

**SMS CO., LTD.**

(Securities Code: 2175 / TSE1 )

## Presentation Material for Investors

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

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**January 30, 2018**



**SMS**  
Best matching Best value

<b>1</b>	<b>Q3 FY03/18 Consolidated Financial Results</b>	<b>P3-P8</b>
<b>2</b>	<b>Appendix</b>	<b>P10-P48</b>

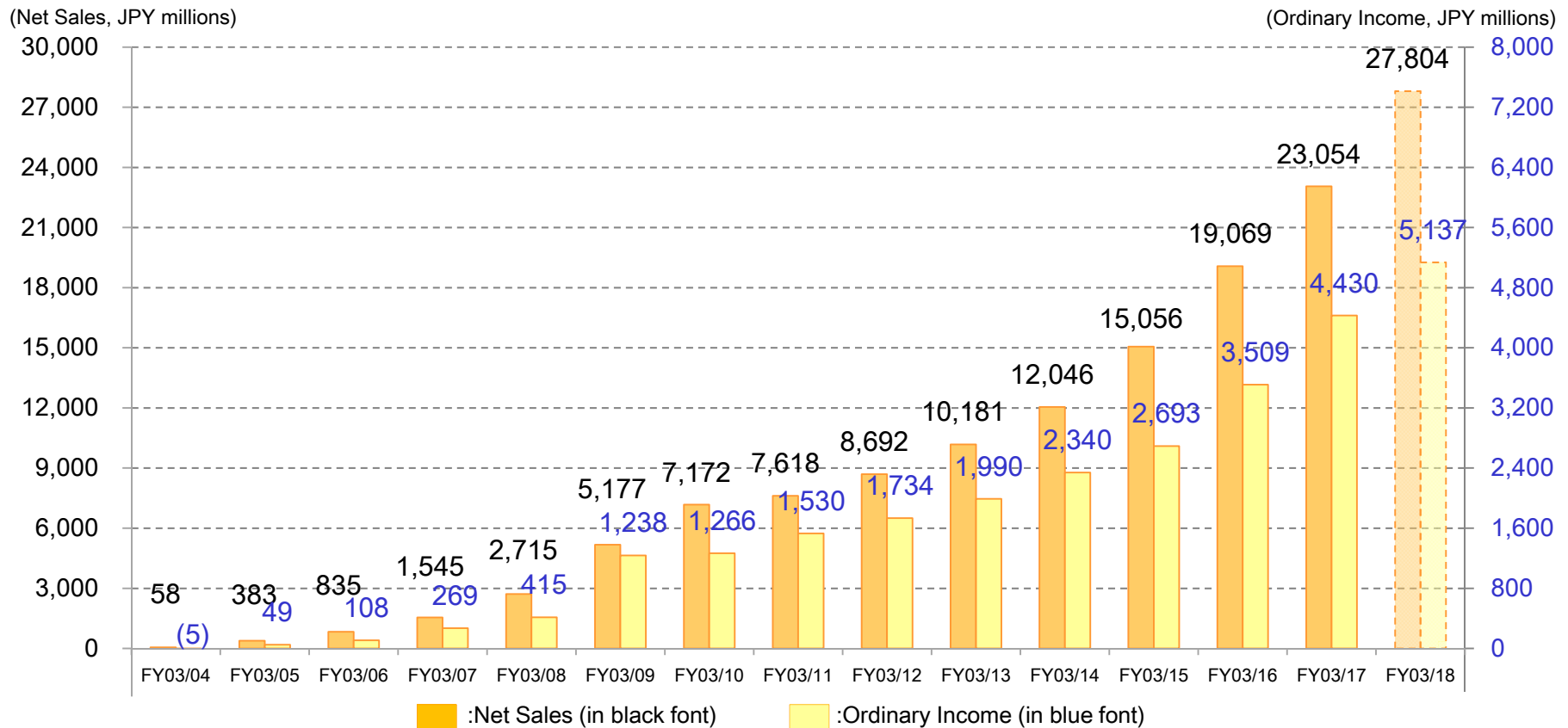
<b>1</b>	<b>Q3 FY03/18 Consolidated Financial Results</b>	<b>P3-P8</b>
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# 1 Historical Financial Results and FY03/18 Forecasts



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

## Trends in net sales and ordinary income



# 1 Q1-3 FY03/18 Consolidated Financial Results



- ✓ Through investments mainly in the Elderly Care Career Segment, net sales increased significantly and operating income resulted at the same level YoY.
- ✓ Upfront investments in 1H is greatly contributing to the business performance in 2H and hereafter.

P/L Statement [¥ million]

	Q1-Q3 FY03/17 Actual	Q1-Q3 FY03/18 Actual	YoY Change	FY03/18 Forecasts
Net sales	16,713	19,228	+ 15%	27,804
Operating Income	2,332	2,306	- 1%	4,378
Ordinary Income	3,045	3,014	- 1%	5,137
Net Income	1,805	2,040	+ 13%	3,396

## 1 Career Segment (Q1-3)

- ✓ Net sales increased 21% YoY.
- ✓ Growth in the Elderly Care Career Segment has been accelerating.

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

	Q1-3 FY03/17	Q1-3 FY03/18	YoY Change
Elderly Care Career	2,877	4,184	+45%
Medical Care Career	7,314	8,175	+12%
Total	10,191	12,359	+21%

### Highlights

- Net sales in the Elderly Care Career Segment has been growing significantly.
  - Recruiting Agent for care workers has been growing significantly by increasing the number of consultants, attracting job seekers and accelerating license school openings.
  - Recruiting Agent for rehabilitation therapists has been growing significantly.
- Net sales in the Medical Care Career Segment has been growing steadily.
  - Recruiting Agent for nurses has been growing steadily.

# 1 Elderly Care Operators Segment (Kaipoke,Q1-3)



- ✓ Net sales increased 20% YoY.
- ✓ Increased use of add-on services other than Kaipoke standard package contributed to its growth.

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

	Q1-3 FY03/17	Q1-3 FY03/18	YoY Change
Elderly Care Operators	2,041	2,442	+20%

## Highlights

- The number of Kaipoke membership locations has been increasing YoY.
  - The number of the membership has increased by 1,150 locations YTD.  
(As of January 1, 2018: 14,650 locations [ 20,750 service offices\*1])
  - Net sales for the factoring service and also for the optional services such as providing additional tablet PCs have increased.

\*1. # of locations: the number of service office locations # of service offices: the number of elderly care services provided based on the public elderly care insurance scheme e.g. When an operator provides two types of elderly care services, home care support services and home-visit elderly care, at one specific address, the number of locations should be one and the number of service offices should be two. The subscription fee is charged for every membership location. Normally, the number of locations would be smaller than the number of service offices.

## 1 Overseas Segment (Q1-3)

- ✓ Net sales increased 2% YoY.
- ✓ Net sales in Q3 significantly exceeded the figure of Q3 FY03/17.

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

	Q1-3 FY03/17	Q1-3 FY03/18	YoY Change
Overseas	3,361	3,415	+2%

### Highlights

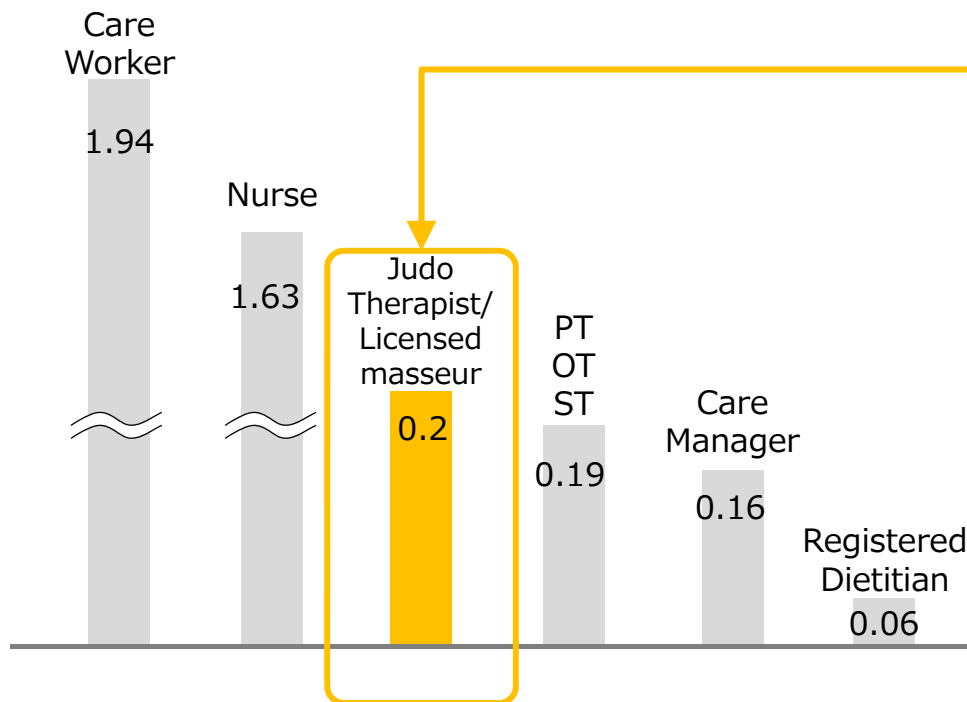
- Net sales increased YoY in spite of the sell-offs of the overseas businesses such as eChannelling (Sri Lanka) conducted in the previous fiscal year.
- Net sales has not reached the forecast due to the delays of the Melorita acquisition and staff hiring in the pharma marketing business of MIMS.



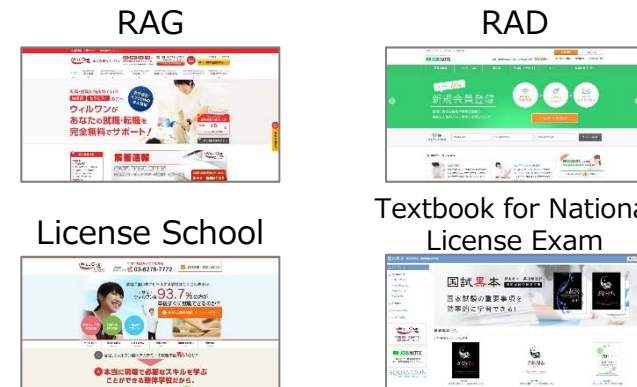
# 1 Topic: Acquisition of Will One

- ✓ Acquired Will One<sup>\*1</sup>, a company, well-known in the industry, providing career related services for Judo therapists and licensed masseurs<sup>\*2</sup>
- ✓ Drives further growth of its career business by applying our know-hows to Will One

**Number of Workers<sup>\*3</sup> [million]  
by Occupations in the Career Segment**



- Provides career related services (recruiting agent(RAG), recruiting ads(RAD), license school etc.) for Judo therapists and licensed masseurs
- Highly recognized in the industry through its license school and textbooks for national license examinations



To accomplish further growth mainly in RAG and RAD by making use of our expertise in attracting job seekers and matching

\*1. Consolidated from Q3

\*2. Include finger pressure practitioners, acupuncturists, moxibustion practitioners

\*3. Sources: Nurse - Japanese Nursing Association, 2015; Judo therapist/licensed masseurs – SMS estimated from MHLW data, 2014; Others - MHLW, 2016

**1**

Q3 FY03/18 Consolidated Financial Results

P3-P9

**2**

Appendix

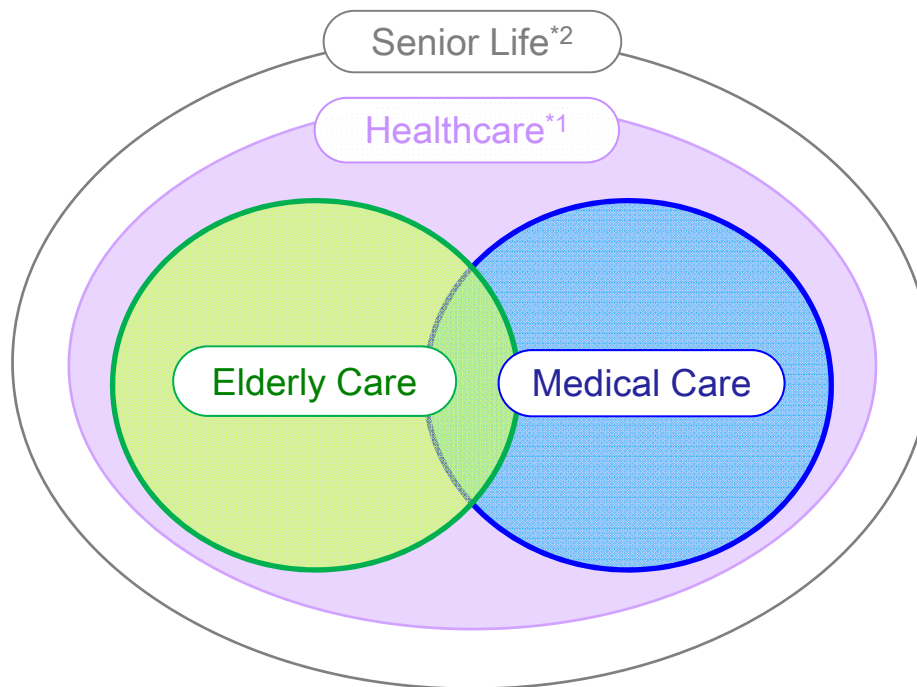
P10-P48

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

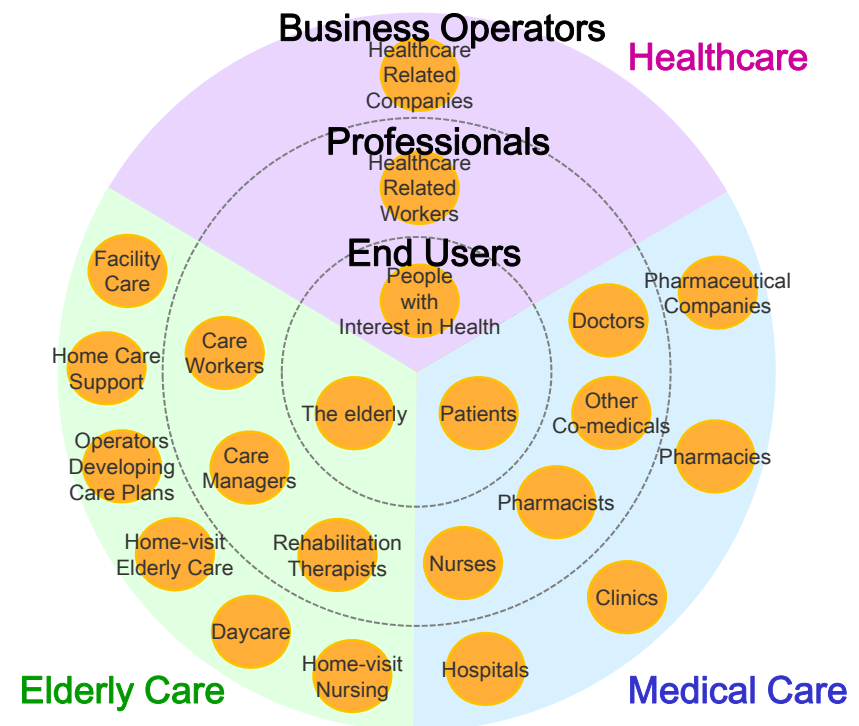
## 2 Market Segments and Stakeholders

- ✓ 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\*<sup>1</sup> markets.



