

SMS CO., LTD.

(Securities Code: 2175/ TSE 1st section)

Presentation Material for Investors

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

January 31, 2019



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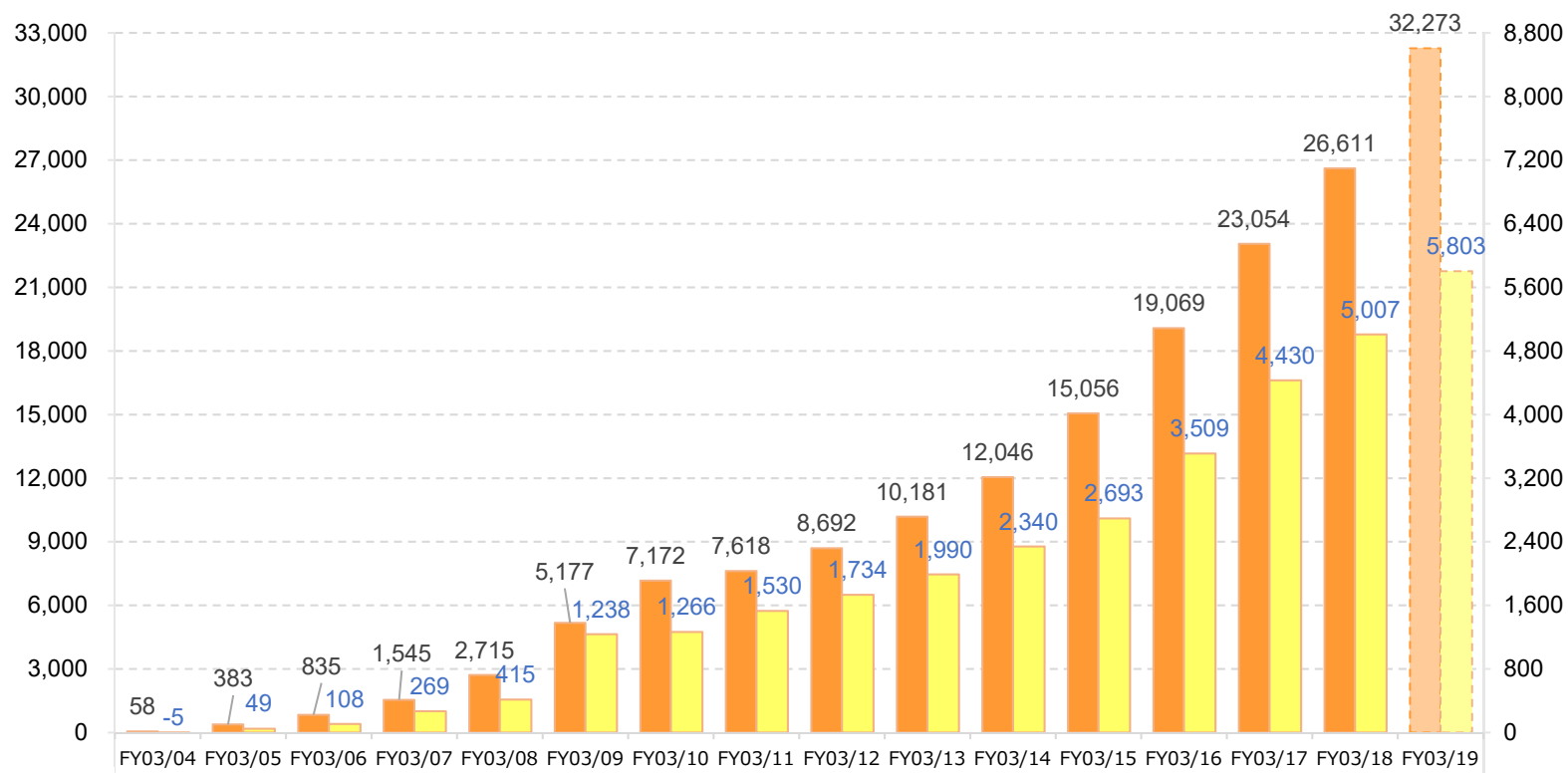
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✓ Expect to achieve growth in both net sales and ordinary income for the 15th consecutive year since our establishment.

Trends in net sales and ordinary income

(Net sales, JPY million)

(Ordinary income, JPY million)



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

1 Q1-Q3 FY03/19 Consolidated Financial Results

- ✓ Net sales increased significantly and operating income was at the same level YoY.
- ✓ Made further investments such as hiring in well-performing RAG*¹ services and launching the RAG service for childcare workers in Q3, in addition to hiring a large number of consultants in 1H.
- ✓ Incomes marked steady progress towards the full year guidance.

Consolidated P/L Statement [JPY million]

	Q1-Q3 FY03/18 Actual	Q1-Q3 FY03/19 Actual	YoY Change	FY03/19 Forecast
Net Sales	19,228	22,024	+ 15%	32,273
Operating Income	2,306	2,282	▲ 1%	4,827
Ordinary Income	3,014	3,363	+ 12%	5,803
Net Income	2,040	2,390	+ 17%	3,905

1 The Career Segment (Q1-Q3)

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

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

	Q1-Q3 FY03/18	Q1-Q3 FY03/19	YoY Change
Elderly Care Career	4,184	5,643	+ 35%
Medical Care Career	8,175	9,118	+ 12%
Total	12,359	14,762	+ 19%

Highlights

- Elderly Care Career
 - RAG*1 for care workers recorded strong growth due to the significant increase in consultants headcount.
 - Hired additional consultants in Q3 in order to accelerate the growth.
- Medical Care Career
 - RAG for nurses grew steadily.
 - Hired additional consultants for WILLONE*2 in Q3.
 - Launched RAG for childcare workers in Oct. 2018.

*1. Recruiting Agent

*2. WILLONE, acquired in FY03/18, provides career services for Judo therapists and licensed masseurs including finger pressure practitioners, acupuncturists, moxibustion practitioners.

1 The Elderly Care Operators Segment [Kaipoke] (Q1-Q3)

✓ Segment sales increased 18% YoY.

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

	Q1-Q3 FY03/18	Q1-Q3 FY03/19	YoY Change
Elderly Care Operators [Kaipoke]	2,442	2,873	+ 18%

Highlights

- The number of Kaipoke memberships increased steadily.
- An increase of 1,250 locations YTD to 16,300 [23,600 service offices*1] as of Jan. 1, 2019.
- 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.

1 The Overseas Segment (Q1-Q3)

✓ Segment sales increased 6% YoY.

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

	Q1-Q3 FY03/18	Q1-Q3 FY03/19	YoY Change
Overseas	3,415	3,611	+ 6%

Highlights

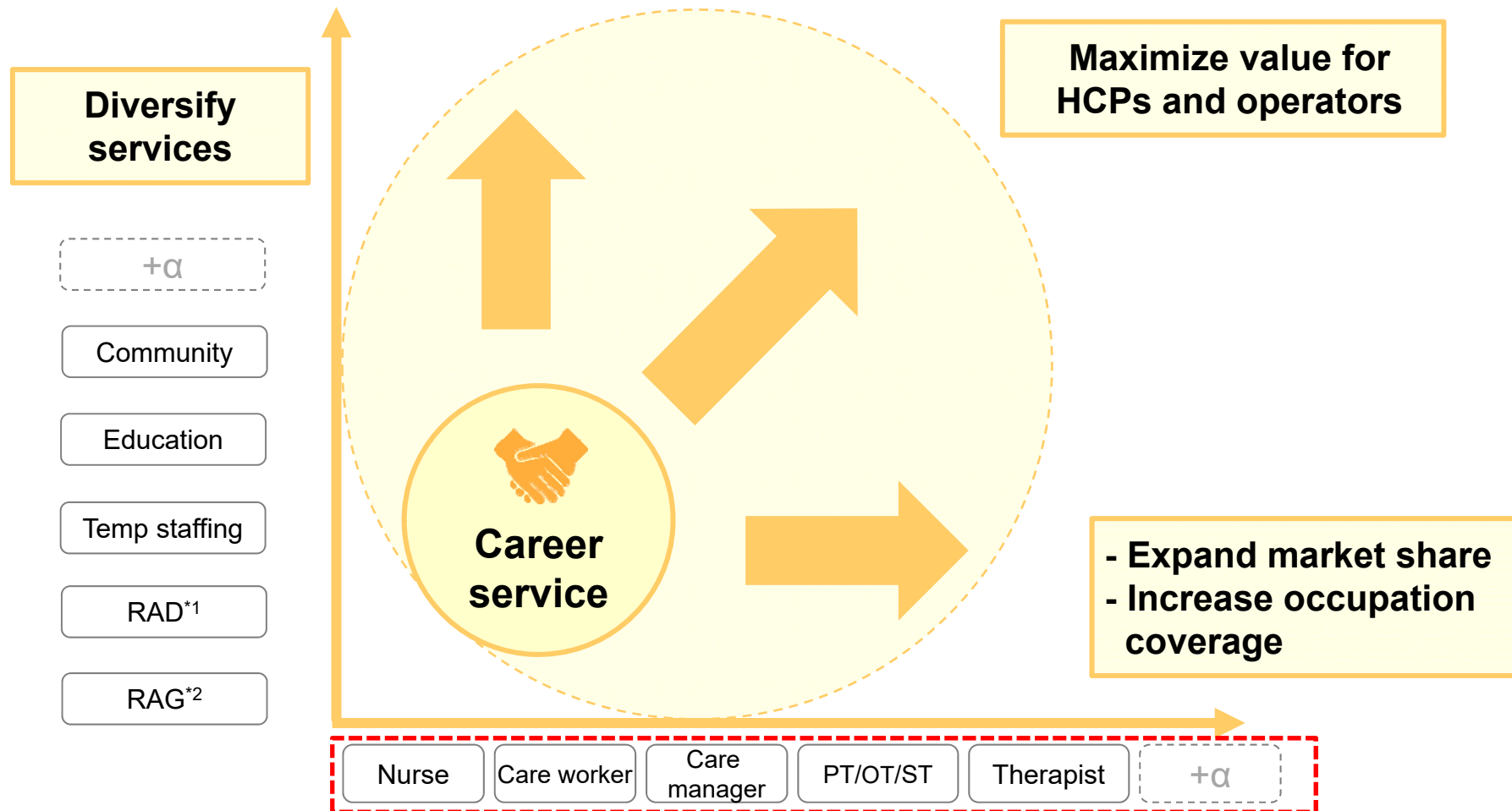
- Both MIMS's existing business and Global Career Business grew steadily.
- In Global Career Business, the number of Offer Accepted^{*1} increased. The lead time between Offer Accepted and the start of employment^{*2} is getting longer than expected.

*1. Job offers accepted by applicants

*2. Sales are recorded when an applicant starts working.

1 Topic : Strategy of Career Business

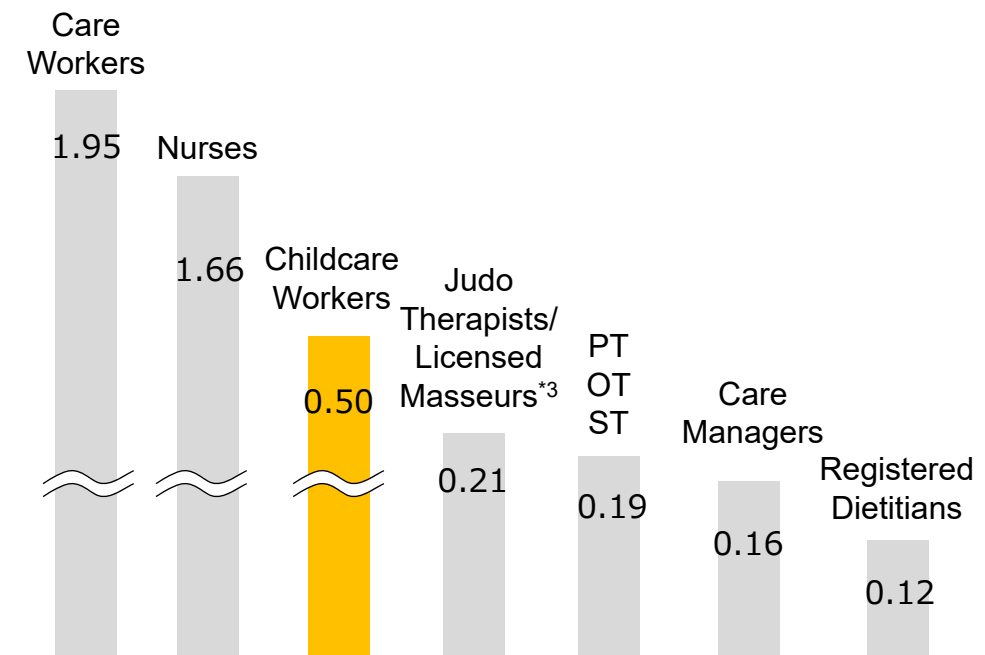
✓ Maximize value for both healthcare professionals (HCPs) and operators by diversifying service offerings and expanding the variety of occupations we cover.



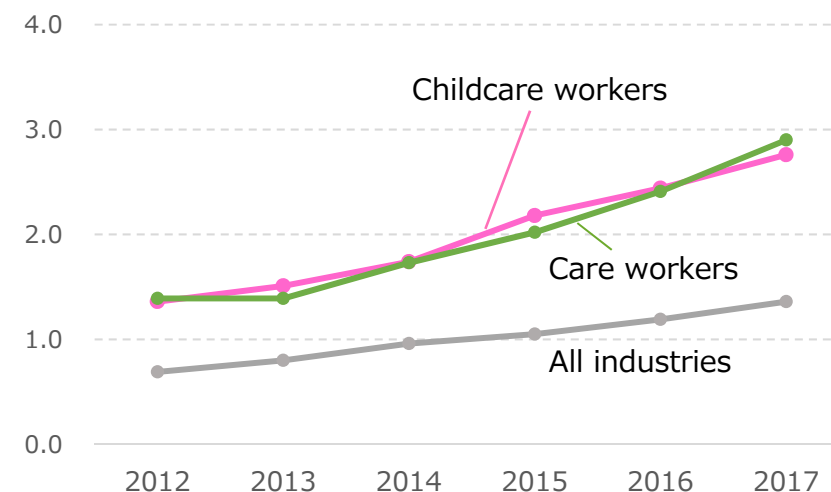
1 Topic : RAG for Childcare Workers

- ✓ Launched the RAG*¹ service for childcare workers in Oct. 2018.
- ✓ Develop new growth business by entering the promising market with a large number of workers in high demand.

