

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2018 (Based on Japanese GAAP)

April 27, 2018

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 21, 2018
 Scheduled date to file Securities Report: June 21, 2018
 Scheduled date to commence dividend payments: June 22, 2018
 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, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018	26,611	15.4	4,021	10.3	5,007	13.0	3,361	20.0
Year ended March 31, 2017	23,054	20.9	3,646	32.3	4,430	26.2	2,801	23.6

	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, 2018	77.43	77.14	18.5	11.2	15.1
Year ended March 31, 2017	67.49	67.28	21.8	10.4	15.8

(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, 2018	46,087	23,641	41.8	443.44
As of March 31, 2017	43,231	21,583	39.6	394.76

(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, 2018	4,811	(2,095)	(1,107)	8,768
Year ended March 31, 2017	3,919	(1,033)	(875)	7,140

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, 2017	—	0.00	—	11.00	11.00	477	16.3	3.6
Year ended March 31, 2018	—	0.00	—	13.00	13.00	564	16.8	3.1
Year ending March 31, 2019 (Forecast)	—	0.00	—	—	—	—	—	—

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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, 2018	15,688	19.2	1,919	(10.6)	2,609	(3.0)	1,852	(0.4)	42.67
Full year	32,273	21.3	4,827	20.0	5,803	15.9	3,905	16.2	89.96

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(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: No

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, 2018	43,421,000 shares	As of March 31, 2017	43,382,600 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	155 shares	As of March 31, 2017	113 shares
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Average number of shares during the period

Year ended March 31, 2018	43,407,666 shares	Year ended March 31, 2017	41,504,114 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	7,829	9,515
Accounts receivable - trade	3,932	4,308
Merchandise and finished goods	81	50
Work in process	18	29
Supplies	36	20
Accounts receivable - other	2,491	3,474
Prepaid expenses	722	571
Deferred tax assets	239	353
Other	11	12
Allowance for doubtful accounts	(128)	(224)
Total current assets	15,235	18,113
Non-current assets		
Property, plant and equipment		
Buildings	375	413
Accumulated depreciation	(185)	(252)
Buildings, net	189	160
Tools, furniture and fixtures	573	687
Accumulated depreciation	(418)	(454)
Tools, furniture and fixtures, net	154	233
Machinery, equipment and vehicles	43	39
Accumulated depreciation	(19)	(27)
Machinery, equipment and vehicles, net	23	11
Total property, plant and equipment	368	405
Intangible assets		
Goodwill	11,166	11,539
Software	1,544	1,382
Trademark right	9,703	9,412
Customer-related assets	2,692	2,368
Other	0	0
Total intangible assets	25,107	24,703
Investments and other assets		
Investment securities	1,665	1,721
Deferred tax assets	209	377
Lease and guarantee deposits	612	746
Other	33	20
Total investments and other assets	2,521	2,865
Total non-current assets	27,996	27,974
Total assets	43,231	46,087

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	311	292
Short-term loans payable	–	8
Current portion of long-term loans payable	1,201	1,395
Accounts payable - other	4,236	5,061
Accrued expenses	182	289
Income taxes payable	1,139	1,068
Accrued consumption taxes	242	406
Advances received	1,077	1,183
Deposits received	52	70
Provision for bonuses	315	445
ProvisionForRepayment	143	153
Other	8	22
Total current liabilities	8,910	10,400
Non-current liabilities		
Long-term loans payable	10,210	9,690
Net defined benefit liability	135	160
Deferred tax liabilities	2,374	2,175
Other	17	19
Total non-current liabilities	12,737	12,046
Total liabilities	21,648	22,446
Net assets		
Shareholders' equity		
Capital stock	2,153	2,167
Capital surplus	4,148	3,965
Retained earnings	11,662	14,545
Treasury shares	(0)	(0)
Total shareholders' equity	17,963	20,677
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(838)	(1,423)
Total accumulated other comprehensive income	(838)	(1,423)
Share acquisition rights	110	135
Non-controlling interests	4,347	4,252
Total net assets	21,583	23,641
Total liabilities and net assets	43,231	46,087

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	23,054	26,611
Cost of sales	3,727	4,338
Gross profit	19,327	22,273
Selling, general and administrative expenses	15,681	18,251
Operating profit	3,646	4,021
Non-operating income		
Foreign exchange gains	–	29
Interest income	9	8
Share of profit of entities accounted for using equity method	863	950
Other	31	58
Total non-operating income	904	1,047
Non-operating expenses		
Foreign exchange losses	11	–
Interest expenses	47	48
Share issuance cost	29	–
Other	31	13
Total non-operating expenses	120	61
Ordinary profit	4,430	5,007
Extraordinary income		
Gain on sales of non-current assets	–	5
Gain on sales of shares of subsidiaries and associates	55	–
Total extraordinary income	55	5
Extraordinary losses		
Impairment loss	20	3
Loss on sales and retirement of non-current assets	–	31
Loss on sales of shares of subsidiaries and associates	151	28
Loss on valuation of investment securities	–	19
Loss on sales of investment securities	20	–
Loss on business withdrawal	–	14
Total extraordinary losses	192	98
Profit before income taxes	4,294	4,914
Income taxes - current	1,384	1,707
Income taxes - deferred	(93)	(299)
Total income taxes	1,290	1,408
Profit	3,004	3,506
Profit attributable to non-controlling interests	203	145
Profit attributable to owners of parent	2,801	3,361

