

## Consolidated Financial Results Announcement for the Year Ended December 31, 2010

Company name: SBS Holdings, Inc.  
 Stock exchange listing: JASDAQ  
 Stock code: 2384  
 URL: <http://www.sbs-group.co.jp/>  
 Representative: Masahiko Kamata, Representative Director and President  
 Contact: Koki Kakehashi, General Manager of Accounting Division (Tel: +81-3-3829-2222)  
 Date of Annual General Meeting of Shareholders (planned): March 25, 2011  
 Date of submission of annual securities report (planned): March 25, 2011  
 Date for commencement of dividend payments (planned): March 10, 2011

### 1. Consolidated Financial Results for the Year Ended December 31, 2010 (January 1, 2010 – December 31, 2010)

(Figures are rounded to the nearest one million yen.)

#### (1) Consolidated business results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2010	119,824	3.6	4,262	47.6	4,291	14.5	2,140	7.7
FY2009	115,710	(17.0)	2,888	(13.1)	3,748	(6.2)	1,988	107.0

	Net income per share	Diluted net income per share	ROE	Ratio of ordinary income to total assets	Ratio of operating income to sales
	Yen	Yen	%	%	%
FY2010	17,514.70	17,478.66	10.1	4.2	3.6
FY2009	16,273.05	16,227.36	10.4	3.5	2.5

(Reference) Equity in earnings and losses of affiliates

FY2010: -0 million yen; FY2009: 0 million yen

#### (2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2010	96,408	22,616	23.2	182,492.27
FY2009	107,201	20,238	18.6	162,905.21

(Reference) Shareholders' equity

FY2010: 22,344 million yen; FY2009: 19,906 million yen

#### (3) Consolidated cash flows position

	Net cash provided by (used in)			Cash and cash equivalents at end of term
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
FY2010	7,939	3,059	(14,071)	7,382
FY2009	1,901	11	(6,341)	10,455

### 2. Dividend Status

(Base date)	Dividend per share (yen)					Total dividend (annual) (million yen)	Payout ratio (consolidated) (%)	Dividend on equity (consolidated) (%)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
FY2009	—	0.00	—	2,300.00	2,300.00	281	14.1	1.5
FY2010	—	0.00	—	3,000.00	3,000.00	367	17.1	1.7
FY2011 (forecast)	—	0.00	—	3,000.00	3,000.00	—	21.6	—

### 3. Consolidated Financial Forecast for the Year Ending December 31, 2011 (January 1, 2011 – December 31, 2011)

(Percentage figures for the full year denote the year-on-year increase or decrease. Percentage figures for the half year denote the increase or decrease from the previous corresponding term.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	58,000	3.7	1,300	(22.5)	1,000	(53.7)	300	(78.1)	2,450.18
Full year	120,000	0.1	3,500	(17.9)	3,000	(30.1)	1,700	(20.6)	13,884.35

#### 4. Others

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that lead to a change in the scope of consolidation): None

New: None

Eliminated: None

(2) Changes in accounting principles and procedures and the presentation method, etc. of consolidated financial statements (those which are included in changes to important matters that will be the bases for preparing consolidated financial statements)

1) Changes associated with the revision of accounting principles, etc.: Yes

2) Change other than 1): No

(3) Number of shares issued (common stock)

1) Number of shares issued at end of term (including treasury stock)

FY2010: 130,684 shares FY2009: 130,684 shares

2) Number of treasury stock at end of term

FY2010: 8,244 shares FY2009: 8,486 shares

(Reference) Non-consolidated Financial Results

#### 1. Non-consolidated Financial Results for the Year Ended December 31, 2010 (January 1, 2010 – December 31, 2010)

##### (1) Non-consolidated business results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2010	3,013	57.5	1,439	321.8	1,206	625.2	742	—
FY2009	1,913	(25.7)	341	(66.3)	166	(82.4)	(42)	—

	Net income per share	Diluted net income per share
	Yen	Yen
FY2010	6,076.17	—
FY2009	(350.80)	—

##### (2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net Assets per share
	Million yen	Million yen	%	Yen
FY2010	40,020	10,371	25.9	84,709.56
FY2009	46,228	9,294	20.1	76,063.64

(Reference) Shareholders' equity

FY2010: 10,371 million yen; FY2009: 9,294 million yen

#### \* Explanation about the proper use of financial forecasts and other important notes

Since any forward-looking statements about financial outlook printed in this document are based on information currently available to the company and on certain assumptions deemed reasonable, actual results may differ significantly due to variety of factors.

# I. Business Performance

## 1. Analysis of operations

### (1) Consolidated summary of current fiscal year

Although Japan's economy in the fiscal year under review, showed the signs of recovery during the first half with recovery in exports mainly to the emerging markets and through supporting the economic effects by government's public spending, the economy now is at a standstill due to such factors as rapid appreciation of yen since summer and shrinking economic measures.

In logistic business, which is the major segment of the SBS Group, we have seen a recovery in the quantity from the previous year followed by the product expansion in manufacturing industry, however, severe business environment continued with the decline in commodity prices and request for price cut by customers due to deflationary impact, rise in fuel prices and others.

Under such circumstances, the Group has worked to expand its business and raised its profitability by developing new customers through enhanced marketing capabilities, cost reduction by switching on to low cost operation system and withdrawal from unprofitable business. Moreover the trade enquiries for logistics properties for sale, which were depressed after Lehman shock, increased and some properties we owned were sold.