### ■ Asia

Japan

Thailand

Korea

Malaysia

China

Indonesia

Hong Kong

Vietnam

Singapore

Myanmar

Philippines

India

Taiwan

### ■ Oceania

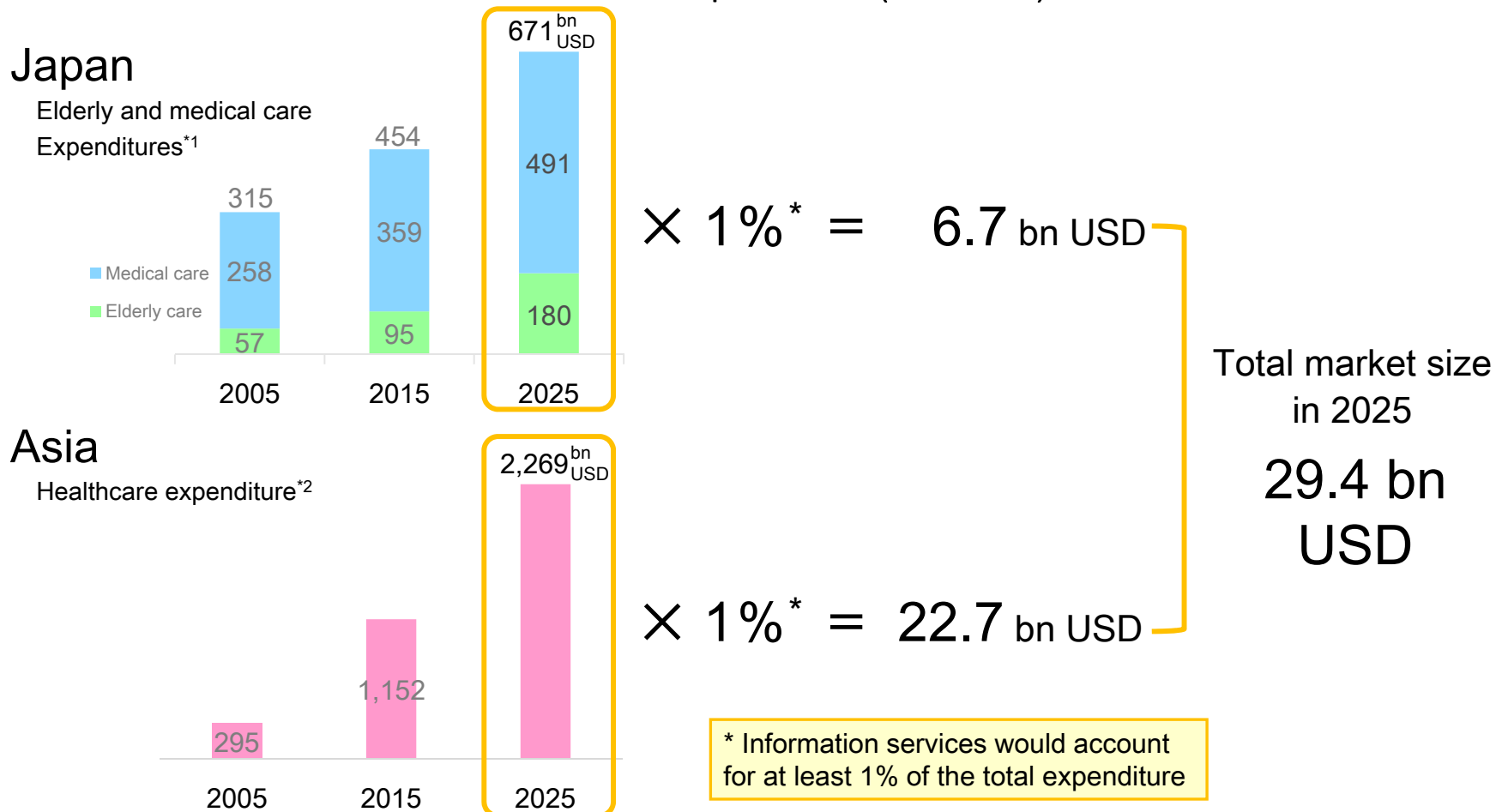
Australia

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

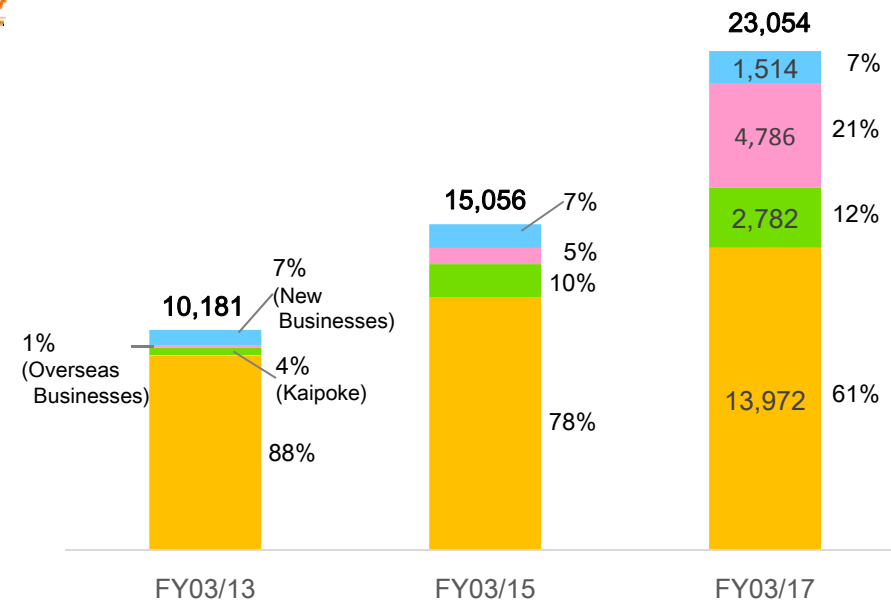


#### New Businesses

- Developing a series of new businesses

### Breakdown of Net Sales

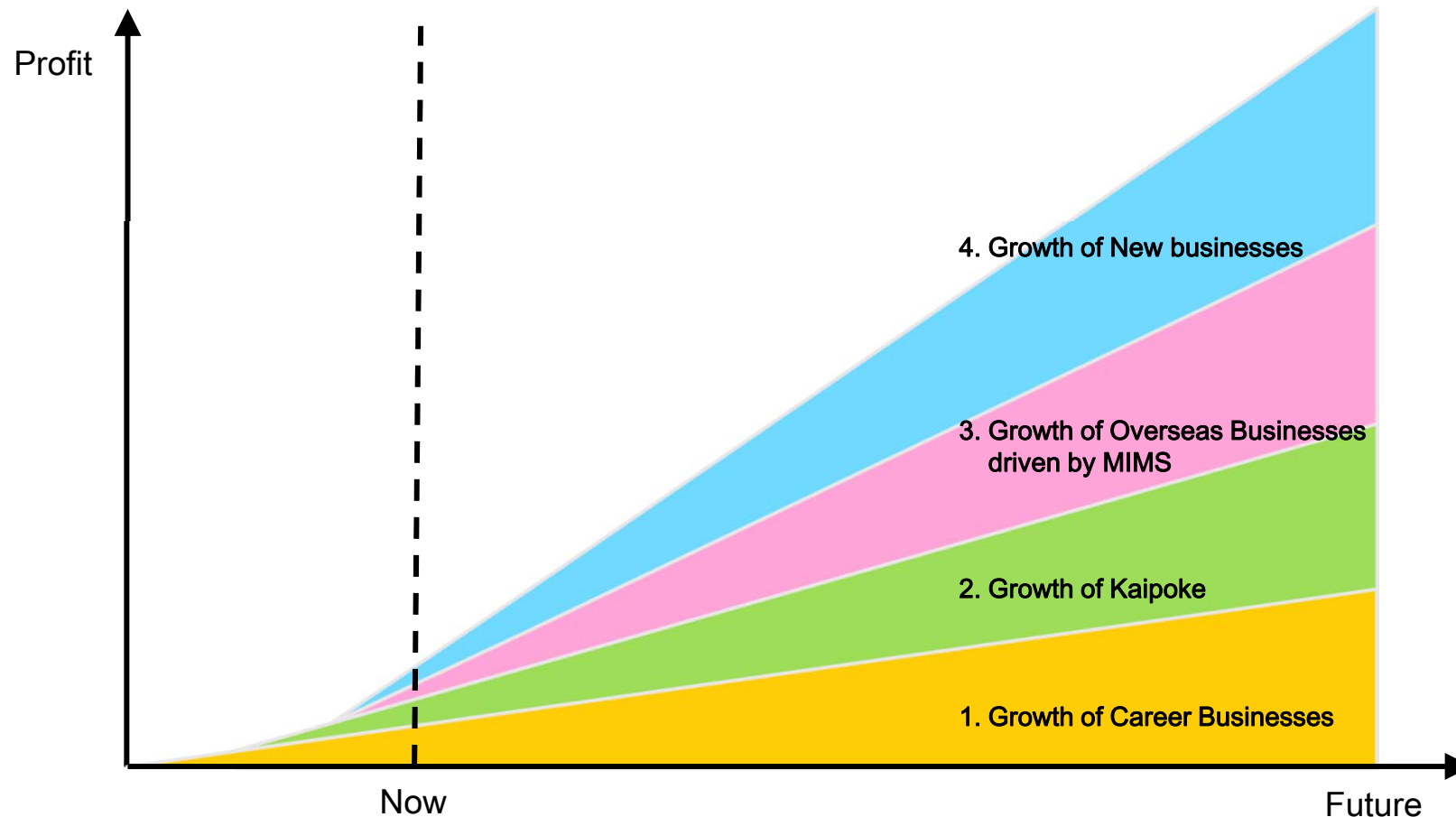
(JPY millions)



