



# SBS Business Report

for the Year Ended December 31, 2023

January 1, 2023 to December 31, 2023

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- Consolidated Business Results
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# After a Winter of Challenging Business Conditions, Green Shoots of Growth Are Starting to Appear

Masahiko Kamata, President and Representative Director



Before all else, on behalf of all of us at the SBS Group, I would like to extend my most sincere condolences to everyone who suffered the death of a loved one in the Noto Peninsula Earthquake, which struck Japan's Hokuriku region on New Year's Day 2024, and my best wishes for a rapid recovery to everyone who suffered injury or loss in that disaster. I pray for the earliest possible recovery for the region and, as a person involved in the logistics industry, pledge to do whatever I can to effect an early return to normal operations.

FY2023 was a year of new beginnings and fresh challenges. The restrictions imposed in relation to the COVID-19 pandemic were lifted, paving the way for normalization of business activity. However, high cost of light and heating and high prices for resources and daily necessities lingered, feeding continuing uncertainty about the direction of the economy. Similarly, in the logistics industry, difficult conditions persisted, as marine container shipping rates fell and slump in the semiconductor industry continued, while depreciation in the yen raised prices, putting a damper on purchasing. These circumstances are expected to endure in FY2024. In response, the SBS Group is marshaling its strengths to reinforce its sales capabilities and securing major projects, nurturing the green shoots of new growth. The SBS Group is pulling together to cultivate these green shoots against the gales of a challenging business environment and foster the bloom of new business opportunities.

Consolidated business results were disappointing in FY2023. Earnings growth was curtailed for the reasons described above, squeezed between falling logistics volumes and rising costs. Net sales decreased by 23,569 million yen (-5.2%) year on year to 431,911 million yen, operating income decreased by 2,124 million yen (-9.7%) to 19,719 million yen, and ordinary income declined by 1,656 million yen (-7.7%) to 19,747 million yen. Net

income attributable to owners of parent fell by 1,675 million yen (-14.3%) to 10,056 million yen.

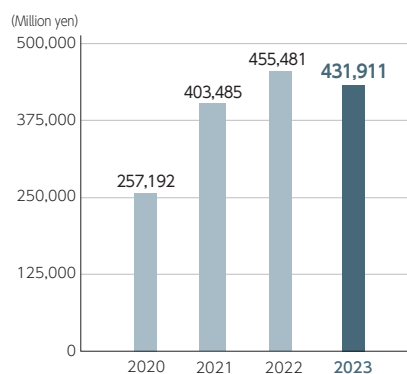
Challenging conditions are continuing in FY2024, including high costs, labor shortages and an increase in the minimum wage. Moreover, many shareholders have expressed concern about the "2024 problem" in logistics. Our answer is that the Group has already formed a maintenance organization to manage overtime, and a Group such as the SBS Group, with its outstanding scale and organizational capabilities, has the means to survive. Indeed, we see the current challenges as an opportunity to expand operating capacity. By moving forward with the proactive management called for in SBS Next Stage 2025, the three-year Mid-Term Management Plan that started in 2023, the SBS Group is aiming for the top tier of the logistics business.

In February 2024 the SBS Group completed construction of Noda Seto Logistics Center. Located in Noda, Chiba Prefecture, the Center is the Group's largest logistical facility. Later this year, the Group plans to start construction on another logistics center, this time in Tomisato, Chiba Prefecture. On one floor (33,000 sqm) of a four-story building, Noda Seto Logistics Center has established a dedicated EC logistics zone. Here our one-stop EC platform service, EC Logistics Omakase-kun (Entrustment), caters to customers' EC logistics needs with a framework that delivers high quality at competitive prices. Over the medium term, the Group aims to achieve annual net sales of over 100 billion yen in this field, making EC logistics the second most important pillar of Group operations after third-party logistics (3PL).

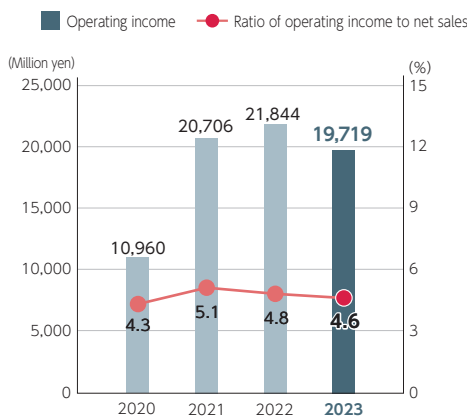
I ask all shareholders for your understanding of our business activities and growth strategy and once more request your continued support and encouragement.

