

SMS CO., LTD.

(Securities Code: 2175 / TSE1)

Presentation Materials for Investor Relations

Financial Results Summary for

the Fiscal Year Ended March 31, 2017 (the 14th Fiscal Year)

April 28, 2017



SMS
Best matching Best value

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1	FY03/17 Consolidated Financial Results	P3-P7
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- ✓ Both net sales and incomes increased YoY significantly.
- ✓ Both net sales and incomes were in line with forecasts.

P/L Statement [¥ million]

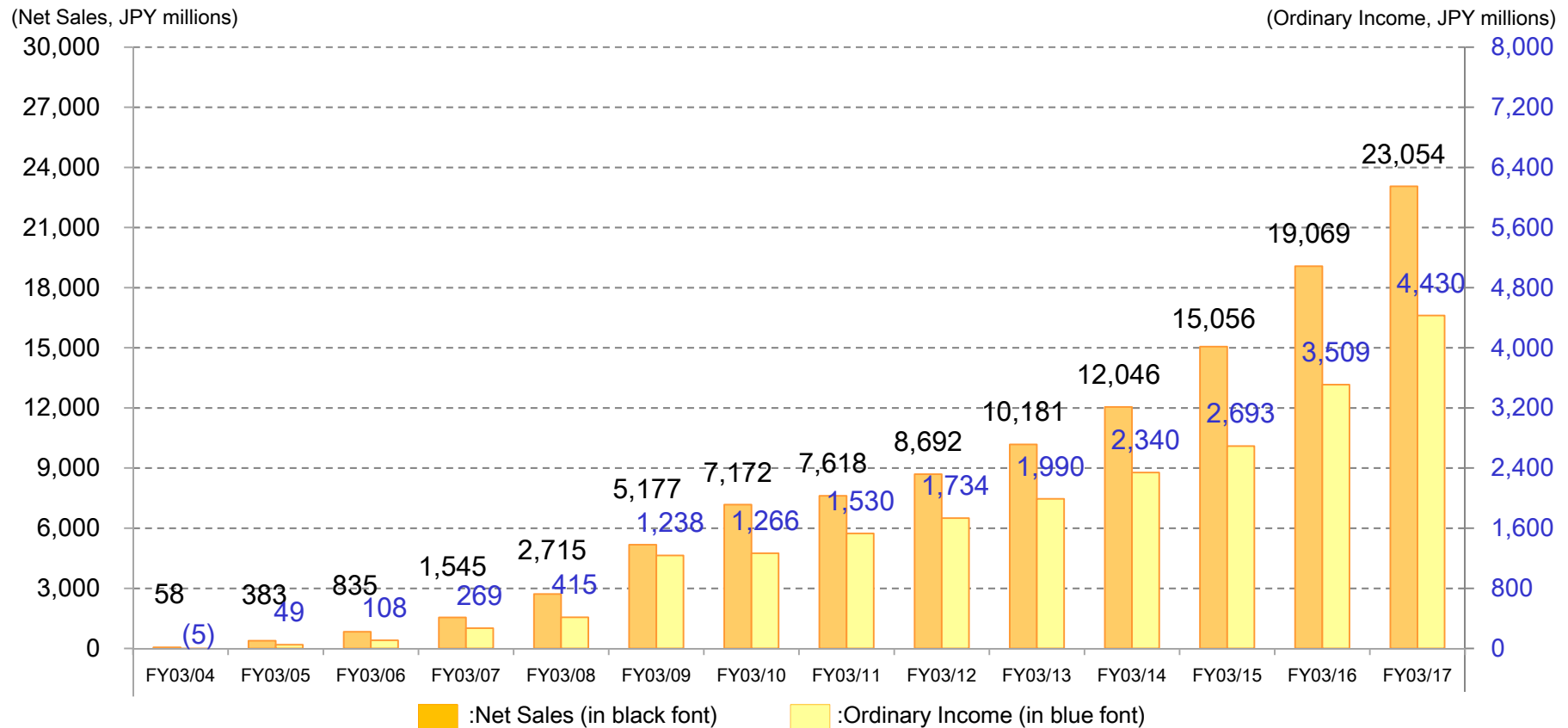
	FY03/16 Actual	FY03/17 Forecasts*1	FY03/17 Actual	YoY Change	vs. Forecasts
Net sales	19,069	24,051	23,054	+21%	-4%
Operating Income	2,756	3,650	3,646	+32%	-0%
Ordinary Income	3,509	4,450	4,430	+26%	-0%
Net Income	2,265	2,800	2,801	+24%	+0%

1 Historical Financial Results



✓ Achieved growth in both net sales and ordinary income for the 13th consecutive years since our establishment.

Trends in net sales and ordinary income



1 Career Segment (Full-year)

- ✓ Net sales increased 10% YoY.
- ✓ Both Recruiting Agent and Media services in the Elderly Care achieved significant growth.

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

		FY03/16	FY03/17	YoY changes
Elderly Care	Recruiting Agent	1,438	1,790	+24%
	Media	1,833	2,234	+22%
Medical Care	Recruiting Agent	8,229	8,758	+6%
	Media	1,223	1,187	-3%
Total		12,725	13,972	+10%

Highlights

- In Elderly Care, both Recruiting Agent and Media achieved significant growth.
 - Existing Recruiting Agent services continued to grow steadily.
 - The number of sales orders for the Recruiting Agent for care workers(launched this fiscal year) started to increase. The number of consultants have been increased looking ahead of the growth from the next fiscal year.
- Medical Care Recruiting Agent continued to grow steadily.

1 Elderly Care Segment (Full-year)

- ✓ Net sales increased 19% YoY.
- ✓ Kaipoke continued to grow.

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

	FY03/16	FY03/17	YoY changes
Management Support for Service Operators	2,551	3,040	+19%
New Businesses	421	487	+16%
Total	2,972	3,528	+19%

Highlights

- Management support for elderly care operators “Kaipoke” achieved significant growth due to the rise in memberships. Increase 1,500 memberships from previous fiscal year (As of April, 2016: 12,000 → As of April, 2017:13,500)
- In New Businesses, the home-delivered meal search and renovation support increased.

1 Medical Care, Healthcare and Overseas (Full-year)

- ✓ In Overseas segment, MIMS group acquired in October 2015 contributed to net sales increase.

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

	FY03/16	FY03/17	YoY changes
Medical Care	652	591	-9%
Healthcare	117	176	+50%
Overseas* ¹	2,601	4,786	+84%

Highlights

Medical Care

- Net sales of “Mail order/online sales of nursing goods” decreased YoY, but the profitability improved by discontinuing catalog sales and focusing on online sales

Healthcare

- Services for the prevention of dementia, lifestyle-related diseases, etc. contributed to an increase in net sales.

Overseas

- The MIMS group contributed to an increase in net sales.
- Restructured the overseas businesses portfolio in line with the acquisition of the MIMS group.

*1: The MIMS group was acquired in October 2015. MIMS Group's P/L is consolidated following a 3-month lag. (For full-year, the P/L of the MIMS group for January to December was included in the scope of consolidation. For details, refer to p.45.) In addition, the results of net sales for FY03/17 were ¥4,476 million.

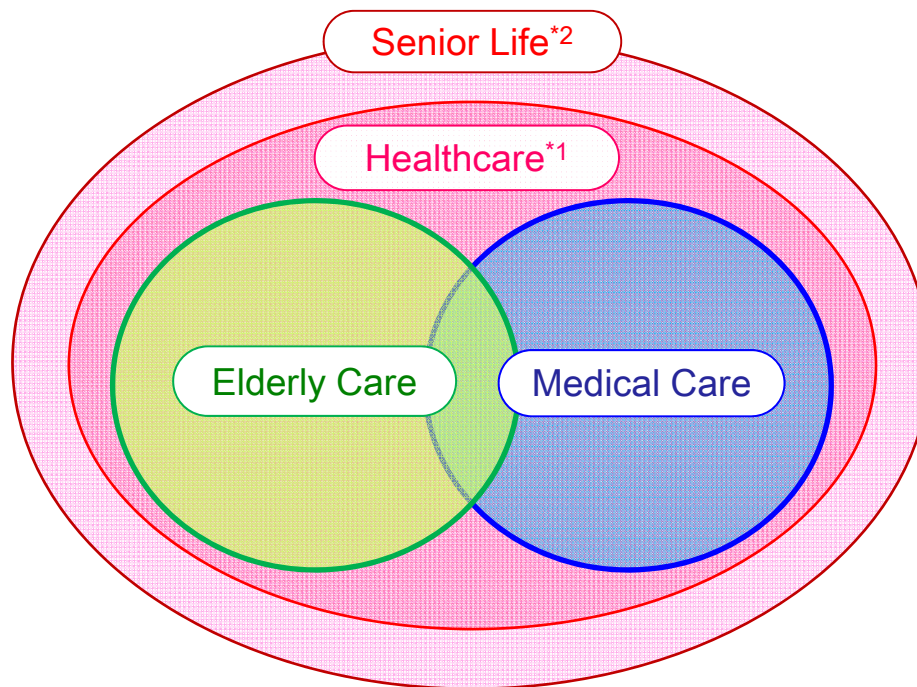
1	FY03/17 Consolidated Financial Results	P3-P7
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We create value and contribute to society by providing an “information infrastructure for an aging society.”

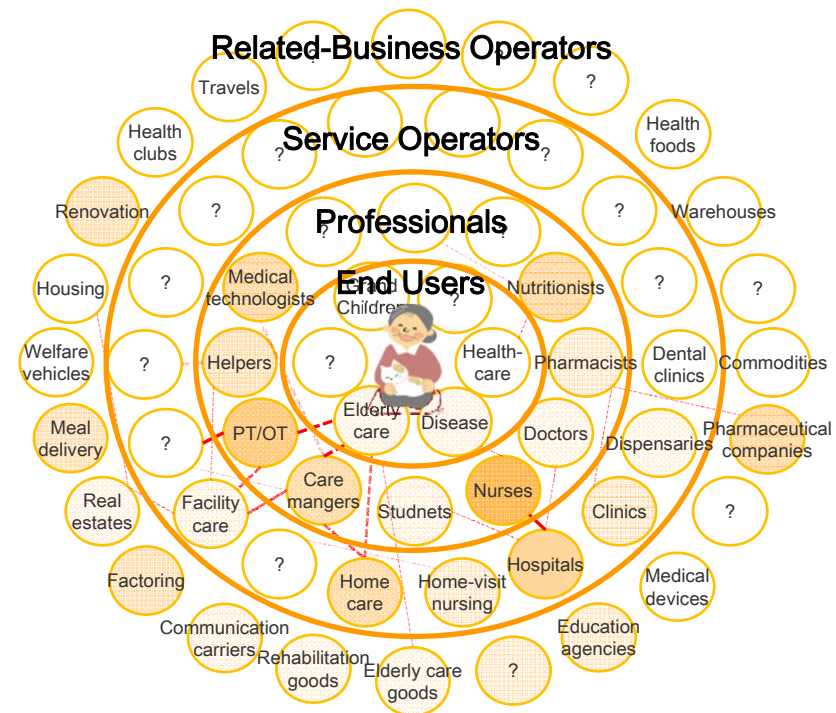
2 Business Segments and Service Recipients

- ✓ Define our market segments as Elderly Care, Medical Care, Healthcare and Senior Life.
- ✓ Provide values through organically connecting service operators, professionals, and end users.

Market segments in an aging society



Stakeholders covered by an information infrastructure



2 Overseas Operations

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



■ Asia



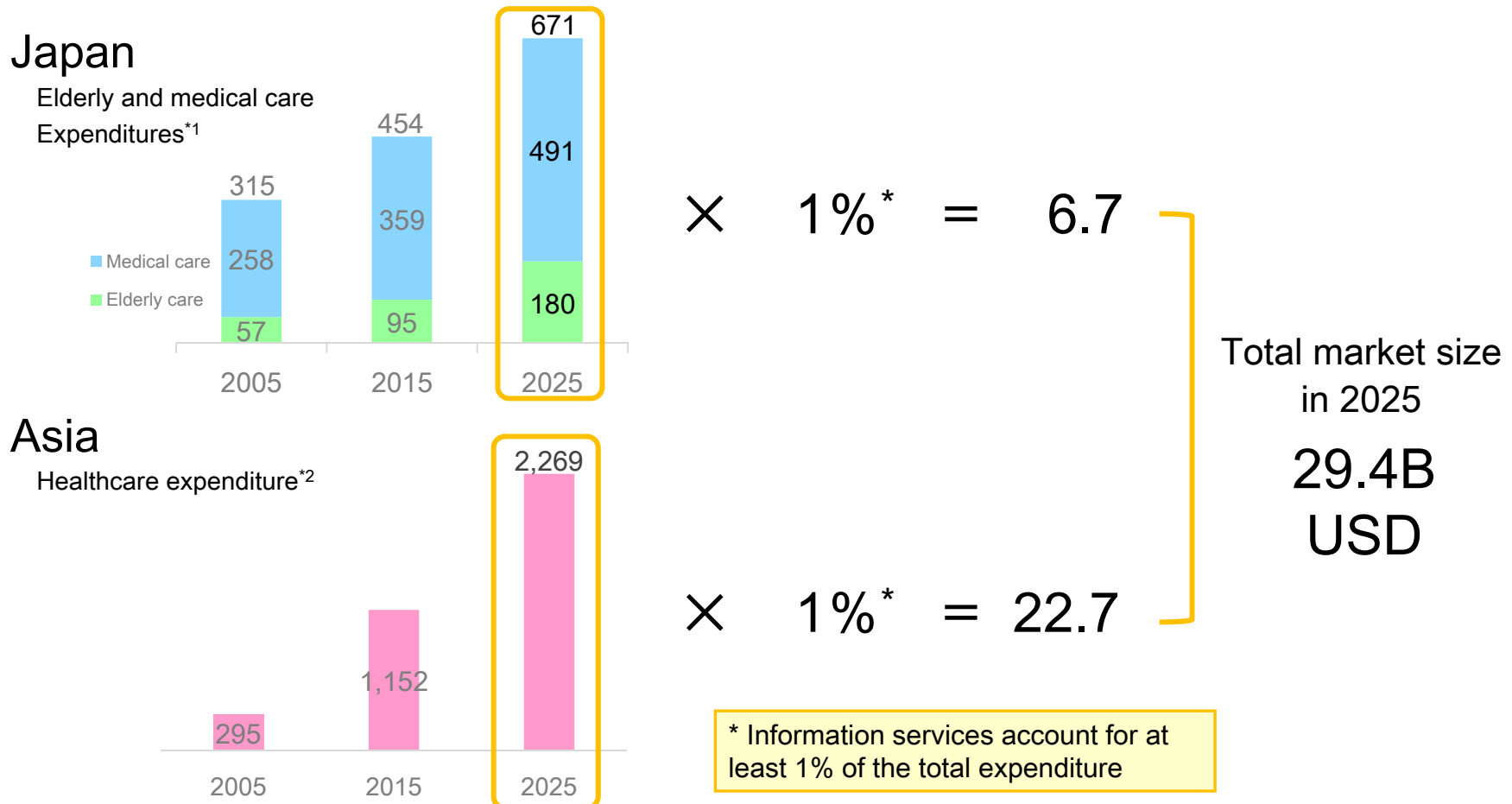
■ Oceania



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.
- ✓ The Elderly Care Operators (Kaipoke) and Overseas segments are established as the basis for further growth.

