

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2015 (Based on Japanese GAAP)

October 29, 2015

Company name: SMS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2175 URL <http://www.bm-sms.co.jp/>
 Representative: CEO Natsuki Goto
 Inquiries: Director, Corporate Planning Department Masato Sugizaki TEL 03-6721-2400
 Scheduled date to file Quarterly Securities Report: November 13, 2015
 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 six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2015	9,325	24.5	1,899	46.2	2,391	44.3	1,602	23.7
Six months ended September 30, 2014	7,492	16.7	1,299	(2.9)	1,657	0.7	1,295	19.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2015	39.50		39.40	
Six months ended September 30, 2014	31.65		31.55	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	12,498	8,185	64.5
As of March 31, 2015	11,421	6,923	59.7

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, 2015	–	0.00	–	7.00	7.00
Year ending March 31, 2016	–	0.00			
Year ending March 31, 2016 (Forecast)			–	–	–

3. Forecast of consolidated financial results for the year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	18,881	25.4	2,702	30.0	3,403	26.3	2,306	26.4	56.87

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2015
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (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: No
- 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 September 30, 2015	41,887,200 shares	As of March 31, 2015	41,887,200 shares
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Number of treasury shares at the end of the period

As of September 30, 2015	1,330,272 shares	As of March 31, 2015	1,330,272 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2015	40,556,928 shares	Six months ended September 30, 2014	40,939,000 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	2,708,623	3,744,071
Accounts receivable - trade	2,486,428	2,200,899
Merchandise and finished goods	109,185	98,775
Work in process	7,784	5,123
Supplies	12,721	7,200
Accounts receivable - other	1,306,471	1,602,980
Prepaid expenses	572,957	539,432
Deferred tax assets	214,454	238,206
Other	38,232	79,672
Allowance for doubtful accounts	(93,840)	(76,193)
Total current assets	7,363,018	8,440,169
Non-current assets		
Property, plant and equipment		
Buildings	208,087	235,127
Accumulated depreciation	(71,655)	(82,831)
Buildings, net	136,432	152,295
Tools, furniture and fixtures	275,425	301,177
Accumulated depreciation	(164,006)	(184,159)
Tools, furniture and fixtures, net	111,419	117,017
Machinery, equipment and vehicles	11,871	13,430
Accumulated depreciation	(3,322)	(3,540)
Machinery, equipment and vehicles, net	8,548	9,889
Total property, plant and equipment	256,400	279,202
Intangible assets		
Goodwill	1,318,296	1,114,549
Software	730,608	893,159
Other	50	50
Total intangible assets	2,048,954	2,007,759
Investments and other assets		
Investment securities	1,240,328	1,190,800
Deferred tax assets	101,309	101,947
Lease and guarantee deposits	382,489	424,439
Other	28,629	54,641
Total investments and other assets	1,752,757	1,771,828
Total non-current assets	4,058,113	4,058,790
Total assets	11,421,131	12,498,959

(Thousands of yen)

	As of March 31, 2015	As of September 30, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	131,641	103,785
Accounts payable - other	2,604,033	2,478,416
Accrued expenses	207,408	105,036
Income taxes payable	554,460	785,836
Accrued consumption taxes	371,521	186,669
Advances received	52,158	84,569
Deposits received	56,556	38,739
Provision for bonuses	241,572	163,402
Provision for repayment	135,835	158,242
Other	38,901	56,340
Total current liabilities	4,394,091	4,161,039
Non-current liabilities		
Net defined benefit liability	89,634	93,561
Other	14,163	58,838
Total non-current liabilities	103,797	152,399
Total liabilities	4,497,889	4,313,438
Net assets		
Shareholders' equity		
Capital stock	304,166	304,166
Retained earnings	7,249,161	8,572,646
Treasury shares	(1,036,485)	(1,036,485)
Total shareholders' equity	6,516,843	7,840,328
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,403	9,425
Foreign currency translation adjustment	287,523	215,794
Total accumulated other comprehensive income	297,926	225,219
Subscription rights to shares	47,339	62,221
Non-controlling interests	61,133	57,750
Total net assets	6,923,242	8,185,521
Total liabilities and net assets	11,421,131	12,498,959

