

Translation

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## Summary of Consolidated Financial Results for the Three Months Ended June 30, 2015 (Based on Japanese GAAP)

July 30, 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: August 7, 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 three months ended June 30, 2015 (from April 1, 2015 to June 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	%
Three months ended June 30, 2015	5,421	23.5	1,456	17.7	1,869	24.1	1,292	6.8
Three months ended June 30, 2014	4,390	14.8	1,237	(7.2)	1,506	(2.9)	1,210	18.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2015	31.87		31.79	
Three months ended June 30, 2014	29.56		29.49	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2015	12,215	7,968	64.3
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	–	–	–	–	–
Year ending March 31, 2016 (Forecast)	–	0.00	–	–	–

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
Six months ending September 30, 2015	9,850	31.5	1,834	41.2	2,245	35.5	1,537	18.6	37.90
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 three months ended June 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 June 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 June 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)

Three months ended June 30, 2015	40,556,928 shares	Three months ended June 30, 2014	40,950,600 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	2,708,623	3,899,366
Accounts receivable - trade	2,486,428	2,079,952
Merchandise and finished goods	109,185	98,862
Work in process	7,784	4,415
Supplies	12,721	18,703
Accounts receivable - other	1,306,471	1,232,046
Prepaid expenses	572,957	531,283
Deferred tax assets	214,454	270,814
Other	38,232	178,803
Allowance for doubtful accounts	(93,840)	(85,904)
Total current assets	7,363,018	8,228,343
Non-current assets		
Property, plant and equipment		
Buildings	208,087	217,362
Accumulated depreciation	(71,655)	(77,933)
Buildings, net	136,432	139,428
Tools, furniture and fixtures	275,425	291,127
Accumulated depreciation	(164,006)	(175,384)
Tools, furniture and fixtures, net	111,419	115,742
Machinery, equipment and vehicles	11,871	14,054
Accumulated depreciation	(3,322)	(3,169)
Machinery, equipment and vehicles, net	8,548	10,884
Total property, plant and equipment	256,400	266,055
Intangible assets		
Goodwill	1,318,296	1,241,739
Software	730,608	814,605
Other	50	50
Total intangible assets	2,048,954	2,056,395
Investments and other assets		
Investment securities	1,240,328	1,089,947
Deferred tax assets	101,309	88,917
Lease and guarantee deposits	382,489	429,648
Other	28,629	56,473
Total investments and other assets	1,752,757	1,664,988
Total non-current assets	4,058,113	3,987,439
Total assets	11,421,131	12,215,782

(Thousands of yen)

	As of March 31, 2015	As of June 30, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	131,641	112,040
Accounts payable - other	2,604,033	2,283,550
Accrued expenses	207,408	229,221
Income taxes payable	554,460	612,836
Accrued consumption taxes	371,521	277,836
Advances received	52,158	112,126
Deposits received	56,556	121,022
Provision for bonuses	241,572	87,712
ProvisionForRepayment	135,835	175,003
Other	38,901	66,350
<b>Total current liabilities</b>	<b>4,394,091</b>	<b>4,077,699</b>
<b>Non-current liabilities</b>		
Net defined benefit liability	89,634	92,735
Other	14,163	76,643
<b>Total non-current liabilities</b>	<b>103,797</b>	<b>169,379</b>
<b>Total liabilities</b>	<b>4,497,889</b>	<b>4,247,079</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	304,166	304,166
Retained earnings	7,249,161	8,262,145
Treasury shares	(1,036,485)	(1,036,485)
<b>Total shareholders' equity</b>	<b>6,516,843</b>	<b>7,529,827</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	10,403	10,558
Foreign currency translation adjustment	287,523	309,272
<b>Total accumulated other comprehensive income</b>	<b>297,926</b>	<b>319,830</b>
Subscription rights to shares	47,339	53,278
Non-controlling interests	61,133	65,766
<b>Total net assets</b>	<b>6,923,242</b>	<b>7,968,702</b>
<b>Total liabilities and net assets</b>	<b>11,421,131</b>	<b>12,215,782</b>

