

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2017  
(Based on Japanese GAAP)**

April 28, 2017

Company name: SMS CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 2175 URL <http://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 22, 2017  
 Scheduled date to file Securities Report: June 22, 2017  
 Scheduled date to commence dividend payments: June 23, 2017  
 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, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	23,054	20.9	3,646	32.3	4,430	26.2	2,801	23.6
Year ended March 31, 2016	19,069	26.7	2,756	32.6	3,509	30.3	2,265	24.2

	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, 2017	67.49	67.28	21.8	10.4	15.8
Year ended March 31, 2016	55.86	55.69	29.5	13.2	14.5

(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, 2017	43,231	21,583	39.6	394.76
As of March 31, 2016	41,689	13,157	20.5	211.03

(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, 2017	3,919	(1,033)	(875)	7,140
Year ended March 31, 2016	2,244	(18,401)	18,656	5,147

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, 2016	—	0.00	—	7.00	7.00	283	12.5	3.7
Year ended March 31, 2017	—	0.00	—	11.00	11.00	477	16.3	3.6
Year ending March 31, 2018 (Forecast)	—	0.00	—	—	—	—	—	—

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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
Six months ending September 30, 2017	13,484	12.5	2,311	0.0	2,793	(4.7)	2,009	9.0	48.42
Full year	27,804	20.6	4,378	20.1	5,137	15.9	3,396	21.3	81.85

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(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: Yes

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, 2017	43,382,600 shares	As of March 31, 2016	41,887,200 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	113 shares	As of March 31, 2016	1,330,272 shares
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Average number of shares during the period

Year ended March 31, 2017	41,504,114 shares	Year ended March 31, 2016	40,556,928 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	5,291,707	7,829,843
Accounts receivable - trade	3,982,752	3,932,588
Merchandise and finished goods	95,830	81,624
Work in process	31,185	18,829
Supplies	6,770	36,163
Accounts receivable - other	1,891,531	2,491,065
Prepaid expenses	685,224	722,169
Deferred tax assets	268,219	239,450
Other	140,001	11,695
Allowance for doubtful accounts	(217,510)	(128,366)
Total current assets	12,175,712	15,235,064
Non-current assets		
Property, plant and equipment		
Buildings	383,400	375,144
Accumulated depreciation	(151,756)	(185,299)
Buildings, net	231,643	189,844
Tools, furniture and fixtures	515,019	573,211
Accumulated depreciation	(366,414)	(418,963)
Tools, furniture and fixtures, net	148,605	154,247
Machinery, equipment and vehicles	110,080	43,197
Accumulated depreciation	(61,999)	(19,231)
Machinery, equipment and vehicles, net	48,081	23,965
Total property, plant and equipment	428,330	368,057
Intangible assets		
Goodwill	12,874,322	11,166,859
Software	1,335,532	1,544,567
Trademark right	10,046,813	9,703,617
Customer-related assets	3,046,910	2,692,375
Other	50	50
Total intangible assets	27,303,627	25,107,468
Investments and other assets		
Investment securities	1,025,966	1,665,781
Deferred tax assets	211,138	209,836
Lease and guarantee deposits	516,448	612,147
Other	28,578	33,390
Total investments and other assets	1,782,132	2,521,154
Total non-current assets	29,514,090	27,996,681
Total assets	41,689,802	43,231,745

(Thousands of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	451,116	311,524
Short-term loans payable	19,002,638	–
Current portion of long-term loans payable	–	1,201,200
Accounts payable - other	3,443,188	4,236,387
Accrued expenses	232,160	182,252
Income taxes payable	947,942	1,139,932
Accrued consumption taxes	100,331	242,002
Advances received	1,102,636	1,077,864
Deposits received	45,718	52,826
Provision for bonuses	373,715	315,632
ProvisionForRepayment	129,785	143,006
Other	85,266	8,016
<b>Total current liabilities</b>	<b>25,914,499</b>	<b>8,910,645</b>
<b>Non-current liabilities</b>		
Long-term loans payable	44,742	10,210,200
Net defined benefit liability	111,938	135,613
Deferred tax liabilities	2,442,393	2,374,428
Other	18,563	17,463
<b>Total non-current liabilities</b>	<b>2,617,637</b>	<b>12,737,705</b>
<b>Total liabilities</b>	<b>28,532,136</b>	<b>21,648,350</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	304,166	2,153,046
Capital surplus	–	4,148,192
Retained earnings	9,145,508	11,662,700
Treasury shares	(1,036,485)	(173)
<b>Total shareholders' equity</b>	<b>8,413,190</b>	<b>17,963,766</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	9,888	199
Foreign currency translation adjustment	135,593	(838,440)
<b>Total accumulated other comprehensive income</b>	<b>145,482</b>	<b>(838,240)</b>
Subscription rights to shares	80,108	110,204
Non-controlling interests	4,518,884	4,347,664
<b>Total net assets</b>	<b>13,157,666</b>	<b>21,583,394</b>
<b>Total liabilities and net assets</b>	<b>41,689,802</b>	<b>43,231,745</b>

