



SBS Business Report (Interim)

For the Six Months Ended June 30, 2017
(Security Code:2384)

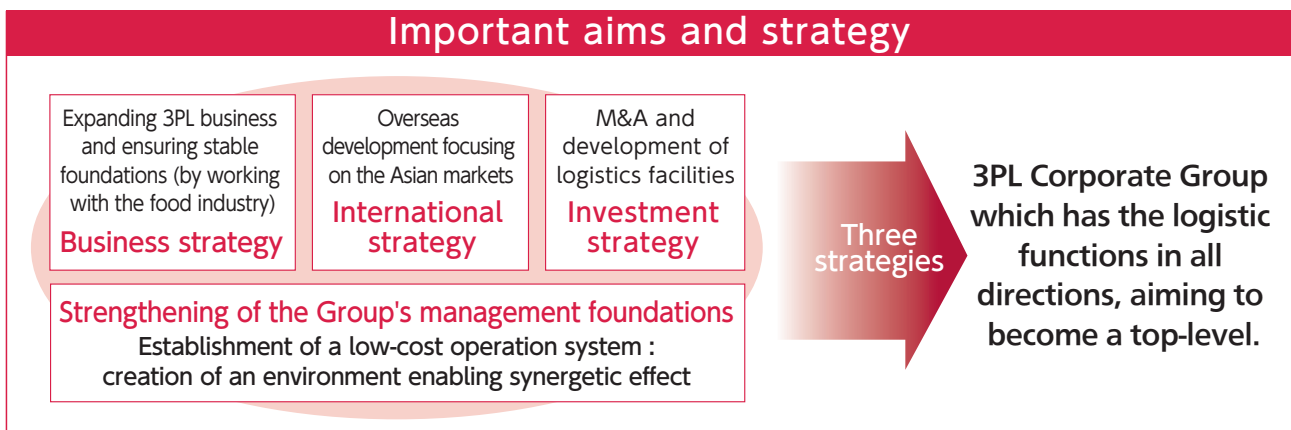