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	7,492,665	9,325,242
Cost of sales	589,137	697,246
Gross profit	6,903,527	8,627,995
Selling, general and administrative expenses	5,604,114	6,728,567
Operating income	1,299,413	1,899,428
Non-operating income		
Share of profit of entities accounted for using equity method	345,234	496,586
Other	18,379	21,732
Total non-operating income	363,613	518,319
Non-operating expenses		
Foreign exchange losses	4,070	19,292
Commission for purchase of treasury shares	295	–
Other	1,206	6,575
Total non-operating expenses	5,572	25,867
Ordinary income	1,657,454	2,391,880
Extraordinary income		
Gain on step acquisitions	185,084	–
Gain on sales of investment securities	1,434	–
Total extraordinary income	186,519	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	–	1,479
Total extraordinary losses	–	1,479
Income before income taxes and minority interests	1,843,973	2,390,401
Income taxes - current	581,250	813,865
Income taxes - deferred	(34,126)	(25,314)
Total income taxes	547,124	788,550
Profit	1,296,849	1,601,851
Profit (loss) attributable to non-controlling interests	1,294	(329)
Profit attributable to owners of parent	1,295,555	1,602,180

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit	1,296,849	1,601,851
Other comprehensive income		
Valuation difference on available-for-sale securities	10,153	(1,012)
Foreign currency translation adjustment	116,681	(97,406)
Share of other comprehensive income of entities accounted for using equity method	(29,743)	19,320
Total other comprehensive income	97,091	(79,098)
Comprehensive income	1,393,941	1,522,752
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,390,993	1,529,473
Comprehensive income attributable to non-controlling interests	2,947	(6,721)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,843,973	2,390,401
Depreciation	106,552	195,819
Amortization of goodwill	161,264	178,870
Loss (gain) on step acquisitions	(185,084)	–
Loss (gain) on sales and retirement of non-current assets	–	1,479
Share of (profit) loss of entities accounted for using equity method	(31,899)	65,934
Increase (decrease) in allowance for doubtful accounts	(2,561)	(17,647)
Increase (decrease) in provision for bonuses	39,383	(78,169)
Increase (decrease) in provision for repayment	43,075	22,406
Increase (decrease) in net defined benefit liability	7,025	3,926
Decrease (increase) in notes and accounts receivable - trade	187,304	287,848
Increase (decrease) in accrued consumption taxes	125,178	(185,283)
Decrease (increase) in prepaid expenses	(79,228)	33,728
Increase (decrease) in advances received	55,302	32,410
Increase (decrease) in accounts payable - other	840,084	(85,735)
Decrease (increase) in lease and guarantee deposits	(55,974)	(36,542)
Other, net	90,679	(432,588)
Subtotal	3,145,076	2,376,859
Interest and dividend income received	2,077	4,089
Income taxes paid	(529,213)	(580,272)
Net cash provided by (used in) operating activities	2,617,940	1,800,676
Cash flows from investing activities		
Payments into time deposits	–	(78,882)
Purchase of property, plant and equipment	(82,985)	(44,766)
Proceeds from sales of property, plant and equipment	–	911
Purchase of intangible assets	(261,962)	(329,873)
Proceeds from sales of investment securities	8,934	–
Purchase of investment securities	(16)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(225,415)	(14,789)
Purchase of shares of subsidiaries and associates	(51,833)	–
Payments of loans receivable	–	(28,416)
Other, net	1,341	1,643
Net cash provided by (used in) investing activities	(611,937)	(494,174)
Cash flows from financing activities		
Proceeds from issuance of common shares	495	–
Purchase of treasury shares	(120,714)	–
Cash dividends paid	(204,104)	(281,068)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(534,229)	(4,692)
Other, net	–	(13,007)
Net cash provided by (used in) financing activities	(858,552)	(298,768)
Effect of exchange rate change on cash and cash equivalents	(19,681)	(51,168)
Net increase (decrease) in cash and cash equivalents	1,127,768	956,565
Cash and cash equivalents at beginning of period	1,897,846	2,694,008
Increase in cash and cash equivalents from newly consolidated subsidiary	3,828	–
Cash and cash equivalents at end of period	3,029,444	3,650,573