

SMS CO., LTD.

(Securities Code: 2175 / TSE1)

Presentation Material for Investors

Financial Results Summary for the First Quarter of
the Fiscal Year Ending March 31, 2018 (the 15th Fiscal Year)

July 28, 2017



SMS
Best matching Best value

1	Q1 FY03/18 Consolidated Financial Results	P3-P10
2	Appendix	P12-P49

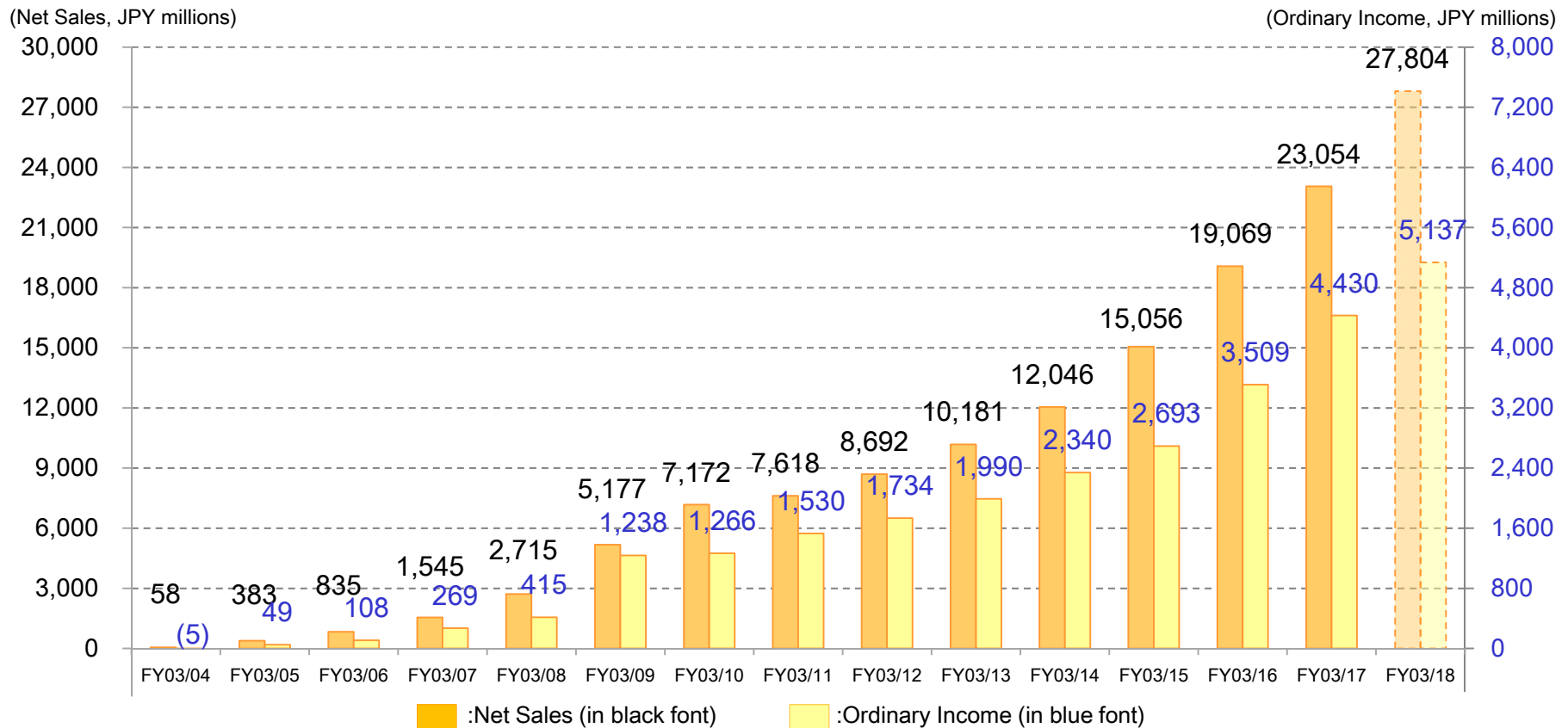
1**Q1 FY03/18 Consolidated Financial Results****P3-P10****2****Appendix****P12-P49**

1 Historical Financial Results and FY03/18 Forecasts



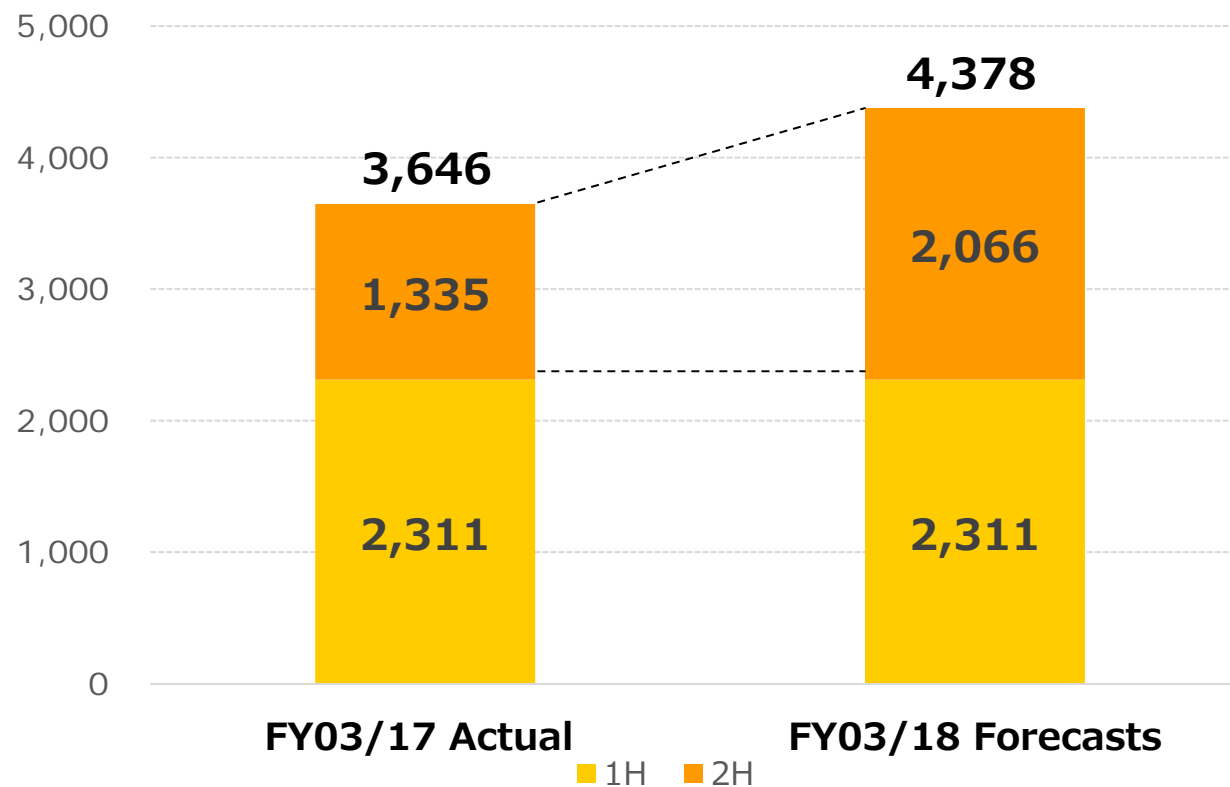
✓ Expects to achieve growth in both net sales and ordinary income for the 14th consecutive year since our establishment.

Trends in net sales and ordinary income



- ✓ Expects operating income flat in 1H and increasing in 2H YoY .
- ✓ Plans to increase the number of new hires for Career Segment in 1H (especially during Q1).

Operating Income Comparison of FY 03/17 Actual and FY03/18 Forecasts



- ✓ Net sales increased, and incomes decreased YoY due to the increase in the number of new hires as mentioned.
- ✓ Net sales and incomes have been in line with the forecasts as planned.

P/L Statement [¥ million]

	Q1 FY03/17 Actual	Q1 FY03/18 Actual	YoY Change
Net Sales	6,618	7,073	+7%
Operating Income	1,668	1,584	▲5%
Ordinary Income	2,165	2,015	▲7%
Net Income	1,570	1,444	▲8%

1 Career Segment (Q1)

- ✓ Net sales increased 12% YoY.
- ✓ Grew steadily as planned.

Year-on-Year Comparison of Net Sales [¥ million]

	Q1 FY03/17	Q1 FY03/18	YoY Change
Elderly Care Career	1,169	1,425	+22%
Medical Care Career	3,404	3,702	+9%
Total	4,574	5,127	+12%

Highlights

- Elderly Care Career has been growing significantly.
 - Recruiting Agent for care workers has been growing significantly by increasing the number of consultants.
 - Recruiting Agent for rehabilitations has been growing significantly.
- Medical Care Career has been growing steadily.
 - Recruiting Agent for nurses has been growing steadily.

1 Elderly Care Operators Segment (Kaipoke,Q1)

- ✓ Net sales increased 17% YoY.
- ✓ Grew steadily as planned.

Year-on-Year Comparison of Net Sales [¥ million]

	Q1 FY03/17	Q1 FY03/18	YoY Change
Elderly Care Operators	664	780	+17%

Highlights

- The number of Kaipoke membership locations has been increasing steadily.
 - The number of the membership has increased by 450 locations.
(As of April, 2017: 13,500 → As of July, 2017: 13,950)

1 Overseas Segment (Q1)

- ✓ Net sales decreased YoY, but progressed in line with the forecasts, due to the sell-offs of overseas businesses in the previous fiscal year and the difference of the sales recording timing in MIMS from the previous fiscal year.

Year-on-Year Comparison of Net Sales [¥ million]

	FY03/17	FY03/18	YoY Change
Overseas	968	789	▲18%

Highlights

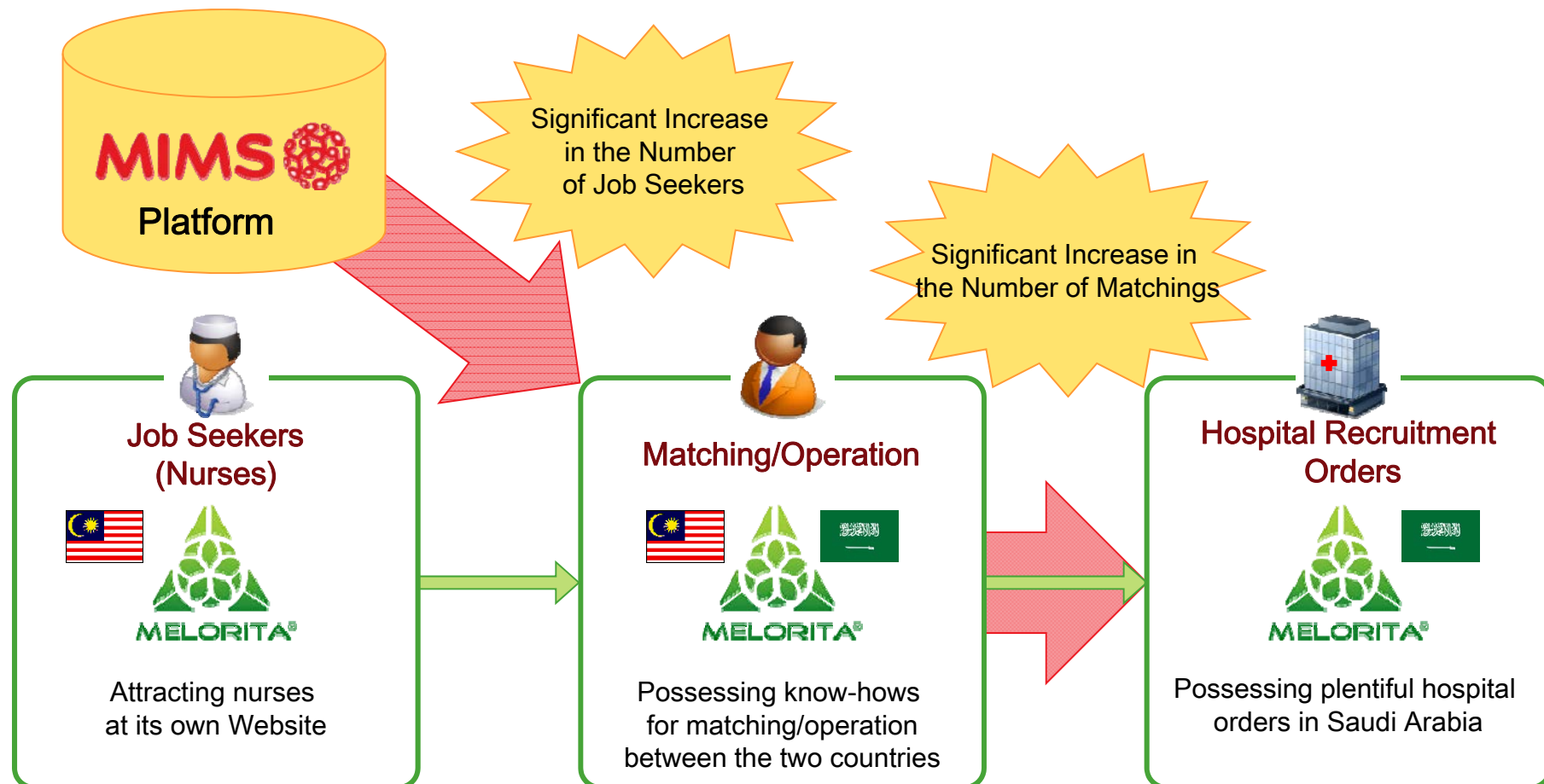
- Net sales of the Overseas Segment decreased YoY, but progressed in line with the forecasts.
 - The sell-offs of businesses such as eChannelling (Sri Lanka) as part of the overseas portfolio restructuring conducted in the previous fiscal year, resulted in the YoY net sales decrease.
 - As MIMS Book publications are scheduled more in Q2 and beyond compared to the previous fiscal year, net sales of Q1 decreased YoY.
 - Global career business has started on a full scale and acquired Melorita in June 2017.

1 Global Career Business Strategy

- ✓ Full-scale expansion starts in FY03/18, leveraging the strong healthcare professional (HCP) platform of MIMS.
- ✓ Establish a dominant position as HCP supply platform.



- ✓ Acquired Melorita, a company introducing Malaysian nurses to hospitals in Saudi Arabia.
- ✓ MIMS HCP platform enables Melorita to accomplish further growth by making full use of its plentiful hospital recruitment orders in Saudi Arabia.