■ Career Businesses    ■ Kaipoke  
■ Overseas Businesses    ■ New Businesses

## 2 Growth Scenario

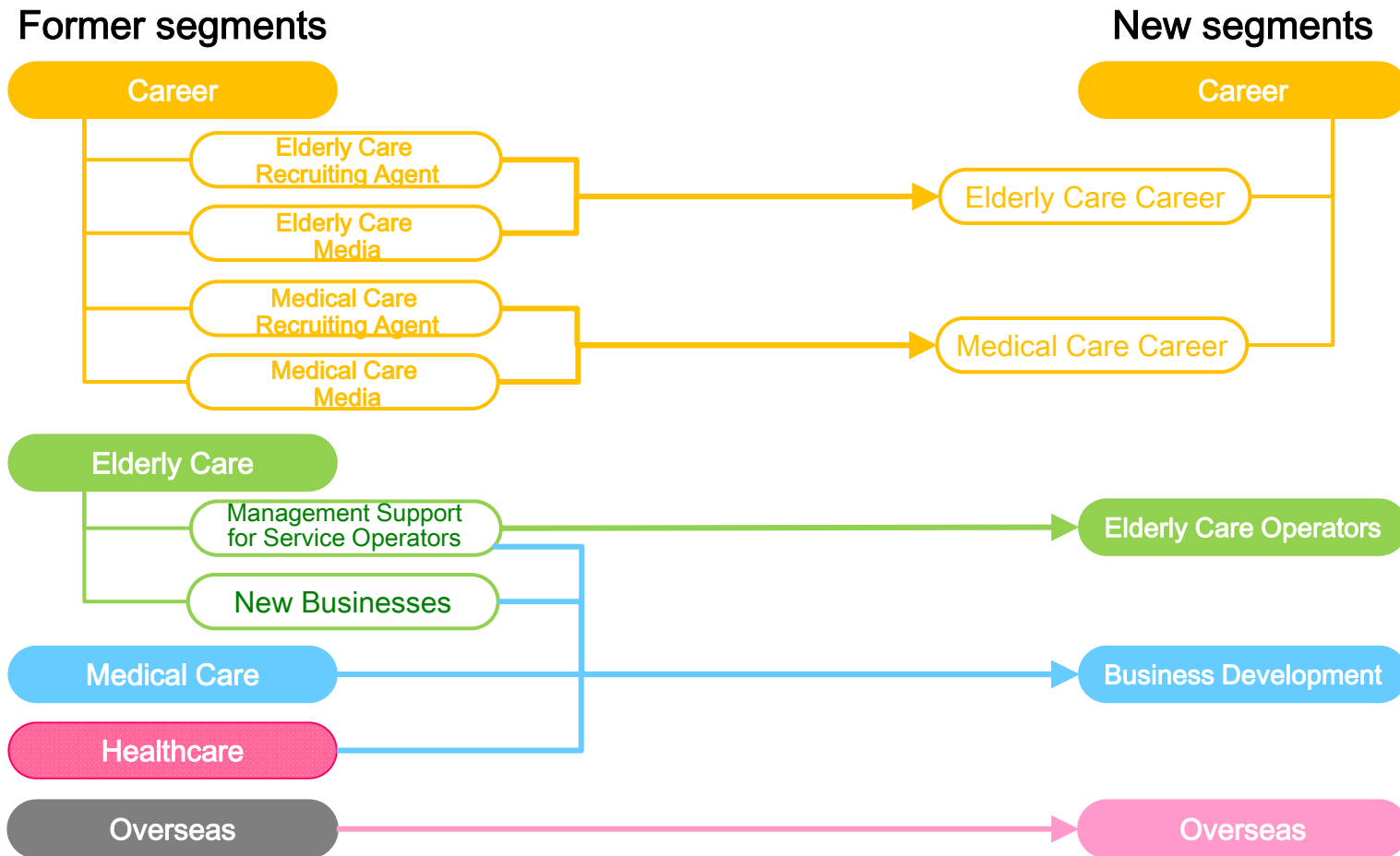
- ✓ On top of the Career Businesses' stable growth, accelerate Kaipoke's growth and put MIMS on the growth track.
- ✓ Develop a series of new businesses to create the next pillars of our businesses, which will further drive our growth in the future.





## 2 Changes in Segments

✓ Change the segments based on the strategy.

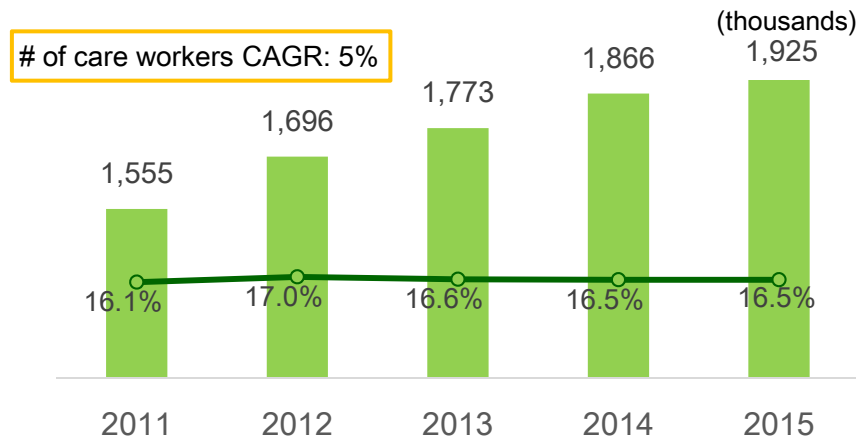


# Career Businesses

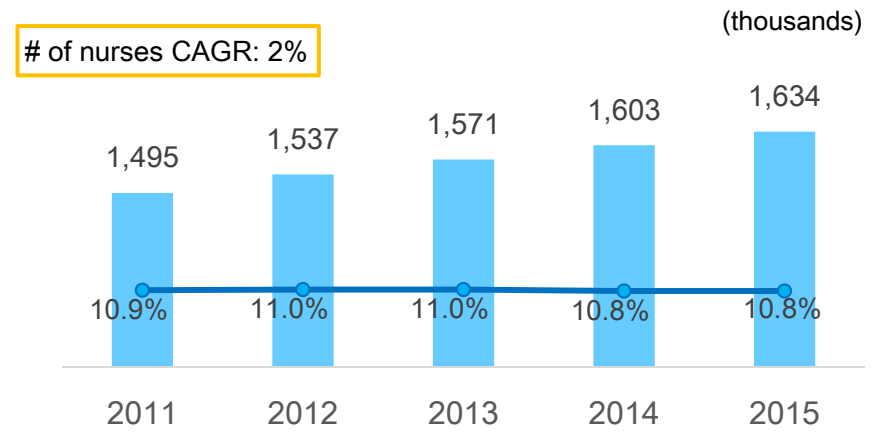
## 2 Environment: Care Workers and Nurses

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

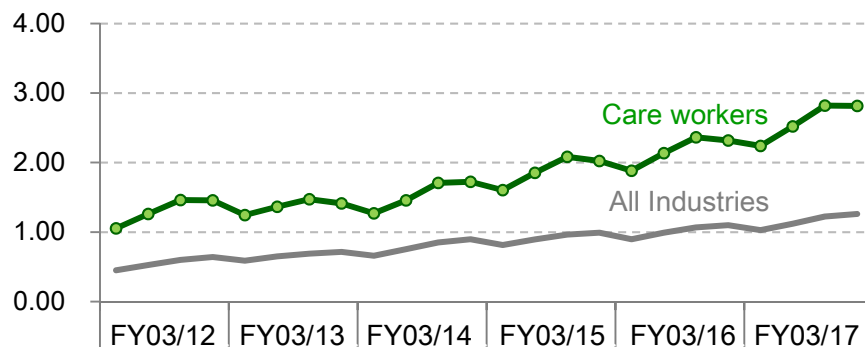
Number of care workers and their turnover rate\*1



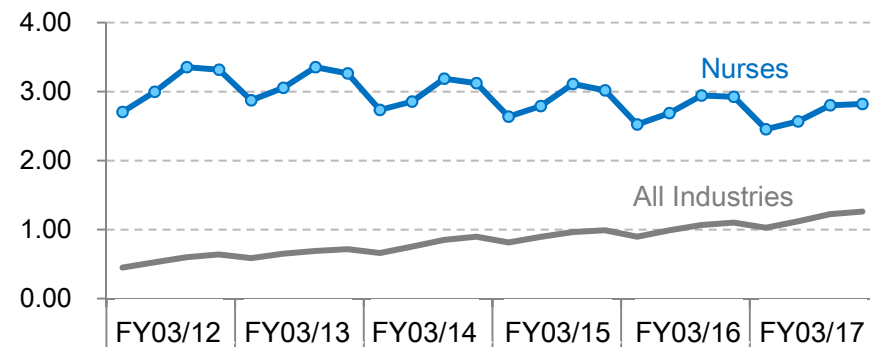
Number of nurses and their turnover rate\*3



Jobs-to-applicants ratio of care workers\*2

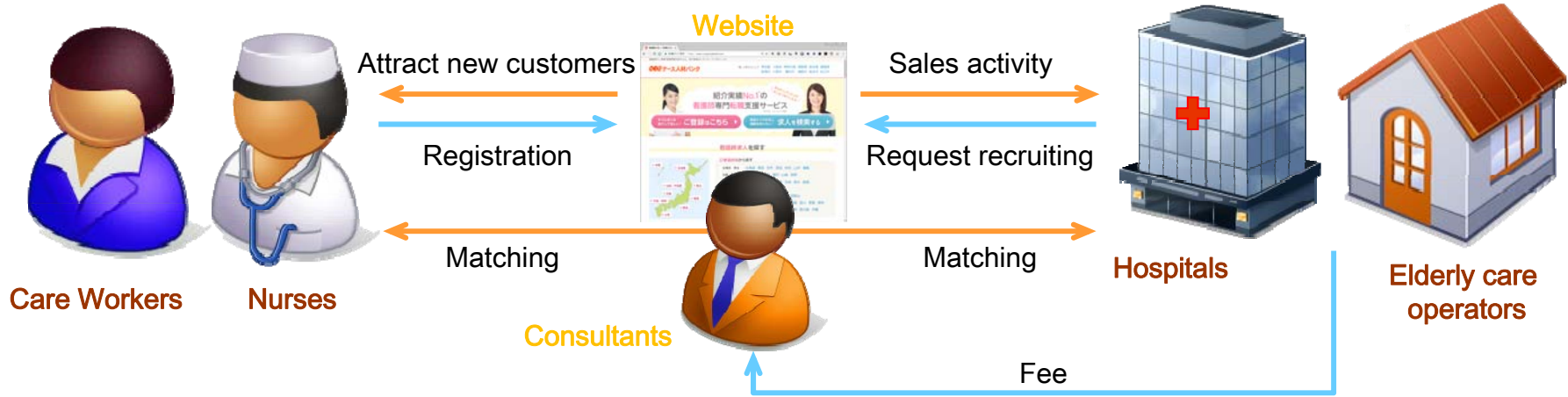


Jobs-to-applicants ratio of nurses\*2



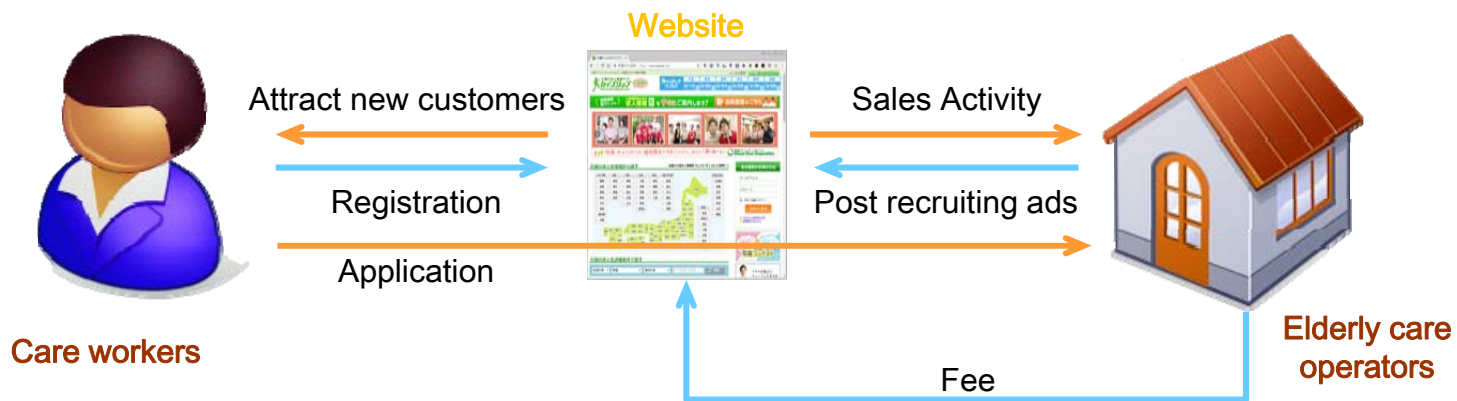
**Business model of Recruiting Agent**

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



## 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)

**カイゴジョブ**

### Operators

We receive orders from:

**Hospitals**  
70%  
(Recruiting Agent)

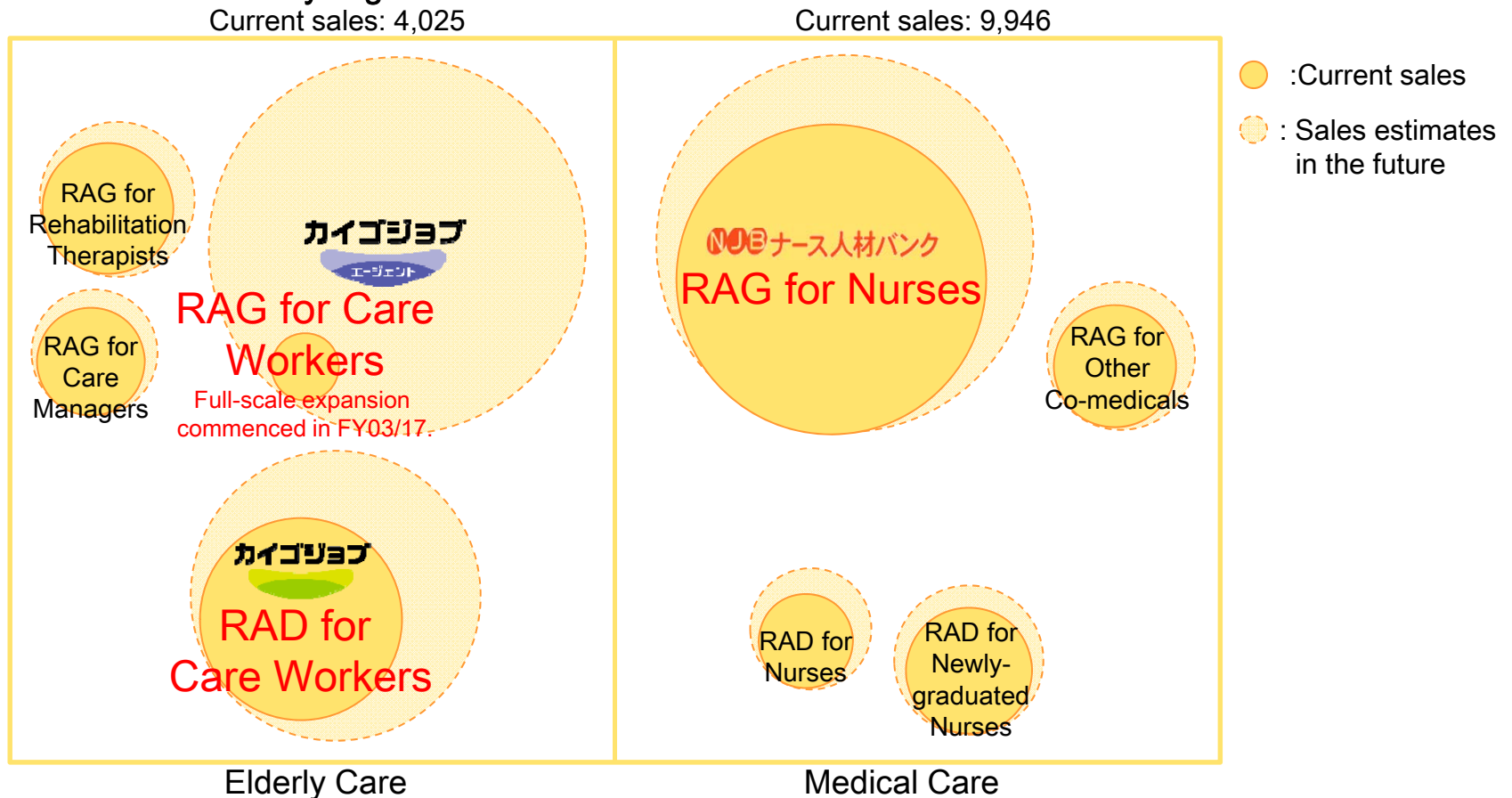
**Major elderly care operators**  
50%  
(Recruiting Ads)

Developed strong relationship with operators and their heavy dependence on us

- ✓ No.1 career services for healthcare professionals will continue to grow.
- ✓ Expands career services for care workers on a full scale.

