

December 12, 2013

SBS Group transfers 51% of holding in logistics facility trust beneficiary rights to 'SBS Logifund No. 1' logistics facility real estate private placement fund

The SBS Group announces that at a meeting of the Board of Directors held on December 12, 2013, the Group decided to transfer 51% holding in logistics facility trust beneficiary rights of Shinbashi Capital Ltd., a special purpose company managed by the Group's consolidated subsidiary A-MAX Co., Ltd. (hereafter 'A-MAX') to 'SBS Logifund No. 1' logistics facility real estate private placement fund (hereafter 'the fund') which Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (hereafter 'MUMSS') has constituted as financial advisor. The details of the transaction are as follows.

1. Background to transfer

The Group is striving to expand its 3PL business with the aim of breaking into the top 10 companies in the logistics industry and promoting its ideal of being a "3PL* Corporate Group which has logistics functions in all directions". In furtherance of its aim to reinforce its 3PL business, the Group has invested a total of ¥50 billion in 12 facilities with a floor area of approximately 330,000 square meters (100,000 *tsubo*) since 2004 and has incorporated this activity as an extremely important element, along with M&A, in the development of well-located, state-of-the-art logistics centers. However, as the scale of investment in logistics facilities continues to expand year-by-year, diversification in financing methods has become an urgent issue.

*3PL: Third Party Logistics, which means offering shipper companies proposals for innovative logistics solutions and being entrusted with providing them with comprehensive logistics functions and services

On the other hand, MUMSS, which trades in and underwrites negotiable securities as a core company in the Mitsubishi UFJ Financial Group, undertakes a wide range of business operations including providing advice in relation to M&A and the securitization of assets. In recent years, as the needs of shipper companies have risen and the size of the high-functionality, large-scale logistics facilities market has grown, the Group has been searching to discover investment opportunities for excellent logistics properties with the capacity to support stable, medium-to-long-term cash flows for institutional and other investors through the establishment of logistics facility real estate private placement funds.

2. Reason for transfer

The Group can steadily recoup the cash flow it has invested and also reinvest the cash flow obtained from the fund by transferring logistics facilities that it owns to the fund in which, with MUMSS acting as financial adviser for its establishment, the Development Bank of Japan Inc., Industrial & Infrastructure Fund Investment Corporation (IIF), and other major Japanese institutional investors have invested. Moreover, because the Group's facilities are state-of-the-art, which are situated in key logistics locations, and have medium-to-long-term contracts in place with highly credit-worthy tenants, the value added generated is being realized in the form of transfer earnings, and we believe that this is linked to the growth in business earnings. Moreover, the private placement format/structure limits the number of investors and so the Group expects to be able to continue to maintain excellent relationships with its tenants by investing on its own behalf.

3. Overview of assets to be transferred

Name of facility:	West Japan Logistics Center
Address:	55-13 Osumihama, Kyoutanabe City, Kyoto Prefecture
Lot/site area:	25,853.00m ² (7,821 <i>tsubo</i>)
Floor area	33,243.99m ² (10,056 <i>tsubo</i>)
Completion date:	March 2007

Assets to be transferred: 51% holding in logistics facility trust beneficiary rights relating to West Japan Logistics Center
Transfer price: Approximately ¥2.88 billion

4. Overview of the fund

Name of fund: SBS Logifund No. 1 Co., Ltd.
Scheme: Logistics facility real estate private placement fund by anonymous partnership/association investment
Date of establishment: December 13, 2013 (Friday)
Assets to be transferred: 51% holding in logistics facility trust beneficiary rights relating to West Japan Logistics Center
Total assets: Approximately ¥3.15 billion
AM*: BMS Asset Management Co., Ltd.
Investors: Development Bank of Japan Inc., Industrial & Infrastructure Fund Investment Corporation (IIF), major Japanese institutional investors, leasing companies, etc.
The Group's A-MAX is also investing 12.5% of the anonymous partnership/association investment fund.
Management term: 3 years

*AM: Asset Manager

5. Impact on business results

It is expected that the transfer of the trust beneficiary rights to the fund will be recorded as net sales of approximately ¥2.9 billion, and that the transfer differential gain will be recorded as operating income of approximately ¥1.1 billion. Regarding the impact of the transaction on forecasts for the financial fiscal year ending December 31, 2013, it will be necessary to monitor trends in business results carefully because this is the busiest time of the year for the logistics business which is the largest element of the Group's operations, and any deviation from the forecast numbers for the period greater than a certain level will be promptly disclosed.

6. Subsequent development

It is the stated intention of MUMSS to continue to start up logistics facility real estate private placement funds with excellent properties that offer the expectation of stable cash flow generation over the medium-to-long term either owned by the Group or occupied by highly credit-worthy tenants for development so as to be able to accurately meet investor needs into the future.

The Group intends to continue to maintain its good relationship with MUMSS, and exploit the fund and similar schemes as a mechanism for raising new funds to recoup and reinvest funds invested in logistics facilities, and thereby benefit from the added value created in the form of transfer gains. The Group aims to strengthen its financial condition in this way and also to proactively accept the challenge of developing logistics facilities that will contribute to the expansion of its 3PL business.