Strategic Units

Career segment

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



Elderly Care Operators segment (Kaipoke)

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



Overseas segment

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

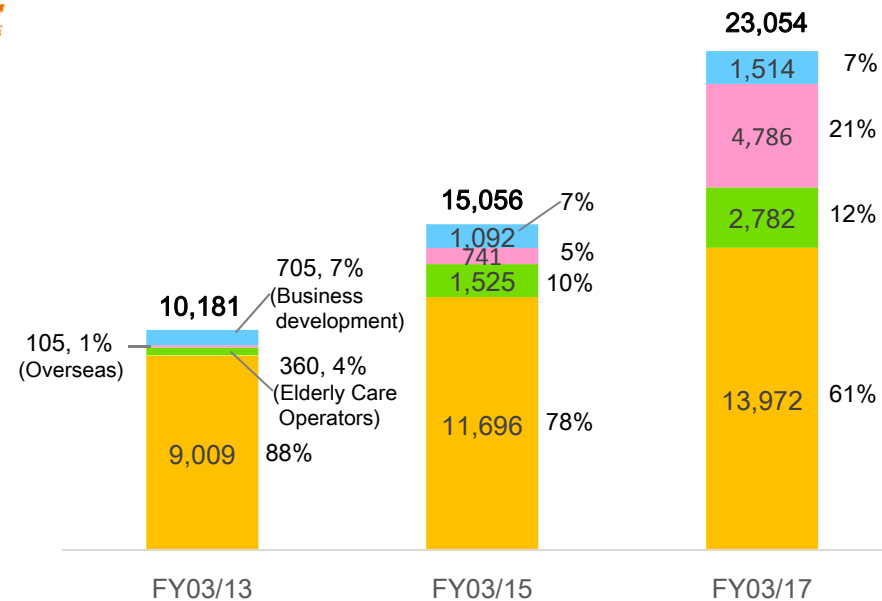


Business Development segment

- Developing a series of new services

Breakdown of Net Sales by Segment

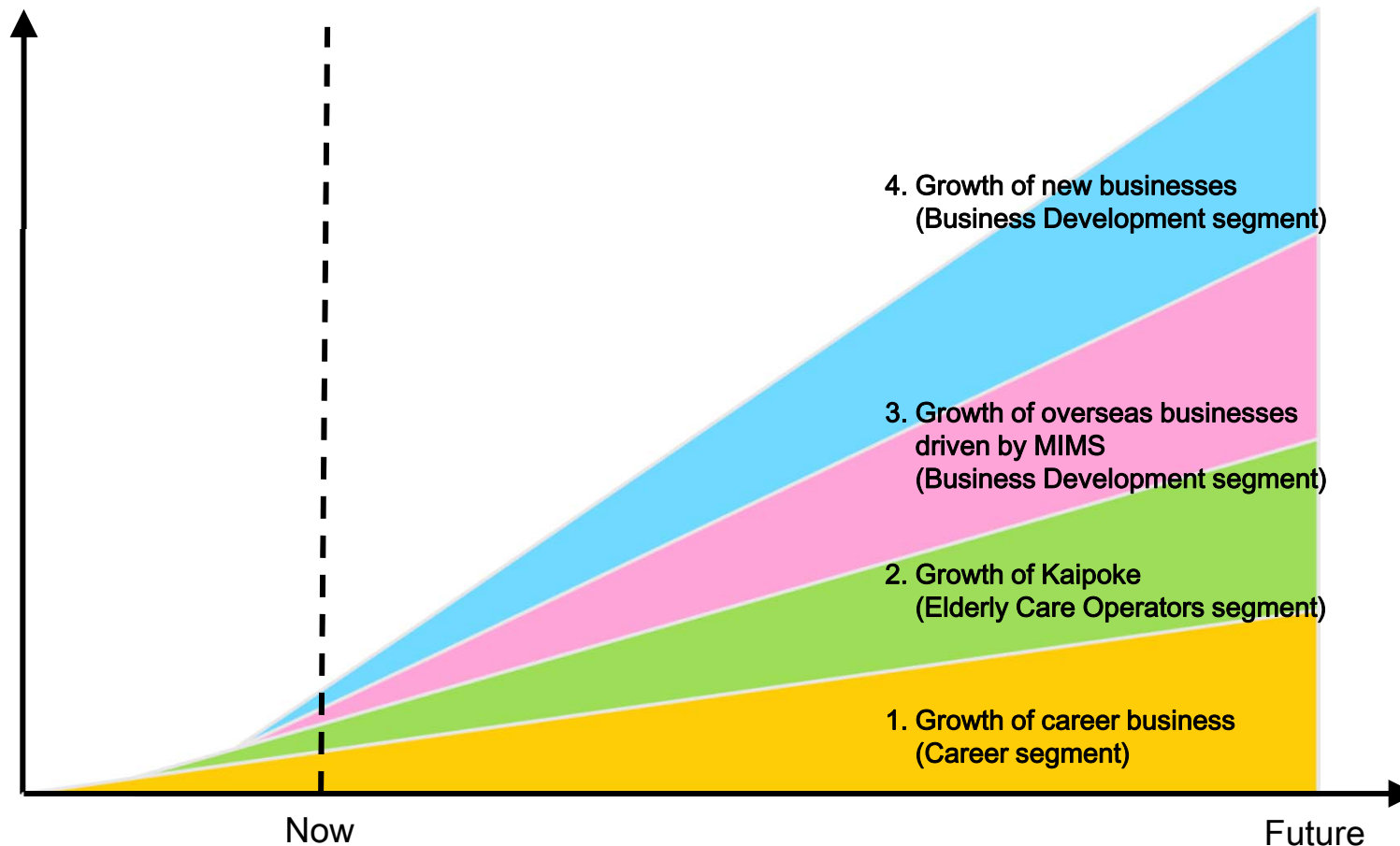
(JPY millions)



■ Career segment ■ Elderly Care Operators segment
■ Overseas segment ■ Business Development segment

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 core businesses, which will further drive our growth in the future.



✓ Expecting 21% growth in net income.

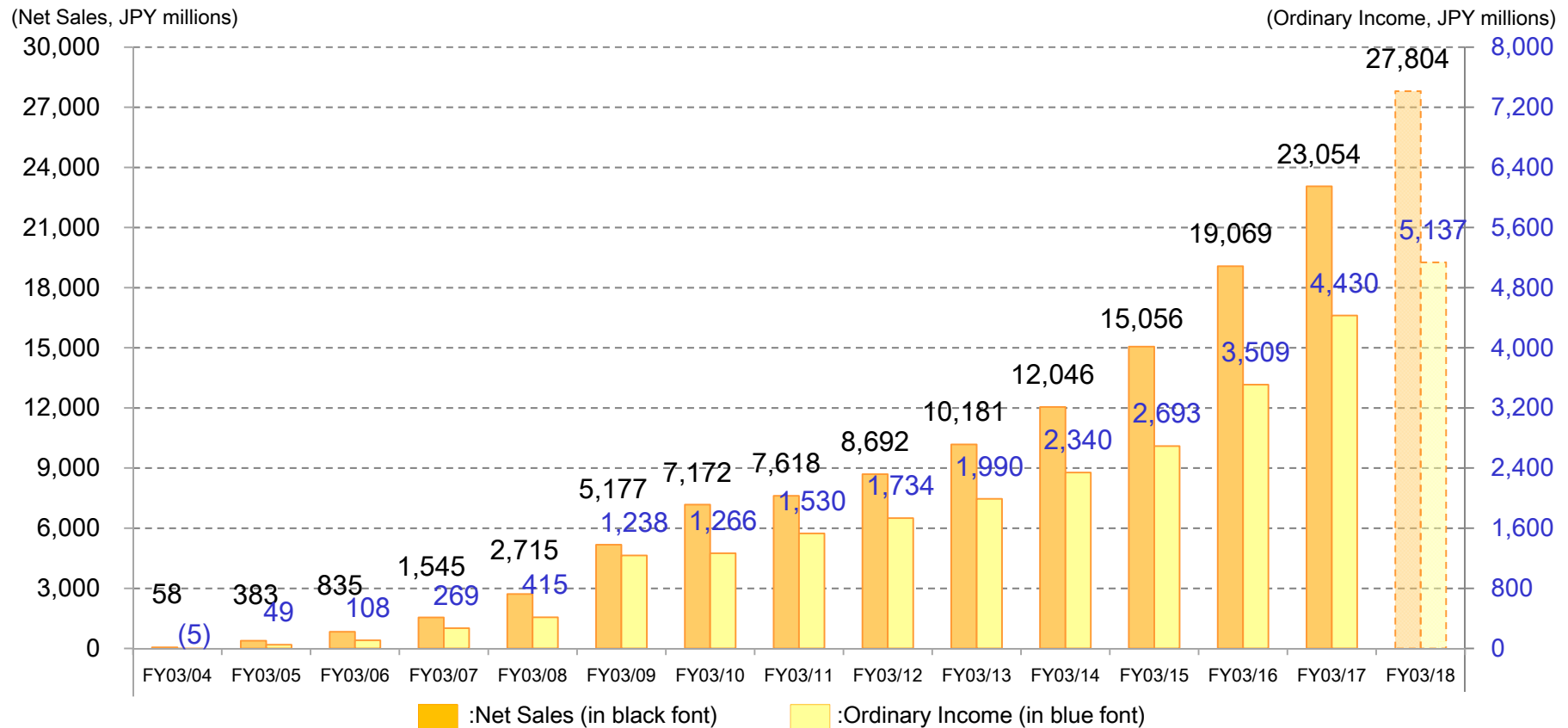
P/L Statement [¥ million]

	FY03/17 Actual	FY03/18 Forecast	Difference (Amount)	YoY Changes
Net Sales	23,054	27,804	+4,749	+21%
Operating Income	3,646	4,378	+732	+20%
Ordinary Income	4,430	5,137	+706	+16%
Net Income	2,801	3,396	+595	+21%

2 Historical Financial Results and Forecasts

- ✓ Expecting to achieve growth in both net sales and ordinary income for the 13th consecutive year since our establishment.

Trends in net sales and ordinary income

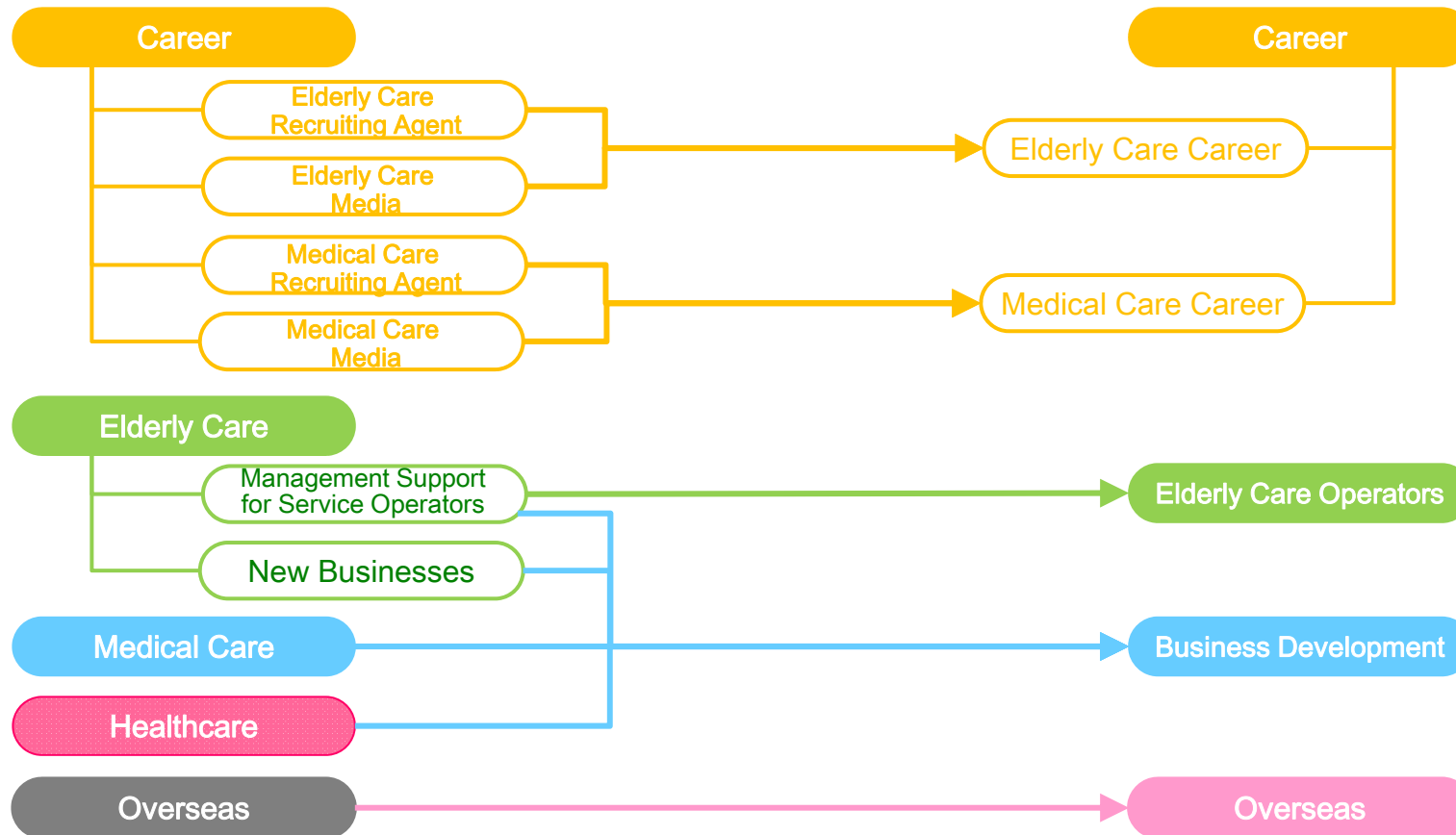


2 Changes in Disclosed Segments

✓ Change the disclosed segments based on the strategy.

