

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Based on Japanese GAAP)

January 31, 2024

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: February 13, 2024  
 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 nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	39,357	17.7	4,945	(1.9)	6,171	(3.6)	4,376	(4.1)
Nine months ended December 31, 2022	33,432	18.1	5,043	29.5	6,398	25.0	4,562	25.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2023	50.16		50.02	
Nine months ended December 31, 2022	52.35		52.12	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	71,090	42,727	59.5
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	–	0.00	–		
Year ending March 31, 2024 (Forecast)				20.00	20.00

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	81.70

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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 December 31, 2023	87,561,600 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 December 31, 2023	854,332 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)

Nine months ended December 31, 2023	87,235,670 shares	Nine months ended December 31, 2022	87,147,977 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	16,965	18,151
Accounts receivable - trade	6,510	6,307
Work in process	20	47
Supplies	29	31
Accounts receivable - other	8,440	10,339
Prepaid expenses	793	958
Other	67	85
Allowance for doubtful accounts	(274)	(232)
<b>Total current assets</b>	<b>32,552</b>	<b>35,689</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	845	1,107
Accumulated depreciation	(448)	(519)
Buildings, net	397	587
Tools, furniture and fixtures	1,024	1,149
Accumulated depreciation	(802)	(911)
Tools, furniture and fixtures, net	222	237
Machinery, equipment and vehicles	30	28
Accumulated depreciation	(23)	(23)
Machinery, equipment and vehicles, net	7	4
Right-of-use assets	768	888
Accumulated depreciation	(509)	(686)
Right-of-use assets, net	259	202
<b>Total property, plant and equipment</b>	<b>886</b>	<b>1,032</b>
<b>Intangible assets</b>		
Goodwill	10,029	10,508
Software	4,156	5,220
Trademark right	11,053	12,460
Customer-related assets	1,355	1,286
Other	0	0
<b>Total intangible assets</b>	<b>26,594</b>	<b>29,475</b>
<b>Investments and other assets</b>		
Investment securities	2,629	2,225
Deferred tax assets	1,138	1,238
Leasehold and guarantee deposits	1,298	1,428
<b>Total investments and other assets</b>	<b>5,065</b>	<b>4,892</b>
<b>Total non-current assets</b>	<b>32,546</b>	<b>35,400</b>
<b>Total assets</b>	<b>65,098</b>	<b>71,090</b>

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	324	271
Current portion of long-term borrowings	1,901	1,901
Accounts payable - other	10,566	12,668
Accrued expenses	682	1,393
Income taxes payable	1,263	612
Accrued consumption taxes	654	741
Contract liabilities	1,073	1,493
Deposits received	180	120
Provision for bonuses	858	696
Lease liabilities	152	134
Other	357	415
<b>Total current liabilities</b>	<b>18,015</b>	<b>20,449</b>
<b>Non-current liabilities</b>		
Long-term borrowings	6,153	5,202
Retirement benefit liability	178	198
Deferred tax liabilities	2,208	2,430
Lease liabilities	121	79
Other	–	2
<b>Total non-current liabilities</b>	<b>8,661</b>	<b>7,913</b>
<b>Total liabilities</b>	<b>26,677</b>	<b>28,362</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,315	2,551
Capital surplus	119	356
Retained earnings	33,190	36,259
Treasury shares	(1)	(2,001)
<b>Total shareholders' equity</b>	<b>35,624</b>	<b>37,165</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	395	304
Foreign currency translation adjustment	1,917	4,838
<b>Total accumulated other comprehensive income</b>	<b>2,312</b>	<b>5,143</b>
Share acquisition rights	484	418
<b>Total net assets</b>	<b>38,421</b>	<b>42,727</b>
<b>Total liabilities and net assets</b>	<b>65,098</b>	<b>71,090</b>

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

### Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	33,432	39,357
Cost of sales	3,920	4,625
Gross profit	29,512	34,731
Selling, general and administrative expenses	24,469	29,785
Operating profit	5,043	4,945
Non-operating income		
Share of profit of entities accounted for using equity method	1,363	1,264
Other	48	58
Total non-operating income	1,411	1,323
Non-operating expenses		
Foreign exchange losses	0	43
Interest expenses	52	49
Other	2	5
Total non-operating expenses	55	98
Ordinary profit	6,398	6,171
Extraordinary income		
Gain on sale of non-current assets	0	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	12	38
Loss on sale of investment securities	1	–
Loss of reversal of foreign currency translation adjustment	33	–
Total extraordinary losses	47	38
Profit before income taxes	6,351	6,133
Income taxes	1,789	1,757
Profit	4,562	4,376
Profit attributable to owners of parent	4,562	4,376

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	4,562	4,376
Other comprehensive income		
Valuation difference on available-for-sale securities	0	–
Foreign currency translation adjustment	4,989	2,903
Share of other comprehensive income of entities accounted for using equity method	(150)	(73)
Total other comprehensive income	4,838	2,830
Comprehensive income	9,401	7,206
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,401	7,206
Comprehensive income attributable to non-controlling interests	–	–