

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2019
(Based on Japanese GAAP)**

April 26, 2019

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 of ordinary general meeting of shareholders: June 19, 2019
 Scheduled date to file Securities Report: June 19, 2019
 Scheduled date to commence dividend payments: June 20, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

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	%
Year ended March 31, 2019	30,836	15.9	4,743	17.9	5,979	19.4	4,216	25.5
Year ended March 31, 2018	26,611	15.4	4,021	10.3	5,007	13.0	3,361	20.0

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	48.51	48.24	24.4	12.8	15.4
Year ended March 31, 2018	38.72	38.57	18.5	11.2	15.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	47,467	15,539	32.4	176.55
As of March 31, 2018	46,087	23,641	41.8	221.72

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	5,156	(1,066)	(2,943)	9,890
Year ended March 31, 2018	4,811	(2,095)	(1,107)	8,768

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	—	0.00	—	6.50	6.50	564	16.8	3.1
Year ended March 31, 2019	—	0.00	—	7.50	7.50	652	15.5	3.8
Year ending March 31, 2020 (Forecast)	—	0.00	—	—	—	—	—	—

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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, 2019	18,358	22.1	2,586	32.4	3,529	21.5	2,577	19.5	29.65
Full year	37,557	21.8	5,623	18.6	6,854	14.6	5,065	20.1	58.27

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	86,998,800 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 March 31, 2019	372 shares	As of March 31, 2018	310 shares
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Average number of shares during the period

Year ended March 31, 2019	86,934,982 shares	Year ended March 31, 2018	86,815,332 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	9,515	10,703
Accounts receivable - trade	4,308	4,323
Merchandise and finished goods	50	1
Work in process	29	13
Supplies	20	36
Accounts receivable - other	3,474	4,478
Prepaid expenses	571	634
Other	12	46
Allowance for doubtful accounts	(224)	(114)
Total current assets	17,759	20,123
Non-current assets		
Property, plant and equipment		
Buildings	413	459
Accumulated depreciation	(252)	(276)
Buildings, net	160	183
Tools, furniture and fixtures	687	749
Accumulated depreciation	(454)	(498)
Tools, furniture and fixtures, net	233	251
Machinery, equipment and vehicles	39	42
Accumulated depreciation	(27)	(30)
Machinery, equipment and vehicles, net	11	12
Total property, plant and equipment	405	447
Intangible assets		
Goodwill	11,539	10,574
Software	1,382	1,174
Trademark right	9,412	9,246
Customer-related assets	2,368	2,088
Other	0	0
Total intangible assets	24,703	23,083
Investments and other assets		
Investment securities	1,721	2,048
Deferred tax assets	730	855
Leasehold and guarantee deposits	746	880
Other	20	30
Total investments and other assets	3,219	3,814
Total non-current assets	28,328	27,344
Total assets	46,087	47,467

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	292	353
Short-term loans payable	8	–
Current portion of long-term loans payable	1,395	2,487
Accounts payable - other	5,061	6,064
Accrued expenses	289	529
Income taxes payable	1,068	623
Accrued consumption taxes	406	435
Advances received	1,183	583
Deposits received	70	78
Provision for bonuses	445	481
ProvisionForRepayment	153	227
Other	22	24
Total current liabilities	10,400	11,891
Non-current liabilities		
Long-term loans payable	9,690	17,632
Retirement benefit liability	160	311
Deferred tax liabilities	2,175	2,078
Other	19	13
Total non-current liabilities	12,046	20,037
Total liabilities	22,446	31,928
Net assets		
Shareholders' equity		
Capital stock	2,167	2,208
Capital surplus	3,965	13
Retained earnings	14,545	14,971
Treasury shares	(0)	(0)
Total shareholders' equity	20,677	17,193
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(1,423)	(1,834)
Total accumulated other comprehensive income	(1,423)	(1,833)
Share acquisition rights	135	179
Non-controlling interests	4,252	–
Total net assets	23,641	15,539
Total liabilities and net assets	46,087	47,467

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	26,611	30,836
Cost of sales	3,289	3,535
Gross profit	23,322	27,301
Selling, general and administrative expenses	19,300	22,558
Operating profit	4,021	4,743
Non-operating income		
Foreign exchange gains	29	–
Interest income	8	11
Share of profit of entities accounted for using equity method	950	1,352
Other	58	66
Total non-operating income	1,047	1,430
Non-operating expenses		
Foreign exchange losses	–	51
Interest expenses	48	66
Arrangement fee	–	46
Other	13	30
Total non-operating expenses	61	194
Ordinary profit	5,007	5,979
Extraordinary income		
Gain on sales of non-current assets	5	1
Gain on liquidation of subsidiaries	–	6
Total extraordinary income	5	8
Extraordinary losses		
Impairment loss	3	–
Loss on sales of shares of subsidiaries and associates	28	–
Loss on sales and retirement of non-current assets	31	165
Loss on valuation of investment securities	19	4
Loss on business withdrawal	14	233
Other	–	49
Total extraordinary losses	98	453
Profit before income taxes	4,914	5,534
Income taxes - current	1,707	1,564
Income taxes - deferred	(299)	(221)
Total income taxes	1,408	1,342
Profit	3,506	4,191
Profit attributable to non-controlling interests	145	(25)
Profit attributable to owners of parent	3,361	4,216