Former disclosed segments

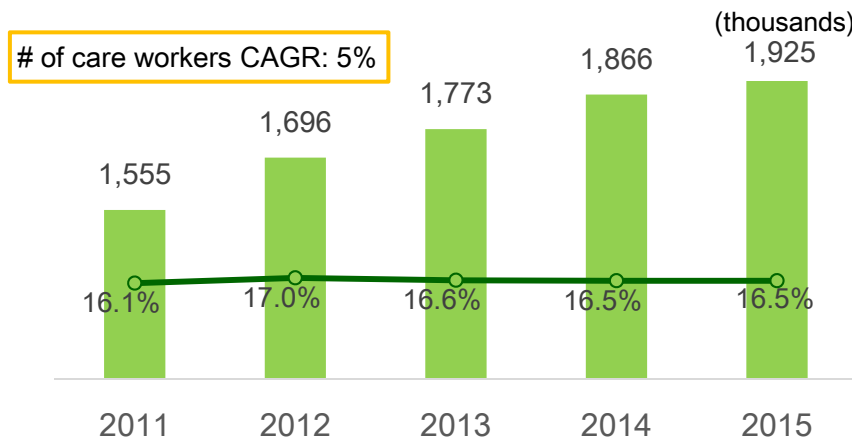
New disclosed segments



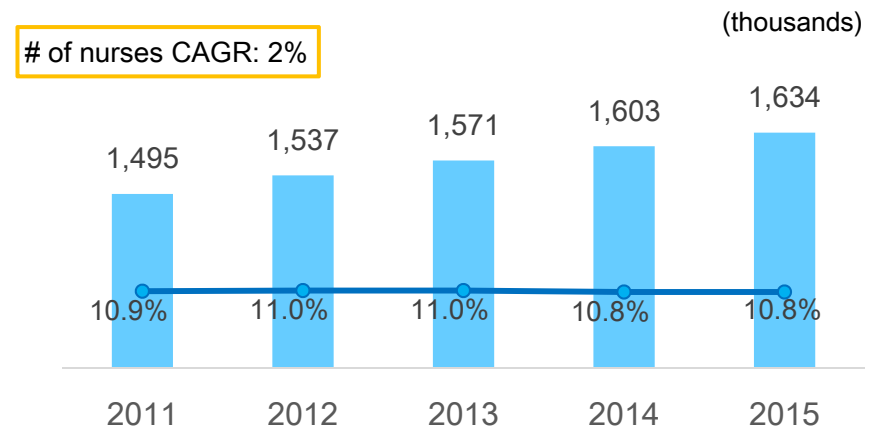
Career Segment

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

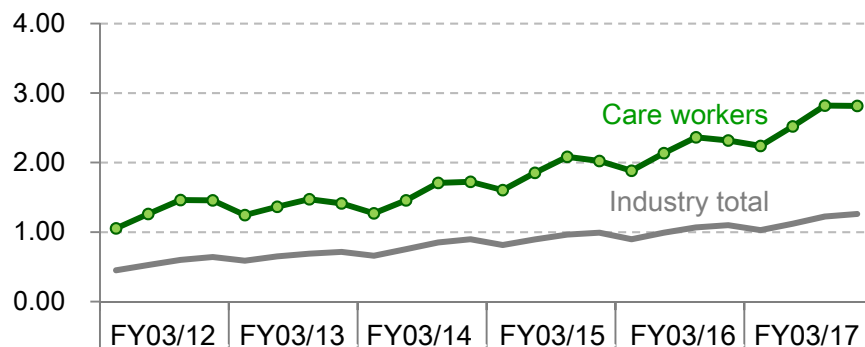
The number of care workers and their turnover rate*1



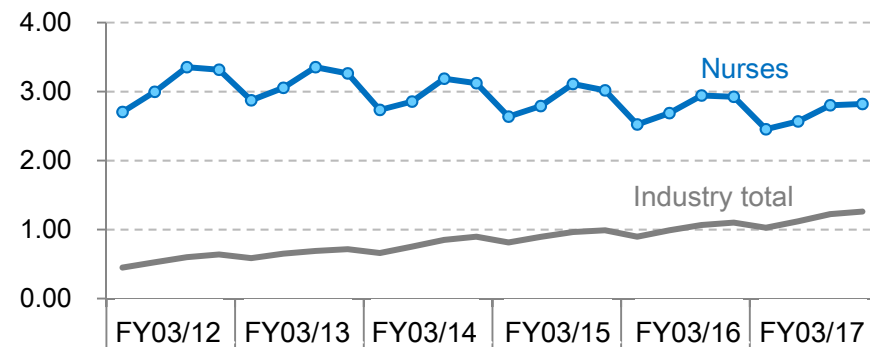
The number of nurses and their turnover rate*3



Jobs-to-applicants ratio of care workers*2

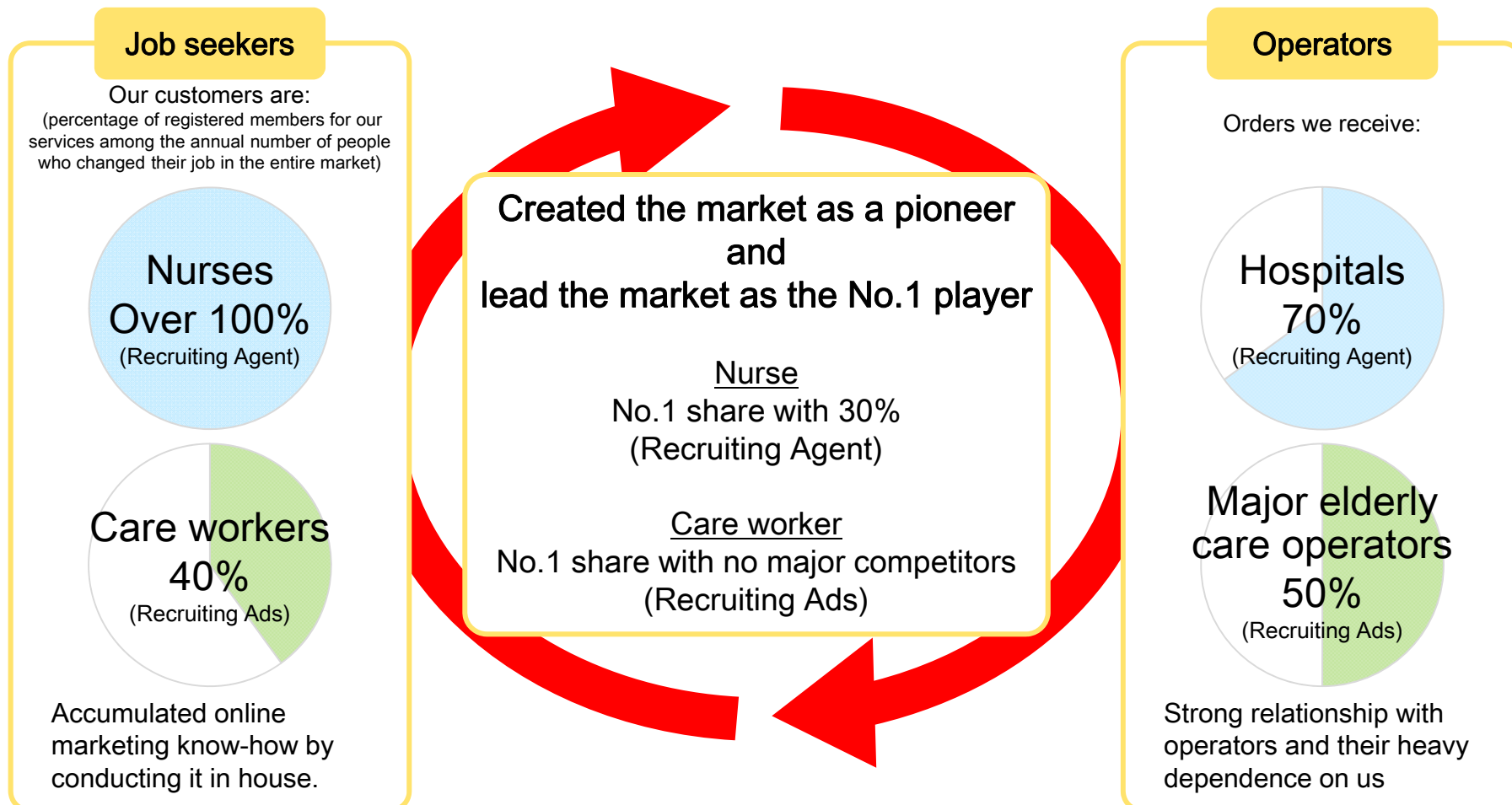


Jobs-to-applicants ratio of nurses*2



2 Our Strengths

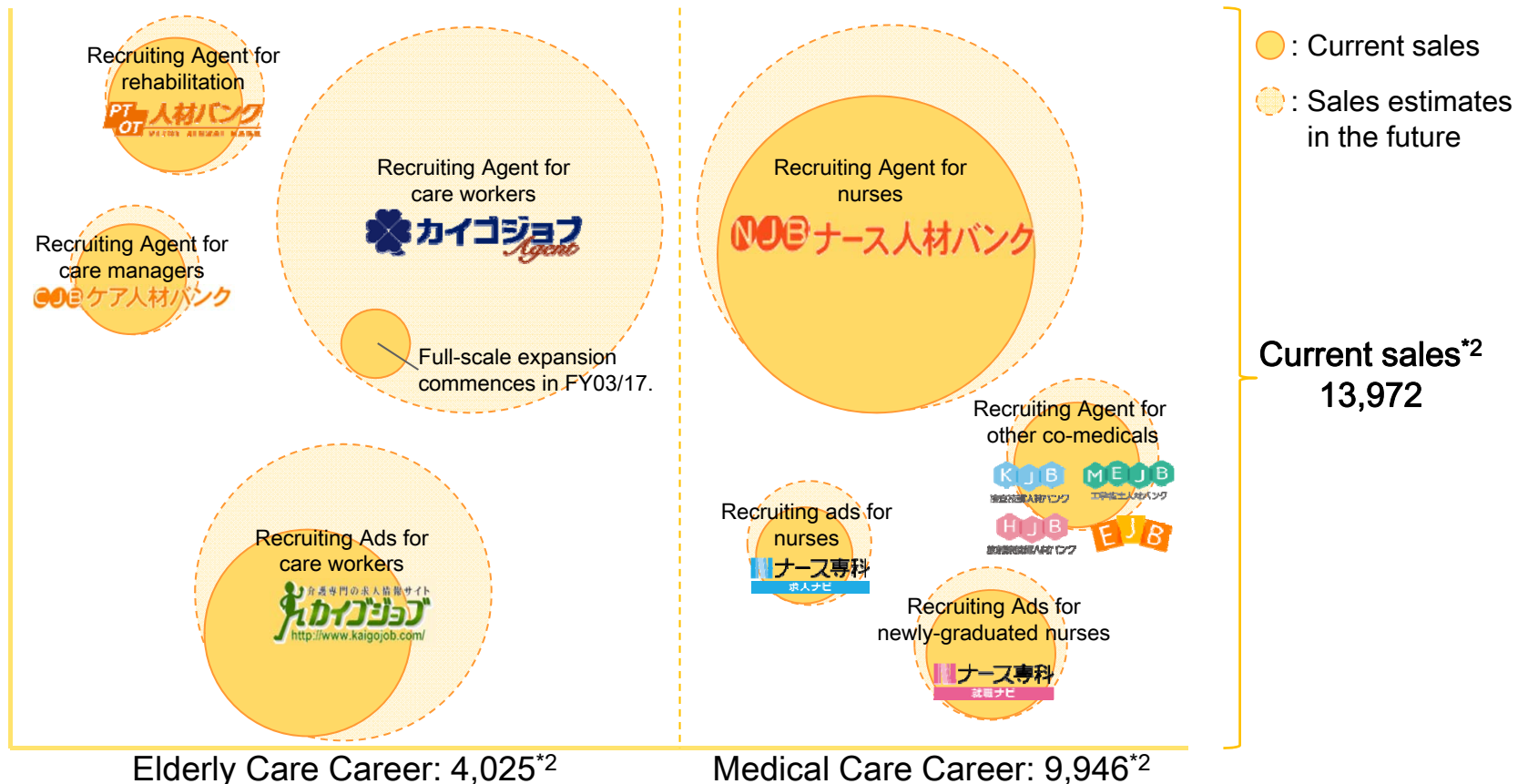
- ✓ As a pioneer, created these attractive markets and continue to lead them going forward as the No.1 player.
- ✓ With strong competitive advantages in attracting customers and receiving orders, create a virtuous cycle that draws more job seekers and business operators.



- ✓ Services that have already established the top position will continue to grow.
- ✓ Develop Recruiting Agent for care workers on a full scale. Create markets and achieve significant growth.

Our current and future sales by service*1

(JPY millions)



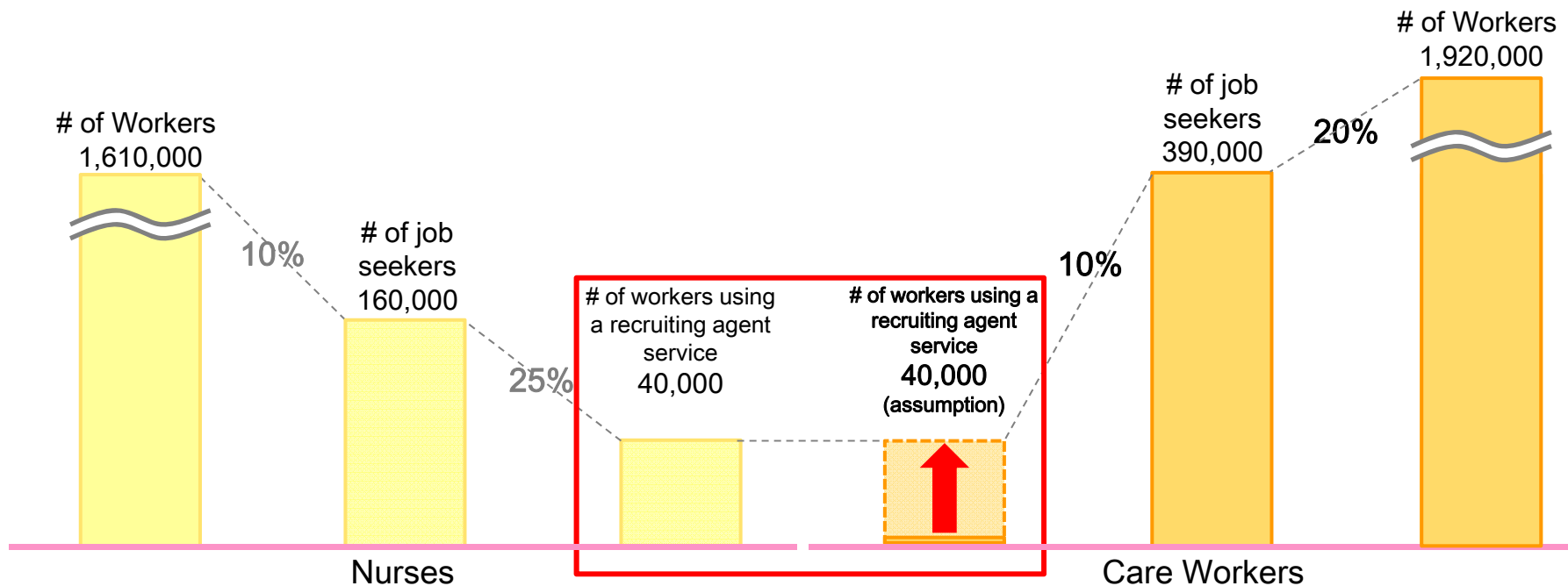
*1. The numbers of "Current sales" are actual number of FY03/2017.