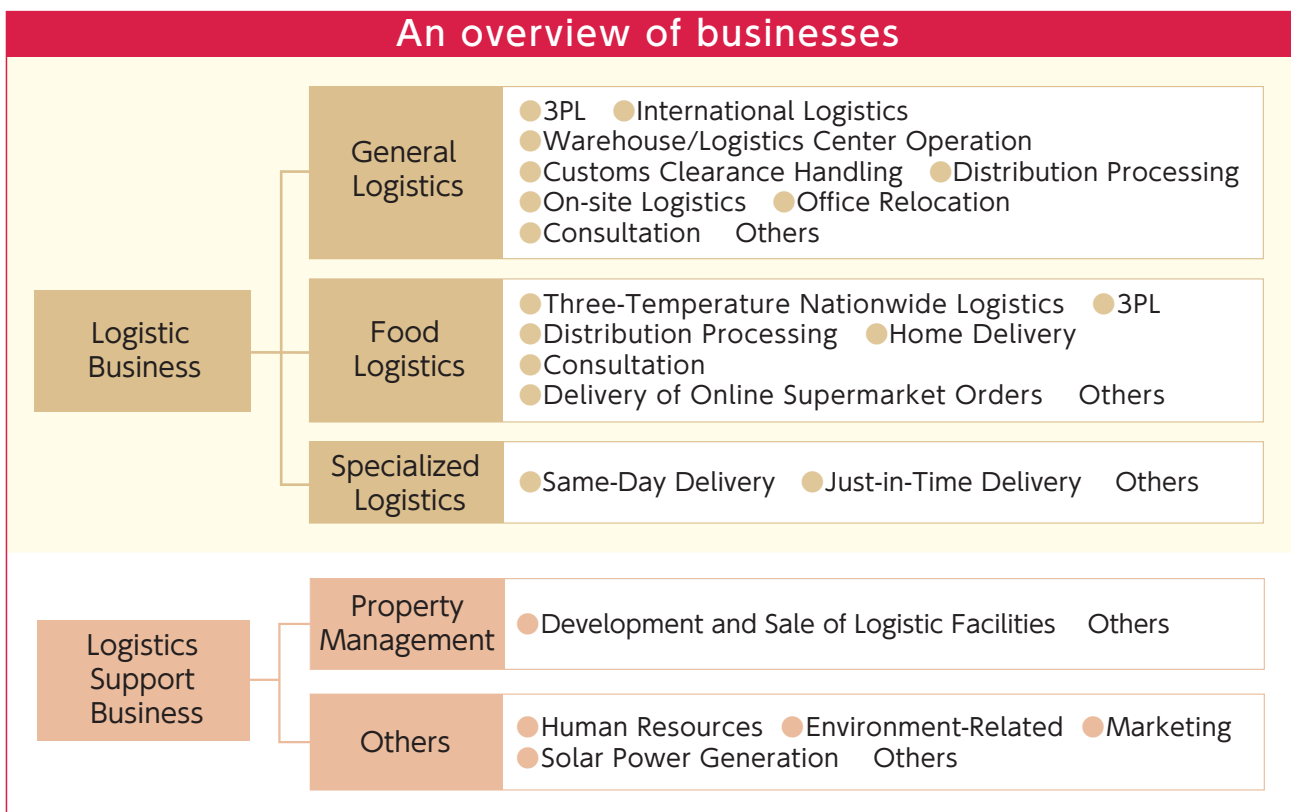
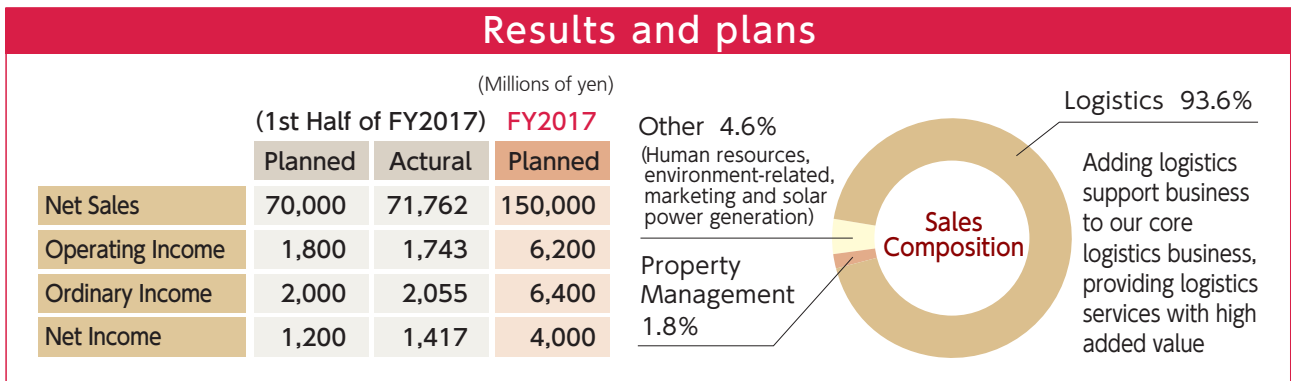
Special Feature