Meanwhile, the SBS Group also worked on M&A, which is one of our important growth strategies. We made strategic moves towards future business expansion with the aim of strengthening the manufacturers' logistics and expansion of 3PL business, by welcoming Victor Logistics Co. Ltd. (changed its name to VL Loginet Co. Ltd. since July 2010) in April and AC System Corporation, who is specialized in import-export custom clearance, in July, starting at a real penetration in international logistics.

As a result, our group had increase in sales and profit with operating results in the current year as net sales of 119,824 million yen (up 3.6% from the previous fiscal year), operating income of 4,262 million yen (up 47.6%) and ordinary income of 4,291 million yen (up 14.5%). Net income remained 2,140 million yen (up 7.7%) due to the compulsory devaluation losses on investment securities of 557 million yen according to the stock price decline.

### (2) An overview of business segments

Operating status of each business segment is as below. The sales and operating income indicated below are the consolidated amount before elimination.

#### (Logistic Business)

In our mainstay logistics business, cargo movement continued to show the recovery and expansion trend through the special procurement by spell of hot weather as well as production expansion of the existing export-oriented manufacturing customers. It had a break however during the second half and made no progress ever since. On the other hand, we launched 3PL services to new customers including e-commerce companies, local food manufacturers and major electronics manufacturers, those of which had acquired through M&A or through aggressive sales activities. As a result, the logistics sales became 107,655 million yen (up 2.7% from the previous fiscal year).

On the earning front, we faced a struggling situation to secure profits due to the series of major price cut demands from the existing customers with prolonged deflation and intensifying competition. Our cost reduction efforts by thorough review of expenses and personnel system, succeeded and we could secure the operating income of 2,886 million yen (up 6.9%).

#### (Marketing Business)

Sales from the marketing business were down 47.4% to 1,880 million yen and operating income was up 36.4% to 42 million yen. A decrease in sales was largely due to the sale of subsidiary done in the previous year.

#### (Human Resources Business)

Sales from the human resources business declined 14.7% to 4,303 million yen and operating income was down 86.2% to 20 million yen. This was due to decreased demand for personnel dispatch service in line with the client's performance downturn and the worsening of employment situation.

#### (Financial Business)

Sales from the financial business significantly increased 220.2% to 5,348 million yen and operating income was up 196.9% to 1,199 million yen. This was due to the additional sales of 3.4 billion yen by sale of some logistics properties for sale we own.

#### (Other Business)

Sales from the other business were up 2.5% to 635 million yen and operating loss was 14 million yen

(operating loss of previous fiscal year was 45 million yen). SOLS, a subsidiary providing information services, has been liquidated at the end of December.

### (3) Future prospects

Economic recovery is expected with the increased exports to the fast-growing emerging economies; furthermore, there are many causes of concern for the companies such as slowing down export and domestic consumption by yen appreciation and prolonged deflation, rising fuel prices due to the sharp gain in crude oil prices and hence there are unknown consequences in the economic conditions henceforth.

Under such circumstances, we expect further price cut requested from the existing customers and an intense competition to acquire new customers. Our Group will work on expanding its operations by not only speeding up on establishing low cost operation system to beat the deflation but also strengthen the 3PL proposal which can provide the one-stop logistics services.

On the other hand, M&A would be an important tool to determine the growth since there is an inclination of decline in domestic logistic demand, in the long run. We aim to expand the market share by leveraging M&A aggressively, while assessing synergy effects with existing businesses. Further, we would like to embark full-fledged overseas operations seeking new markets in Asia, where economic growth continues and find the strategic partners while keeping M&A also in the vision.

In these circumstances, we expect consolidated performance for the year ending December 31, 2011 as follows:

<Consolidated financial forecast for the year ending December 31, 2011>

Net Sales	120 billion yen	(up 0.1% from the previous year)
Operating Income	3.5 billion yen	(down 17.9%)
Ordinary Income	3.0 billion yen	(down 30.1%)
Net Income	1.7 billion yen	(down 20.6%)

In these forecasts, we have considered the reduction factor of approximately 900 million yen of ordinary income through the completion of negative goodwill amortization and an extraordinary loss associated with the application of "Accounting standards for asset retirement obligations". Revenue from logistics property for sale reported during the current year is not expected in the next year.

## 2. Analysis of the financial position

### (1) Status of assets, liabilities and net assets

#### (Current Assets)

The balance of current assets in this fiscal year is 35,898 million yen which is 4,207 million yen down compared to the previous fiscal year. This is mainly due to the decrease in inventories which came from the sale of logistic properties for sale.

#### (Non-Current Assets)

The balance of fixed assets in this fiscal year is 60,509 million yen which is 6,584 million yen down compared to the previous fiscal year. This mainly involves the decrease in tangible non-current assets including buildings, structures and land through the liquidation of our logistic facilities we owned.

#### (Current Liabilities)

The balance of current liabilities in this fiscal year is 38,427 million yen which is 7,786 million yen down from the previous fiscal year. This is mainly due to the repayment of short-term borrowings.

#### (Non-Current Liabilities)

The balance of non-current liabilities in this fiscal year is 35,364 million yen which is 5,384 million yen down from the previous fiscal year. This mainly involves the decrease in the repayment of long-term borrowings and lease obligations.

#### (Net Assets)

Due to the increase in retained earnings, net assets in this fiscal year became 22,616 million yen which is 2,378 million yen up from the end of previous fiscal year. The equity ratio improved 4.6 points to 23.2% compared to 18.6% at the end of the previous fiscal year.