*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%).

2 Market Potential of Recruiting Agent for Care Workers

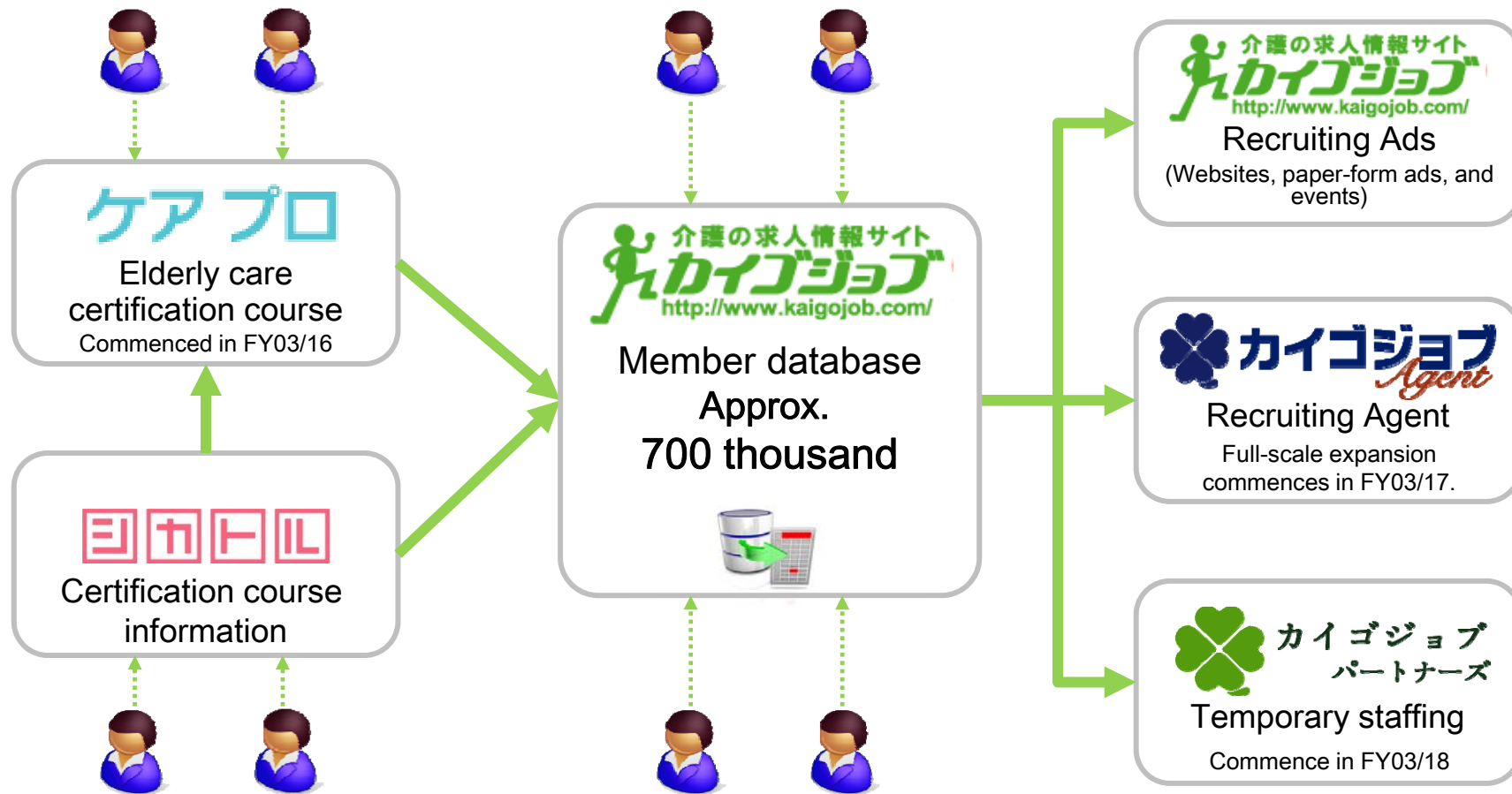
- ✓ Market size of Recruiting Agent for care workers is expected to become as large as that of nurses.

Potential number of users of care worker recruiting services*1



2 The Strategy of Elderly Care Career

- ✓ Expand uncovered market with a series of services for unmet needs through our information assets, such as approximately 70 thousand member database, and maximize the value for our customers.
- ✓ Also support the acquisition of certifications/qualifications and contribute to increasing the number of care workers who are in high demand in society.



2 Career Segment FY03/18 Forecasts

- ✓ Elderly Care Career will grow significantly based on the full-scale expansion of the Recruiting Agent for care workers.
- ✓ Recruiting Agent for nurses will drive the growth of the Medical Care Career.

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

	FY03/17 Actual	FY03/18 Forecasts	YoY Changes
Elderly Care Career	4,025	6,099	+52%
Medical Care Career	9,946	11,001	+11%
Total	13,972	17,100	+22%

Highlights

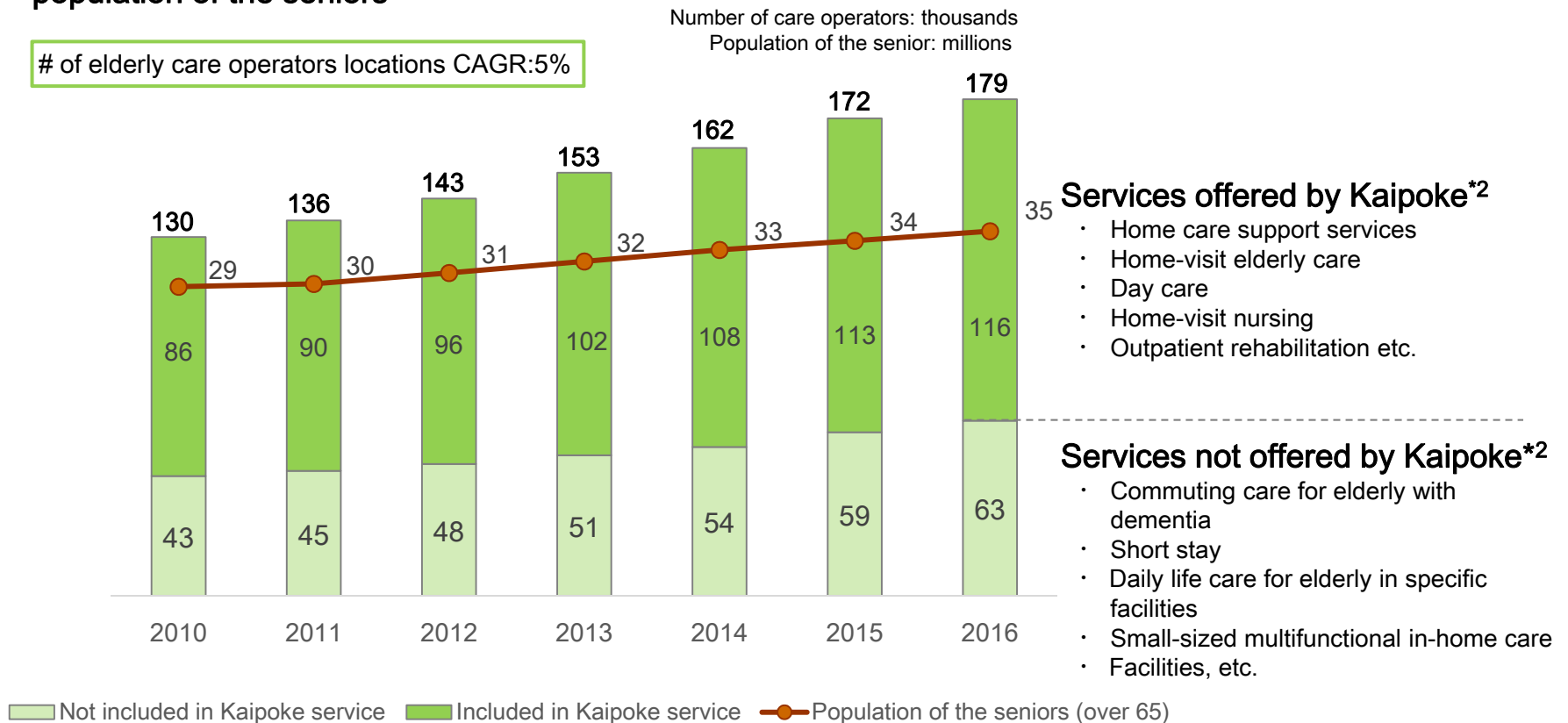
- Recruiting Agent for care workers achieves significant growth. Increase more consultants than previous year.
- Both Recruiting Ads for care workers and Recruiting Agent for rehabilitations continue to grow steadily.
- Recruiting Agent for nurses achieves high growth based on recent strong business.

Elderly Care Operators segment (Kaipoke)

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

The 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 company to provide the service of this kind to elderly care operators.

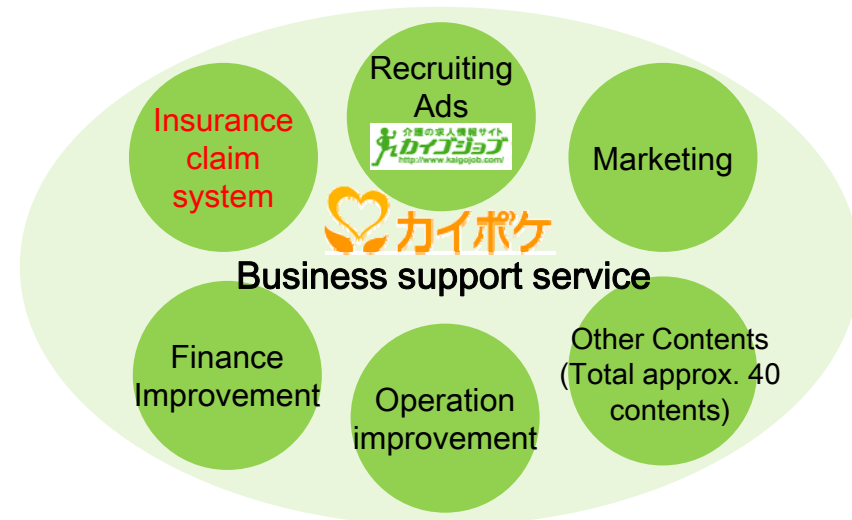
Prior to February 2014



(ARPU) JPY3,000 / month

- Many other companies provide on-premise services
- Fierce competition
- Enter the market with cloud-based service as a discounter