A Variety of Work Styles Expanding Out of the Frontline

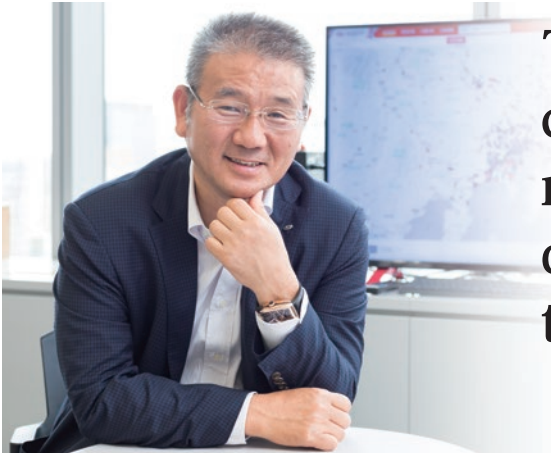
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The SBS Group meets various logistics needs with the utmost quality.



*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.



The SBS Group placed considerable emphasis on a mix of both offensive and defensive initiatives in a bid to take a further leap forward.

President: **Masahiko Kamata**

In connection with the largest facility expansion in the SBS Group's history undertaken during the previous period, energies were channeled toward further increasing the efficiency of operations as a part of efforts to address key issues going forward. At the same time, the SBS Group focused on securing new 3PL orders throughout the first half of fiscal 2017, the fiscal year ending December 31, 2017. Working in unison to advance these endeavors, the Group's performance progressed at a pace that was roughly in line with projections identified at the beginning of the period.

In the logistics business, the SBS Group pushed forward efforts aimed at stabilizing operations and increasing cost efficiency at logistics locations with a total floor space of 165,000 square meters started up during the previous period. In the period under review, the Group was also successful in supporting the smooth frontline operations of a variety of new customers. This included the needs of companies encompassing the apparel, import food and alcoholic beverages, food and other sectors, the manufacture and sale of pet foods as well as rental service and other operations. In addition, the SBS Group took steps to address the sharp increase in demand for home delivery services from major e-commerce companies operating in the Tokyo inner-city areas. Complementing the reassignment of staff across the Group as a whole, emphasis was placed on securing personnel by upgrading and expanding support systems in line with diverse work styles.

In the property management business, the SBS Group experienced a temporary drop in lease fees. This reflected the incidence of vacancies as a

result of the replacement of tenants attributable to seasonal factors. Despite this temporary downturn, total floor space is currently operating on a fully occupied basis. In line with its asset portfolio realignment strategy, the SBS Group is taking preparatory steps toward the sale of certain logistics facilities in the second half.

In the other business segment, marketing operations continued to increase throughout the first half of fiscal 2017. This is primarily due to the prolonged period of rapid e-commerce market expansion. Turning to the solar power generation business, revenue and earnings also grew in line with plans.

As far as recent trends in the logistics industry are concerned, continued rapid growth in the e-commerce market is changing the structure of consumption, which is in turn creating a host of management issues. This includes a shortage of labor focusing mainly on drivers and frontline operating personnel. In addition, uncertainty surrounding future economic conditions is continuing to mount as a result of such factors as political instability in certain countries. Taking each of the aforementioned into consideration, the current business environment is decidedly complex. Nevertheless, the SBS Group regards these circumstances as an opportunity to push forward a solutions that will help reform the logistics function. On the basis, the Group is confident in its ability to create added value. Moving forward, the Group will continue to meet this challenge.

As we work toward achieving our goals, we ask for the ongoing support and understanding of all shareholders.

A Variety of Work Styles Expanding Out of the Frontline

Each company in the SBS Group develops their logistics services in line with the distinctiveness of their business, and we have established a system supporting the work styles of the numerous employees that contribute to the smooth operation of these logistics sites. This report will introduce some of these people.



The working life of a recently graduated female home delivery driver

SBS Zentsu

In 2014, SBS Zentsu began hiring recent graduates to work as drivers delivering goods to co-op members all over the country. As the aging of society progresses and the birthrate declines, the number of senior citizens living alone continues to climb. Amid such an environment, the company's delivery drivers are being increasingly called upon to take special care and respond flexibly to the needs of our customers, including by providing simple assistance and watching over them.

While a student, I was a member of the athletic association's track and field team. I started job hunting after the fall competitions in my fourth year, and was fortunate to receive job offers from a number of companies. I was hoping to find a position suitable for someone like myself who enjoys communicating with people while moving about, and I accordingly decided to give my all being a delivery driver for SBS Zentsu. While being paired with men for the loading of heavy items into the truck at the logistics site, one person is responsible for delivering about fifty items each day.

There are 74 female drivers at SBS Zentsu. This is only about 5%–6% of the total, so women are still a minority, though at meetings for women only we can freely exchange information with each other, regardless of whether it is job-related or otherwise. We hope that by continuing to work after being married and after giving birth, it will encourage other women to enter the field and we will see a steady increase in the number of female drivers.

I think now is a very good time to be able to choose a job based on your interest, regardless of your gender. Working in an office, you don't enjoy just because you are a woman would cause great stress, and giving up on a job you enjoyed, where you could be driving and physically active, would just be a waste.