**(2) Status of cash flow**

Cash and cash equivalents (hereinafter called as “cash”) at the end of current fiscal year is 3,072 million yen down compared to the end of previous fiscal year and became 7,382 million yen. The major fluctuating factors of each cash flow are as below.

**(Cash flows from Operating Activities)**

Cash obtained from the operating activities are 7,939million yen. This was mainly due to the cash outflows from the corporate tax payment of 1,681 million yen, interest payments of 685 million yen; however, it involved the cash inflows from net income before income taxes of 3,968 million yen, depreciation of 3,799 million yen and 2,247 million yen decrease in inventories etc.

**(Cash Flows from Investment Activities)**

Cash obtained from/used in investment activities are 3,059 million yen. This was mainly due to cash inflow of 5,130 million yen through liquidation of logistic facilities; and on the other hand, cash outflows of 1,576 million yen for obtaining tangible and intangible non-current assets such as purchasing of vehicle etc.

**(Cash Flows from Financial Activities)**

Cash used in financial activities are 14,071 million yen. This was mainly due to fund procurement of long-term debts of 4,541 million yen, on the other hand, there were cash outflows such as long-term debt repayment of 9,088 million yen, net reduction of 8,330 million yen on short-term borrowings and dividend payment of 281 million yen.

**(Note)****Cash flow indexes**

For the years ended December 31	2006	2007	2008	2009	2010
Equity ratio (%)	15.2	18.1	16.8	18.6	23.2
Equity ratio based on market price (%)	41.7	17.2	5.6	6.2	12.3
Debt repayment term (years)	3.3	17.7	9.9	29.8	5.6
Interest coverage ratio (%)	19.5	4.1	8.3	2.4	11.6

**Notes:**

Equity ratio:  $\text{Equity (Shareholders' equity + Valuation and translation adjustment)} / \text{Total assets}$

Equity ratio based on market price:  $\text{Market value of total stock} / \text{Total assets}$

Debt repayment term:  $\text{Interest-bearing debt} / \text{Operating cash flows}$

Interest coverage ratio:  $\text{Operating cash flows} / \text{Interest paid}$

1. Each index is calculated based on consolidated financial figures.

2. Market value of total stock is calculated by multiplying the stock price (closing price at the end of the term) and the number of shares outstanding at the end of the term (after deduction of treasury stock).

**3. Basic policy on profit distribution and dividends of current and next fiscal year**

Our company, regarded the profit distribution to shareholders as one of the most important measures of management, the basic policy of profit sharing included not only building a very strong operational base and improving ROE but it also considered the results and put in its efforts to stable profit returns.

Regarding current year-end dividend, as it was announced on November 10, 2010, we are planning for 3,000 yen per share by adding in 700 yen to 2,300 yen disclosed in the beginning based on the results and financial conditions.

Even in the next fiscal year, we are planning to pay 3000 yen year-end dividend per share in December 2011, same as the current fiscal year.

**4. Business risks**

We think below are the possibilities of the risks associated to the business of our Group which can affect investors' decisions. Our Group also intends to put maximum focus on avoiding the risks when the possibility of such risk occurrence is recognized and measures if the risk is occurred.

The following risks also include future related risks as well; however, all the business risks are not necessarily covered.

**(1) Risks due to the changes in legal system**

We are subject to variety of laws and regulations for every business segment such as truck transportation business, freight transportation business, warehousing etc. in logistics, which is the main business of our group and Labor Standard Act, Labor Safety & Health Act, Workers Dispatch Act, Employment Security Act, Workmen's Accident Compensation Insurance Act etc. in human resource operations. Revision, strengthening and change in the interpretations of legal systems related to traffic, labors and environmental measures in response to the changes in social conditions surrounding the market are envisaged. Our group is running the business on the basis of honoring all these laws, however, occurrence of any new imposition or any new changes in business development while supporting them is expected which might affect Company's performance.

**(2) Risk of rising oil prices**

While running logistic business, usage of fuels such as gasoline and diesel becomes essential. If the fuel price increases by the global rise in oil prices, cost increase becomes an affecting factor. The group is making the budget, while watching the market movements, which incorporates price fluctuations to some extent; however, if the prices rise more than the expectations and if the surplus amount of cost increase can not be passed onto the fare, it may affect our group's operating results.

