



# SBS Business Report (Interim)

For the Six Months Ended June 30, 2016  
(Security Code:2384)

## Special Feature

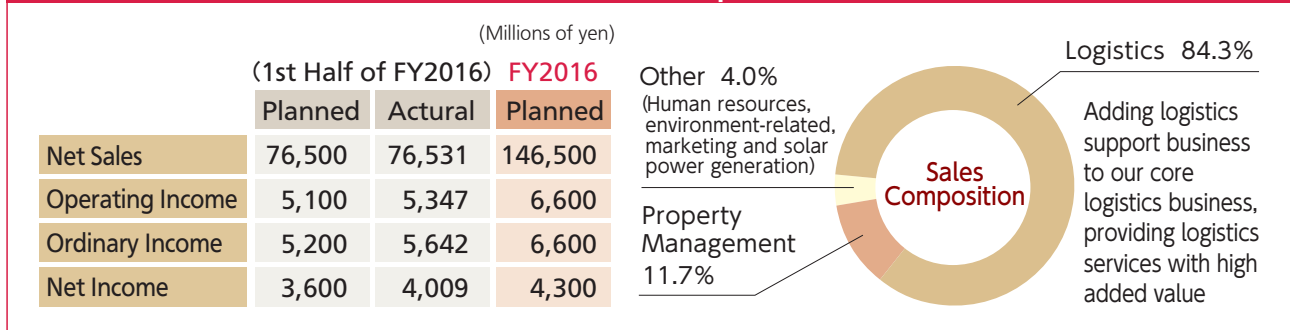
Focusing on the Development of Human  
Resources as the Key to Creating Our Future

## Contents

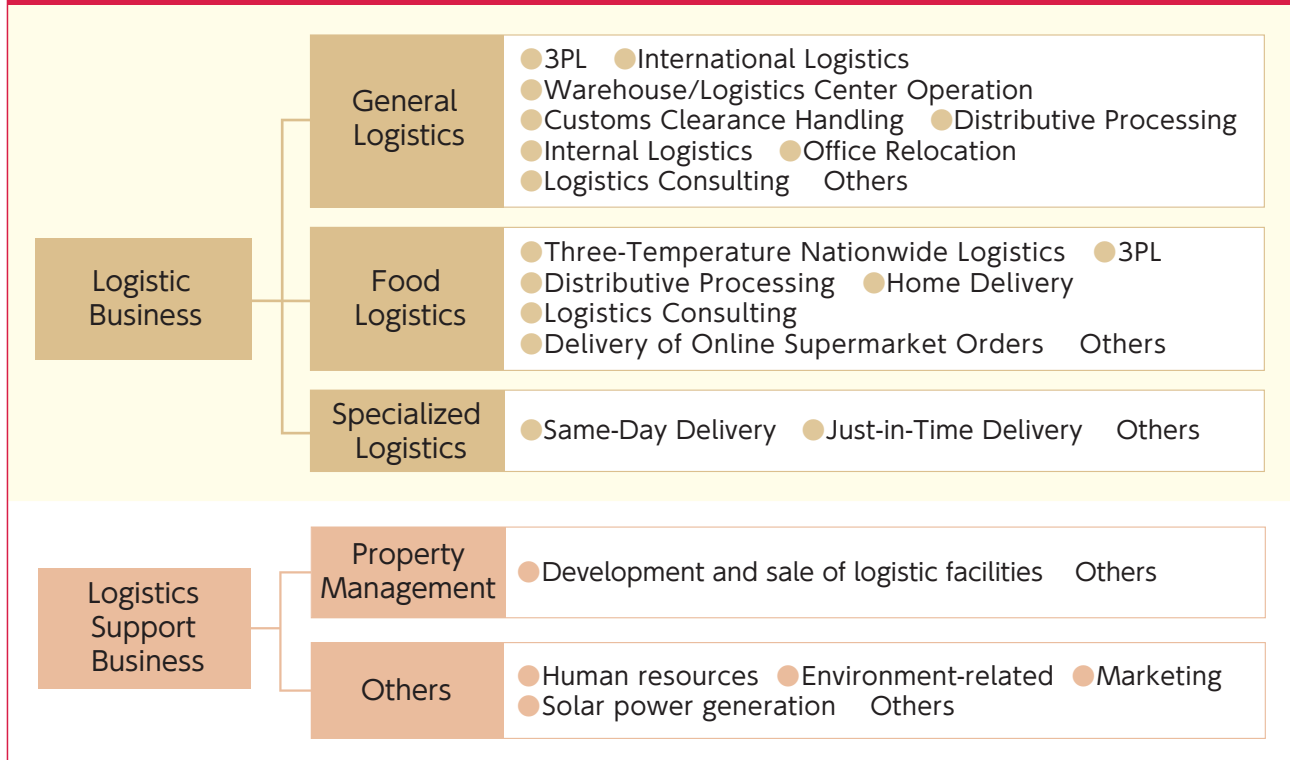
Business Highlights .....	01
Message from the President .....	02
Special Feature .....	03
Highlights .....	05
Topics .....	06
Consolidated Performance .....	07
Corporate Profile & Stock Information .....	10

