

Translation

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## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Based on Japanese GAAP)

January 31, 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: February 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(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, 2022	33,432	18.1	5,043	29.5	6,398	25.0	4,562	25.0
Nine months ended December 31, 2021	28,315	7.4	3,895	21.0	5,119	20.6	3,649	27.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	52.35		52.12	
Nine months ended December 31, 2021	41.88		41.68	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	66,333	38,581	57.5
As of March 31, 2022	56,585	29,991	52.4

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, 2022	–	0.00	–	10.50	10.50
Year ending March 31, 2023	–	0.00	–		
Year ending March 31, 2023 (Forecast)				–	–

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	46,063	18.4	7,238	14.6	8,499	10.0	5,984	10.6	68.66

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2022  
(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, 2022	87,151,400 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 December 31, 2022	641 shares	As of March 31, 2022	561 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, 2022	87,147,977 shares	Nine months ended December 31, 2021	87,126,584 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	14,640	17,394
Accounts receivable - trade	5,842	5,353
Work in process	28	47
Supplies	25	26
Accounts receivable - other	6,757	8,563
Prepaid expenses	665	753
Other	27	89
Allowance for doubtful accounts	(163)	(223)
Total current assets	27,823	32,005
Non-current assets		
Property, plant and equipment		
Buildings	746	845
Accumulated depreciation	(396)	(450)
Buildings, net	350	395
Tools, furniture and fixtures	864	1,064
Accumulated depreciation	(642)	(819)
Tools, furniture and fixtures, net	222	244
Machinery, equipment and vehicles	28	33
Accumulated depreciation	(18)	(24)
Machinery, equipment and vehicles, net	9	9
Right-of-use assets	688	829
Accumulated depreciation	(394)	(520)
Right-of-use assets, net	294	309
Total property, plant and equipment	876	958
Intangible assets		
Goodwill	8,907	11,166
Software	3,013	3,877
Trademark right	9,581	12,062
Customer-related assets	1,421	1,556
Other	0	0
Total intangible assets	22,923	28,663
Investments and other assets		
Investment securities	2,825	2,464
Deferred tax assets	975	1,044
Leasehold and guarantee deposits	1,160	1,197
Total investments and other assets	4,962	4,706
Total non-current assets	28,762	34,328
Total assets	56,585	66,333

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	307	270
Current portion of long-term borrowings	1,999	1,901
Accounts payable - other	8,933	10,646
Accrued expenses	577	1,123
Income taxes payable	1,674	600
Accrued consumption taxes	460	570
Contract liabilities	1,004	1,462
Deposits received	169	175
Provision for bonuses	704	592
Lease liabilities	131	120
Other	244	347
<b>Total current liabilities</b>	<b>16,207</b>	<b>17,811</b>
<b>Non-current liabilities</b>		
Long-term borrowings	8,054	7,103
Retirement benefit liability	173	198
Deferred tax liabilities	1,973	2,428
Lease liabilities	185	210
Other	0	0
<b>Total non-current liabilities</b>	<b>10,387</b>	<b>9,941</b>
<b>Total liabilities</b>	<b>26,594</b>	<b>27,752</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,310	2,313
Capital surplus	114	118
Retained earnings	27,699	31,346
Treasury shares	(1)	(1)
<b>Total shareholders' equity</b>	<b>30,123</b>	<b>33,776</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	567	377
Foreign currency translation adjustment	(1,052)	3,976
<b>Total accumulated other comprehensive income</b>	<b>(484)</b>	<b>4,354</b>
Share acquisition rights	352	450
<b>Total net assets</b>	<b>29,991</b>	<b>38,581</b>
<b>Total liabilities and net assets</b>	<b>56,585</b>	<b>66,333</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, 2021	Nine months ended December 31, 2022
Net sales	28,315	33,432
Cost of sales	3,184	3,920
Gross profit	25,130	29,512
Selling, general and administrative expenses	21,235	24,469
Operating profit	3,895	5,043
Non-operating income		
Share of profit of entities accounted for using equity method	1,312	1,363
Other	36	48
Total non-operating income	1,348	1,411
Non-operating expenses		
Foreign exchange losses	51	0
Interest expenses	62	52
Other	10	2
Total non-operating expenses	124	55
Ordinary profit	5,119	6,398
Extraordinary income		
Gain on sale of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	15	12
Loss on sale of investment securities	–	1
Loss of reversal of foreign currency translation adjustment	–	33
Total extraordinary losses	15	47
Profit before income taxes	5,105	6,351
Income taxes	1,456	1,789
Profit	3,649	4,562
Profit attributable to owners of parent	3,649	4,562

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

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	3,649	4,562
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	1,472	4,989
Share of other comprehensive income of entities accounted for using equity method	510	(150)
Total other comprehensive income	1,982	4,838
Comprehensive income	5,631	9,401
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,631	9,401
Comprehensive income attributable to non-controlling interests	—	—