Lifestyle Logistics
Department
Home delivery section
No. 1
Home delivery area
No. 1 – Touto
Mizuki Yamamoto
(Joined in 2016)

Moving toward work styles that align with individual ways of living

The SBS group is focused on pursuing group synergies by making full use of the individual characteristics of each group company. This naturally contributes to the group putting an emphasis on respecting the individuality and lifestyle of each employee. The labor shortage is indeed a serious issue confronting the group, but we are working to offset this harsh operating environment by creating an “easy-to-work system” at each company and an attitude aimed at never giving up. We believe the source of the improvement in corporate value at the group is the fact that everyone working in the SBS Group can advance their professional life, regardless of age, gender, nationality, or educational background.

SBS Holdings Director Masato Taiji



Satisfying the needs of part-time employees with “a work style you can choose”

Nippon Record Center

Nippon Record Center specializes in third-party logistics (3PL) for multi-product/small lot shipments, including Internet orders and packaged software such as music and videos. In this business, part-time employees who can pick out and sort a number of small items swiftly and accurately are indeed highly valued. We are using a “work style you can choose” system so that each of our part-time employees can work for as long as they choose.

We have created for all our hard-working part-time employees a system that allows them when joining the company to select from a diverse group of schedules a work style that best fits their needs. For example, an employee that wants to be able to see their young child when that child returns home from school could select a schedule of working from 10:00am to 2:00pm. The system also allows the possibility that after a few years pass and that employee's child is older and needs less hands-on care, the employee may move to a 9:00am to 4:00pm schedule in line with their desire to earn a little more money. While on-site adjustments and procedures related to social insurance may be a bit complicated, we believe it is more important for us to do what we can for our best part-time employees so that they can have a long and pleasant work experience at the company.



Human Resources
Department
Miho Shimomura



We also hold workplace tours during summer vacation when children can participate, hold drawing classes with celebrities invited, and sponsor regular events in which local residents can participate, including power walking workshops. We believe these efforts further serve to support our part-time employees as members of the local community.

Using On-the-Job Training to Rapidly Unlock the Potential of Younger Employees

SBS Logicom Co., Ltd. Tokorozawa Logistics Center



SBS Logicom Co., Ltd. Tokorozawa Logistics Center
Dedicated Major Department Store Chain Center
(began operations in March 2016)

SBS Group member SBS Logicom has been actively recruiting high school graduates at each branch over around the past decade. SBS Logicom is addressing labor shortages as well as tackling issues posed by the lack of on-site supervisors by bringing young employees up to speed in a short period of time. We interviewed the manager of the Tokorozawa Branch and three on-site supervisors to highlight the initiatives being undertaken there.

Employees with Diverse Backgrounds Working Hard Together Leads to Better Performance

With labor shortage issues becoming a reality, SBS Logicom has been actively recruiting high school graduates. While each branch has its own unique approach to hiring, they have grown by honing their critical capabilities. Assigning employees to university graduates encourages them to improve themselves along with fostering a desire to take on challenges at work, generating synergies that contribute to better branch performance. Going forward, we plan to proactively assign eager young employees to important posts. I want young employees to take on challenges without being afraid of making mistakes.



Branch Manager
Akira Koyanagi

Working to Give Junior Employees the Same Support I Received

I joined the Company because I wanted to pursue my interest in logistics through a job that allows me to handle various goods while understanding the inner working of this business. In my current role as a supervisor, I manage a core group of full-time employees and around 150 part-time employees. My duties include arranging the dispatch of personnel and vehicles. Having received support from on-site senior employees who provided specific directions and a variety of advice when I went through very difficult times, I want to provide the same type of support to younger employees. In the future, I want to gain experience in a variety of positions such as branch manager, department manager, and head office administration.



Section Manager
Daisuke Yoshino

Striving to Be a Role Model for Junior Employees

Interested in on-site operations, I joined the Company at a different branch 11 years ago just after graduating from high school. I currently supervise co-workers who handle a wide array of goods ranging from apparel to sundry goods. My duties changed from on-site operations to administration (general office work) several years ago after receiving recommendation from my boss, which was very thrilling for me. Even now, I try to live up to these expectations. I work hard to be a role model for junior employees to aspire to, as someone who has continued to develop through my work duties even without a university degree.