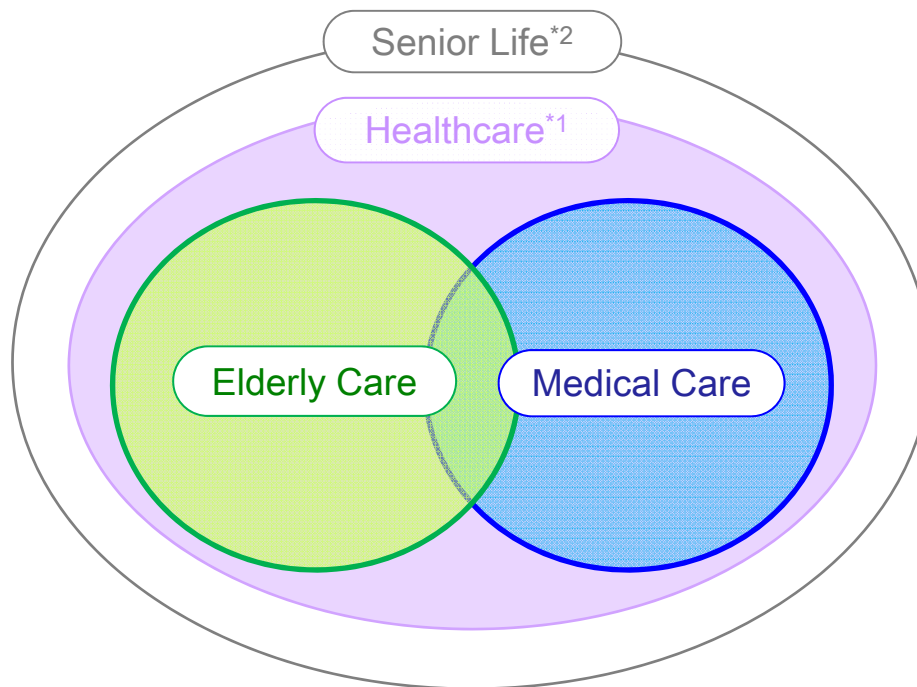
1	Q1 FY03/18 Consolidated Financial Results	P3-P10
2	Appendix	P12-P49

We create value and contribute to society by providing an “information infrastructure for an aging society.”

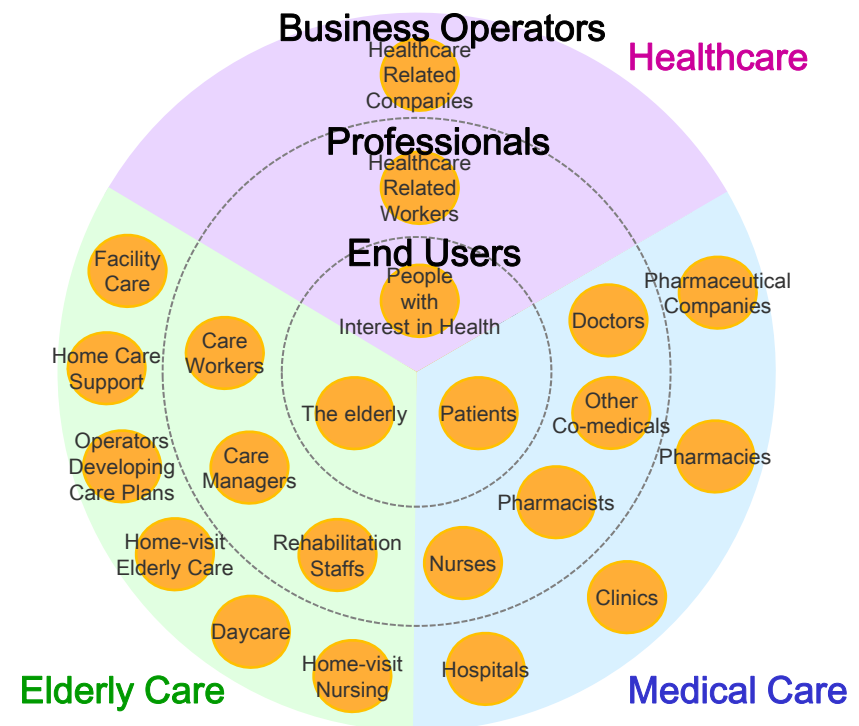
2 Market Segments and Stakeholders

- ✓ Provide an information infrastructure which fills in information gaps among stakeholders in an aging society.

Market segments in an aging society



Stakeholders covered by an information infrastructure



2 Overseas Operations

- ✓ Started our businesses and have already established strong positions with high growth potential in Japan.
- ✓ Expanding our businesses into the growing Asian*¹ markets.



■ Asia



Japan



Thailand



Korea



Malaysia



China



Indonesia



Hong Kong



Vietnam



Singapore



Myanmar



Philippines



India

■ Oceania



Australia

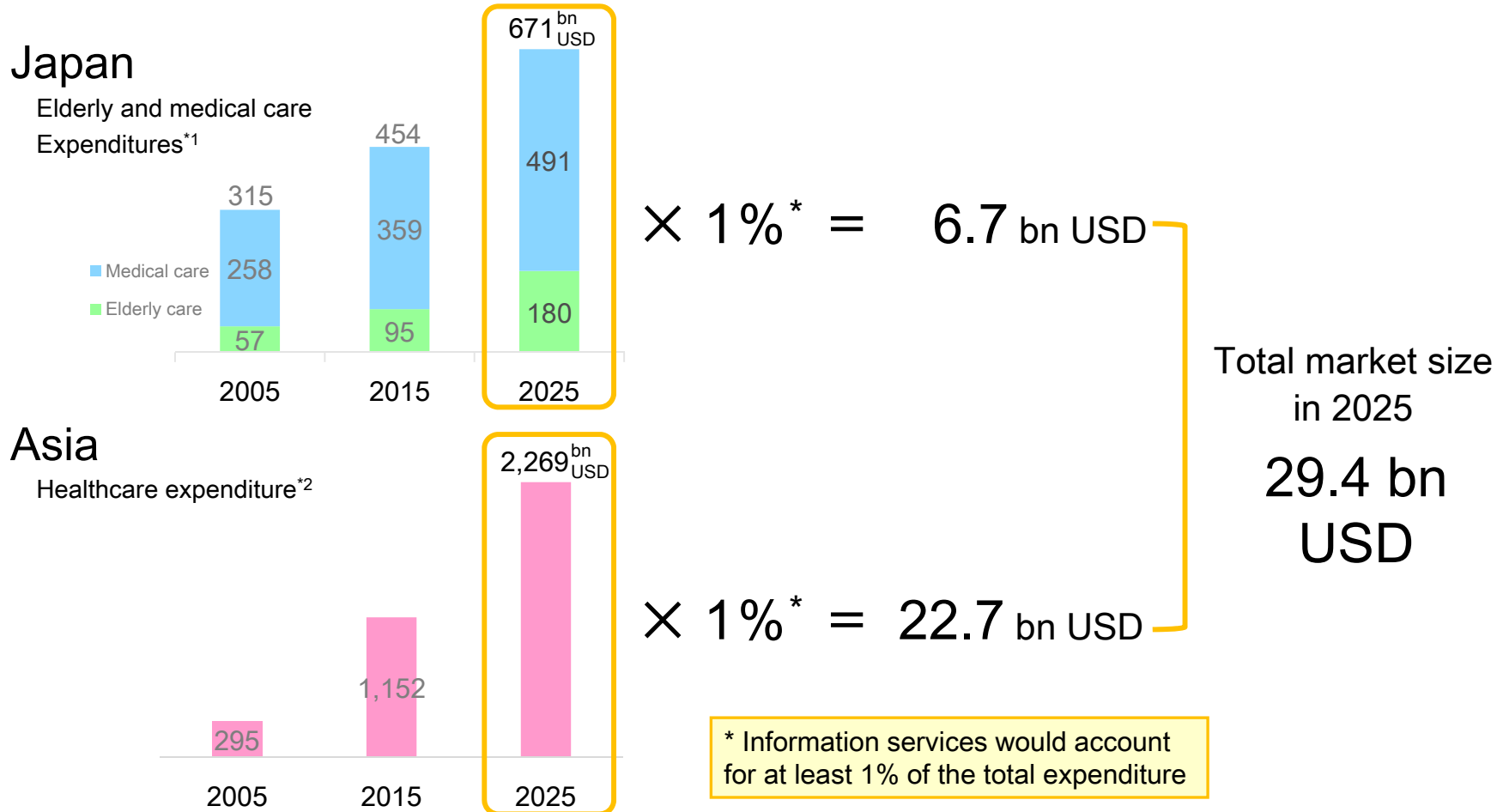


New Zealand

2 Size of Our Target Market

- ✓ Healthcare related expenditures continue to rise both in Japan and Asia.
- ✓ In 2025, the size of our target market will be at least over \$29.4 billion in Japan and Asia.

Market size of healthcare related information services in Japan and Asia (USD billions)



- ✓ Our growth so far has been driven by Career Businesses.
- ✓ Kaipoke and Overseas Businesses have been growing as the second and the third pillars of our business portfolio.

Strategic Units

Career Businesses

- No.1 player in the market of elderly and medical care recruiting services



Kaipoke

- The only player providing cloud-based business support service for elderly care operators



Overseas Businesses (MIMS)

- Led by the MIMS group that SMS acquired in October 2015
- MIMS is No.1 drug information service provider in Asia

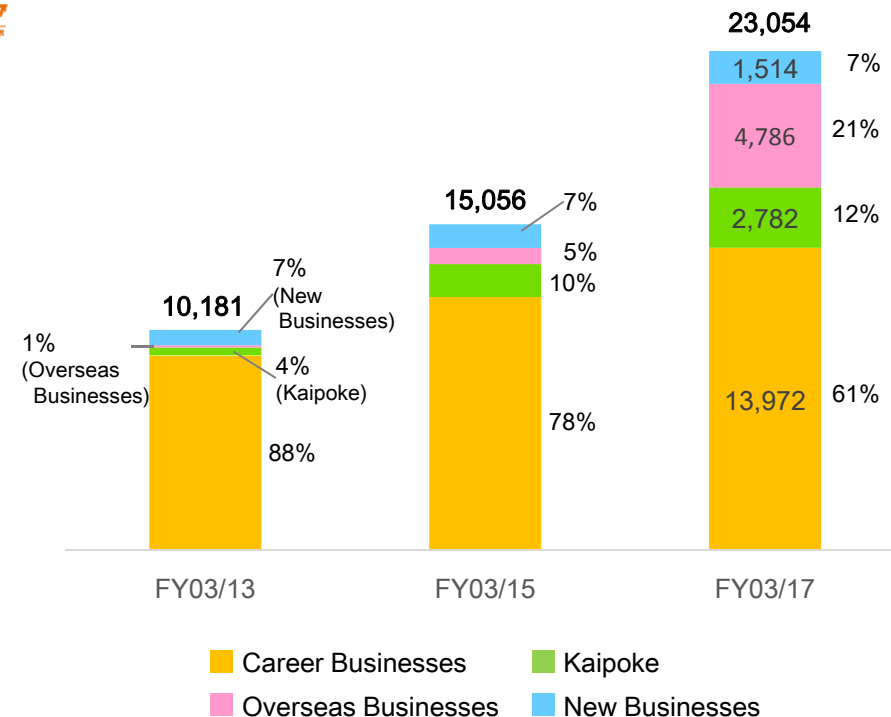


New Businesses

- Developing a series of new businesses

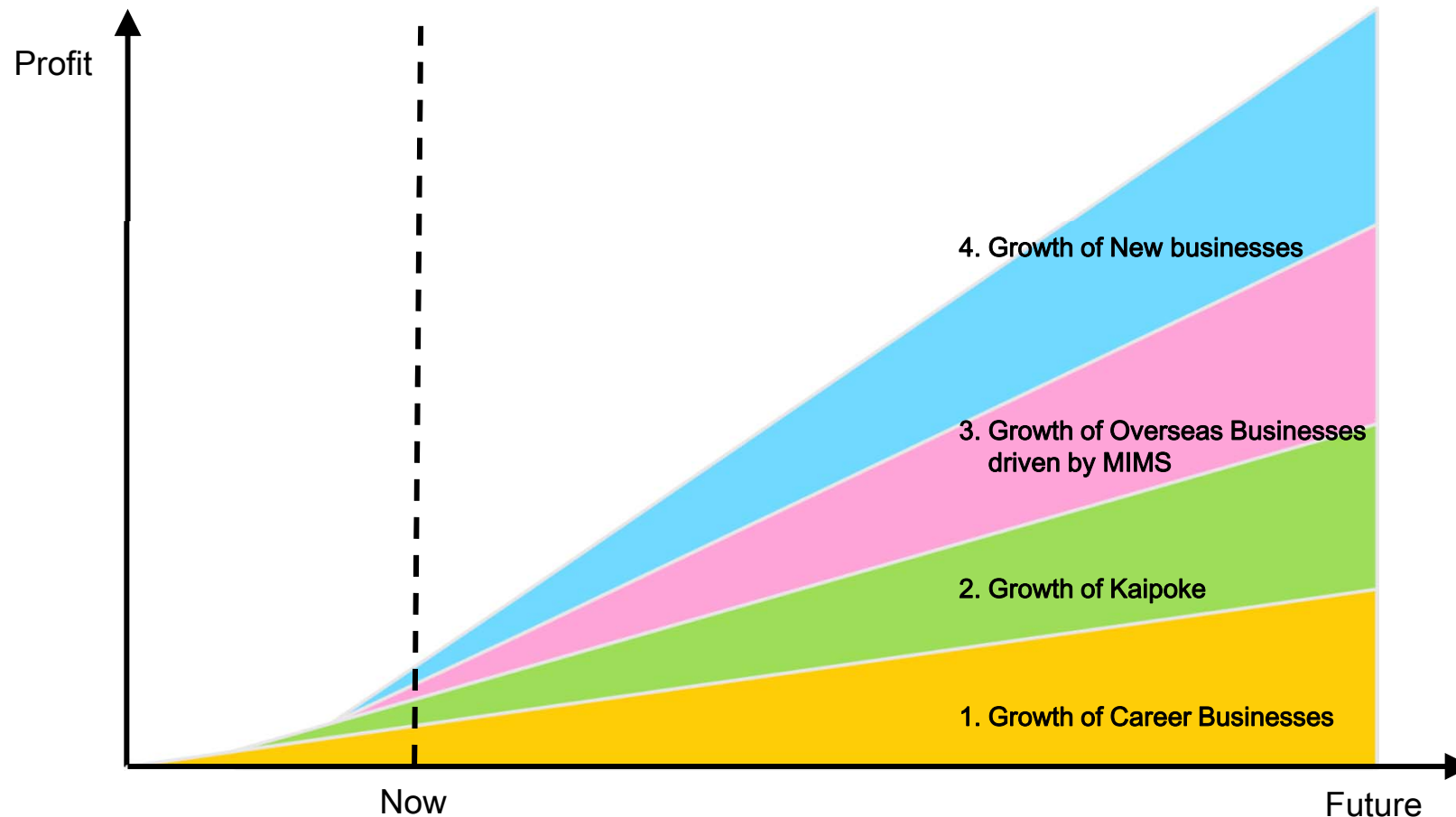
Breakdown of Net Sales

(JPY millions)



2 Growth Scenario

- ✓ On top of the Career Businesses' stable growth, accelerate Kaipoke's growth and put MIMS on the growth track.
- ✓ Develop a series of new businesses to create the next pillars of our businesses, which will further drive our growth in the future.