**Number of Workers *² [million]
by Occupations in the Career Segment**



Jobs-to-Applicants Ratio *⁴



The jobs-to-applicants ratio for childcare workers has risen in metropolitan areas such as Tokyo (over 5 times)

*1. Recruiting Agent
 *2. Sources: Care workers/Care managers (MHLW,2017), Nurses (Japanese Nursing Association,2016), Judo Therapists/Licensed Masseurs (SMS's estimate based on MHLW data,2016), PT/OT/ST (MHLW,2016),Childcare workers/Registered dietitians (SMS's estimates based on MHLW data,2017)
 *3. Includes finger pressure practitioners, acupuncturists, moxibustion practitioners
 *4. Source: MHLW

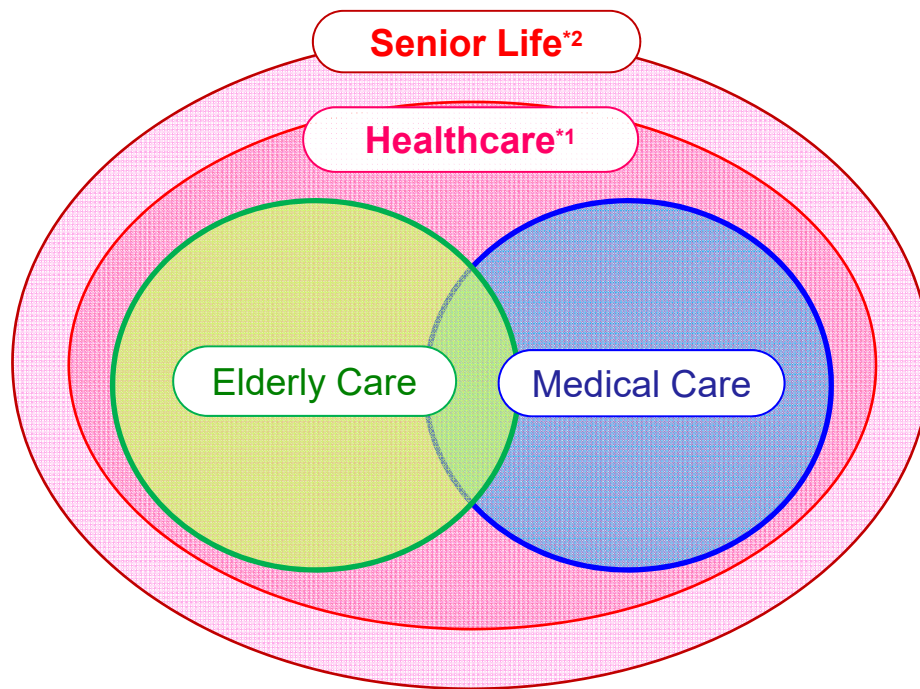
1	Q1-Q3 FY03/19 Consolidated Financial Results	P3-P9
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We create value and contribute to society by providing an “information infrastructure for an aging society.”

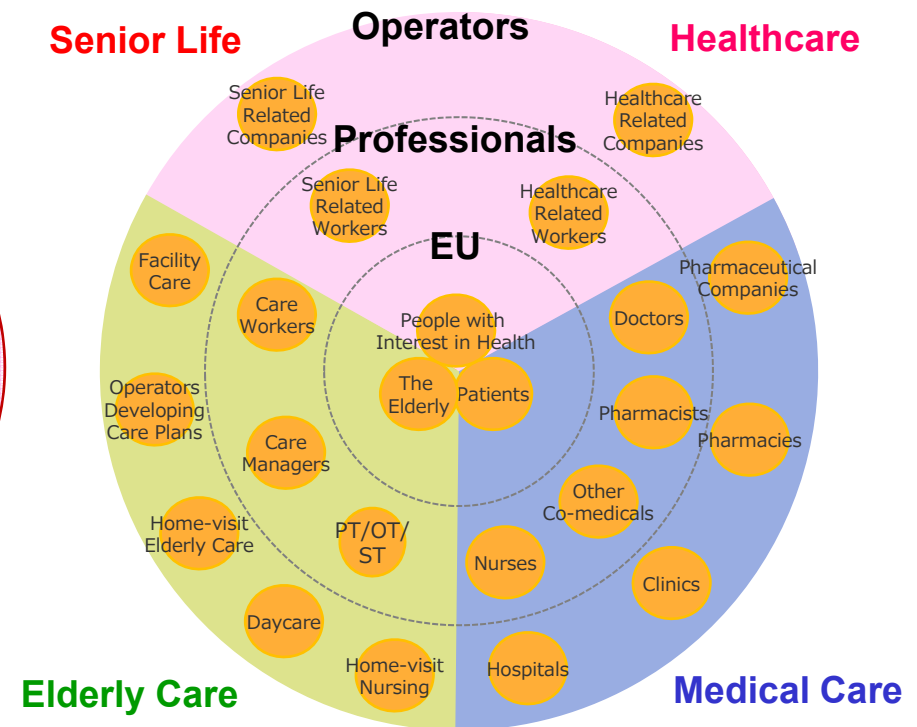
2 Business Domains and Stakeholders

- ✓ 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

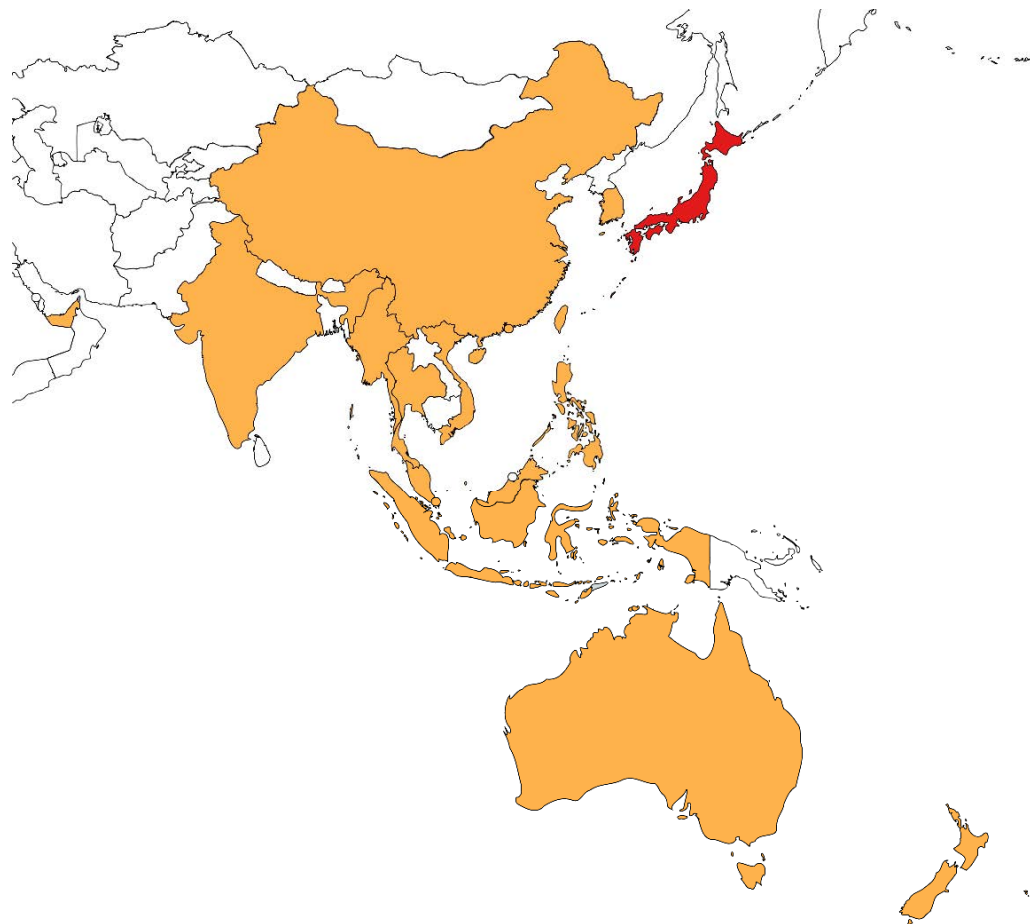


*1. Covers health-related services that are not subject to public elderly care insurance or medical care insurance

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

2 Where We Operate

- ✓ 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.

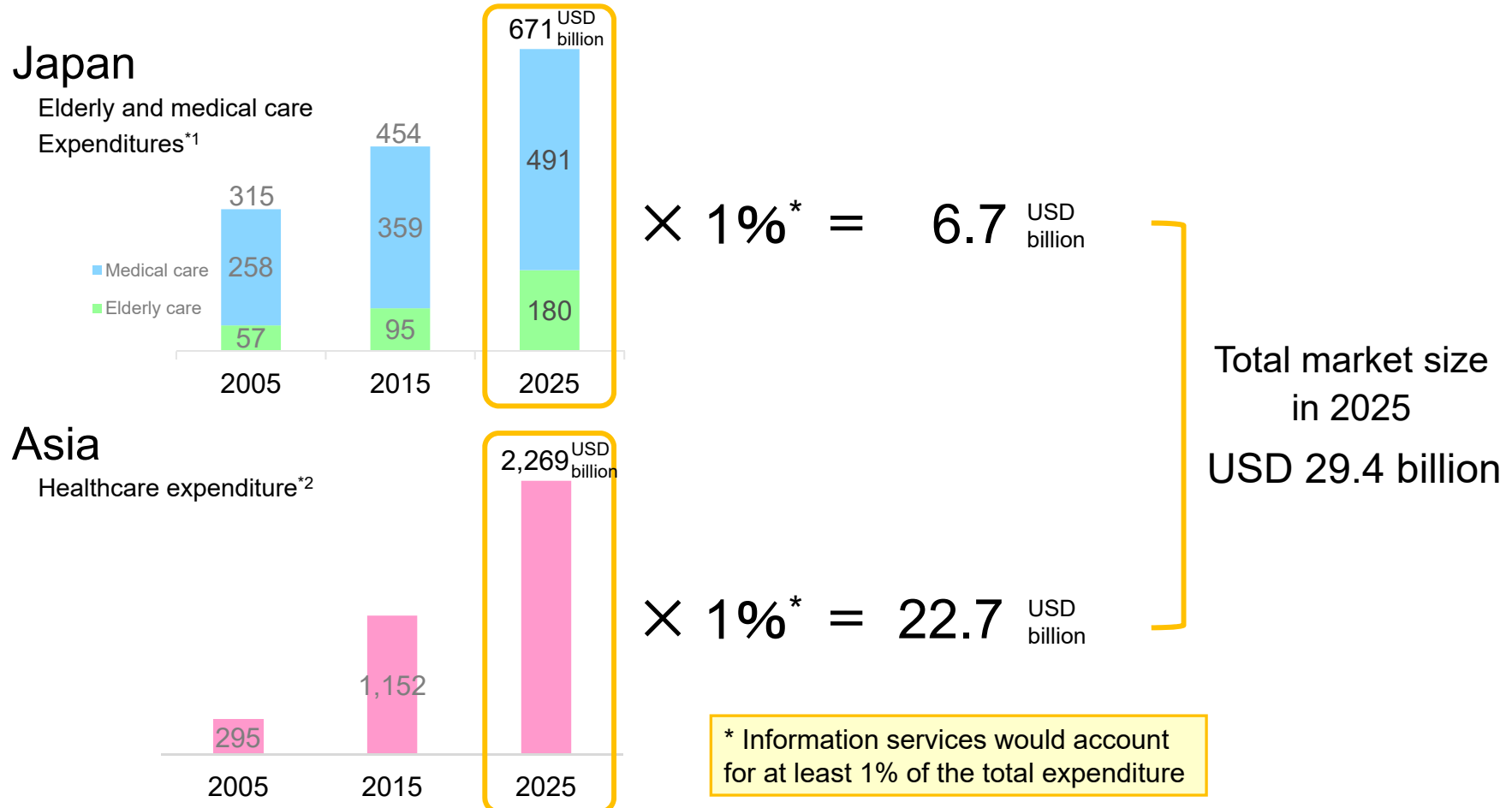


Japan	Thailand
Korea	Vietnam
China	Philippines
Hong Kong	Myanmar
Taiwan	India
Singapore	Australia
Malaysia	New Zealand
Indonesia	UAE

