

SMS CO., LTD.

(Securities Code: 2175/ TSE 1st section)

Presentation Material for Investors

Financial Results Summary for the First Half of
the Fiscal Year Ending March 31, 2019 (the 16th Fiscal Year)

October 30, 2018



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2	FY03/19 Strategy	P10-P33
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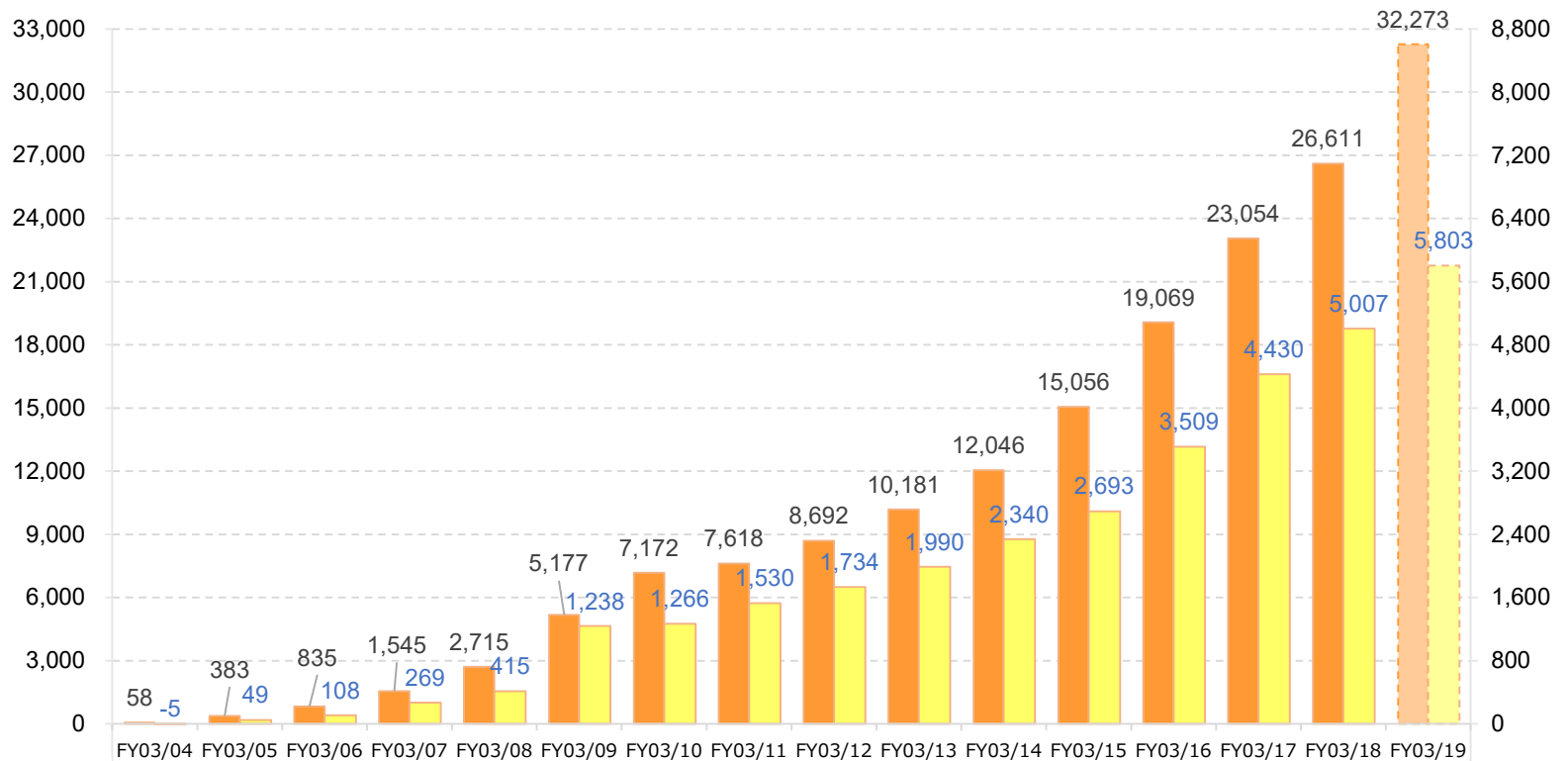
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- ✓ Expect to achieve growth in both net sales and ordinary income for the 15th consecutive year since our establishment.

Trends in net sales and ordinary income

(Net sales, JPY million)

(Ordinary income, JPY million)



■ : Net sales (in black)
 ■ : Ordinary income (in blue)

- ✓ Successfully hired a large number of career consultants, which resulted in a YoY decrease in operating income.
- ✓ Achieved the income targets for 1H, making steady progress towards the full-year guidance.

Consolidated P/L Statement [JPY million]

	1H FY03/18 Actual	1H FY03/19 Forecast	1H FY03/19 Actual	YoY Change	vs. Forecast
Net Sales	13,162	15,688	15,040	+14%	▲4%
Operating Income	2,146	1,919	1,953	▲9%	+2%
Ordinary Income	2,690	2,609	2,905	+8%	+11%
Net Income	1,859	1,852	2,157	+16%	+17%

- ✓ Segment sales increased 19% YoY.
- ✓ Elderly Care Career recorded strong growth.

Year-on-Year Comparison of Sales [JPY million]

	1H FY03/18	1H FY03/19	YoY Change
Elderly Care Career	2,771	3,802	+37%
Medical Care Career	6,076	6,732	+11%
Total	8,847	10,534	+19%

Highlights

- Elderly Care Career
 - Recruiting Agent for care workers recorded strong growth due to the significant increase in consultants headcount.
- Medical Care Career
 - Recruiting Agent for nurses grew steadily.
 - WILLONE^{*1}, acquired in FY03/18, also contributed to the growth.

*1. A career service provider for Judo therapists and licensed masseurs including finger pressure practitioners, acupuncturists, moxibustion practitioners.

✓ Segment sales increased 17% YoY.

Year-on-Year Comparison of Sales [JPY million]

	1H FY03/18	1H FY03/19	YoY Change
Elderly Care Operators [Kaipoke]	1,593	1,866	+17%

Highlights

- The number of Kaipoke memberships increased steadily.
- An increase of 900 locations over the first half to 15,950 [23,000 service offices*1] as of Oct. 1, 2018.
- Sales of optional add-ons such as additional tablets, smartphones and factoring service continued to increase.

*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 service 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.

- ✓ Segment sales increased 6 % YoY.
- ✓ MIMS became a wholly owned subsidiary.

Year-on-Year Comparison of Sales [JPY million]

	1H FY03/18	1H FY03/19	YoY Change
Overseas	2,011	2,127	+6%

Highlights

- Recorded a steady growth despite a delay in the MIMS Book publication in some countries.
- Made MIMS a wholly owned subsidiary in Sep. 2018 by acquiring 40% of the shares of MIMS from MITSUI & CO., LTD.

- ✓ Acquired 40% stake held by MITSUI to make MIMS a wholly-owned subsidiary
- ✓ Borrowed JPY 11 billion for the acquisition

Details of the Acquisition

The aim of the acquisition is to accelerate growth by improving agility in decision-making and realizing greater synergies within SMS Group.

Oct. 2015	Acquired MIMS Group (Ownership : SMS 60%, MITSUI 40%)
Sep.2018	Acquired all the remaining 40% shares from MITSUI

SMS and MIMS will maintain cooperative relationships with MITSUI and continue to provide services to MITSUI's hospital groups.

Details of the Borrowing

This share acquisition was financed through borrowing from financial institutions.

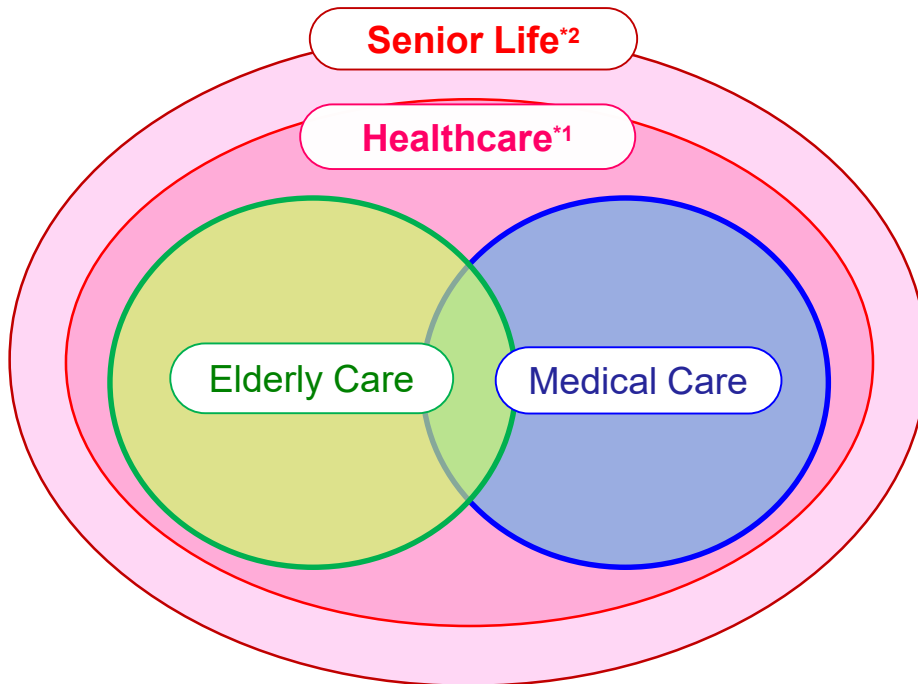
▪ Lender	Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd.
▪ Loan Amount	JPY 11 Billion
▪ Borrowing Period	10 years
▪ Security	Unsecured and unguaranteed

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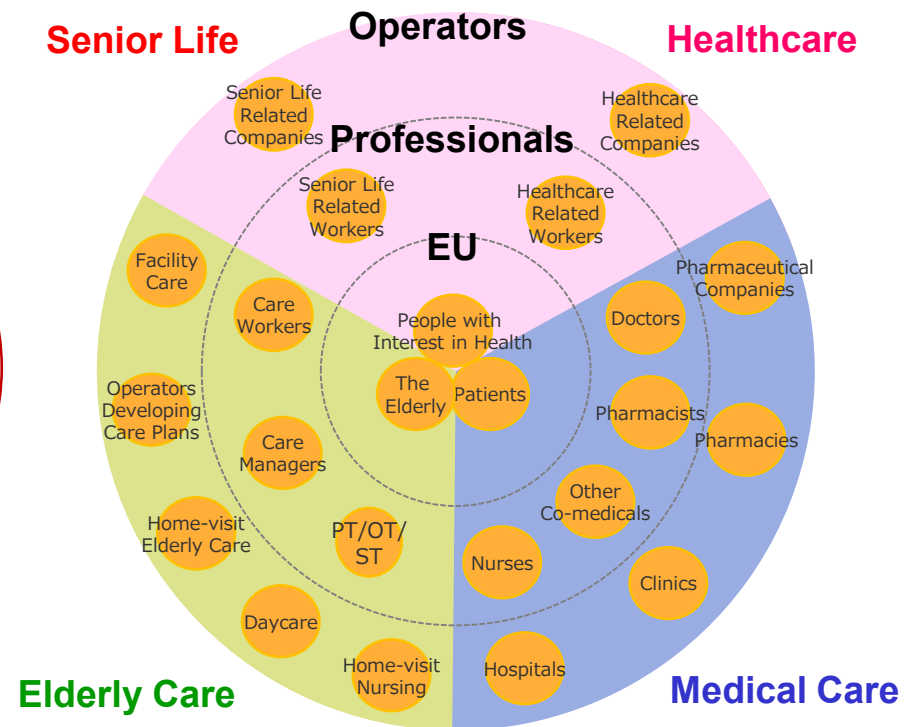
We create value and contribute to society by providing an “information infrastructure for an aging society.”

- ✓ Define our business domains in an aging society as Elderly Care, Medical Care, Healthcare and Senior Life.
- ✓ Provide stakeholders such as operators, professionals and end users with a variety of information services.