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

**Consolidated statements of income (cumulative)**

(Thousands of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	4,390,000	5,421,407
Cost of sales	315,014	381,669
Gross profit	4,074,986	5,039,737
Selling, general and administrative expenses	2,837,267	3,583,206
Operating income	1,237,719	1,456,531
Non-operating income		
Share of profit of entities accounted for using equity method	260,333	402,764
Other	10,660	17,800
Total non-operating income	270,994	420,564
Non-operating expenses		
Foreign exchange losses	2,420	5,173
Other	275	2,421
Total non-operating expenses	2,696	7,595
Ordinary income	1,506,017	1,869,500
Extraordinary income		
Gain on step acquisitions	185,084	–
Total extraordinary income	185,084	–
Extraordinary losses		
Loss on sales and retirement of non-current assets	–	676
Total extraordinary losses	–	676
Income before income taxes and minority interests	1,691,102	1,868,823
Income taxes - current	464,737	620,823
Income taxes - deferred	16,732	(47,129)
Total income taxes	481,470	573,693
Profit	1,209,631	1,295,130
Profit (loss) attributable to non-controlling interests	(899)	2,593
Profit attributable to owners of parent	1,210,531	1,292,536

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

(Thousands of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Profit	1,209,631	1,295,130
Other comprehensive income		
Valuation difference on available-for-sale securities	9,880	171
Foreign currency translation adjustment	88,608	9,813
Share of other comprehensive income of entities accounted for using equity method	(27,818)	10,669
Total other comprehensive income	70,669	20,654
Comprehensive income	1,280,301	1,315,784
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,279,837	1,314,439
Comprehensive income attributable to non-controlling interests	463	1,344

## Consolidated statements of cash flows

(Thousands of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,691,102	1,868,823
Depreciation	47,445	93,355
Amortization of goodwill	72,884	117,563
Loss (gain) on step acquisitions	(185,084)	–
Loss (gain) on sales and retirement of non-current assets	–	676
Share of (profit) loss of entities accounted for using equity method	53,001	159,757
Increase (decrease) in allowance for doubtful accounts	(9,900)	(7,936)
Increase (decrease) in provision for bonuses	(72,293)	(153,859)
Increase (decrease) in repayment for bonuses	56,436	39,167
Increase (decrease) in net defined benefit liability	3,097	3,101
Decrease (increase) in notes and accounts receivable - trade	326,585	408,795
Increase (decrease) in accrued consumption taxes	123,992	(94,116)
Decrease (increase) in prepaid expenses	(85,352)	41,769
Increase (decrease) in advances received	54,286	59,967
Increase (decrease) in accounts payable - other	452,143	(263,737)
Decrease (increase) in lease and guarantee deposits	(48,367)	(41,152)
Other, net	229,024	20,094
Subtotal	2,709,001	2,252,270
Interest and dividend income received	716	1,161
Income taxes paid	(524,815)	(557,993)
Net cash provided by (used in) operating activities	2,184,902	1,695,438
Cash flows from investing activities		
Payments into time deposits	–	(77,384)
Purchase of property, plant and equipment	(60,380)	(12,596)
Proceeds from sales of property, plant and equipment	–	1,048
Purchase of intangible assets	(122,412)	(162,574)
Payments of loans receivable	–	(29,108)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(225,415)	(14,789)
Other, net	803	819
Net cash provided by (used in) investing activities	(407,405)	(294,586)
Cash flows from financing activities		
Cash dividends paid	(193,753)	(267,422)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(4,692)
Other, net	–	(13,007)
Net cash provided by (used in) financing activities	(193,753)	(285,122)
Effect of exchange rate change on cash and cash equivalents	(936)	(2,371)
Net increase (decrease) in cash and cash equivalents	1,582,807	1,113,357
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	3,484,482	3,807,366