

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (Based on Japanese GAAP)

April 28, 2021

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 of ordinary general meeting of shareholders: June 18, 2021
 Scheduled date to file Securities Report: June 18, 2021
 Scheduled date to commence dividend payments: June 21, 2021
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(1) Consolidated operating results

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	%
Year ended March 31, 2021	35,960	2.3	5,470	10.8	6,653	4.7	4,800	0.9
Year ended March 31, 2020	35,140	14.0	4,935	4.1	6,355	6.3	4,760	12.9

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2021	55.13	54.86	23.1	13.2	15.2
Year ended March 31, 2020	54.69	54.45	27.5	12.9	14.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2021	49,444	22,658	45.3	257.14
As of March 31, 2020	50,996	19,398	37.7	220.86

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2021	6,769	(1,783)	(5,224)	10,144
Year ended March 31, 2020	5,591	(2,127)	(3,132)	10,493

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2020	—	0.00	—	8.50	8.50	739	15.5	4.3
Year ended March 31, 2021	—	0.00	—	9.50	9.50	827	17.2	4.0
Year ending March 31, 2022 (Forecast)	—	0.00	—	—	—	—	—	—

3. Forecast of consolidated financial results for the year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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	40,043	11.4	6,205	13.4	7,352	10.5	5,281	10.0	60.65

4. Notes

- (1) Changes in significant subsidiaries during the year ended March 31, 2021
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) 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

(3) Number of issued shares (common shares)

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

As of March 31, 2021	87,109,600 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 March 31, 2021	491 shares	As of March 31, 2020	445 shares
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Average number of shares during the period

Year ended March 31, 2021	87,085,303 shares	Year ended March 31, 2020	87,033,325 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	11,091	10,538
Accounts receivable - trade	5,213	4,933
Work in process	14	16
Supplies	30	31
Accounts receivable - other	6,183	6,324
Income taxes receivable	–	598
Prepaid expenses	664	808
Other	18	156
Allowance for doubtful accounts	(113)	(188)
Total current assets	23,102	23,218
Non-current assets		
Property, plant and equipment		
Buildings	626	619
Accumulated depreciation	(291)	(324)
Buildings, net	335	295
Tools, furniture and fixtures	806	792
Accumulated depreciation	(545)	(552)
Tools, furniture and fixtures, net	261	239
Machinery, equipment and vehicles	37	36
Accumulated depreciation	(17)	(20)
Machinery, equipment and vehicles, net	20	16
Right-of-use assets	481	618
Accumulated depreciation	(91)	(230)
Right-of-use assets, net	389	387
Total property, plant and equipment	1,006	939
Intangible assets		
Goodwill	10,148	8,834
Software	1,637	2,355
Trademark right	9,126	8,621
Customer-related assets	1,825	1,502
Other	0	0
Total intangible assets	22,738	21,313
Investments and other assets		
Investment securities	2,225	1,975
Deferred tax assets	873	879
Leasehold and guarantee deposits	1,039	1,110
Other	11	7
Total investments and other assets	4,149	3,972
Total non-current assets	27,893	26,225
Total assets	50,996	49,444

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	314	258
Current portion of long-term borrowings	2,487	2,479
Accounts payable - other	7,711	7,750
Accrued expenses	451	438
Income taxes payable	534	374
Accrued consumption taxes	536	505
Advances received	725	869
Deposits received	84	147
Provision for bonuses	600	669
ProvisionForRepayment	242	233
Lease obligations	112	115
Other	30	33
Total current liabilities	13,831	13,875
Non-current liabilities		
Long-term borrowings	15,144	10,644
Retirement benefit liability	354	149
Deferred tax liabilities	1,994	1,830
Lease obligations	260	281
Other	11	3
Total non-current liabilities	17,766	12,909
Total liabilities	31,597	26,785
Net assets		
Shareholders' equity		
Share capital	2,246	2,281
Capital surplus	51	85
Retained earnings	19,079	23,140
Treasury shares	(0)	(0)
Total shareholders' equity	21,376	25,506
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(2,149)	(3,107)
Total accumulated other comprehensive income	(2,149)	(3,107)
Share acquisition rights	171	259
Total net assets	19,398	22,658
Total liabilities and net assets	50,996	49,444

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	35,140	35,960
Cost of sales	4,048	3,957
Gross profit	31,091	32,003
Selling, general and administrative expenses	26,156	26,533
Operating profit	4,935	5,470
Non-operating income		
Interest income	24	10
Share of profit of entities accounted for using equity method	1,486	1,241
Other	62	88
Total non-operating income	1,573	1,340
Non-operating expenses		
Foreign exchange losses	43	53
Interest expenses	102	90
Other	6	13
Total non-operating expenses	152	157
Ordinary profit	6,355	6,653
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investment securities	–	70
Gain on sale of businesses	55	–
Total extraordinary income	57	70
Extraordinary losses		
Loss on sale and retirement of non-current assets	23	117
Loss on valuation of investment securities	–	3
Loss on termination of retirement benefit plan	–	121
Event cancellation loss	13	11
Total extraordinary losses	37	253
Profit before income taxes	6,375	6,470
Income taxes - current	1,702	1,734
Income taxes - deferred	(87)	(65)
Total income taxes	1,615	1,669
Profit	4,760	4,800
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	4,760	4,800