## Consolidated Business Results for the Fiscal Year Under Review

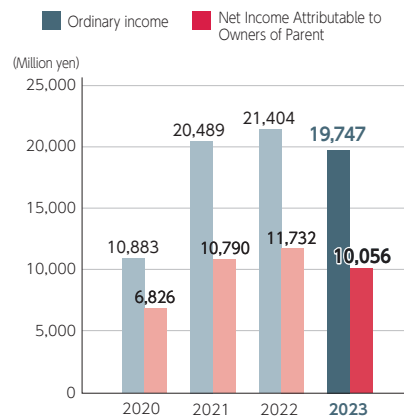
### Net Sales



### Operating Income/Ratio of Operating Income to Net Sales(Right Axis)



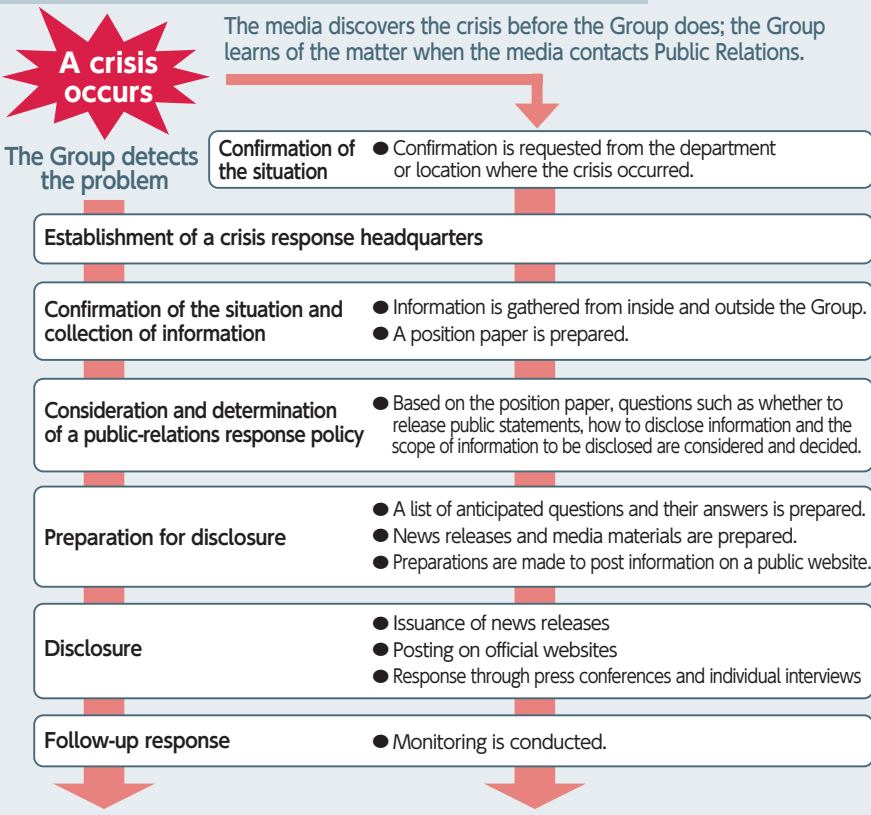
### Ordinary Income/Net Income Attributable to Owners of Parent



# Revision of the Crisis Management Public Relations Manual

The SBS Group has revamped its Crisis Management Public Relations Manual. The Manual is revised to include clear descriptions of cases of crises that can occur in our business as well as applicable countermeasures. The revised Manual will help the Group to prepare for crises, detect risks early and bring an end to crises to prevent the spread of damage.

## Basic Sequence of Events in Emergency Response



## Main Crises for Which a Public-Relations Response is Needed (excerpt)

Risk type	Sample crisis
<b>Legal violation</b>	Violation of laws governing operation of freight vehicles Violation of the Warehousing Business Act Etc.
<b>Natural disaster</b>	Earthquake of intensity upper 6 or greater and attendant tsunami Severe wind and rain or typhoon Etc.
<b>Serious accident</b>	Traffic accident, fire, environmental pollution Etc.
<b>Leak of customer information</b>	Removal by an employee, loss, transmission by error, virus infection, cyberattack, damage from fraud (including financial damage) Etc.
<b>Compliance failure</b>	Verbal gaffe or misstep by management Social media storm (Whether caused by an official post or an employee's personal post) Violation of a law or ordinance by an employee Etc.
<b>Labor relations</b>	Employment issue (unfair termination, mass retirement) Human-rights issue (harassment) Excessive work hours, suicide, work accident Etc.
<b>Financial</b>	Unlawful act (Insider trading, inappropriate accounting) Accusation from shareholders, shareholder derivative lawsuit Etc.