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

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	19,069,101	23,054,956
Cost of sales	2,204,290	3,727,283
Gross profit	16,864,810	19,327,673
Selling, general and administrative expenses	14,108,270	15,681,247
Operating profit	2,756,539	3,646,425
Non-operating income		
Interest income	10,885	9,778
Interest on securities	453	212
Share of profit of entities accounted for using equity method	781,798	863,663
Other	39,059	31,162
Total non-operating income	832,197	904,816
Non-operating expenses		
Foreign exchange losses	35,957	11,333
Interest expenses	35,738	47,999
Share issuance cost	–	29,973
Other	7,256	31,087
Total non-operating expenses	78,952	120,394
Ordinary profit	3,509,785	4,430,847
Extraordinary income		
Gain on sales of investment securities	240,038	–
Gain on sales of shares of subsidiaries and associates	–	55,963
Total extraordinary income	240,038	55,963
Extraordinary losses		
Loss on sales and retirement of non-current assets	4,853	–
Impairment loss	16,000	20,753
Loss on valuation of investment securities	83,257	–
Loss on sales of investment securities	–	20,000
Loss on sales of shares of subsidiaries and associates	18,985	151,247
Provision of allowance for doubtful accounts	50,567	–
Total extraordinary losses	173,662	192,000
Profit before income taxes	3,576,161	4,294,810
Income taxes - current	1,265,170	1,384,538
Income taxes - deferred	(98,415)	(93,825)
Total income taxes	1,166,754	1,290,712
Profit	2,409,406	3,004,097
Profit attributable to non-controlling interests	143,893	203,006
Profit attributable to owners of parent	2,265,512	2,801,090

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	2,409,406	3,004,097
Other comprehensive income		
Valuation difference on available-for-sale securities	(571)	(9,550)
Foreign currency translation adjustment	(95,369)	(1,263,573)
Share of other comprehensive income of entities accounted for using equity method	12,001	(5,643)
Total other comprehensive income	(83,939)	(1,278,767)
Comprehensive income	2,325,467	1,725,330
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,113,068	1,816,646
Comprehensive income attributable to non-controlling interests	212,398	(91,316)

## Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	304,166	–	7,249,161	(1,036,485)	6,516,843
Changes of items during period					
Issuance of new shares	–	–	–	–	–
Dividends of surplus	–	–	(283,898)	–	(283,898)
Profit attributable to owners of parent	–	–	2,265,512	–	2,265,512
Net increase (decrease) in surplus by change of consolidated scope	–	–	(23,025)	–	(23,025)
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	(62,241)	–	(62,241)
Purchase of treasury shares	–	–	–	–	–
Disposal of treasury shares	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during period	–	–	1,896,347	–	1,896,347
Balance at end of current period	304,166	–	9,145,508	(1,036,485)	8,413,190

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	10,403	287,523	297,926	47,339	61,133	6,923,242
Changes of items during period						
Issuance of new shares	–	–	–	–	–	–
Dividends of surplus	–	–	–	–	–	(283,898)
Profit attributable to owners of parent	–	–	–	–	–	2,265,512
Net increase (decrease) in surplus by change of consolidated scope	–	–	–	–	–	(23,025)
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	(62,241)
Purchase of treasury shares	–	–	–	–	–	–
Disposal of treasury shares	–	–	–	–	–	–
Net changes of items other than shareholders' equity	(514)	(151,929)	(152,444)	32,769	4,457,751	4,338,076
Total changes of items during period	(514)	(151,929)	(152,444)	32,769	4,457,751	6,234,423
Balance at end of current period	9,888	135,593	145,482	80,108	4,518,884	13,157,666