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	3,506	4,191
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(800)	(399)
Share of other comprehensive income of entities accounted for using equity method	(25)	(3)
Total other comprehensive income	(825)	(402)
Comprehensive income	2,680	3,788
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,776	3,806
Comprehensive income attributable to non-controlling interests	(95)	(17)

Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,153	4,148	11,662	(0)	17,963
Changes of items during period					
Issuance of new shares	14	14	–	–	29
Dividends of surplus	–	–	(478)	–	(478)
Profit attributable to owners of parent	–	–	3,361	–	3,361
Net increase (decrease) in surplus by change of consolidated scope	–	(197)	–	–	(197)
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during period	14	(183)	2,882	(0)	2,713
Balance at end of current period	2,167	3,965	14,545	(0)	20,677

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	0	(838)	(838)	110	4,347	21,583
Changes of items during period						
Issuance of new shares	–	–	–	–	–	29
Dividends of surplus	–	–	–	–	–	(478)
Profit attributable to owners of parent	–	–	–	–	–	3,361
Net increase (decrease) in surplus by change of consolidated scope	–	–	–	–	–	(197)
Purchase of treasury shares	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	(0)	(584)	(584)	25	(95)	(655)
Total changes of items during period	(0)	(584)	(584)	25	(95)	2,058
Balance at end of current period	0	(1,423)	(1,423)	135	4,252	23,641

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,167	3,965	14,545	(0)	20,677
Changes of items during period					
Issuance of new shares	41	41	–	–	82
Dividends of surplus	–	–	(564)	–	(564)
Profit attributable to owners of parent	–	–	4,216	–	4,216
Net increase (decrease) in surplus by change of consolidated scope	–	(3,992)	(3,225)	–	(7,218)
Purchase of treasury shares	–	–	–	(0)	(0)
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during period	41	(3,951)	426	(0)	(3,484)
Balance at end of current period	2,208	13	14,971	(0)	17,193

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	0	(1,423)	(1,423)	135	4,252	23,641
Changes of items during period						
Issuance of new shares	–	–	–	–	–	82
Dividends of surplus	–	–	–	–	–	(564)
Profit attributable to owners of parent	–	–	–	–	–	4,216
Net increase (decrease) in surplus by change of consolidated scope	–	–	–	–	–	(7,218)
Purchase of treasury shares	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	0	(410)	(410)	44	(4,252)	(4,618)
Total changes of items during period	0	(410)	(410)	44	(4,252)	(8,102)
Balance at end of current period	0	(1,834)	(1,833)	179	–	15,539

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	4,914	5,534
Depreciation	965	1,061
Amortization of goodwill	741	807
Loss (gain) on sales and retirement of non-current assets	26	163
Impairment loss	3	–
Loss (gain) on valuation of investment securities	19	4
Loss (gain) on sales of shares of subsidiaries and associates	28	–
Share-based compensation expenses	33	71
Loss on withdrawal from business	14	233
Share of loss (profit) of entities accounted for using equity method	(106)	(334)
Increase (decrease) in allowance for doubtful accounts	95	(109)
Increase (decrease) in provision for bonuses	126	39
Increase/Decrease/In/Provision/For/Repayment/Op/CF	10	74
Increase (decrease) in retirement benefit liability	24	150
Foreign exchange losses (gains)	(29)	51
Interest expenses	48	66
Decrease (increase) in notes and accounts receivable - trade	(279)	(34)
Increase (decrease) in accrued consumption taxes	159	28
Decrease (increase) in accounts receivable - other	(956)	(1,004)
Decrease (increase) in prepaid expenses	182	(64)
Increase (decrease) in advances received	60	(581)
Increase (decrease) in accounts payable - other	806	993
Other, net	(160)	73
Subtotal	6,731	7,225
Interest and dividend income received	11	11
Interest expenses paid	(48)	(62)
Income taxes paid	(1,883)	(2,018)
Net cash provided by (used in) operating activities	4,811	5,156
Cash flows from investing activities		
Payments into time deposits	(998)	(1,047)
Proceeds from withdrawal of time deposits	1,024	982
Purchase of property, plant and equipment	(214)	(216)
Purchase of intangible assets	(707)	(731)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,197)	(23)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(11)	–
Other, net	9	(29)
Net cash provided by (used in) investing activities	(2,095)	(1,066)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Decrease in short-term loans payable	(32)	–
Proceeds from long-term loans payable	973	10,953
Repayments of long-term loans payable	(1,359)	(1,941)
Proceeds from issuance of share acquisition rights	–	4
Proceeds from issuance of shares resulting from exercise of share acquisition rights	17	50
Cash dividends paid	(478)	(557)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(230)	(11,453)
Other, net	2	(0)
Net cash provided by (used in) financing activities	(1,107)	(2,943)
Effect of exchange rate change on cash and cash equivalents	19	(24)
Net increase (decrease) in cash and cash equivalents	1,627	1,122
Cash and cash equivalents at beginning of period	7,140	8,768
Cash and cash equivalents at end of period	8,768	9,890