# SBS Group meets the various logistics needs with the utmost quality.

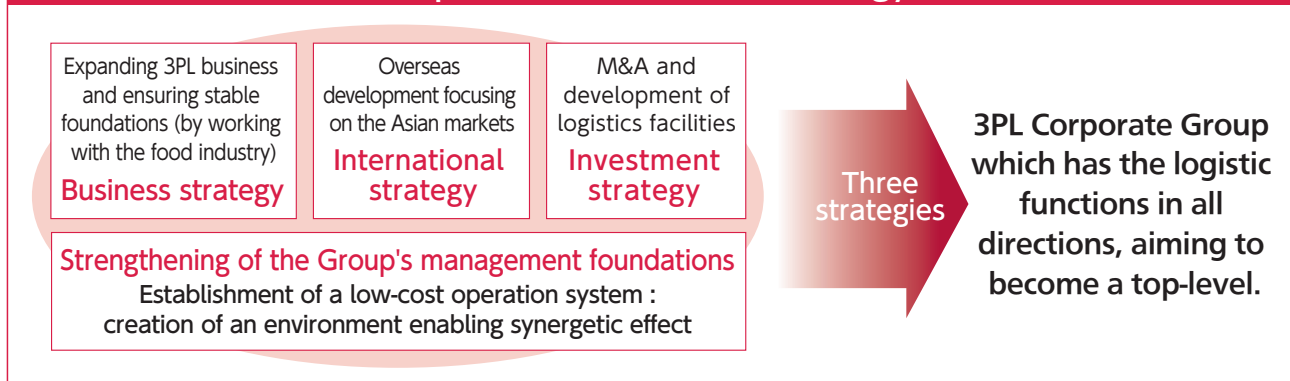
## Results and plans



## An overview of businesses



## Important aims and strategy



\*The statements made in connection with the forecasts present in these materials are based on assumptions, which include information available at the present time and uncertain components, which may affect future business results. The actual business results may differ from the forecasts due to various causes that may affect them in the future.

## In the first half of the fiscal year under review, the SBS Group took significant strides toward achieving a V-shaped turnaround.

President

**Masahiko Kamata**



After incurring a loss at its operating company in India in the previous fiscal year, the SBS Group prioritized efforts to achieve a V-shaped recovery throughout the first half of fiscal 2016, the fiscal year ending December 31, 2016. In its logistics business, energies during the first half of the fiscal year under review were mainly channeled toward starting up new logistics locations with a total floor area of around 165,000 square meters, the largest facility expansion in the Group's history. Currently, the main focus of the Group's operations is centered around the reorganization of existing locations as well as the transfer of operations to other facilities. Activities in each area are generally proceeding in line with plans. As far as the second half and beyond is concerned, we will work to quickly ensure reliable and efficient operations at each site while increasing our profit margin.

In the property management business, the Group carried through with new large-scale investments throughout the period under review. In addition to the completion of construction of a multi-tenant distribution center in Isogo Ward, Yokohama (total floor space 39,670 square meters) in February, a specialized logistics facility for large-scale department stores in Tokorozawa, Saitama Prefecture (29,750 square meters) came online in March. Group company, SBS Logicom Co., Ltd., brought forward plans to sell the

Kawagoe Logistics Center, which serves as a major 3PL base. In addition to the recovery of invested funds, SBS Holdings has taken positive steps to improve its balance sheet.

In the other business segment, and in particular its solar power generation activities, where the Group boasts a total power generation capacity in excess of 10 megawatts, operations continue to steadily expand. At the same time, the Group is experiencing growth in both revenue and earnings from its e-commerce-related marketing operations in line with the upswing in the size of the market.

We are acutely aware that the net loss incurred in the fiscal year ended December 31, 2015 and the decision by the Company to forego the payment of a dividend, are of considerable concern to shareholders. Fortunately, we have taken significant strides toward achieving a V-shaped turnaround in the first half of the fiscal year under review. In addition, we belatedly made moves to return profits to shareholders with the payment of a quarterly dividend with a base date of the end of March 2016. Moving forward, we will place the utmost priority on meeting the expectations of shareholders by realizing a definitive V-shaped turnaround. As we work toward achieving our goals, we ask for your continued support and understanding.