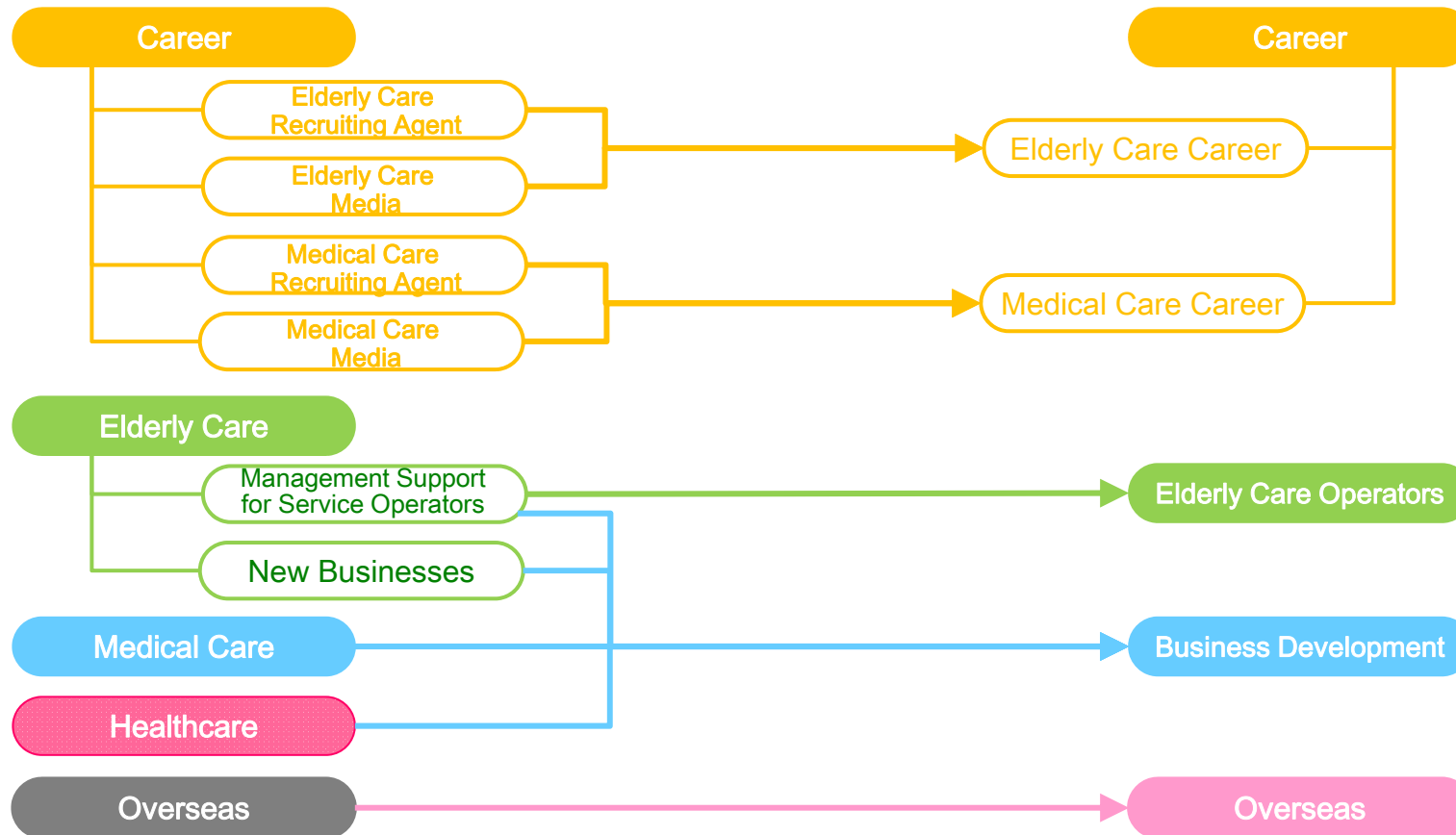


2 Changes in Disclosed Segments

✓ Change the disclosed segments based on the strategy.

Former disclosed segments

New disclosed segments

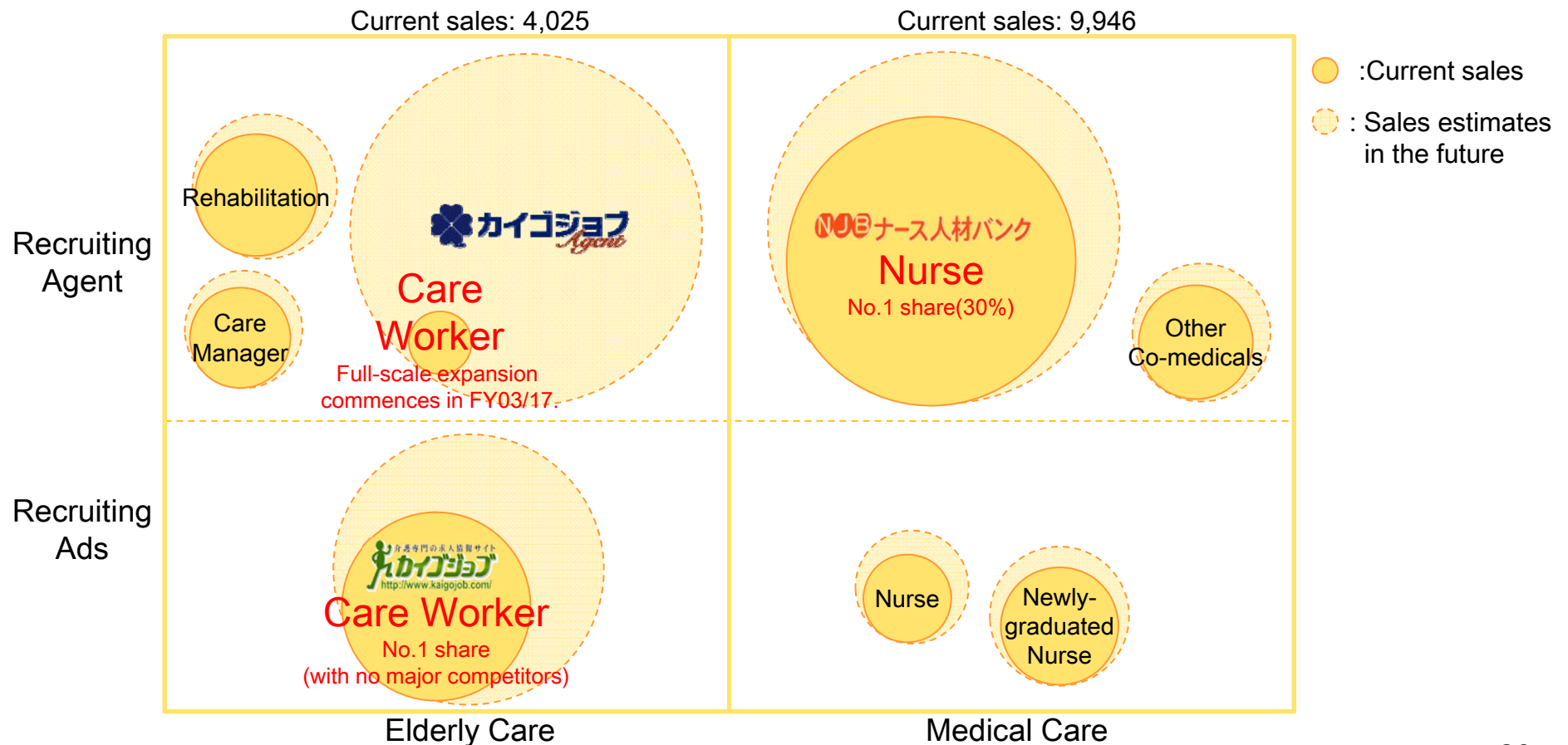


Career Businesses

- ✓ The size of our Recruiting Agent for nurses is already considerable, and it continues to grow.
- ✓ Care workers contribute to our growth via not only Recruiting Ads but also Recruiting Agent.

Our current and future sales by segment*1*2

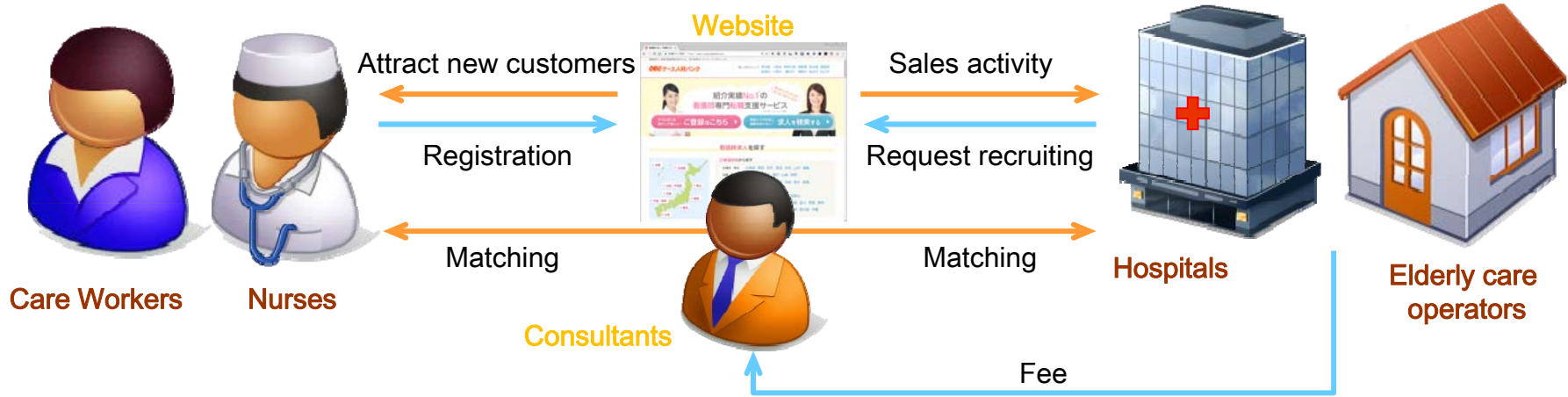
(JPY millions)



© Copyright SMS CO.,LTD. *1. The figures of "Current sales" are actual figures of FY03/2017. *2. Career businesses for doctors and pharmacists are operated by M3 Career, Inc. which is a joint venture between M3, Inc. (51%) and SMS(49%).

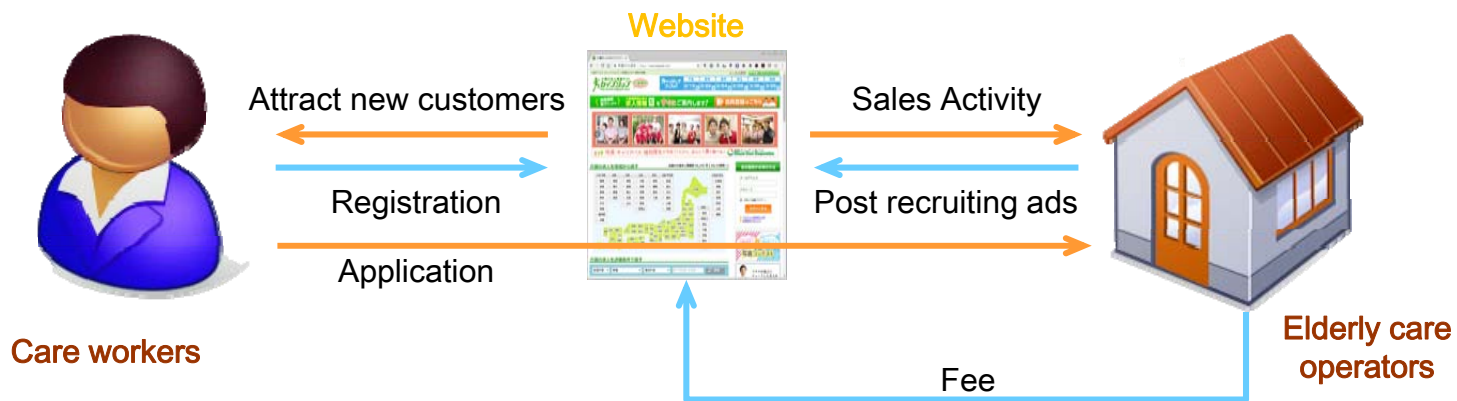
Business model of Recruiting Agent

Receive a certain percentage of an annual salary from a hiring business operator as a fee when an applicant joins it.