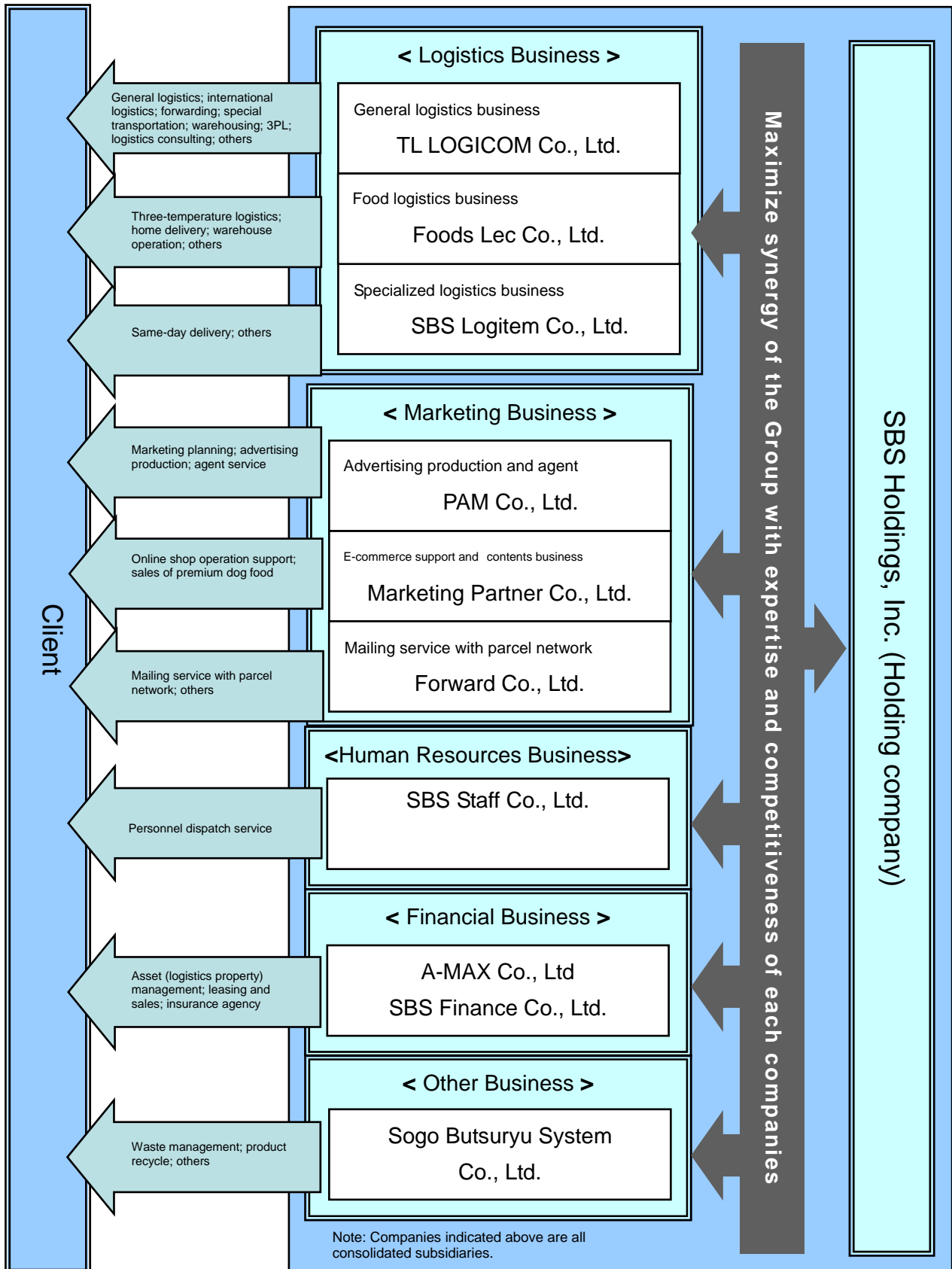
**(3) Risk of personal information**

In the business which our group is handling, we need to use and manage personal information. We think that there is a very low possibility of leaking it outside due to the execution of adequate security measures and strict internal audit. However, in case of unforeseen situation there is a possibility that the personal data might leak which may affect the operating results.

**(4) Risks related to the fluctuation of interest rates**

Our group is working aggressively in the implementation of M&A which is one of the key growth strategies and in the investments towards the logistic facilities for 3PL business development. We rely on borrowings from financial institutions for the necessary funding. While proceeding with the repayment by liquidation of logistic facilities and business cash flow on one hand, we have also taken measures such as fixing the interest rates for interest-bearing debts; however, movements in monetary policies may affect the results and financial conditions of the company.

## II. Business Group



### III. Management Policy

#### 1. Basic management policy of the company

Our group's main business area is logistics, which ties all kinds of industries and is an essential infrastructure for the economic activities.

With this knowledge, our group is exhibiting total strength, professional ability, and resolution power as a 3PL company group having logistic functions in all the directions. We will support customers' all the corporate activities such as production and sales from the backend.

We, while performing this logistic business which is closely related to the society, do understand the importance of corporate social responsibility and are sincerely involved in the CSR management with safety, environment and social contribution. We will continue to contribute affluent society by putting in efforts to increase corporate and shareholder value.

#### 2. Targeted management indexes

Our group is aiming to stably maintain the two indexes as below:

(1) Returns on equity (ROE) : more than 15%

(2) Ratio of ordinary income to sales : more than 3%

We are considering, returns on equity as an index to determine shareholder value and ratio of ordinary income to sales as an index to determine the necessary profit supporting the stable growth and thus both as appropriate indexes.

#### 3. Medium and long-term management strategy of the company

Domestic demand for logistic tends to shrink due to the factors like low birthrate and aging population, global competition, overseas relocation of production bases etc. On the other hand, in the logistic industry, approximately 60,000 companies, this is a sudden increase due to the deregulations, are betting their survivals and competing on quality improvement and cost reduction issues and are showing the signs of cut-throat competition.

Under such tough environment, it is important to expand the scale and to pursue the logistic expertise within the companies to knock out and survive in the competition and to sustain the growth. To achieve this, the group is promoting 4 strategies such as business, investment, overseas and infrastructure and thereby aiming further to the 3PL Group of companies having logistic functions in all the directions.

##### (1) Business Strategy

We will dedicate our total strength in the expansion of 3PL business which entrusts company's logistic functions comprehensively and thus aim to be the top group in this industry. We would like to strengthen the competitiveness of 3PL business by putting our efforts not only in the development of logistic functions according to the types of business sectors and merchandise but also in establishing the development of logistic facilities and low cost operation system. Food Logistic, which is our group's area of specialty, is engaged in increasing market share furthermore as it is positioned as a stable base business generating stable cash flow. Additionally, we would like to actively promote the growth strategy leveraging M&A to expand scale and ensure and accelerate good customer base.