# Focusing on the Development of Human Resources as the Key to Creating Our Future

The SBS Group recognizes that both M&As and efforts to reorganize its business are essential to continued growth. In order to substantially transform the structure of its existing business, it is equally important that employees possess the necessary high level of skills to adapt to change. With this in mind, SBS Holdings works diligently to generate synergies between Group companies that boast a variety of strengths by actively engaging in the education and training of its employees. Moreover, by creating opportunities through which employees can learn and share a broad range of skills that extend beyond organizational boundaries, the SBS Group is fostering a climate of mutual respect among disparate cultures and values, an environment of knowledge sharing, and an atmosphere of friendly competition.

## ■ Placing the utmost importance on safety and quality / Logistics Quality Control Department

The SBS Group is comprised of multiple transportation operators and forwarders. The Logistics Quality Control Department is charged with the responsibility of coordinating the efforts of all of these operators. Among a host of activities, the department strives to ensure a uniform standard of logistics quality across the Group as a whole and to establish a robust structure and system of transportation safety. In addition to overseeing the safety of vehicles and operations, steps are also taken to conduct education and training in the art of safe as well as environmentally conscious driving.

## ■ Nurturing human resources / Human Resources Department Training Section

Based on its education and training system, the Training Section of the Group's Human Resources Department puts in place training plans by position, theme, and workplace function. The section is also responsible for promoting the Group's self-development programs. With the understanding that the learning process is a lifelong endeavor, the SBS Group is committed to developing human resources with a level of skills that extend beyond the confines of a single company.

The SBS Group's education and training implementation data

\* For 2015

◆ No. of programs ... **38**    ◆ No. of times implements ... **54**  
 ◆ Total no. of days ... **72**    ◆ No. of participants ..... **1,623**

1

### Continuing to promote strict adherence to the basics while encouraging each and every member of the SBS Group to better understand the importance of safe and efficient operations and to adopt a broad perspective

Munekazu Inaba, General Manager Logistics Quality Control Department



It is vital that each and every member of the SBS Group maintains a strong sense of ownership toward ensuring safety. To this end, it is important that the Group nurtures employees who consistently promote the need to adhere strictly to the basics, and to instill a strong sense of pride in the operations of the Group's as a logistics professional from a broad perspective that encompasses the local community.

2

### Environmentally conscious and safety training

One-day and two-day training sessions are each held twice yearly in order to enhance awareness and understanding toward environmental issues and energy conservation. These sessions provide participants with a high degree of specialized expertise and include a mix of classroom and practical training. Through on-the-job training, employees are also encouraged to complete fuel consumption logbooks\* while at the same time practicing environmentally conscious driving.



\* Travel management charts that record details of fuel consumption completed by drivers on a daily basis.

### 3 Pre-tournament held by the SBS Group

The SBS Group plans to hold its inaugural driver contest in the fall of 2016. As a prelude to this event, a pre-tournament was held last year. The goals are to develop drivers with the highest moral standards, advanced technical skills, and specialized expertise.



### 4 SBS Zentsu holds an in-house driver contest

Group company, SBS Zentsu, Co., Ltd., has held an in-house driver contest since 2013. Together with customers, drivers take center stage to enliven the entire workplace. As an established event on the company's calendar, the event recently attracted more than 100 participants including members from the organizing secretariat and supporters.



### 5 Logistics quality seminar

Targeting a total of approximately 450 administrative personnel engaged in transportation safety management, the SBS Group conducts logistics quality seminars three times a year. With the aim of providing participants with the latest information on statutory and regulatory requirements relating to service, labor, and risk management, these seminars are designed to bolster safe and secure business operations.



### 6 Ensuring that both organizational and individual growth is fundamental to developing human resources within the organization

**Tadasada Sugawara**, Manager Human Resources Department Training Team



The SBS Group has positioned efforts to link a change in its way of thinking to a change in behavior as its principal education and training theme throughout fiscal 2016. Plans are in place for approximately 900 employees to participate in training by position and theme. Making the most of the information gained through this training, it is vital that the fruits of this training contribute to the organization. It is important for the Group's training to not only have an impact on participating employees, but also on the workplace as a whole.

### 7 New employee training

New employees of each Group company undergo basic training over a period of around two weeks. This also helps to build a sense of camaraderie among employees entering the Group at the same time. New employees energetically posing questions to other employees with three and four years' experience in the Company.



### 8 Next-generation logistics center general manager training

The SBS Group maintains programs for employees identified as candidates to take up the position of logistics center general manager. Over a period of five days, participants are required to perform in a variety of areas including onsite training.



