

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

October 27, 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: November 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 six months ended September 30, 2023 (from April 1, 2023 to September 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	%
Six months ended September 30, 2023	27,474	17.7	4,701	2.0	5,775	0.3	4,176	1.1
Six months ended September 30, 2022	23,334	17.1	4,609	25.2	5,758	22.5	4,129	21.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	47.81		47.66	
Six months ended September 30, 2022	47.38		47.17	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	72,727	43,794	59.7
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)			–	–	–

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	81.59

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 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 September 30, 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 September 30, 2023	685 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)

Six months ended September 30, 2023	87,357,597 shares	Six months ended September 30, 2022	87,147,506 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	16,965	20,500
Accounts receivable - trade	6,510	7,001
Work in process	20	45
Supplies	29	34
Accounts receivable - other	8,440	9,826
Prepaid expenses	793	962
Other	67	52
Allowance for doubtful accounts	(274)	(235)
Total current assets	32,552	38,189
Non-current assets		
Property, plant and equipment		
Buildings	845	1,095
Accumulated depreciation	(448)	(497)
Buildings, net	397	598
Tools, furniture and fixtures	1,024	1,146
Accumulated depreciation	(802)	(888)
Tools, furniture and fixtures, net	222	258
Machinery, equipment and vehicles	30	28
Accumulated depreciation	(23)	(21)
Machinery, equipment and vehicles, net	7	6
Right-of-use assets	768	862
Accumulated depreciation	(509)	(631)
Right-of-use assets, net	259	230
Total property, plant and equipment	886	1,093
Intangible assets		
Goodwill	10,029	10,482
Software	4,156	4,883
Trademark right	11,053	12,077
Customer-related assets	1,355	1,324
Other	0	0
Total intangible assets	26,594	28,767
Investments and other assets		
Investment securities	2,629	2,085
Deferred tax assets	1,138	1,216
Leasehold and guarantee deposits	1,298	1,373
Total investments and other assets	5,065	4,676
Total non-current assets	32,546	34,537
Total assets	65,098	72,727

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	324	239
Current portion of long-term borrowings	1,901	1,901
Accounts payable - other	10,566	12,454
Accrued expenses	682	1,099
Income taxes payable	1,263	1,492
Accrued consumption taxes	654	824
Contract liabilities	1,073	1,484
Deposits received	180	185
Provision for bonuses	858	827
Lease liabilities	152	147
Other	357	397
<b>Total current liabilities</b>	<b>18,015</b>	<b>21,053</b>
<b>Non-current liabilities</b>		
Long-term borrowings	6,153	5,202
Retirement benefit liability	178	201
Deferred tax liabilities	2,208	2,374
Lease liabilities	121	98
Other	—	1
<b>Total non-current liabilities</b>	<b>8,661</b>	<b>7,878</b>
<b>Total liabilities</b>	<b>26,677</b>	<b>28,932</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,315	2,551
Capital surplus	119	356
Retained earnings	33,190	36,059
Treasury shares	(1)	(1)
<b>Total shareholders' equity</b>	<b>35,624</b>	<b>38,966</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	395	326
Foreign currency translation adjustment	1,917	4,114
<b>Total accumulated other comprehensive income</b>	<b>2,312</b>	<b>4,441</b>
Share acquisition rights	484	386
<b>Total net assets</b>	<b>38,421</b>	<b>43,794</b>
<b>Total liabilities and net assets</b>	<b>65,098</b>	<b>72,727</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, 2022	Six months ended September 30, 2023
Net sales	23,334	27,474
Cost of sales	2,451	2,965
Gross profit	20,883	24,508
Selling, general and administrative expenses	16,274	19,807
Operating profit	4,609	4,701
Non-operating income		
Share of profit of entities accounted for using equity method	1,152	1,098
Other	38	28
Total non-operating income	1,191	1,126
Non-operating expenses		
Foreign exchange losses	3	18
Interest expenses	35	33
Other	3	0
Total non-operating expenses	42	52
Ordinary profit	5,758	5,775
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	8	9
Loss on sale of investment securities	1	–
Loss of reversal of foreign currency translation adjustment	33	–
Total extraordinary losses	43	9
Profit before income taxes	5,715	5,767
Income taxes	1,586	1,591
Profit	4,129	4,176
Profit attributable to owners of parent	4,129	4,176

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	4,129	4,176
Other comprehensive income		
Valuation difference on available-for-sale securities	0	–
Foreign currency translation adjustment	3,702	2,175
Share of other comprehensive income of entities accounted for using equity method	(28)	(46)
Total other comprehensive income	3,674	2,128
Comprehensive income	7,803	6,304
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,803	6,304
Comprehensive income attributable to non-controlling interests	–	–

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	5,715	5,767
Depreciation	938	1,115
Amortization of goodwill	438	509
Loss (gain) on sale and retirement of non-current assets	8	8
Loss (gain) on sale of investment securities	1	–
Loss on Reversal of Foreign currency translation adjustment	33	–
Share of loss (profit) of entities accounted for using equity method	419	496
Increase (decrease) in allowance for doubtful accounts	(5)	(49)
Increase (decrease) in provision for bonuses	(61)	(58)
Increase (decrease) in retirement benefit liability	(10)	6
Foreign exchange losses (gains)	3	18
Interest expenses	35	33
Decrease (increase) in trade receivables	140	(316)
Increase (decrease) in accrued consumption taxes	185	155
Decrease (increase) in accounts receivable - other	(1,349)	(1,357)
Decrease (increase) in prepaid expenses	(129)	(157)
Increase (decrease) in contract liabilities	238	309
Increase (decrease) in accounts payable - other	1,308	1,883
Other, net	62	380
Subtotal	7,975	8,744
Interest and dividends received	12	17
Interest paid	(36)	(34)
Income taxes refund (paid)	(1,913)	(1,505)
Net cash provided by (used in) operating activities	6,038	7,222
Cash flows from investing activities		
Payments into time deposits	(215)	(52)
Proceeds from withdrawal of time deposits	16	182
Purchase of property, plant and equipment	(131)	(365)
Purchase of intangible assets	(1,217)	(1,554)
Proceeds from sale of investment securities	0	–
Other, net	0	1
Net cash provided by (used in) investing activities	(1,548)	(1,788)
Cash flows from financing activities		
Repayments of long-term borrowings	(1,048)	(950)
Repayments of lease liabilities	(64)	(78)
Proceeds from issuance of share acquisition rights	6	5
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1	304
Dividends paid	(915)	(1,306)
Other, net	–	(0)
Net cash provided by (used in) financing activities	(2,020)	(2,027)
Effect of exchange rate change on cash and cash equivalents	442	214
Net increase (decrease) in cash and cash equivalents	2,912	3,621
Cash and cash equivalents at beginning of period	14,126	16,170
Cash and cash equivalents at end of period	17,039	19,791