Business domains in an aging society



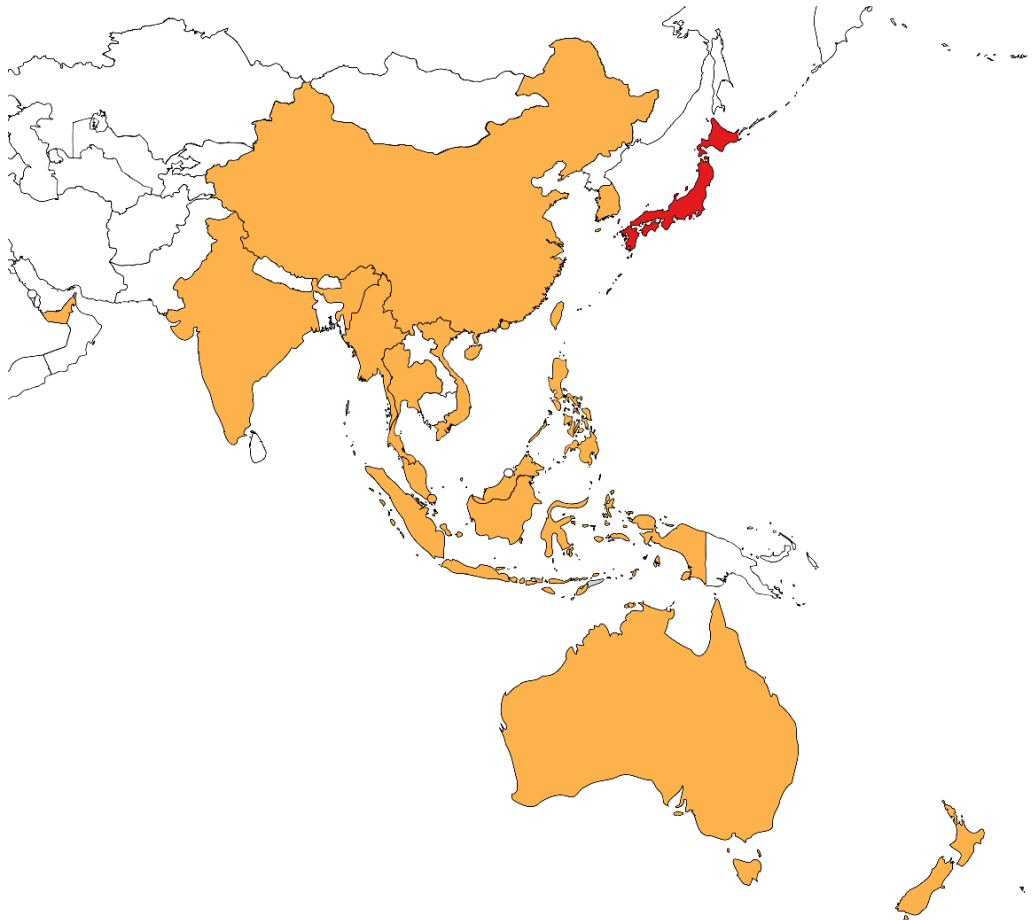
Stakeholders



*1. Covers health-related services that are not subject to public elderly care insurance or medical care insurance

*2. Covers services related to daily life in an ageing society

- ✓ Started our business in Japan and have established a leading position in this attractive market with an enormous growth potential.
- ✓ Expanding our businesses into the growing Asian and Oceanian markets.



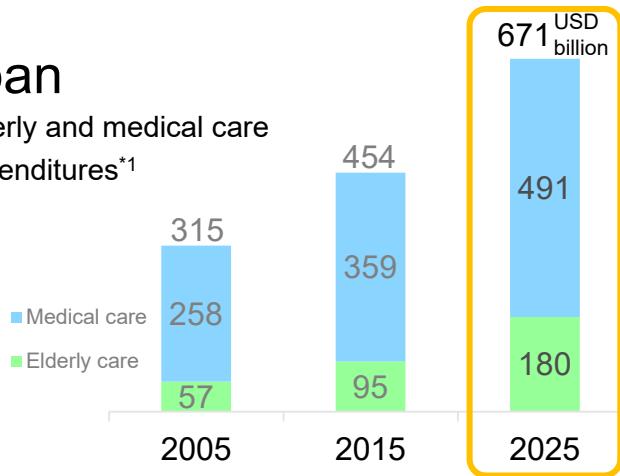
Japan	Thailand
Korea	Vietnam
China	Philippines
Hong Kong	Myanmar
Taiwan	India
Singapore	Australia
Malaysia	New Zealand
Indonesia	UAE

- ✓ Healthcare-related expenditures continue to rise both in Japan and Asia.
- ✓ In 2025, our total addressable market will be at least over USD 29.4 billion in the regions.

Market size of healthcare-related information services in Japan and Asia

Japan

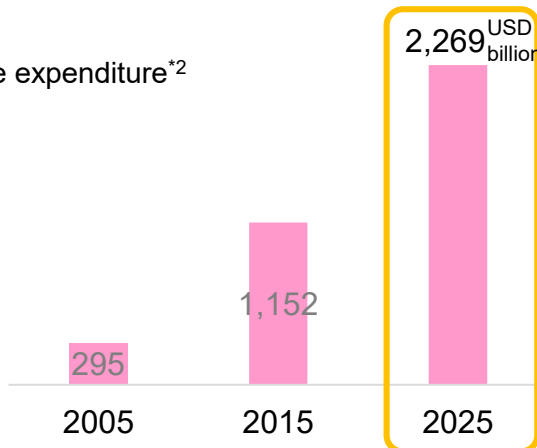
Elderly and medical care Expenditures*1



$$\times 1\%^* = 6.7 \text{ USD billion}$$

Asia

Healthcare expenditure*2



$$\times 1\%^* = 22.7 \text{ USD billion}$$

Total market size in 2025
USD 29.4 billion

* Information services would account for at least 1% of the total expenditure

- ✓ Our growth has been driven by Medical Care Career since the establishment.
- ✓ Elderly Care Career, Kaipoke and Overseas businesses are growing as the new pillars of our business portfolio.

Strategic Units

Career Business

• No.1 player of medical and elderly care recruiting services



Kaipoke

• Management support service for elderly care operators



Overseas Business (MIMS)

- Asia's No.1 drug information service provider
- Expanding career business from Asia to global

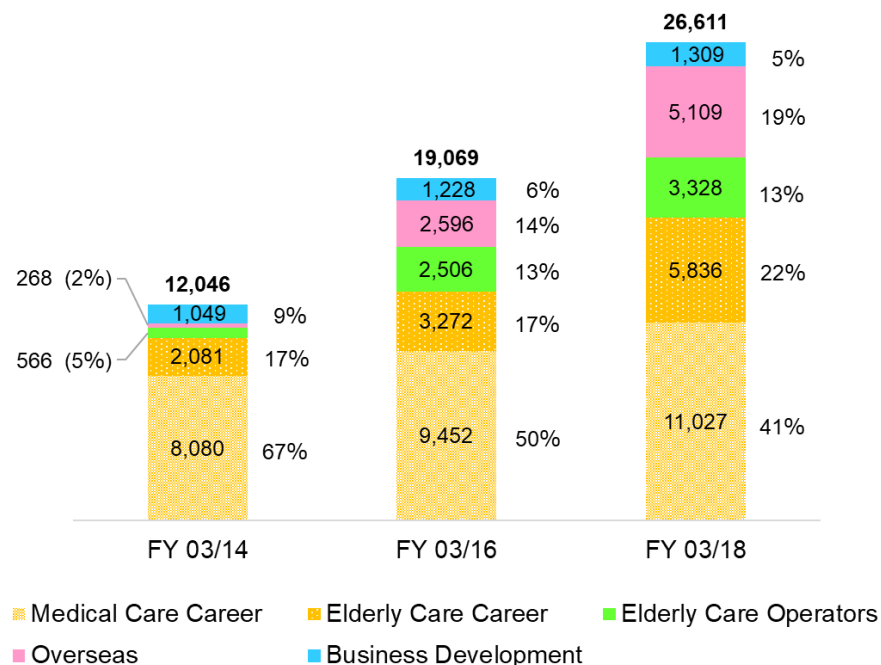


New Business

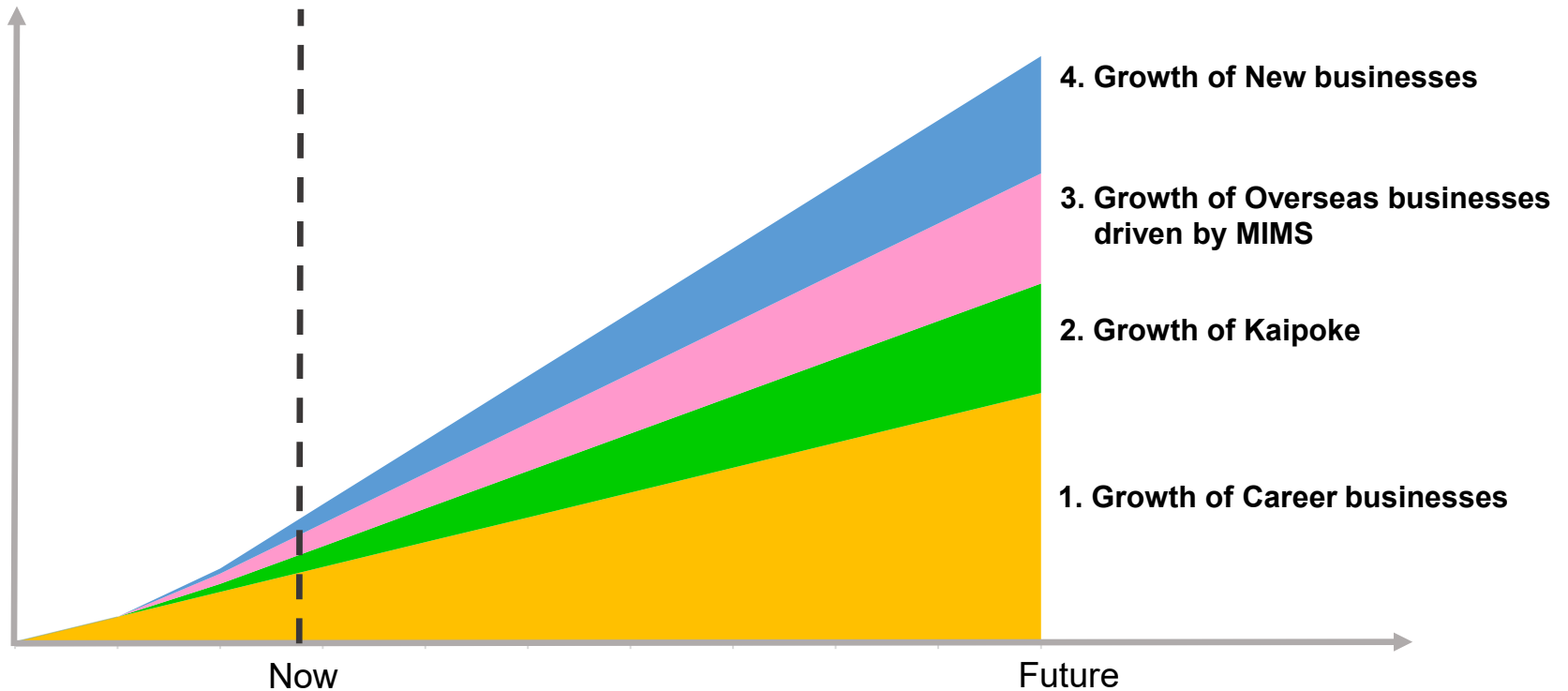
• Developing a series of new businesses

Breakdown of Net Sales

(JPY million)



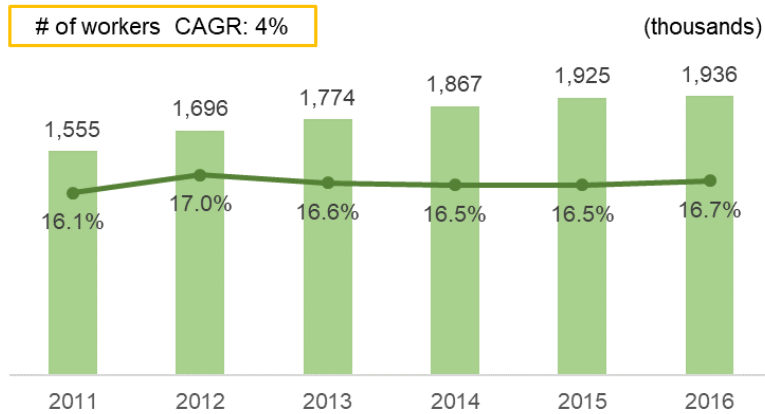
- ✓ On top of the solid expansion of Medical Care Career, we accelerate the growth of Elderly Care Career, Kaipoke, and Overseas businesses.
- ✓ Constantly develop a series of new business to create next pillars of our businesses, which will further drive our long-term growth.



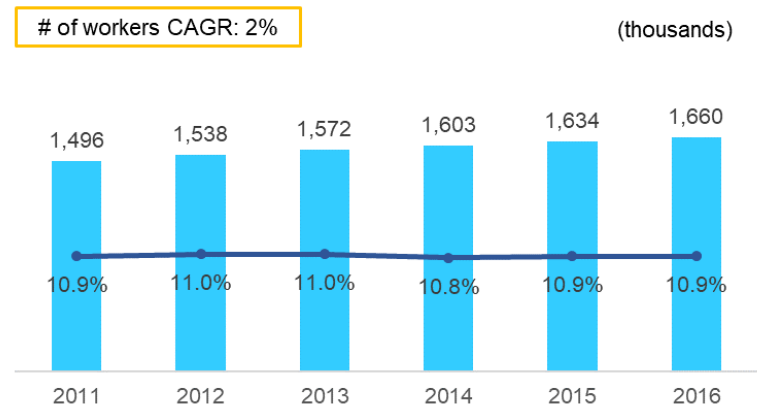
Career Business

✓ Labor shortage continues to be a serious issue despite the increasing numbers of care workers and nurses.