### 9 Basic training for managers

All of the Group's newly appointed managers undergo basic training. As the driving force behind the Group's growth, managers learn the basics about the oversight and control functions over a one-night, two-day program. This program is also an opportunity to promote discussion between Group companies.



### 10 Basic training for managerial staff

Participants from each Group company meet for essentially the first time. Prior to the start of training, participants exchange business cards.



Japan's Financial Services Agency and the Tokyo Stock Exchange put in place a Corporate Governance Code in 2015. Here, we provide an overview of operating conditions as they relate to corporate governance and details of the Group's corporate governance activities.

**■ Growing awareness toward the importance of corporate governance**

Corporate governance is integral to the proper conduct of business, and provides the necessary platform from which to manage and control operations and to ensure that the decisions of management and directors have a positive impact on spurring growth. In recent years, corporate governance has attracted particular interest due to a variety of factors. Various incidents have shown that weak corporate governance can contribute to decisions that focus excessively on profits and self-interest. This in turn can lead to a deterioration in performance and a downturn in price of a company's stock. To prevent this from happening, every effort should be made to strengthen the oversight and control functions. In this context, corporate governance plays a critical role in securing sound management and business operations.

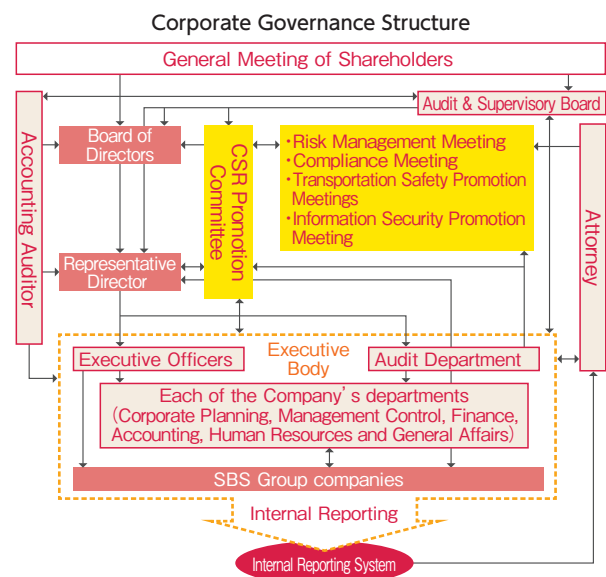
**■ A corporate governance code that covers the full gamut of corporate activities**

Covering the full gamut of a company's mainstream activities, the Corporate Governance Code provides the platform from which to secure sustainable growth and enhance corporate value. The Code lays out those guidelines that publicly listed companies must follow, outlines the rights of shareholder and the role of the board of directors, and provides a medium through which to promote dialogue with investors and shareholders. The SBS Group issued its Corporate Governance Report based on the Corporate Governance Code in April 2016. This was followed by the issue the SBS Holdings Corporate Governance Guidelines, which outlines the Company's framework for corporate governance in July 2016.

- Corporate Governance Report (in Japanese only)  
[http://www.sbs-group.co.jp/hdg/pdf/hdg\\_corporategovernance\\_160801.pdf](http://www.sbs-group.co.jp/hdg/pdf/hdg_corporategovernance_160801.pdf)
- Corporate Governance Guidelines (in Japanese only)  
[http://www.sbs-group.co.jp/hdg/pdf/hdg\\_cg\\_guideline\\_160715.pdf](http://www.sbs-group.co.jp/hdg/pdf/hdg_cg_guideline_160715.pdf)

**■ The SBS Group's corporate governance system**

The SBS Group has adopted the company with an Audit & Supervisory Board system. Under this system, the Board of Directors is responsible for making important decisions regarding the Company's operations and overseeing the executive function. Working independently from the Board of Directors, the Audit & Supervisory Board and its members are responsible for the audit function and ensuring that the Company adheres strictly to all statutory and regulatory requirements. Moreover, two members of the Board of Directors are appointed from outside the Company, which helps to bolster the monitoring function. SBS Holdings has also adopted an executive officer system in order to clarify the executive responsibilities of officers while ensuring the proper delegation of authority. Through these means, every effort is being made to put in place a management and operating structure that is distinguished by its agility and flexibility. In order to garner the ongoing trust of its stakeholders and to consistently contribute to the wellbeing of society as a whole, the SBS Group is engaging in transparent and sound management. Furthermore, the Group is engaging in activities that are consistent with social norms as well as laws and regulations, and is working to foster a corporate culture that is based on the highest ethical standards.