Our current and future sales by segment\*1\*2\*3

(JPY millions)



\*1. The figures of "Current sales" are actual figures of FY03/2017.

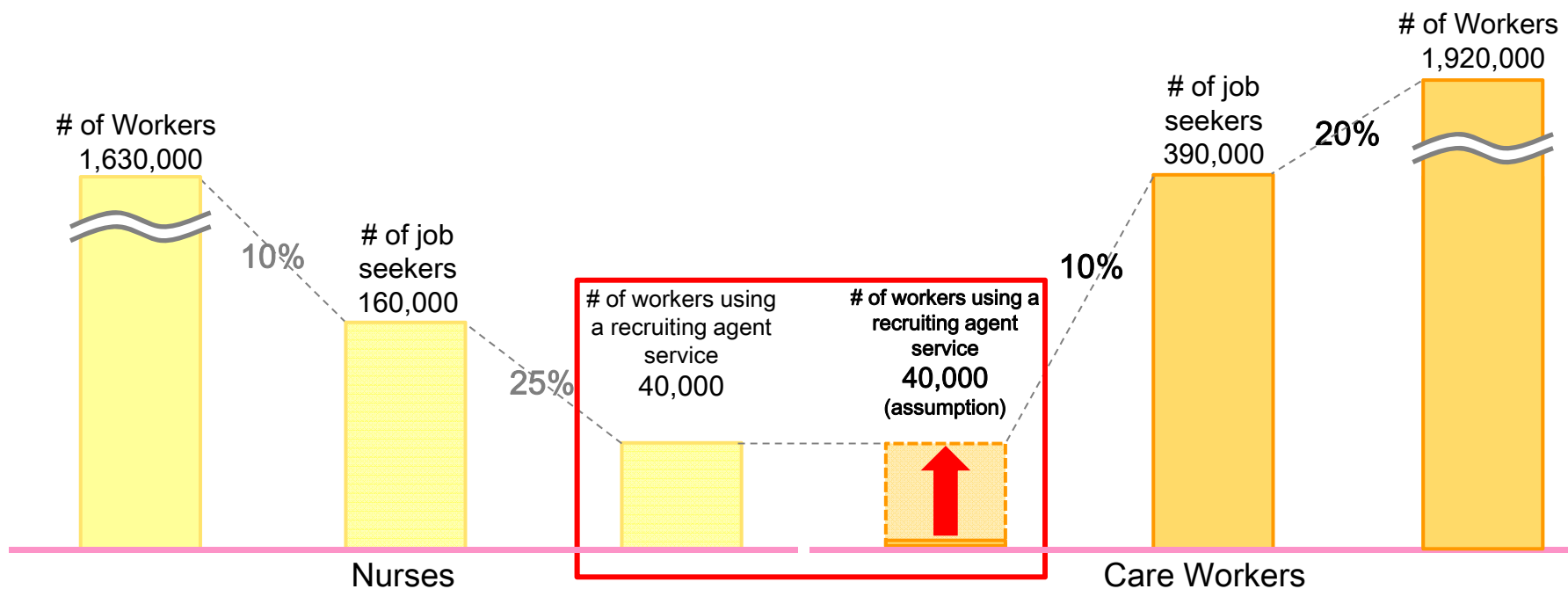
\*2. Career businesses for doctors and pharmacists are operated by M3 Career, Inc. which is a joint venture between M3, Inc. (51%) and SMS(49%).

\*3. RAG: Recruiting Agent service RAD: Recruiting Ads service

## 2 Market Potential of Recruiting Agent for Care Workers

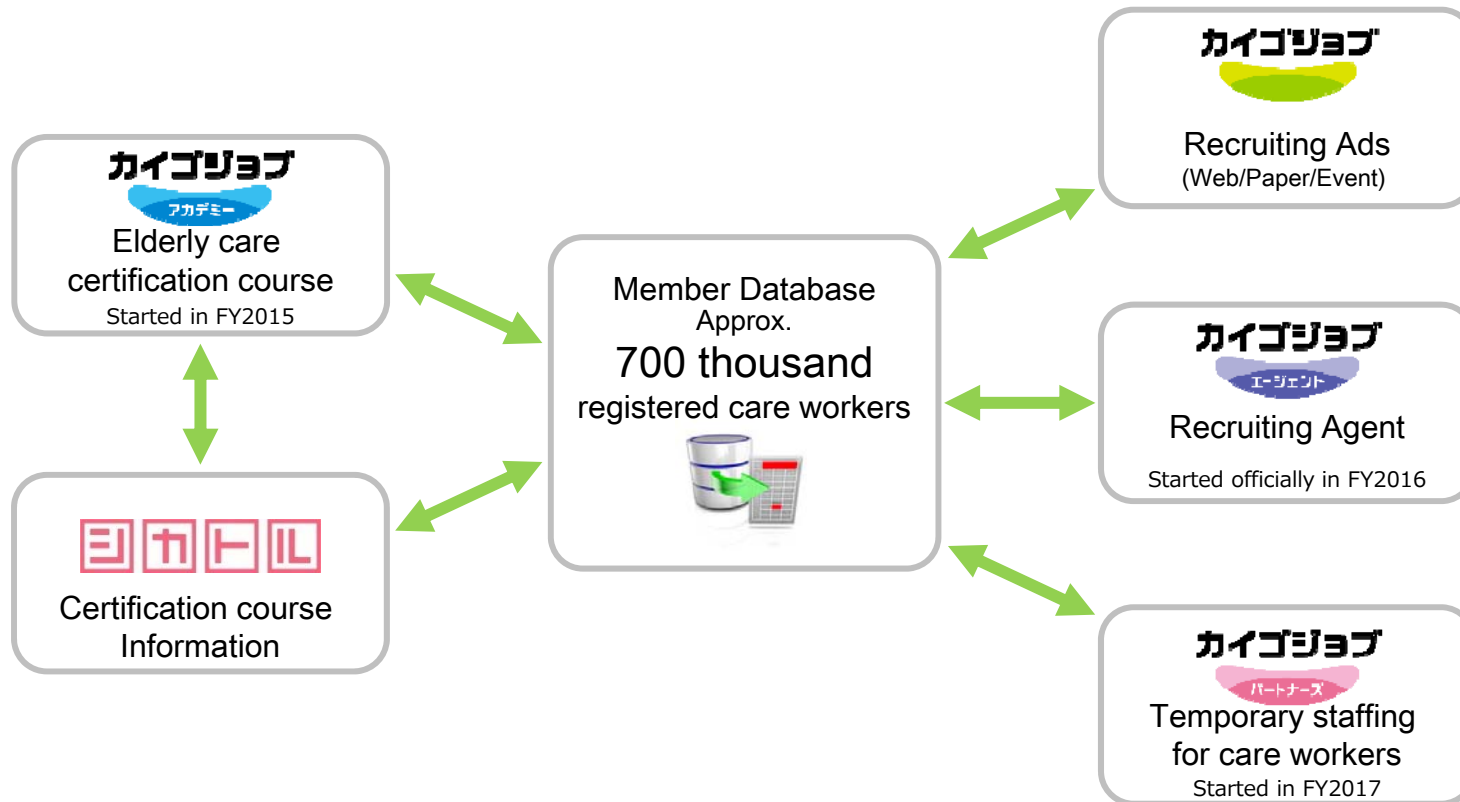
- ✓ Market size of Recruiting Agent for care workers is expected to become as large as that of nurses.

Potential number of users of care worker recruiting agent services\*1



## 2 Elderly Care Career Strategy

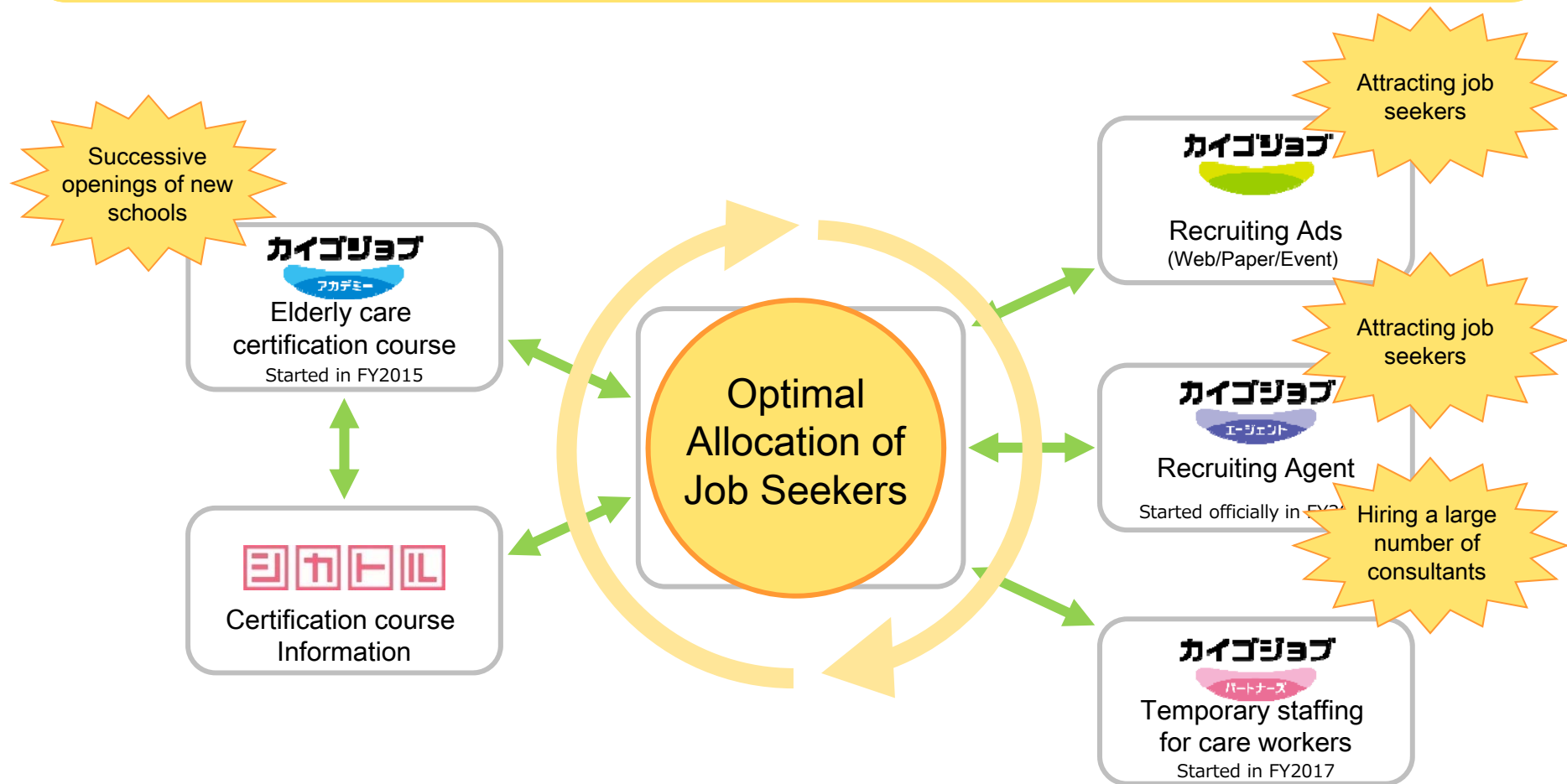
- ✓ Leveraging our database of 700 thousand registered care workers, expands not only Recruiting Ads but also Recruiting Agent and the temporary staffing service in order to maximize the value offered to the care workers and service operators.
- ✓ Contributes to the increase of care workers with high social needs by supporting them to acquire qualifications.





