

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (Based on Japanese GAAP)

January 31, 2019

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 to file Quarterly Securities Report: February 13, 2019
 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, 2018 (from April 1, 2018 to December 31, 2018)

(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, 2018	22,024	14.5	2,282	(1.1)	3,363	11.6	2,390	17.1
Nine months ended December 31, 2017	19,228	15.0	2,306	(1.1)	3,014	(1.0)	2,040	13.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	27.51		27.38	
Nine months ended December 31, 2017	23.51		23.42	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	47,881	14,130	29.2
As of March 31, 2018	46,087	23,641	41.8

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, 2018	–	0.00	–	6.50	6.50
Year ending March 31, 2019	–	0.00	–		
Year ending March 31, 2019 (Forecast)				–	–

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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	32,273	21.3	4,827	20.0	5,803	15.9	3,905	16.2	44.93

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2018
(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: Yes
 - 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, 2018	86,998,800 shares	As of March 31, 2018	86,842,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	372 shares	As of March 31, 2018	310 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, 2018	86,913,833 shares	Nine months ended December 31, 2017	86,807,612 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	9,515	10,674
Accounts receivable - trade	4,308	3,635
Merchandise and finished goods	50	50
Work in process	29	23
Supplies	20	48
Accounts receivable - other	3,474	4,602
Income taxes receivable	–	236
Prepaid expenses	571	735
Other	12	24
Allowance for doubtful accounts	(224)	(92)
Total current assets	17,759	19,938
Non-current assets		
Property, plant and equipment		
Buildings	413	468
Accumulated depreciation	(252)	(252)
Buildings, net	160	216
Tools, furniture and fixtures	687	753
Accumulated depreciation	(454)	(518)
Tools, furniture and fixtures, net	233	235
Machinery, equipment and vehicles	39	41
Accumulated depreciation	(27)	(33)
Machinery, equipment and vehicles, net	11	7
Total property, plant and equipment	405	460
Intangible assets		
Goodwill	11,539	10,983
Software	1,382	1,262
Trademark right	9,412	9,460
Customer-related assets	2,368	2,197
Other	0	0
Total intangible assets	24,703	23,904
Investments and other assets		
Investment securities	1,721	1,879
Deferred tax assets	730	774
Lease and guarantee deposits	746	891
Other	20	33
Total investments and other assets	3,219	3,578
Total non-current assets	28,328	27,943
Total assets	46,087	47,881

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	292	254
Short-term loans payable	8	–
Current portion of long-term loans payable	1,395	2,493
Accounts payable - other	5,061	6,490
Accrued expenses	289	674
Income taxes payable	1,068	231
Accrued consumption taxes	406	304
Advances received	1,183	1,390
Deposits received	70	42
Provision for bonuses	445	387
ProvisionForRepayment	153	193
Other	22	18
Total current liabilities	10,400	12,480
Non-current liabilities		
Long-term loans payable	9,690	18,844
Net defined benefit liability	160	262
Deferred tax liabilities	2,175	2,141
Other	19	21
Total non-current liabilities	12,046	21,270
Total liabilities	22,446	33,751
Net assets		
Shareholders' equity		
Capital stock	2,167	2,208
Capital surplus	3,965	13
Retained earnings	14,545	13,148
Treasury shares	(0)	(0)
Total shareholders' equity	20,677	15,370
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(1,423)	(1,398)
Total accumulated other comprehensive income	(1,423)	(1,397)
Share acquisition rights	135	157
Non-controlling interests	4,252	–
Total net assets	23,641	14,130
Total liabilities and net assets	46,087	47,881

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, 2017	Nine months ended December 31, 2018
Net sales	19,228	22,024
Cost of sales	2,337	2,532
Gross profit	16,890	19,491
Selling, general and administrative expenses	14,583	17,209
Operating profit	2,306	2,282
Non-operating income		
Share of profit of entities accounted for using equity method	723	1,176
Other	23	40
Total non-operating income	747	1,217
Non-operating expenses		
Foreign exchange losses	–	35
Interest expenses	36	45
Arrangement fee	–	46
Other	2	9
Total non-operating expenses	39	136
Ordinary profit	3,014	3,363
Extraordinary income		
Gain on sales of non-current assets	4	1
Gain on liquidation of subsidiaries	–	3
Total extraordinary income	4	5
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	28	–
Loss on sales and retirement of non-current assets	2	49
Loss on business withdrawal	12	158
Total extraordinary losses	43	208
Profit before income taxes	2,976	3,160
Income taxes	970	795
Profit	2,006	2,365
Loss attributable to non-controlling interests	(34)	(25)
Profit attributable to owners of parent	2,040	2,390

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	2,006	2,365
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(723)	33
Share of other comprehensive income of entities accounted for using equity method	(26)	(0)
Total other comprehensive income	(749)	33
Comprehensive income	1,256	2,398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,560	2,416
Comprehensive income attributable to non-controlling interests	(303)	(17)