

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023 (Based on Japanese GAAP)

July 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 to file Quarterly Securities Report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	15,194	21.4	3,729	20.8	4,609	13.9	3,389	13.9
Three months ended June 30, 2022	12,517	15.5	3,086	21.2	4,046	21.9	2,975	20.1

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2023	38.89		38.70	
Three months ended June 30, 2022	34.14		33.99	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	68,991	40,662	58.2
As of March 31, 2023	65,098	38,421	58.3

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2023	–	0.00	–	15.00	15.00
Year ending March 31, 2024	–	–	–	–	–
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 three months ended June 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2023	87,159,600 shares	As of March 31, 2023	87,153,500 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	681 shares	As of March 31, 2023	641 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	87,154,946 shares	Three months ended June 30, 2022	87,147,239 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	16,965	20,369
Accounts receivable - trade	6,510	6,138
Work in process	20	37
Supplies	29	38
Accounts receivable - other	8,440	9,383
Prepaid expenses	793	1,088
Other	67	49
Allowance for doubtful accounts	(274)	(269)
Total current assets	32,552	36,837
Non-current assets		
Property, plant and equipment		
Buildings	845	965
Accumulated depreciation	(448)	(463)
Buildings, net	397	501
Tools, furniture and fixtures	1,024	1,069
Accumulated depreciation	(802)	(829)
Tools, furniture and fixtures, net	222	240
Machinery, equipment and vehicles	30	31
Accumulated depreciation	(23)	(23)
Machinery, equipment and vehicles, net	7	7
Right-of-use assets	768	801
Accumulated depreciation	(509)	(549)
Right-of-use assets, net	259	252
Total property, plant and equipment	886	1,001
Intangible assets		
Goodwill	10,029	9,859
Software	4,156	4,456
Trademark right	11,053	11,123
Customer-related assets	1,355	1,291
Other	0	0
Total intangible assets	26,594	26,730
Investments and other assets		
Investment securities	2,629	1,897
Deferred tax assets	1,138	1,176
Leasehold and guarantee deposits	1,298	1,348
Total investments and other assets	5,065	4,422
Total non-current assets	32,546	32,154
Total assets	65,098	68,991

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	324	270
Current portion of long-term borrowings	1,901	1,901
Accounts payable - other	10,566	12,004
Accrued expenses	682	955
Income taxes payable	1,263	1,117
Accrued consumption taxes	654	962
Contract liabilities	1,073	1,215
Deposits received	180	261
Provision for bonuses	858	432
Lease liabilities	152	150
Other	357	402
Total current liabilities	18,015	19,674
Non-current liabilities		
Long-term borrowings	6,153	6,153
Retirement benefit liability	178	182
Deferred tax liabilities	2,208	2,204
Lease liabilities	121	113
Other	—	0
Total non-current liabilities	8,661	8,654
Total liabilities	26,677	28,328
Net assets		
Shareholders' equity		
Share capital	2,315	2,318
Capital surplus	119	123
Retained earnings	33,190	35,272
Treasury shares	(1)	(1)
Total shareholders' equity	35,624	37,713
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	395	373
Foreign currency translation adjustment	1,917	2,056
Total accumulated other comprehensive income	2,312	2,430
Share acquisition rights	484	518
Total net assets	38,421	40,662
Total liabilities and net assets	65,098	68,991

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	12,517	15,194
Cost of sales	1,157	1,392
Gross profit	11,360	13,802
Selling, general and administrative expenses	8,273	10,073
Operating profit	3,086	3,729
Non-operating income		
Share of profit of entities accounted for using equity method	954	881
Foreign exchange gains	11	0
Other	14	14
Total non-operating income	980	897
Non-operating expenses		
Interest expenses	18	16
Other	2	0
Total non-operating expenses	20	16
Ordinary profit	4,046	4,609
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	5
Loss on sale of investment securities	1	-
Loss of reversal of foreign currency translation adjustment	33	-
Total extraordinary losses	39	5
Profit before income taxes	4,007	4,604
Income taxes	1,032	1,214
Profit	2,975	3,389
Profit attributable to owners of parent	2,975	3,389

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	2,975	3,389
Other comprehensive income		
Valuation difference on available-for-sale securities	0	–
Foreign currency translation adjustment	1,325	135
Share of other comprehensive income of entities accounted for using equity method	40	(18)
Total other comprehensive income	1,366	117
Comprehensive income	4,341	3,507
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,341	3,507
Comprehensive income attributable to non-controlling interests	–	–