Center Manager
Akira Kimae

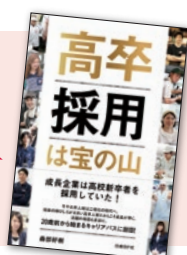
Eagerly Taking on Responsible Leadership Positions

Joining the Company four years ago, I chose to gain experience as a working adult rather than spend four years in university. Becoming interested in how apparel is stored and goods management after a company tour prompted me to join SBS Logicom. I am involved in directing part-time employees and arranging for transportation in order to deliver goods in keeping with customer requests. Having worked for the Company for a few years now, I am very keen on taking on responsible team-oriented leadership. However, there is a lot that I need learn, including communication skills and creating standardization schemes. I want to become center manager or branch manager someday.



Employee
Taiki Yoshida

Books
Worth
Reading!



Kousotsu Saiyo wa Takara no Yama

Yoshiki Moribe Nikkei Business Publications, Inc. August 2017

Interviews with Branch Manager Akira Koyanagi and company employee Taiki Yoshida are included in this publication as examples of companies where new high school graduates flourish. We highly recommend this book.



Honored with the 1st Prize in the Overall Ranking in "LOGI-BIZ" This Year

(SBS Logicom)

February

The monthly logistics industry magazine LOGI-BIZ formally announces its annual rankings of the top 2,000 logistics companies in terms of net sales based on evaluations of each company's growth potential, earnings capability, and stability as well as an analysis of their actual merits. This year, LOGI-BIZ ranked SBS Logicom No. 1 overall.



Holds Groundbreaking Ceremony for the Ibaraki Logistics Center (provisional name)

(SBS Flec)

May

Construction on the Ibaraki Logistic Center (provisional name) located in Ami Town, Inashiki County, Ibaraki Prefecture is scheduled to be completed in April 2018. This facility will serve as a logistics center operating in three different temperature zones. As an expression of our desire that construction proceeds safely, we held a groundbreaking ceremony with numerous guests in attendance, including officials from Ami Town and the SBS Group.



Gains Foothold in Chubu Region by Opening a Branch Office at Chubu Centrair International Airport

(SBS Global Network)

March

SBS Global Network provides international air and sea freight forwarding in Japan and abroad as well as customs clearance services. The Company has expanded its international freight services in the Chubu region by opening a branch office at Chubu Centrair International Airport.



Opens 3PL Facility together with a Vehicle Dispatch Center in Nagoya

(SBS Freight Service)

June

Engaging in wide-area logistics for the Group, SBS Freight Service opened the Nagoya Center in Minami Ward, Nagoya City. The Nagoya Center has begun providing 3PL (third party logistics) services in the Chukyo region. In so doing, we aim to establish a regionally based, high-quality 3PL facility for companies that manufacture and sell pet food.



Conducts Inaugural Lifesaving Training for Group Employees

(SBS Holdings)

April

The SBS Group conducted lifesaving training for employees focusing on CPR and the use of AEDs (automated external defibrillators) with the aim of enabling them to save the lives of those who become sick or injured close by such at work and home. The aim of this training program is to provide employees with the knowledge and skills to take appropriate actions during emergencies.