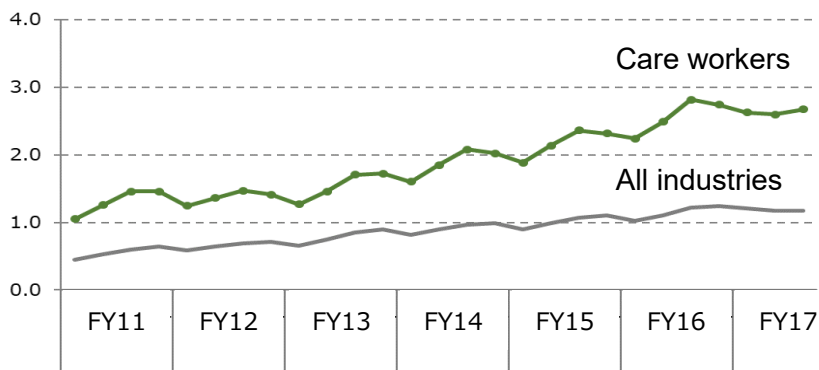
Number of care workers and their turnover rate ^{*1}



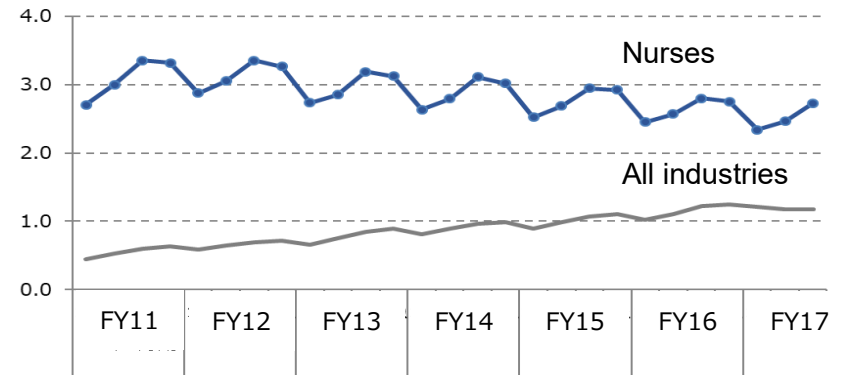
Number of nurses and their turnover rate ^{*3}



Jobs-to-applicants ratio of care workers ^{*2}



Jobs-to-applicants ratio of nurses ^{*2}



*1. Sources : Number - MHLW ; Turnover rate - Care Work Foundation *2. Source : MHLW

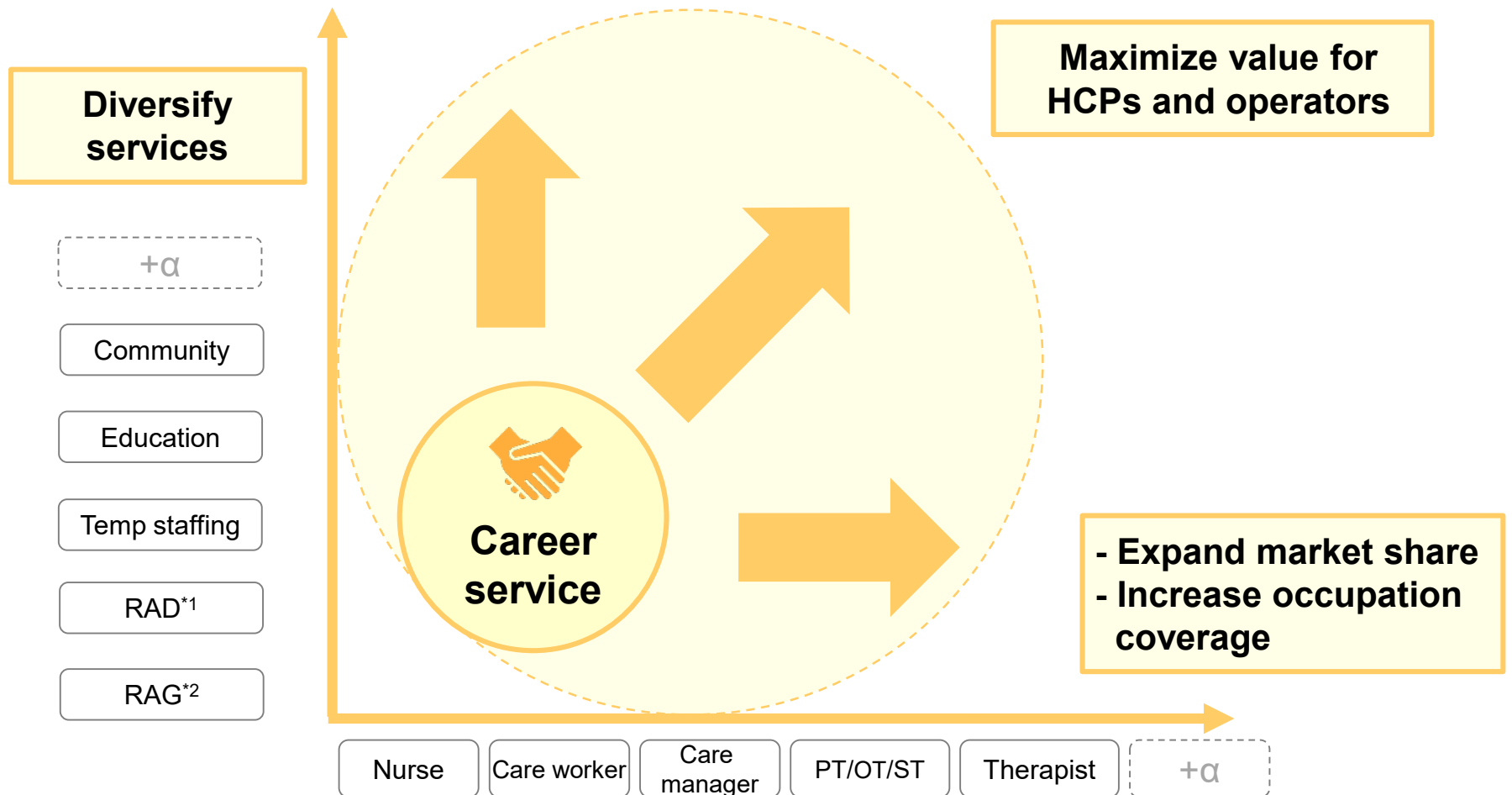
*3. Sources : Japanese Nursing Association

- ✓ As a pioneer, we created attractive markets and established No.1 positions.
- ✓ With strong competitive advantages in attracting healthcare professionals (HCPs) and gaining job orders, we enjoy a virtuous cycle where we can draw more and more HCPs and business operators.

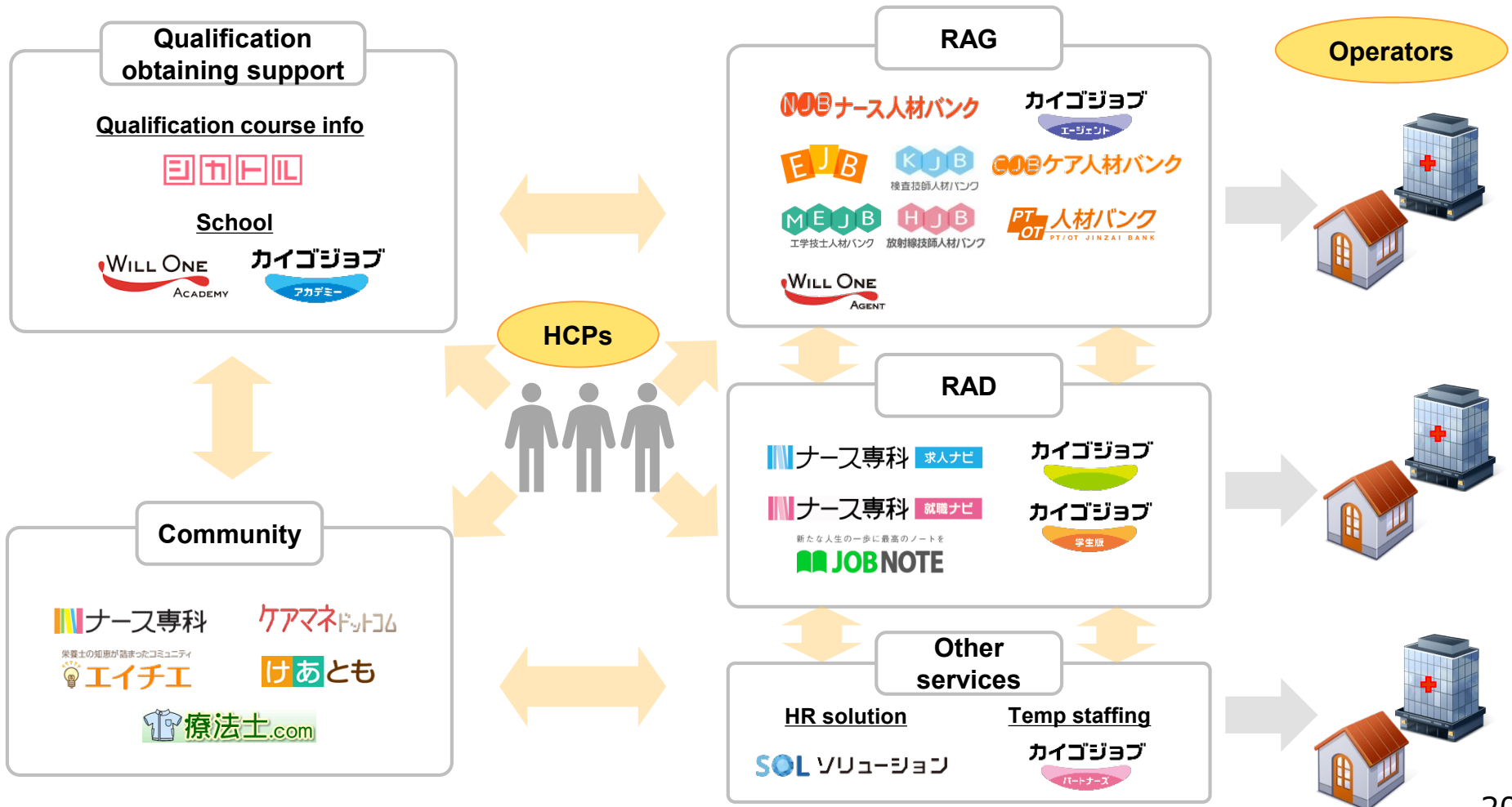


*1. Our competitors traditionally outsourced their web marketing.

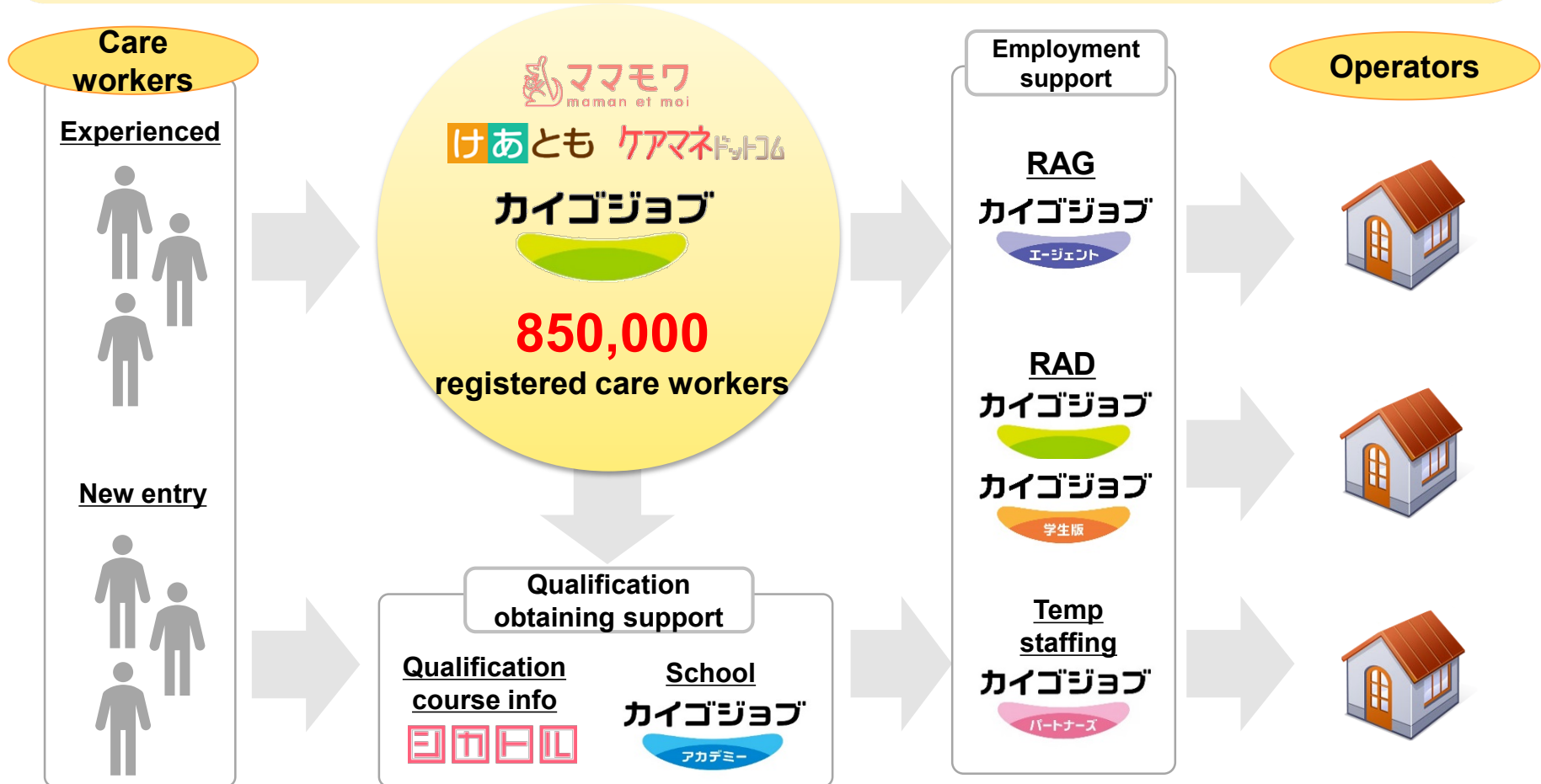
✓ Maximize value for both HCPs and operators by diversifying service offerings and expanding types of professionals we cover.



