

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

April 28, 2023

Company name: SMS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2175 URL <https://www.bm-sms.co.jp/>
 Representative: CEO Natsuki Goto
 Inquiries: CFO Masato Sugizaki TEL 03-6721-2400
 Scheduled date of ordinary general meeting of shareholders: June 23, 2023
 Scheduled date to file Securities Report: June 23, 2023
 Scheduled date to commence dividend payments: June 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	45,667	17.4	7,279	15.2	8,759	13.4	6,406	18.4
Year ended March 31, 2022	38,899	8.2	6,318	15.5	7,726	16.1	5,408	12.7

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	73.51	73.13	19.0	14.4	15.9
Year ended March 31, 2022	62.07	61.77	20.8	14.6	16.2

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	65,098	38,421	58.3	435.29
As of March 31, 2022	56,585	29,991	52.4	340.10

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	8,504	(3,763)	(3,043)	16,170
Year ended March 31, 2022	9,818	(2,079)	(3,987)	14,126

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	—	0.00	—	10.50	10.50	915	16.9	3.5
Year ended March 31, 2023	—	0.00	—	15.00	15.00	1,307	20.4	3.9
Year ending March 31, 2024 (Forecast)	—	0.00	—	—	—	—	—	—

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	54,799	20.0	8,375	15.0	9,960	13.7	7,127	11.3	81.78

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2023	87,153,500 shares	As of March 31, 2022	87,147,800 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	641 shares	As of March 31, 2022	561 shares
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Average number of shares during the period

Year ended March 31, 2023	87,148,889 shares	Year ended March 31, 2022	87,131,740 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	14,640	16,965
Accounts receivable - trade	5,842	6,510
Work in process	28	20
Supplies	25	29
Accounts receivable - other	6,757	8,440
Prepaid expenses	665	793
Other	27	67
Allowance for doubtful accounts	(163)	(274)
Total current assets	27,823	32,552
Non-current assets		
Property, plant and equipment		
Buildings	746	845
Accumulated depreciation	(396)	(448)
Buildings, net	350	397
Tools, furniture and fixtures	864	1,024
Accumulated depreciation	(642)	(802)
Tools, furniture and fixtures, net	222	222
Machinery, equipment and vehicles	28	30
Accumulated depreciation	(18)	(23)
Machinery, equipment and vehicles, net	9	7
Right-of-use assets	688	768
Accumulated depreciation	(394)	(509)
Right-of-use assets, net	294	259
Total property, plant and equipment	876	886
Intangible assets		
Goodwill	8,907	10,029
Software	3,013	4,156
Trademark right	9,581	11,053
Customer-related assets	1,421	1,355
Other	0	0
Total intangible assets	22,923	26,594
Investments and other assets		
Investment securities	2,825	2,629
Deferred tax assets	975	1,138
Leasehold and guarantee deposits	1,160	1,298
Total investments and other assets	4,962	5,065
Total non-current assets	28,762	32,546
Total assets	56,585	65,098

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	307	324
Current portion of long-term borrowings	1,999	1,901
Accounts payable - other	8,933	10,566
Accrued expenses	577	682
Income taxes payable	1,674	1,263
Accrued consumption taxes	460	654
Contract liabilities	1,004	1,073
Deposits received	169	180
Provision for bonuses	704	858
Lease liabilities	131	152
Other	244	357
Total current liabilities	16,207	18,015
Non-current liabilities		
Long-term borrowings	8,054	6,153
Retirement benefit liability	173	178
Deferred tax liabilities	1,973	2,208
Lease liabilities	185	121
Other	0	–
Total non-current liabilities	10,387	8,661
Total liabilities	26,594	26,677
Net assets		
Shareholders' equity		
Share capital	2,310	2,315
Capital surplus	114	119
Retained earnings	27,699	33,190
Treasury shares	(1)	(1)
Total shareholders' equity	30,123	35,624
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	567	395
Foreign currency translation adjustment	(1,052)	1,917
Total accumulated other comprehensive income	(484)	2,312
Share acquisition rights	352	484
Total net assets	29,991	38,421
Total liabilities and net assets	56,585	65,098