## Presented the 1st Social Contribution Activity Awards

### January

(SBS Group)

In order to encourage and recognize the efforts of employees to contribute to society, the SBS Group established an awards system in fiscal 2015. In this inaugural year, awards were presented to Nippon Record Center Co., Ltd., the Yoshikawa, Kimitsu, and Todabashi branches of SBS Logicom Co., Ltd., and Marketing Partners Co., Ltd.



## Began Providing Facility Logistics Support on a Contract Basis at Tokyu Plaza Ginza

(SBS Logicom Co., Ltd.)

### February

SBS Logicom has assumed responsibility for the facility logistics support function at Tokyu Plaza Ginza, a large-scale commercial complex developed and operated by Tokyu Land Corporation. After undertaking the training of staff, coordinating with neighboring facilities as well as transportation vehicles, and supporting tenants with their preparations in opening new stores, SBS Logicom celebrated the facility's grand opening on March 31.



## Established the New Sugita Logistics Center, which Specializes in 3PL Services

(SBS Freight Service Co., Ltd.)

### February

SBS Freight Service, which engaged in logistics operations over a wide area, relocated its head office to Isogo Ward, Yokohama City, in conjunction with the establishment of the new Sugita Logistics Center, the company's first facility to specialize in 3PL services. SBS Freight Service has been contracted to undertake the logistics operations of an audio equipment manufacturer and a company engaged in education-related activities targeting young children at the center.



## Set Up a Joint Venture with Kasei, Inc. and Commenced Distribution Operations in the Hanshin Region

(SBS Sokuhai Support Co., Ltd.)

### April

SBS Sokuhai Nishi-Nippon Co., Ltd. was established as a joint-venture company between Kasei, Inc. and SBS Sokuhai Support Co., Ltd. on March 18, 2016. The newly established company commenced transportation operations in the Hanshin region from April 1. With bases set up in Osaka and Kobe, SBS Sokuhai Nishi-Nippon will look to push forward charter-type shipping-and-delivery operations.



## Conducted Harassment Training for Management and Supervisory Personnel

(SBS Group)

### May

The SBS Group conducted harassment training for the management and supervisory personnel of Group companies in an effort to realize a workplace environment in which all employees can go about their duties in a comfortable and enjoyable manner. In addition to displaying posters at all places of work with the aim of preventing power harassment, the SBS Group is also working diligently to promote increased awareness and understanding toward compliance by all employees.



## Commenced Sales of SANIMED, Japan's First Therapeutic Food for Pets

(Global Pet Nutrition Inc.)

### June

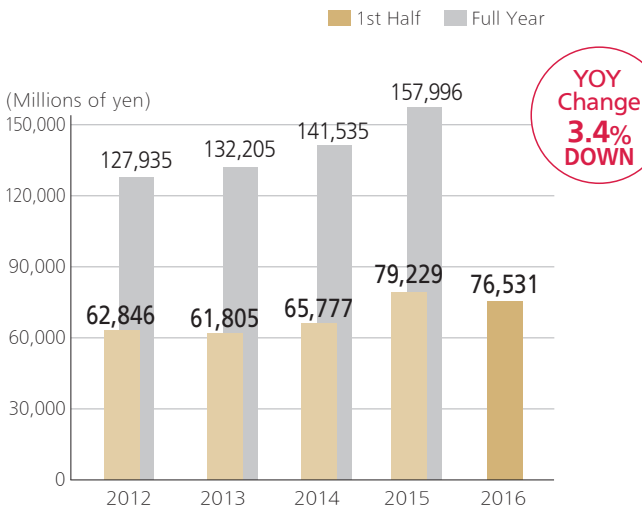
Global Pet Nutrition concluded a comprehensive agency agreement for the import and sale in Japan of SANIMED with Netherland-based Vobra Special Petfoods. Developed by Vobra Special Petfoods, a company that is also active in providing treatments for skin and chronic kidney diseases, SANIMED is a special therapeutic food for pets. This is the first instance for a special product of this nature to be sold to veterinary hospitals.