✓ Meet diverse needs of HCPs and operators in the industries by offering not only Recruiting Ads (RAD) and Recruiting Agent (RAG) services but also a wide range of other services such as schools and web communities.

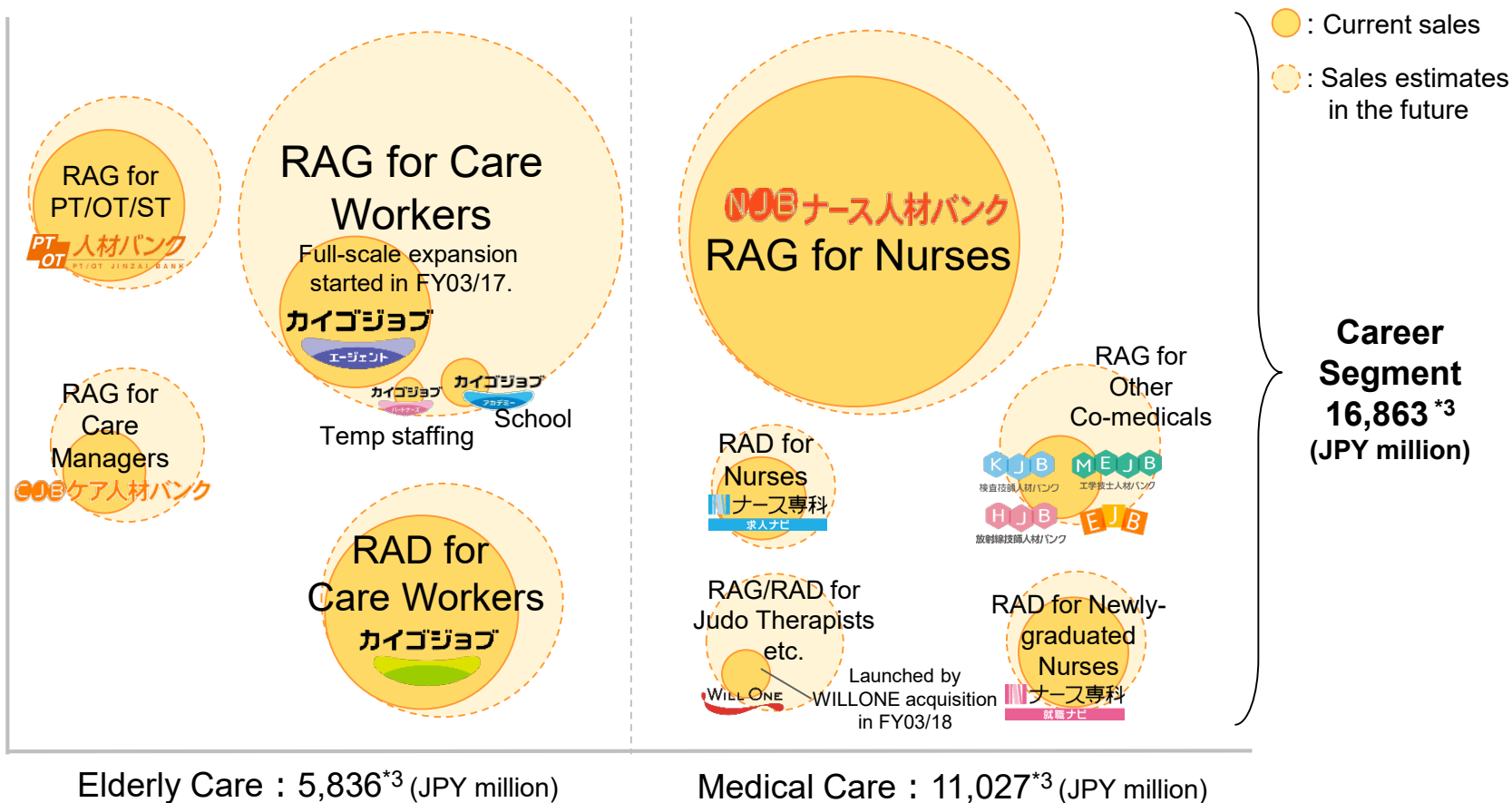


- ✓ Leveraging our database of 850K registered care workers, we expand our services from Recruiting Ads (RAD) to Recruiting Agent (RAG) and temporary staffing to maximize value offered to both care workers and operators.
- ✓ Contribute to the increase of care workers by supporting them to acquire qualifications.



- ✓ The Career Segment as a whole will grow continuously.
- ✓ Elderly Care Career has enormous growth opportunities.

Current and future sales by segment^{*1*2}



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

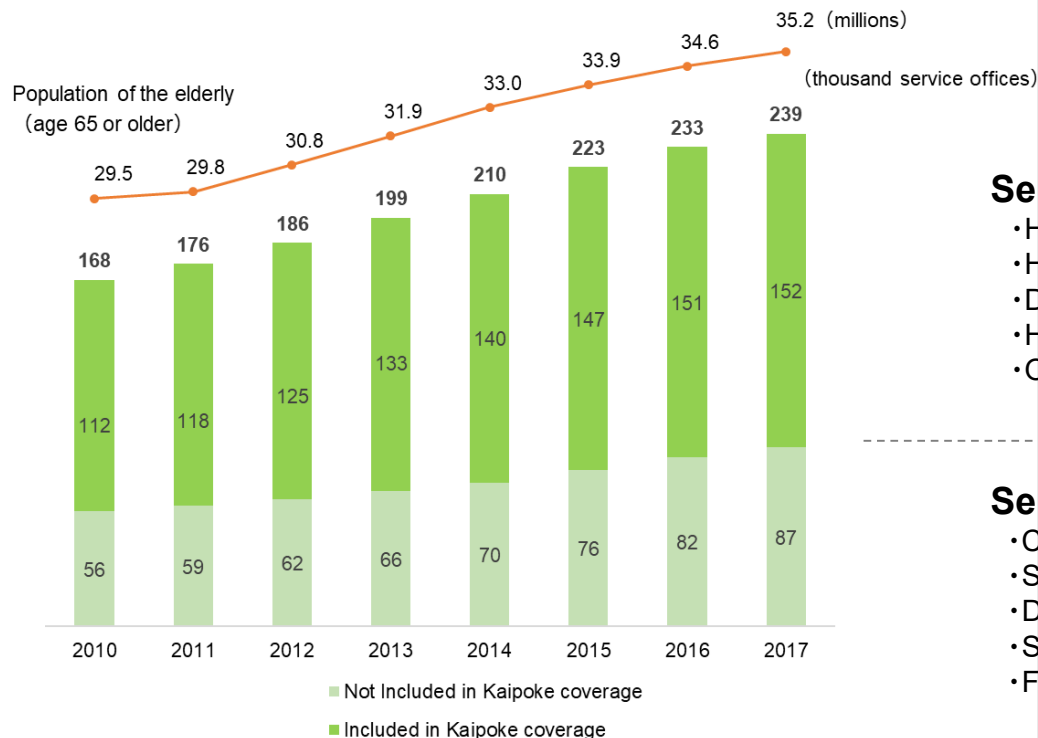
*2. RAG: Recruiting Agent RAD: Recruiting Ads *3 The figures are the actual sales for FY03/18.

Kaipoke

- ✓ The number of elderly care operators continues to increase as the population ages.

The number of elderly care operators service offices and the population of the elderly*1

of elderly care operators offices CAGR:5%



Services offered by Kaipoke*2

- Home care support services
- Home-visit elderly care
- Day care
- Home-visit nursing
- Outpatient rehabilitation etc.

Services not offered by Kaipoke*2

- Commuting care for elderly with dementia
- Short stay
- Daily life care for elderly in specific facilities
- Small-sized multifunctional in-home care
- Facilities, etc.

*1. Source : Number of elderly care operators service offices – SMS estimates based on MHLW statistics; Population of the elderly - MIC

*2. As of Mar. 2018

- ✓ Penetrated the market as a discounter of insurance claim system.
- ✓ Changed the service concept and established a unique position as a provider of management support service for elderly care operators.

Before February 2014



(ARPU) JPY 3,000/month

- Intense competition among many providers of on-premise insurance claim system.
- SMS entered the market as a discounter with cloud-based insurance claim system.