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	38,899	45,667
Cost of sales	4,455	5,566
Gross profit	34,443	40,100
Selling, general and administrative expenses	28,125	32,820
Operating profit	6,318	7,279
Non-operating income		
Interest income	12	17
Share of profit of entities accounted for using equity method	1,509	1,526
Other	47	70
Total non-operating income	1,569	1,615
Non-operating expenses		
Foreign exchange losses	43	59
Interest expenses	79	69
Other	38	6
Total non-operating expenses	160	135
Ordinary profit	7,726	8,759
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on reversal of foreign currency translation adjustments	–	50
Total extraordinary income	1	51
Extraordinary losses		
Loss on sale and retirement of non-current assets	15	13
Impairment losses	3	–
Loss on sale of investment securities	–	1
Loss on valuation of investment securities	1	0
Total extraordinary losses	21	15
Profit before income taxes	7,707	8,795
Income taxes - current	2,444	2,575
Income taxes - deferred	(145)	(186)
Total income taxes	2,298	2,389
Profit	5,408	6,406
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	5,408	6,406

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	5,408	6,406
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	2,031	2,945
Share of other comprehensive income of entities accounted for using equity method	590	(147)
Total other comprehensive income	2,622	2,797
Comprehensive income	8,031	9,203
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,031	9,203
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

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

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	0	(3,107)	(3,107)	259	22,658
Cumulative effects of changes in accounting policies	–	–	–	–	(22)
Restated balance	0	(3,107)	(3,107)	259	22,636
Changes during period					
Issuance of new shares	–	–	–	–	58
Dividends of surplus	–	–	–	–	(827)
Profit attributable to owners of parent	–	–	–	–	5,408
Purchase of treasury shares	–	–	–	–	(0)
Net changes in items other than shareholders' equity	567	2,055	2,622	92	2,715
Total changes during period	567	2,055	2,622	92	7,354
Balance at end of period	567	(1,052)	(484)	352	29,991

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,310	114	27,699	(1)	30,123
Changes during period					
Issuance of new shares	4	4	–	–	9
Dividends of surplus	–	–	(915)	–	(915)
Profit attributable to owners of parent	–	–	6,406	–	6,406
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	4	4	5,491	(0)	5,500
Balance at end of period	2,315	119	33,190	(1)	35,624

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	567	(1,052)	(484)	352	29,991
Changes during period					
Issuance of new shares	–	–	–	–	9
Dividends of surplus	–	–	–	–	(915)
Profit attributable to owners of parent	–	–	–	–	6,406
Purchase of treasury shares	–	–	–	–	(0)
Net changes in items other than shareholders' equity	(171)	2,969	2,797	131	2,929
Total changes during period	(171)	2,969	2,797	131	8,430
Balance at end of period	395	1,917	2,312	484	38,421

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	7,707	8,795
Depreciation	1,649	1,977
Amortization of goodwill	833	919
Loss (gain) on sale and retirement of non-current assets	14	12
Impairment losses	3	–
Loss (gain) on sale of investment securities	–	1
Loss (gain) on valuation of investment securities	1	0
Share-based payment expenses	91	126
Gain(Loss) on reversal of foreign currency translation adjustments	–	(50)
Share of loss (profit) of entities accounted for using equity method	(262)	45
Increase (decrease) in allowance for doubtful accounts	(36)	93
Increase (decrease) in provision for bonuses	4	106
Increase (decrease) in retirement benefit liability	7	(18)
Foreign exchange losses (gains)	43	59
Interest expenses	79	69
Decrease (increase) in trade receivables	(750)	(324)
Increase (decrease) in accrued consumption taxes	(49)	179
Decrease (increase) in accounts receivable - other	(428)	(1,649)
Decrease (increase) in prepaid expenses	152	(114)
Increase (decrease) in contract liabilities	54	(60)
Increase (decrease) in accounts payable - other	1,169	1,523
Other, net	213	(105)
Subtotal	10,498	11,586
Interest and dividends received	15	22
Interest paid	(80)	(70)
Income taxes paid	(616)	(3,034)
Net cash provided by (used in) operating activities	9,818	8,504
Cash flows from investing activities		
Payments into time deposits	(171)	(459)
Proceeds from withdrawal of time deposits	95	227
Purchase of property, plant and equipment	(212)	(286)
Purchase of intangible assets	(1,800)	(2,628)
Proceeds from sale of investment securities	–	0
Payments for acquisition of shares of subsidiaries resulting in change in scope of consolidation	–	(618)
Other, net	9	0
Net cash provided by (used in) investing activities	(2,079)	(3,763)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Repayments of long-term borrowings	(3,070)	(2,013)
Repayments of lease liabilities	(126)	(128)
Proceeds from issuance of share acquisition rights	7	6
Proceeds from issuance of shares resulting from exercise of share acquisition rights	52	8
Dividends paid	(849)	(915)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(3,987)	(3,043)
Effect of exchange rate change on cash and cash equivalents	229	345
Net increase (decrease) in cash and cash equivalents	3,981	2,043
Cash and cash equivalents at beginning of period	10,144	14,126
Cash and cash equivalents at end of period	14,126	16,170