##### (2) Investment Strategy

In order to maintain the growth under the expected shrinking domestic market, aggressive M&A and full-fledged penetration in overseas markets is an essential factor. We are concern about the temporary deteriorating financial position as substantial funds are necessary for the development of large-scale logistic facilities required for the expansion of 3PL business. Therefore, our group, initially, is going to invest funds by with a careful selection of M&A, where synergies can be expected both in business scale and in profitability. We will also work on facility development in non-asset form and be conscious about sound financial investment.

##### (3) International Strategy

Staring at the decline in the demand for domestic logistic, we will undertake a full-fledged overseas development seeking new markets. The target is countries in East Asia such as China, ASEAN countries, India where the market is growing. In case of China, we would like to strengthen the base in Shanghai and target the expansion towards Japanese companies and domestic logistic within China. Meanwhile, in case of the emerging countries like India, where there is further development expected in future, we will focus on finding partner companies keeping M&A also in the vision.

##### (4) Infrastructure Strategy

We are working on improving the management of personnel and vehicles; construct low cost operation system in order not to succumb to the cost down pressure. We will plan eradication by enforcing the basic measures of



unprofitable business. We also work on environmental improvement in order to extract group synergies. We would like to start building group business infrastructure which would support the growth by taking various measures such as strengthening accounting system, upgrading information infrastructure, unifying training systems etc.

#### **4. Company issues to be addressed**

Our group understands the importance of effective check functions in order to overcome the uncertain economic environment and fierce competition among the companies. In other words, accelerate the decision-making power in order to invest the necessary business resources in a timely and appropriate manner and also strive to make responsibilities and authorities of operational performance more transparent. We will work to establish a system to prevent the manifestation of the problems by strengthening internal controls and also by ensuring the compliance thoroughness and risk management.

On the other hand, logistic personnel, to promote 3PL business and global human resources equipped with overseas deployment are essential factors to maintain the growth. We are working on nurturing the talented personnel by upgrading the personnel system and enhancement of educational system. In addition to this, we are putting our efforts in creating an environment by participation in the management and introduce Employees Stock Ownership Plan (ESOP) or stock option system with the aim of uplifting the morale, which can give job satisfaction, pride and salt to life of every employee.

Moreover, to fulfill the social responsibilities as a logistic company we are actively engaged in environmental protection such as ensuring work safety, safety measures to avoid traffic accidents, promotion of eco-driving and reduction of environmental impacts from vehicles and facilities etc. We are promoting CSR management steadily in order to become a corporate group which is trusted and needed by society.

#### **5. Other important items on company's management**

There are no relevant items.

## IV. Consolidated Financial Statement

### 1. Consolidated Balance Sheets

	(Millions of yen)	
	FY 2009 (As of December 31, 2009)	FY 2010 (As of December 31, 2010)
<b>ASSETS</b>		
Current assets		
Cash and deposits	10,485,186	7,418,624
Notes and accounts receivable-trade	14,326,539	15,128,171
Lease receivables and investment assets	2,841,926	2,518,070
Short-term investment securities	310,553	300,686
Inventories	10,222,297	7,810,137
Deferred tax assets	362,158	337,105
Other	1,623,716	2,435,445
Allowance for doubtful accounts	(65,566)	(49,352)
<b>Total current assets</b>	<b>40,106,813</b>	<b>35,898,890</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	36,866,306	33,369,955
Accumulated depreciation and impairment loss	(18,770,021)	(19,573,076)
Buildings and structures, net	18,096,285	13,796,878
Machinery, equipment and vehicles	17,625,234	16,830,584
Accumulated depreciation and impairment loss	(14,322,534)	(14,104,749)
Machinery, equipment and vehicles, net	3,302,699	2,725,834
Land	34,063,424	32,984,319
Lease assets	5,102,326	5,179,368
Accumulated depreciation and impairment loss	(1,158,382)	(1,973,564)
Lease assets, net	3,943,943	3,205,804
Other	1,829,778	1,906,048
Accumulated depreciation and impairment loss	(1,473,691)	(1,537,505)
Other, net	356,086	368,543
<b>Total property, plant and equipment</b>	<b>59,762,439</b>	<b>53,081,381</b>
Intangible assets		
Software	416,557	395,631
Other	181,730	887,346
<b>Total noncurrent assets</b>	<b>598,287</b>	<b>1,282,978</b>
Investments and other assets		
Investment securities	2,751,920	2,530,186
Long-term loans receivable	498,207	607,217
Deferred tax assets	315,728	186,400
Guarantee deposits	2,017,914	2,205,574
Other	1,556,389	703,777
Allowance for doubtful accounts	(406,411)	(87,910)
<b>Total investments and other assets</b>	<b>6,733,748</b>	<b>6,145,246</b>
<b>Total noncurrent assets</b>	<b>67,094,475</b>	<b>60,509,606</b>
<b>Total assets</b>	<b>107,201,289</b>	<b>96,408,496</b>

(Millions of yen)