2 Size of Our Target Market

- ✓ 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



2 Growth Track

- ✓ 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

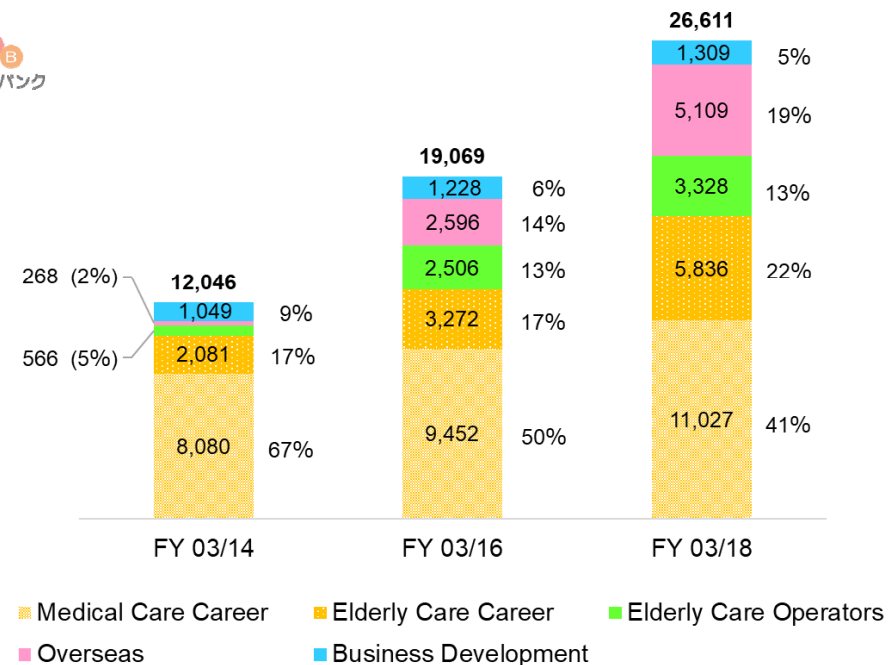


New Business

- Developing a series of new businesses

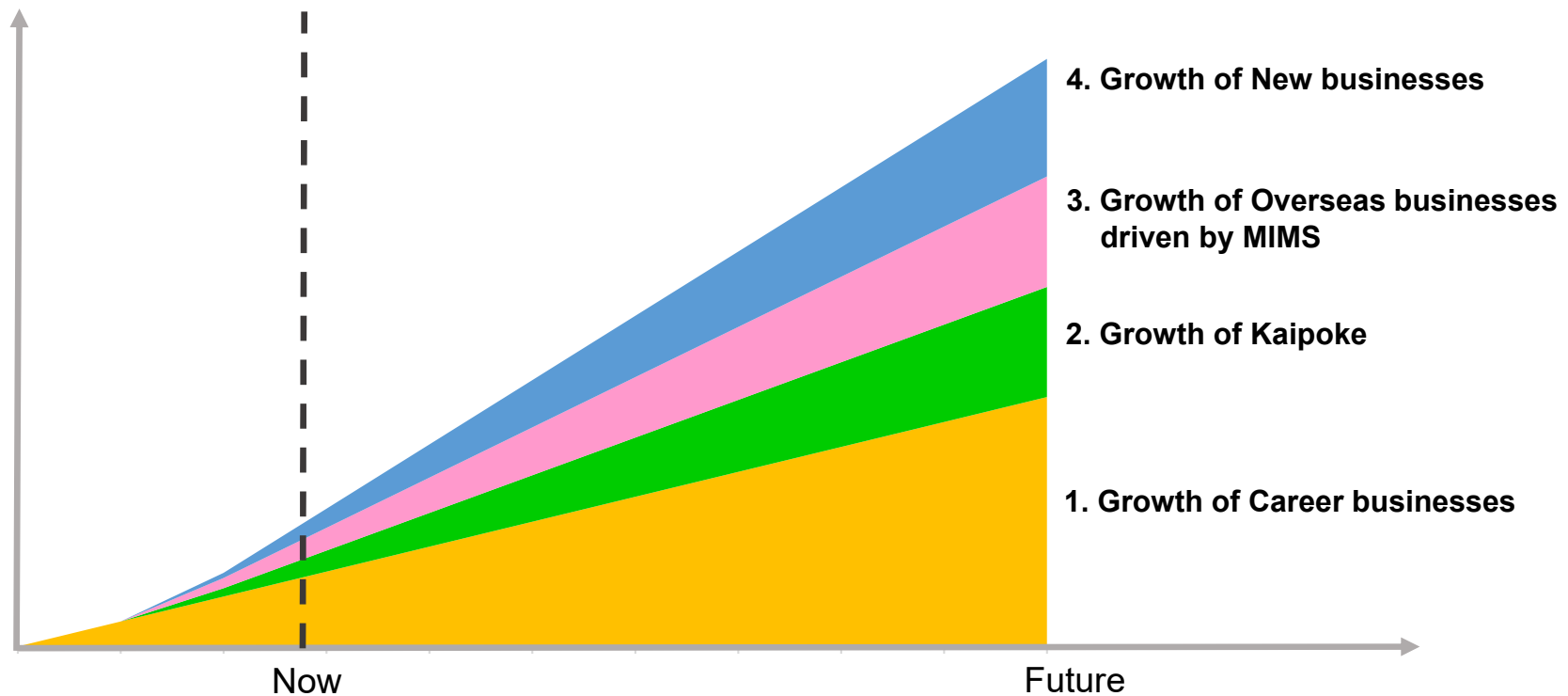
Breakdown of Net Sales

(JPY million)



2 Growth Scenario

- ✓ 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.

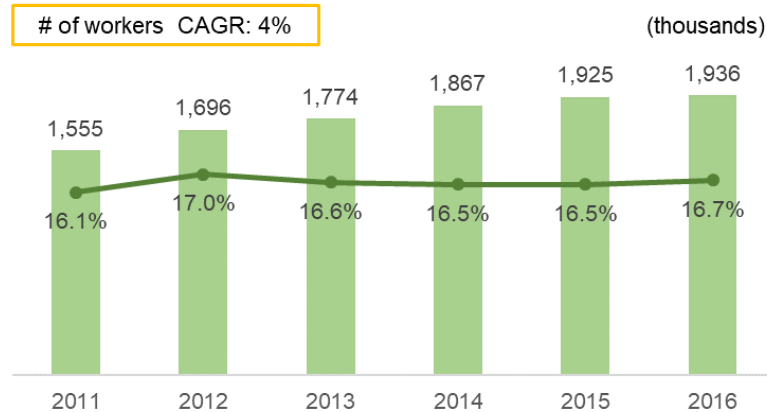


Career Business

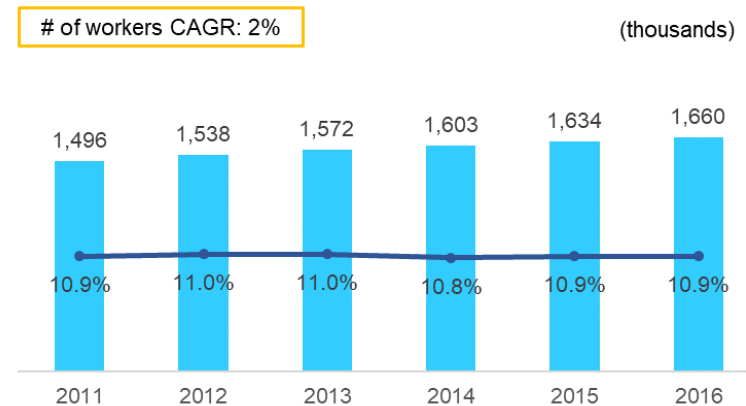
2 Environment : Care Workers and Nurses

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

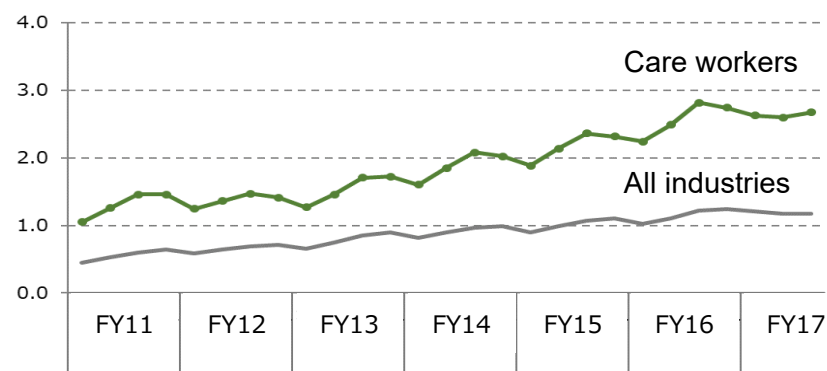
Number of care workers and their turnover rate ^{*1}



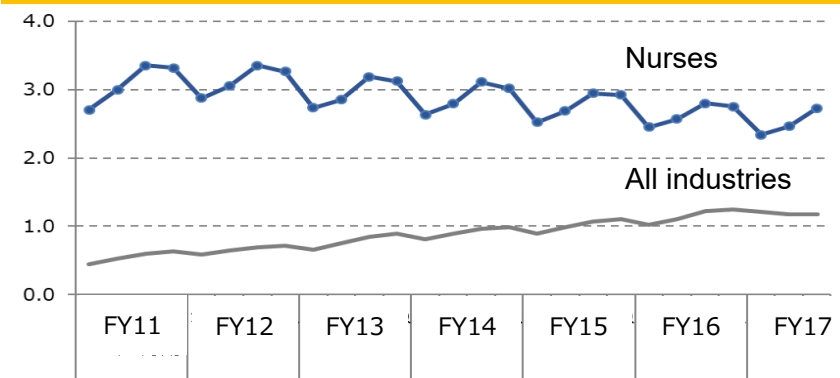
Number of nurses and their turnover rate ^{*3}



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

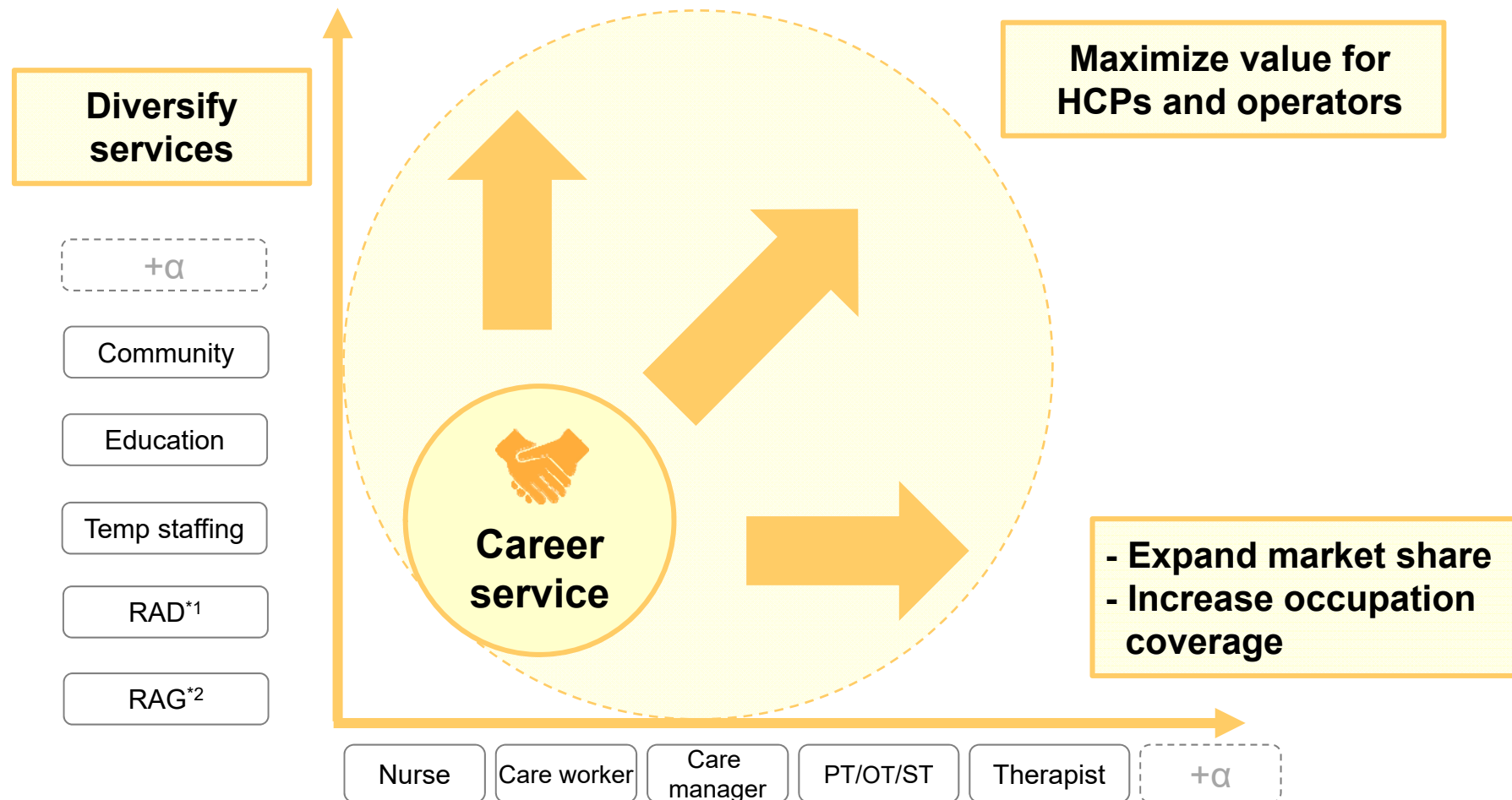
2 Our Strengths

- ✓ 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.



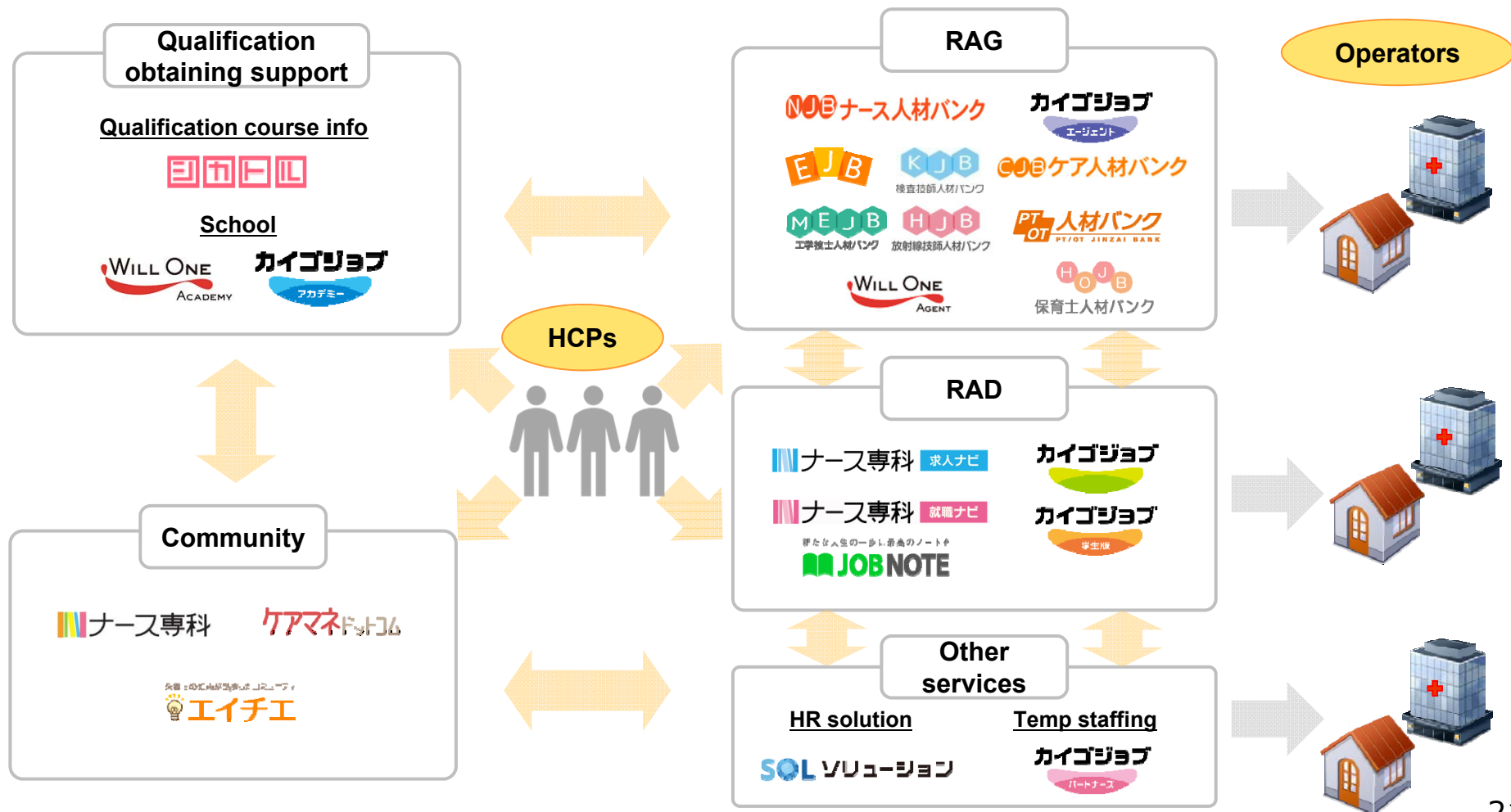
2 Strategy of Career Business 1/3

- ✓ Maximize value for both healthcare professionals (HCPs) and operators by diversifying service offerings and expanding the variety of occupations we cover.