Professional Sustainability Promotion Division  
SBS Holdings, Inc.  
Yuji Shimizu

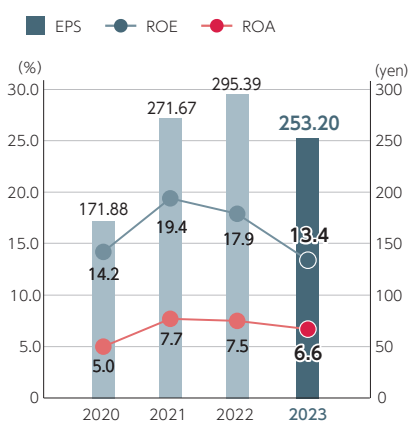
## Revising the Crisis Management Public Relations Manual

When the Great East Japan Earthquake struck on March 11, 2011, the disaster prompted the SBS Group to prepare a Business Continuity Plan (BCP) Manual, for use in the event of another major earthquake. The BCP Manual forms part of our risk management strategy.

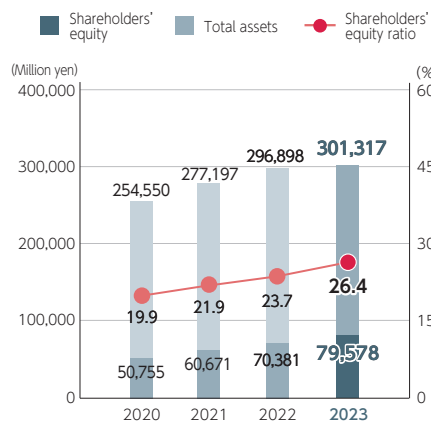
Recently, in the wake of scandals at other companies, media conferences have become a common sight at Japanese companies. The SBS Group suffered unwelcome publicity a few years ago, when a fire broke out at a warehouse and the Group was criticized for insufficient response and countermeasures. This background underscored the importance of preparing a Crisis Management Public Relations Manual, so the Group revamped its existing Manual.

To revise the Manual, we reached out to coordinate and adjust with related departments and sections to determine which risks had a chance of escalating into a crisis. I believe these efforts were beneficial in making the Group more sensitive than ever to the risks it faces.

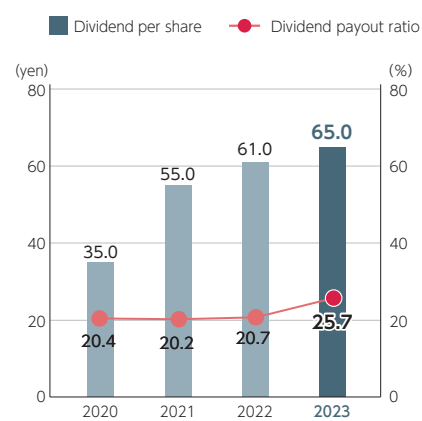
## Earnings Per Share (Right Axis) / Return On Equity / Return On Assets



## Shareholders' Equity / Total Assets / Shareholders' Equity Ratio (Right Axis)



## Dividends / Dividend Payout Ratio (Right Axis)





## No. 1 strategic base for EC platform business

# EC Noda Seto Logistics Center Launches into Action



Building A of Noda Seto Logistics Center, located in Noda, Chiba Prefecture, launched operations on February 1, 2024 and a completion-of-construction ceremony was held on February 16. The building's 165,000 sqm of floor space makes it the largest warehouse developed in-house by the Group. On the fourth floor, with 33,000 sqm of floor space, the SBS Group has established its No. 1 dedicated base for e-commerce (EC) logistics, one of its most vital business domains. Leveraging economies of scale, the Group plans to install a diverse succession of logistics-technology (LT) devices, progressing steadily toward full-scale operation in fall 2024.

