February 8, 2013

Consolidated Financial Results Announcement for the Year Ended December 31, 2012

Company name: SBS Holdings, Inc.
Stock exchange listing: Tokyo Stock Exchange (TSE), Osaka Securities Exchange (OSE)-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 26, 2013
Date of submission of annual securities report (planned): March 26, 2013
Date for commencement of dividend payments (planned): March 11, 2013
Preparation of supplementary references regarding results: Yes
Holding the briefing of results: Yes (for investors and analysts)

1. Consolidated Financial Results for the Year Ended December 31, 2012 (January 1, 2012 – December 31, 2012)

(Figures are rounded to the nearest one million yen)
(Figures in percentages denote the year-on-year change)

(1) Consolidated business results

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2012	127,935	5.6	2,901	33.2	2,767	67.4	1,647	(34.7)
FY2011	121,148	1.1	2,177	(48.9)	1,653	(61.5)	2,522	17.8

(Note) Comprehensive income:
FY2012: 1,809 million yen (-31.1%); FY2011: 2,626 million yen (-5.2%)

	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	%	%	%
FY2012	132.39	—	6.3	2.7	2.3
FY2011	205.10	—	10.7	1.7	1.8

(Reference) Equity in earnings and losses of affiliates
FY2012: 435 million yen; FY2011: -0 million yen

(Note) Effective January 1, 2012, a 100:1 share split of our common stock was completed. “Net income per share” was calculated on the assumption that the stock split was carried out in the beginning of the previous consolidated fiscal period.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2012	104,466	27,750	26.2	2,147.51
FY2011	100,747	25,065	24.5	1,997.23

(Reference) Shareholders’ equity
FY2012: 27,401 million yen; FY2011: 24,682 million yen

(Note) Effective January 1, 2012, a 100:1 share split of our common stock was completed. “Net asset per share” was calculated on the assumption that the stock split was carried out in the beginning of the previous consolidated fiscal period.

(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
FY2012	7,316	(5,520)	(816)	10,175
FY2011	3,711	(3,765)	1,884	9,212

2. Dividend Status

(Base date)	Dividend per share (yen) End of Q1	End of Q2	End of Q3	End of Q4	Total	Total dividend (annual) (million yen)	Payout ratio (consolidated) (%)	Dividend on equity (consolidated) (%)
FY2011	—	0.00	—	3,000.00	3,000.00	370	14.6	1.6
FY2012	—	0.00	—	40.00	40.00	510	30.2	1.9
FY2013 (forecast)	—	0.00	—	30.00	30.00		34.8	

(Note) Effective January 1, 2012, a 100:1 share split of our common stock was completed. For the year ended December 31, 2011, the actual amount of dividends before the stock split is presented.
In commemoration of listing on the Second Section of the Tokyo Stock Exchange as of December 13, 2012, the Company resolved the commemorative dividend of 10.00 yen per share in the year-end dividend. As a result, year-end dividend per share for the year ended December 31, 2012 will be 40.00 yen combined with common dividend of 30.00 yen.

3. Consolidated Financial Forecast for the Year Ending December 31, 2013 (January 1, 2013 – December 31, 2013)

(Percentage figures for the full year denote the year-on-year increase or decrease. Percentage figures for the half year (consolidated) 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 (consolidated)	62,000	(1.3)	800	(39.9)	500	(64.8)	100	(87.9)	7.84
Full year	128,000	0.1	3,100	6.9	2,700	(2.4)	1,100	(33.2)	86.21

* Note

(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, changes in accounting estimates and restatements
1) Changes in accounting principles accompanying revisions in accounting standards, etc: Yes
2) Change other than 1): None
3) Changes in accounting estimates: None
4) Restatements: None

(3) Number of shares issued (common stock)
1) Number of shares issued at end of term (including treasury stock)
FY2012: 13,068,400 shares FY2011: 130,068,400 shares
2) Number of treasury stock at end of term
FY2012: 308,641 shares FY2011: 710,100 shares
3) Average number of outstanding shares during the period
FY2012: 12,444,051 shares FY2011: 12,298,325 shares

(Note) Effective January 1, 2012, a 100:1 share split of our common stock was completed. "Number of shares issued (common stock)" was calculated on the assumption that the stock split was carried out in the beginning of the previous consolidated fiscal period.