Starting in February 2014

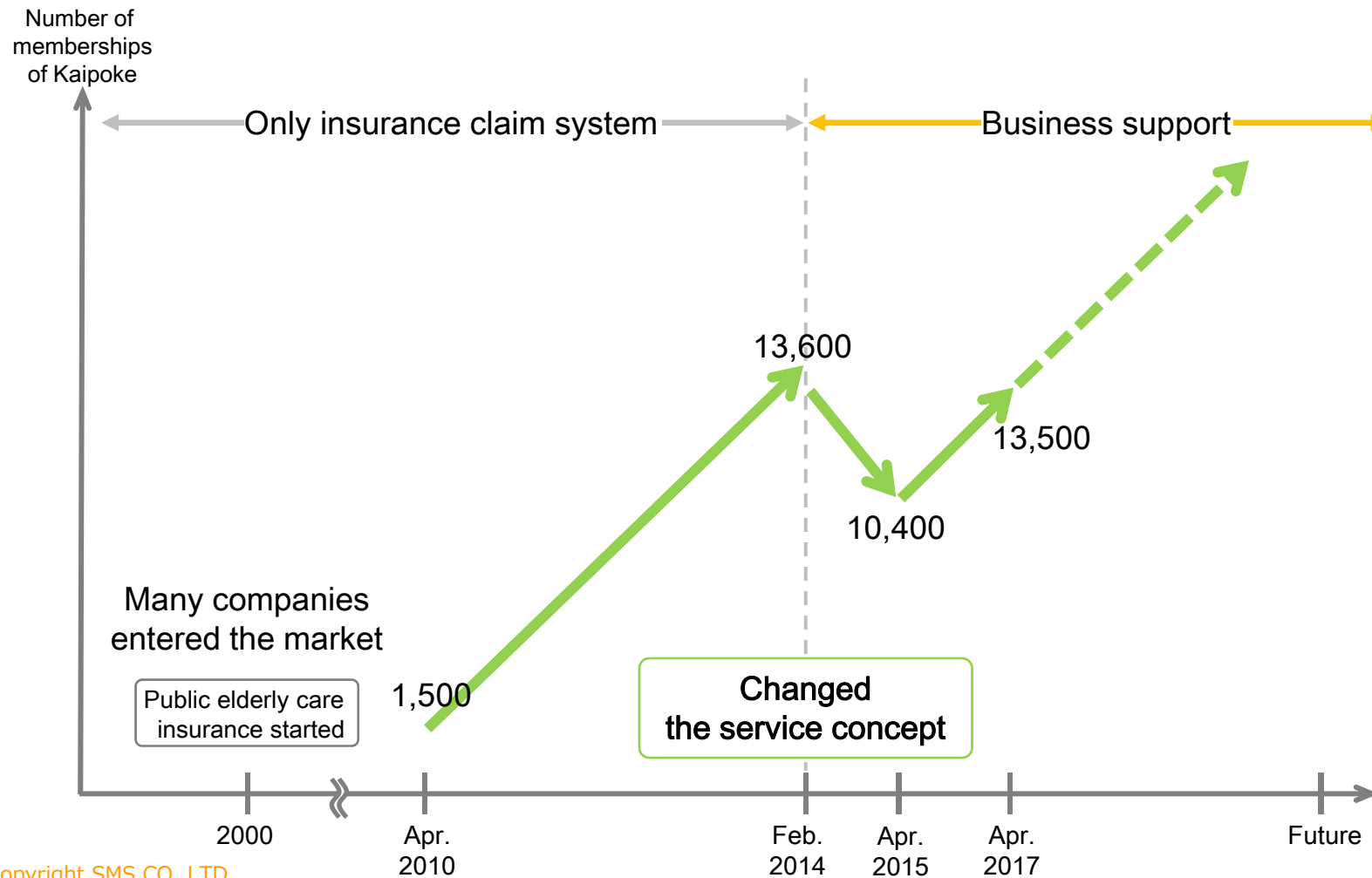


(ARPU) JPY 20,000 / month

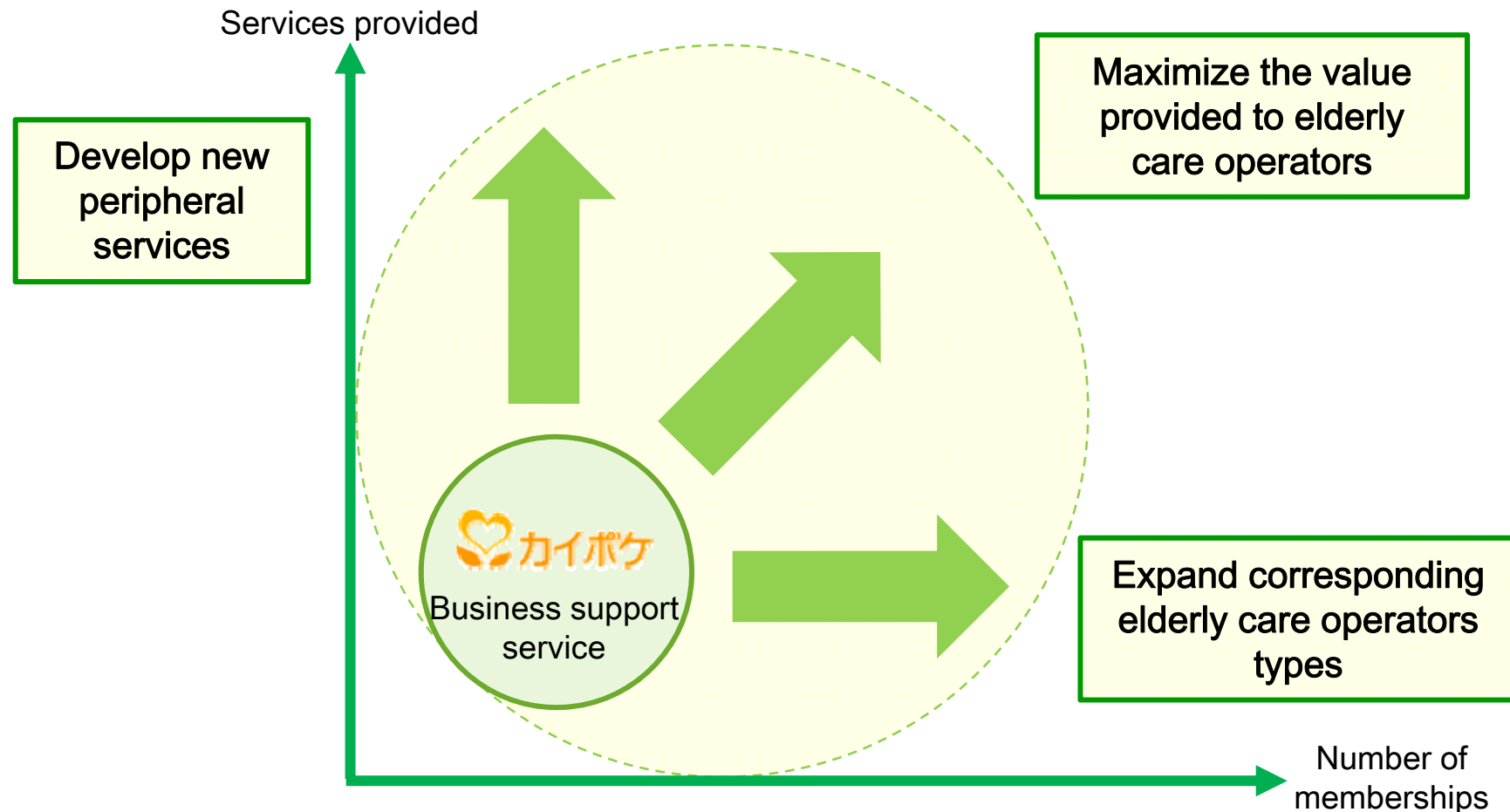
- The only player providing business support service with no competitors
- Strong competitive advantage due to strong position in Recruiting Ads for care workers

2 The Strategy of Kaipoke 2/3

- ✓ The number of members is steadily increasing in accordance with the initial strategy, despite some members cancelling when the concept changed.



- ✓ Maximize the value provided to elderly care operators through expansion of corresponding elderly care operators types and development of new peripheral services



2 Elderly Care Operators Segment FY03/18 Forecasts

- ✓ Kaipoke continues to grow due to the rise in memberships.

Year-on-Year Comparison of Net Sales*1 [¥ million]

	FY03/17 Actual	FY03/18 Forecasts	YoY Changes
Elderly Care Operators	2,782	3,316	+19%

Highlights

- The rise in memberships contributes to sales growth.
 - Increase of 2,500 membership locations (from 13,500 in April 2017 to 16,000 in April 2018)
 - Continue to acquire small-sized operators by developing the member acquisition process.
 - On the top of acquiring large-sized operators, strengthen each sales office to also acquire med-sized operators

*1 Due to changes in the disclosed segments, the elderly care business in the former Management Support for Service Operators of Elderly Care segment is transferred to Business Development segment. The accounting method of sales in the purchasing service in Kaipoke is changed to one that records the service fees portion only.

Overseas Segment

MIMS Group global coverage



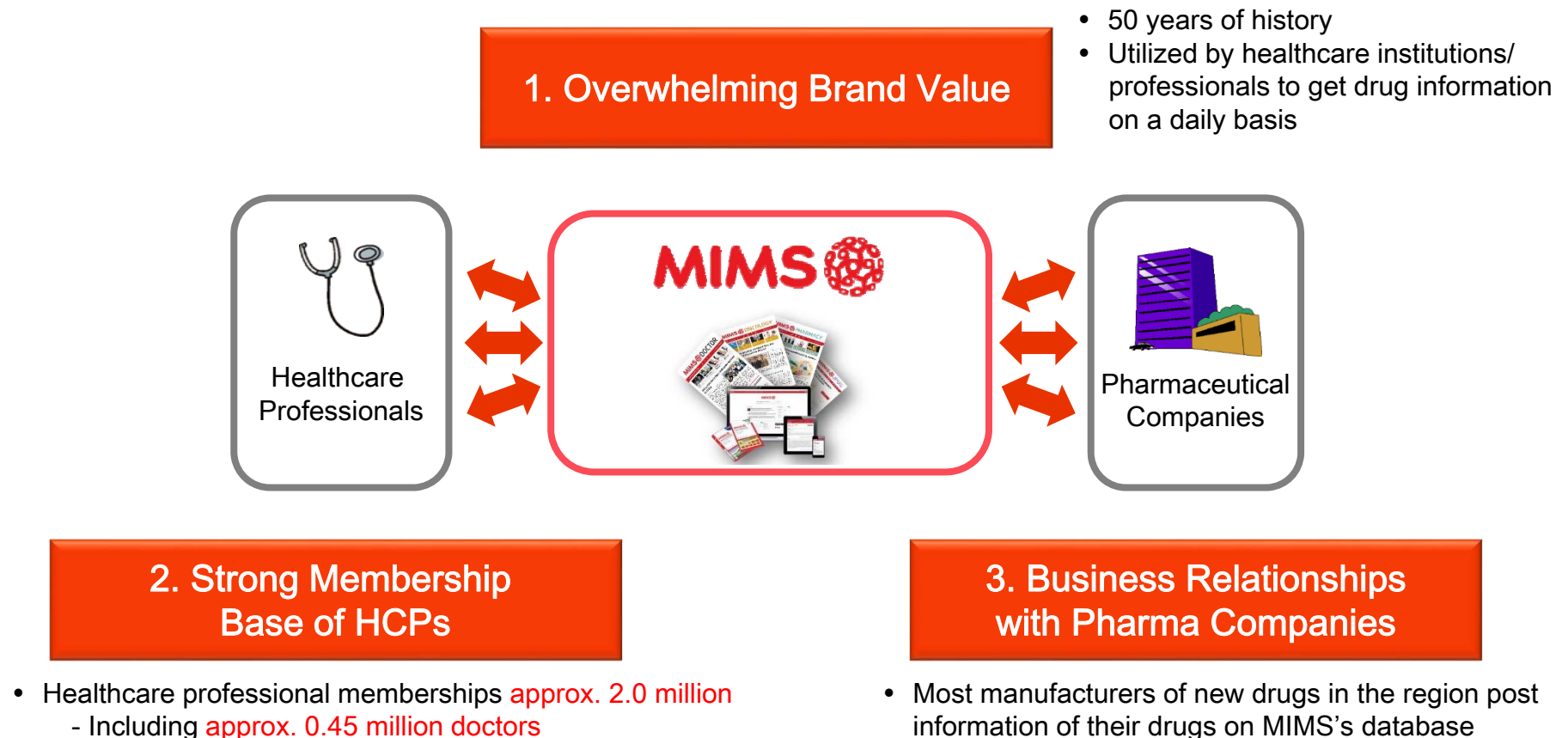
MIMS group profile



Founded	1963
Business models	· Pharma Marketing · Healthcare Data
Global coverage	Singapore, China, Hong Kong, South Korea, India, Indonesia, Philippines, Thailand, Malaysia, Vietnam, Myanmar, Australia and New Zealand
Number of memberships	Approx. 2.0 million memberships including 0.45 million doctors
Acquisition date	Oct. 7, 2015
Investment ratio	SMS 60%, Mitsui 40%

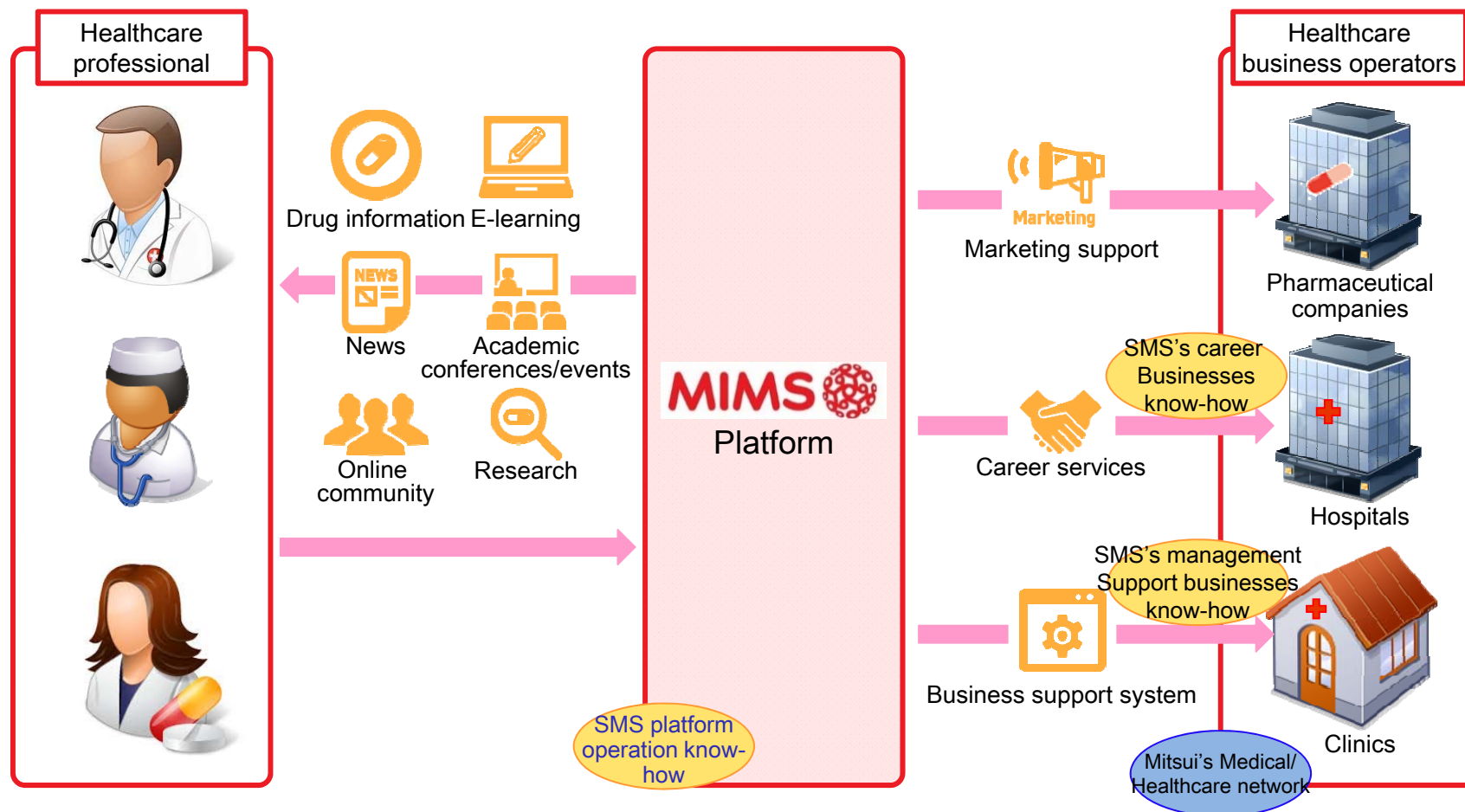
2 Strengths of MIMS Group

- ✓ 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.