Wins Truck Driver Contest in Nagano Prefecture

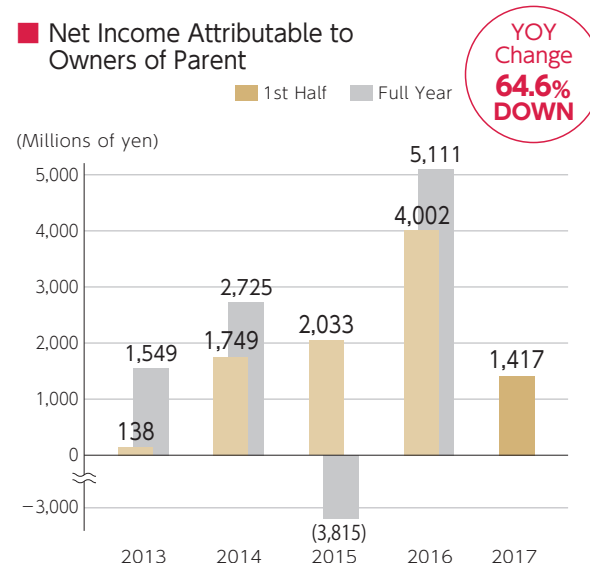
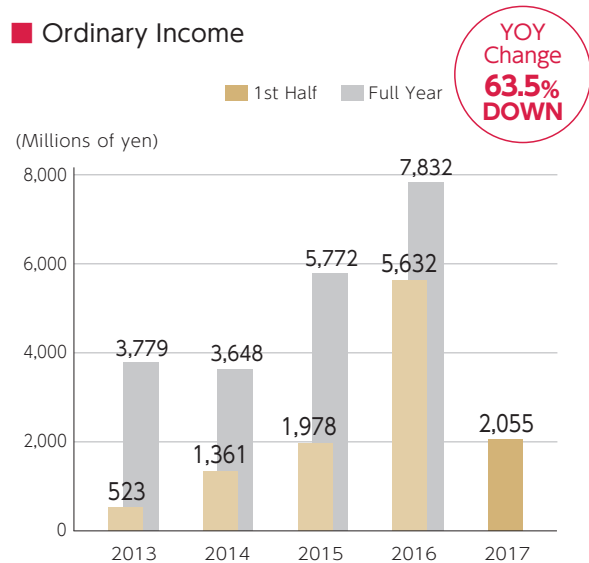
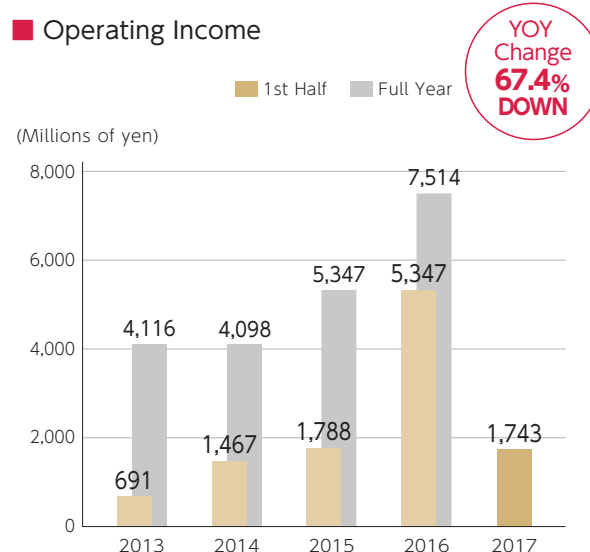
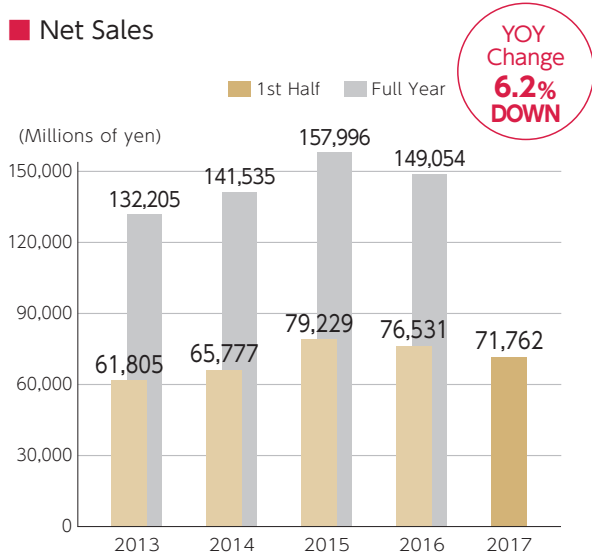
(SBS Flecnet)

July

The Nagano Trucking Association holds the Nagano Prefecture Truck Driver Contest mainly with the aim of improving driving skills, increasing maintenance and inspection techniques, and raising awareness of drivers' social responsibilities. Held for the 23rd time this year, two drivers from SBS Flec subsidiary Furukoshi Bussan emerged as winners of this competition.



In this period, the SBS Group made every effort to promote stable operations at logistics locations that were newly established and expanded during the previous fiscal year. Energies were also channeled toward securing new 3PL orders. Working in unison, the Group took steps to achieve its objectives in the final year of “SBS Growth 2017,” its four-year medium-term management plan. As a result, both revenue and earnings increased in the logistics business. Accounting for the fact that the Group did not undertake the sale of logistics facilities during the period as it had in the corresponding period of the previous fiscal year, results declined substantially in the property management business. Looking at the Group’s business as a whole, revenue and earnings were therefore lower than the levels recorded for the same period of fiscal 2016.