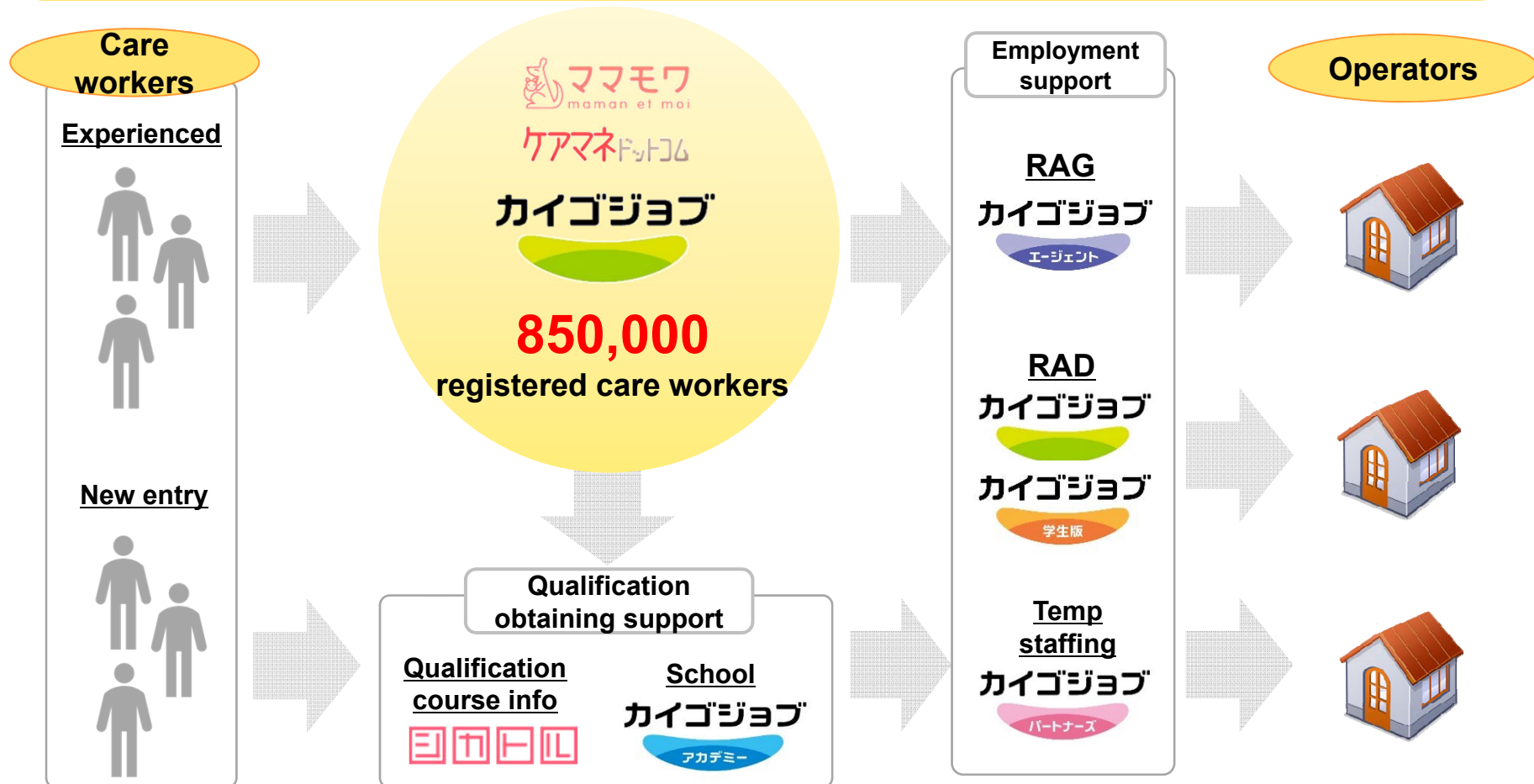


2 Strategy of Career Business 2/3

- ✓ 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.



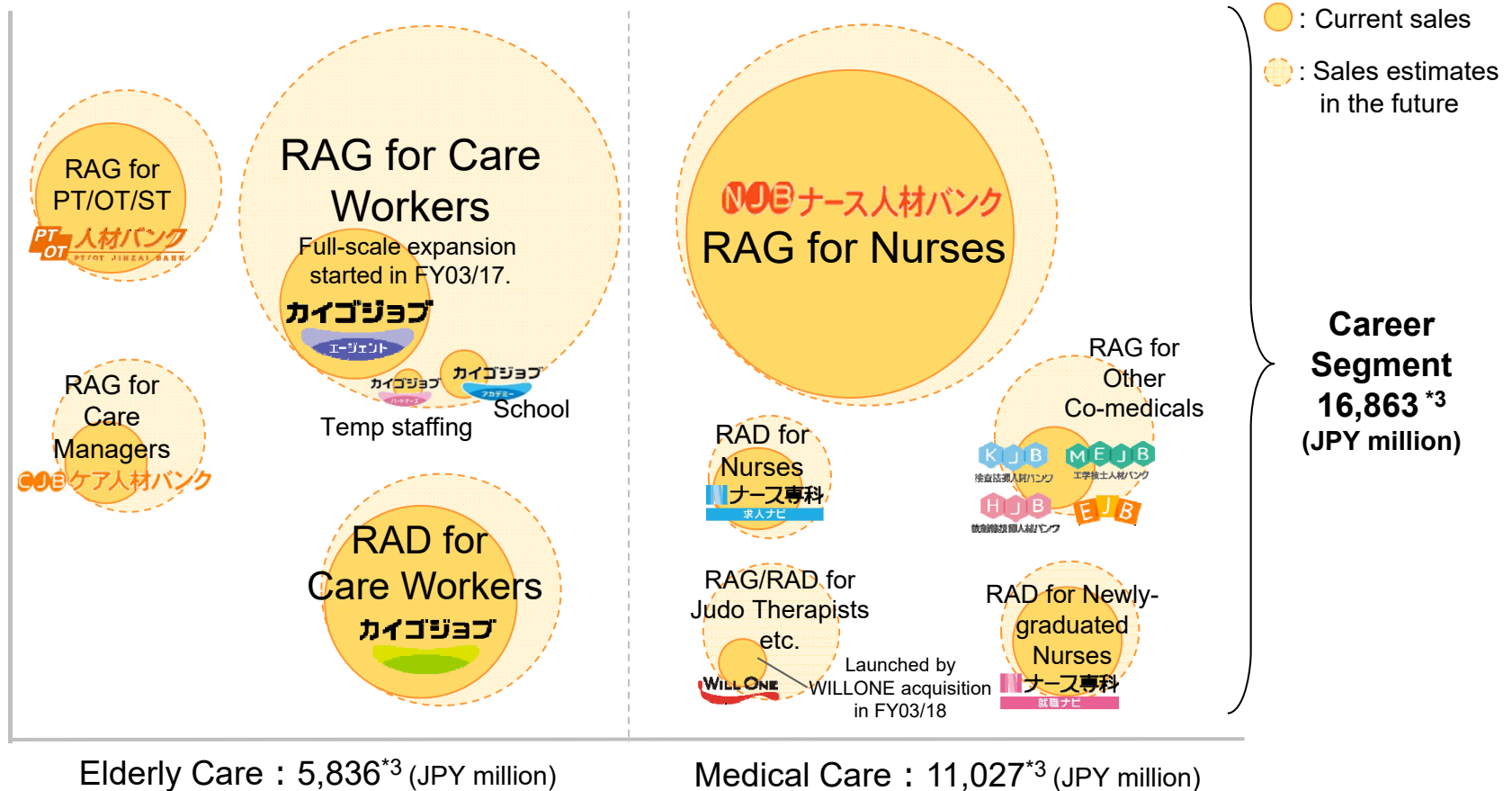
- ✓ Leveraging our database of 850K registered care workers, we expand our services from Recruiting Ads (RAD) to Recruiting Agent (RAG) and temporary staffing to maximize value offered to both care workers and operators.
- ✓ Contribute to the increase of care workers by supporting them to acquire qualifications.



2 Growth Scenario

- ✓ 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%).

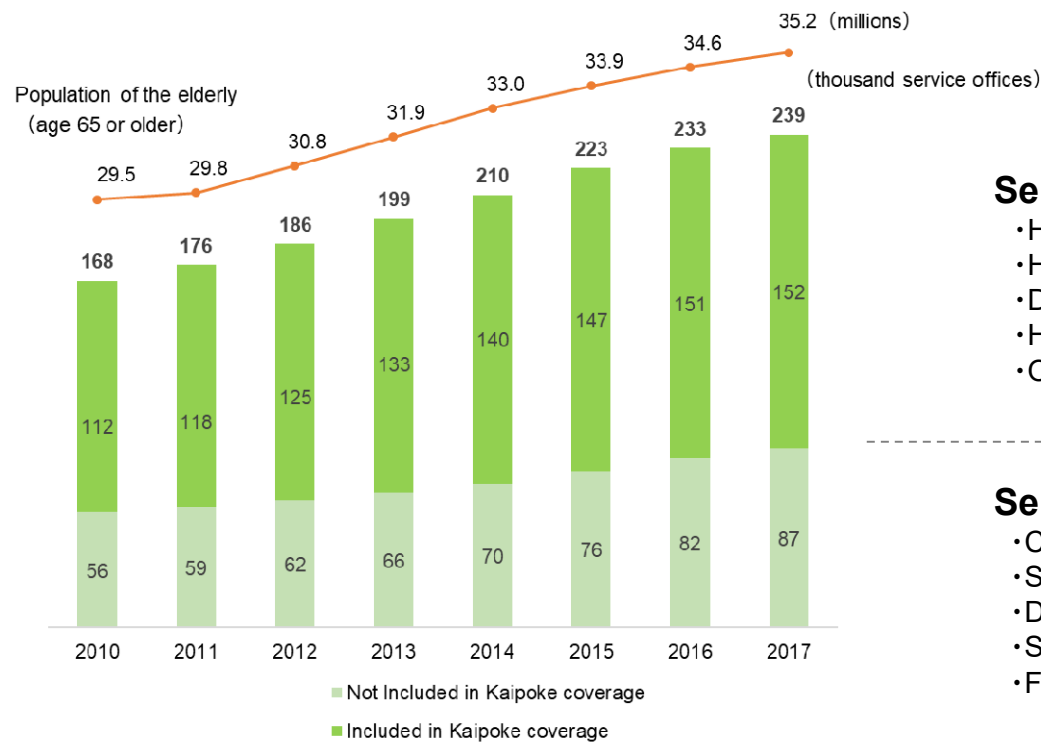
Kaipoke

2 Environment : Elderly Care Operators

- ✓ 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.