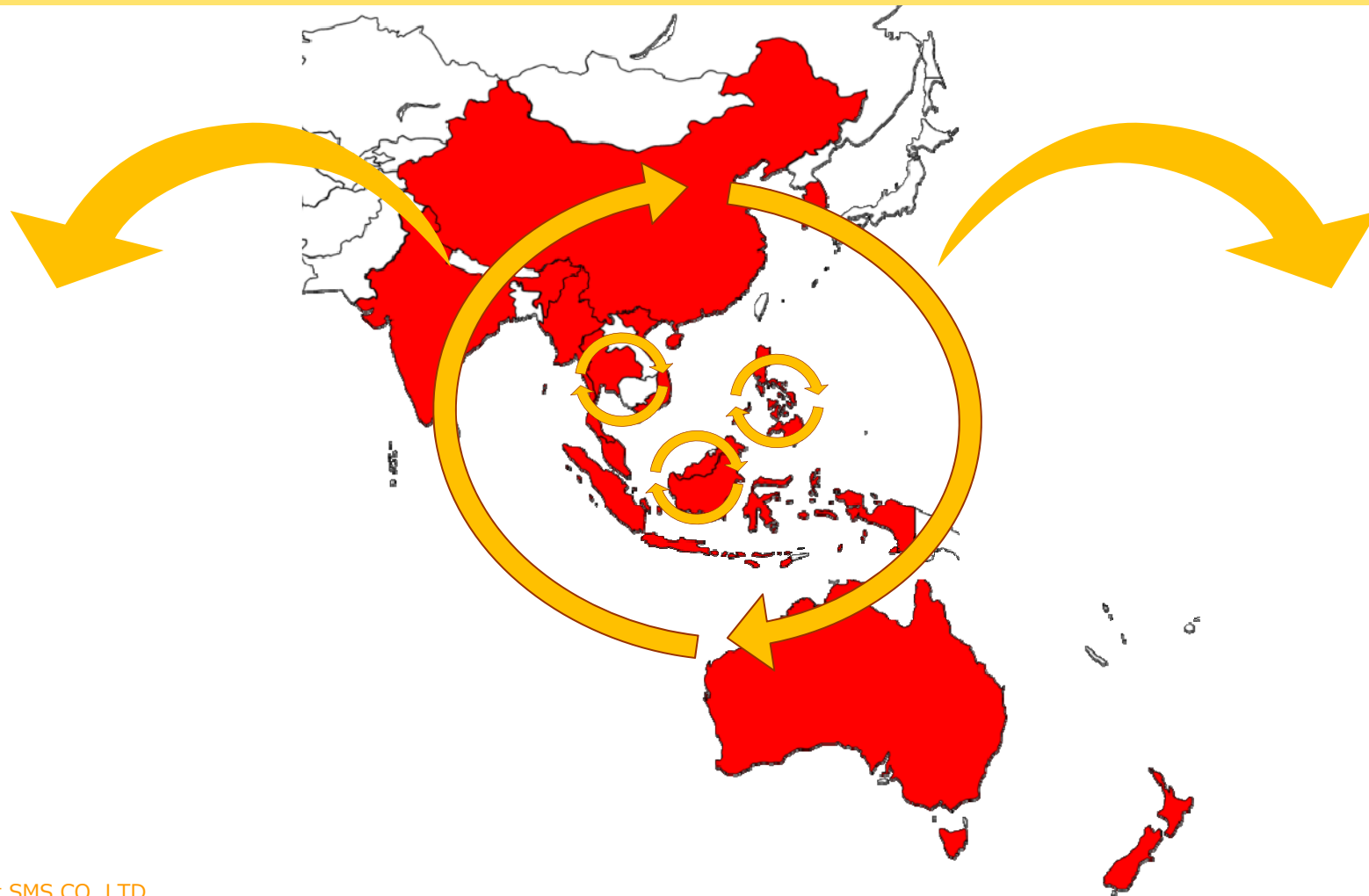


2 Goals of MIMS

- ✓ Strengthen the MIMS platform by providing healthcare professionals with a wide range of products and services.
- ✓ Provide a range of services based on the strong platform for healthcare business operators.
- ✓ Add the strengths of SMS and Mitsui to develop businesses for significant growth.



- ✓ Full-scale expansion starts in FY03/18 using the strong platform of MIMS.
- ✓ Establish a dominant position as healthcare professionals supply platform which supports career changes made not only within a country but also among Asia and from Asia to other areas.



2 Overseas Segment FY03/18 Forecasts

- ✓ Full-scale expansion of the global career business commences in this fiscal year(FY03/18).

Year-on-Year Comparison of Net Sales*1 [¥ million]

	FY03/17 Actual	FY03/18 Forecasts	YoY Changes
Overseas	4,786	5,695	+19%

Highlights

- Full-scale expansion of the global career business commences, which will contribute to sales growth.
- Strengthen the MIMS platform more powerfully which is already established a dominant position.

Business Development Segment

(Formerly disclosed as New Businesses in Elderly Care segment, Medical Care segment and Healthcare segment)

- ✓ Providing over 40 services.
- ✓ Constantly develop new businesses to create the next core businesses.

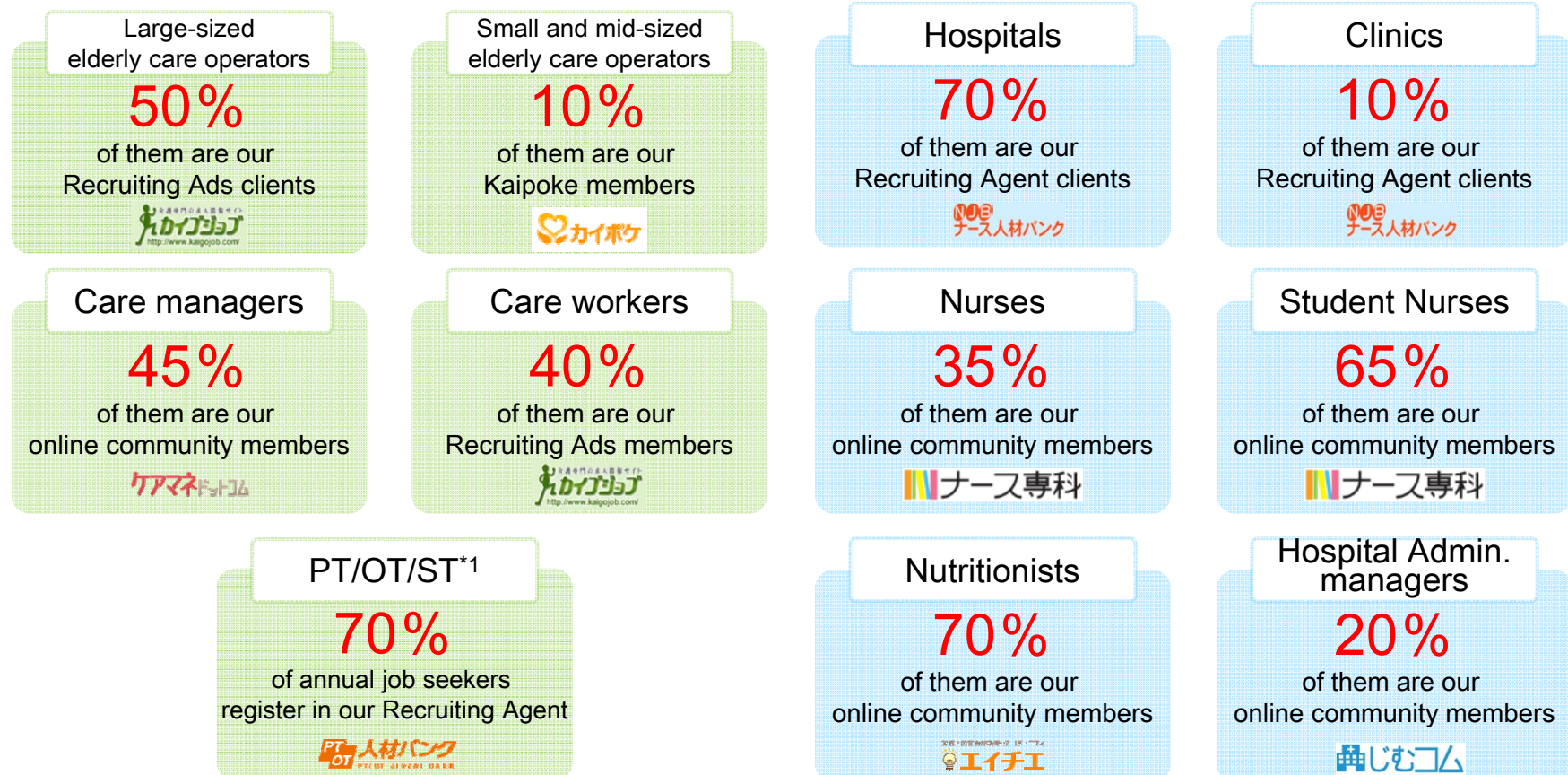
Segment	Sub-segment	Services					
Career	Elderly Care Career	RAG for care managers 	RAG for PT/OT/ST 	RAG for care workers 	Certification course information 	Com for PT/OT/ST 	
	Medical Care Career	RAD for care workers 	RAD for newly-graduated elderly care professional 	Temporary staffing for care workers 	Elderly care certification course 		
		RAG for nurses 	RAG for medical technologists 	RAG for radiological technologists 	RAG for medical engineers 	RAG for nutritionists 	Solution service for hospitals 人事ソリューション
Elderly Care Operators	—	Business support service for elderly care operators 					
Overseas	—	Drug information service for healthcare professionals and institutions 	Com for nurses (South Korea) 	Doctor consultation (Indonesia) 	Medical ad services (Philippines)	Medical ad services (Indonesia)	
Business Development	—	Information portal of housing for seniors 	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
	—	Renovation support 	Mail order/online sales of nursing goods 	Publishing for nurses 	Online academic media for nurses 	Regional partnership support system 	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 	Information portal for hospital Admin. managers 			

*1. As of March, 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 professionals in the elderly and medical care markets.

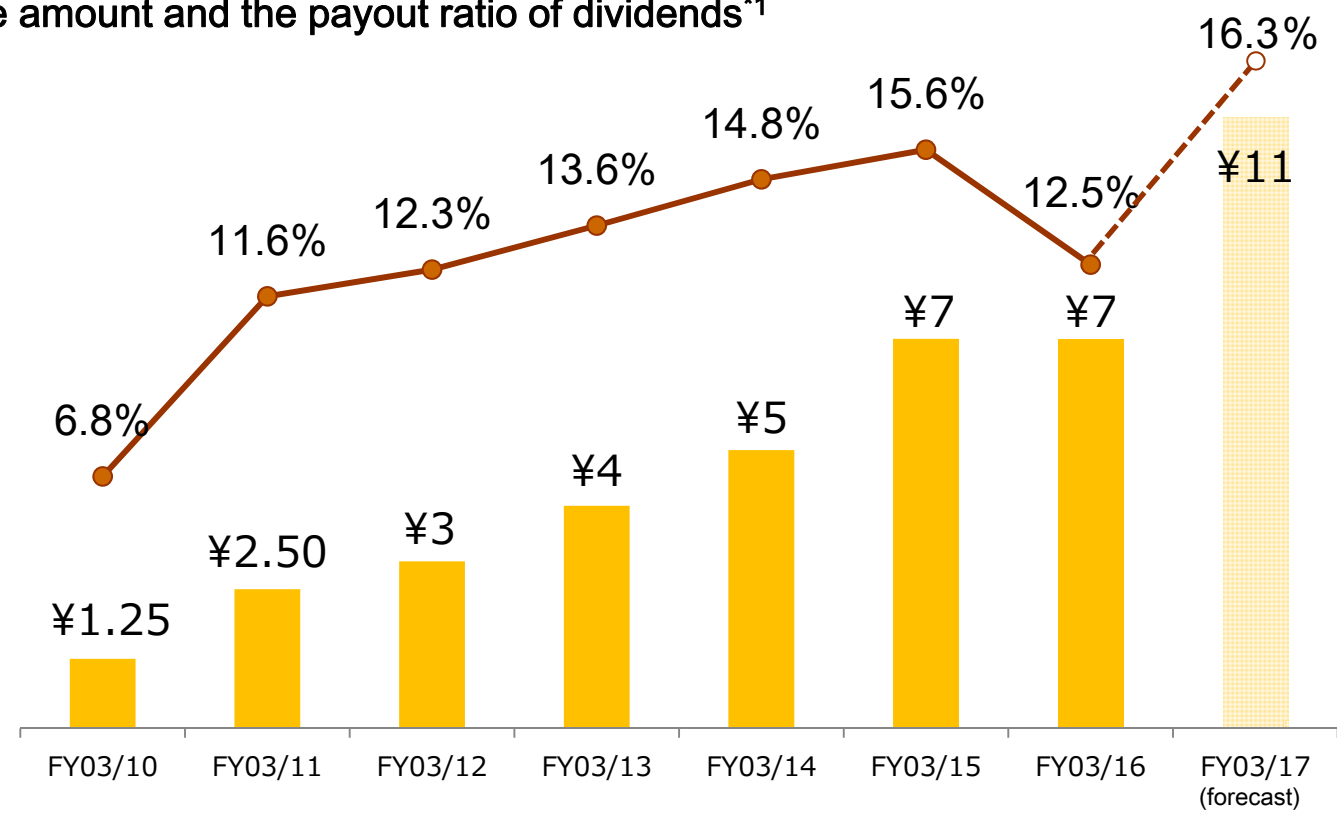
Shares of each customer



2 Dividends

✓ Plan to pay a dividend of ¥11 per share

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

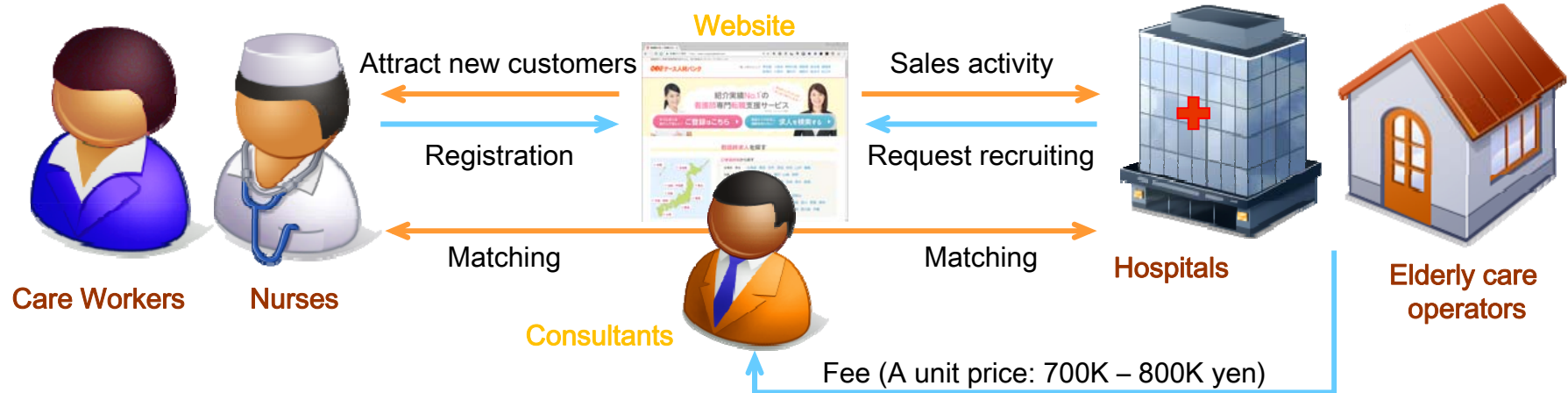


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3 Business Models of Recruiting Agent and Recruiting Ads (Career segment)