(Reference) Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Year Ended December 31, 2012 (January 1, 2012 – December 31, 2012)

(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	%
FY2012	2,484	(0.2)	687	(7.0)	476	(1.8)	680	(49.9)
FY2011	2,490	(17.4)	738	(48.7)	484	(59.8)	1,357	82.8

	Net income per share	Diluted net income per share
	Yen	Yen
FY2012	54.70	—
FY2011	110.39	—

(Note) Effective January 1, 2012, a 100:1 share split of our common stock was completed. “Net income per share” was calculated on the assumption that the stock split was carried out in the beginning of the previous consolidated fiscal period.

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2012	45,927	12,236	26.6	956.50
FY2011	42,321	11,537	27.3	932.64

(Reference) Shareholders’ equity
FY2012: 12,204 million yen; FY2011: 11,525 million yen

(Note) Effective January 1, 2012, a 100:1 share split of our common stock was completed. “Net asset per share” was calculated on the assumption that the stock split was carried out in the beginning of the previous consolidated fiscal period.

*Indication regarding the situation of the audit procedures

The audit procedures according to the Financial Instruments and Exchange Act do not apply to this announcement, and at the time of this announcement, the audit procedures according to the Financial Instruments and Exchange Act have not been completed.

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

1. Effective January 1, 2012, a 100 for 1 stock split was executed for our common stocks.
2. 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. For assumptions used for financial forecasts and cautions on using these forecasts, refer to “1. Analysis of operations” under “I. Analysis of Operations and Financial Position” on page 2 in the attachment.
3. The Company will hold a briefing session of results for investors on February 15 (Fri.), 2013. The presentation materials for this briefing session will be posted on the Company's homepage promptly.

I. Business Performance

1. Analysis of operations

(1) Consolidated summary of current fiscal year

The Japanese economy in the current fiscal year became increasingly stagnant with slumping corporate production and exports, and personal consumption under the influence of the global economic slowdown resulting from the debt problems in Europe and the prolonged yen appreciation, despite of accelerated demands backed by reconstruction demand following the Great East Japan Earthquake and subsidies for eco-cars.

In the logistics business, cargo movements showed a recovery trend following a gradual recovery of demands in the first half of the fiscal year; however, they remained stagnant under the influence of economic slowdown in the latter half of the fiscal year. In addition, the business environment remained severe due to requests from customers for price reduction, fierce competition with rivals, and volatile fuel prices.

Under such circumstances, the Group made efforts to promote business, investments and international strategies aiming for "3PL (Third Party Logistics) Corporate Group which has the logistic functions in all directions."

Regarding the business strategy, the Group strove to expand the 3PL business, launched new businesses such as drugstores, home centers and Internet shopping, and sought to improve the nationwide joint delivery system of chilled foods. The Group also actively conducted proposal-based sales and focused on gaining new customers and businesses. Meanwhile, the Group reorganized group companies involved in the logistics business to increase business efficiency through the scale expansion and to enhance competitiveness.

Regarding the investment strategy, as the new base for our 3PL business, the Group completed construction in the end of September of Noda Yoshiharu Logistics Center in Noda City, Chiba (with floor space of 10,000-tsubo, app. 33,000 square meters). Meanwhile, the Group purchased equity in rental properties in Tokyo, and changed the ownership from sectional ownership to full ownership for the purpose of improvement in asset value and increase in income from lease.

Regarding the international strategy, we established a company to oversee regional operations in Singapore, embarked on a reform of our Group's bases in the ASEAN region by utilizing overseas bases held by our subsidiary in India, Atlas Logistics Pvt. Ltd., and completed the improvement of four bases in Singapore, Thailand, Malaysia and Vietnam. A Thailand base has already accepted a consistent international logistics business of raw materials and products from a Japanese-affiliated manufacturers advancing into the region, and started operation.

As a result, net sales for the consolidated fiscal year were ¥127,935 million (up 5.6% from the previous fiscal year) due to the expansion of the 3PL business and the impact of the M&A completed in the previous fiscal year. Meanwhile, operating income was ¥2,901 million (up 33.2%) and ordinary income was ¥2,767 million (up 67.4%). They both recovered significantly from the previous fiscal year, which was affected by the earthquake. Net income was ¥1,647 million (down 34.7%) due to the posting of ¥369 million impairment loss for equipments and assets associated with the consolidation and transfer of Group company storage facilities planned for the next consolidated fiscal year as an extraordinary loss, as well as an increase in income taxes-deferred from the use of losses brought forward.

(2) An overview of segments

Operating status of each business segment is as below.