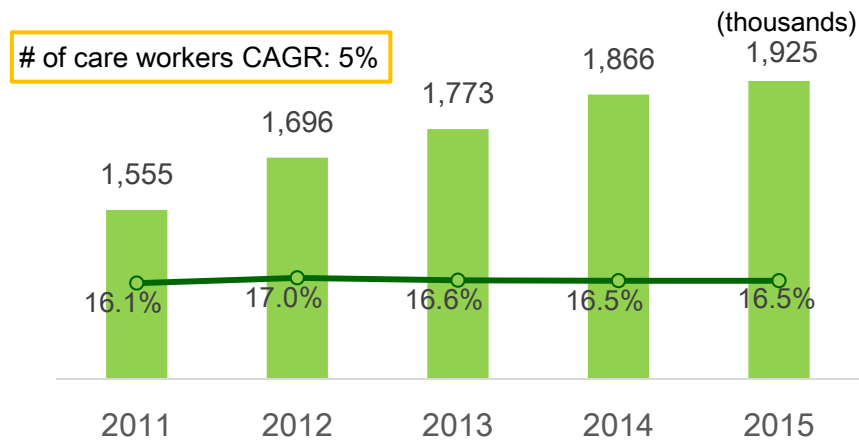
Business model of Recruiting Ads

Receive a fee for each application for a job via our Recruiting Ads

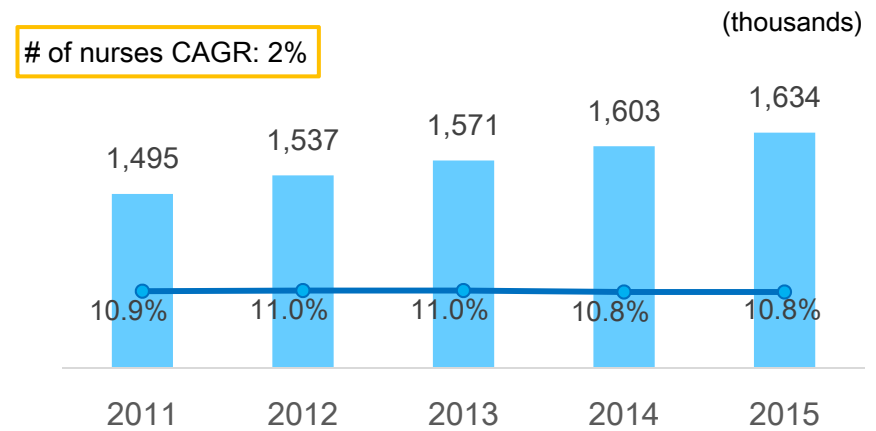


✓ Labor shortages continue to be a serious issue despite an increase in both care workers and nurses.

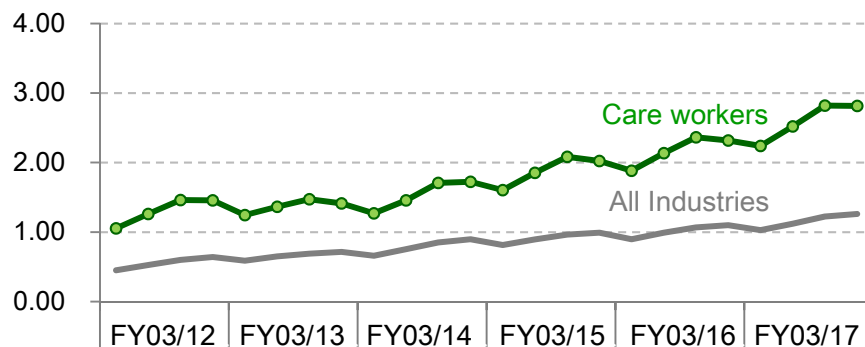
Number of care workers and their turnover rate*1



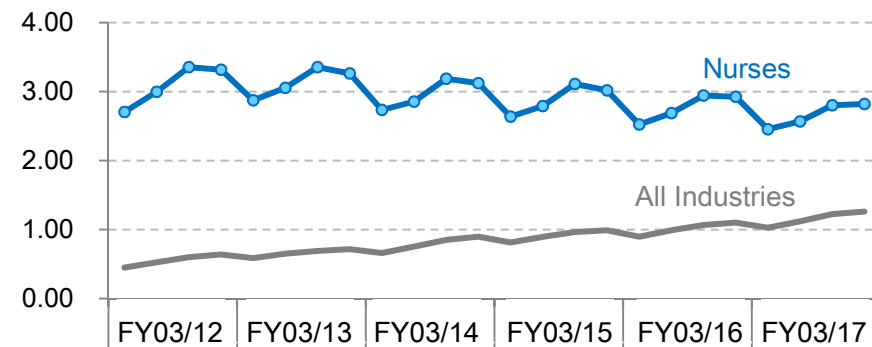
Number of nurses and their turnover rate*3



Jobs-to-applicants ratio of care workers*2



Jobs-to-applicants ratio of nurses*2



2 Our Strengths

- ✓ As a pioneer, created these attractive markets and continue to lead them going forward as No.1 player.
- ✓ With strong competitive advantages in attracting customers and receiving orders, create a virtuous cycle that draws more job seekers and business operators.

Job seekers

Our customers are:
(percentage of registered members for our services among the number of people who change their jobs annually)

Nurses
Over 100%
(Recruiting Agent)

Care workers
40%
(Recruiting Ads)

Accumulated online marketing know-how by conducting it in house*1.

Created the market as a pioneer
and
lead the market as No.1 player

Nurse
No.1 share with 30%
(Recruiting Agent)

NOB
ナース人材バンク

Care worker
No.1 share with no major competitors
(Recruiting Ads)

カイジョブ
介護専門の求人情報サイト
<http://www.kaigojob.com/>

Operators

We receive orders from:

Hospitals
70%
(Recruiting Agent)

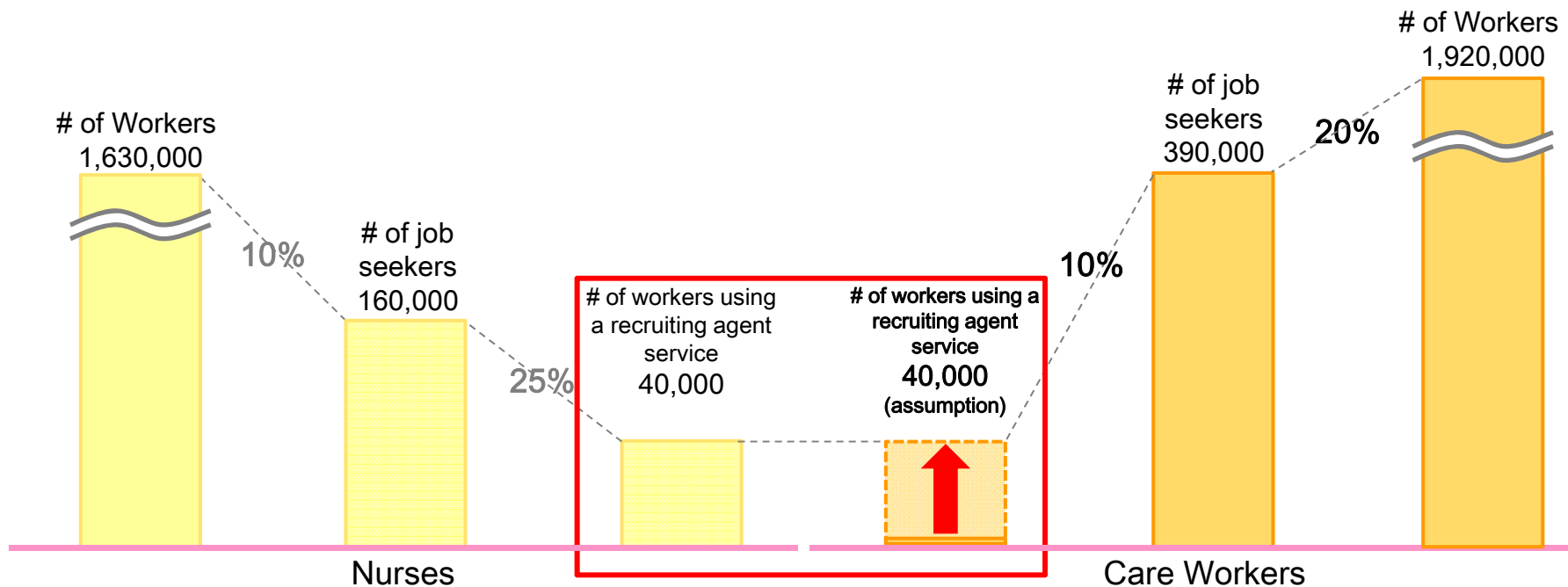
**Major elderly
care operators**
50%
(Recruiting Ads)

Developed strong relationship
with operators and their
heavy dependence on us

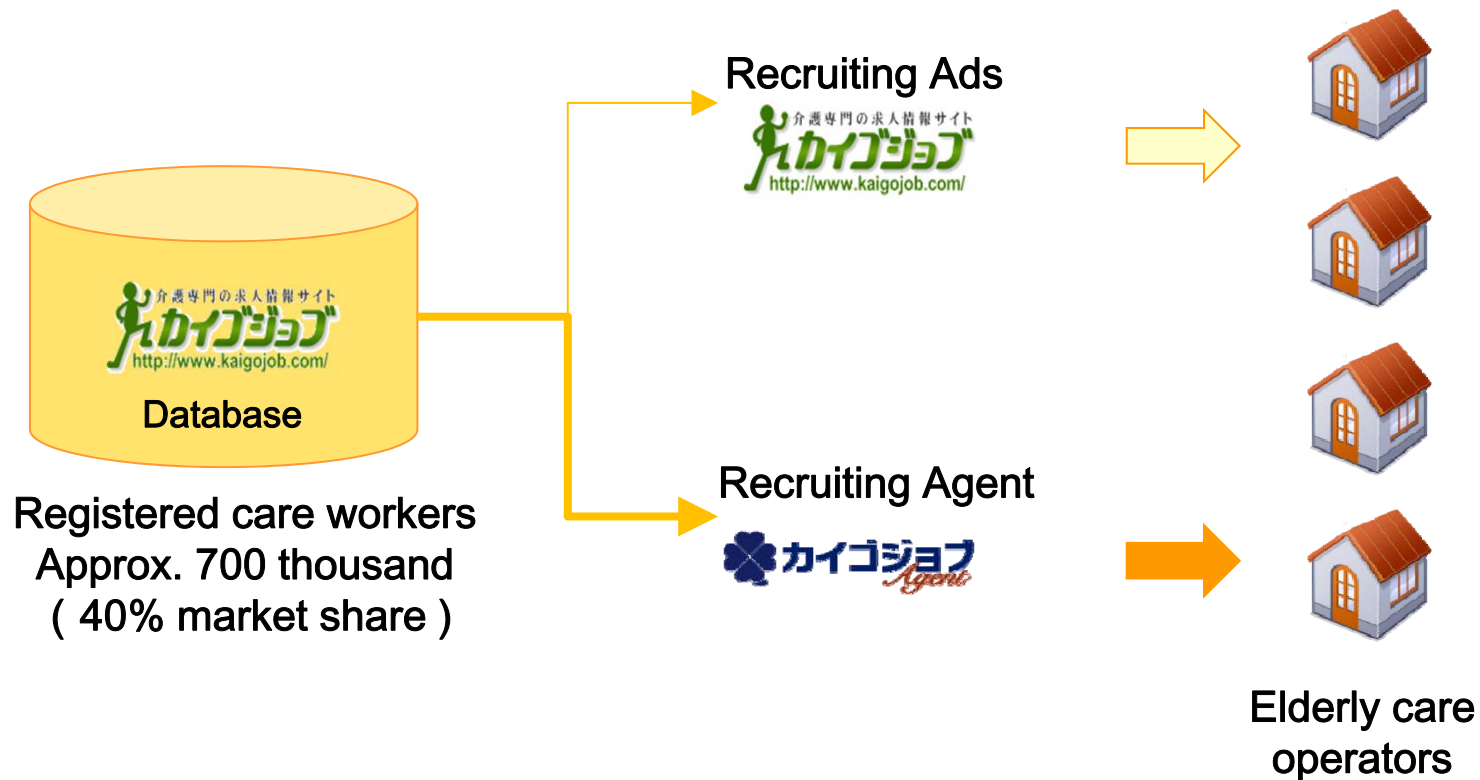
2 Market Potential of Recruiting Agent for Care Workers

- ✓ Market size of Recruiting Agent for care workers is expected to become as large as that of nurses.

Potential number of users of care worker recruiting services*1



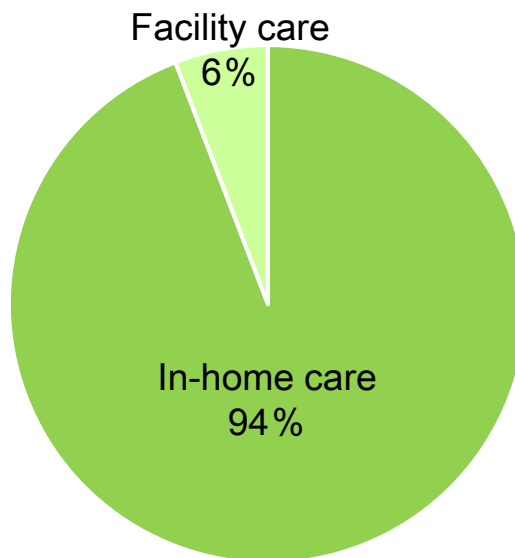
- ✓ Develop Recruiting Agent for care workers on a full scale. Create markets and achieve significant growth by leveraging our database of 700,000 registered care works.
- ✓ A high unit price of Recruiting Agent will bring high profitability.