Notes: Effective from the fiscal year under review, the Company has conducted the advance application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method.” With regard to year-on-year comparison, the Company has retroactively applied these solutions to figures for the same period of the previous fiscal year.

CONSOLIDATED OPERATING PERFORMANCE

Performance by Segment

(Millions of yen)

	1st Half of FY2017		1st Half of FY2016	
	Net Sales	Operating Income	Net Sales	Operating Income
Logistics	67,153	928	64,562	916
Property Management	1,302	653	8,935	4,390
Other	3,306	229	3,034	172
Adjusted Total	71,762	1,743	76,531	5,347

Logistics Business :

Net sales in the logistics business increased substantially owing mainly to the business expansion undertaken during the previous period and contributions from new facilities set up in the period. Results were also positively impacted by increased efficiency at facilities established during the previous period and such factors as the upswing in existing agreement prices. Despite this substantial increase in net sales, operating income improved only slightly. This largely reflects the upswing in labor and vehicle hiring costs as well as lease payments and depreciation associated with the replacement of facilities.

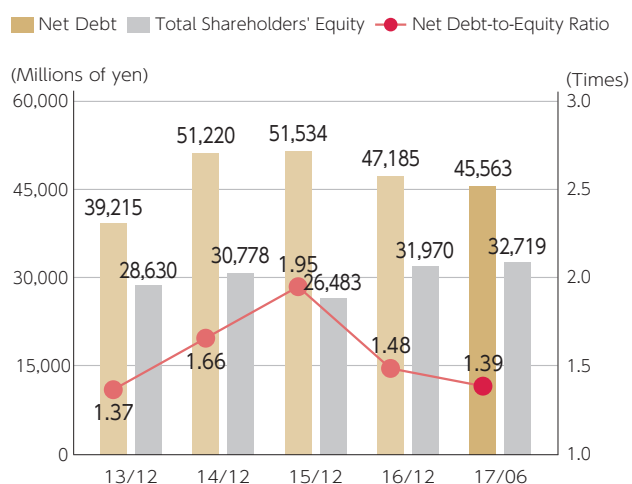
Property Management Business :

Both revenue and earnings declined substantially in the property management business. This was mainly due to the incidence of temporary vacancies as a result of the replacement of tenants that occurred at certain rental properties in the leasing business and the absence of any large-scale logistics facility sale in the development business, which helped boost results in the previous period.

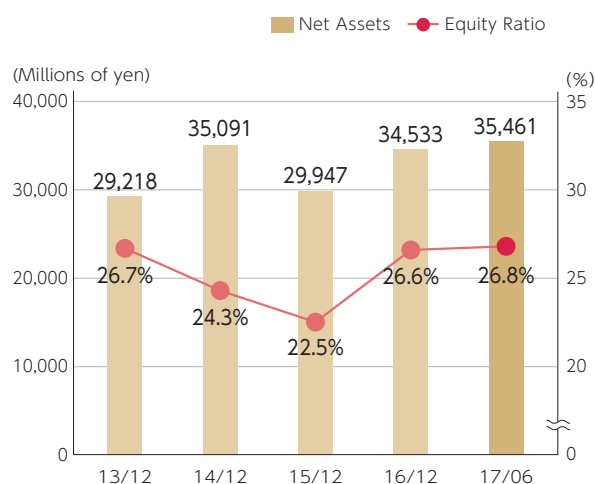
Other Business :

Revenue and earnings both increased in the other business. This was largely the result of steady growth in the marketing business and stable contributions from the solar power generation and human resources businesses.