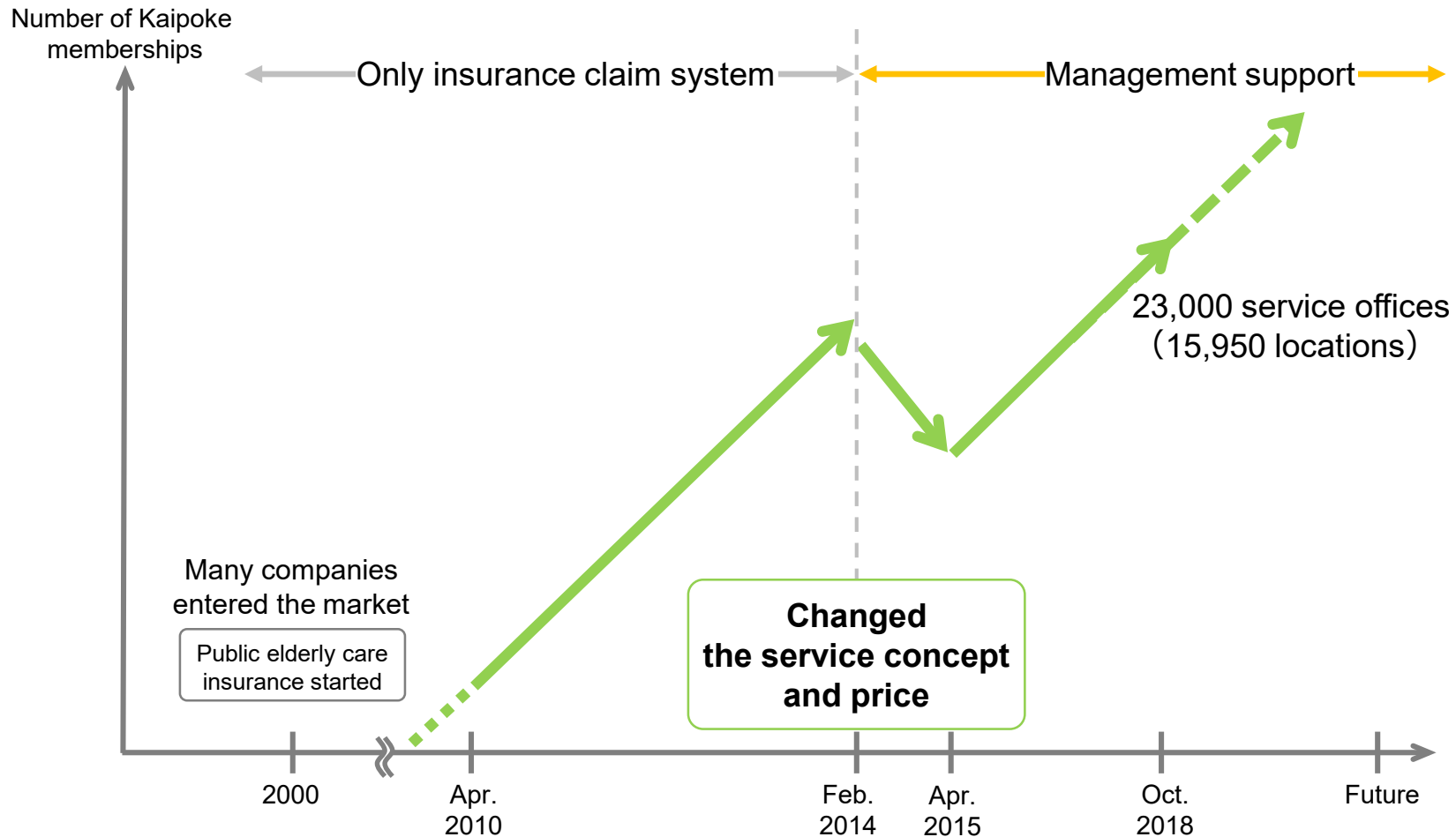
Since February 2014



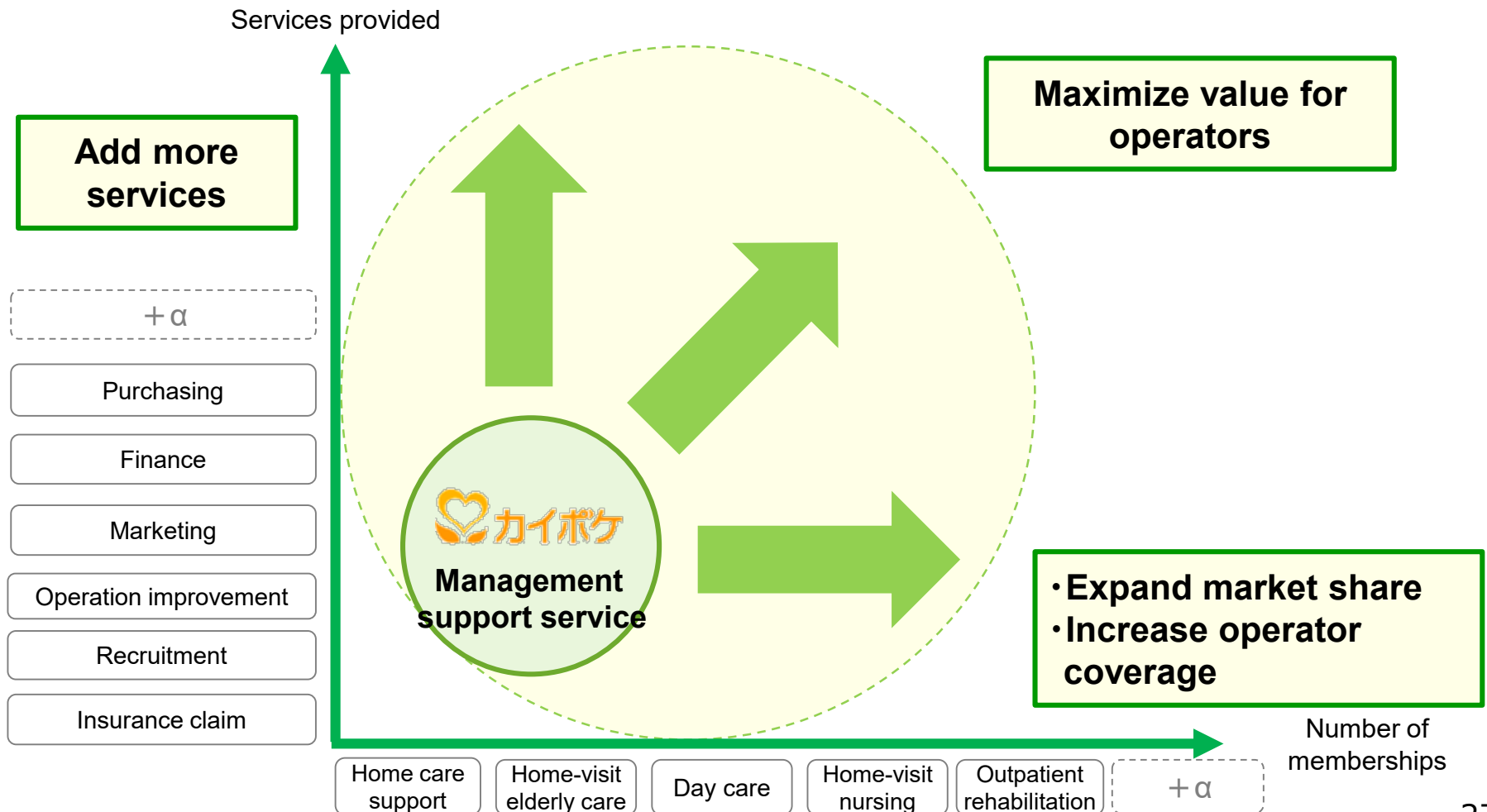
(ARPU) JPY 20,000/month

- Provide highly differentiated management support service with the No.1 recruiting ads service integrated.

- ✓ The number of memberships is increasing in accordance with our strategy, despite a temporary decline right after the concept and price change

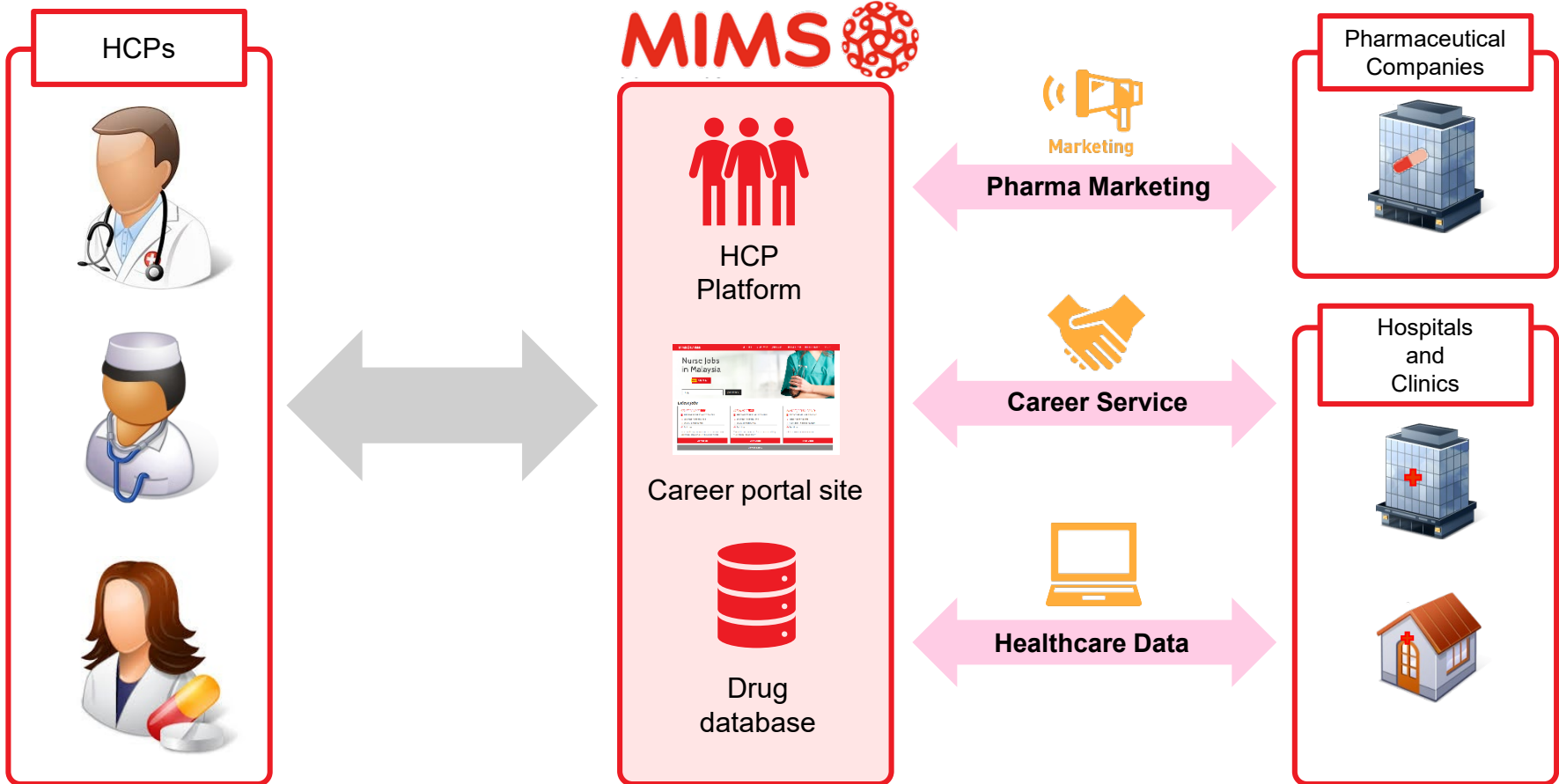


✓ Maximize value offered to elderly care operators by adding more services as well as expanding types of operators we cover.