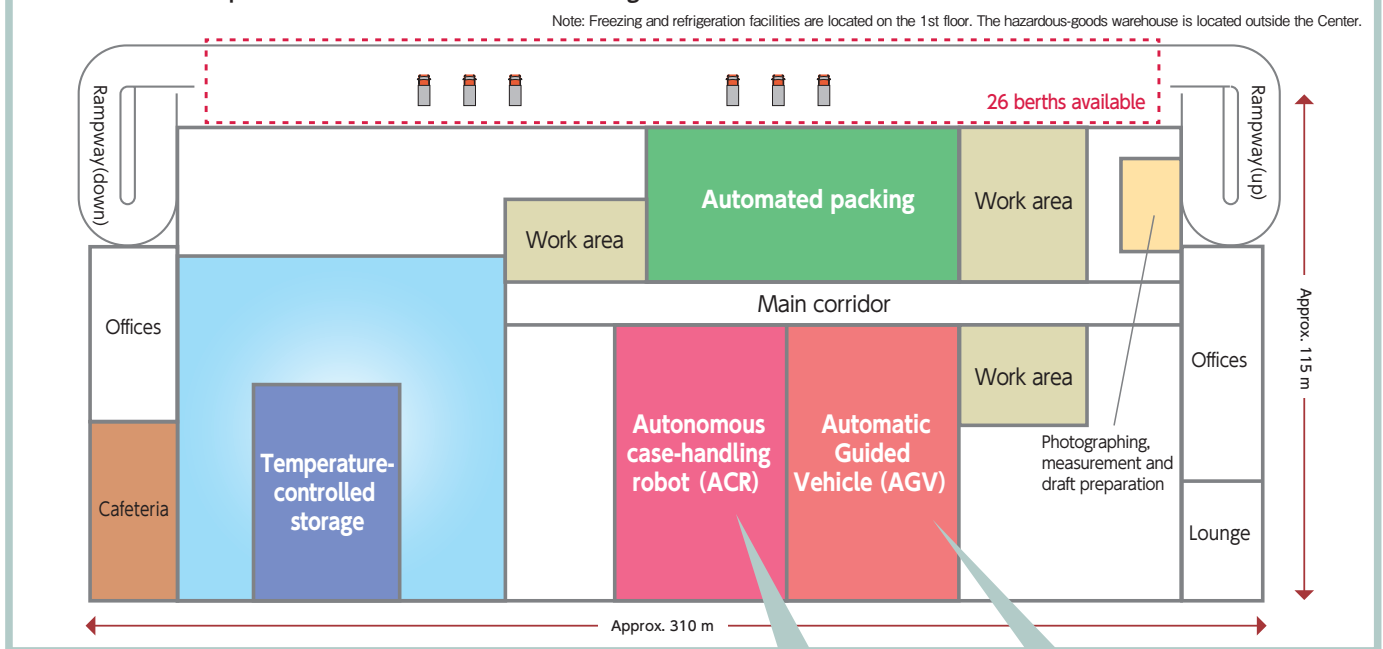
### Mustering the combined strength of the SBS Group to deliver EC logistical sharing services

On 33,000 sqm of floor space on one floor, a joint logistical platform is established in which multiple EC operators can work together. A number of innovations here enable downsizing of personnel and space and work standardization. For example, Robots of various types are implemented here; these were subjected to repeated evaluation of implementation effect and function at LT Laboratory, the Group's advanced robot solution testing facility in Koshigaya, Saitama Prefecture. The Center also enables standardization of workflow and services. These innovations lead to cost savings for customers.

### Equipment that responds to customers' diverse needs

Among the wide array of equipment installed in the Center are equipment with three temperature bands; a hazardous-goods warehouse, where special products can be stored; equipment for upgrading (repair) of returned items and equipment for detailed distribution processing. The Center is also outfitted with a pharmacy and photographic studio and can respond to the needs of a wide range of businesses, including apparel, foodstuffs, cosmetics, health foods, pharmaceuticals and general goods. A service menu of over 200 EC tasks and features for sustainability enable the SBS Group to propose operational designs catering directly to each client's needs.

#### Schematic floor plan of the 4th floor of EC Noda Seto Logistics Center



### From Noda Seto to Locations Throughout Japan: Expanding the EC Logistics Platform Business

The SBS Group aims to achieve net sales in excess of 100 billion yen (1 trillion yen in value of goods distributed) in the EC logistics business by 2030. With EC Noda Seto Logistics Center as its hub, the Group is considering construction of strategic EC facilities not only in the Kanto region but also in major regional cities such as Osaka and Fukuoka. The SBS Group is rolling out a contract logistics service, EC Logistics Omakase-kun (Entrustment), nationwide.