## 2 Progress in Elderly Care Career Strategy

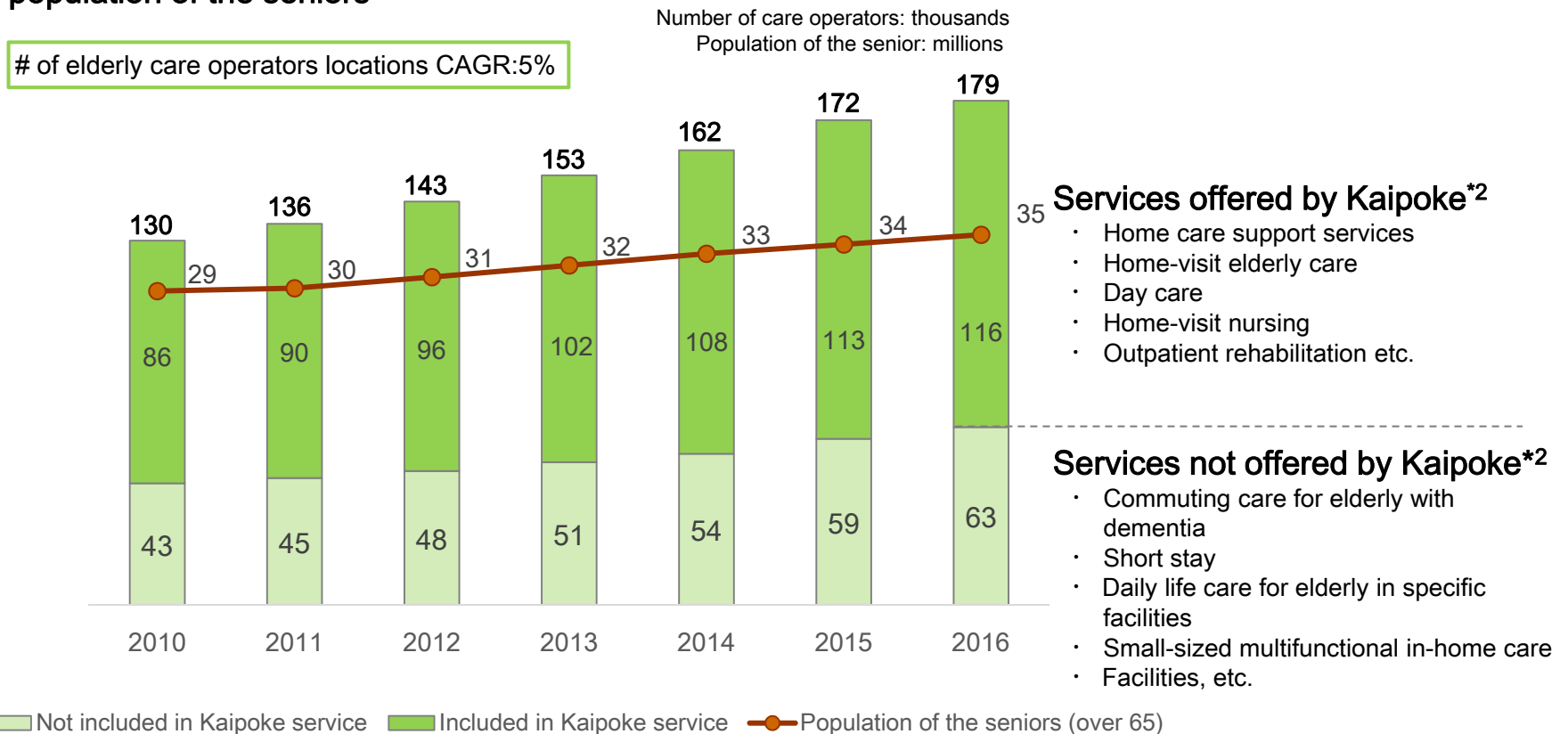
- ✓ In FY03/2018, with its strong strategic progress, additional investments have been executed in the Elderly Care Career Segment.

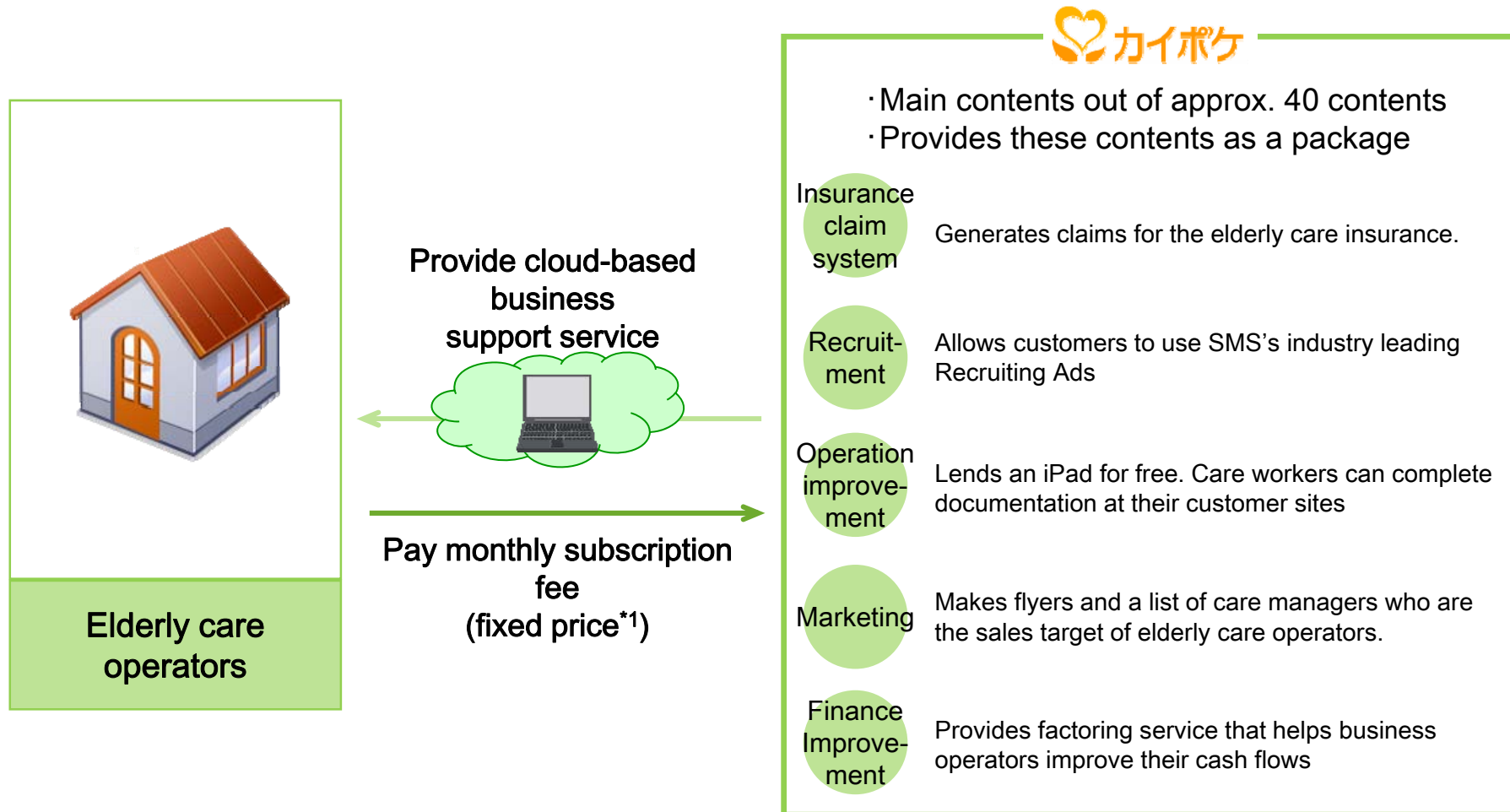


# Kaipoke

- ✓ Many of the elderly care operators are small and mid-sized.
- ✓ Most of the elderly care services are in-home care, and facility care services are fairly few.
- ✓ The number of the elderly care operators has been increasing along with the elderly population growth.

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





- ✓ 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.