Kaipoke

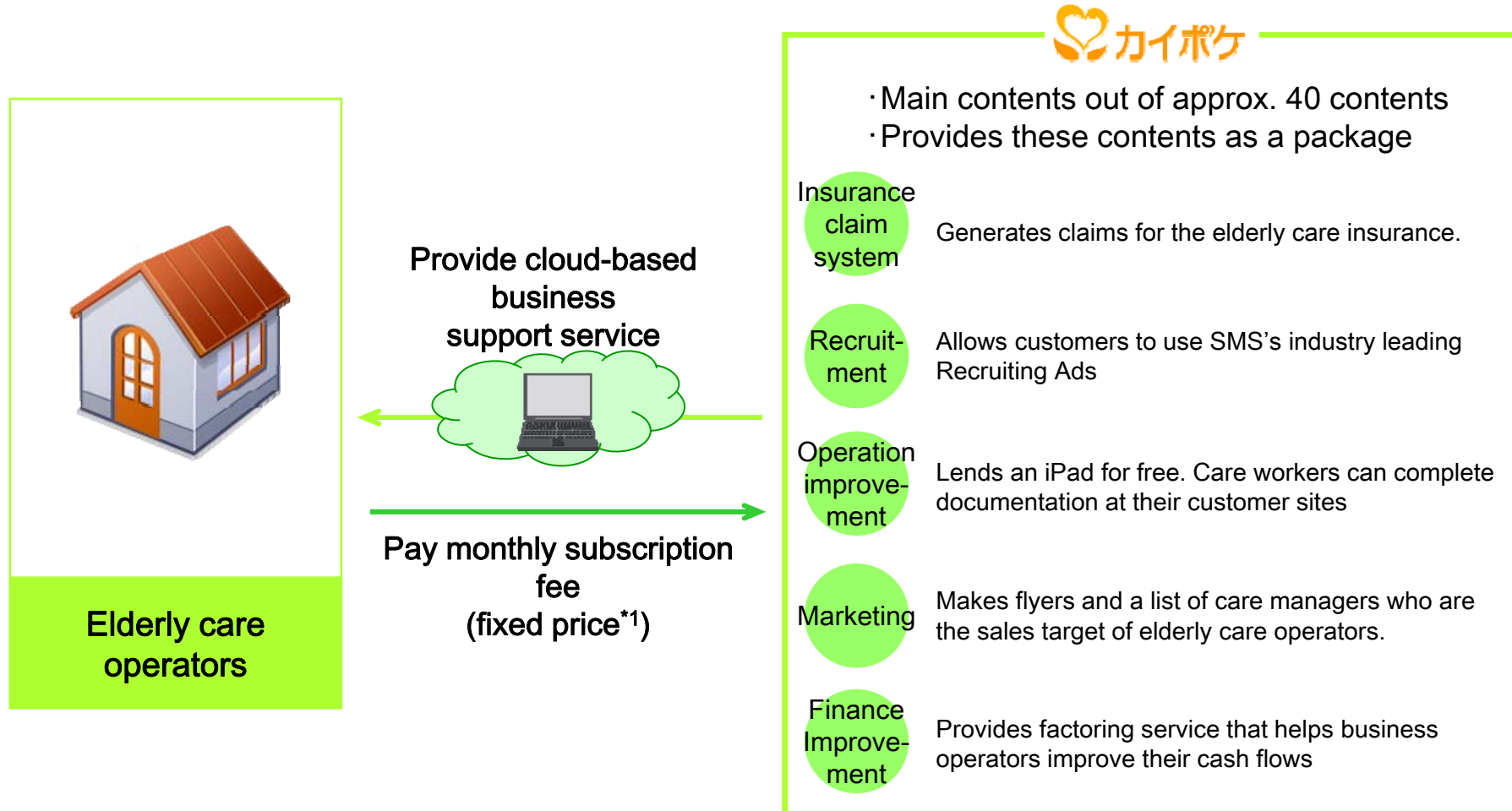
- ✓ In-home care services are the mainstream of elderly care in Japan.
- ✓ Kaipoke's main target is the in-home care operators.
- ✓ 90% of elderly care costs is covered by the public elderly care insurance.

Proportion of in-home care operators and facility care operators (%) *1



Types of in-home elderly care services

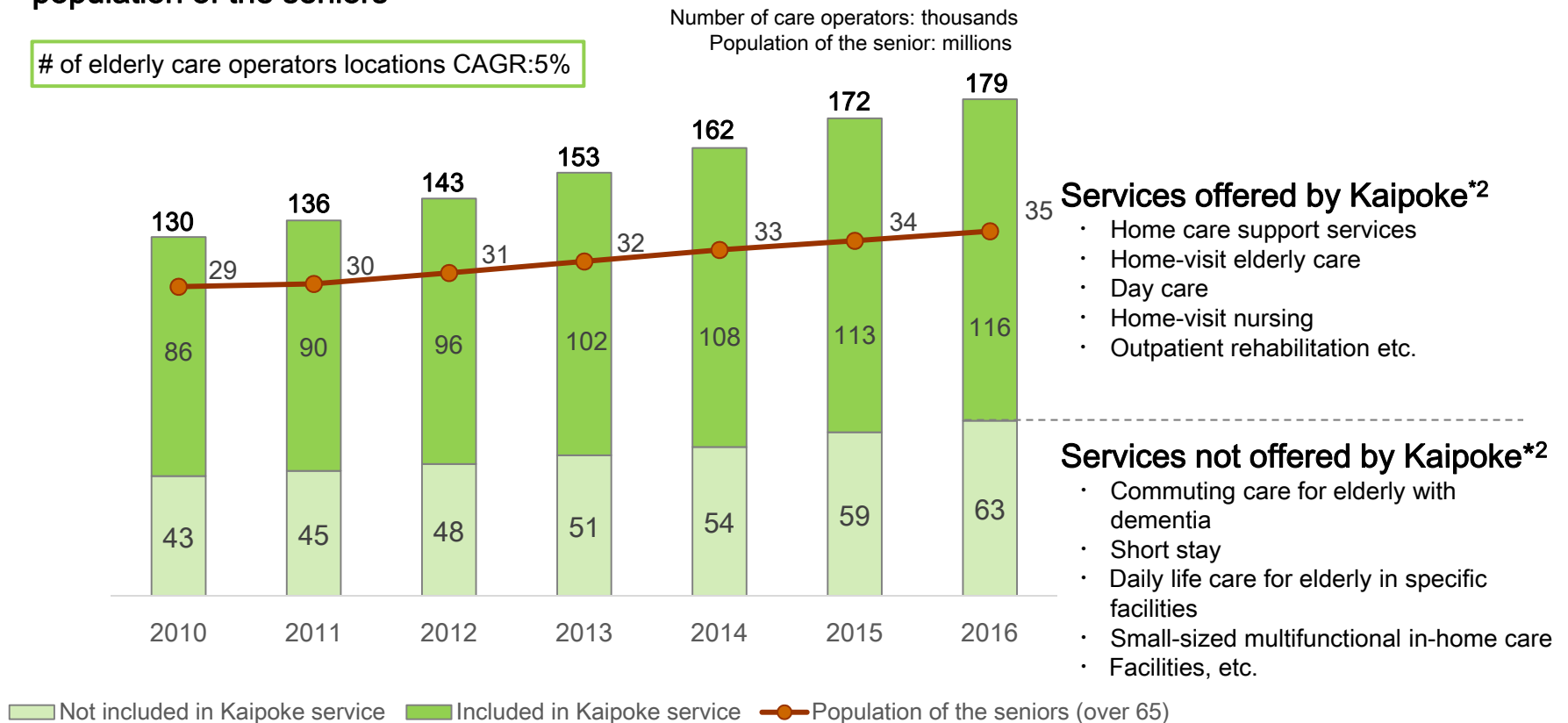
- Home care support services
Care managers develop care plans
- Day care
Bathing, excretion, and meal support at a day care center
- Home-visit elderly care
Bathing, excretion, and meal support at home
- Home-visit nursing
Medical check and treatment at home



✓ The number of elderly care operators continues to increase as the population of the seniors increases.

Number of elderly care operators locations and population of the seniors*1

of elderly care operators locations CAGR:5%



- ✓ Penetrated the market as a discounter of the insurance claim system.
- ✓ Turned the insurance claim system into the business support and became the only player to provide the service of this kind to elderly care operators.

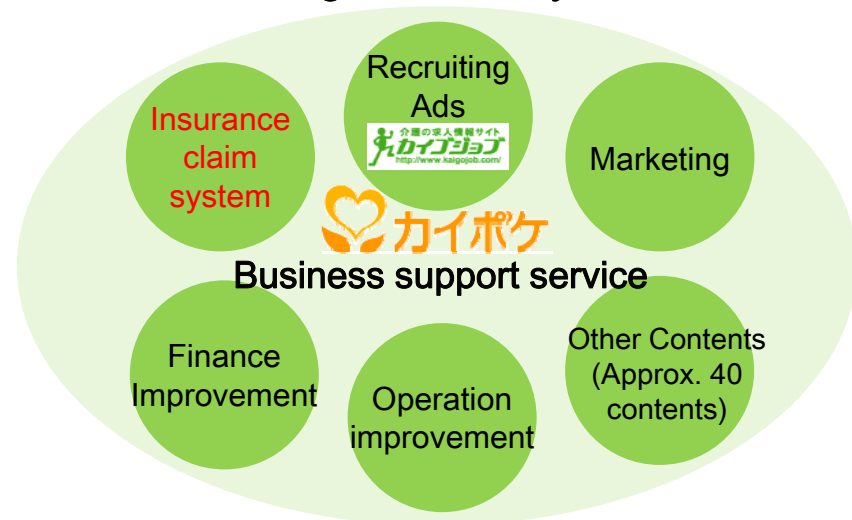
Prior to February 2014



(ARPU) JPY3,000 / month

- Many other competitors provide on-premises insurance claim system
- Fierce competition
- Entered the market with cloud-based insurance claim system as a discounter

Starting in February 2014

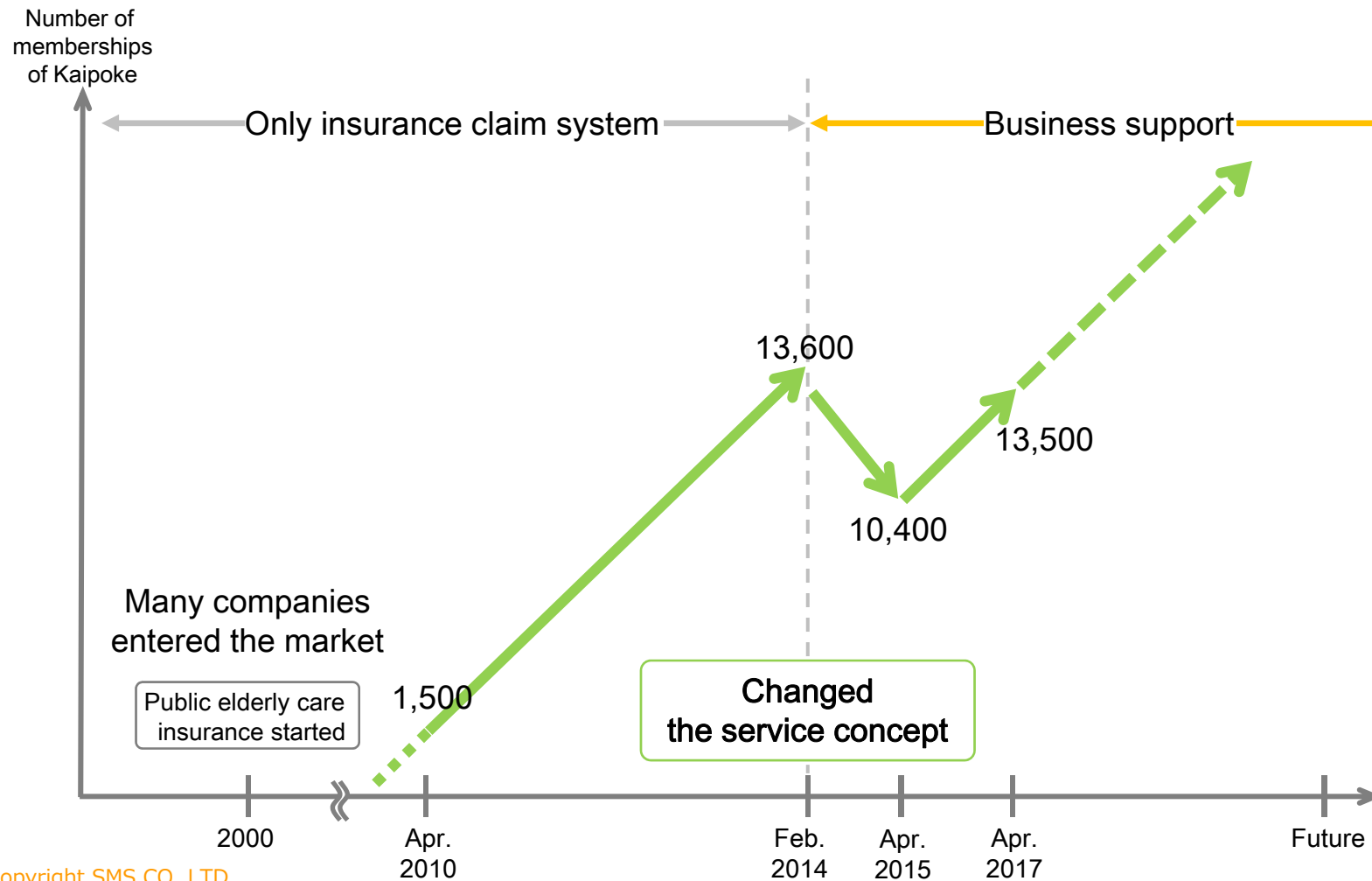


(ARPU) JPY 20,000 / month

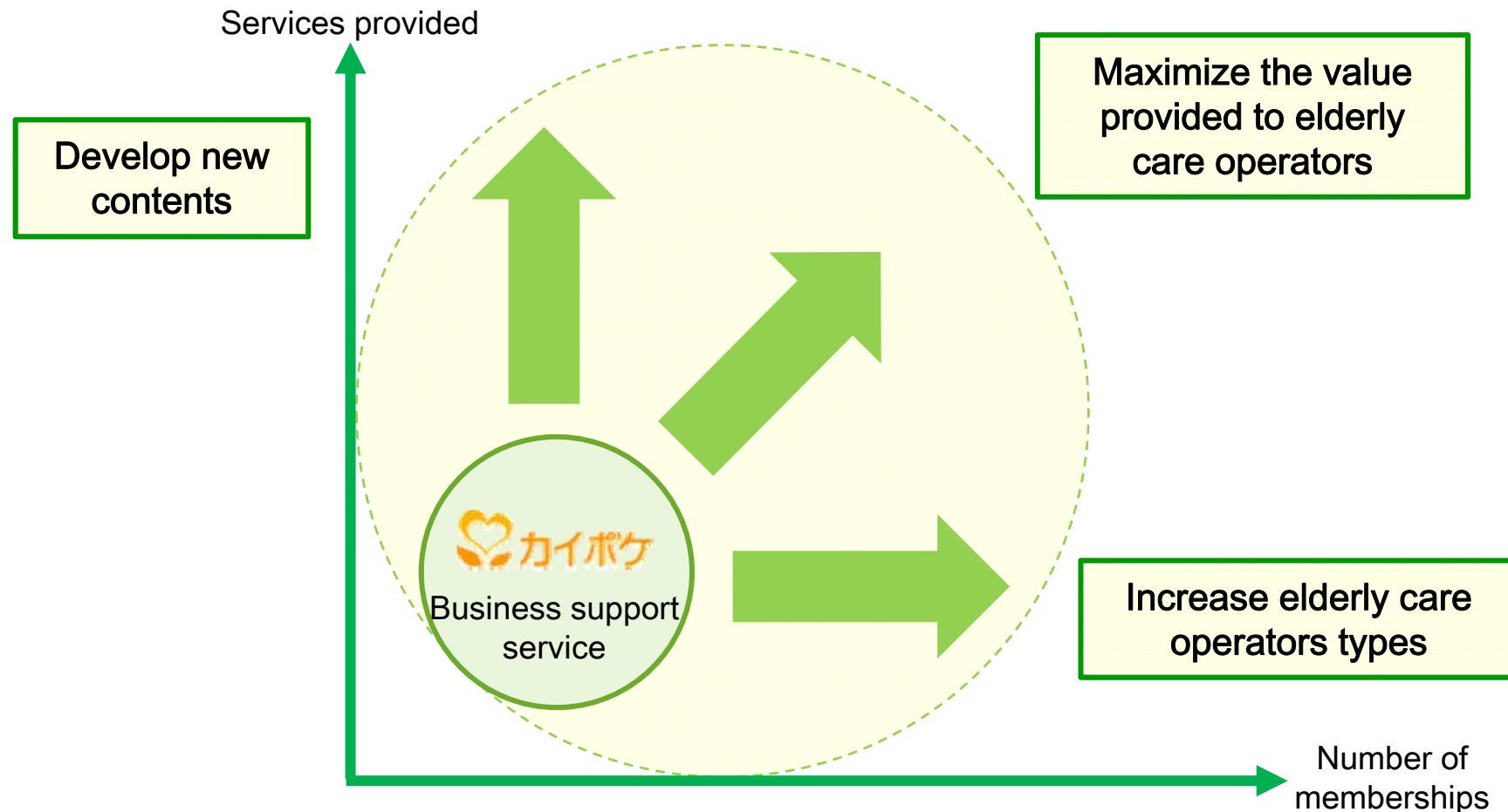
- The only player providing cloud-based business support service with approx. 40 contents including the No.1 recruiting ads service (Kaigojob)

2 The Strategy of Kaipoke 2/3

- ✓ The number of members is increasing in accordance with our strategy, despite some members leaving our service when we changed the concept and raised the price by 7 times.