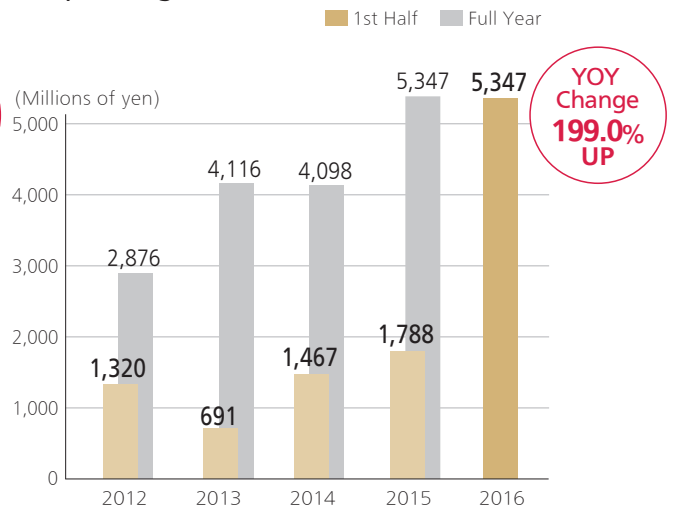
## CONSOLIDATED FINANCIAL PERFORMANCE

During the period under review, the SBS Group worked in unison to prioritize efforts aimed at achieving a V-shaped recovery following the losses incurred by the Group's operating company in India in the fiscal year ended December 31, 2015. From a business strategy perspective, the Group focused on starting up locations with a total floor area of around 165,000 square meters, the largest facility expansion in its history. At the same time, energies were directed toward reconstructing the Group's overseas platform.

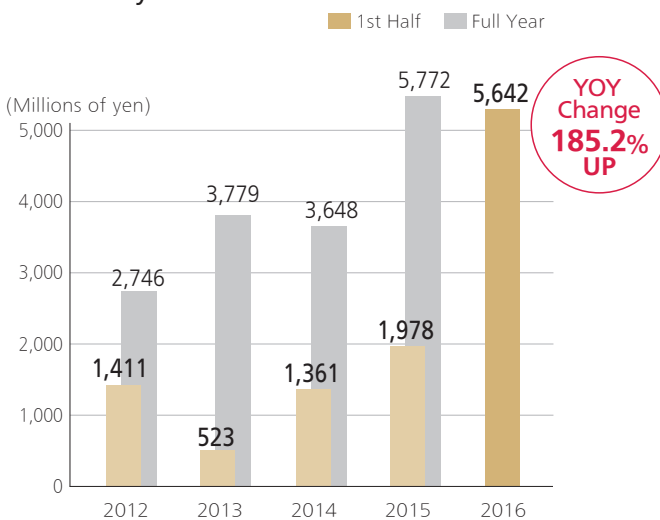
### Net Sales



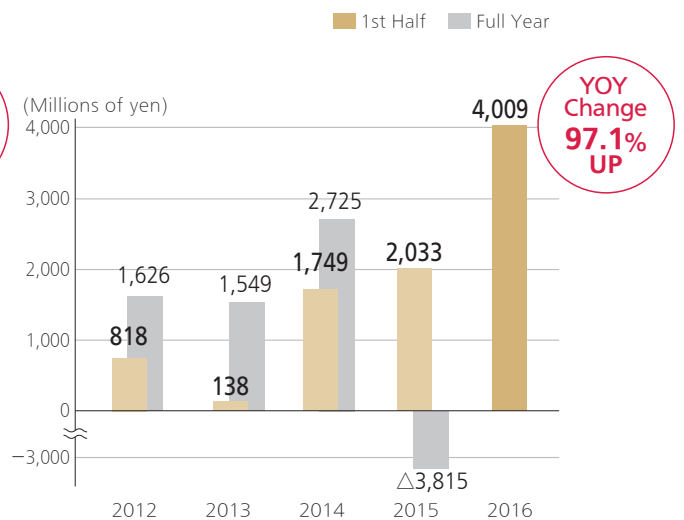
### Operating Income



### Ordinary Income



### Net Income





■ Sales by Segment

(Millions of yen)

	1st Half of FY2016		1st Half of FY2015	
	Net Sales	Operating Income	Net Sales	Operating Income
Logistics	64,562	916	73,810	973
Property Management	8,935	4,390	2,510	805
Other	3,034	172	2,908	125
Adjusted Total	76,531	5,347	79,229	1,788

● Logistics Business :

In Japan, net sales in the logistics business grew due to the expansion of operations. This was despite sluggish increases in cargo volumes. Overseas' net sales dropped owing mainly to the exclusion of overseas subsidiaries from the scope of consolidation. As a result, overall sales declined. Operating income benefited from falling fuel costs, the hike in service prices, and a lower goodwill burden on overseas subsidiaries. However, these positive factors were not enough to compensate for the higher costs associated with the launch of logistics locations.