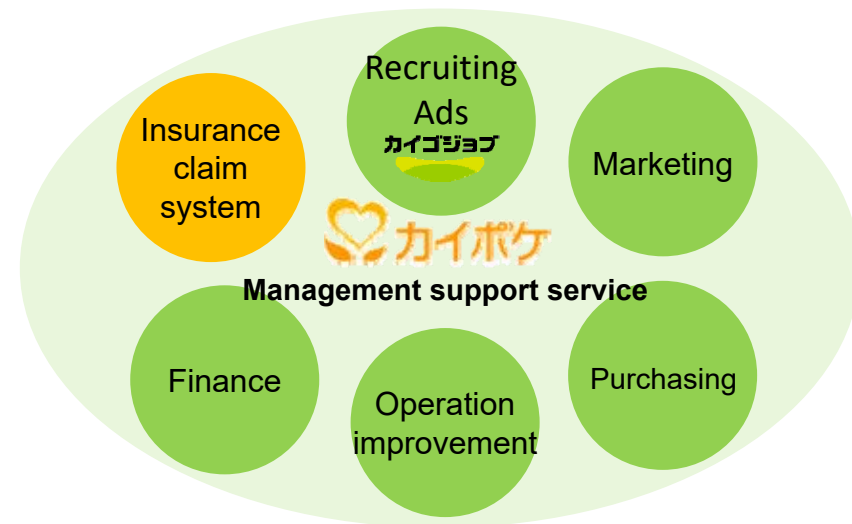
Before February 2014



(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

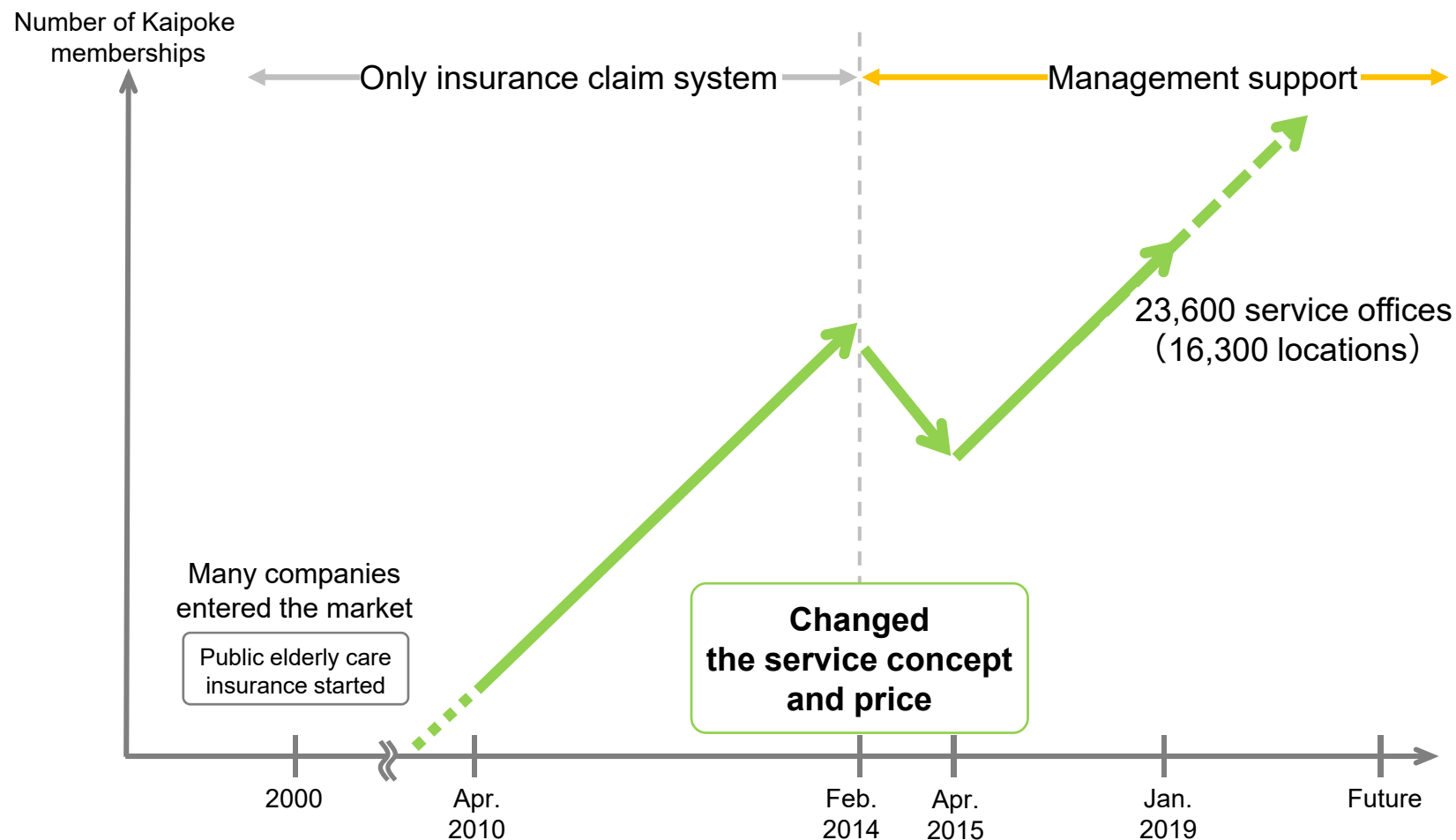


(ARPU) JPY 20,000/month

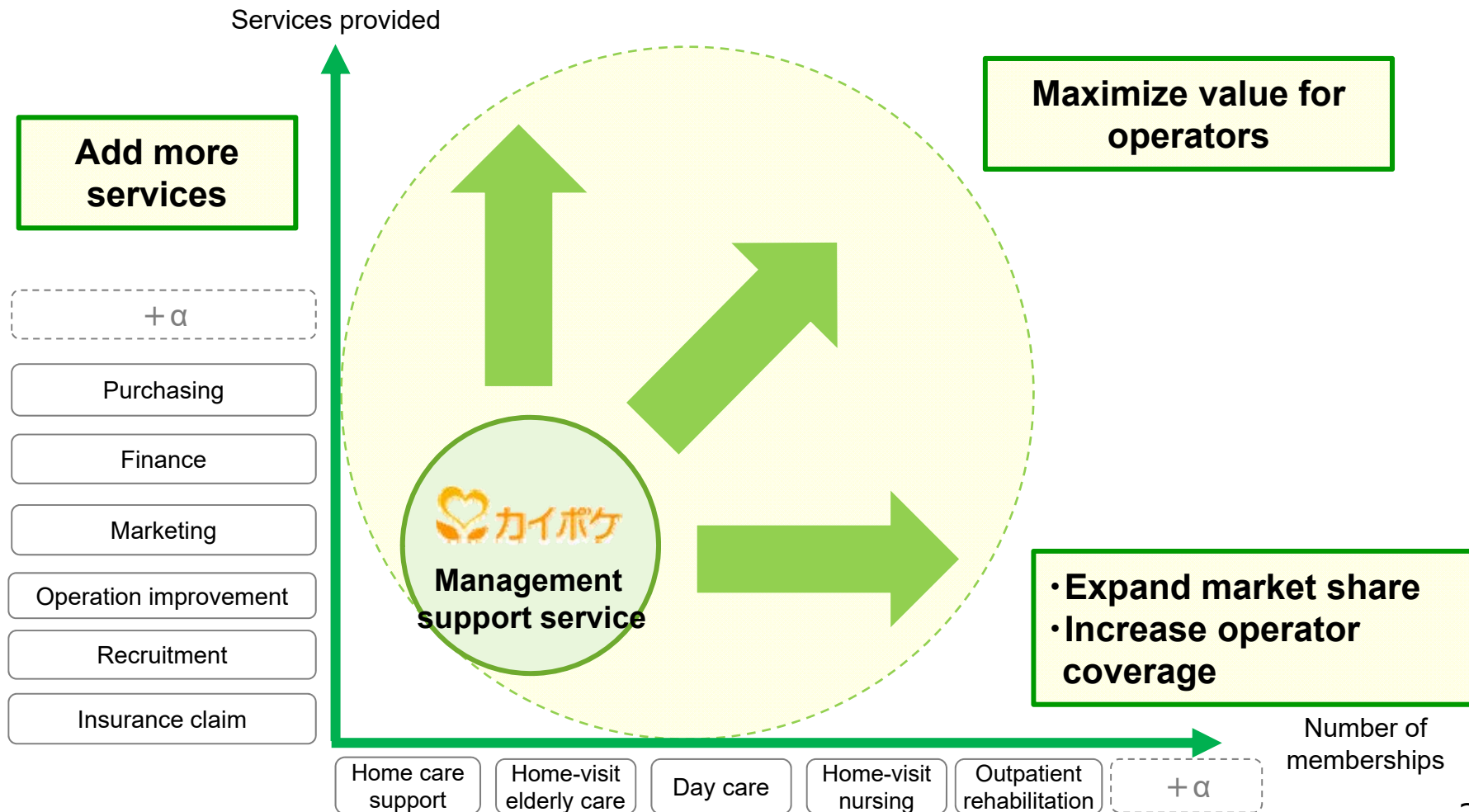
- Provide highly differentiated management support service with the No.1 recruiting ads service integrated.

2 Strategy of Kaipoke 2/3

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



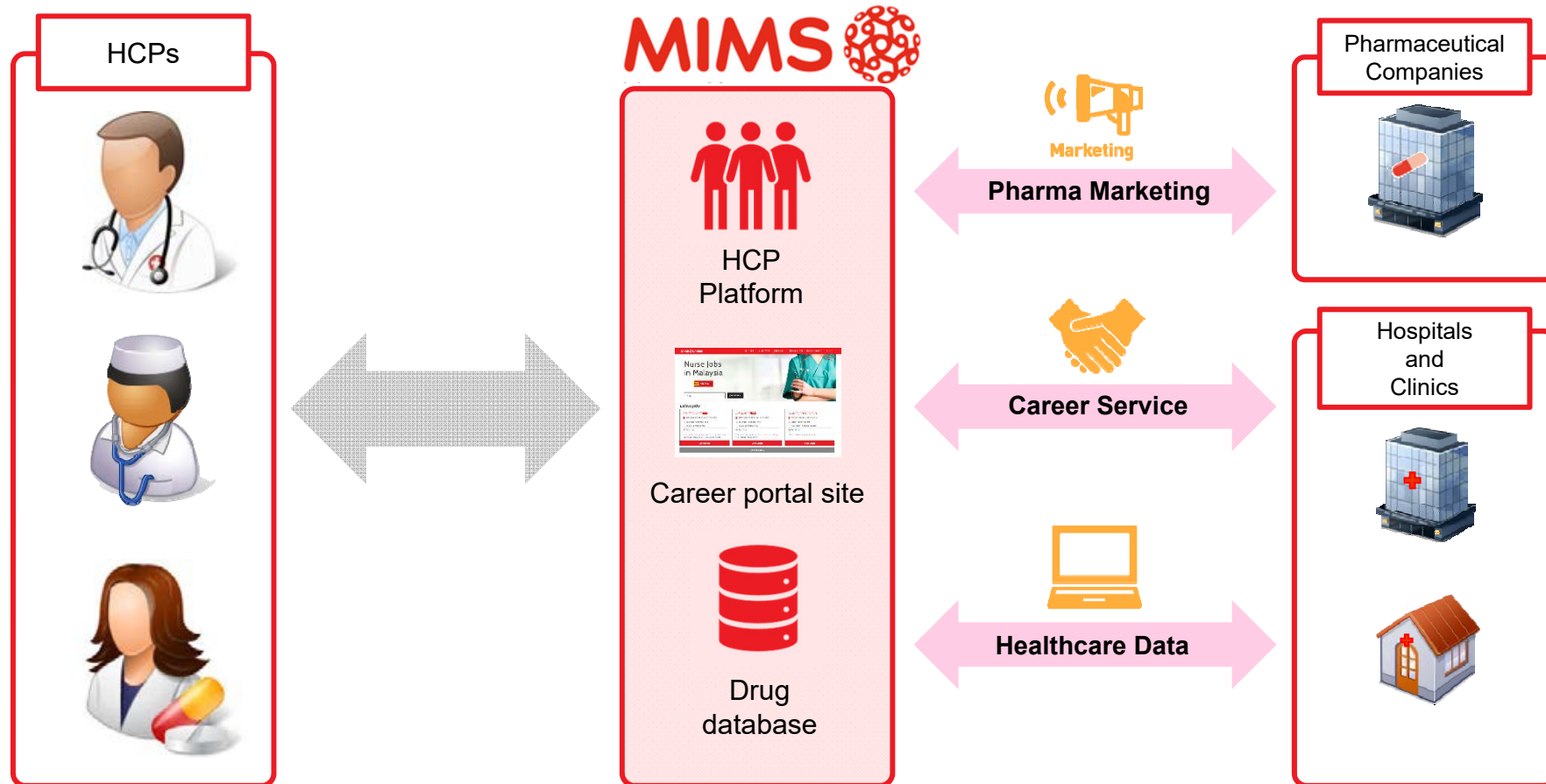
✓ Maximize value offered to elderly care operators by adding more services as well as expanding types of operators we cover.



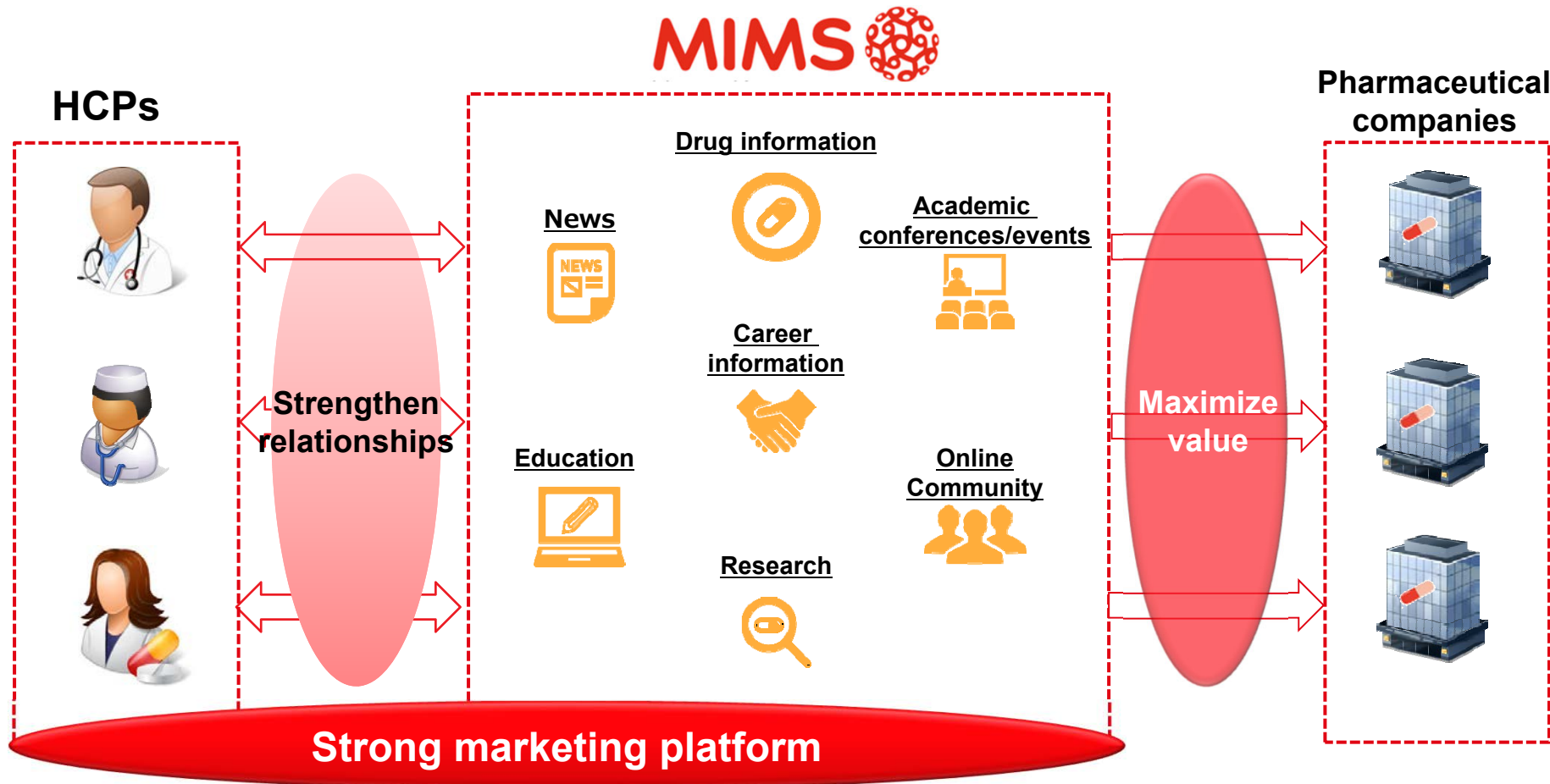
Overseas Business

2 Strategy of Overseas Business 1/3

- ✓ 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.