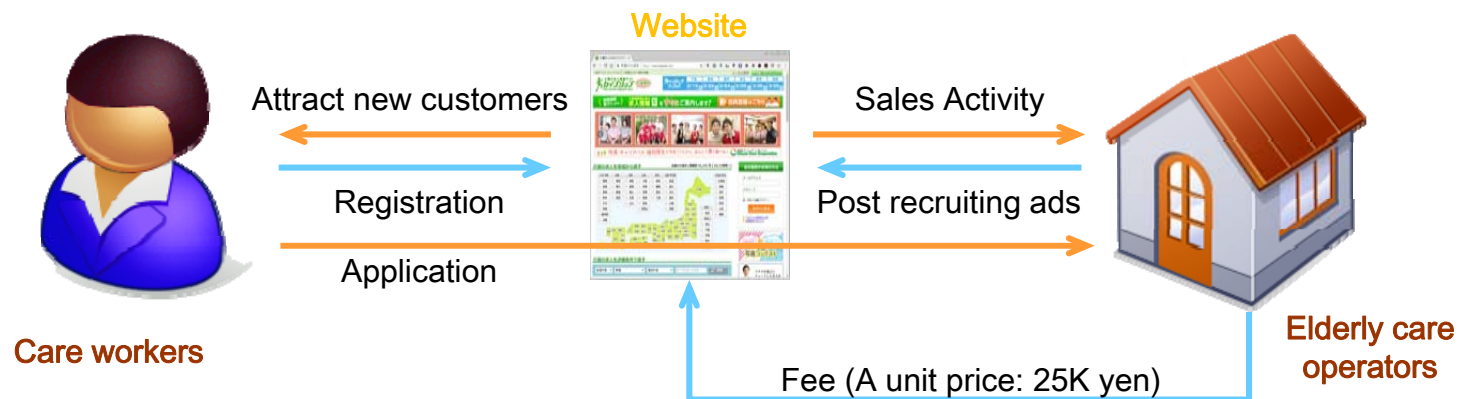
Business model of Recruiting Agent

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

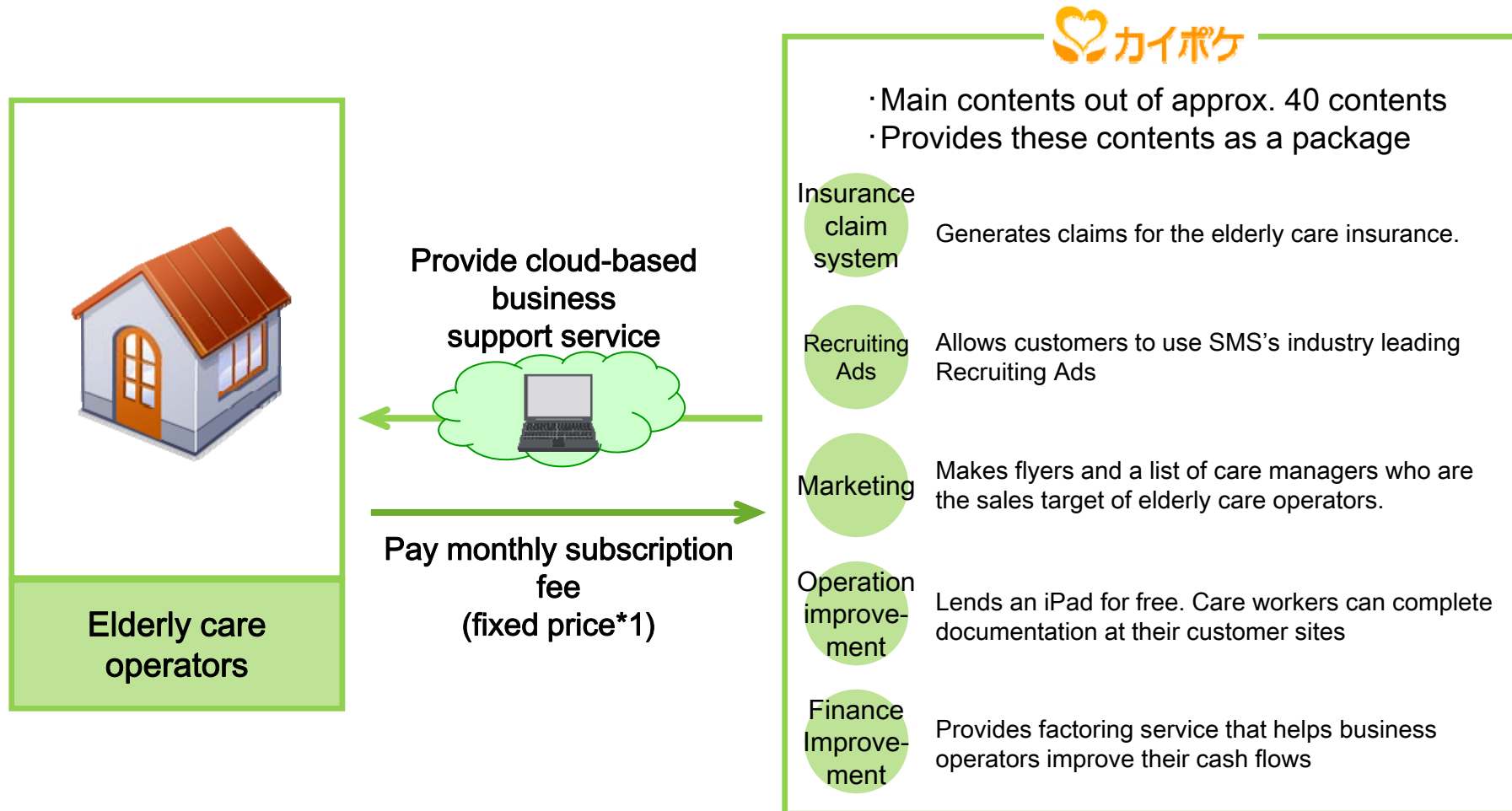


Business model of Recruiting Ads

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

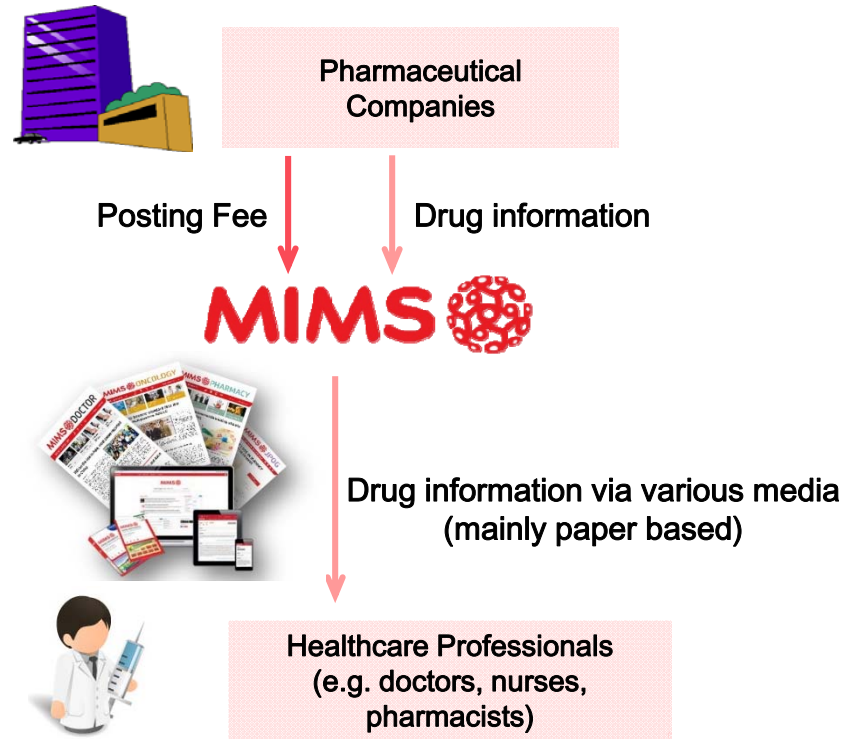


3 Business Model of Kaipoke (Elderly Care Operators segment)



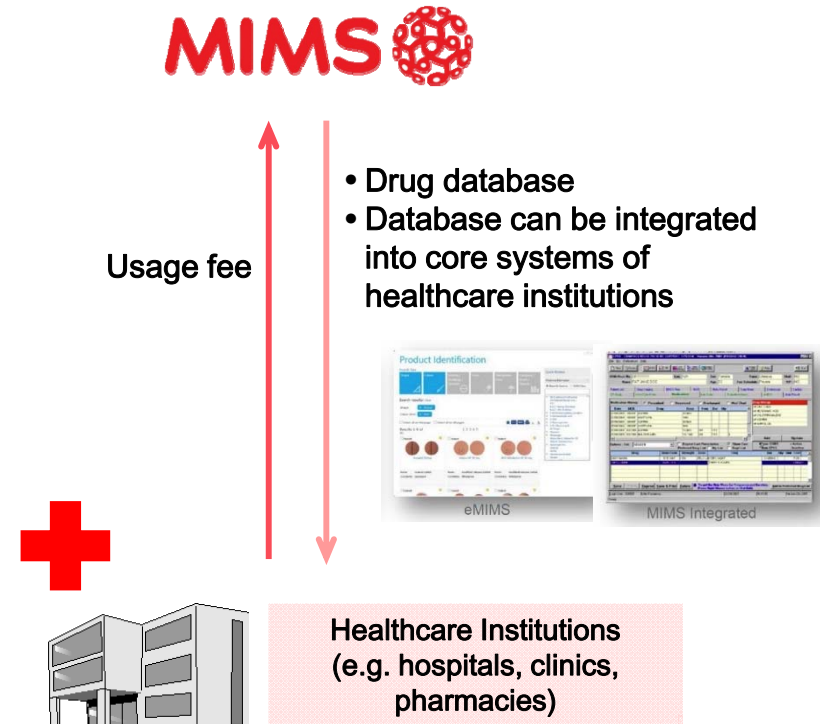
3 Business Models of MIMS (Overseas segment)

Pharma Marketing



Service Area
 Singapore, China, Hong Kong, South Korea, India, Indonesia, Malaysia, Philippines, Thailand, Myanmar and Vietnam

Healthcare Data

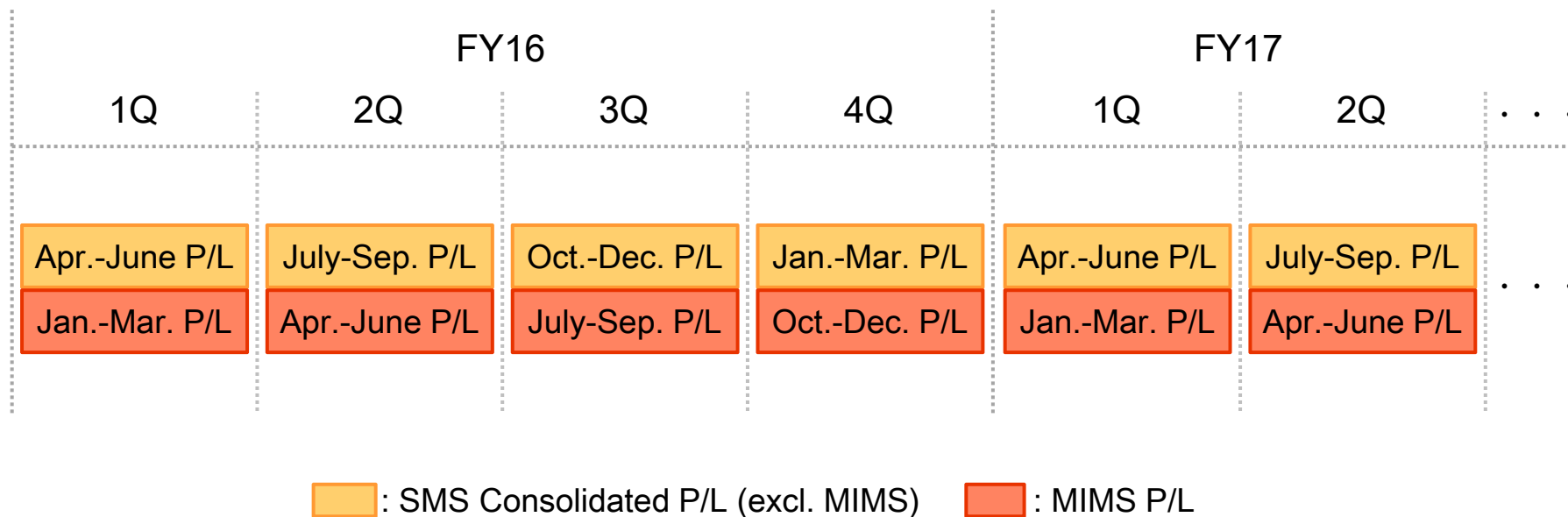


Service Area
 Largely in Australia and New Zealand
 Expanding in Asian countries

3 Consolidation of MIMS Financial Results (Overseas segment)

✓ MIMS P/L statement is consolidated to SMS P/L statement following a time lag of three months.