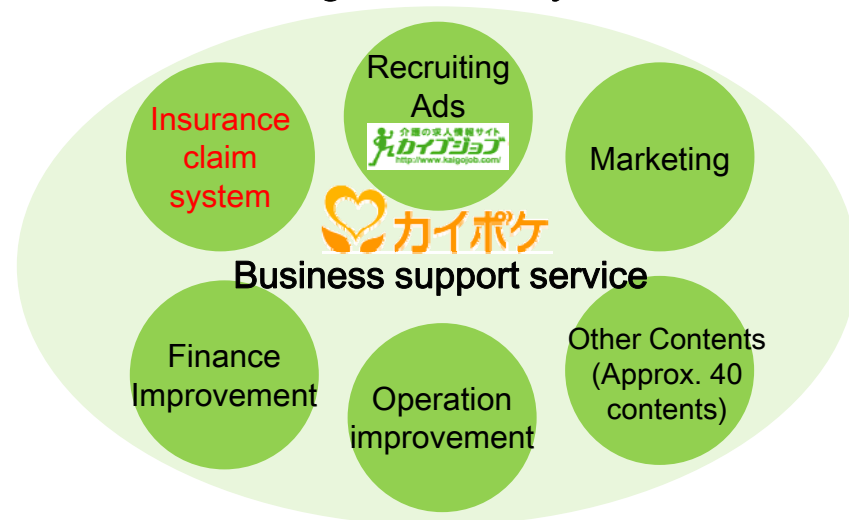
### Prior to February 2014



(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

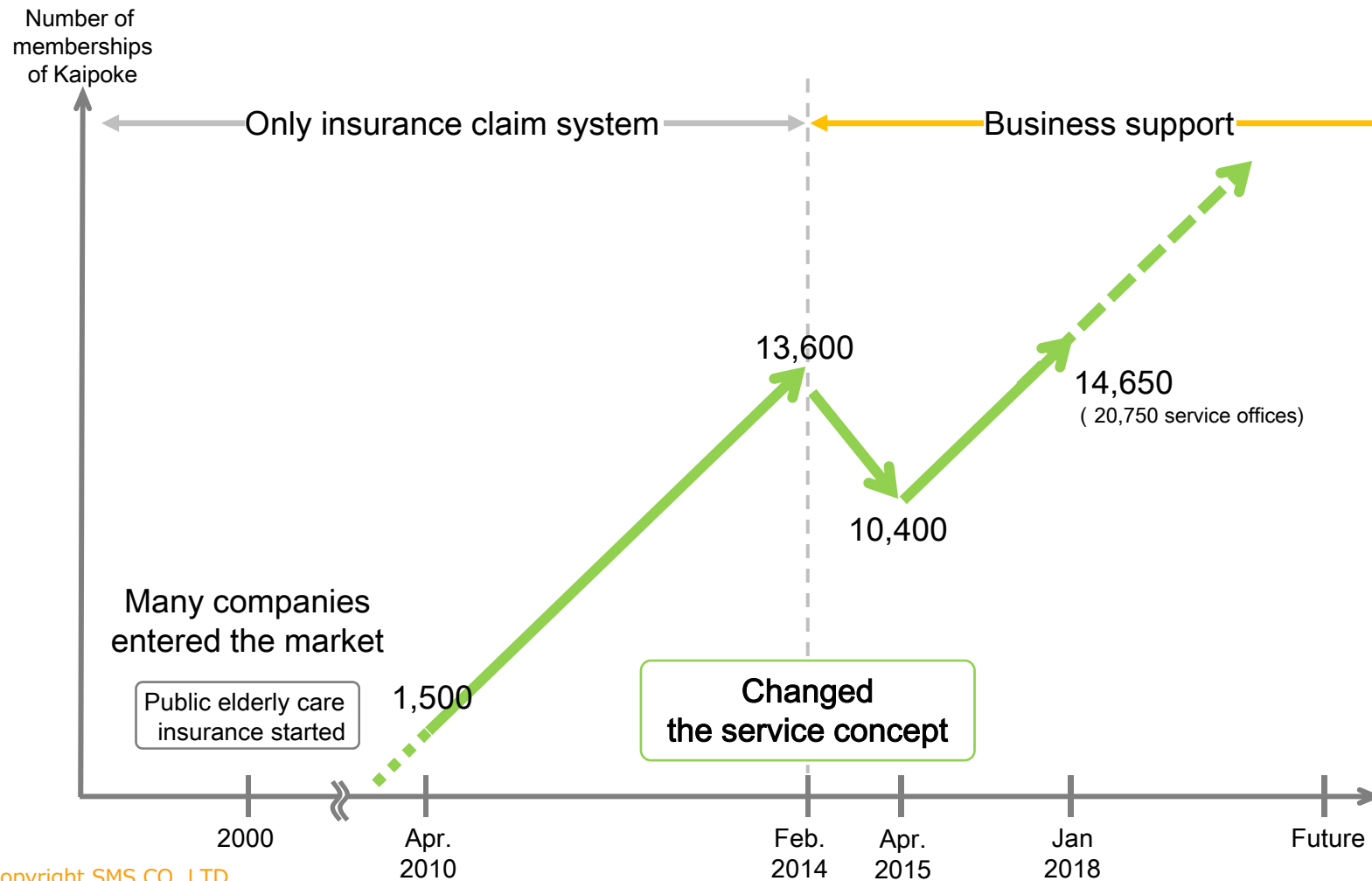


(ARPU) JPY 20,000 / month

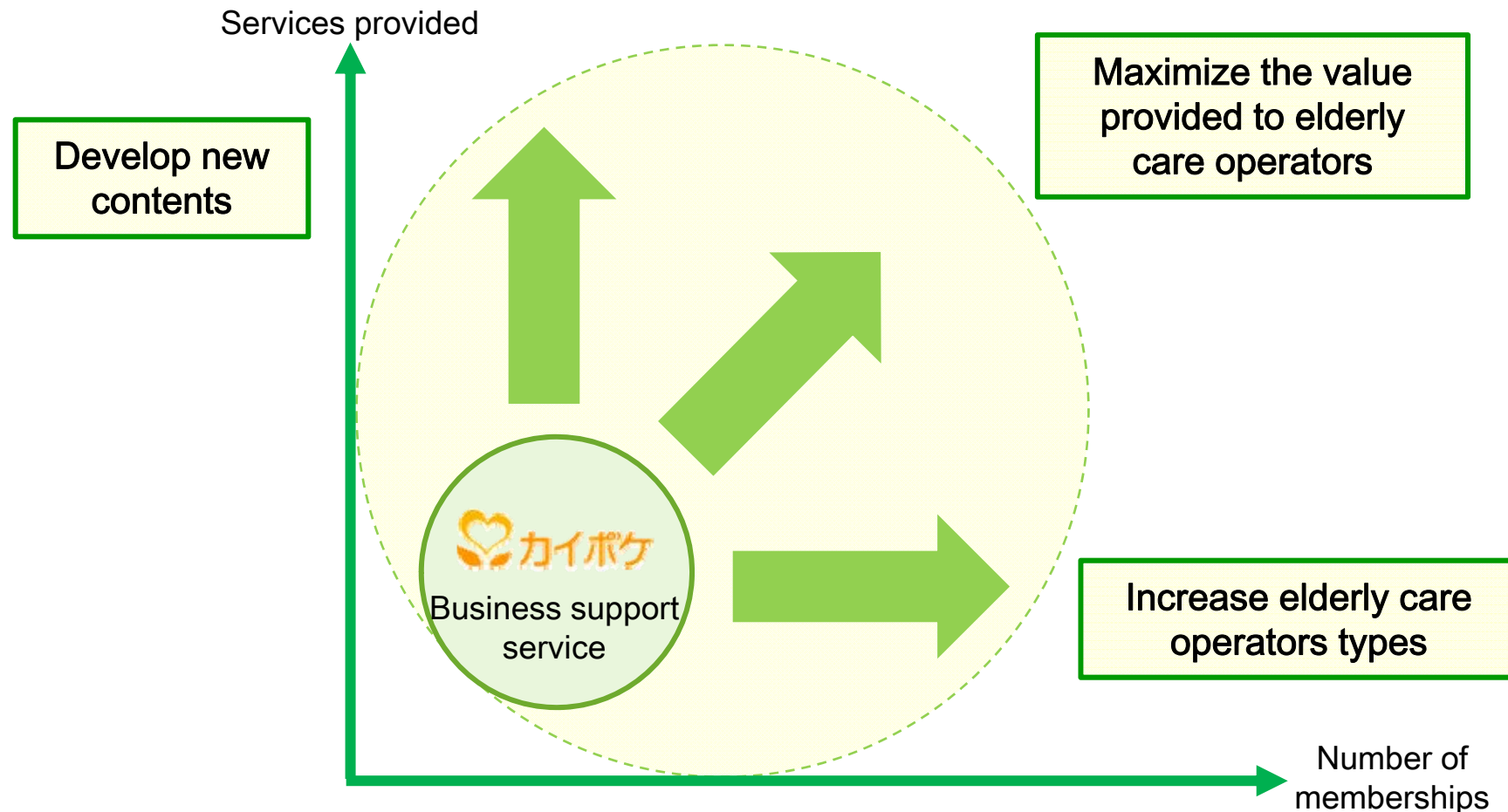
- The only player providing cloud-based business support service with approx. 40 contents including the No.1 recruiting ads service (Kaigojob)

## 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

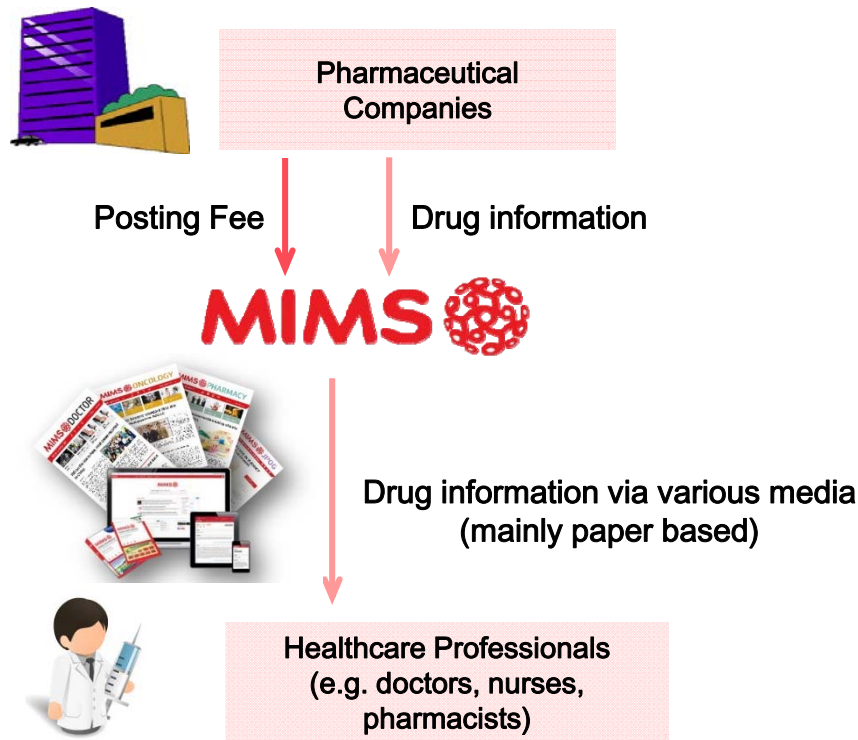


### MIMS group profile

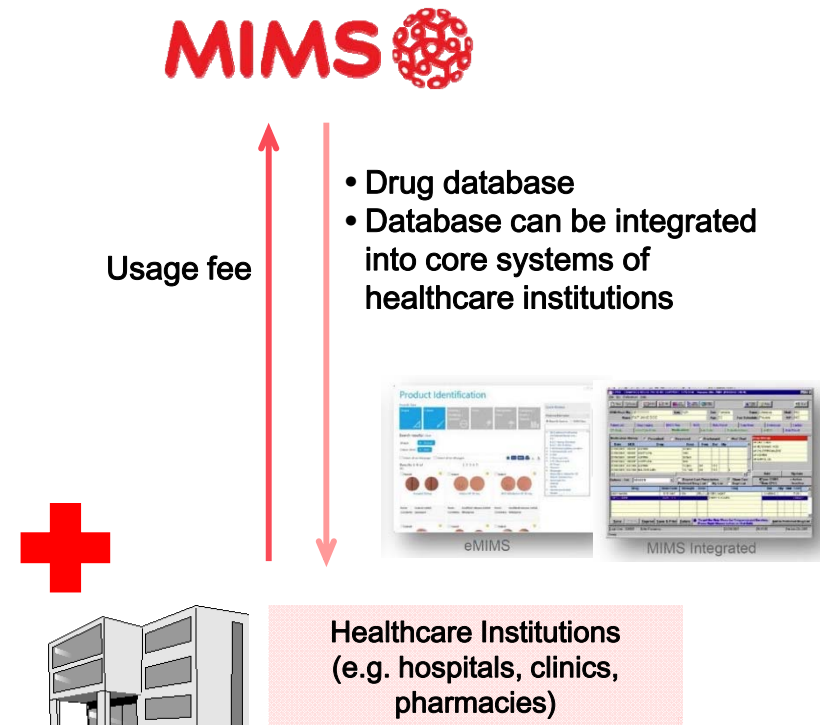


Founded	1963
Business models	·Pharma Marketing ·Healthcare Data
Global coverage	14 countries and regions in Asia and Oceania
Number of memberships	Approx. 2.3 million memberships including 0.5 million doctors
Acquisition date	Oct. 7, 2015
Shareholding ratio	SMS 60%, Mitsui 40%

Pharma Marketing

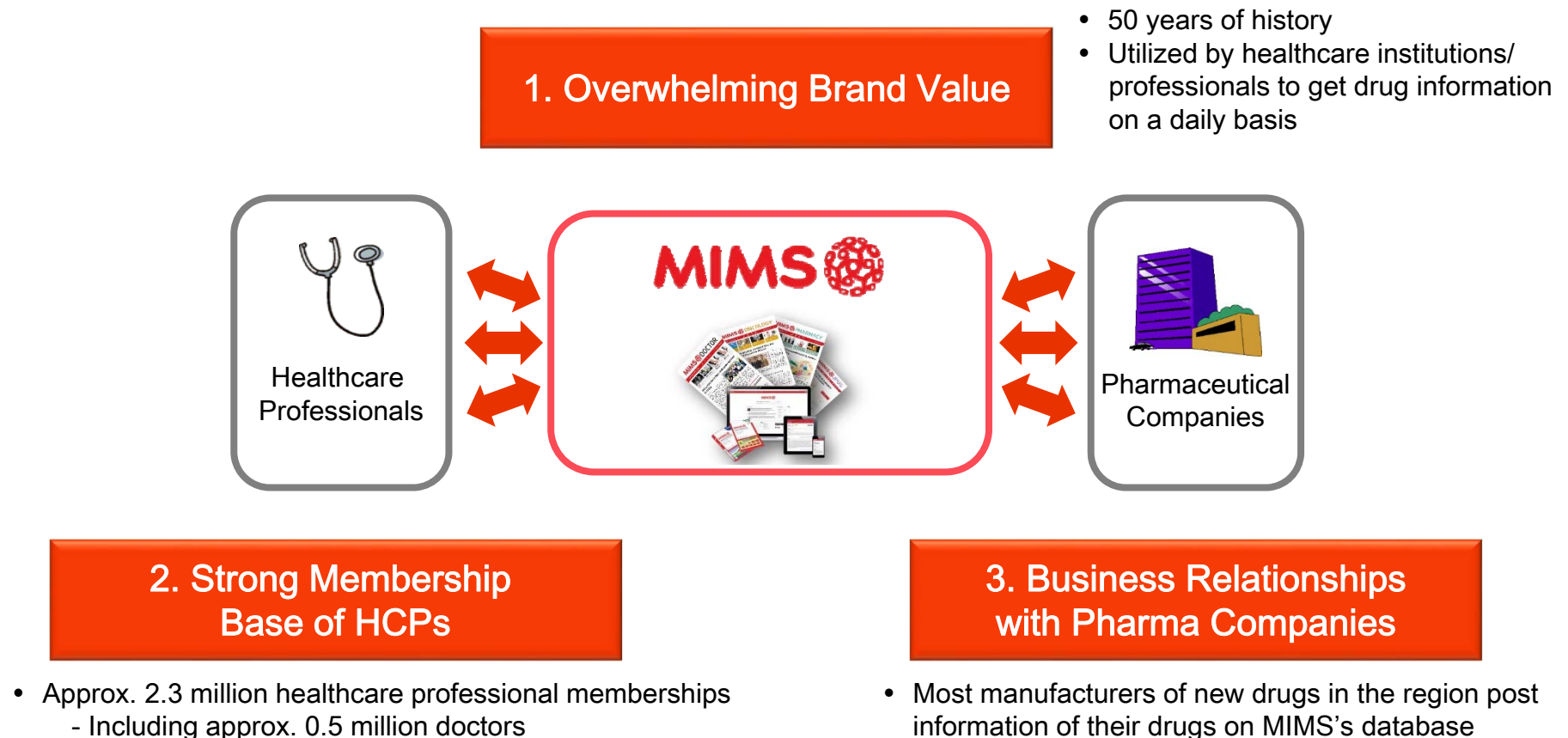


Healthcare Data



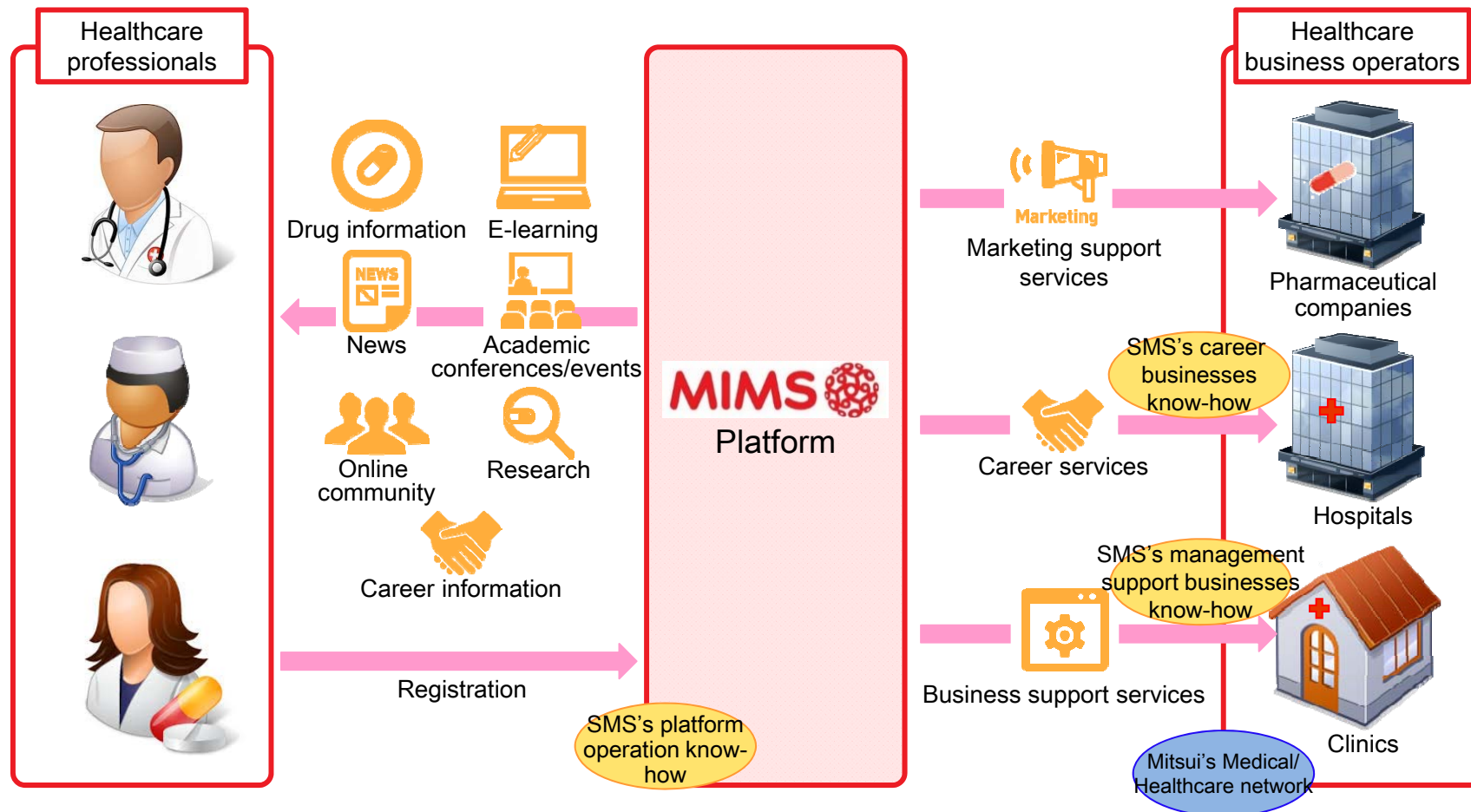
## 2 Strengths of MIMS Group

- ✓ 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.