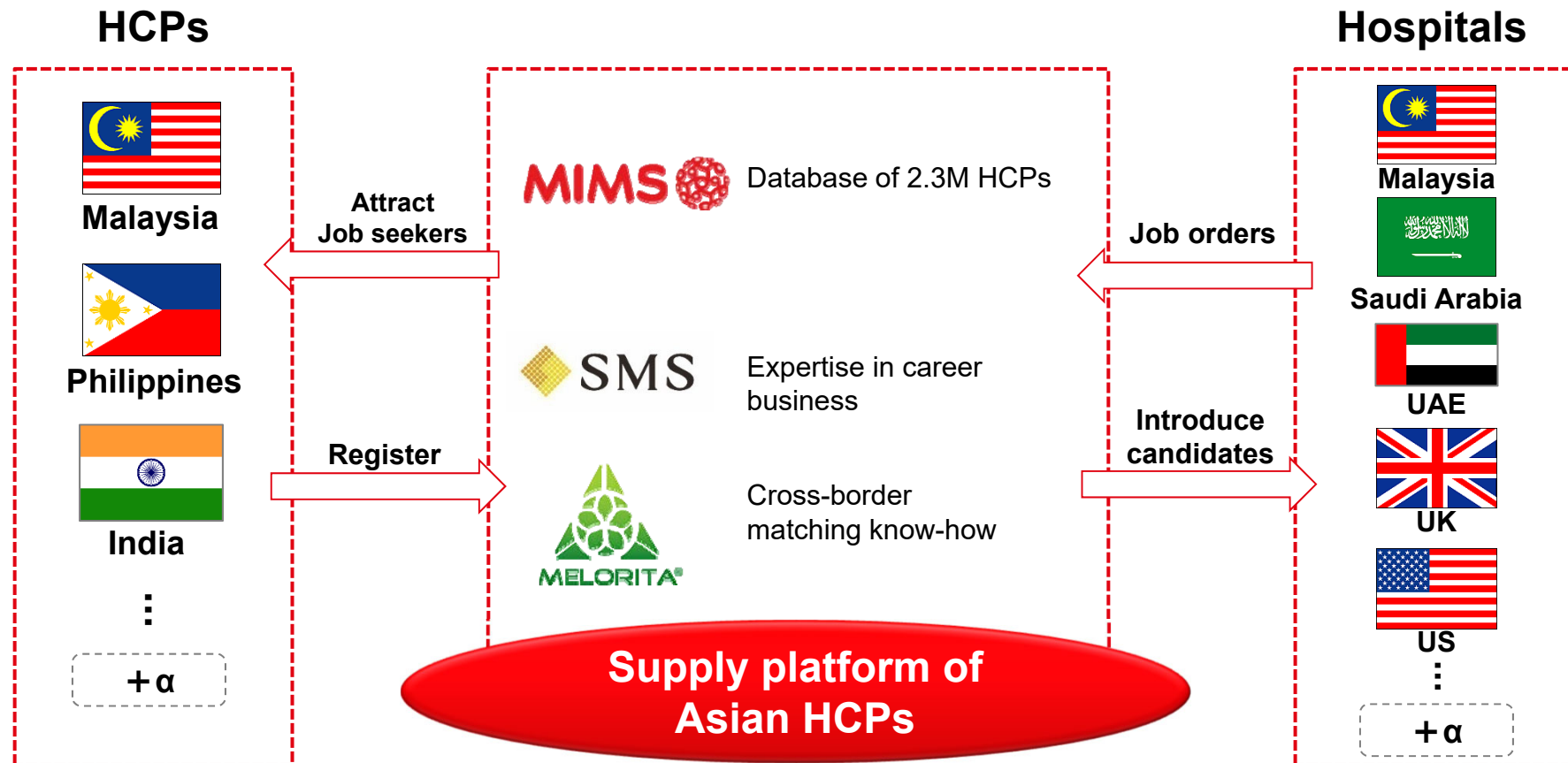
✓ Maximize value offered to pharmaceutical companies by creating a strong marketing platform through a variety of services to HCPs.



2 Strategy of Overseas Business 3/3 (Global Career Business)












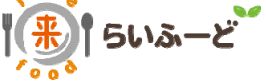

- ✓ Accelerate the growth of Global Career Business by combining MIMS's HCP database, SMS's expertise in career business and Melorita's cross-border matching know-how.
- ✓ Establish a dominant position as the leading supplier of Asian HCPs to both inside and outside the region.



New Business

2 Strategy of New Business Development

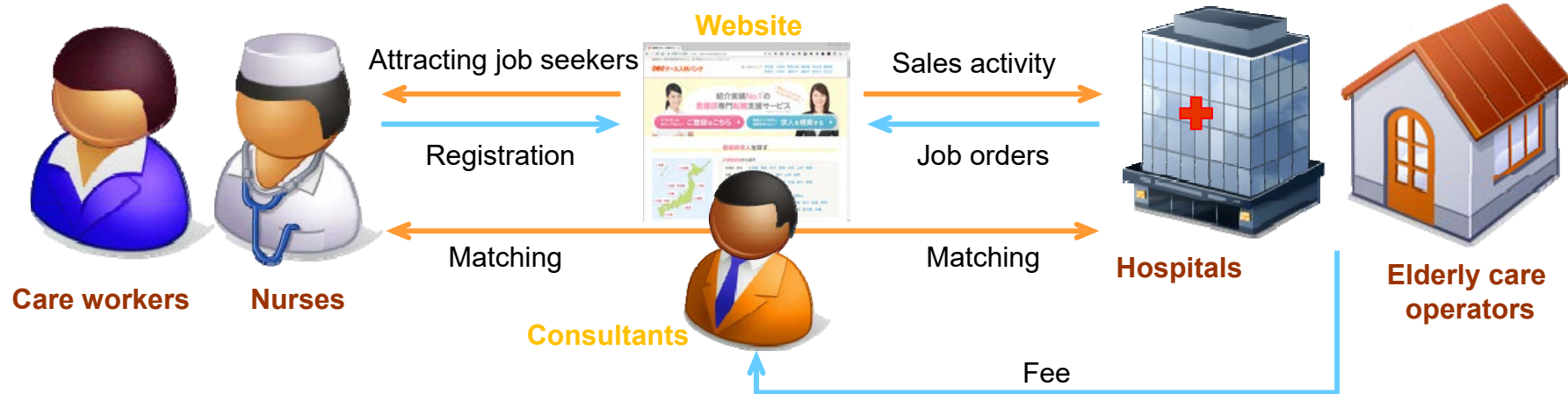
✓ Constantly develop new businesses focusing mainly on Healthcare and Senior Life domains.

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  専門医・管理栄養士による 遠隔チャット指導</p> <p>Specific health guidance solution  専門医・管理栄養士による 遠隔チャット指導</p> <p>Web community for nutritionists  栄養士の悩みが解消できる「E・E」アプリ エイチエ</p> <p>Q&A site on health  なるカラ</p> <p>Information portal of dementia  認知症ねっと</p> <p>Information portal of diabetes  糖尿病ねっと</p> <p>Solution for dementia prevention  MCIドクター監修 認トレ</p> <p>Habituation support of dementia prevention  チャレンジ</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  安心介護</p> <p>Home-delivered meal search site  らいふど</p> <p>Housing renovation operators search site  住まいにまつわる総合情報サイト ハピすむ</p>

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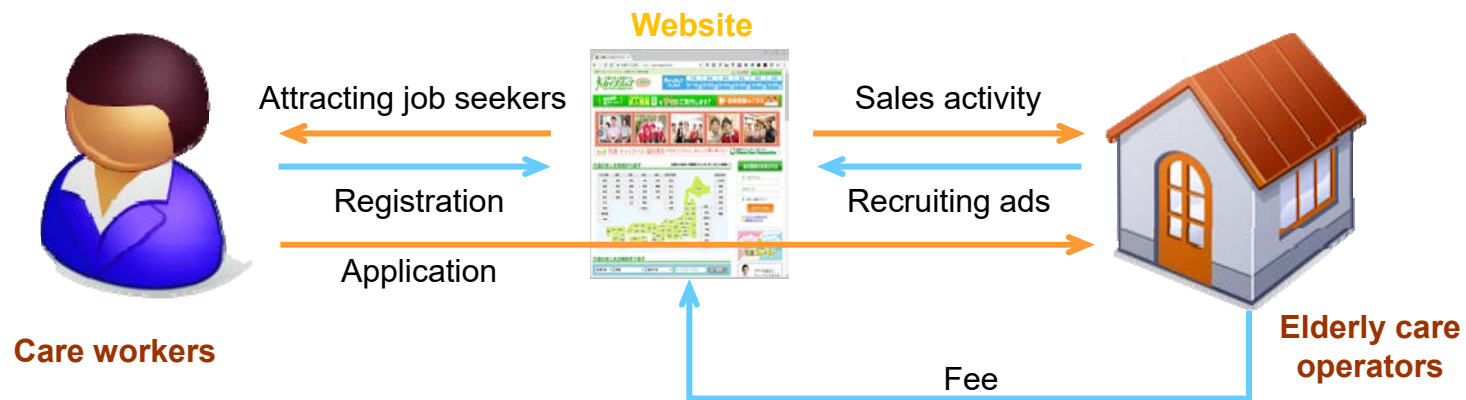
Business model of Recruiting Agent

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

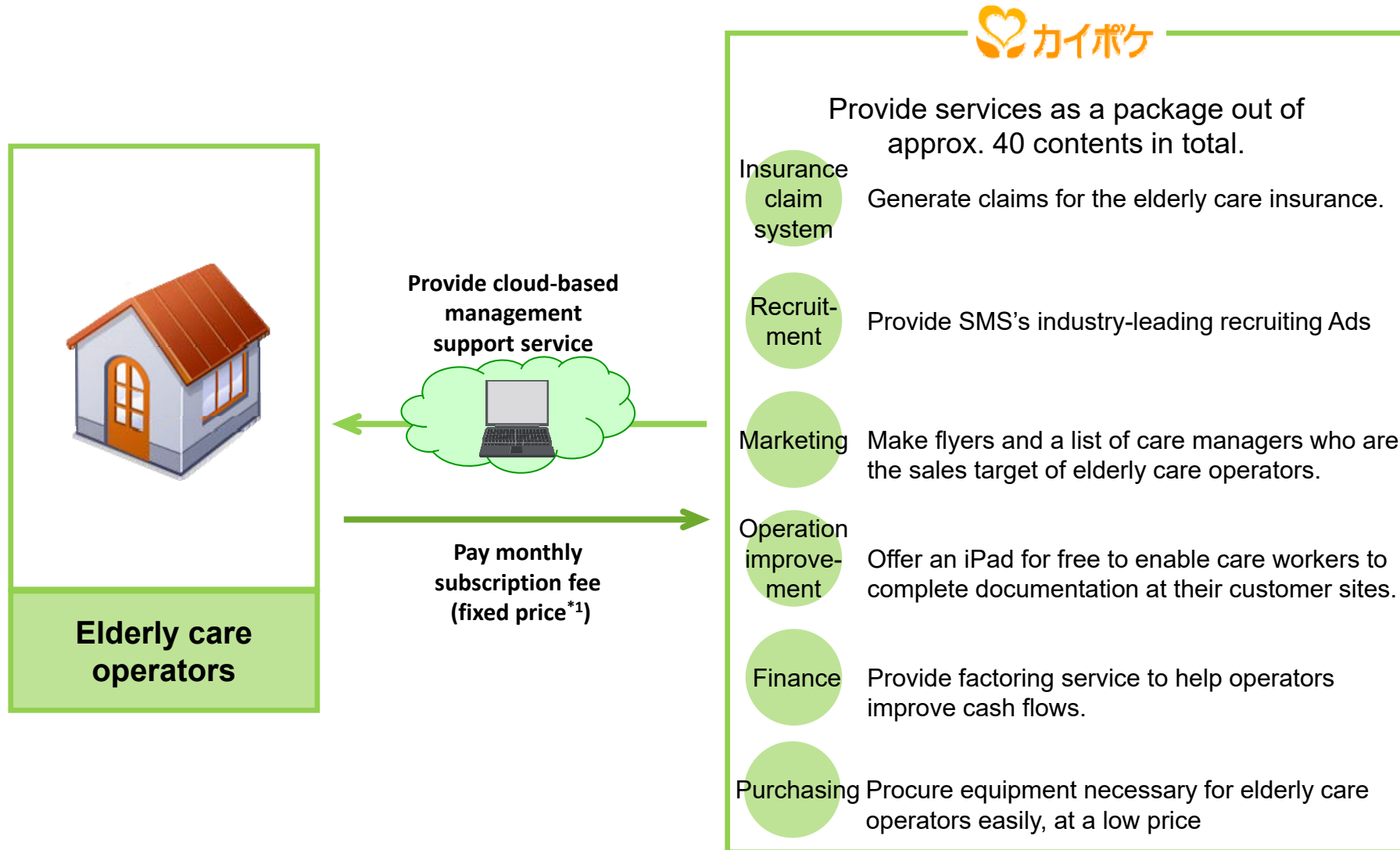


Business model of Recruiting Ads

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



3 Business model of Kaipoke



MIMS Group global coverage



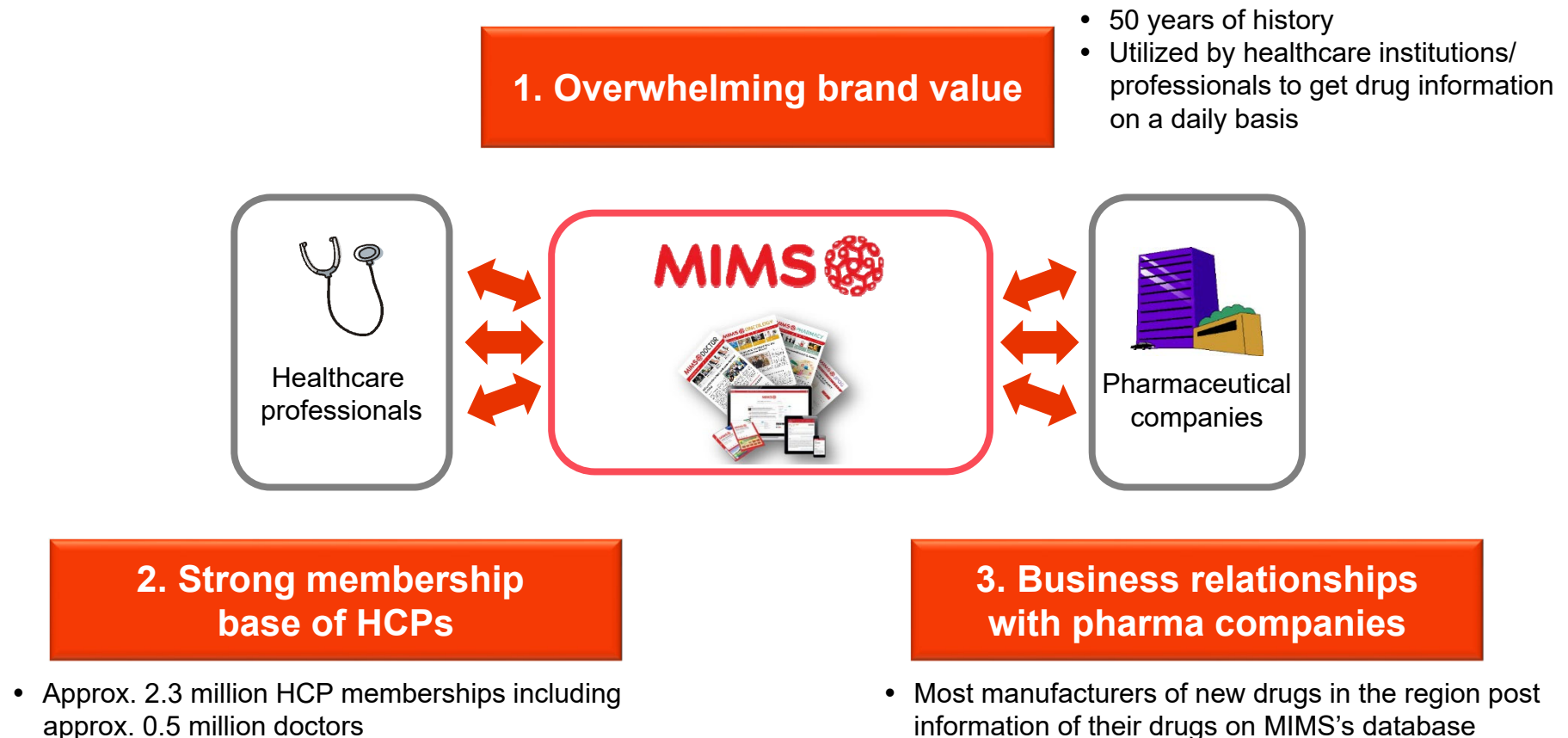
MIMS Group profile



Founded	1963
Business models	·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

