

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Nine Months Ended December 31, 2017
(Based on Japanese GAAP)**

January 30, 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 to file Quarterly Securities Report: February 13, 2018
 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 nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	19,228	15.0	2,306	(1.1)	3,014	(1.0)	2,040	13.0
Nine months ended December 31, 2016	16,713	30.1	2,332	48.4	3,045	40.3	1,805	31.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2017	47.02		46.84	
Nine months ended December 31, 2016	44.18		44.04	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	45,008	22,208	40.1
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	–	0.00	–		
Year ending March 31, 2018 (Forecast)				–	–

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
Full year	27,804	20.6	4,378	20.1	5,137	15.9	3,396	21.3	78.26

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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: 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: 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 December 31, 2017	43,416,200 shares	As of March 31, 2017	43,382,600 shares
-------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of December 31, 2017	155 shares	As of March 31, 2017	113 shares
-------------------------	------------	----------------------	------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2017	43,403,806 shares	Nine months ended December 31, 2016	40,878,346 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	7,829	9,255
Accounts receivable - trade	3,932	3,297
Merchandise and finished goods	81	55
Work in process	18	26
Supplies	36	29
Accounts receivable - other	2,491	3,503
Prepaid expenses	722	915
Deferred tax assets	239	250
Other	11	18
Allowance for doubtful accounts	(128)	(132)
Total current assets	15,235	17,220
Non-current assets		
Property, plant and equipment		
Buildings	375	427
Accumulated depreciation	(185)	(248)
Buildings, net	189	179
Tools, furniture and fixtures	573	690
Accumulated depreciation	(418)	(450)
Tools, furniture and fixtures, net	154	239
Machinery, equipment and vehicles	43	41
Accumulated depreciation	(19)	(26)
Machinery, equipment and vehicles, net	23	14
Total property, plant and equipment	368	432
Intangible assets		
Goodwill	11,166	11,715
Software	1,544	1,404
Trademark right	9,703	9,390
Customer-related assets	2,692	2,423
Other	0	0
Total intangible assets	25,107	24,934
Investments and other assets		
Investment securities	1,665	1,509
Deferred tax assets	209	215
Lease and guarantee deposits	612	687
Other	33	8
Total investments and other assets	2,521	2,420
Total non-current assets	27,996	27,787
Total assets	43,231	45,008

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	311	286
Short-term loans payable	–	8
Current portion of long-term loans payable	1,201	1,393
Accounts payable - other	4,236	5,269
Accrued expenses	182	345
Income taxes payable	1,139	624
Accrued consumption taxes	242	328
Advances received	1,077	1,357
Deposits received	52	43
Provision for bonuses	315	341
ProvisionForRepayment	143	133
Other	8	15
Total current liabilities	8,910	10,147
Non-current liabilities		
Long-term loans payable	10,210	10,325
Net defined benefit liability	135	150
Deferred tax liabilities	2,374	2,160
Other	17	17
Total non-current liabilities	12,737	12,653
Total liabilities	21,648	22,800
Net assets		
Shareholders' equity		
Capital stock	2,153	2,165
Capital surplus	4,148	3,963
Retained earnings	11,662	13,226
Treasury shares	(0)	(0)
Total shareholders' equity	17,963	19,354
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	(838)	(1,318)
Total accumulated other comprehensive income	(838)	(1,318)
Subscription rights to shares	110	127
Non-controlling interests	4,347	4,043
Total net assets	21,583	22,208
Total liabilities and net assets	43,231	45,008

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

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	16,713	19,228
Cost of sales	2,650	3,078
Gross profit	14,062	16,149
Selling, general and administrative expenses	11,729	13,842
Operating profit	2,332	2,306
Non-operating income		
Share of profit of entities accounted for using equity method	709	723
Other	92	23
Total non-operating income	801	747
Non-operating expenses		
Interest expenses	37	36
Share issuance cost	29	–
Other	22	2
Total non-operating expenses	89	39
Ordinary profit	3,045	3,014
Extraordinary income		
Gain on sales of non-current assets	–	4
Gain on sales of shares of subsidiaries and associates	56	–
Total extraordinary income	56	4
Extraordinary losses		
Loss on sales of investment securities	20	–
Loss on sales of shares of subsidiaries and associates	146	28
Other	–	14
Total extraordinary losses	166	43
Profit before income taxes	2,935	2,976
Income taxes	1,036	970
Profit	1,899	2,006
Profit (loss) attributable to non-controlling interests	93	(34)
Profit attributable to owners of parent	1,805	2,040

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	1,899	2,006
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	0
Foreign currency translation adjustment	(4,184)	(723)
Share of other comprehensive income of entities accounted for using equity method	(25)	(26)
Total other comprehensive income	(4,218)	(749)
Comprehensive income	(2,319)	1,256
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,540)	1,560
Comprehensive income attributable to non-controlling interests	(779)	(303)