● Property Management Business :

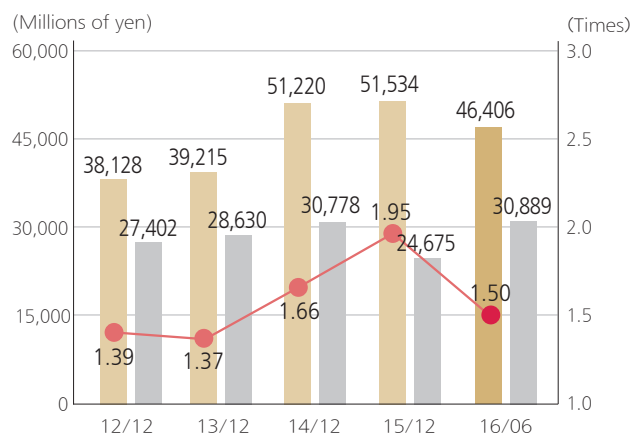
Net sales and operating income increased substantially. This largely reflected the early sale of the Kawagoe Logistics Center. Initially slated for the third quarter, sale was brought forward to the second quarter.

● Other Business :

Net sales and operating income grew on the back of the favorable performance in the marketing business and positive steps to expand solar power generation business operations.

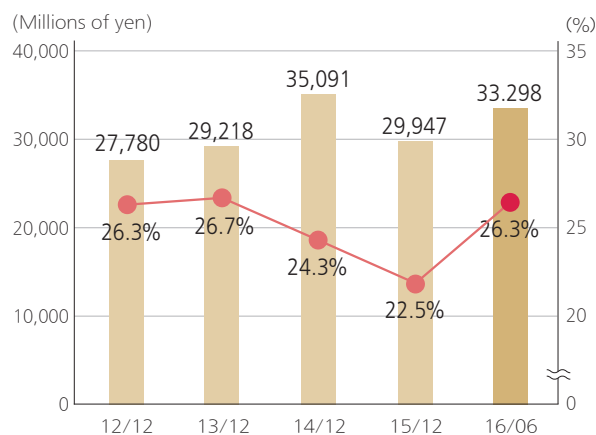
■ Net Debt, Total Shareholders' Equity (left), Net Debt-to-Equity Ratio (right)

■ Net Debt ■ Total Shareholders' Equity ● Net Debt-to-Equity Ratio



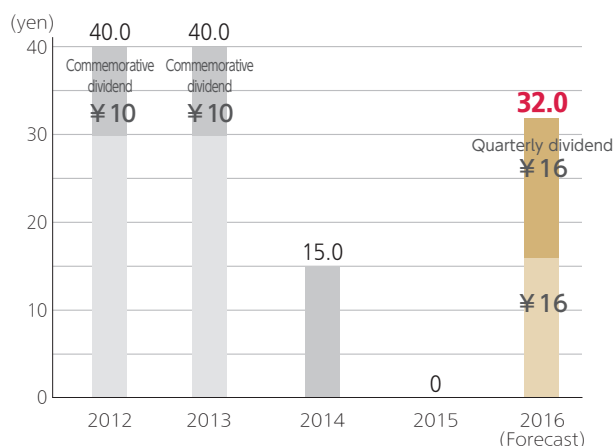
■ Net Assets, Equity Ratio

■ Net Assets ● Equity Ratio



\*Net Debt=Long-term loans + Short-term loans + Bond-Cash and deposits  
 \*Net Debt-to-Equity Ratio=Net debt/Total shareholders' equity

■ Dividends per Share



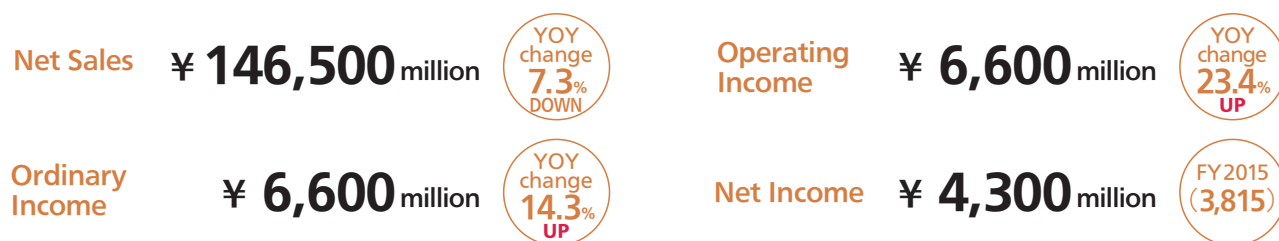
Notes: The Group conducted a three-for-one split of common shares on June 1, 2014. The commemorative dividend distributed in 2012 commemorates the Group's listing on the Second Section of the Tokyo Stock Exchange. The commemorative dividend distributed in 2013 commemorates the Group's listing on the First Section of the Tokyo Stock Exchange.