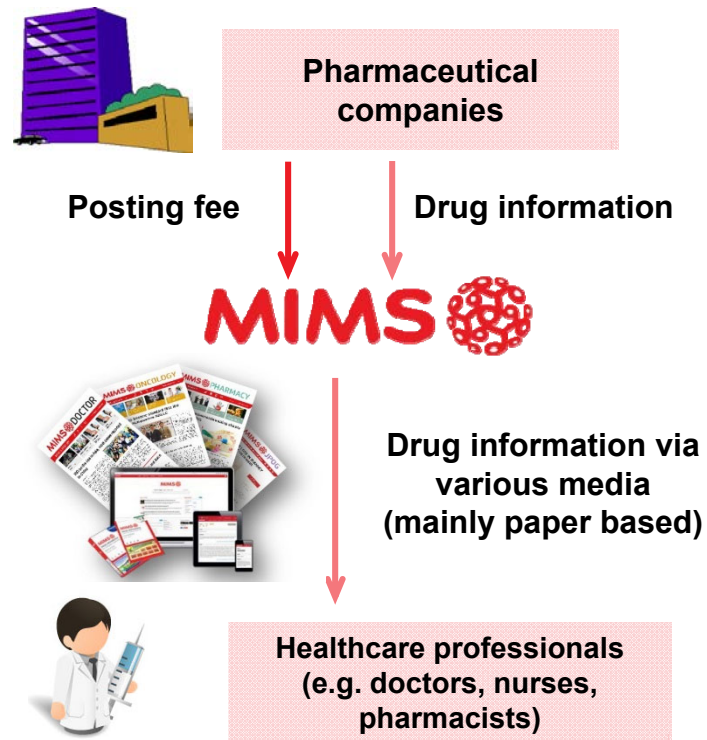
3 Strengths of MIMS Group

- ✓ 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.

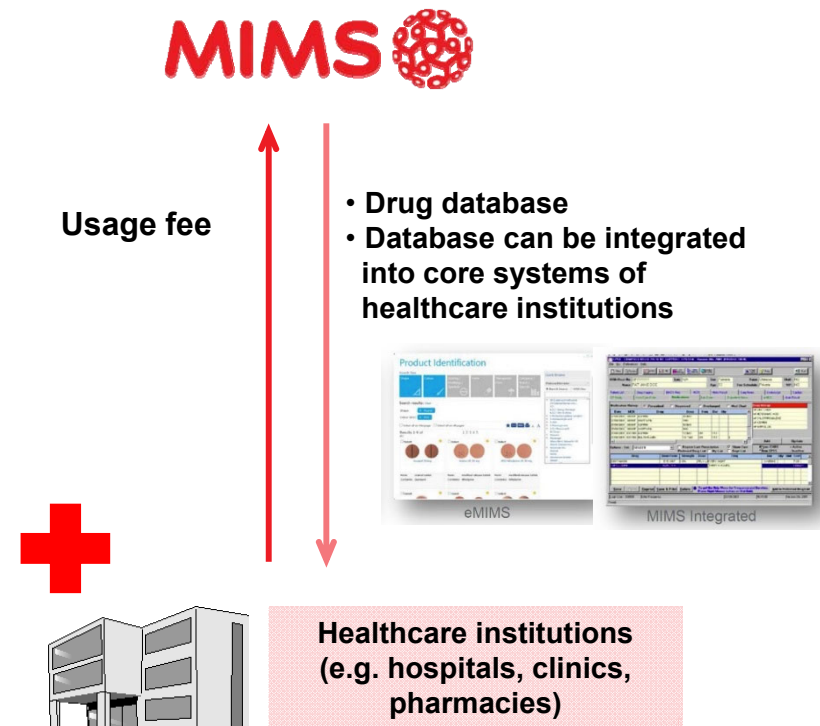


3 Business Models of MIMS

Pharma Marketing



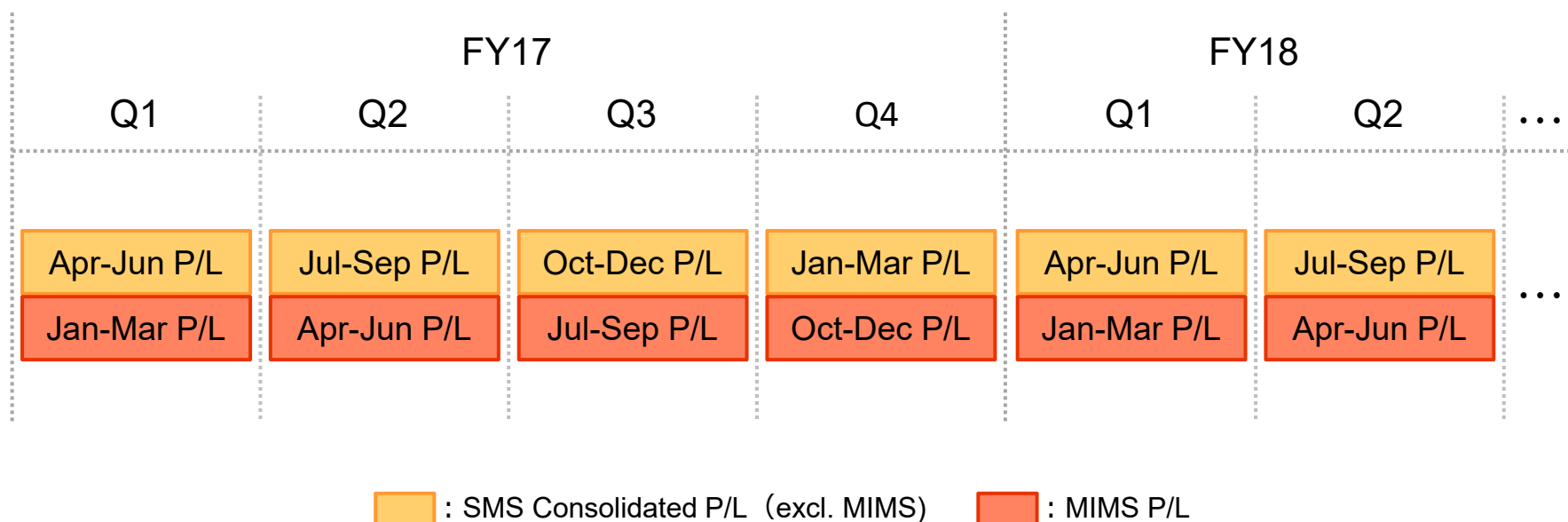
Healthcare Data



3 Consolidation of MIMS Financial Results

✓ 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



3 Business Portfolio



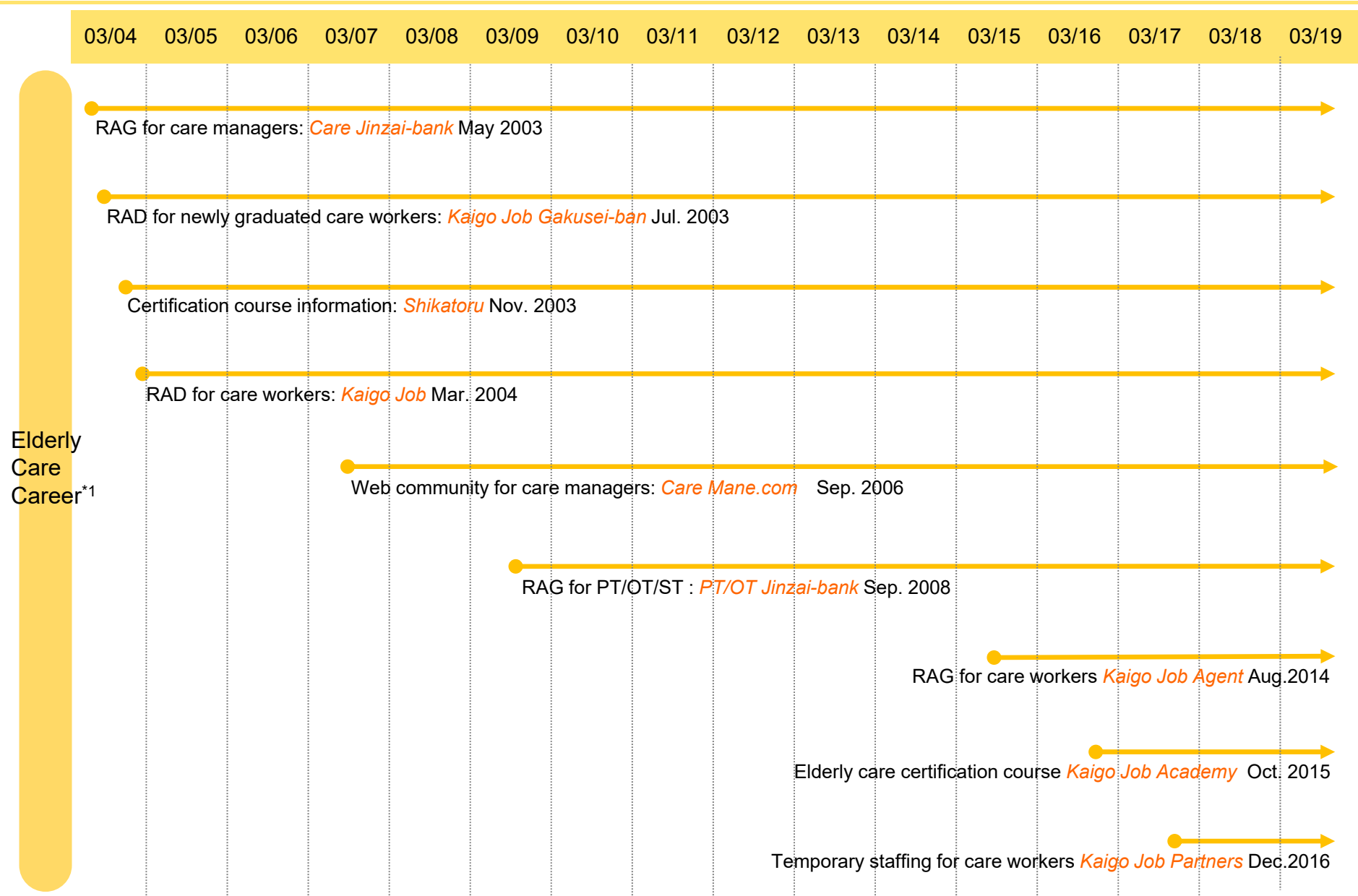
- ✓ Provide more than 40 services.
- ✓ Constantly develop new businesses to create new pillars of our businesses.

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 	RAD for care workers 	RAD for newly-graduated care workers 	Temporary staffing for care workers 	Elderly care certification course 	Web community for care managers 			
	Medical Care Career	RAG for nurses 	RAG for medical technologists 	RAG for radiological technologists 	RAG for clinical engineers 	RAG for nutritionists 	RAG for childcare workers 	RAG for Judo therapists etc. 	RAD for nurses 	RAD for newly-graduated nurses 	Scholarship information portal 	Web community for nurses and student nurses 	HR solution for hospitals
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) 	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 							
		Home-delivered meal search site 	Housing renovation operators search site 	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

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3 History of Service Launches 1/4