	FY 2009 (As of December 31, 2009)	FY 2010 (As of December 31, 2010)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	6,825,461	7,002,890
Short-term loans payable	25,680,000	17,670,000
Current portion of long-term loans payable	5,648,887	5,690,617
Current portion of bonds	280,000	256,000
Accounts payable-other	663,927	416,812
Accrued expenses	2,903,726	3,076,232
Lease obligations	1,346,608	1,208,900
Income taxes payable	898,733	825,842
Accrued consumption taxes	439,612	674,608
Provision for bonuses	556,056	580,718
Other	971,016	1,024,755
Total current liabilities	46,214,030	38,427,376
Noncurrent liabilities		
Bonds payable	1,360,000	1,686,000
Long-term loans payable	23,768,211	19,403,194
Long-term guarantee deposited	1,454,075	1,493,854
Lease obligations	3,823,441	2,975,408
Provision for retirement benefits	3,778,041	3,597,915
Provision for directors' retirement benefits	4,103	107,450
Negative goodwill	493,253	—
Deferred tax liabilities	5,730,649	5,793,535
Other	337,376	307,144
Total noncurrent liabilities	40,749,153	35,364,502
Total liabilities	86,963,183	73,791,879
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,833,934	3,833,934
Capital surplus	5,418,063	5,418,063
Retained earnings	12,242,920	14,100,121
Treasury stock	(787,516)	(765,058)
Total shareholders' equity	20,707,401	22,587,060
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(624,359)	(97,632)
Deferred gains or losses on hedges	(176,350)	(145,073)
Total valuation and translation adjustments	(800,710)	(242,706)
Subscription rights to shares	3,152	3,152
Minority interests	328,262	269,111
Total net assets	20,238,105	22,616,617
Total liabilities, net assets	107,201,289	96,408,496

**2. Consolidated Statements of Operations**

(Millions of yen)

	FY 2009 (Fiscal year ended December 31, 2009)	FY 2010 (Fiscal year ended December 31, 2010)
Net sales	115,710,834	119,824,045
Cost of sales	104,745,527	107,392,638
Gross profit	10,965,306	12,431,406
Selling, general and administrative expenses	8,076,640	8,168,534
Operating income	2,888,666	4,262,871
Non-operating income		
Interest income	17,372	22,316
Dividends income	—	93,874
Commission fee	8,875	27,841
Amortization of negative goodwill	1,619,864	556,602
Other	136,059	112,028
Total non-operating income	1,782,172	812,663
Non-operating expenses		
Interest expenses	796,137	667,408
Bond issuance cost	48,427	14,445
Financial charges	15,312	19,531
Other	62,071	82,385
Total non-operating expenses	921,949	783,770
Ordinary income	3,748,890	4,291,764
Extraordinary income		
Gain on sales of noncurrent assets	1,028,649	399,929
Gain on sales of investment securities	26,402	4,512
Gain on sales of subsidiaries and affiliates' stocks	159,726	—
Compensation income	73,396	—
Subsidy income	—	65,680
Other	213,387	128,735
Total extraordinary income	1,501,562	598,857
Extraordinary loss		
Loss on sales of noncurrent assets	15,217	23,471
Loss on retirement of noncurrent assets	68,172	86,933
Loss on valuation of investment securities	275,620	557,070
Loss on cancellation of leasehold contracts	82,209	32,197
Impairment loss	236,352	52,604
Other	145,804	169,389
Total extraordinary loss	823,378	921,666
Total net income (loss)	4,427,074	3,968,955
Income taxes-current	1,222,938	1,511,368
Income taxes-deferred	1,203,000	246,120
Total income taxes	2,425,939	1,757,488
Minority interests in income	12,601	70,696
Net income	1,988,533	2,140,769

**3. Consolidated Statements of Changes in Net Assets**

(Millions of yen)

	FY 2009 (Fiscal year ended December 31, 2009)	FY 2010 (Fiscal year ended December 31, 2010)
<b>Shareholders' equity</b>		
Capital stock		
Balance as of December 31, 2009	3,833,934	3,833,934
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of December 31, 2010	3,833,934	3,833,934
Capital surplus		
Balance as of December 31, 2009	5,418,063	5,418,063
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of December 31, 2010	5,418,063	5,418,063
Retained earnings		
Balance as of December 31, 2009	10,535,248	12,242,920
Changes of items during the period		
Dividends from surplus	(281,055)	(281,055)
Net income	1,988,533	2,140,769
Disposal of treasury stock	—	(2,512)
Change of scope of consolidation	194	—
Total changes of items during the period	1,707,672	1,857,200
Balance as of December 31, 2010	12,242,920	14,100,121
Treasury stock		
Balance as of December 31, 2009	(787,516)	(787,516)
Changes of items during the period		
Disposal of treasury stock	—	22,458
Total changes of items during the period	—	22,458
Balance as of December 31, 2010	(787,516)	(765,058)
Total shareholders' equity		
Balance as of December 31, 2009	18,999,729	20,707,401
Changes of items during the period		
Dividends from surplus	(281,055)	(281,055)
Net income	1,988,533	2,140,769
Disposal of treasury stock	—	19,945
Change of scope of consolidation	194	—
Total changes of items during the period	1,707,672	1,879,659
Balance as of December 31, 2010	20,707,401	22,587,060

(Millions of yen)