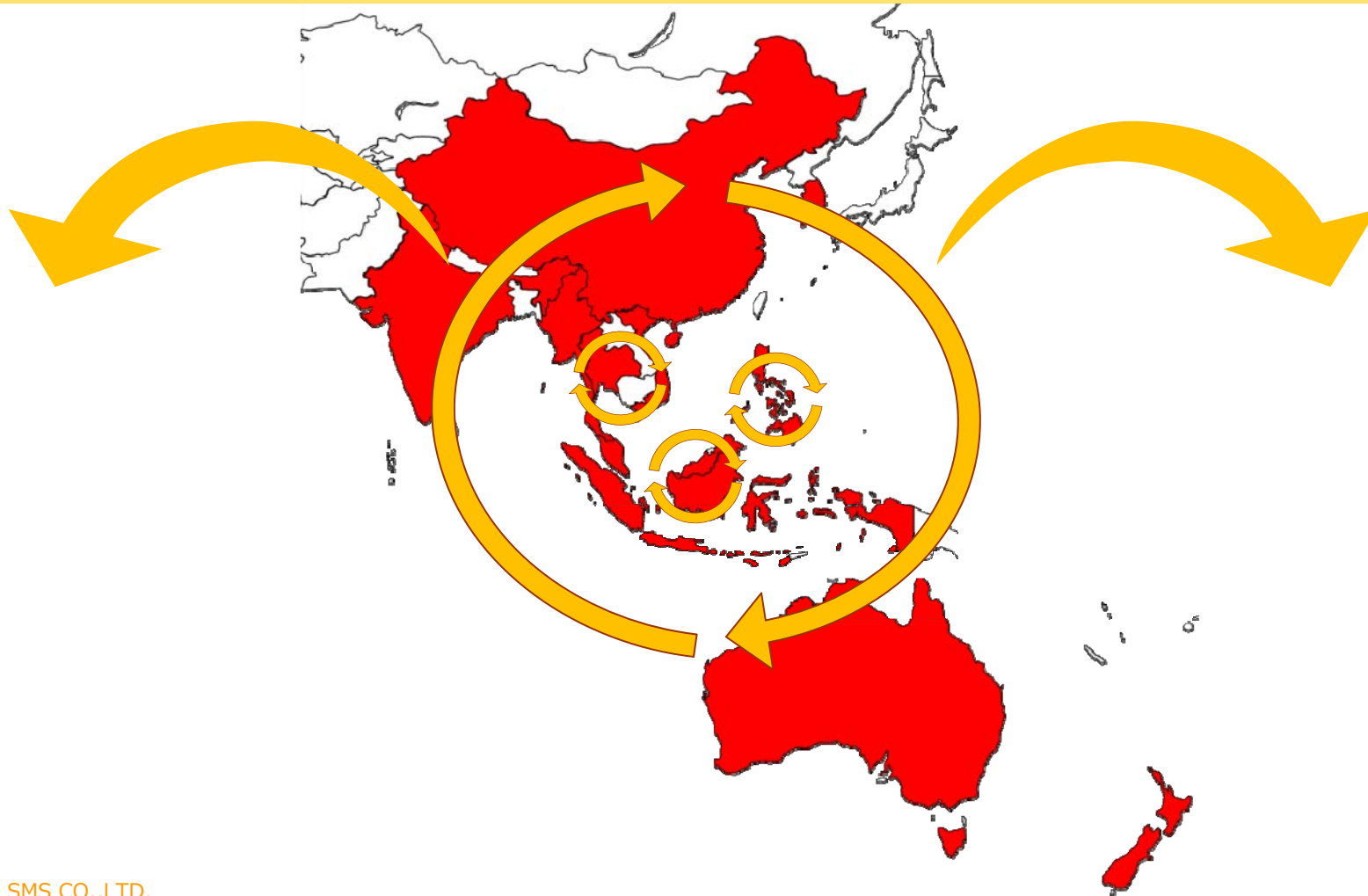
## 2 Strategy of MIMS 1/2: Creating a strong Platform

- ✓ 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.

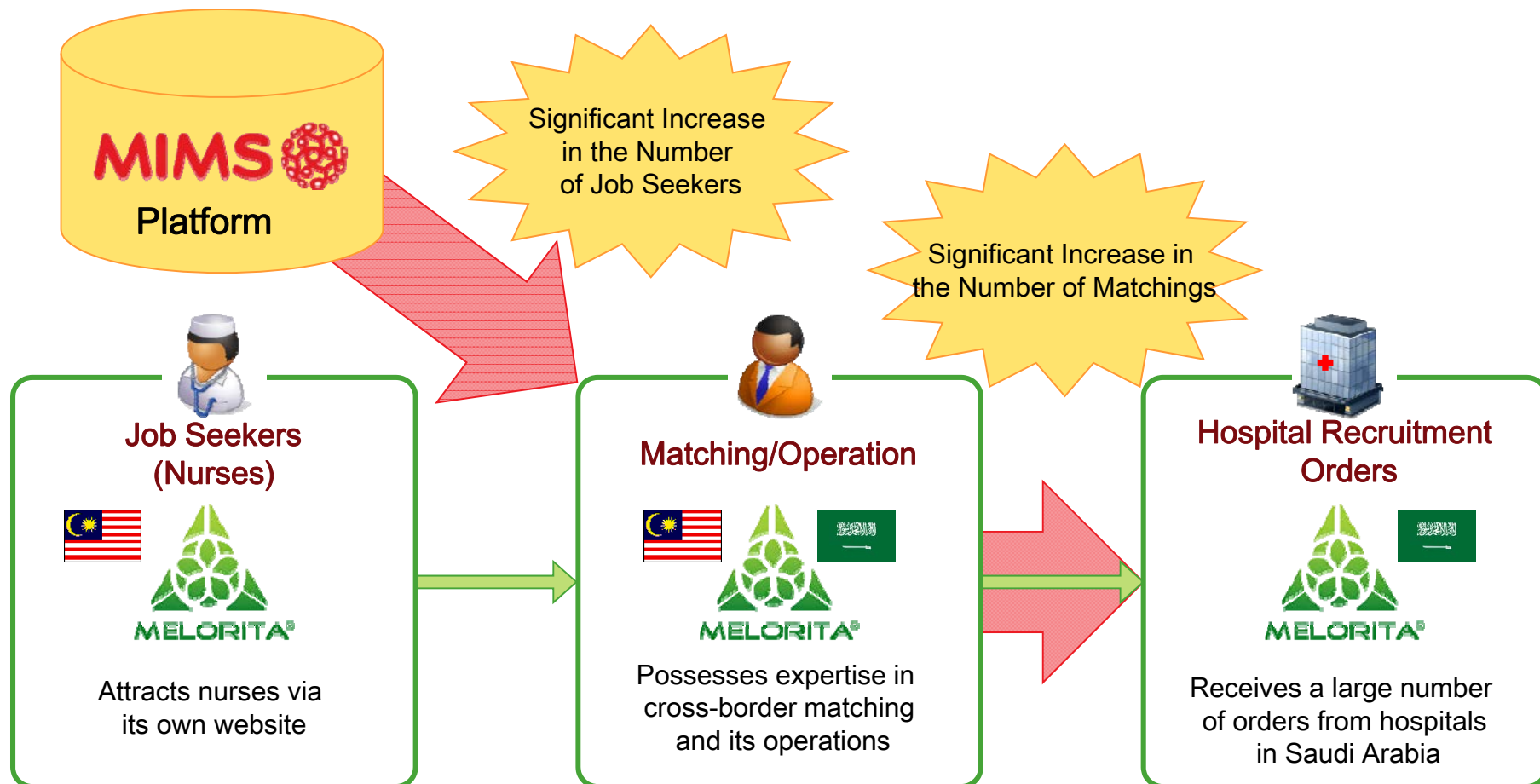


## 2 Strategy of MIMS 2/2: Global Career Business

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



- ✓ 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.



# 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 	Publishing for nurses 	Online academic media for nurses 	Information portal for hospital Admin. managers 	Livelihood support search site 	Com for nutritionists 			
		Information portal of dementia 	Information portal of diabetes 	Q&A site on health 	News column regarding pregnancy, childbirth and child-raising 	Com for pharmacists 				
		Com for managers of elderly care operators 	User review site regarding elderly care operators 							

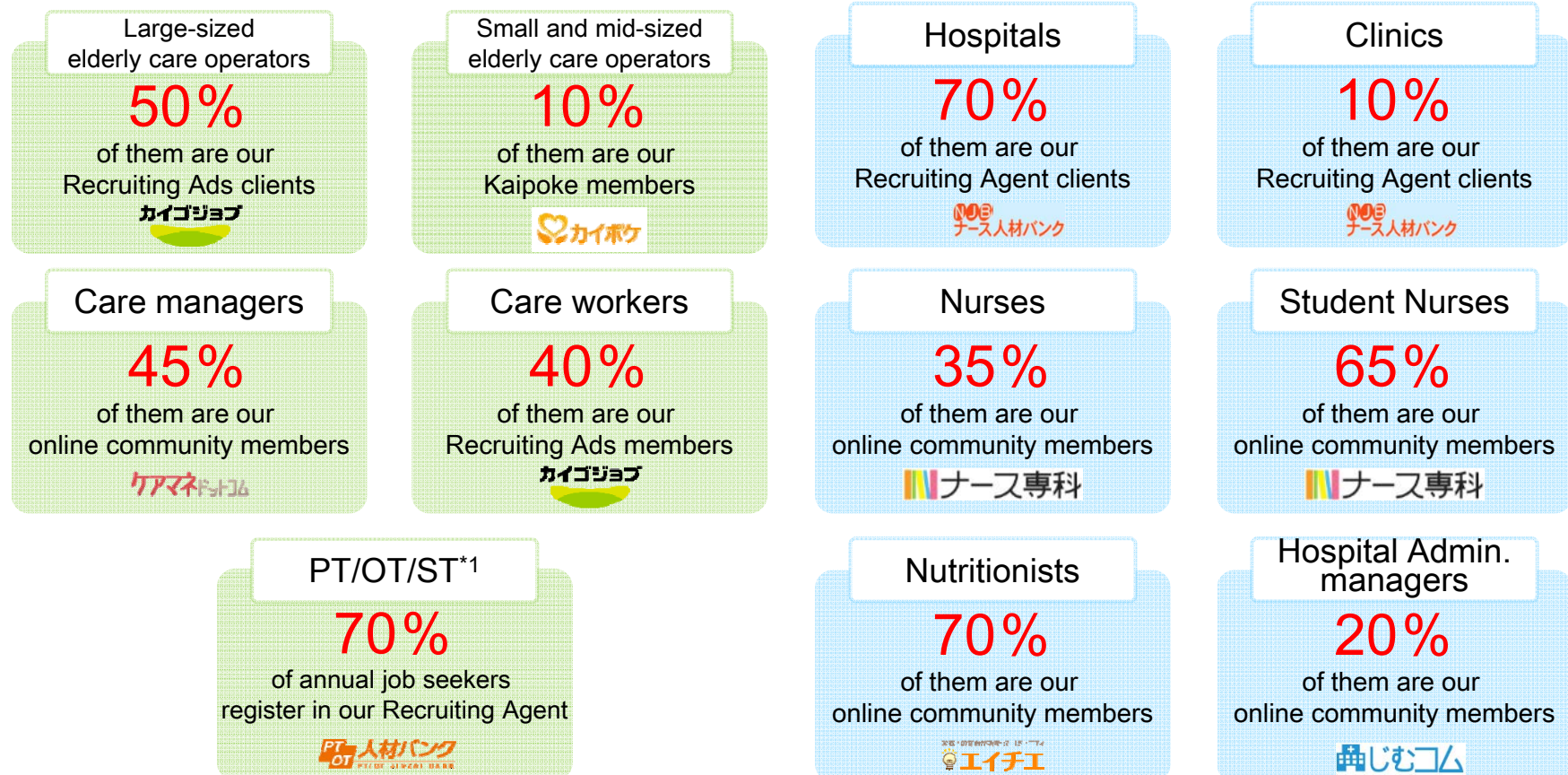
\*1. As of December, 2017 \*2. RAG stands for Recruiting Agent; RAD stands for Recruiting Ads; Com stands for online community