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	4,760	4,800
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(310)	(952)
Share of other comprehensive income of entities accounted for using equity method	(4)	(5)
Total other comprehensive income	(315)	(957)
Comprehensive income	4,444	3,843
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,444	3,843
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,208	13	14,971	(0)	17,193
Changes during period					
Issuance of new shares	37	37	–	–	75
Dividends of surplus	–	–	(652)	–	(652)
Profit attributable to owners of parent	–	–	4,760	–	4,760
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	37	37	4,107	(0)	4,183
Balance at end of period	2,246	51	19,079	(0)	21,376

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	0	(1,834)	(1,833)	179	15,539
Changes during period					
Issuance of new shares	–	–	–	–	75
Dividends of surplus	–	–	–	–	(652)
Profit attributable to owners of parent	–	–	–	–	4,760
Purchase of treasury shares	–	–	–	–	(0)
Net changes in items other than shareholders' equity	(0)	(315)	(315)	(7)	(323)
Total changes during period	(0)	(315)	(315)	(7)	3,859
Balance at end of period	0	(2,149)	(2,149)	171	19,398

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,246	51	19,079	(0)	21,376
Changes during period					
Issuance of new shares	34	34	–	–	68
Dividends of surplus	–	–	(739)	–	(739)
Profit attributable to owners of parent	–	–	4,800	–	4,800
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	34	34	4,060	(0)	4,129
Balance at end of period	2,281	85	23,140	(0)	25,506

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	0	(2,149)	(2,149)	171	19,398
Changes during period					
Issuance of new shares	–	–	–	–	68
Dividends of surplus	–	–	–	–	(739)
Profit attributable to owners of parent	–	–	–	–	4,800
Purchase of treasury shares	–	–	–	–	(0)
Net changes in items other than shareholders' equity	0	(957)	(957)	88	(869)
Total changes during period	0	(957)	(957)	88	3,259
Balance at end of period	0	(3,107)	(3,107)	259	22,658

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	6,375	6,470
Depreciation	1,211	1,371
Amortization of goodwill	809	814
Loss (gain) on sale and retirement of non-current assets	21	117
Loss (gain) on sale of investment securities	–	(70)
Loss (gain) on valuation of investment securities	–	3
Share-based payment expenses	(10)	81
Loss (gain) on sale of businesses	(55)	–
Share of loss (profit) of entities accounted for using equity method	(179)	240
Increase (decrease) in allowance for doubtful accounts	(0)	79
Increase (decrease) in provision for bonuses	121	82
Increase/Decrease/In/Provision/For/Repayment/Op/CF	14	(9)
Increase (decrease) in retirement benefit liability	43	(198)
Foreign exchange losses (gains)	43	53
Interest expenses	102	90
Decrease (increase) in trade receivables	(910)	208
Increase (decrease) in accrued consumption taxes	101	(30)
Decrease (increase) in accounts receivable - other	(1,626)	(142)
Decrease (increase) in prepaid expenses	(30)	(148)
Increase (decrease) in advances received	176	180
Increase (decrease) in accounts payable - other	1,647	44
Other, net	(308)	64
Subtotal	7,547	9,303
Interest and dividends received	27	20
Interest paid	(102)	(90)
Income taxes paid	(1,880)	(2,463)
Net cash provided by (used in) operating activities	5,591	6,769
Cash flows from investing activities		
Payments into time deposits	(729)	(218)
Proceeds from withdrawal of time deposits	916	399
Purchase of property, plant and equipment	(419)	(376)
Purchase of intangible assets	(1,186)	(1,659)
Proceeds from sale of investment securities	–	71
Payments for acquisition of businesses	(5)	–
Proceeds from sale of businesses	57	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(762)	–
Other, net	1	0
Net cash provided by (used in) investing activities	(2,127)	(1,783)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from financing activities		
Repayments of long-term borrowings	(2,488)	(4,507)
Repayments of lease obligations	(78)	(60)
Proceeds from issuance of share acquisition rights	8	12
Proceeds from issuance of shares resulting from exercise of share acquisition rights	70	64
Dividends paid	(644)	(732)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(3,132)	(5,224)
Effect of exchange rate change on cash and cash equivalents	270	(110)
Net increase (decrease) in cash and cash equivalents	602	(348)
Cash and cash equivalents at beginning of period	9,890	10,493
Cash and cash equivalents at end of period	10,493	10,144