(Logistic Business)

For net sales of our logistics business, in addition to an inclusion of business results of Nippon Record Center Company and Atlas Logistics Pvt. Ltd., which joined our Group last consolidated fiscal year and expansion of our 3PL business. Furthermore, factors including active cargo movement in the food related industries that usually fall every year due to seasonal factors led to a steady performance from the beginning of the year to spring. As a result, net sales were ¥119,330 million (up 5.9% from the previous fiscal year).Operating income was ¥1,728 million (up 36.6%). This is due to factors including an increase in net sales and improvements of unprofitable businesses, and additionally, from elimination of the impact from the earthquake and of costs for launching new centers that we had in the previous fiscal year.

(Property Management Business)

For net sales of our property management business, net sales were ¥2,504 million (up 4.6% from the previous fiscal year) and operating income was ¥1,206 million (up 9.6%) due to the increase in rental income from the purchase equity in rental properties in Tokyo.

(Other business)

In other business, net sales were ¥6,100 million (up 0.7% from the previous fiscal year). Operating income, however, was ¥44 million (compared with operating loss of ¥211 million in the previous fiscal year) due to the reduction in administrative costs in human resources and environment businesses.

(3) Future prospects

Regarding the outlook for the next fiscal year, there are hopeful signs of economic recovery such as the shift from the yen appreciation to the yen depreciation, rising share prices, and expectations for growth strategies, following the announcement of economic policies after the change of government. Meanwhile, the situation is forecast to remain uncertain with the continued debt problems in Europe and concerns over economic slowdown in emerging nations such as China.

Under these circumstances, the Group will strive to expand its business operations by ensuring its low-cost operation system, strengthening the 3PL business that deliver overall logistics services comprehensively, and focusing on overseas development through aggressive M&A to gain future businesses.

In addition, the Group will unify its brand when it became a listed company on the Tokyo Stock Exchange Second Section in December of last year and when it celebrated its 25th anniversary. This is intended to build recognition among customers and investors in the global market and to enhance group-wide competitiveness by introducing a new logo and changing the names of group companies involved in the logistics business to names which start with "SBS."

In light of these circumstances, the forecasts of consolidated financial results for the year ending December 31, 2013 are net sales of ¥128 billion, operating income of ¥3.1 billion, ordinary income of ¥2.7 billion, and net income of ¥1.1 billion.

<Consolidated financial forecast for the year ending December 31, 2013>

Net Sales	128 billion yen	(up 0.1% from the previous year)
Operating Income	3.1 billion yen	(up 6.9%)
Ordinary Income	2.7 billion yen	(down 2.4%)
Net Income	1.1 billion yen	(down 33.2%)

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 ¥39,149 million, down ¥576 million from the previous fiscal year. This is mainly due to the decrease in notes and accounts receivable-trade, and lease receivables and investment assets, despite the increase in cash and deposits, and deferred tax assets.

(Non-current Assets)

The balance of noncurrent assets in this fiscal year is ¥65,317 million, up ¥4,296 million from the previous fiscal year. This is mainly due to the construction of the logistics center in Noda City, Chiba, and the purchase of equity in rental properties in the property management business.

(Current Liabilities)

The balance of current liabilities in this fiscal year is ¥41,329 million, down ¥3,112 million from the previous fiscal year. This is mainly due to the decrease in short-term loans payable and current portion of long-term loans payable.

(Non-current Liabilities)

The balance of noncurrent liabilities in this fiscal year is ¥35,386 million, up ¥4,146 million from the previous fiscal year. This is mainly due to the increase in long-term loans payable and deferred tax liabilities.

(Net Assets)

Due to the increase in retained earnings, net assets in this fiscal year became ¥27,750 million, up ¥2,685 million from the end of the previous fiscal year. The equity ratio improved by 1.7 points to 26.2% from 24.5% at the end of the previous fiscal year.

(2) Status of cash flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year totaled ¥10,175 million, up ¥963 million from the end of the previous fiscal year. The major changing factors for each cash flow are as below.

(Cash flows from Operating Activities)
Cash obtained from the operating activities was ¥7,316 million, up ¥3,604 million from the end of the previous fiscal year. This is mainly due to a ¥2,592 million increase in net income before income taxes, a ¥3,317 million increase in depreciation, and a ¥1,311 million decrease in notes and accounts receivable-trade, despite of cash outflows from ¥375 million income taxes paid and ¥607 million interest expenses paid.

(Cash Flows from Investment Activities)
Cash used in investment activities was ¥5,520 million, up ