the Company	(Owned) Direct 0.1	Director of the Company	Exercise of subscription rights to shares (Note)	28	—	—

Policy for determining the terms and conditions of the transaction

(Note) The exercise of subscription rights to shares refers to the exercise of stock options during the fiscal year ended March 31, 2025 that were granted in accordance with the resolution of the Board of Directors' meeting held on July 20, 2016. The transaction amount is calculated by multiplying the amount paid per share by the number of shares issued upon exercise of the stock options.

Fiscal year ended March 31, 2026

None to report.

2. Notes on parent company or major affiliates

Summary of financial information of major affiliates

M3 Career, Inc. was a major affiliate of the Company as of and for the fiscal years ended March 31, 2025 and 2026. Its condensed financial information is as follows:

(Millions of yen)

	M3 Career, Inc.	
	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Total current assets	7,517	7,282
Total non-current assets	2,105	1,758
Total current liabilities	3,584	3,047
Total non-current liabilities	399	343
Total net assets	5,638	5,650
Net sales	20,913	22,799
Profit before income taxes	5,554	5,860
Profit	4,112	4,336

(Amounts per share)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net assets per share (Yen)	554.24	322.79
Profit (loss) per share (Yen)	70.96	(173.66)
Diluted profit per share (Yen)	70.95	—

(Notes) 1. For the fiscal year ended March 31, 2026, diluted profit per share is not presented because the Company reported loss per share, although potential ordinary shares exist.

2. The basis for calculating profit (loss) per share and diluted profit per share is as follows:

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit (loss) per share: Profit (loss) attributable to owners of parent (Millions of yen)	6,054	(14,317)
Amount not attributable to common stock shareholders (Millions of yen)	—	—
Profit (loss) attributable to common stock owners of parent (Millions of yen)	6,054	(14,317)
Weighted average number of common shares (Shares)	85,320,254	82,445,399
Diluted profit per share: Adjustment to profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of common stocks (Shares)	15,741	—
[Of which, exercise of subscription rights to shares (Shares)]	[15,741]	[—]
Details of potential shares excluded from calculation of diluted profit per share due to no dilutive effect	No. 14 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 18, 2018: Common stock 10,400 shares No. 15 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on August 19, 2019: Common stock 24,200 shares No. 16 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 13, 2020: Common stock 200,000 shares	—

	No. 17 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 12, 2021: Common stock 18,300 shares No. 18 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 11, 2022: Common stock 192,000 shares No. 19 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 10, 2023: Common stock 213,000 shares No. 20 Subscription rights to shares based on the resolution of the Board of Directors' meeting held on July 8, 2024: Common stock 231,000 shares	

(Significant subsequent events)

(Change in classification of reportable segments)

The Group previously had a single reportable segment because its business primarily consisted of businesses aimed at developing information infrastructure suitable for the aging society, and operations incidental thereto. However, beginning the fiscal year ending March 31, 2027, the Group decided to change its reportable segments to three categories: "Career," "Elderly/Disability Care Management Support," and "Overseas."

This change was made due to the transition to a new management structure on January 1, 2026 and the change in the management reporting classifications effective April 28, 2026.

The information on net sales, profit or loss, and other items by reportable segment for the fiscal year ended March 31, 2026, based on the revised segment classifications, is as follows:

(Millions of yen)

	Reportable segments				Other (Note 1)	Adjustments (Note 2)	Consolidated (Note 3)
	Career	Elderly/Disability Care Management Support	Overseas	Total			
Net sales							
Net sales to outside customer	38,279	13,471	8,851	60,602	4,133	—	64,735
Intersegment sales and transfers	10	0	262	274	104	(378)	—
Total	38,289	13,472	9,114	60,876	4,237	(378)	64,735
Segment profit (loss)	6,676	4,721	(71)	11,326	7	(4,546)	6,787
Other items							
Depreciation	1,096	1,369	741	3,207	174	265	3,647
Amortization of goodwill	42	—	929	972	—	—	972
Impairment losses	—	—	22,957	22,957	—	—	22,957

(Note 1) The “Other” represents operating segments not included in the reportable segments and includes the Senior Life business, etc.

(Note 2) Adjustments to segment profit (loss) of ¥(4,546) million consist primarily of expenses related to the Group’s administrative departments.

(Note 3) Total of segment profit (loss) agrees to the amount of operating income in the Consolidated Statements of Income.

(Note 4) Amounts of segment assets are not disclosed since the Company does not allocate assets to the reportable segments.

[Consolidated supplementary schedules]

[Details of bonds]

None to report.

[Details of loans payable]

Classification	Balance at beginning of the year (Millions of yen)	Balance at end of the year (Millions of yen)	Average interest rate (%)	Repayment date
Short-term loans payable	3,500	4,600	1.08	–
Current portion of long-term loans payable	1,901	1,300	0.34	–
Long-term loans payable (excluding current portion)	2,350	1,050	0.40	From 2027 to 2028
Total	7,751	6,950	—	–

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the balance at end of the year.

2. The five-year repayment schedule of long-term loans payable (excluding current portion) subsequent to the fiscal year end is as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	700	350	—	—

[Details of asset retirement obligations]

For asset retirement obligations, instead of recording liabilities for asset retirement obligations, the Group reasonably estimates the amounts which would not be recoverable at the end of lease periods and recognizes expenses for the year by amortizing the amounts of lease deposits over the expected periods of use.

Thus, there is nothing to report.

[Other]

(Half-year Performance in the Fiscal Year Ended March 31, 2026)

	Six months ended September 30, 2025	Fiscal year ended March 31, 2026
Net sales (millions of yen)	33,475	64,735
Profit (loss) before income taxes (millions of yen)	5,745	(14,433)
Profit (loss) attributable to owners of parent (millions of yen)	4,992	(14,317)
Profit (loss) per share (yen)	60.29	(173.66)

TRANSLATION

This is a translation of the original Independent Auditors' Report filed under the Financial Instruments and Exchange Act, prepared in the Japanese language. This report is presented merely as supplemental information. Ernst & Young ShinNihon LLC has not audited the English language version of the consolidated financial statements of SMS Co., LTD. for the fiscal year from April 1, 2025 to March 31, 2026.

Independent Auditor's Report on the Consolidated Financial Statements and Internal Control over Financial Reporting

To the Board of Directors of
SMS CO., LTD.

June 19, 2026

Ernst & Young ShinNihon LLC
Tokyo, Japan
Designated Engagement Partner, Certified Public Accountant
Kiyoto Tanaka
Designated Engagement Partner, Certified Public Accountant
Atsushi Sakai

Audit of Consolidated Financial Statements

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows, the significant matters forming the basis for the preparation of consolidated financial statements, the other notes and consolidated supplementary schedules of SMS CO., LTD. (the "Company") for the fiscal year from April 1, 2025 to March 31, 2026.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SMS CO., LTD. and its consolidated subsidiaries as at March 31, 2026, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements (including requirements applicable to audits of public interest entities) that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Impairment loss on non-current assets related to MIMS group</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor’s Response</th></tr>
<tr><td>As stated in Notes to Consolidated Financial Statements “(Consolidated statements of income),” the Company recognized an impairment loss of ¥22,957 million on goodwill and intangible assets related to MIMS group (hereinafter referred to as the “MIMS asset group”).
In the fiscal year ended March 31, 2026, as a result of reviewing its future business plans under the new management structure, the Company determined that the estimated undiscounted future cash flows expected to be generated by the MIMS asset group were less than its carrying amount. Accordingly, the Company recognized an impairment loss equal to the excess of the carrying amount over its value in use.
The future cash flows used for the measurement of the value in use are estimated based on the business plan for the next fiscal year approved by the Board of Directors, the growth rate over subsequent periods and other factors. The key assumptions used in estimating the value in use are net sales in the next fiscal year, growth rates in subsequent periods and the discount rate.
The impairment loss related to the MIMS asset group was material in amount, and the key assumptions used in estimating the future cash flows are subject to uncertainty and require management’s judgement. Therefore, we determined that this item is a key audit matter.</td><td>To determine the reasonableness of the amount of impairment loss related to the MIMS asset group, we mainly performed the following audit procedures:
• We compared the estimation period for future cash flows to the remaining useful lives of major assets.
• We considered whether the future cash flows are consistent with the business plan approved by the Board of Directors.
• We compared prior-year business plans with subsequent actual results to assess the effectiveness of management’s estimation process.
• We discussed net sales in the next fiscal year with management and others, reviewed their consistency with the business plan, and examined current net sales and the status of sales orders.
• We made inquiries of management and others regarding growth rates in subsequent periods, compared them with publicly available external data, and analyzed trends based on historical data.
• To examine the discount rate and the valuation model used to calculate the value in use, we involved valuation specialists from our network firm.
• We reperformed the calculation to verify that the value in use was appropriately calculated based on the estimated future cash flows and that the impairment loss was appropriately recognized.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual Securities Report that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for the preparation and disclosure of the other information. The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with

accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
The Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances to address the assessed risks, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform our audit of the consolidated financial statements in order to obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Company and its consolidated subsidiaries to provide a basis for our opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the Audit & Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting for the consolidated financial statements as at March 31, 2026 of SMS CO., LTD.

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of SMS CO., LTD. and its consolidated subsidiaries as at March 31, 2026 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements (including requirements applicable to audits of public interest entities) that are relevant to our audit of internal control in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit & Supervisory Committee for Management's Report on Internal Control

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Committee is responsible for monitoring and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not fully prevent or detect misstatements.

Auditor's Responsibilities for the Audit of Internal Control

Our objectives are to obtain reasonable assurance about whether management's report on internal control as a whole is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the materiality of their effect on the reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management and evaluate the overall presentation of management's report on internal control.
- Plan and perform our internal control audit in order to obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. We are responsible for the direction, supervision and review of the audit of the report on internal control. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, significant deficiencies in internal control requiring disclosure that we identify during our audit and the results of corrections thereof.

We also provide the Audit & Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of internal control in Japan, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

[Fee-Related Information]

The fees for audit and other services provided by us and other EY network firms charged to the Company and its subsidiaries, are disclosed in the Corporate Governance section 3)" Information on Audits" included in the Corporate Information of the Annual

Securities Report.

Conflicts of Interest

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(End of Report)