Image of Consolidating MIMS P/L to SMS Consolidated P/L (excl. MIMS)*1

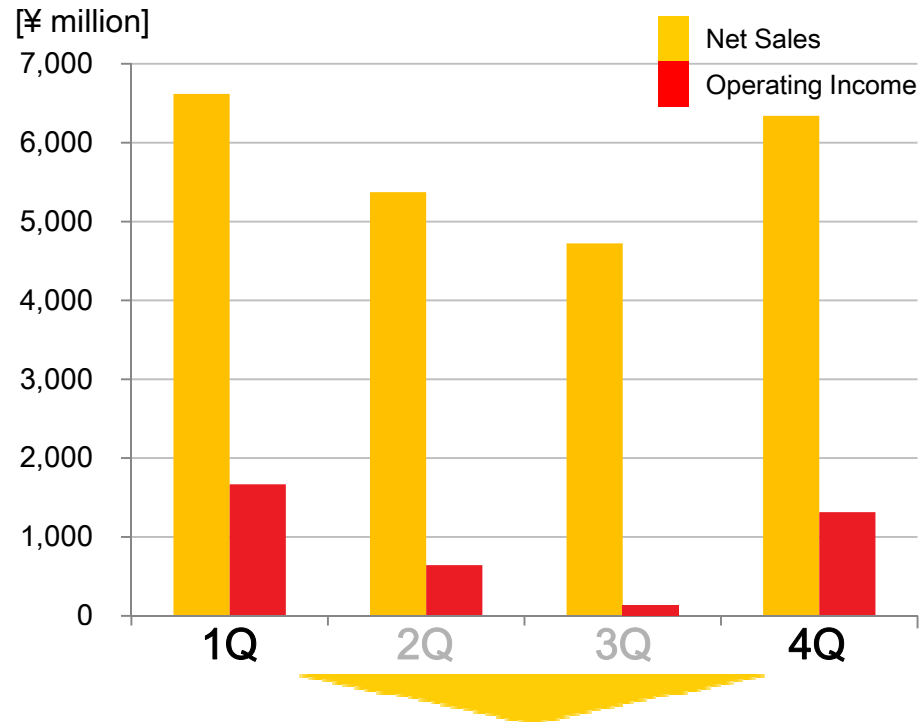


3 Seasonal Volatility

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

Seasonal Volatility of Net Sales and Operating Income

Quarterly Net Sales and Operating Income (FY03/17)



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

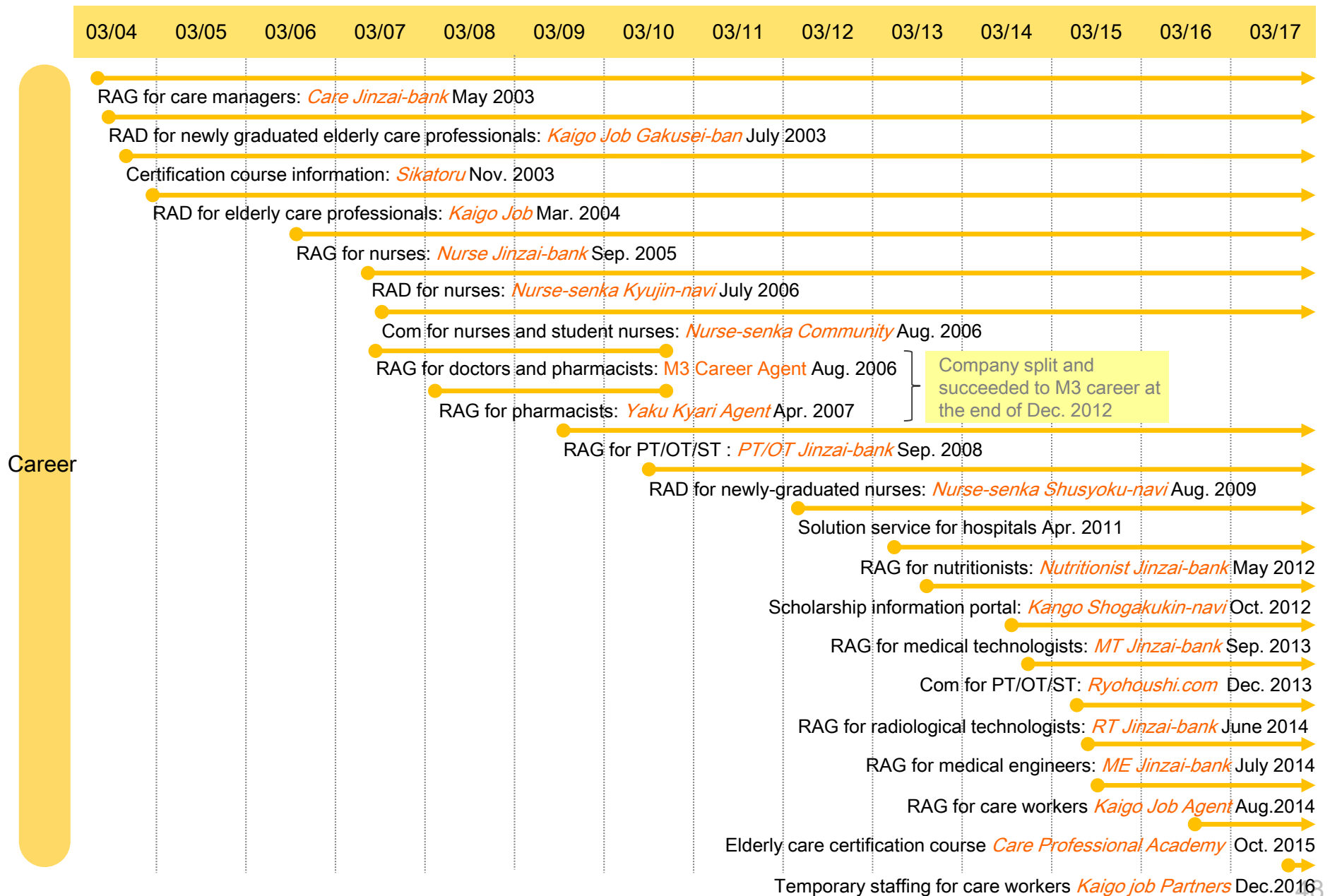
- Recruiting Ads Service
 - Net sales are booked when a job seeker applies for a recruiting ad; therefore, net sales and operating income increase in Q4 when companies publish recruiting ads targeting the beginning of a fiscal year when job seekers are likely to be motivated to change jobs
- MIMS group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

3 Historical Financial Results



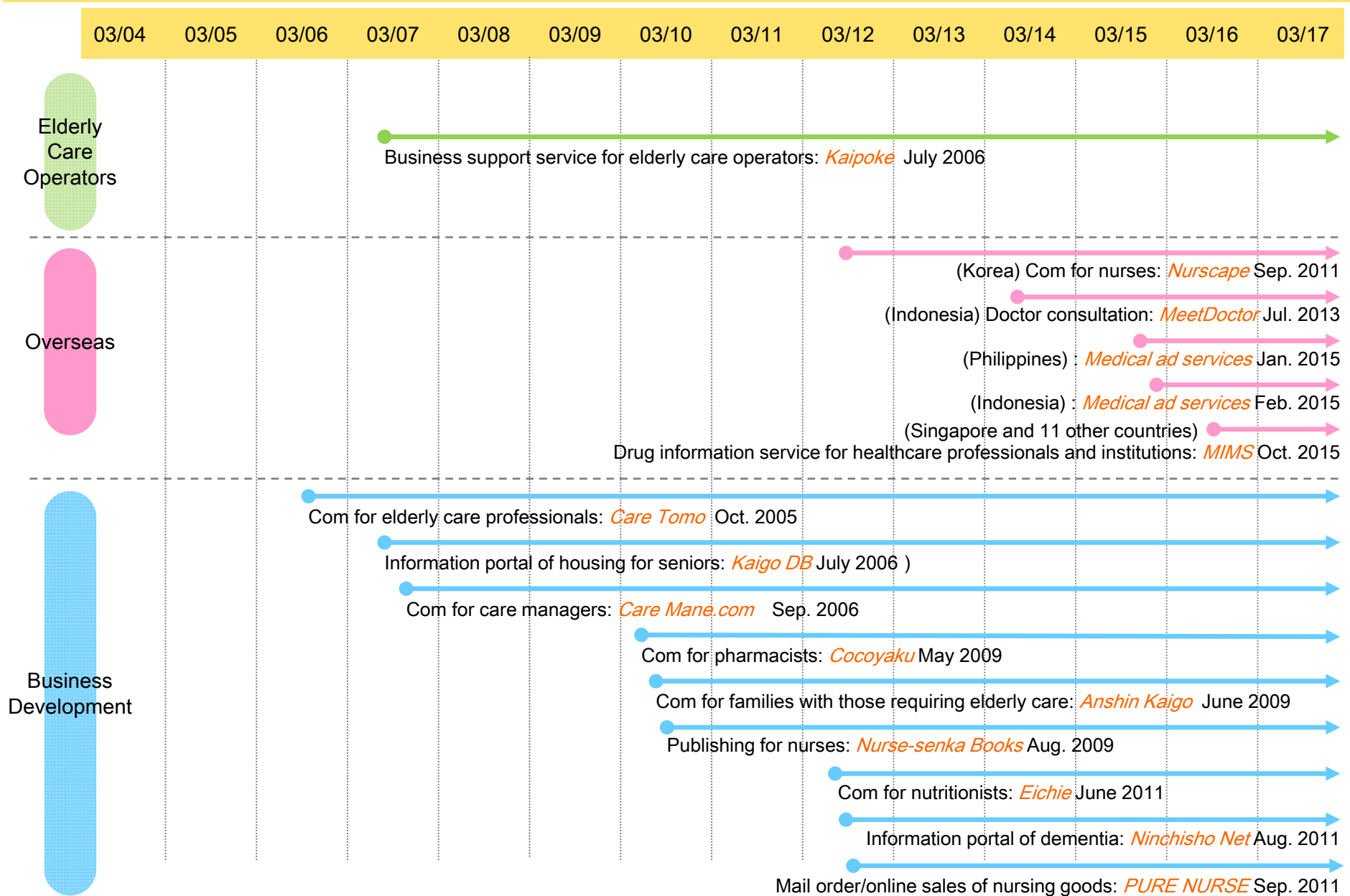
(JPY million)

	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



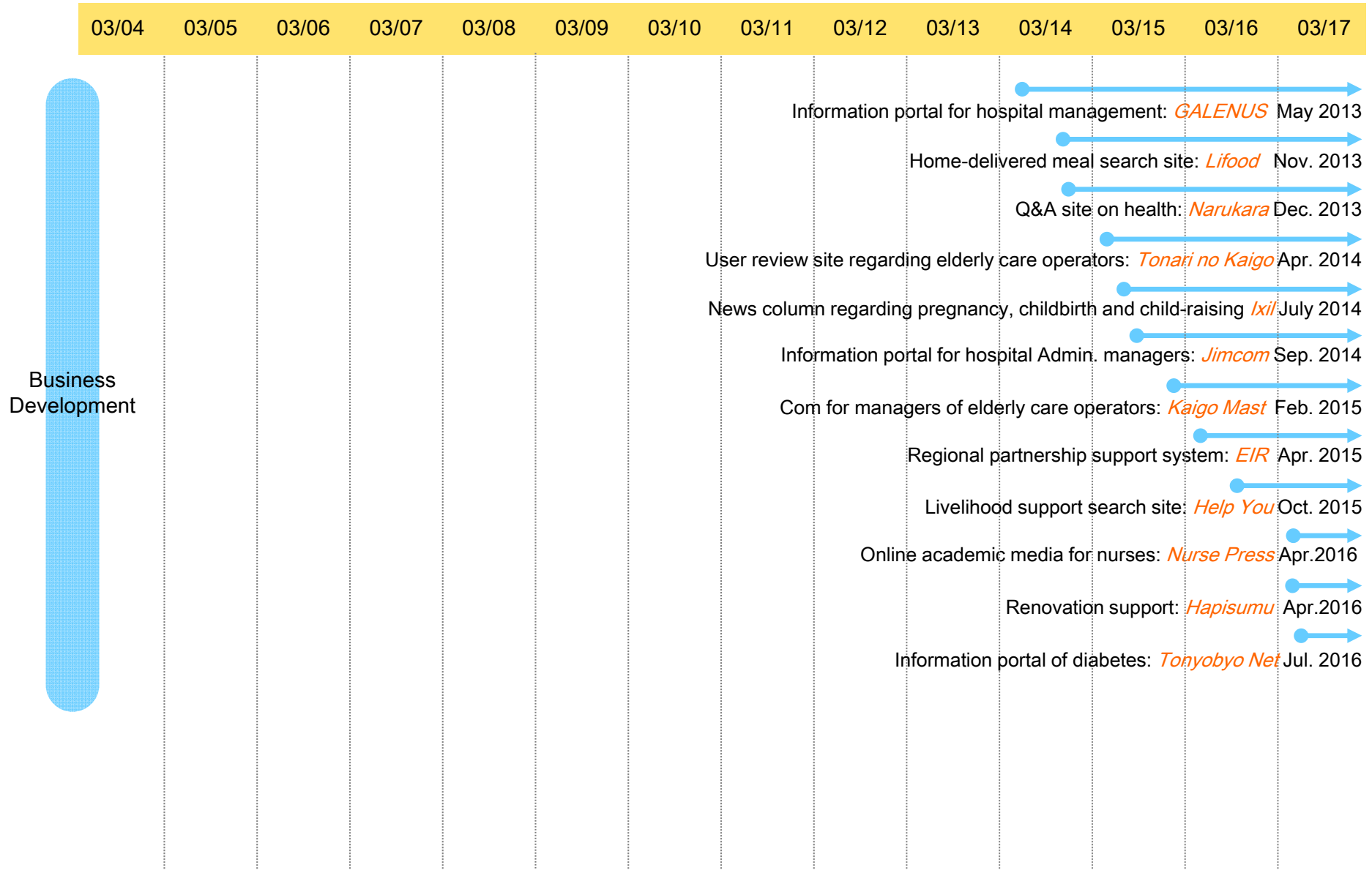
3

Launch of Services 2/3



3

Launch of Services 3/3



3 Number of Employees and Shareholder Composition

Number of employees

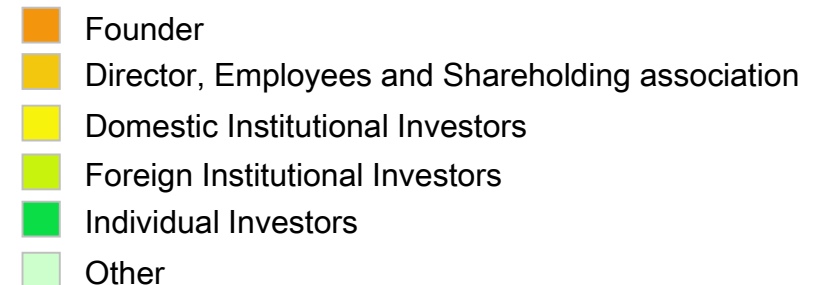
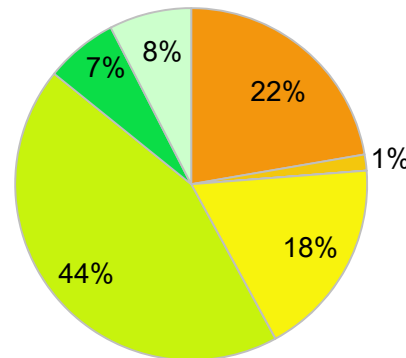
⇒ Number of employees and its breakdown as of March 31, 2017

Employees (consolidated)	1,781
SMS CO., LTD.	257
SMS Career CO., LTD.	615
Subsidiaries and Sub-subsidiaries	909
Japan	254
Overseas	655

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 March 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 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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