- ✓ Expand the business further by increasing elderly care operators types and developing new contents.



Overseas Businesses (MIMS)

MIMS Group global coverage

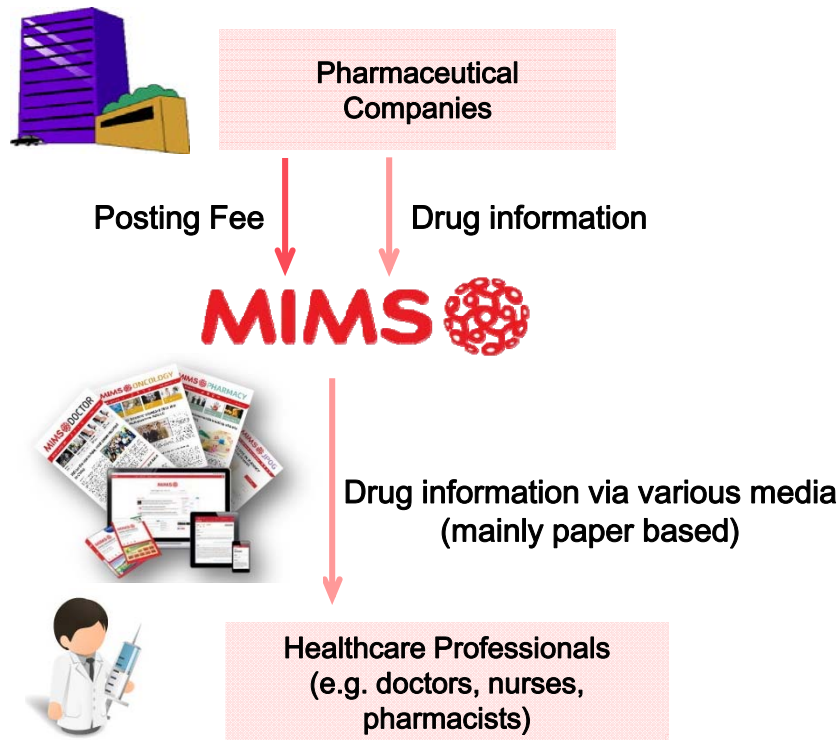


MIMS group profile

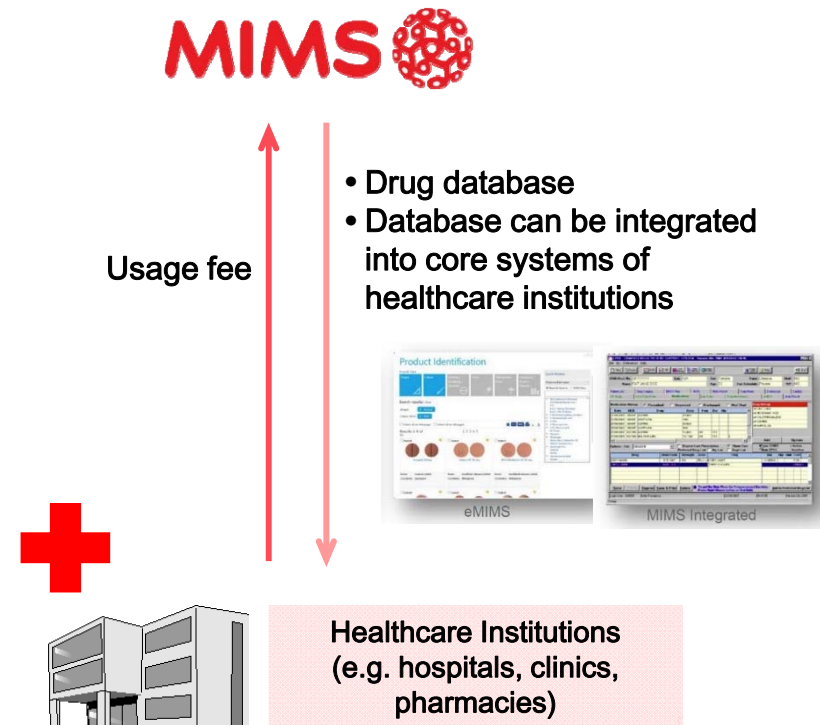


Founded	1963
Business models	·Pharma Marketing ·Healthcare Data
Global coverage	13 countries and regions in Asia and Oceania
Number of memberships	Approx. 2.0 million memberships including 0.45 million doctors
Acquisition date	Oct. 7, 2015
Shareholding ratio	SMS 60%, Mitsui 40%

Pharma Marketing

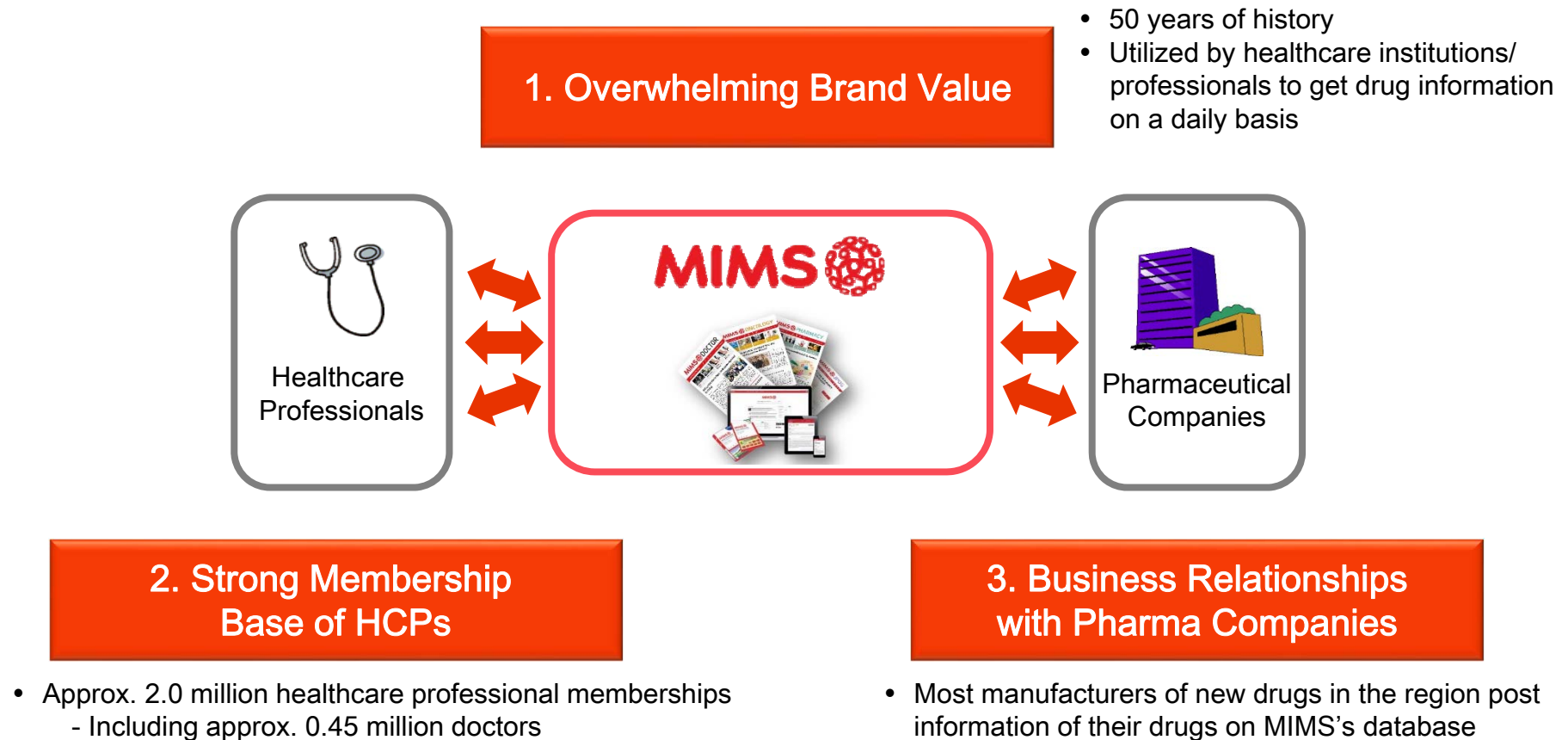


Healthcare Data



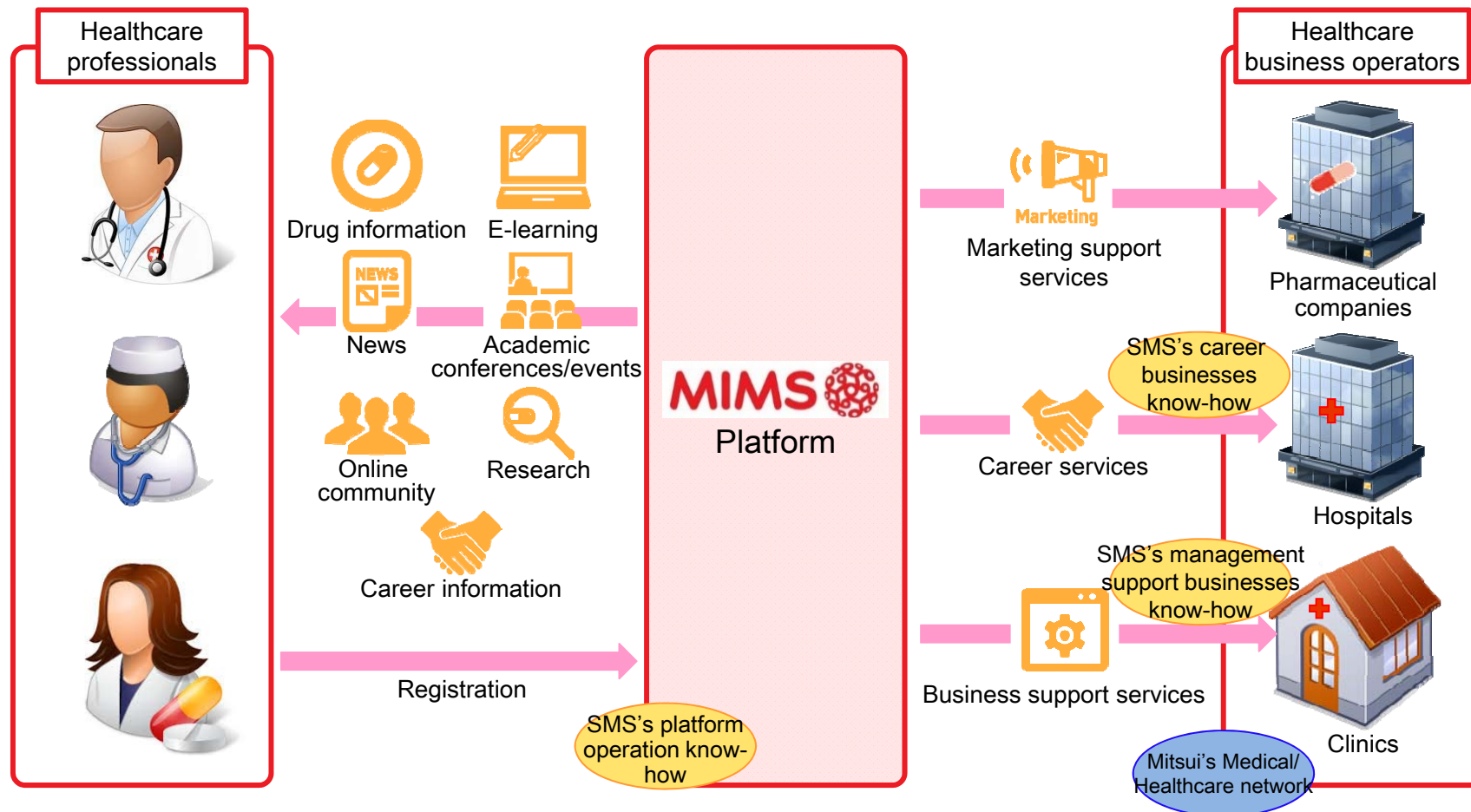
2 Strengths of MIMS Group

- ✓ Strengths of MIMS Group include its overwhelming brand value in the region, its strong membership base of healthcare professionals, and its business relationships with pharmaceutical companies.