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

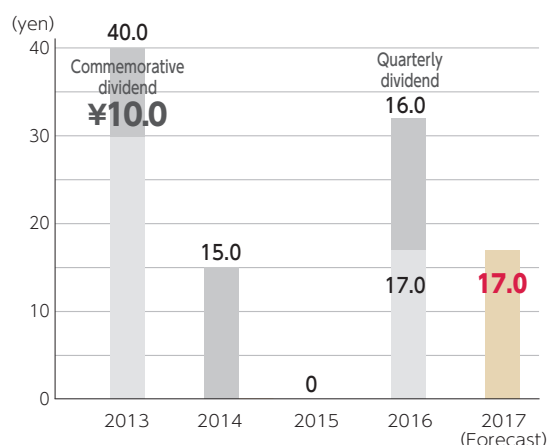


Net Assets, Equity Ratio



Notes: 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



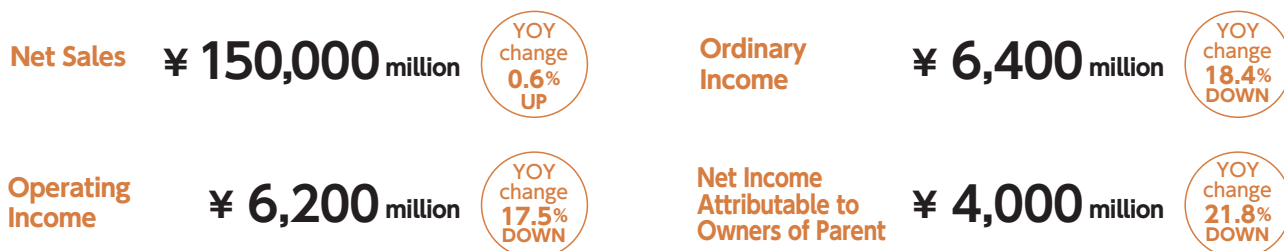
Basic Policy on the Distribution of Profits

The SBS Group has positioned the return of profit 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.

Based on the aforementioned, we plan to pay a period-end dividend for the fiscal year ending December 31, 2017 of ¥17 per share.

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

PERFORMANCE FORECASTS (For the year ending December 31, 2017)



■ By Segment

(Millions of yen)

	Logistics	Property Management	Other	Adjusted Total
Net Sales	136,500	6,800	6,700	150,000
YOY Change	3.0%	(33.8)%	6.5%	0.6%
Operating Income	2,500	3,600	350	6,200
YOY Change	10.3%	(29.5)%	9.0%	(17.5)%
Operating Margin	1.8%	52.9%	5.2%	4.1%

■ Corporate Profile

Company name	SBS Holdings, Inc.
President	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	¥3,918.21 million
Net sales	¥149.0 billion (consolidated) *For the year ended December 31, 2016
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	

■ Domestic	<ul style="list-style-type: none"> — SBS Freight Service Co., Ltd. — Nippon Record Center Co., Ltd. — SBS Global Network Co., Ltd. — SBS Logicom Kitakanto Co., Ltd. — SBS Logicom Minamikanto Co., Ltd.
	<ul style="list-style-type: none"> — SBS Flec Co., Ltd. — SBS Flecnet Co., Ltd. — SBS Zentsu Co., Ltd. — SBS Sokuhai Support Co., Ltd. — SBS Staff Co., Ltd. — SBS Finance Co., Ltd. — SBS Asset Management Co., Ltd. — L-MAX Co., Ltd. — Marketing Partner Co., Ltd.
■ Overseas	<ul style="list-style-type: none"> — SBS Logistics Singapore Pte. Ltd. (Regional Headquarter of Asia)

■ Board of Directors and Auditors

President	Masahiko Kamata
Senior Director	Kenichi Iriyama
Directors	Taiji Masato Yoshitsugu Sato Jiro Iwasaki Tetsuya Sekimoto
Audit & Supervisory Board Member	Yasuhiro Yamashita Shigetaka Shomatsumoto Masahito Takeda

Notes: Jiro Iwasaki and Tetsuya Sekimoto are outside directors.
Shigetaka Shomatsumoto and Masahito Takeda are outside
audit & supervisory board members.

■ 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	4,650

■ Major Shareholders

Shareholder	Shares Held	Ratio of Shares Held (%)
Masahiko Kamata	14,888,400	37.48%
Japan Trustee Services Bank, Ltd. (trust account)	3,954,500	9.95%
SBS Holdings Employee Share Ownership Association	1,529,400	3.85%
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,107,800	2.78%
TOBU Properties Co., Ltd.	954,800	2.40%
Junichi Ouchi	875,000	2.20%
CBNY-GOVERNMENT OF NORWAY	823,300	2.07%
STATE STREET BANK AND TRUST COMPANY 505224	675,000	1.69%
3E Holdings Co., Ltd.	422,000	1.06%

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

