

Translation

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**Summary of Consolidated Financial Results
for the Nine Months Ended December 31, 2019
(Based on Japanese GAAP)**

January 31, 2020

Company name: SMS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2175 URL <https://www.bm-sms.co.jp/>
 Representative: CEO Natsuki Goto
 Inquiries: CFO Masato Sugizaki TEL 03-6721-2400
 Scheduled date to file Quarterly Securities Report: February 13, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2019	25,300	14.9	2,088	(8.5)	3,410	1.4	2,516	5.3
Nine months ended December 31, 2018	22,024	14.5	2,282	(1.1)	3,363	11.6	2,390	17.1

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2019	28.92		28.79	
Nine months ended December 31, 2018	27.51		27.38	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2019	49,761	16,867	33.5
As of March 31, 2019	47,467	15,539	32.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2019	–	0.00	–	7.50	7.50
Year ending March 31, 2020	–	0.00	–		
Year ending March 31, 2020 (Forecast)				–	–

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
Full year	37,557	21.8	5,623	18.6	6,854	14.6	5,065	20.1	58.21

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2019
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of December 31, 2019	87,047,600 shares	As of March 31, 2019	86,998,800 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	445 shares	As of March 31, 2019	372 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2019	87,025,826 shares	Nine months ended December 31, 2018	86,913,833 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	10,703	11,308
Accounts receivable - trade	4,323	3,909
Merchandise and finished goods	1	–
Work in process	13	35
Supplies	36	39
Accounts receivable - other	4,478	6,045
Prepaid expenses	634	786
Other	46	267
Allowance for doubtful accounts	(114)	(117)
Total current assets	20,123	22,276
Non-current assets		
Property, plant and equipment		
Buildings	459	652
Accumulated depreciation	(276)	(291)
Buildings, net	183	361
Tools, furniture and fixtures	749	871
Accumulated depreciation	(498)	(606)
Tools, furniture and fixtures, net	251	265
Machinery, equipment and vehicles	42	25
Accumulated depreciation	(30)	(19)
Machinery, equipment and vehicles, net	12	5
Right-of-use assets	–	442
Accumulated depreciation	–	(51)
Right-of-use assets, net	–	390
Total property, plant and equipment	447	1,022
Intangible assets		
Goodwill	10,574	10,147
Software	1,174	1,452
Trademark right	9,246	8,989
Customer-related assets	2,088	1,856
Other	0	0
Total intangible assets	23,083	22,446
Investments and other assets		
Investment securities	2,048	2,064
Deferred tax assets	855	887
Leasehold and guarantee deposits	880	1,047
Other	30	16
Total investments and other assets	3,814	4,015
Total non-current assets	27,344	27,484
Total assets	47,467	49,761

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	353	297
Current portion of long-term borrowings	2,487	2,480
Accounts payable - other	6,064	8,086
Accrued expenses	529	843
Income taxes payable	623	164
Accrued consumption taxes	435	289
Advances received	583	1,002
Deposits received	78	43
Provision for bonuses	481	391
ProvisionForRepayment	227	217
Other	24	140
Total current liabilities	11,891	13,959
Non-current liabilities		
Long-term borrowings	17,632	16,329
Retirement benefit liability	311	334
Deferred tax liabilities	2,078	1,978
Other	13	291
Total non-current liabilities	20,037	18,934
Total liabilities	31,928	32,893
Net assets		
Shareholders' equity		
Share capital	2,208	2,240
Capital surplus	13	45
Retained earnings	14,971	16,834
Treasury shares	(0)	(0)
Total shareholders' equity	17,193	19,119
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(1,834)	(2,471)
Total accumulated other comprehensive income	(1,833)	(2,471)
Share acquisition rights	179	219
Total net assets	15,539	16,867
Total liabilities and net assets	47,467	49,761

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	22,024	25,300
Cost of sales	2,532	2,874
Gross profit	19,491	22,426
Selling, general and administrative expenses	17,209	20,337
Operating profit	2,282	2,088
Non-operating income		
Foreign exchange gains	–	15
Share of profit of entities accounted for using equity method	1,176	1,326
Other	40	62
Total non-operating income	1,217	1,403
Non-operating expenses		
Foreign exchange losses	35	–
Interest expenses	45	76
Arrangement fee	46	–
Other	9	5
Total non-operating expenses	136	81
Ordinary profit	3,363	3,410
Extraordinary income		
Gain on sales of non-current assets	1	–
Gain on liquidation of subsidiaries	3	–
Total extraordinary income	5	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	49	11
Loss on withdrawal from business	158	–
Total extraordinary losses	208	11
Profit before income taxes	3,160	3,399
Income taxes	795	883
Profit	2,365	2,516
Loss attributable to non-controlling interests	(25)	–
Profit attributable to owners of parent	2,390	2,516

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	2,365	2,516
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	33	(632)
Share of other comprehensive income of entities accounted for using equity method	(0)	(4)
Total other comprehensive income	33	(637)
Comprehensive income	2,398	1,879
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,416	1,879
Comprehensive income attributable to non-controlling interests	(17)	—