Fiscal year ended March 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	304,166	–	9,145,508	(1,036,485)	8,413,190
Changes of items during period					
Issuance of new shares	1,848,879	1,848,879	–	–	3,697,758
Dividends of surplus	–	–	(283,898)	–	(283,898)
Profit attributable to owners of parent	–	–	2,801,090	–	2,801,090
Net increase (decrease) in surplus by change of consolidated scope	–	–	–	–	–
Change in ownership interest of parent due to transactions with non-controlling interests	–	(3,272)	–	–	(3,272)
Purchase of treasury shares	–	–	–	(117)	(117)
Disposal of treasury shares	–	2,302,585	–	1,036,428	3,339,014
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during period	1,848,879	4,148,192	2,517,192	1,036,311	9,550,576
Balance at end of current period	2,153,046	4,148,192	11,662,700	(173)	17,963,766

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	9,888	135,593	145,482	80,108	4,518,884	13,157,666
Changes of items during period						
Issuance of new shares	–	–	–	–	–	3,697,758
Dividends of surplus	–	–	–	–	–	(283,898)
Profit attributable to owners of parent	–	–	–	–	–	2,801,090
Net increase (decrease) in surplus by change of consolidated scope	–	–	–	–	–	–
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	(3,272)
Purchase of treasury shares	–	–	–	–	–	(117)
Disposal of treasury shares	–	–	–	–	–	3,339,014
Net changes of items other than shareholders' equity	(9,688)	(974,034)	(983,723)	30,095	(171,220)	(1,124,847)
Total changes of items during period	(9,688)	(974,034)	(983,723)	30,095	(171,220)	8,425,728
Balance at end of current period	199	(838,440)	(838,240)	110,204	4,347,664	21,583,394



## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	3,576,161	4,294,810
Depreciation	557,450	876,573
Amortization of goodwill	425,672	640,164
Loss (gain) on sales and retirement of non-current assets	4,853	–
Impairment loss	16,000	20,753
Loss (gain) on sales of investment securities	(240,038)	20,000
Loss (gain) on valuation of investment securities	83,257	–
Loss (gain) on sales of shares of subsidiaries and associates	18,985	95,283
Share of (profit) loss of entities accounted for using equity method	(219,277)	(681,601)
Increase (decrease) in allowance for doubtful accounts	25,804	(37,576)
Increase (decrease) in provision for bonuses	132,142	(46,422)
Increase/Decrease/In/Provision/For/Repayment/Op/CF	(6,050)	13,221
Increase (decrease) in net defined benefit liability	22,303	23,675
Foreign exchange losses (gains)	35,957	11,333
Decrease (increase) in notes and accounts receivable - trade	(262,710)	(10,293)
Increase (decrease) in accrued consumption taxes	(277,234)	141,372
Decrease (increase) in accounts receivable - other	(584,976)	(599,537)
Decrease (increase) in prepaid expenses	33,585	(20,093)
Increase (decrease) in advances received	(103,575)	13,612
Increase (decrease) in accounts payable - other	243,886	821,582
Decrease (increase) in lease and guarantee deposits	(29,032)	(122,625)
Other, net	103,854	(284,785)
Subtotal	3,557,017	5,169,447
Interest and dividend income received	10,669	10,578
Interest expenses paid	(35,947)	(48,289)
Income taxes paid	(1,287,252)	(1,211,804)
Net cash provided by (used in) operating activities	2,244,486	3,919,932
Cash flows from investing activities		
Payments into time deposits	(116,512)	(1,199,655)
Proceeds from withdrawal of time deposits	–	655,145
Purchase of property, plant and equipment	(129,952)	(67,157)
Purchase of intangible assets	(772,738)	(815,185)
Proceeds from sales of investment securities	502,341	13,647
Purchase of investment securities	(8,330)	(40,387)
Payments of loans receivable	(37,680)	(38,500)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	381,892
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(17,907,051)	–
Other, net	68,020	76,620
Net cash provided by (used in) investing activities	(18,401,902)	(1,033,579)

(Thousands of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Increase in short-term loans payable	19,004,038	–
Decrease in short-term loans payable	(1,588)	(19,000,000)
Proceeds from long-term loans payable	–	12,012,000
Repayments of long-term loans payable	(13,007)	(600,600)
Proceeds from issuance of common shares	–	3,679,747
Proceeds from sales of treasury shares	–	3,324,989
Cash dividends paid	(282,744)	(289,268)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(42,114)	(3,311)
Other, net	(8,330)	1,118
Net cash provided by (used in) financing activities	18,656,253	(875,324)
Effect of exchange rate change on cash and cash equivalents	(54,803)	(17,402)
Net increase (decrease) in cash and cash equivalents	2,444,033	1,993,626
Cash and cash equivalents at beginning of period	2,694,008	5,147,343
Increase in cash and cash equivalents from newly consolidated subsidiary	9,301	–
Cash and cash equivalents at end of period	5,147,343	7,140,969