**EC物流お任せくん**





## In-House-Developed Logistics Facilities Open in Succession in Ichinomiya, Kashiwazaki and Noda Seto

SBS Group

In April 2023, the SBS Group opened the Ichinomiya Logistics Center (in Ichinomiya, Aichi Prefecture), its first in-house-developed logistics facility in Japan's Chubu region. Great efforts were made to achieve maximum efficiency, including full-fledged implementation of LT such as shelf-transport robots. In September 2023, SBS Toshiba Logistics completed construction of Kashiwazaki Warehouse (in Kashiwazaki, Niigata Prefecture), the first Group warehouse in the Shinetsu region. In both these facilities as well as Building A of Noda Seto Logistics Center (in Noda, Chiba Prefecture), which opened in February 2024, the SBS Group is accelerating the expansion of its network of logistics bases and in-house-developed logistics facilities while actively installing LT equipment. The Group is moving rapidly to automate operations and reduce personnel needs.



Building A of Noda Seto Logistics Center



Ichinomiya Logistics Center



Kashiwazaki Warehouse, Kashiwazaki Logistics Center



## Logistics Industry's First Positive Impact Finance Agreement, for 35 Billion Yen

SBS Holdings

With MUFG Bank, Ltd. and Mizuho Bank, Ltd. as the loan arrangers, in March 2023 SBS Holdings concluded syndicated "positive impact finance" agreement, the first such financing arrangement in the logistics industry. The agreement was for investment-type financing of an operating company, with no restrictions on application of funds. Total value of the scheme is 35 billion yen. The agreement was based on the positive impact finance principle, advocated by the United Nations Environmental Programme Financing Initiative. Funding was initiated when it was confirmed that the purpose of the loan was for corporate activities that deliver "positive impact" in the environmental, social or economic sphere.



## EC Operator K2 Joins the SBS Group, Merges with Toyo Warehouse & Transportation Co., Ltd.

SBS Logicom

In January 2023, SBS Logicom Co., Ltd. acquired all shares of K2 Corporate Partners ("K2"). In October 2023, in an absorption merger, SBS Logicom merged with Toyo Warehouse & Transportation Co., Ltd., a wholly owned subsidiary of SBS Logicom. Since its establishment in 2014, K2 has been engaged in operations such as support for websites specializing in EC. Going forward, K2 will be the main Group company in charge of expanding the Group's EC logistics business. For over 60 years, Toyo Warehouse & Transportation had leveraged its strengths in asset-type, combined, integrated logistics from customs to end user. Synergies are expected from this management integration.



## Commendation for Modal Shift Efforts

SBS Toshiba Logistics

At the Awards for Excellent Business Entities Working on Modal Shift Ceremony 2023, sponsored by the Japan Association for Logistics and Transport, SBS Toshiba Logistics Corporation received the Excellent Business Entity Working on Modal Shift award in the New Development Category. SBS Toshiba Logistics is working hard to achieve modal shift by reducing CO<sub>2</sub> emissions in transportation and easing burdens on drivers.



## Acceleration of Introduction of EVs for Last Mile Transport

SBS Group

In September 2023 SBS RICOH LOGISTICS SYSTEM CO., LTD. held a ceremony commemorating receipt of its first F1 VAN, a next-generation electric vehicle (EV). Similarly, in December 2023 SBS Sokuhai Support Co., Ltd. introduced additional EVs for last-mile delivery. With a view to reducing CO<sub>2</sub> emissions and reaching its sustainability targets, the SBS Group aims to replace some 100 vehicles with EVs in FY2024.



# Corporate Profile and Stock Information

## Corporate Profile

Company Name	SBS Holdings, Inc.
Representative Director	Masahiko Kamata
Established	December 16, 1987
Capital	3.92 billion yen
Net Sales	431.9 billion yen (consolidated) *For the year ended December 31, 2023
Location	8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-6125, Japan Sumitomo Fudosan Shinjuku Grand Tower 25F Tel: 03-6772-8200 (main switchboard)
Business Activities	Logistics business, property management business, marketing business, human resources business, etc.