	FY 2009 (Fiscal year ended December 31, 2009)	FY 2010 (Fiscal year ended December 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance as of December 31, 2009	(559,586)	(624,359)
Changes of items during the period		
Net changes of items other than shareholders' equity	(64,772)	526,726
Total changes of items during the period	(64,772)	526,726
Balance as of December 31, 2010	(624,359)	(97,632)
Deferred gains or losses on hedges		
Balance as of December 31, 2009	(182,763)	(176,350)
Changes of items during the period		
Net changes of items other than shareholders' equity	6,413	31,276
Total changes of items during the period	6,413	31,276
Balance as of December 31, 2010	(176,350)	(145,073)
Total valuation and translation adjustments		
Balance as of December 31, 2009	(742,350)	(800,710)
Changes of items during the period		
Net changes of items other than shareholders' equity	(58,359)	558,003
Total changes of items during the period	(58,359)	558,003
Balance as of December 31, 2010	(800,710)	(242,706)
Subscription rights to shares		
Balance as of December 31, 2009	3,152	3,152
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of December 31, 2010	3,152	3,152
Minority interests		
Balance as of December 31, 2009	338,129	328,262
Changes of items during the period		
Net changes of items other than shareholders' equity	(9,867)	(59,150)
Total changes of items during the period	(9,867)	(59,150)
Balance as of December 31, 2010	328,262	269,111
Total net assets		
Balance as of December 31, 2009	18,598,660	20,238,105
Changes of items during the period		
Dividends from surplus	(281,055)	(281,055)
Net income	1,988,533	2,140,769
Disposal of treasury stock	—	19,945
Change of scope of consolidation	194	—
Net changes of items other than shareholders' equity	(68,227)	498,852
Total changes of items during the period	1,639,444	2,378,511
Balance as of December 31, 2010	20,238,105	22,616,617

## 4. Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2009 (Fiscal year ended December 31, 2009)	FY 2010 (Fiscal year ended December 31, 2010)
<b>Net cash provided by (used in) operating activities</b>		
Total net income (loss)	4,427,074	3,968,955
Depreciation	4,130,553	3,799,902
Impairment loss	236,352	52,604
Amortization of negative goodwill	(1,619,864)	(556,602)
Increase (decrease) in allowance for doubtful accounts	26,608	(351,189)
Increase (decrease) in provision for bonuses	14,339	(19,646)
Increase (decrease) in provision for retirement benefits	(273,363)	(211,272)
Interest and dividends income	(57,409)	(116,190)
Interest expenses	796,137	667,408
Equity in (earnings) losses of affiliates	(60)	198
Bond issuance cost	48,427	14,445
Loss (gain) on valuation of investment securities	275,620	557,070
Loss (gain) on sales of investment securities	(26,389)	10,552
Loss (gain) on sales of stocks of subsidiaries and affiliates	(159,726)	—
Loss (gain) on sales of property, plant and equipment and intangible assets	(1,013,432)	(376,457)
Loss on retirement of property, plant and equipment and intangible assets	68,172	86,933
Decrease (increase) in notes and accounts receivable-trade	984,508	(114,201)
Decrease (increase) in inventories	(2,475,024)	2,247,306
Decrease (increase) in other current assets	361,289	990,372
Increase (decrease) in notes and accounts payable-trade	(761,183)	(19,983)
Increase (decrease) in other current liabilities	(1,540,927)	(787,884)
Increase (decrease) in accrued consumption taxes	(60,412)	231,941
Increase (decrease) in other noncurrent liabilities	(80,551)	2,226
Other	565,960	114,620
Subtotal	3,866,698	10,191,109
Interest and dividends income received	60,602	115,710
Interest expenses paid	(796,154)	(685,931)
Income taxes (paid) refund	(1,229,382)	(1,681,573)
Net cash provided by (used in) operating activities	1,901,763	7,939,315

(Millions of yen)

	FY 2009 (Fiscal year ended December 31, 2009)	FY 2010 (Fiscal year ended December 31, 2010)
<b>Net cash provided by (used in) investing activities</b>		
Payments into time deposits	(30,000)	(29,000)
Proceeds from withdrawal of time deposits	30,000	30,000
Purchase of property, plant and equipment and intangible assets	(1,655,327)	(1,576,921)
Proceeds from sales of property, plant and equipment and intangible assets	2,077,889	5,130,594
Purchase of short-term investment securities	(499,251)	(599,550)
Proceeds from sales of short-term investment securities	200,000	—
Proceeds from redemption of securities	—	609,842
Purchase of investment securities	(150,052)	(59,014)
Proceeds from sales of investment securities	45,934	128,397
Purchase of investments in subsidiaries	—	(60,000)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(736,673)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	24,885	—
Payments of loans receivable	(275,172)	(8,137)
Collection of loans receivable	328,378	99,731
Payments for guarantee deposits	(220,698)	(451,436)
Proceeds from collection of guarantee deposits	326,775	362,079
Other	(191,750)	219,280
Net cash provided by (used in) investing activities	11,609	3,059,192
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	(2,860,000)	(8,330,000)
Repayments of lease obligations	(1,991,582)	(1,111,952)
Proceeds from long-term loans payable	2,700,000	4,541,000
Repayment of long-term loans payable	(5,309,127)	(9,088,147)
Proceeds from issuance of bonds	1,551,572	585,554
Redemption of bonds	(130,000)	(328,000)
Proceeds from sales of treasury stock	—	19,840
Cash dividends paid	(281,055)	(281,055)
Cash dividends paid to minority shareholders	(21,641)	(1,113)
Other	—	(77,220)
Net cash provided by (used in) financing activities	(6,341,834)	(14,071,094)
Effect of exchange rate change on cash and cash equivalents	(62)	25
Net increase (decrease) in cash and cash equivalents	(4,428,523)	(3,072,561)
Cash and cash equivalents at the beginning of period	14,821,344	10,455,186
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	62,365	—
Cash and cash equivalents at the end of period	10,455,186	7,382,624