## 2 Advantages in Business Development

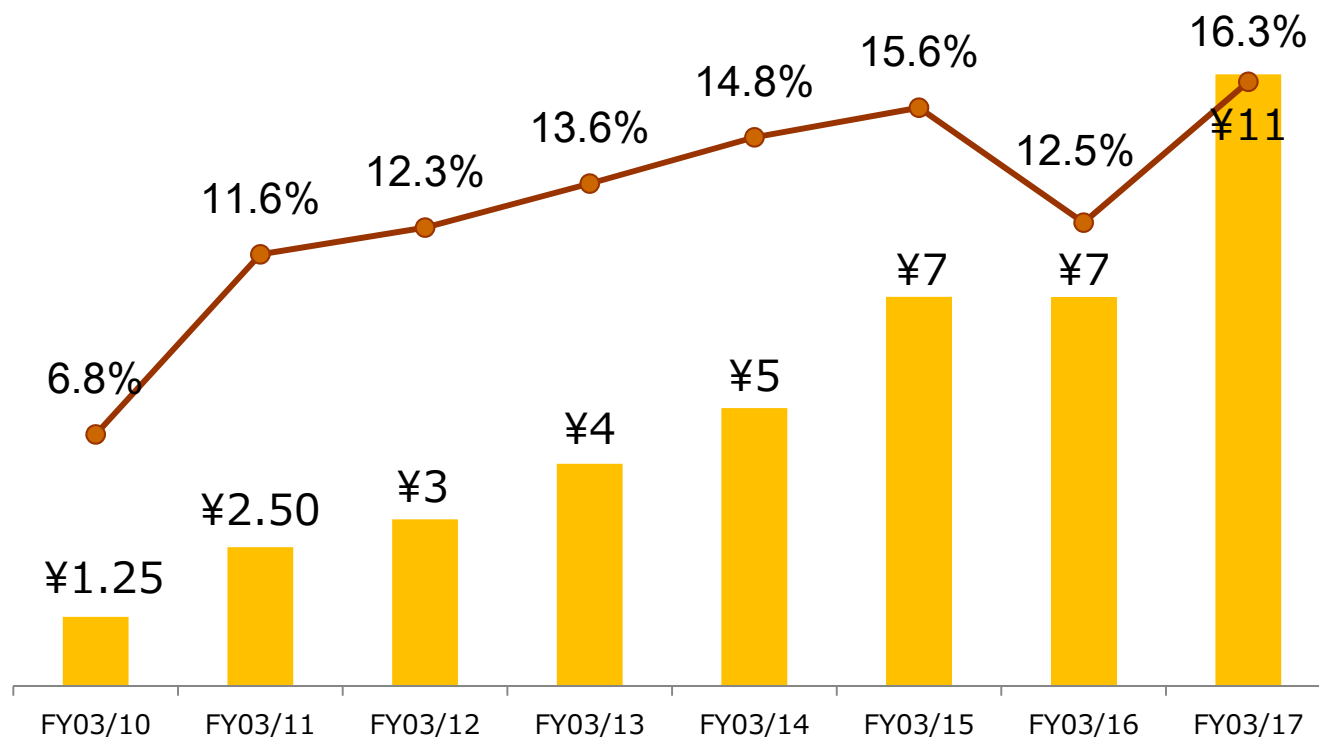
- ✓ Develop new businesses making use of the established bases of service operators and healthcare professionals in the elderly and medical care markets.

### Shares of each customer



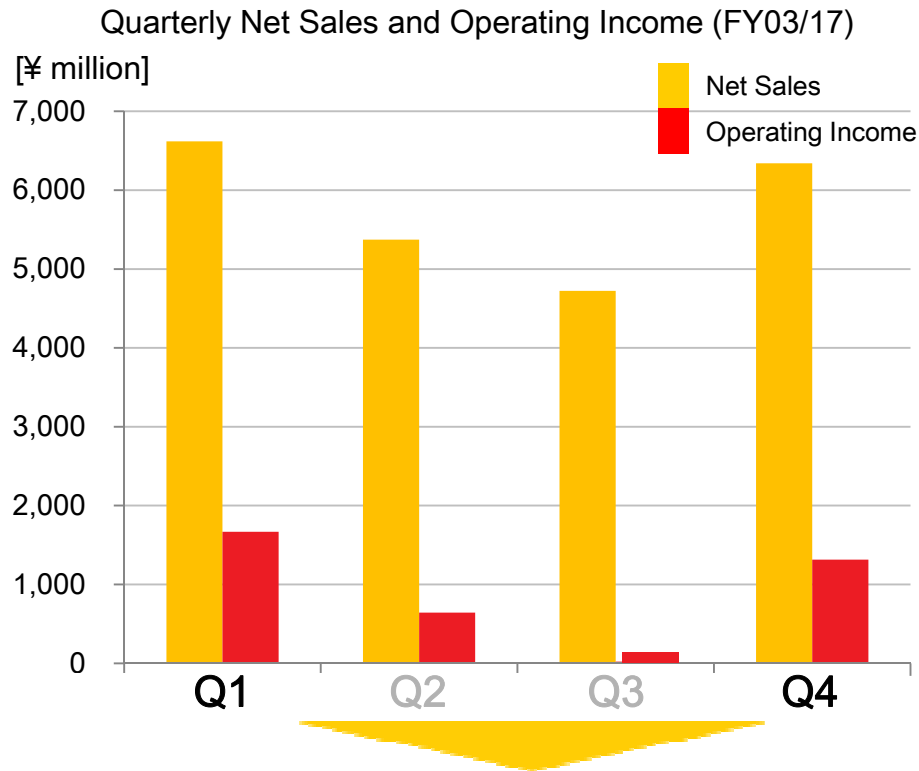
# Other Information

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.)

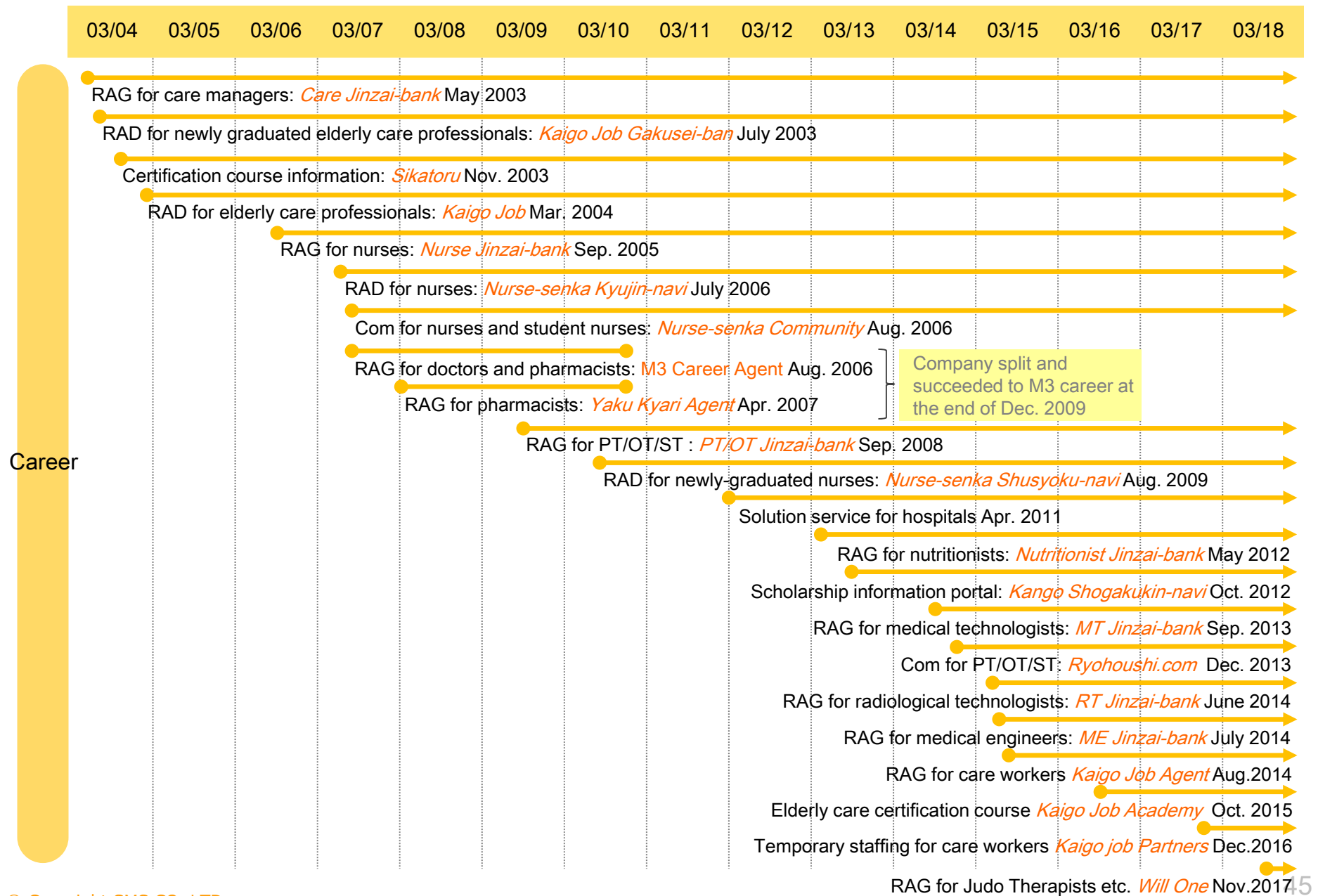
## 2

## 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



# 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

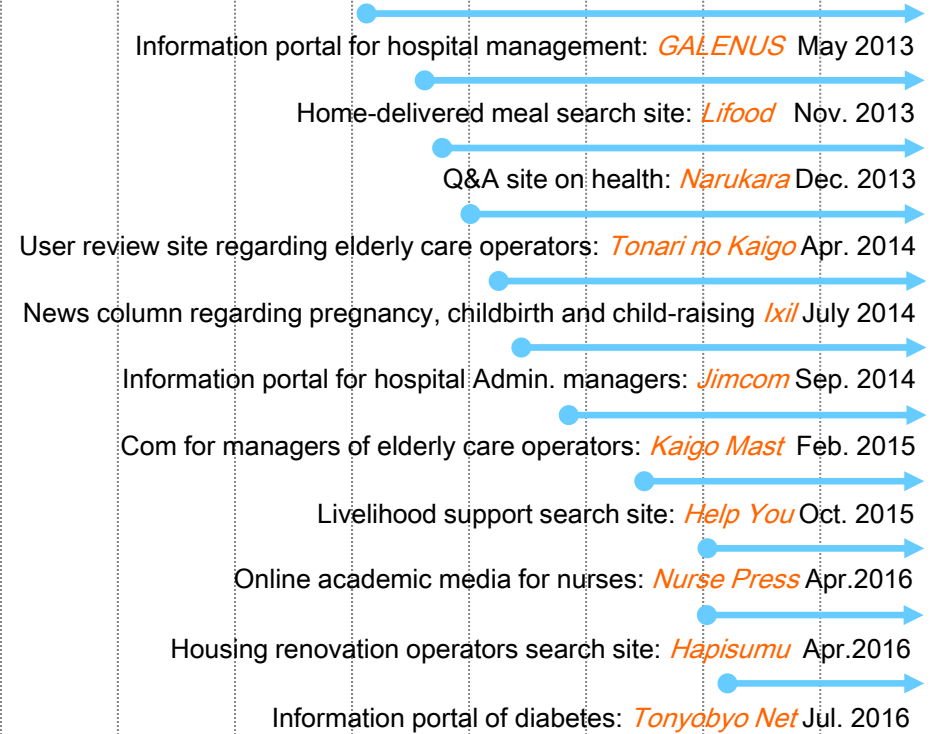
Publishing for nurses: *Nurse-senka Books* Aug. 2009

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





## 2 Number of Employees and Shareholder Composition

### Number of employees

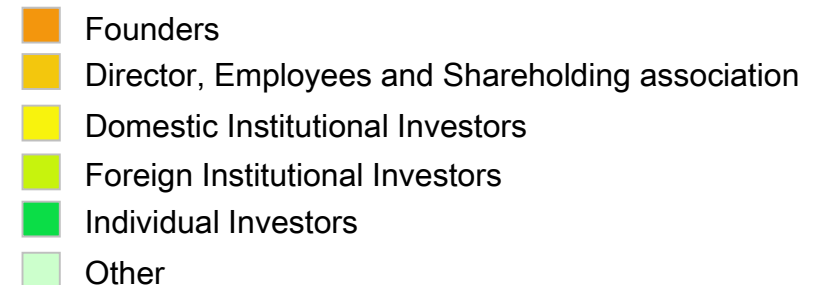
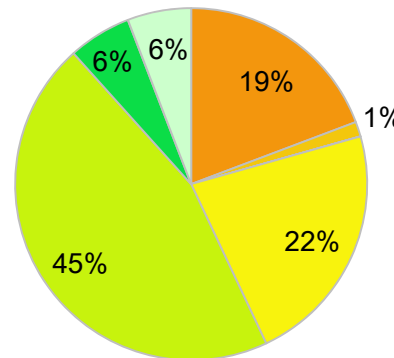
⇒ Number of employees and its breakdown as of December 31, 2017

<b>Employees (consolidated)</b>	<b>2,001</b>
<b>SMS CO., LTD.</b>	<b>316</b>
SMS Career CO., LTD.	737
Subsidiaries and Sub-subsidiaries	948
Japan	248
Overseas	700

### Shareholder composition\*1

[as of September 30, 2017]

Number of stock  
holders  
4,556



## 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 December 31, 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/>

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