

Translation

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2017 (Based on Japanese GAAP)

July 28, 2017

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 to file Quarterly Securities Report: August 14, 2017
 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, 2017 (from April 1, 2017 to June 30, 2017)

(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	%
Three months ended June 30, 2017	7,073	6.9	1,584	(5.1)	2,015	(6.9)	1,444	(8.0)
Three months ended June 30, 2016	6,618	22.1	1,668	14.6	2,165	15.8	1,570	21.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2017	33.30		33.17	
Three months ended June 30, 2016	38.73		38.60	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	43,700	21,468	39.8
As of March 31, 2017	43,231	21,583	39.6

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, 2017	–	0.00	–	11.00	11.00
Year ending March 31, 2018	–	–	–	–	–
Year ending March 31, 2018 (Forecast)	–	0.00	–	–	–

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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, 2017	13,484	12.5	2,311	0.0	2,793	(4.7)	2,009	9.0	46.32
Full year	27,804	20.6	4,378	20.1	5,137	15.9	3,396	21.3	78.30

4. Notes

- (1) Changes in significant subsidiaries during the three months ended June 30, 2017
 (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: 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, 2017	43,382,600 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 June 30, 2017	113 shares	As of March 31, 2017	113 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, 2017	43,382,487 shares	Three months ended June 30, 2016	40,556,928 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	7,829	9,770
Accounts receivable - trade	3,932	3,259
Merchandise and finished goods	81	74
Work in process	18	24
Supplies	36	30
Accounts receivable - other	2,491	3,057
Prepaid expenses	722	685
Deferred tax assets	239	246
Other	11	8
Allowance for doubtful accounts	(128)	(121)
Total current assets	15,235	17,036
Non-current assets		
Property, plant and equipment		
Buildings	375	410
Accumulated depreciation	(185)	(212)
Buildings, net	189	198
Tools, furniture and fixtures	573	597
Accumulated depreciation	(418)	(407)
Tools, furniture and fixtures, net	154	190
Machinery, equipment and vehicles	43	42
Accumulated depreciation	(19)	(25)
Machinery, equipment and vehicles, net	23	16
Total property, plant and equipment	368	405
Intangible assets		
Goodwill	11,166	10,603
Software	1,544	1,670
Trademark right	9,703	9,345
Customer-related assets	2,692	2,532
Other	0	0
Total intangible assets	25,107	24,151
Investments and other assets		
Investment securities	1,665	1,199
Deferred tax assets	209	234
Lease and guarantee deposits	612	619
Other	33	53
Total investments and other assets	2,521	2,107
Total non-current assets	27,996	26,664
Total assets	43,231	43,700

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	311	252
Current portion of long-term loans payable	1,201	1,201
Accounts payable - other	4,236	4,731
Accrued expenses	182	174
Income taxes payable	1,139	704
Accrued consumption taxes	242	386
Advances received	1,077	1,330
Deposits received	52	306
Provision for bonuses	315	210
ProvisionForRepayment	143	201
Other	8	47
Total current liabilities	8,910	9,548
Non-current liabilities		
Long-term loans payable	10,210	10,210
Net defined benefit liability	135	139
Deferred tax liabilities	2,374	2,316
Other	17	17
Total non-current liabilities	12,737	12,684
Total liabilities	21,648	22,232
Net assets		
Shareholders' equity		
Capital stock	2,153	2,153
Capital surplus	4,148	3,950
Retained earnings	11,662	12,630
Treasury shares	(0)	(0)
Total shareholders' equity	17,963	18,733
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(838)	(1,326)
Total accumulated other comprehensive income	(838)	(1,326)
Subscription rights to shares	110	121
Non-controlling interests	4,347	3,940
Total net assets	21,583	21,468
Total liabilities and net assets	43,231	43,700

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	6,618	7,073
Cost of sales	891	929
Gross profit	5,727	6,143
Selling, general and administrative expenses	4,059	4,559
Operating profit	1,668	1,584
Non-operating income		
Share of profit of entities accounted for using equity method	501	418
Other	12	23
Total non-operating income	514	442
Non-operating expenses		
Interest expenses	11	10
Other	6	0
Total non-operating expenses	18	10
Ordinary profit	2,165	2,015
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	56	–
Total extraordinary income	56	–
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	–	28
Other	–	0
Total extraordinary losses	–	28
Profit before income taxes	2,221	1,987
Income taxes	695	599
Profit	1,526	1,387
Loss attributable to non-controlling interests	(44)	(57)
Profit attributable to owners of parent	1,570	1,444

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	1,526	1,387
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	(1,846)	(941)
Share of other comprehensive income of entities accounted for using equity method	(9)	(6)
Total other comprehensive income	(1,856)	(948)
Comprehensive income	(329)	439
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	100	956
Comprehensive income attributable to non-controlling interests	(429)	(517)