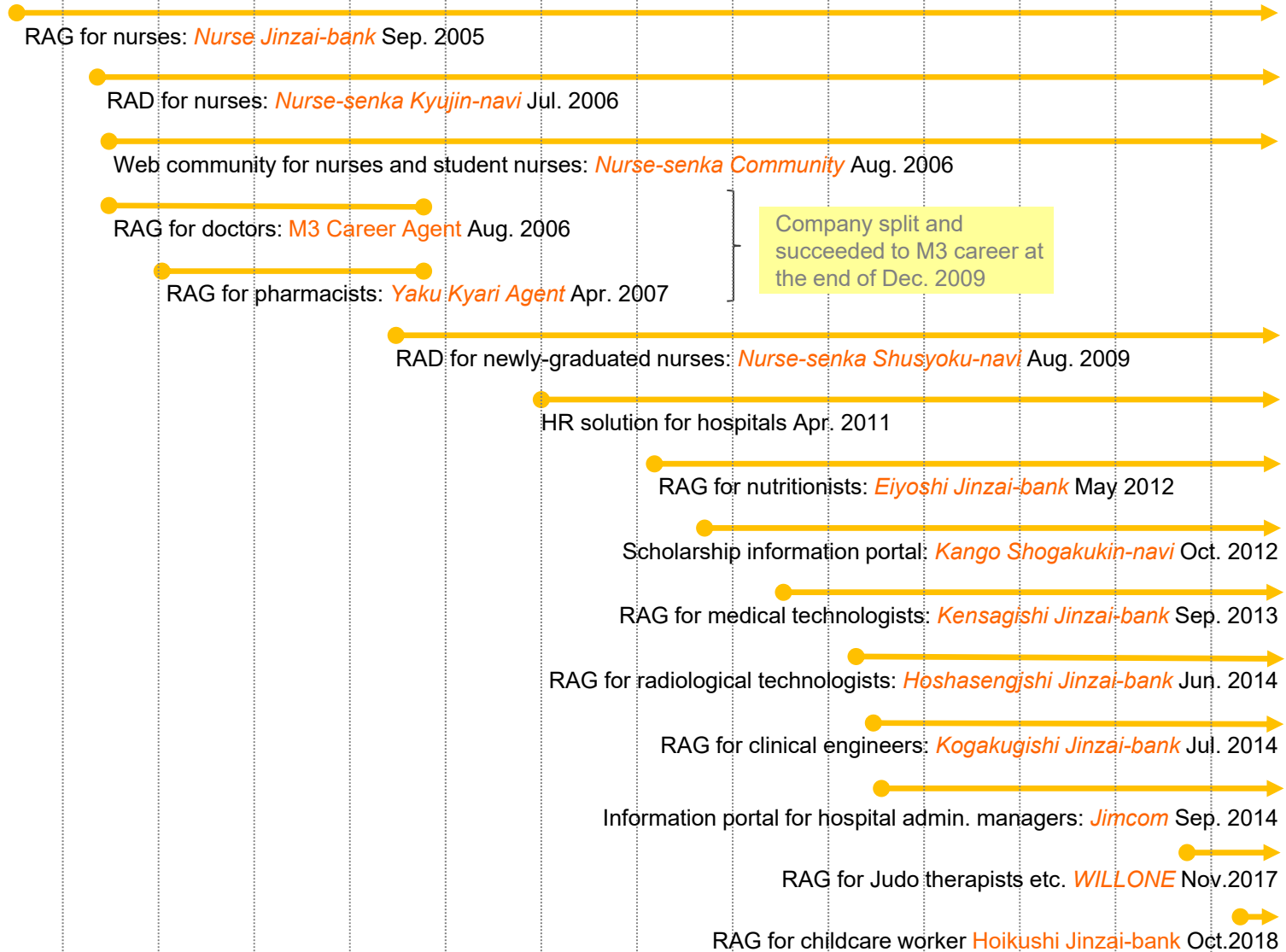


3 History of Service Launches 2/4



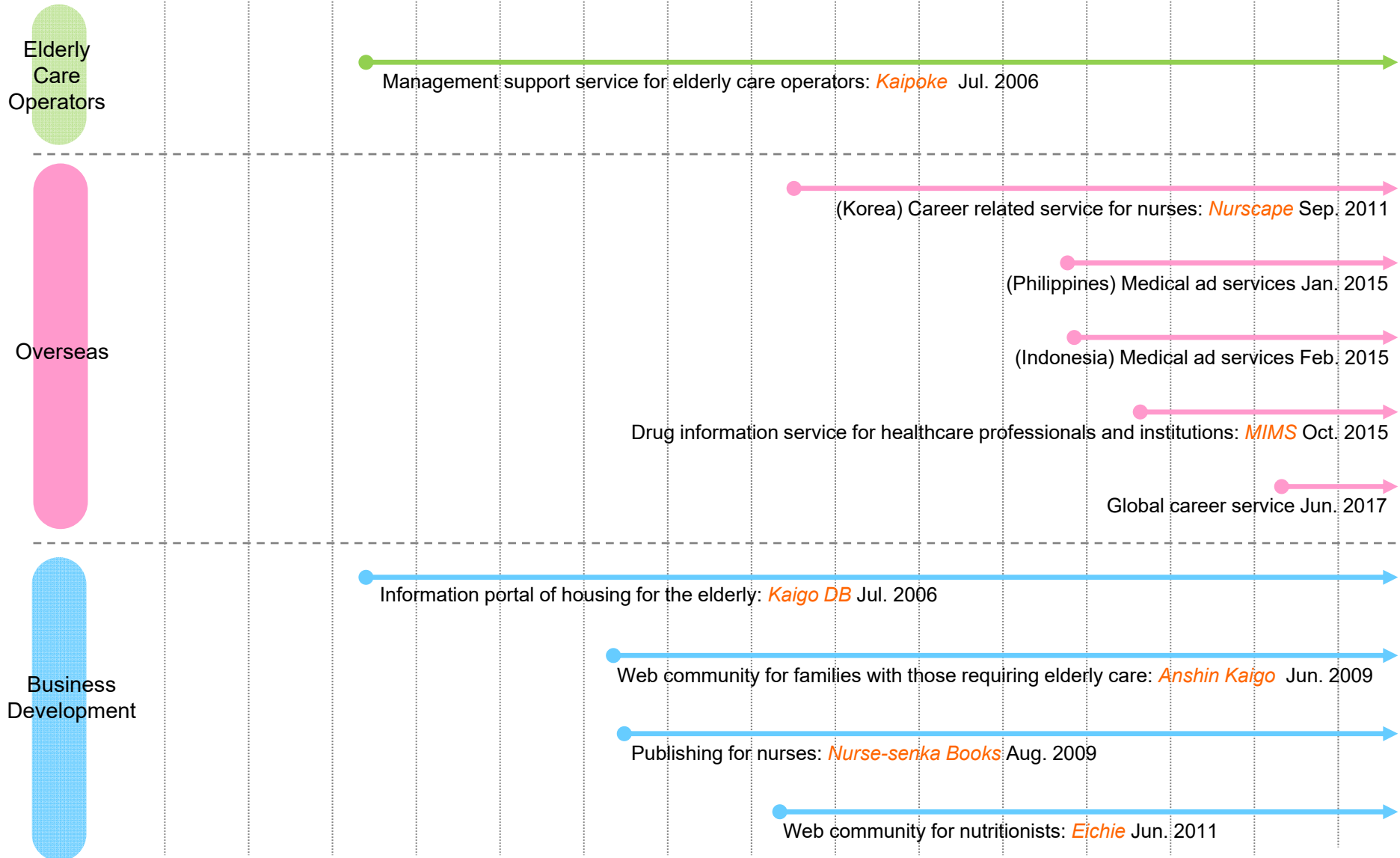
03/04 03/05 03/06 03/07 03/08 03/09 03/10 03/11 03/12 03/13 03/14 03/15 03/16 03/17 03/18 03/19

Medical
Care
Career*1



3 History of Service Launches 3/4

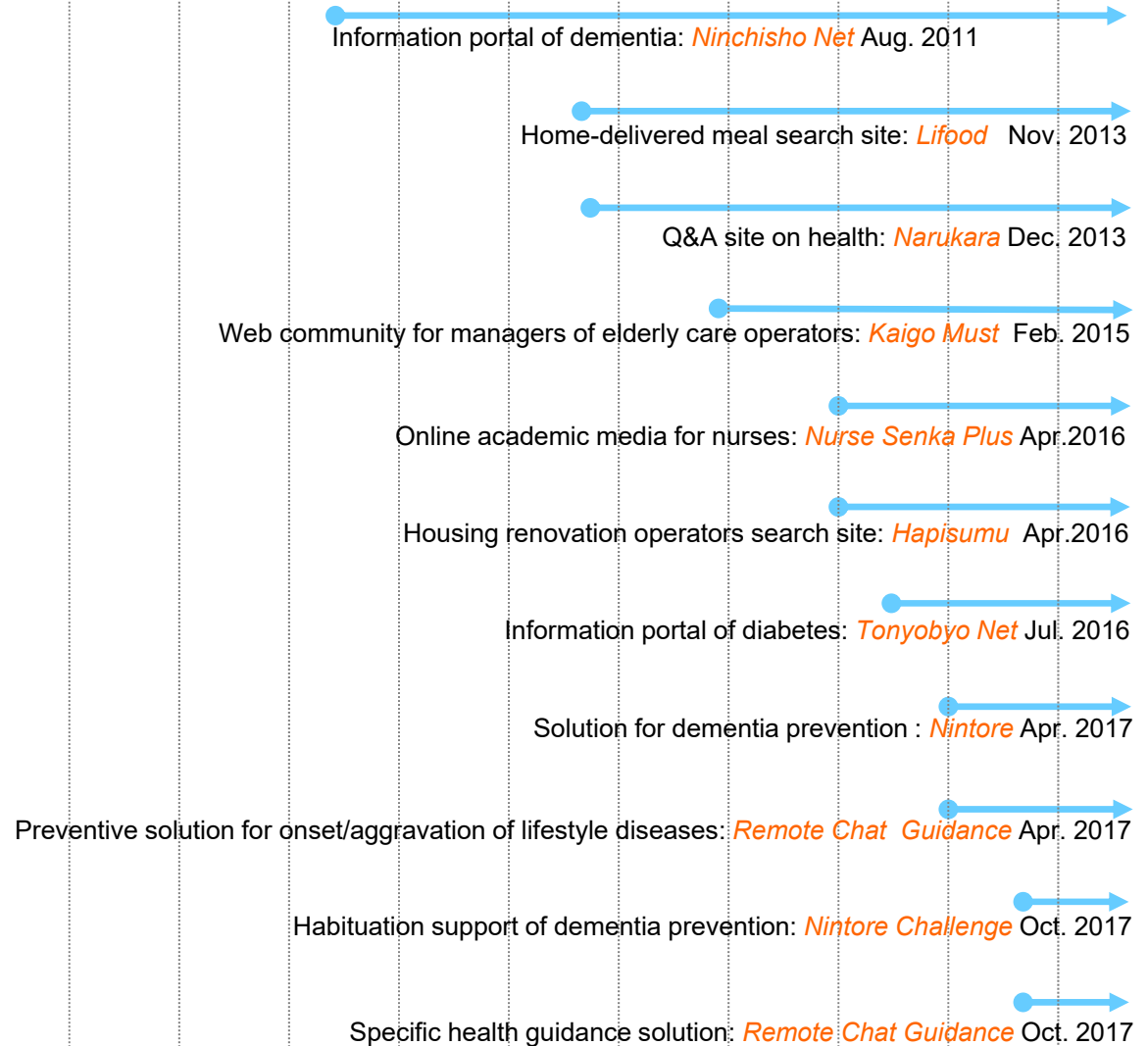
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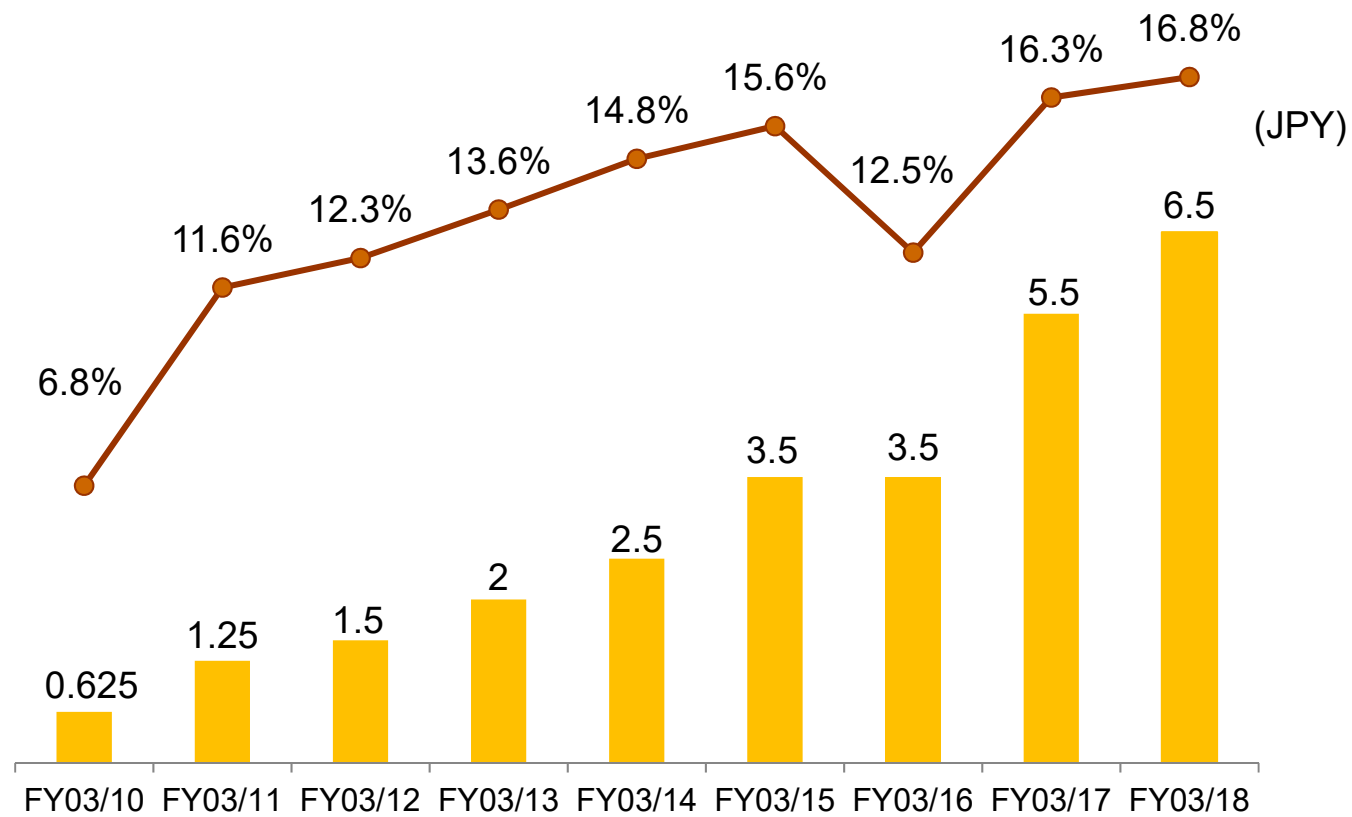
3 History of Service Launches 4/4

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 03/19

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

3 Number of Employees and Shareholder Composition



Number of Employees

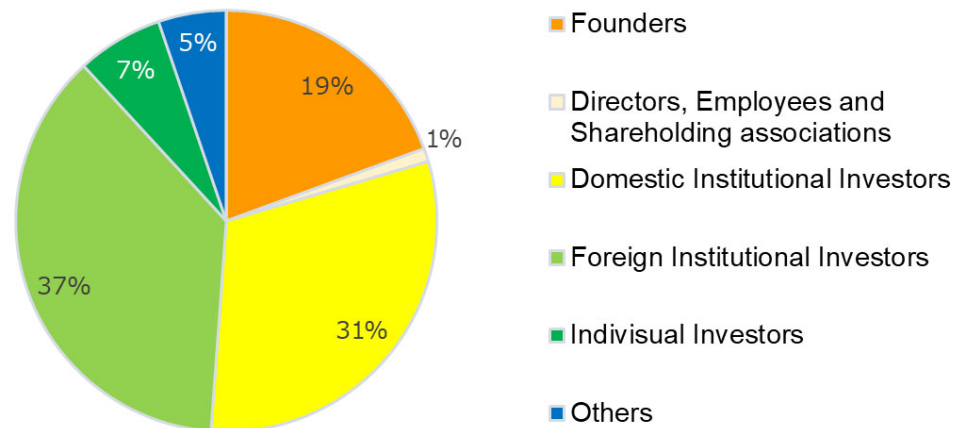
Number of employees and its breakdown as of December 31, 2018

Employees (consolidated)	2,456
Japan	1,742
Overseas	714

Shareholder Composition*1

【as of September 30, 2018】

Number of
shareholders
4,970



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, 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. <https://www.bm-sms.co.jp/eng/ir/policy/risk/>

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