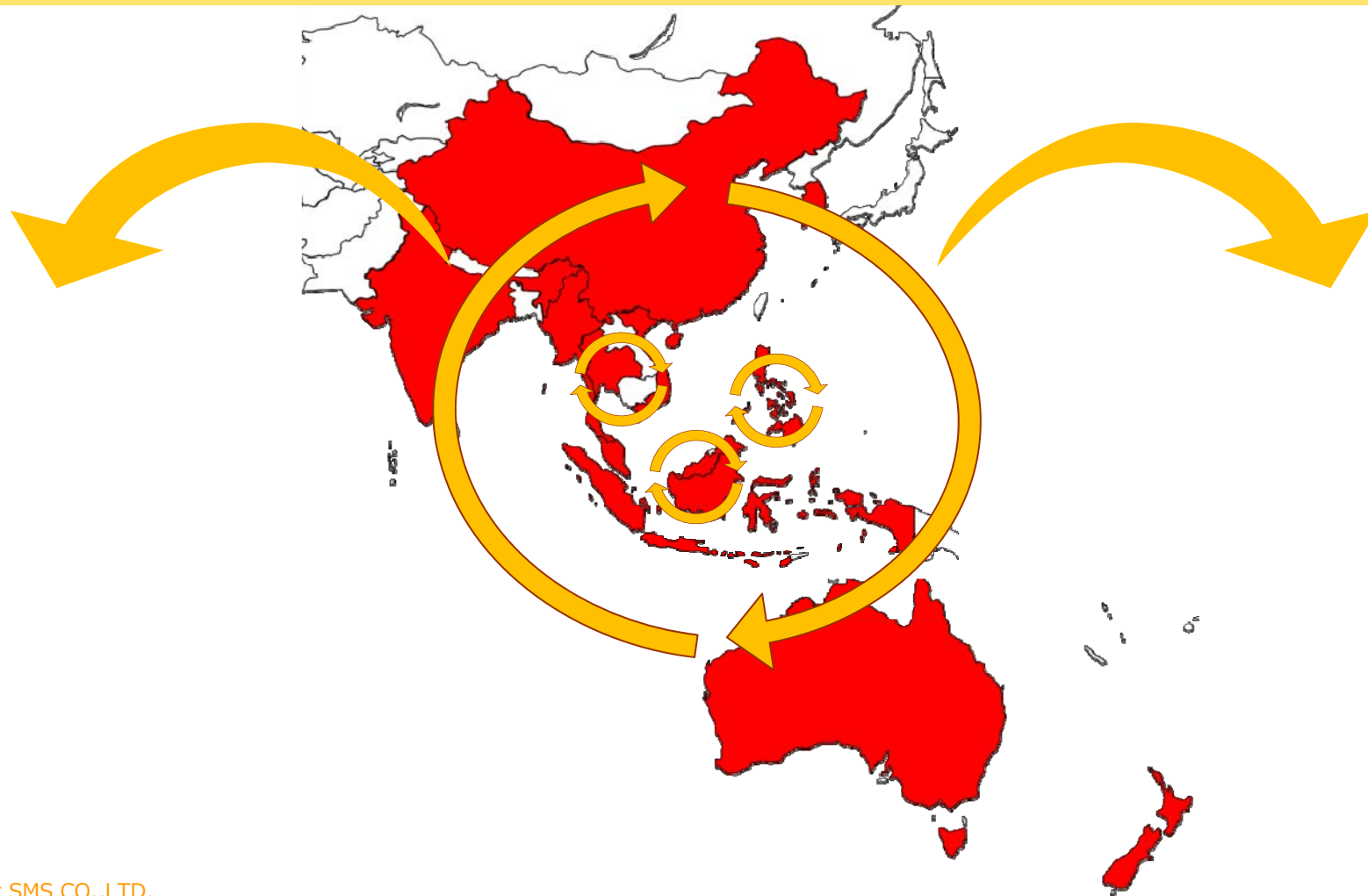
2 Strategy of MIMS 1/2: Creating a strong Platform

- ✓ Strengthen the MIMS platform by providing healthcare professionals with a wide range of information and services.
- ✓ Develop new services for healthcare business operators, utilizing the strong MIMS platform.



2 Strategy of MIMS 2/2: Global Career Business

- ✓ Full-scale expansion starts in FY03/18, leveraging the strong healthcare professional (HCP) platform of MIMS.
- ✓ Establish a dominant position as HCP supply platform.



New Businesses

- ✓ Provide more than 40 services.
- ✓ Constantly develop new businesses to create the next pillars of our businesses.

Segment	Sub-segment	Services								
Career	Elderly Care Career	RAG for care managers 	RAG for PT/OT/ST 	RAG for care workers 	Certification course information 	Com for PT/OT/ST 				
	Medical Care Career	RAD for care workers 	RAD for newly-graduated elderly care professional 	Temporary staffing for care workers 	Elderly care certification course 	RAG for nurses 	RAG for medical technologists 	RAG for radiological technologists 	RAG for medical engineers 	RAG for nutritionists
Elderly Care Operators	—	Business support service for elderly care operators 								
Overseas	—	Drug information service for healthcare professionals and institutions 	RAG for nurses (Malaysia and Saudi Arabia, etc.) 	Com and RAG/RAD for nurses (South Korea) 	Doctor consultation (Indonesia) 	Medical ad services (Philippines)	Medical ad services (Indonesia)			
Business Development	—	Information portal of housing for the elderly 	Home-delivered meal search site 	Com for care managers 	Com for care workers 	Com for families with those requiring elderly care 	Magazines for hospital management 			
		Housing renovation operators search site 	Mail order/online sales of nursing goods 	Publishing for nurses 	Online academic media for nurses 	Information portal for hospital Admin. managers 	Livelihood support search site 			
		Information portal of dementia 	Information portal of diabetes 	Q&A site on health 	News column regarding pregnancy, childbirth and child-raising 	Com for nutritionists 	Com for pharmacists 			
		Com for managers of elderly care operators 	User review site regarding elderly care operators 							

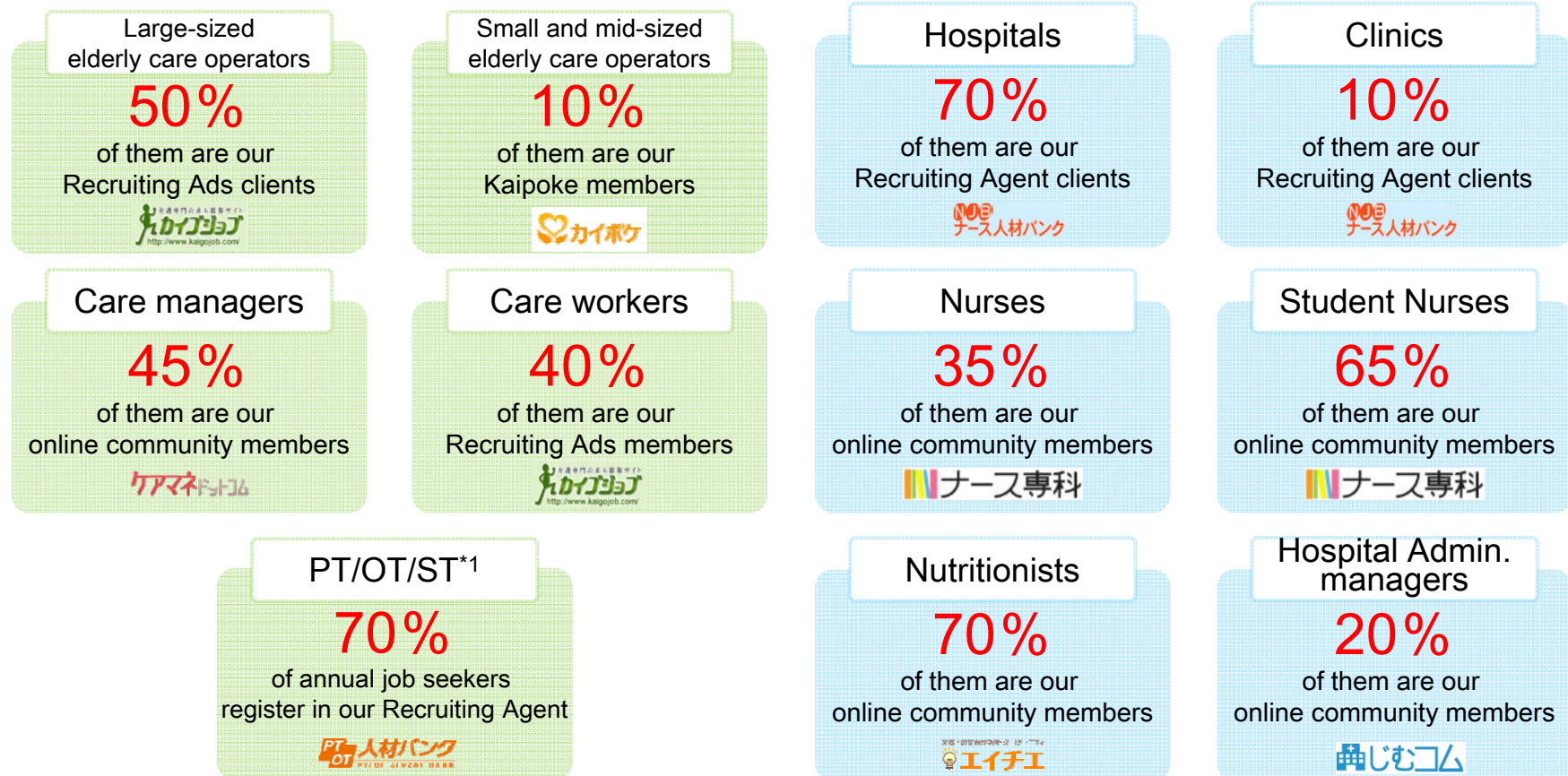
*1. As of June, 2017 *2. RAG stands for Recruiting Agent; RAD stands for Recruiting Ads; Com stands for online community

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2 Advantages in Business Development

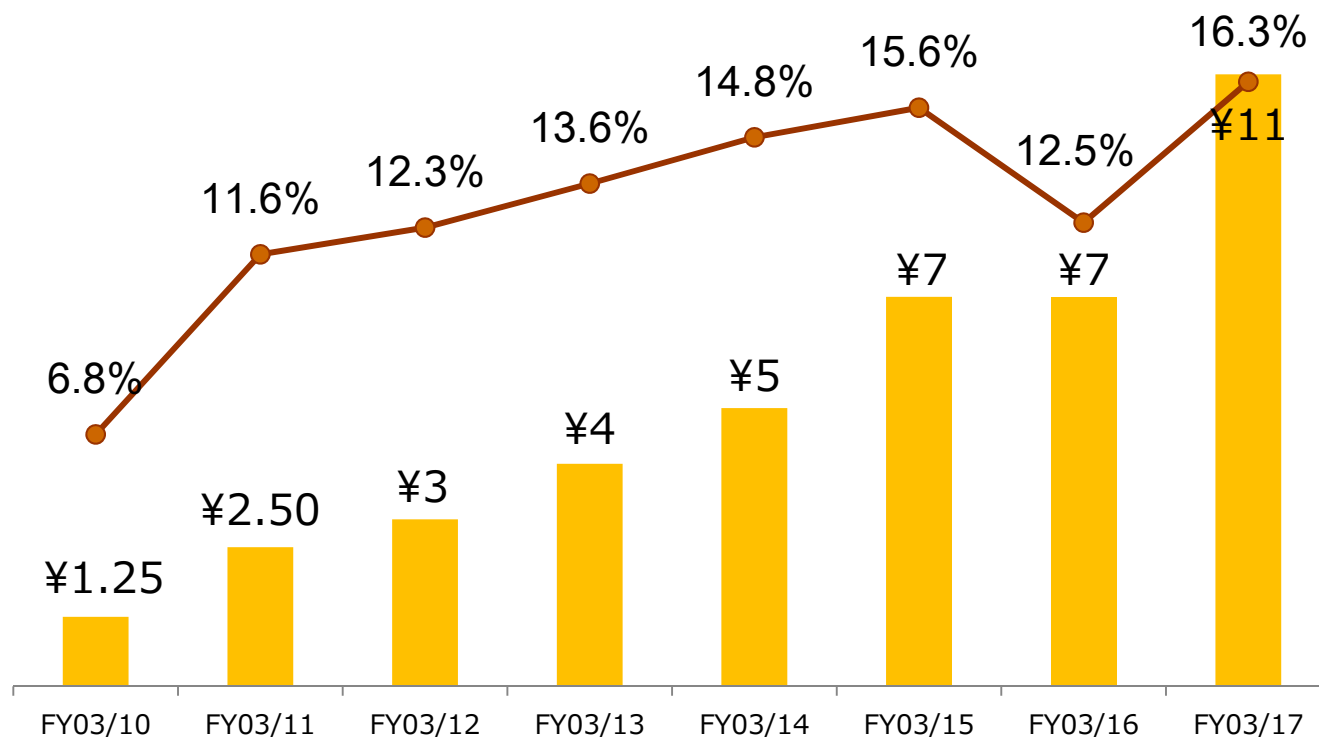
- ✓ Develop new businesses making use of the established bases of service operators and healthcare professionals in the elderly and medical care markets.

Shares of each customer



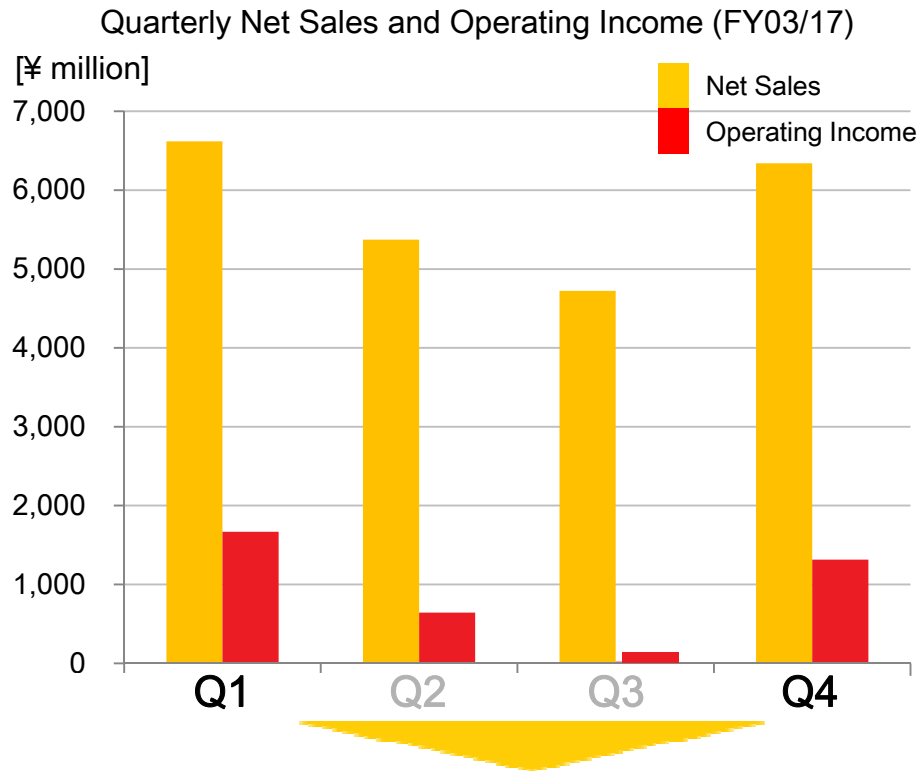
Other Information

Trends of the amount and the payout ratio of dividends*1



✓ Net sales and operating income tend to increase in Q1 and Q4.

