

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2019 (Based on Japanese GAAP)

July 30, 2019

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, 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 three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(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, 2019	9,379	16.3	1,433	4.2	2,321	11.0	1,799	9.4
Three months ended June 30, 2018	8,067	14.1	1,376	(13.1)	2,090	3.7	1,644	13.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2019	20.69		20.60	
Three months ended June 30, 2018	18.94		18.85	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	50,538	16,716	32.7
As of March 31, 2019	47,467	15,539	32.4

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, 2019	–	0.00	–	7.50	7.50
Year ending March 31, 2020	–	–	–	–	–
Year ending March 31, 2020 (Forecast)	–	0.00	–	–	–

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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, 2019	18,358	22.1	2,586	32.4	3,529	21.5	2,577	19.5	29.63
Full year	37,557	21.8	5,623	18.6	6,854	14.6	5,065	20.1	58.22

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2019
 (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 June 30, 2019	86,998,800 shares	As of March 31, 2019	86,998,800 shares
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Number of treasury shares at the end of the period

As of June 30, 2019	418 shares	As of March 31, 2019	372 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, 2019	86,998,397 shares	Three months ended June 30, 2018	86,841,690 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	10,703	13,600
Accounts receivable - trade	4,323	3,853
Merchandise and finished goods	1	1
Work in process	13	27
Supplies	36	42
Accounts receivable - other	4,478	5,108
Prepaid expenses	634	785
Other	46	165
Allowance for doubtful accounts	(114)	(112)
Total current assets	20,123	23,471
Non-current assets		
Property, plant and equipment		
Buildings	459	563
Accumulated depreciation	(276)	(286)
Buildings, net	183	276
Tools, furniture and fixtures	749	804
Accumulated depreciation	(498)	(533)
Tools, furniture and fixtures, net	251	271
Machinery, equipment and vehicles	42	28
Accumulated depreciation	(30)	(18)
Machinery, equipment and vehicles, net	12	9
Right-of-use assets	–	113
Accumulated depreciation	–	(11)
Right-of-use assets, net	–	101
Total property, plant and equipment	447	658
Intangible assets		
Goodwill	10,574	10,393
Software	1,174	1,247
Trademark right	9,246	9,245
Customer-related assets	2,088	2,028
Other	0	0
Total intangible assets	23,083	22,914
Investments and other assets		
Investment securities	2,048	1,661
Deferred tax assets	855	861
Leasehold and guarantee deposits	880	945
Other	30	25
Total investments and other assets	3,814	3,493
Total non-current assets	27,344	27,067
Total assets	47,467	50,538

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	353	321
Current portion of long-term borrowings	2,487	2,490
Accounts payable - other	6,064	7,339
Accrued expenses	529	814
Income taxes payable	623	111
Accrued consumption taxes	435	433
Advances received	583	936
Deposits received	78	630
Provision for bonuses	481	285
ProvisionForRepayment	227	311
Other	24	92
Total current liabilities	11,891	13,767
Non-current liabilities		
Long-term borrowings	17,632	17,591
Retirement benefit liability	311	335
Deferred tax liabilities	2,078	2,064
Other	13	63
Total non-current liabilities	20,037	20,054
Total liabilities	31,928	33,822
Net assets		
Shareholders' equity		
Share capital	2,208	2,208
Capital surplus	13	13
Retained earnings	14,971	16,119
Treasury shares	(0)	(0)
Total shareholders' equity	17,193	18,340
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(1,834)	(1,825)
Total accumulated other comprehensive income	(1,833)	(1,825)
Share acquisition rights	179	201
Total net assets	15,539	16,716
Total liabilities and net assets	47,467	50,538

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, 2018	Three months ended June 30, 2019
Net sales	8,067	9,379
Cost of sales	823	835
Gross profit	7,244	8,544
Selling, general and administrative expenses	5,867	7,110
Operating profit	1,376	1,433
Non-operating income		
Share of profit of entities accounted for using equity method	719	919
Other	9	16
Total non-operating income	728	936
Non-operating expenses		
Interest expenses	13	25
Foreign exchange losses	–	20
Other	1	1
Total non-operating expenses	14	48
Ordinary profit	2,090	2,321
Extraordinary income		
Gain on sales of non-current assets	1	–
Total extraordinary income	1	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	–
Total extraordinary losses	0	–
Profit before income taxes	2,092	2,321
Income taxes	539	521
Profit	1,553	1,799
Loss attributable to non-controlling interests	(91)	–
Profit attributable to owners of parent	1,644	1,799

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	1,553	1,799
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(1,221)	8
Share of other comprehensive income of entities accounted for using equity method	(9)	0
Total other comprehensive income	(1,230)	8
Comprehensive income	322	1,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	658	1,807
Comprehensive income attributable to non-controlling interests	(336)	—