## V. Segment Information

Information on the business segments

Previous consolidated fiscal year (January 1, 2009 – December 31, 2009)

(Thousands of yen)

	Logistics Business	Marketing Business	Human Resource Business	Financial Business	Other Business	Total (Thousand)	Elimination or Corporate Total	Consolidated
I. Net sales and operating income								
Net sales								
(1) Sales to external customers	104,801,727	3,572,896	5,045,461	1,670,133	620,616	115,710,834	—	115,710,834
(2) Inter-segment sales or transfers	277,934	45,790	257,896	1,189,735	31,532	1,802,889	(1,802,889)	
Total	105,079,662	3,618,686	5,303,357	2,859,868	652,149	117,513,724	(1,802,889)	115,710,834
Operating expenses	102,380,333	3,587,344	5,155,908	2,455,885	697,224	114,276,696	(1,454,528)	112,822,167
Operating income or loss (-)	2,699,328	31,342	147,448	403,983	(45,075)	3,237,027	(348,360)	2,888,666
II. Assets, depreciation and amortization, capital expenditure and impairment loss								
Assets	82,723,535	793,501	1,306,646	21,502,402	1,115,538	107,441,624	(240,334)	107,201,289
Depreciation and Amortization	3,623,189	3,729	43,505	313,599	83,524	4,067,548	63,004	4,130,553
Impairment loss	222,037	—	—	—	14,315	236,352	—	236,352
Capital expenditure	2,211,295	4,150	12,700	2,020,620	17,827	4,266,594	111,012	4,377,607

### Notes:

- Business segment has been classified in term of similarity in nature and the way of delivery of services.
- Main services of each business segment are as follows;
  - Logistics Business: Total logistic business (general logistics, international logistics, forwarding, special transportation, in-door logistics, etc); food logistics (three-temperature logistics, home delivery); specialized logistics (same-day delivery)
  - Marketing Business: Mailing service with parcel network (parcel delivery including catalog); marketing; advertising production and agent; mail order services
  - Human Resources Business: Personnel dispatch service; fee-based placement service
  - Financial Business: Asset management and development of logistics facilities; leasing and sales of vehicle, fuel, tires, etc.; insurance agency
  - Other Business: Information services (development and maintenance of logistics information system including WMS); environmental service (waste management, product recycle service, etc.)
- Unallocated operating expenses included in Eliminations and Corporate amounted to ¥1,572,143 thousand. This consisted mainly of managerial expenses from the parent company.
- Corporate assets included in Eliminations and Corporate totaled ¥22,331,589 thousand. This consisted mainly of assets related to surplus operating funds (cash and deposits), long-term investment funds (investment securities) and general and managerial division from the parent company.
- Impairment losses from logistics and other businesses include the loss from lease asset totaling ¥35,780 thousand (¥35,714 thousand and ¥65 thousand loss from logistics business and other business, respectively.)

## Current consolidated fiscal year (January 1, 2010 – December 31, 2010)

(Thousands of yen)

	Logistics Business	Marketing Business	Human Resource Business	Financial Business	Other Business	Total (Thousand)	Elimination or Corporate Total	Consolidated
I. Net sales and operating income								
Net sales								
(1) Sales to external customers	107,655,953	1,880,209	4,303,890	5,348,145	635,845	119,824,045	—	119,824,045
(2) Inter-segment sales or transfers	226,198	232,936	196,828	1,404,103	48,888	2,108,955	(2,108,955)	—
Total	107,882,152	2,113,146	4,500,719	6,752,248	684,734	121,933,001	(2,108,955)	119,824,045
Operating expenses	104,995,732	2,070,400	4,480,335	5,552,963	699,437	117,798,868	(2,237,695)	115,561,173
Operating income or loss (-)	2,886,420	42,745	20,384	1,199,285	(14,702)	4,134,132	128,739	4,262,871
II. Assets, depreciation and amortization, capital expenditure and impairment loss								
Assets	80,277,011	806,630	1,031,372	13,948,226	944,365	97,007,606	(599,109)	96,408,496
Depreciation and Amortization	3,356,739	3,528	38,478	283,627	67,975	3,750,350	49,552	3,799,902
Impairment loss	52,604	—	—	—	—	52,604	—	52,604
Capital expenditure	1,576,638	2,402	42,911	6,847	13,432	1,642,232	124,805	1,767,038

## Notes:

- Business segment has been classified in term of similarity in nature and the way of delivery of services.
- Main services of each business segment are as follows;
  - Logistics Business: Total logistic business (general logistics, international logistics, forwarding, special transportation, in-door logistics, etc); food logistics (three-temperature logistics, home delivery); specialized logistics (same-day delivery)
  - Marketing Business: Mailing service with parcel network (parcel delivery including catalog); marketing; advertising production and agent; mail order services
  - Human Resources Business: Personnel dispatch service; fee-based placement service
  - Financial Business: Asset management and development of logistics facilities; leasing and sales of vehicle, fuel, tires, etc.; insurance agency
  - Other Business: Information services (development and maintenance of logistics information system including WMS); environmental service (waste management, product recycle service, etc.)
- Unallocated operating expenses included in Eliminations and Corporate amounted to ¥1,574,610 thousand. This consisted mainly of managerial expenses from the parent company.
- Corporate assets included in Eliminations and Corporate totaled ¥15,234,220 thousand. This consisted mainly of assets related to surplus operating funds (cash and deposits), long-term investment funds (investment securities) and general and managerial division from the parent company.