

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2018 (Based on Japanese GAAP)

July 30, 2018

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: August 10, 2018
 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, 2018 (from April 1, 2018 to June 30, 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	%
Three months ended June 30, 2018	8,067	14.1	1,376	(13.1)	2,090	3.7	1,644	13.8
Three months ended June 30, 2017	7,073	6.9	1,584	(5.1)	2,015	(6.9)	1,444	(8.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2018	18.94		18.85	
Three months ended June 30, 2017	16.65		16.58	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2018	46,656	23,411	41.5
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	–	–	–	–	–
Year ending March 31, 2019 (Forecast)	–	0.00	–	–	–

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
Six months ending September 30, 2018	15,688	19.2	1,919	(10.6)	2,609	(3.0)	1,852	(0.4)	21.33
Full year	32,273	21.3	4,827	20.0	5,803	15.9	3,905	16.2	44.97

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 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: No
- 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, 2018	86,842,000 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 June 30, 2018	310 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)

Three months ended June 30, 2018	86,841,690 shares	Three months ended June 30, 2017	86,764,974 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	9,515	11,495
Accounts receivable - trade	4,308	3,791
Merchandise and finished goods	50	43
Work in process	29	22
Supplies	20	41
Accounts receivable - other	3,474	4,148
Prepaid expenses	571	705
Other	12	14
Allowance for doubtful accounts	(224)	(183)
Total current assets	17,759	20,079
Non-current assets		
Property, plant and equipment		
Buildings	413	427
Accumulated depreciation	(252)	(260)
Buildings, net	160	166
Tools, furniture and fixtures	687	458
Accumulated depreciation	(454)	(283)
Tools, furniture and fixtures, net	233	174
Machinery, equipment and vehicles	39	295
Accumulated depreciation	(27)	(194)
Machinery, equipment and vehicles, net	11	100
Total property, plant and equipment	405	441
Intangible assets		
Goodwill	11,539	10,723
Software	1,382	1,409
Trademark right	9,412	8,849
Customer-related assets	2,368	2,169
Other	0	0
Total intangible assets	24,703	23,152
Investments and other assets		
Investment securities	1,721	1,413
Deferred tax assets	730	769
Lease and guarantee deposits	746	785
Other	20	13
Total investments and other assets	3,219	2,983
Total non-current assets	28,328	26,577
Total assets	46,087	46,656

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	292	262
Short-term loans payable	8	—
Current portion of long-term loans payable	1,395	1,387
Accounts payable - other	5,061	5,800
Accrued expenses	289	572
Income taxes payable	1,068	319
Accrued consumption taxes	406	416
Advances received	1,183	1,380
Deposits received	70	534
Provision for bonuses	445	250
ProvisionForRepayment	153	277
Other	22	132
Total current liabilities	10,400	11,333
Non-current liabilities		
Long-term loans payable	9,690	9,622
Net defined benefit liability	160	237
Deferred tax liabilities	2,175	2,031
Other	19	19
Total non-current liabilities	12,046	11,911
Total liabilities	22,446	23,244
Net assets		
Shareholders' equity		
Capital stock	2,167	2,167
Capital surplus	3,965	3,965
Retained earnings	14,545	15,628
Treasury shares	0	0
Total shareholders' equity	20,677	21,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(1,423)	(2,409)
Total accumulated other comprehensive income	(1,423)	(2,409)
Share acquisition rights	135	144
Non-controlling interests	4,252	3,915
Total net assets	23,641	23,411
Total liabilities and net assets	46,087	46,656

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, 2017	Three months ended June 30, 2018
Net sales	7,073	8,067
Cost of sales	762	823
Gross profit	6,311	7,244
Selling, general and administrative expenses	4,727	5,867
Operating profit	1,584	1,376
Non-operating income		
Share of profit of entities accounted for using equity method	418	719
Other	23	9
Total non-operating income	442	728
Non-operating expenses		
Interest expenses	10	13
Other	0	1
Total non-operating expenses	10	14
Ordinary profit	2,015	2,090
Extraordinary income		
Other	0	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	28	–
Other	0	0
Total extraordinary losses	28	0
Profit before income taxes	1,987	2,092
Income taxes	599	539
Profit	1,387	1,553
Loss attributable to non-controlling interests	(57)	(91)
Profit attributable to owners of parent	1,444	1,644

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	1,387	1,553
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(941)	(1,221)
Share of other comprehensive income of entities accounted for using equity method	(6)	(9)
Total other comprehensive income	(948)	(1,230)
Comprehensive income	439	322
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	956	658
Comprehensive income attributable to non-controlling interests	(517)	(336)