

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

October 29, 2020

Company name: SMS CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 2175 URL <https://www.bm-sms.co.jp/>  
 Representative: CEO Natsuki Goto  
 Inquiries: CFO Masato Sugizaki TEL 03-6721-2400  
 Scheduled date to file Quarterly Securities Report: November 13, 2020  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2020	18,638	5.7	2,949	42.2	3,852	23.5	2,775	19.6
Six months ended September 30, 2019	17,628	17.2	2,074	6.2	3,119	7.4	2,319	7.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2020	31.88		31.74	
Six months ended September 30, 2019	26.66		26.53	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	52,048	21,135	40.2
As of March 31, 2020	50,996	19,398	37.7

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, 2020	–	0.00	–	8.50	8.50
Year ending March 31, 2021	–	0.00	–	–	–
Year ending March 31, 2021 (Forecast)	–	–	–	–	–

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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	37,436	6.5	5,028	1.9	6,459	1.6	4,785	0.5	54.96

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2020  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of September 30, 2020	87,090,000 shares	As of March 31, 2020	87,057,600 shares
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Number of treasury shares at the end of the period

As of September 30, 2020	445 shares	As of March 31, 2020	445 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	87,065,555 shares	Six months ended September 30, 2019	87,016,156 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	11,091	13,740
Accounts receivable - trade	5,213	4,465
Work in process	14	24
Supplies	30	41
Accounts receivable - other	6,183	6,275
Prepaid expenses	664	846
Other	18	18
Allowance for doubtful accounts	(113)	(118)
<b>Total current assets</b>	<b>23,102</b>	<b>25,294</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings	626	616
Accumulated depreciation	(291)	(293)
Buildings, net	335	322
Tools, furniture and fixtures	806	782
Accumulated depreciation	(545)	(505)
Tools, furniture and fixtures, net	261	276
Machinery, equipment and vehicles	37	35
Accumulated depreciation	(17)	(17)
Machinery, equipment and vehicles, net	20	18
Right-of-use assets	481	486
Accumulated depreciation	(91)	(164)
Right-of-use assets, net	389	321
<b>Total property, plant and equipment</b>	<b>1,006</b>	<b>939</b>
<b>Intangible assets</b>		
Goodwill	10,148	9,558
Software	1,637	1,944
Trademark right	9,126	8,974
Customer-related assets	1,825	1,679
Other	0	0
<b>Total intangible assets</b>	<b>22,738</b>	<b>22,157</b>
<b>Investments and other assets</b>		
Investment securities	2,225	1,681
Deferred tax assets	873	904
Leasehold and guarantee deposits	1,039	1,063
Other	11	9
<b>Total investments and other assets</b>	<b>4,149</b>	<b>3,658</b>
<b>Total non-current assets</b>	<b>27,893</b>	<b>26,754</b>
<b>Total assets</b>	<b>50,996</b>	<b>52,048</b>

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	314	215
Current portion of long-term borrowings	2,487	2,476
Accounts payable - other	7,711	8,326
Accrued expenses	451	560
Income taxes payable	534	286
Accrued consumption taxes	536	565
Advances received	725	1,004
Deposits received	84	92
Provision for bonuses	600	565
Provision for repayment	242	267
Lease obligations	112	93
Other	30	36
Total current liabilities	13,831	14,489
Non-current liabilities		
Long-term borrowings	15,144	13,889
Retirement benefit liability	354	369
Deferred tax liabilities	1,994	1,933
Lease obligations	260	221
Other	11	9
Total non-current liabilities	17,766	16,423
Total liabilities	31,597	30,913
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,246	2,267
Capital surplus	51	72
Retained earnings	19,079	21,114
Treasury shares	(0)	(0)
Total shareholders' equity	21,376	23,454
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(2,149)	(2,526)
Total accumulated other comprehensive income	(2,149)	(2,526)
Share acquisition rights	171	207
Total net assets	19,398	21,135
<b>Total liabilities and net assets</b>	<b>50,996</b>	<b>52,048</b>

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	17,628	18,638
Cost of sales	1,804	1,831
Gross profit	15,824	16,806
Selling, general and administrative expenses	13,750	13,857
Operating profit	2,074	2,949
Non-operating income		
Share of profit of entities accounted for using equity method	1,096	942
Other	31	34
Total non-operating income	1,127	976
Non-operating expenses		
Foreign exchange losses	26	24
Interest expenses	51	47
Other	3	1
Total non-operating expenses	81	74
Ordinary profit	3,119	3,852
Extraordinary income		
Gain on sales of non-current assets	–	0
Total extraordinary income	–	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	9	52
Loss on valuation of investment securities	–	3
Event cancellation loss	–	10
Total extraordinary losses	9	66
Profit before income taxes	3,110	3,786
Income taxes	790	1,010
Profit	2,319	2,775
Profit attributable to owners of parent	2,319	2,775

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	2,319	2,775
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Foreign currency translation adjustment	(626)	(375)
Share of other comprehensive income of entities accounted for using equity method	(9)	(1)
Total other comprehensive income	(636)	(376)
Comprehensive income	1,683	2,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,683	2,398
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	3,110	3,786
Depreciation	568	657
Amortization of goodwill	393	407
Loss (gain) on sales and retirement of non-current assets	9	52
Loss (gain) on valuation of investment securities	–	3
Share of loss (profit) of entities accounted for using equity method	210	539
Increase (decrease) in allowance for doubtful accounts	6	6
Increase (decrease) in provision for bonuses	59	(32)
Increase (decrease) in provision for repayment	67	25
Increase (decrease) in retirement benefit liability	30	16
Foreign exchange losses (gains)	26	24
Interest expenses	51	47
Decrease (increase) in trade receivables	(123)	728
Increase (decrease) in accrued consumption taxes	(97)	30
Decrease (increase) in accounts receivable - other	(988)	(94)
Decrease (increase) in prepaid expenses	(209)	(184)
Increase (decrease) in advances received	474	289
Increase (decrease) in accounts payable - other	1,635	616
Other, net	(174)	(30)
Subtotal	5,051	6,891
Interest and dividends received	12	4
Interest paid	(51)	(48)
Income taxes paid	(1,284)	(1,282)
Net cash provided by (used in) operating activities	3,727	5,565
Cash flows from investing activities		
Payments into time deposits	(704)	(200)
Proceeds from withdrawal of time deposits	312	158
Purchase of property, plant and equipment	(226)	(159)
Purchase of intangible assets	(506)	(717)
Loan advances	(3)	–
Other, net	–	0
Net cash provided by (used in) investing activities	(1,128)	(918)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,263)	(1,266)
Repayments of lease obligations	(31)	(57)
Proceeds from issuance of share acquisition rights	8	12
Proceeds from issuance of shares resulting from exercise of share acquisition rights	46	40
Dividends paid	(644)	(732)
Other, net	(0)	–
Net cash provided by (used in) financing activities	(1,885)	(2,003)
Effect of exchange rate change on cash and cash equivalents	(44)	(28)
Net increase (decrease) in cash and cash equivalents	670	2,614
Cash and cash equivalents at beginning of period	9,890	10,493
Cash and cash equivalents at end of period	10,560	13,108