### Consolidated Subsidiaries (January 1, 2024)

<b>SBS Toshiba Logistics Corporation</b>
TL Logi Service Co., Ltd.
Toshiba Logistics (Shanghai) Co., Ltd.
Toshiba Logistics (Hangzhou) Co., Ltd.
Toshiba Logistics (Dalian) Co., Ltd.
Toshiba Logistics Hong Kong Co., Ltd.
Toshiba Logistics (Singapore) Pte. Ltd.
Toshiba Logistics (Philippines) Corporation
TL Forwarding Service (Philippines) Corporation
Toshiba Logistics (Thailand) Co., Ltd.
TL Service (Thailand) Co., Ltd.
Toshiba Logistics Malaysia Sdn. Bhd.
Toshiba Logistics Vietnam Co., Ltd.
Toshiba Logistics India Private Limited
Toshiba Logistics America, Inc.
Toshiba Logistics Europe GmbH
<b>SBS RICOH LOGISTICS SYSTEM CO., LTD.</b>
SBS SAN-AI LOGISTICS CO., LTD.
RICOH LOGISTICS CORPORATION [USA]
RICOH INTERNATIONAL LOGISTICS (H.K) Ltd.
Ricoh International Freight Forwarding (Shenzhen) Co., Ltd.
SBS Logistics (Thailand) Co., Ltd.
SBS Vietnam Co., Ltd.
Jass Co., Ltd.
SBS Global Network Co., Ltd.
<b>SBS Logicom Co., Ltd.</b>
SBS Freight Service Co., Ltd.
SBS Logicom Kanto Co., Ltd.
Kyokushin Unyu Kaihatsu (K.U.K. LINE)
<b>SBS Flec Co., Ltd.</b>
SBS Flecnet Co., Ltd.
Hinomaru Kyuso K.K.
<b>SBS Sokuhai Support Co., Ltd.</b>
<b>SBS Zentsu Co., Ltd.</b>
<b>SBS Furukawa Logistics Corp.</b>
<b>SBS Staff Co., Ltd.</b>
<b>SBS Finance Co., Ltd.</b>
<b>Marketing Partner, Inc.</b>
<b>SBS Asset Management Co., Ltd.</b>
LMAX Co., Ltd.

## 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	5,495

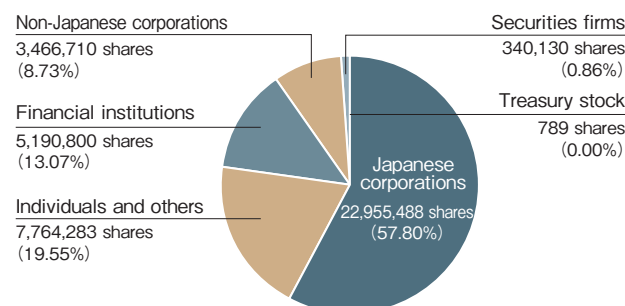
## Major Shareholders (as of December 31, 2023)

Shareholder Name	Number of Shares Held	Shareholding Ratio (%)
Kamata Kikaku Co., Ltd.	19,888,400	50.07
The Master Trust Bank of Japan, Ltd. (trust account)	2,464,100	6.20
Custody Bank of Japan, Ltd. (trust account)	2,195,600	5.52
SBS Holdings Employee Share Ownership Association	1,200,800	3.02
Masaru Wasami	1,078,600	2.71
TOBU Properties Co., Ltd.	1,001,000	2.52
GOVERNMENT OF NORWAY	655,409	1.65
Junichi Ouchi	601,400	1.51
Bansei Institute for General Research Co., Ltd.	410,000	1.03
UEDA YAGI TANSHI Co., Ltd.	366,200	0.92

\*The ratio of shares held against the number of shares issued is truncated after the second decimal place.

## Distribution of Shares by Shareholder Type

(number of shares issued: 39,718,200 shares)



## Directors (as of March 27, 2024)

Representative Director	Masahiko Kamata
Director	Shuichi Hoshi
Director	Masato Taiji
Director	Yasuhito Tanaka
Director	Natsuki Gomi
Director	Katsuhisa Wakamatsu
Outside Director	Jiro Iwasaki
Outside Director	Yoshinobu Kosugi
Director (Full-time Audit & Supervisory Committee Member)	Takashi Endo
Outside Director (Audit & Supervisory Committee Member)	Masato Matsumoto
Outside Director (Audit & Supervisory Committee Member)	Sachie Tsuji