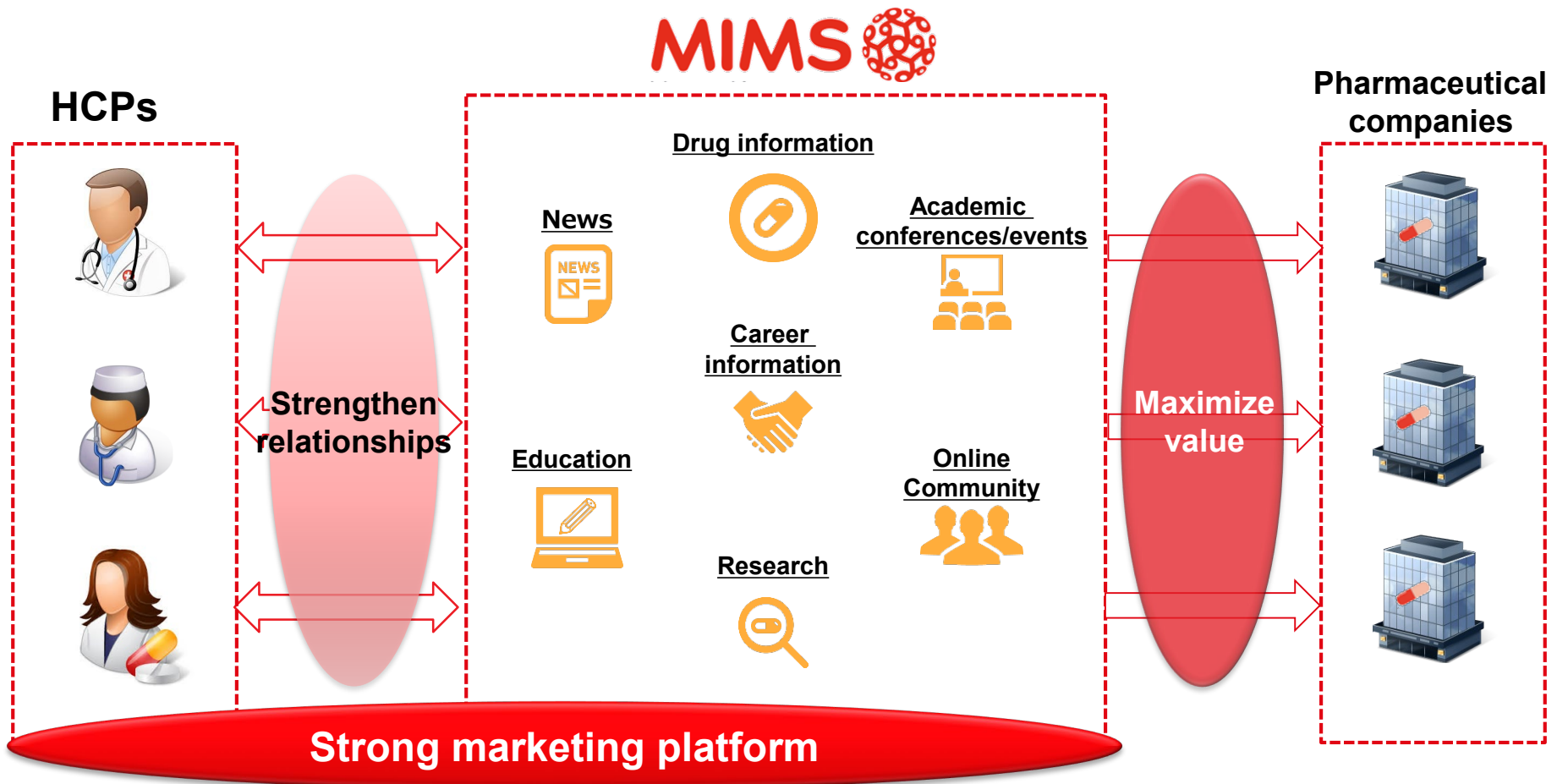


Overseas Business

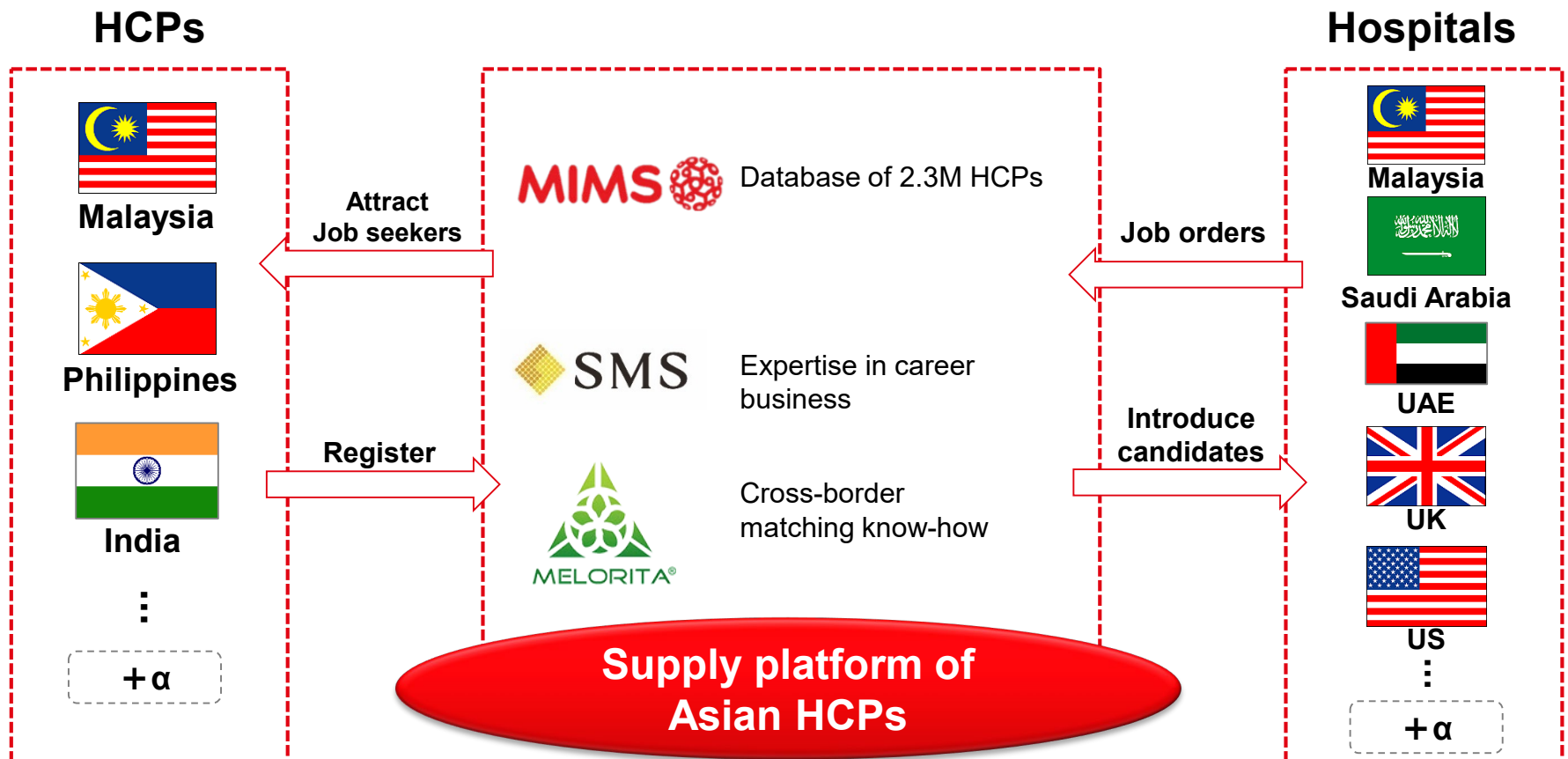
✓ Overseas businesses are built on the strengths of MIMS, which include its overwhelming brand value in Asia and Oceania, enormous membership base of healthcare professionals(HCPs), and strong relationships with pharmaceutical companies and hospitals.



- ✓ Maximize value offered to pharmaceutical companies by creating a strong marketing platform through a variety of services to HCPs.

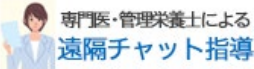














- ✓ Accelerate the growth of Global Career Business by combining MIMS's HCP database, SMS's expertise in career business and Melorita's cross-border matching know-how.
- ✓ Establish a dominant position as the leading supplier of Asian HCPs to both inside and outside the region.



New Business

- ✓ Constantly develop new businesses focusing mainly on Healthcare and Senior Life domains.

Domains	Outline	Services			
Healthcare*1	Services such as health guidance, aggravation prevention and health consultation etc.	<p>Preventive solution for onset/aggravation of lifestyle diseases</p>  <p>Information portal of dementia</p> 	<p>Specific health guidance solution</p>  <p>Information portal of diabetes</p> 	<p>Web community for nutritionists</p>  <p>Solution for dementia prevention</p> 	<p>Q&A site on health</p>  <p>Habituation support of dementia prevention</p> 
Senior Life*2	Services related to daily life of senior people such as food, housing, and elderly cares etc.	<p>Web community for families with those requiring elderly care</p>  <p>Home-delivered meal search site</p>  <p>User review site regarding elderly care operators</p>  <p>Housing renovation operators search site</p>  <p>Livelihood support search site</p> 			

*1. Covers health-related services that are not subject to public elderly care insurance or medical care insurance

*2. Covers services related to daily life in an aging society

1

1H FY03/19 Consolidated Financial Results

P3-P8

2

FY03/19 Strategy

P10-P33

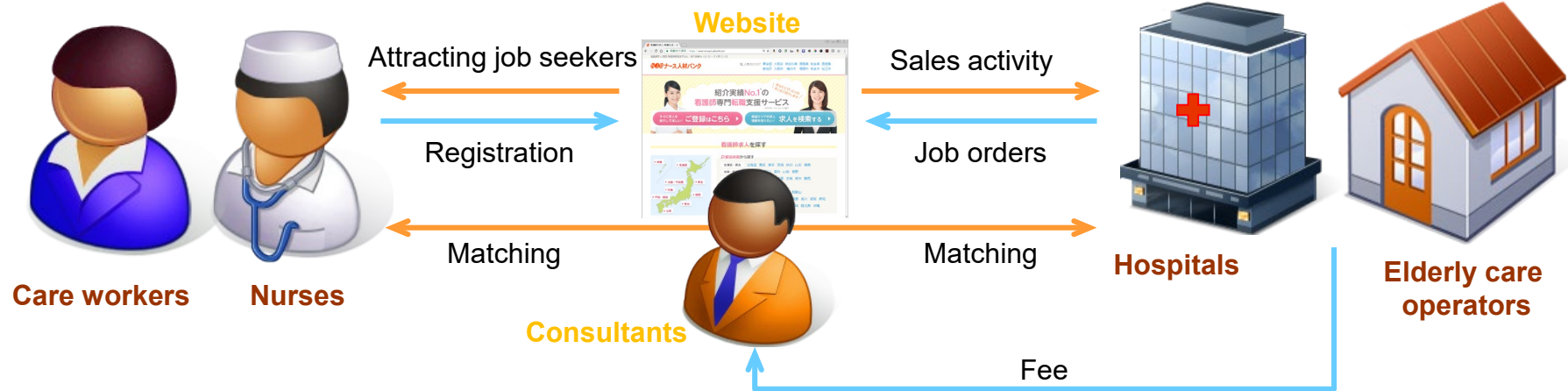
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Appendix

P35-P48

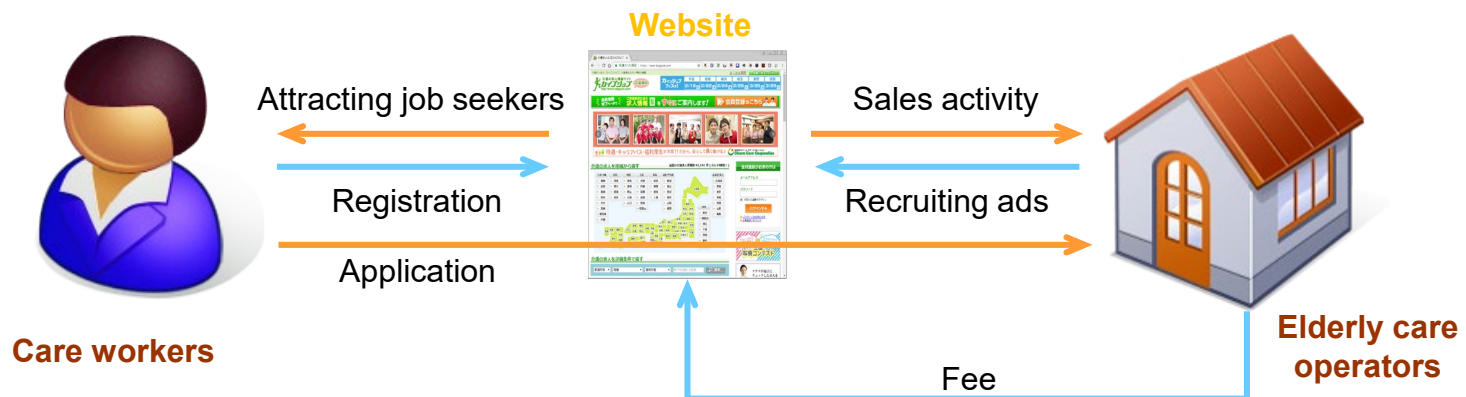
Business model of Recruiting Agent

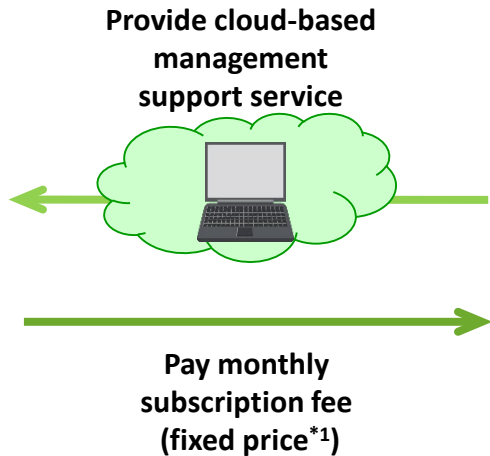
Receive a certain percentage of an annual salary from a hiring business operator as a fee when an applicant joins it.



Business model of Recruiting Ads

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





Provide services as a package out of approx. 40 contents in total.

- Insurance claim system** Generate claims for the elderly care insurance.
- Recruitment** Provide SMS's industry-leading recruiting Ads
- Marketing** Make flyers and a list of care managers who are the sales target of elderly care operators.
- Operation improvement** Offer an iPad for free to enable care workers to complete documentation at their customer sites.
- Finance** Provide factoring service to help operators improve cash flows.
- Purchasing** Procure equipment necessary for elderly care operators easily, at a low price

MIMS Group global coverage



MIMS Group profile



Founded	1963
Business models	<ul style="list-style-type: none">• Pharma Marketing• Healthcare Data• Career Service
Global coverage	15 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

✓ Strengths of MIMS Group include its overwhelming brand value in Asia and Oceania, strong membership base of healthcare professionals (HCPs), and business relationships with pharmaceutical companies.

1. Overwhelming brand value

- 50 years of history
- Utilized by healthcare institutions/ professionals to get drug information on a daily basis



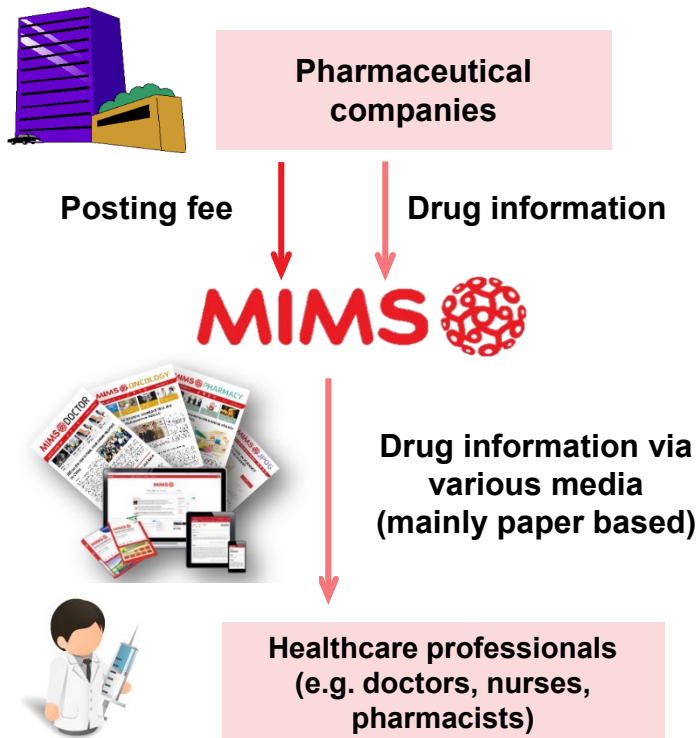
2. Strong membership base of HCPs

- Approx. 2.3 million HCP memberships including approx. 0.5 million doctors

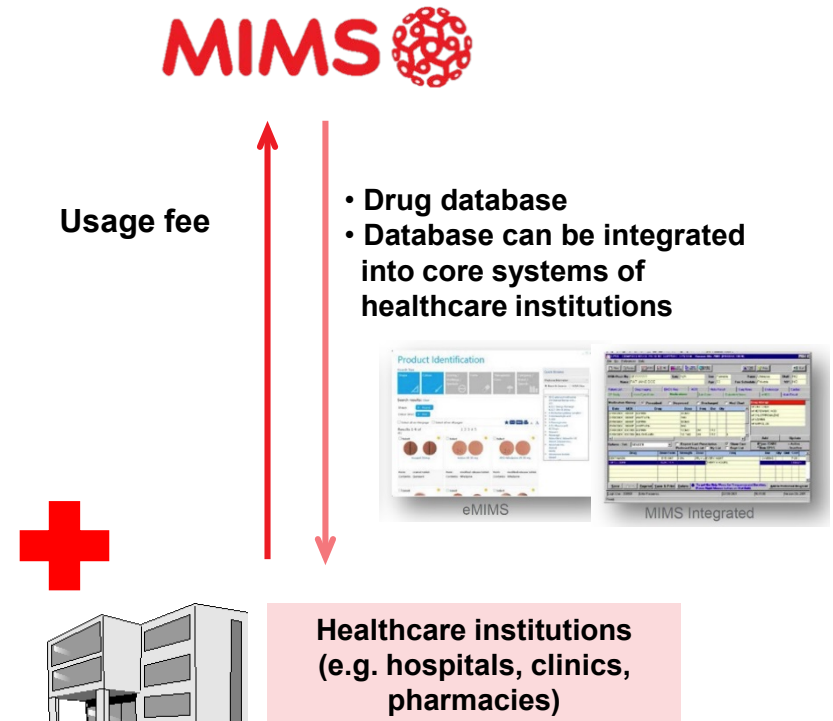
3. Business relationships with pharma companies

