

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (Based on Japanese GAAP)

July 30, 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: August 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 three months ended June 30, 2020 (from April 1, 2020 to June 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	%
Three months ended June 30, 2020	10,539	12.4	2,230	55.6	3,018	30.0	2,201	22.3
Three months ended June 30, 2019	9,379	16.3	1,433	4.2	2,321	11.0	1,799	9.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2020	25.28		25.18	
Three months ended June 30, 2019	20.69		20.60	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	53,467	20,695	38.4
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	–	–	–	–	–
Year ending March 31, 2021 (Forecast)	–	0.00	–	–	–

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	54.97

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 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 June 30, 2020	87,058,600 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 June 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)

Three months ended June 30, 2020	87,057,488 shares	Three months ended June 30, 2019	86,998,397 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	11,091	14,868
Accounts receivable - trade	5,213	4,214
Work in process	14	15
Supplies	30	45
Accounts receivable - other	6,183	6,545
Prepaid expenses	664	939
Other	18	14
Allowance for doubtful accounts	(113)	(110)
Total current assets	23,102	26,533
Non-current assets		
Property, plant and equipment		
Buildings	626	618
Accumulated depreciation	(291)	(292)
Buildings, net	335	325
Tools, furniture and fixtures	806	827
Accumulated depreciation	(545)	(551)
Tools, furniture and fixtures, net	261	276
Machinery, equipment and vehicles	37	36
Accumulated depreciation	(17)	(16)
Machinery, equipment and vehicles, net	20	19
Right-of-use assets	481	467
Accumulated depreciation	(91)	(116)
Right-of-use assets, net	389	351
Total property, plant and equipment	1,006	973
Intangible assets		
Goodwill	10,148	9,852
Software	1,637	1,754
Trademark right	9,126	9,065
Customer-related assets	1,825	1,754
Other	0	0
Total intangible assets	22,738	22,427
Investments and other assets		
Investment securities	2,225	1,535
Deferred tax assets	873	895
Leasehold and guarantee deposits	1,039	1,090
Other	11	12
Total investments and other assets	4,149	3,532
Total non-current assets	27,893	26,933
Total assets	50,996	53,467

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	314	228
Current portion of long-term borrowings	2,487	2,480
Accounts payable - other	7,711	8,554
Accrued expenses	451	641
Income taxes payable	534	20
Accrued consumption taxes	536	689
Advances received	725	916
Deposits received	84	812
Provision for bonuses	600	303
ProvisionForRepayment	242	313
Lease obligations	112	97
Other	30	45
Total current liabilities	13,831	15,105
Non-current liabilities		
Long-term borrowings	15,144	15,088
Retirement benefit liability	354	358
Deferred tax liabilities	1,994	1,967
Lease obligations	260	240
Other	11	11
Total non-current liabilities	17,766	17,665
Total liabilities	31,597	32,771
Net assets		
Shareholders' equity		
Share capital	2,246	2,247
Capital surplus	51	51
Retained earnings	19,079	20,540
Treasury shares	(0)	(0)
Total shareholders' equity	21,376	22,839
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(2,149)	(2,319)
Total accumulated other comprehensive income	(2,149)	(2,319)
Share acquisition rights	171	176
Total net assets	19,398	20,695
Total liabilities and net assets	50,996	53,467

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	9,379	10,539
Cost of sales	835	932
Gross profit	8,544	9,607
Selling, general and administrative expenses	7,110	7,376
Operating profit	1,433	2,230
Non-operating income		
Share of profit of entities accounted for using equity method	919	797
Other	16	23
Total non-operating income	936	820
Non-operating expenses		
Interest expenses	25	24
Foreign exchange losses	20	7
Other	1	0
Total non-operating expenses	48	32
Ordinary profit	2,321	3,018
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	–	44
Event cancellation loss	–	6
Total extraordinary losses	–	51
Profit before income taxes	2,321	2,966
Income taxes	521	765
Profit	1,799	2,201
Profit attributable to owners of parent	1,799	2,201

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	1,799	2,201
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	8	(164)
Share of other comprehensive income of entities accounted for using equity method	0	(4)
Total other comprehensive income	8	(169)
Comprehensive income	1,807	2,031
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,807	2,031
Comprehensive income attributable to non-controlling interests	—	—