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	3,004	3,506
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	(0)
Foreign currency translation adjustment	(1,263)	(800)
Share of other comprehensive income of entities accounted for using equity method	(5)	(25)
Total other comprehensive income	(1,278)	(825)
Comprehensive income	1,725	2,680
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,816	2,776
Comprehensive income attributable to non-controlling interests	(91)	(95)

Consolidated statements of changes in equity

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	304	–	9,145	(1,036)	8,413
Changes of items during period					
Issuance of new shares	1,848	1,848	–	–	3,697
Dividends of surplus	–	–	(283)	–	(283)
Profit attributable to owners of parent	–	–	2,801	–	2,801
Net increase (decrease) in surplus by change of consolidated scope	–	–	–	–	–
Change in ownership interest of parent due to transactions with non-controlling interests	–	(3)	–	–	(3)
Purchase of treasury shares	–	–	–	(0)	(0)
Disposal of treasury shares	–	2,302	–	1,036	3,339
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during period	1,848	4,148	2,517	1,036	9,550
Balance at end of current period	2,153	4,148	11,662	(0)	17,963

	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	9	135	145	80	4,518	13,157
Changes of items during period						
Issuance of new shares	–	–	–	–	–	3,697
Dividends of surplus	–	–	–	–	–	(283)
Profit attributable to owners of parent	–	–	–	–	–	2,801
Net increase (decrease) in surplus by change of consolidated scope	–	–	–	–	–	–
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	(3)
Purchase of treasury shares	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	–	3,339
Net changes of items other than shareholders' equity	(9)	(974)	(983)	30	(171)	(1,124)
Total changes of items during period	(9)	(974)	(983)	30	(171)	8,425
Balance at end of current period	0	(838)	(838)	110	4,347	21,583

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)
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–
Purchase of treasury shares	–	–	–	(0)	(0)
Disposal of treasury shares	–	–	–	–	–
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)
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	(0)
Disposal of treasury shares	–	–	–	–	–	–
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

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	4,294	4,914
Depreciation	876	965
Amortization of goodwill	640	741
Loss (gain) on sales and retirement of non-current assets	–	26
Impairment loss	20	3
Loss (gain) on sales of investment securities	20	–
Loss (gain) on valuation of investment securities	–	19
Loss (gain) on sales of shares of subsidiaries and associates	95	28
Share of loss (profit) of entities accounted for using equity method	(681)	(106)
Increase (decrease) in allowance for doubtful accounts	(37)	95
Increase (decrease) in provision for bonuses	(46)	126
IncreaseDecreaseInProvisionForRepaymentOpeCF	13	10
Increase (decrease) in net defined benefit liability	23	24
Foreign exchange losses (gains)	11	(29)
Decrease (increase) in notes and accounts receivable - trade	(10)	(279)
Increase (decrease) in accrued consumption taxes	141	159
Decrease (increase) in accounts receivable - other	(599)	(956)
Decrease (increase) in prepaid expenses	(20)	182
Increase (decrease) in advances received	13	60
Increase (decrease) in accounts payable - other	821	806
Other, net	(407)	(63)
Subtotal	5,169	6,731
Interest and dividend income received	10	11
Interest expenses paid	(48)	(48)
Income taxes paid	(1,211)	(1,883)
Net cash provided by (used in) operating activities	3,919	4,811
Cash flows from investing activities		
Payments into time deposits	(1,199)	(998)
Proceeds from withdrawal of time deposits	655	1,024
Purchase of property, plant and equipment	(67)	(214)
Purchase of intangible assets	(815)	(707)
Purchase of investment securities	(40)	–
Proceeds from sales of investment securities	13	–
Payments of loans receivable	(38)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,197)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(11)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	381	–
Other, net	76	9
Net cash provided by (used in) investing activities	(1,033)	(2,095)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from financing activities		
Decrease in short-term loans payable	(19,000)	(32)
Proceeds from long-term loans payable	12,012	973
Repayments of long-term loans payable	(600)	(1,359)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	17
Proceeds from issuance of common shares	3,679	–
Proceeds from sales of treasury shares	3,324	–
Cash dividends paid	(289)	(478)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3)	(230)
Other, net	1	2
Net cash provided by (used in) financing activities	(875)	(1,107)
Effect of exchange rate change on cash and cash equivalents	(17)	19
Net increase (decrease) in cash and cash equivalents	1,993	1,627
Cash and cash equivalents at beginning of period	5,147	7,140
Cash and cash equivalents at end of period	7,140	8,768