- Most manufacturers of new drugs in the region post information of their drugs on MIMS's database

Pharma Marketing

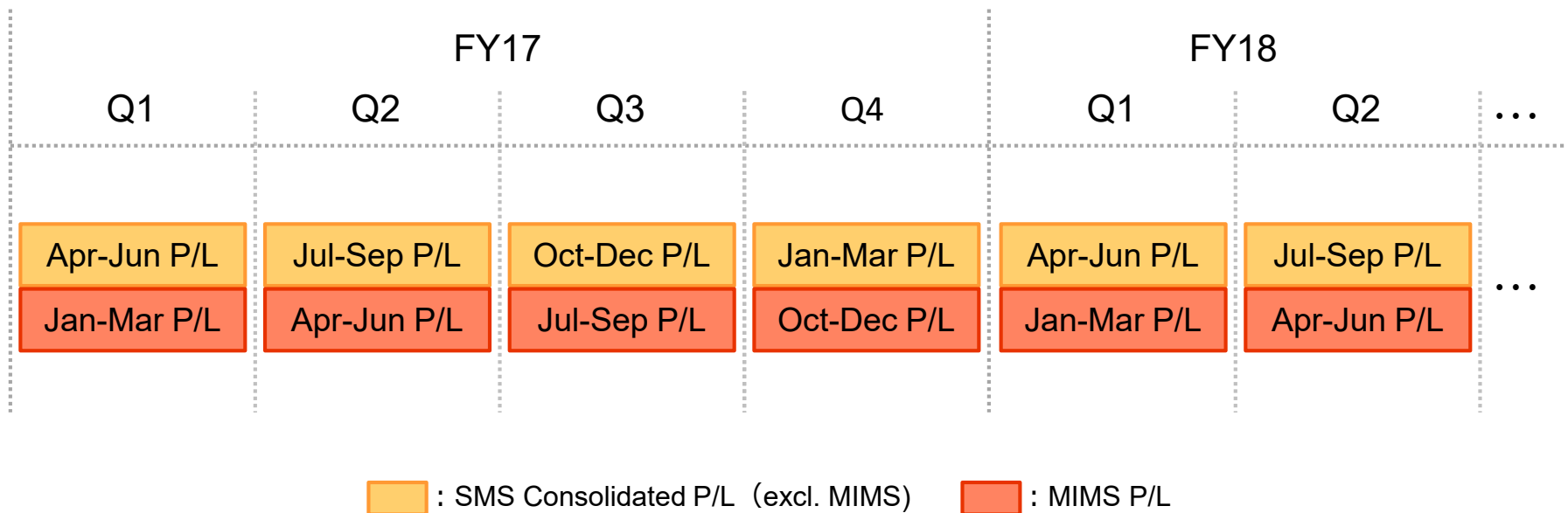


Healthcare Data



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

Illustration of MIMS P/L Consolidation to SMS Consolidated P/L (excl. MIMS)*1



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

Segment	Sub-segment	Services*1*2*3						
Career	Elderly Care Career	RAG for care managers 	RAG for PT/OT/ST 	RAG for care workers 	Certification course information 	Web community for PT/OT/ST 	Web community for care managers 	Web community for care workers
	Medical Care Career	RAG for nurses 	RAG for medical technologists 	RAG for radiological technologists 	RAG for clinical engineers 	RAG for nutritionists 	HR solution for hospitals 	Information portal for hospital admin. managers
Elderly Care Operators	—	Management support service for elderly care operators 						
Overseas	—	Drug information service for healthcare professionals and institutions 	RAG for nurses (Malaysia and Saudi Arabia, etc.) 	Career related service for nurses (South Korea) 	Doctor consultation (Indonesia) 	Medical ad services (Philippines)	Medical ad services (Indonesia)	
Business Development	—	Preventive solution for onset/aggravation of lifestyle diseases 	Specific health guidance solution 	Web community for nutritionists 	Q&A site on health 	Information portal of dementia 	Information portal of diabetes 	
		Solution for dementia prevention 	Habituation support of dementia prevention 	Information portal of housing for the elderly 	Web community for families with those requiring elderly care 	User review site regarding elderly care operators 	Home-delivered meal search site 	
		Housing renovation operators search site 	Livelihood support search site 	Web community for pharmacists 	Publishing for nurses 	Online academic media for nurses 	Web community for managers of elderly care operators 	

*1. As of March, 2018 *2. RAG stands for Recruiting Agent; RAD stands for Recruiting Ads

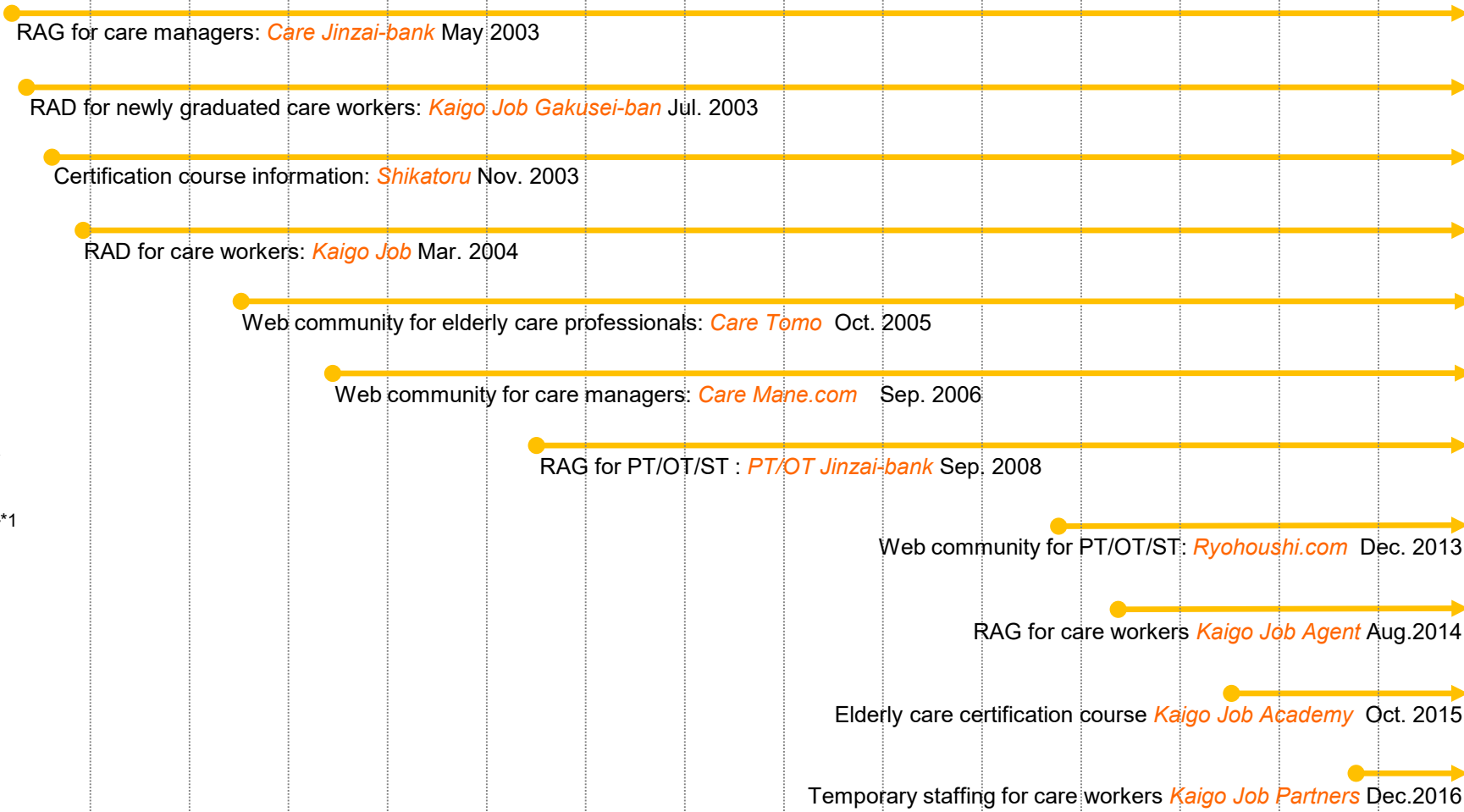
© Copyright SMS CO.,LTD. *3. Career businesses for doctors and pharmacists are operated by M3 Career, Inc. which is a joint venture between M3, Inc. (51%) and SMS(49%).