Basic Policy on the Distribution of Profits

The SBS Group has positioned the return of profits to its shareholders as an important management objective. Accordingly, our basic policy on the distribution of profits is to maintain a steady stream of ongoing dividends while working to increase dividend levels in line with the Group's operating performance. In implementing this policy, we also take into consideration the need to boost internal reserves to ensure a stronger management base.

Looking at dividends for the fiscal year ending December 31, 2016, we plan to pay the usual period end dividend of ¥16 per share to shareholders. Meanwhile, we took steps to pay a quarterly dividend of ¥16 per share to shareholders of record as of the end of March 2016 on a one-off basis limited to the fiscal year under review.

PERFORMANCE FORECASTS (For the year ending December 31, 2016)



■ By Segment

(Millions of yen)

	Logistics	Property Management	Other	Adjusted Total
Net Sales	129,950	10,350	6,200	146,500
YOY Change	(9.4)%	19.8%	4.0%	(7.3)%
Operating Income	1,530	5,070	300	6,600
YOY Change	(26.2)%	54.0%	26.1%	23.4%
Operating Margin	1.2%	49.0%	4.8%	4.5%

※ Figures of the earnings forecast have been revised on May 25, 2016.

## ■ Corporate Profile

Company name	SBS Holdings, Inc.
President	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	¥3,918.21 million
Net sales	¥157.9 billion (consolidated) *For the year ended December 31, 2015
Head office	4-1-3 Taihei, Sumida-ku, Tokyo 130-0012, Japan Tel: +81-3-3829-2222(main) Fax: +81-3-3829-2822
Lines of Business	Logistics, property management, marketing, human resources, etc.

### Consolidated Subsidiaries

<ul style="list-style-type: none"> <li>■ Domestic           <ul style="list-style-type: none"> <li>— SBS Logicom Co., Ltd.               <ul style="list-style-type: none"> <li>— SBS Freight Service Co., Ltd.</li> <li>— Nippon Record Center Co., Ltd.</li> <li>— SBS Transport Co., Ltd.</li> <li>— SBS Global Network Co., Ltd.</li> <li>— SBS Logicom Kitakanto Co., Ltd.</li> <li>— SBS Logicom Minamikanto Co., Ltd.</li> </ul> </li> <li>— SBS Flec Co., Ltd. — SBS Flecnet Co., Ltd.</li> <li>— SBS Zentsu Co., Ltd.</li> <li>— SBS Sokuhai Support Co., Ltd. *Launched on July 1, 2015</li> <li>— SBS Staff Co., Ltd.</li> <li>— SBS Finance Co., Ltd.</li> <li>— A-MAX Co., Ltd. — L-MAX Co., Ltd.</li> <li>— Marketing Partner Co., Ltd.</li> </ul> </li> <li>■ Overseas           <ul style="list-style-type: none"> <li>— SBS Logistics Singapore Pte. Ltd. (Regional Headquarter of Asia)</li> </ul> </li> <li>■ Partner company           <ul style="list-style-type: none"> <li>— Atlas Logistics Pvt. Ltd. (India)</li> </ul> </li> </ul>
--

## ■ Board of Directors and Auditors

President	Masahiko Kamata
Senior Director	Kenichi Iriyama
Directors	Taiji Sugino Makoto Watanabe Jiro Iwasaki Tetsuya Sekimoto
Audit & Supervisory Board Member (full-time)	Yasuhiro Yamashita
Audit & Supervisory Board Member (outside)	Shigetaka Shomatsumoto Masahito Takeda

Notes: Jiro Iwasaki and Tetsuya Sekimoto are outside directors.  
Shigetaka Shomatsumoto and Masahito Takeda are outside auditors.

## ■ Stock Information

Number of shares authorized	154,705,200 shares
Number of shares issued	39,718,200 shares
Unit Stock System	Yes (100 shares)
Number of shareholders	4,630

## ■ Major Shareholders

Shareholder	Shares Held	Ratio of Shares Held (%)
Masahiko Kamata	14,888,400	37.48
Japan Trustee Services Bank, Ltd. (trust account)	3,923,500	9.87
SBS Holdings Employee Share Ownership Association	1,553,600	3.91
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02
TOBU Properties Co., Ltd.	954,800	2.40
Junichi Ouchi	928,200	2.33
STATE STREET BANK AND TRUST COMPANY 505224	750,000	1.88
The Master Trust Bank of Japan, Ltd. (Trust Account)	665,100	1.67
CBNY-GOVERNMENT OF NORWAY	651,136	1.63
3E Holdings Co., Ltd.	468,000	1.17

Note: The ratio of shares held against number of shares issued is truncated after the third decimal place.

## ■ Distribution of Shares by Shareholder Type

Number of share issued: 39,718,200 shares

