

**Translation**

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**Summary of Consolidated Financial Results  
for the Six Months Ended September 30, 2019  
(Based on Japanese GAAP)**

October 30, 2019

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: November 13, 2019  
 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, 2019 (from April 1, 2019 to September 30, 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	%
Six months ended September 30, 2019	17,628	17.2	2,074	6.2	3,119	7.4	2,319	7.5
Six months ended September 30, 2018	15,040	14.3	1,953	(9.0)	2,905	8.0	2,157	16.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	26.66	26.53
Six months ended September 30, 2018	24.84	24.75

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	49,281	16,637	33.4
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	Yen	Yen	Yen	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 six months ended September 30, 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 September 30, 2019	87,037,600 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 September 30, 2019	418 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)

Six months ended September 30, 2019	87,016,156 shares	Six months ended September 30, 2018	86,884,336 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	10,703	11,761
Accounts receivable - trade	4,323	4,403
Merchandise and finished goods	1	–
Work in process	13	20
Supplies	36	40
Accounts receivable - other	4,478	5,464
Prepaid expenses	634	841
Other	46	16
Allowance for doubtful accounts	(114)	(119)
Total current assets	20,123	22,428
Non-current assets		
Property, plant and equipment		
Buildings	459	601
Accumulated depreciation	(276)	(275)
Buildings, net	183	325
Tools, furniture and fixtures	749	813
Accumulated depreciation	(498)	(555)
Tools, furniture and fixtures, net	251	257
Machinery, equipment and vehicles	42	27
Accumulated depreciation	(30)	(21)
Machinery, equipment and vehicles, net	12	5
Right-of-use assets	–	430
Accumulated depreciation	–	(31)
Right-of-use assets, net	–	398
Total property, plant and equipment	447	987
Intangible assets		
Goodwill	10,574	9,895
Software	1,174	1,347
Trademark right	9,246	8,978
Customer-related assets	2,088	1,911
Other	0	0
Total intangible assets	23,083	22,133
Investments and other assets		
Investment securities	2,048	1,830
Deferred tax assets	855	887
Leasehold and guarantee deposits	880	991
Other	30	21
Total investments and other assets	3,814	3,731
Total non-current assets	27,344	26,852
Total assets	47,467	49,281

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	353	300
Current portion of long-term borrowings	2,487	2,481
Accounts payable - other	6,064	7,697
Accrued expenses	529	530
Income taxes payable	623	211
Accrued consumption taxes	435	335
Advances received	583	1,021
Deposits received	78	82
Provision for bonuses	481	537
Provision for repayment	227	295
Other	24	138
<b>Total current liabilities</b>	<b>11,891</b>	<b>13,630</b>
<b>Non-current liabilities</b>		
Long-term borrowings	17,632	16,375
Retirement benefit liability	311	340
Deferred tax liabilities	2,078	1,990
Other	13	306
<b>Total non-current liabilities</b>	<b>20,037</b>	<b>19,012</b>
<b>Total liabilities</b>	<b>31,928</b>	<b>32,643</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,208	2,234
Capital surplus	13	39
Retained earnings	14,971	16,638
Treasury shares	(0)	(0)
<b>Total shareholders' equity</b>	<b>17,193</b>	<b>18,912</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(1,834)	(2,470)
<b>Total accumulated other comprehensive income</b>	<b>(1,833)</b>	<b>(2,470)</b>
Share acquisition rights	179	195
<b>Total net assets</b>	<b>15,539</b>	<b>16,637</b>
<b>Total liabilities and net assets</b>	<b>47,467</b>	<b>49,281</b>

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

**Consolidated statements of income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	15,040	17,628
Cost of sales	1,641	1,804
Gross profit	13,398	15,824
Selling, general and administrative expenses	11,445	13,750
Operating profit	1,953	2,074
Non-operating income		
Share of profit of entities accounted for using equity method	992	1,096
Other	35	31
Total non-operating income	1,028	1,127
Non-operating expenses		
Foreign exchange losses	–	26
Interest expenses	25	51
Arrangement fee	46	–
Other	5	3
Total non-operating expenses	76	81
Ordinary profit	2,905	3,119
Extraordinary income		
Gain on sales of non-current assets	1	–
Total extraordinary income	1	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	40	9
Total extraordinary losses	40	9
Profit before income taxes	2,866	3,110
Income taxes	793	790
Profit	2,073	2,319
Loss attributable to non-controlling interests	(84)	–
Profit attributable to owners of parent	2,157	2,319

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	2,073	2,319
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(466)	(626)
Share of other comprehensive income of entities accounted for using equity method	(3)	(9)
Total other comprehensive income	(469)	(636)
Comprehensive income	1,604	1,683
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,785	1,683
Comprehensive income attributable to non-controlling interests	(180)	—

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	2,866	3,110
Depreciation	526	568
Amortization of goodwill	397	393
Loss (gain) on sales and retirement of non-current assets	38	9
Share of loss (profit) of entities accounted for using equity method	25	210
Increase (decrease) in allowance for doubtful accounts	(36)	6
Increase (decrease) in provision for bonuses	25	59
Increase (decrease) in provision for repayment	121	67
Increase (decrease) in retirement benefit liability	88	30
Foreign exchange losses (gains)	(7)	26
Interest expenses	25	51
Decrease (increase) in trade receivables	(177)	(123)
Increase (decrease) in accrued consumption taxes	(33)	(97)
Decrease (increase) in accounts receivable - other	(935)	(988)
Decrease (increase) in prepaid expenses	(189)	(209)
Increase (decrease) in advances received	506	474
Increase (decrease) in accounts payable - other	1,099	1,635
Other, net	173	(174)
Subtotal	4,517	5,051
Interest and dividends received	5	12
Interest paid	(24)	(51)
Income taxes paid	(1,346)	(1,284)
Net cash provided by (used in) operating activities	3,150	3,727
Cash flows from investing activities		
Payments into time deposits	(58)	(704)
Proceeds from withdrawal of time deposits	–	312
Purchase of property, plant and equipment	(107)	(226)
Purchase of intangible assets	(343)	(506)
Loan advances	–	(3)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(23)	–
Other, net	3	–
Net cash provided by (used in) investing activities	(529)	(1,128)
Cash flows from financing activities		
Proceeds from long-term borrowings	10,953	–
Repayments of long-term borrowings	(714)	(1,263)
Repayments of lease obligations	–	(31)
Proceeds from issuance of share acquisition rights	4	8
Proceeds from issuance of shares resulting from exercise of share acquisition rights	34	46
Dividends paid	(557)	(644)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(11,453)	–
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(1,732)	(1,885)
Effect of exchange rate change on cash and cash equivalents	(41)	(44)
Net increase (decrease) in cash and cash equivalents	847	670
Cash and cash equivalents at beginning of period	8,768	9,890
Cash and cash equivalents at end of period	9,615	10,560