3 History of Service Launches 1/4



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

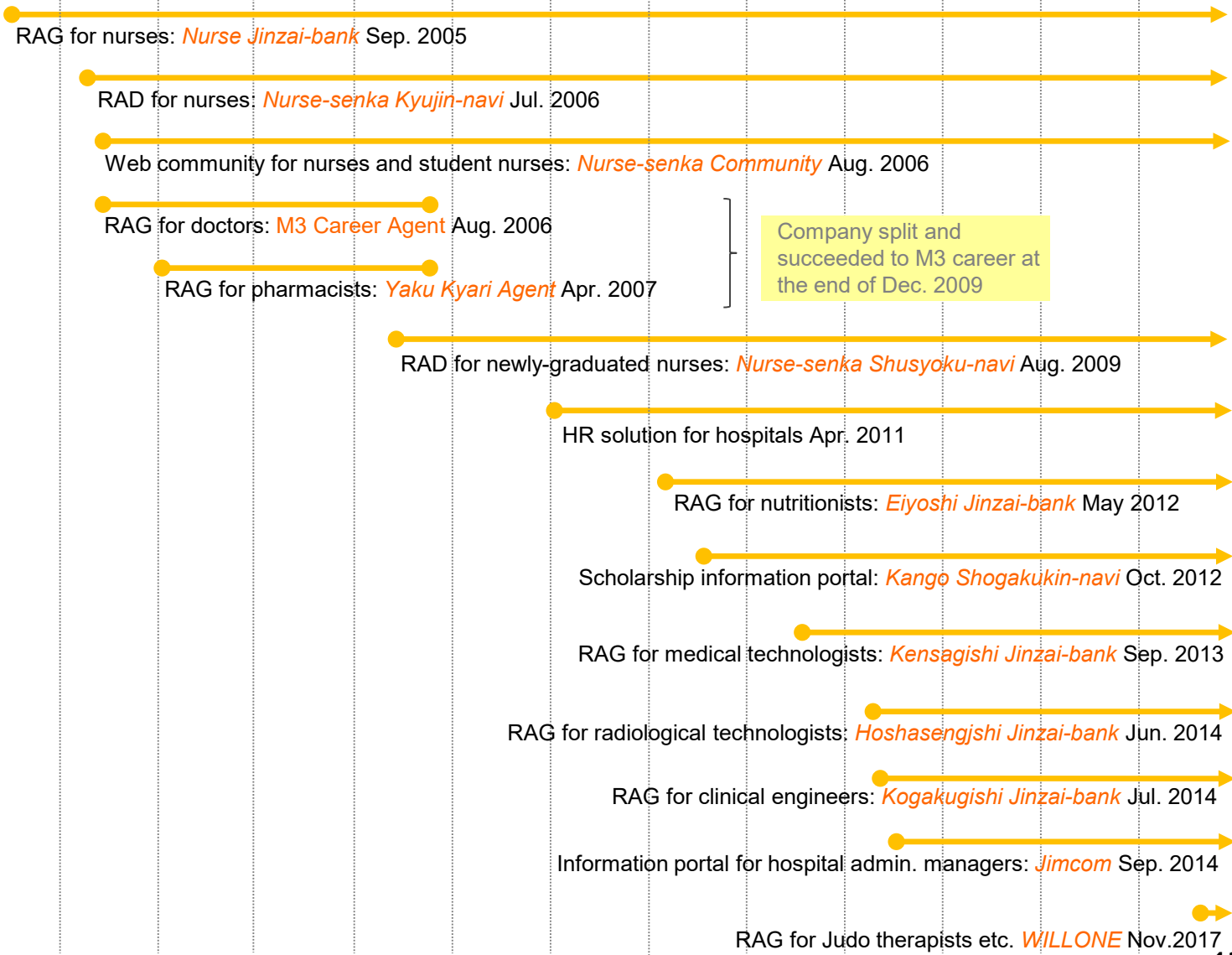
Elderly
Care
Career*1



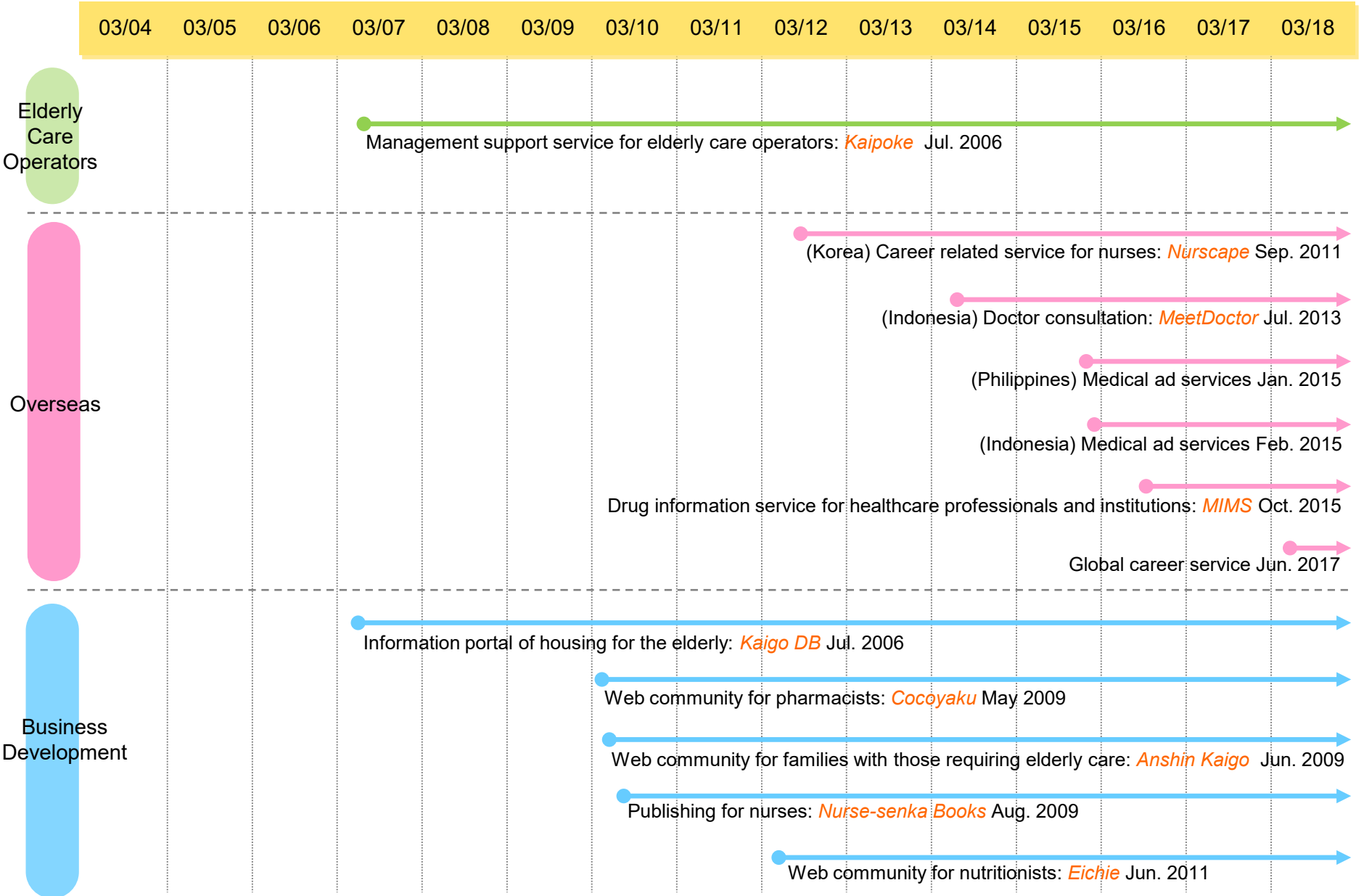
3 History of Service Launches 2/4

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

Medical
Care
Career*1



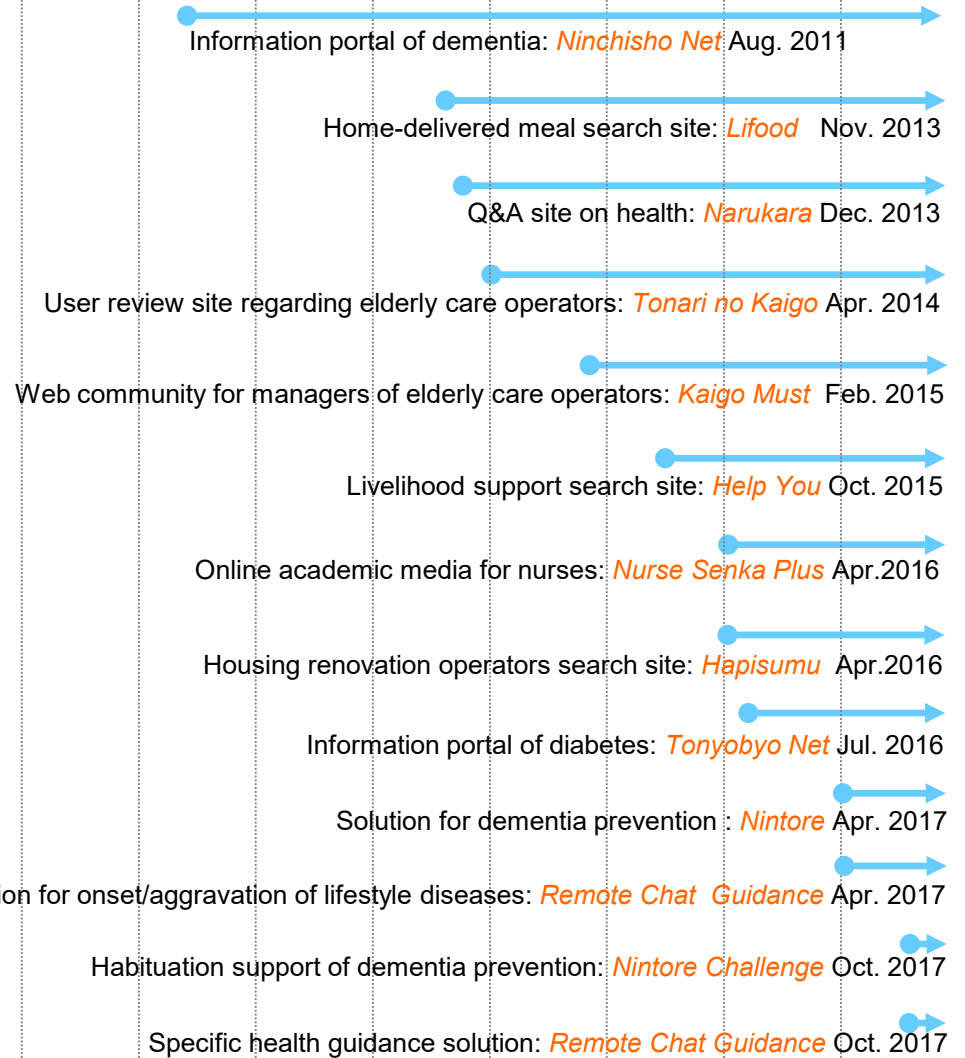
3 History of Service Launches 3/4



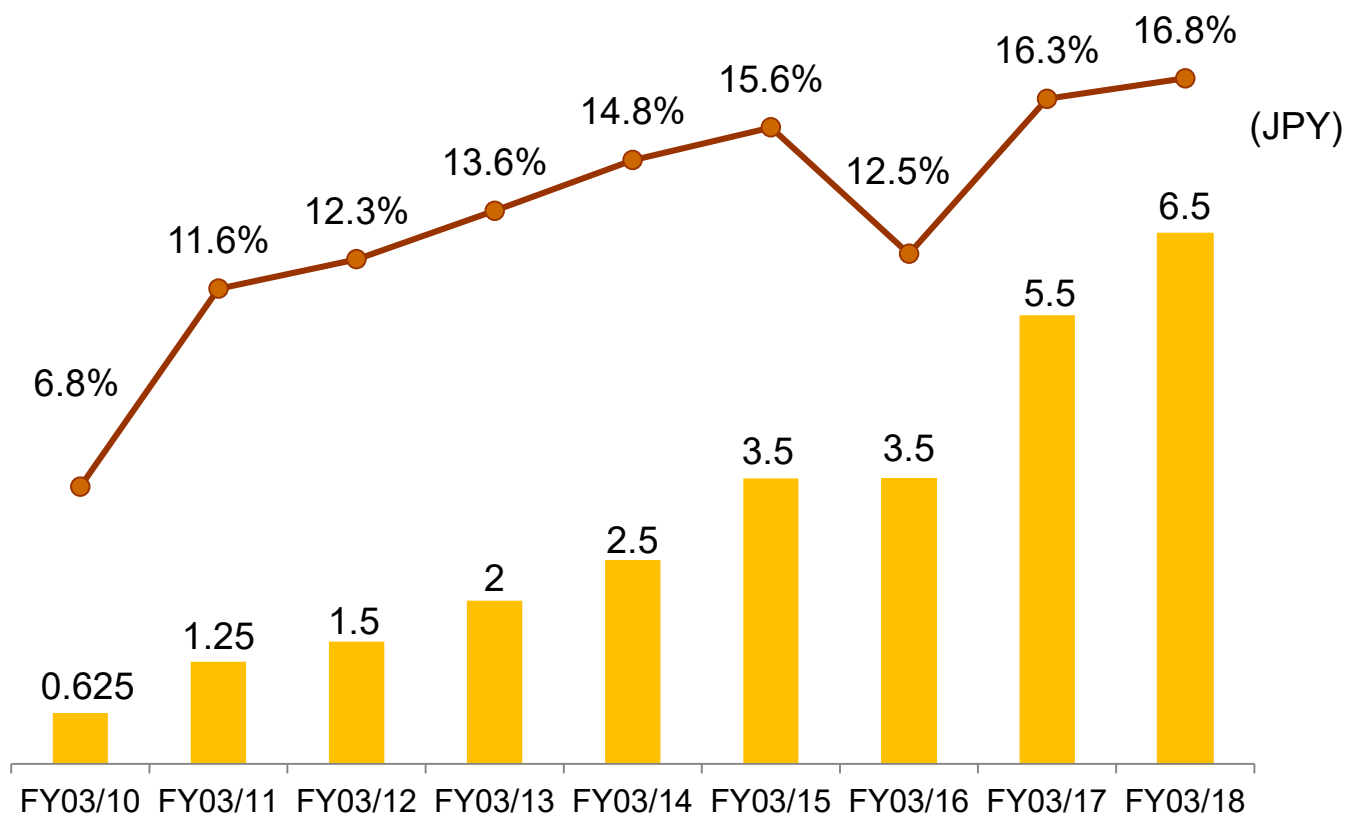
3 History of Service Launches 4/4

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



Trend in the amounts and the payout ratio of dividends*1



3 Historical Financial Results



(JPY million)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
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	26,611
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	4,021
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	5,007
Net Income	▲5	31	63	157	244	719	717	876	1,004	1,226	1,380	1,824	2,265	2,801	3,361
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	46,087
Liabilities	55	166	196	489	822	1,410	1,266	1,430	1,579	1,794	2,331	4,497	28,532	21,648	22,446
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	23,641
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	41.8
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	18.5
DPS*1 (JPY)	-	-	-	-	-	0.625	0.625	1.25	1.5	2	2.5	3.5	3.5	5.5	6.5
Dividend Payout Ratio (%)	-	-	-	-	-	6.8	6.8	11.6	12.3	13.6	14.8	15.6	12.5	16.3	16.8

Number of Employees

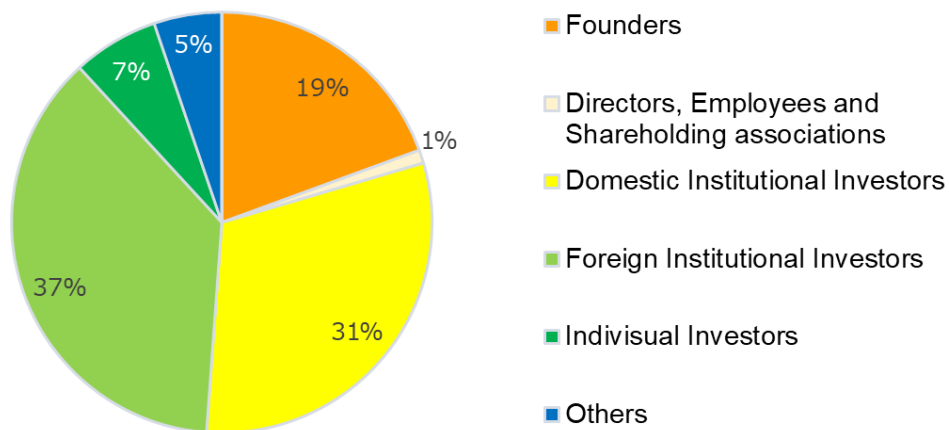
Number of employees and its breakdown as of September 30, 2018

Employees (consolidated)	2,375
Japan	1,650
Overseas	725

Shareholder Composition*1

【as of September 30, 2018】

Number of
shareholders
4,970



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 September 30, 2018. 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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