Seasonal Volatility of Net Sales and Operating Income



Both net sales and operating income increase significantly in Q1 and Q4

Businesses with Seasonal Volatility and Reasons

Businesses whose net sales and operating income increase in Q1

- Recruiting Agent Service
 - Net sales are booked when a job seeker joins a company; therefore, net sales and operating income increase in April (Q1) when personnel changes often happen

Businesses whose net sales and operating income increase in Q4

- Recruiting Ads Service
 - Net sales are booked when a job seeker applies for a recruiting ad; therefore, net sales and operating income increase in Q4 when companies publish recruiting ads targeting the beginning of a fiscal year when job seekers are likely to be motivated to change jobs
- MIMS group
 - The client (pharmaceutical companies) tend to increase their expenditure for advertising expenses toward December; therefore, net sales and operating income increase in Q4. (MIMS P/L is consolidated to SMS P/L following a three-month time lag.)

2

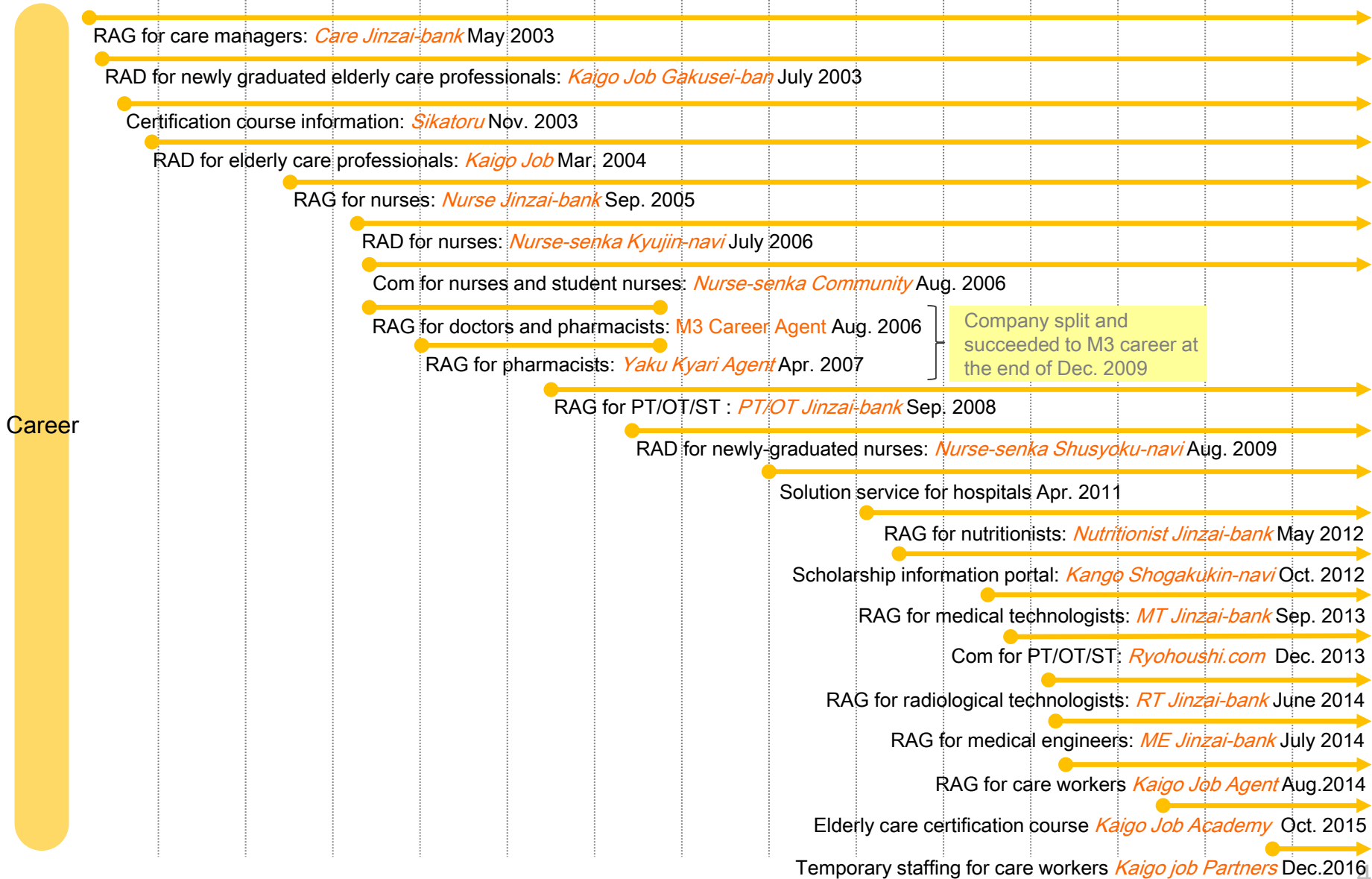
Historical Financial Results



(JPY million)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Net Sales	58	383	835	1,545	2,715	5,177	7,172	7,618	8,692	10,181	12,046	15,056	19,069	23,054
Cost of Sales	0	5	20	38	77	149	375	319	431	700	952	1,332	2,204	3,727
SG&A Expenses	63	326	705	1,237	2,211	3,796	5,534	5,818	6,740	7,910	9,363	11,644	14,108	15,681
Operating Income	▲5	52	109	269	426	1,230	1,261	1,480	1,519	1,570	1,730	2,079	2,756	3,646
Ordinary Income	▲5	49	108	269	415	1,238	1,266	1,530	1,734	1,990	2,340	2,693	3,509	4,430
Net Income	▲5	31	63	157	244	719	717	876	1,004	1,226	1,380	1,824	2,265	2,801
Total Assets	59	357	566	1,016	1,806	3,118	3,645	4,672	5,716	6,948	8,406	11,421	41,689	43,231
Liabilities	55	166	196	489	822	1,410	1,266	1,430	1,579	1,794	2,331	4,497	28,532	21,648
Net Assets	4	190	369	527	983	1,708	2,379	3,242	4,136	5,153	6,074	6,923	13,157	21,583
Equity Ratio (%)	7.5	53.3	65.3	51.9	54.4	54.8	65.2	69.2	72.3	74.1	71.5	59.7	20.5	39.6
ROE (%)	▲124.9	31.8	22.8	35.1	32.3	53.4	35.1	31.2	27.3	26.4	24.7	28.4	29.5	21.8
DPS (¥) *1	-	-	-	-	-	1.25	1.25	2.5	3	4	5	7	7	11
Dividend Payout Ratio(%)	-	-	-	-	-	6.8	6.8	11.6	12.3	13.6	14.8	15.6	12.5	16.3

03/04 03/05 03/06 03/07 03/08 03/09 03/10 03/11 03/12 03/13 03/14 03/15 03/16 03/17 03/18



Company split and succeeded to M3 career at the end of Dec. 2009

Career

2

Launch of Services 2/3



03/04 03/05 03/06 03/07 03/08 03/09 03/10 03/11 03/12 03/13 03/14 03/15 03/16 03/17 03/18

Elderly Care Operators

Business support service for elderly care operators: *Kaipoke* July 2006

Overseas

(Korea) Com for nurses: *Nurscape* Sep. 2011

(Indonesia) Doctor consultation: *MeetDoctor* Jul. 2013

(Philippines) : *Medical ad services* Jan. 2015

(Indonesia) : *Medical ad services* Feb. 2015

(13 countries and regions in Asia and Oceania) Drug information service for healthcare professionals and institutions: *MIMS* Oct. 2015

(Malaysia, Saudi Arabia and Singapore) RAG for nurses: *Melorita* June 2017

Business Development

Com for elderly care professionals: *Care Tomo* Oct. 2005

Information portal of housing for the elderly: *Kaigo DB* July 2006)

Com for care managers: *Care Mane.com* Sep. 2006

Com for pharmacists: *Cocoyaku* May 2009

Com for families with those requiring elderly care: *Anshin Kaigo* June 2009

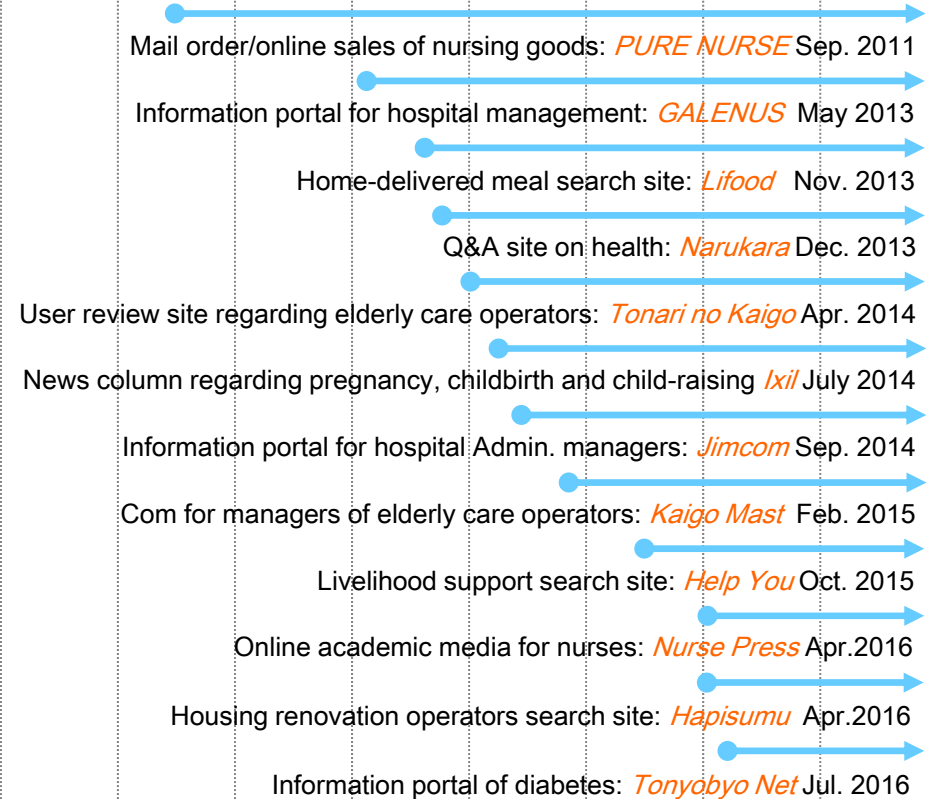
Publishing for nurses: *Nurse-senka Books* Aug. 2009

Com for nutritionists: *Eichie* June 2011

Information portal of dementia: *Ninchisho Net* Aug. 2011

03/04 03/05 03/06 03/07 03/08 03/09 03/10 03/11 03/12 03/13 03/14 03/15 03/16 03/17 03/18

Business Development



Number of employees

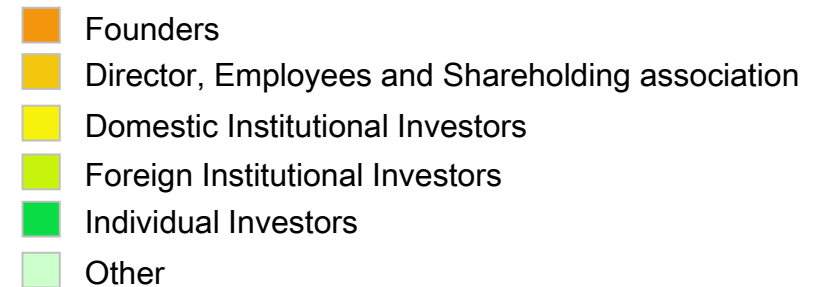
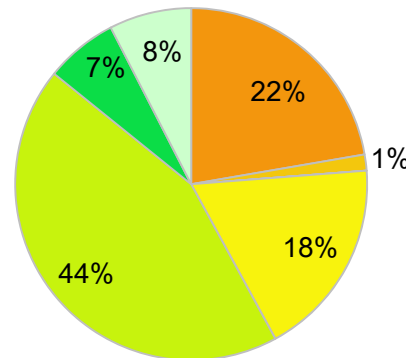
⇒ Number of employees and its breakdown as of June 30, 2017

Employees (consolidated)	1,836
SMS CO., LTD.	285
SMS Career CO., LTD.	677
Subsidiaries and Sub-subsidiaries	874
Japan	206
Overseas	668

Shareholder composition*1

[as of March 31, 2017]

Number of stock
holders
4,984



Cautionary Statement with Respect to Forward-Looking Statements



These materials contain forward-looking statements, including estimates, projections, and statements related to the business operations of SMS CO., LTD. (hereinafter, “the Company”) based on current expectations and assumptions in light of the information available to the Company as of June 30, 2017. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- changes in economic conditions, market demand, and the competitive environment affecting Japan, Asia and other markets in which the Company operates;
- reliance on digital and information technology, including with respect to the handling of elderly care, medical care and other client information and operation of the Company’s online community services;
- inability to effectively execute M&A/business alliance and overseas expansion strategies;
- changes in the laws, regulations and government policies in the markets in which the Company operates, particularly relating to employment placement, elderly care and medical care;
- any damage to the brand image;
- risk of infringing intellectual property rights;
- fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the US dollar, the Singapore dollar, the Hong Kong dollar and the Australian dollar; and
- risk of impairment losses, particularly with respect to goodwill, trademark right and customer-related assets recognized in connection of the acquisition of a 60% interest in Medica Asia (Holdco) Limited in October, 2015.

A discussion of these and other factors which may affect the Company’s actual results, performance, achievements or financial position is described in “Business Risks” contained in the Company’s corporate website*1.

We do not intend, and disclaim any duty, to update or revise any forward-looking statements contained in these materials to reflect new information, future events or otherwise. We caution you not to place undue reliance on any forward-looking statements contained in these materials.

*1. <http://www.bm-sms.co.jp/eng/ir/policy/risk/>

For any inquiries on the materials, please contact below:
Finance & Accounting Department
E-mail: irinfo@bm-sms.co.jp
Phone: +81-3-6721-2403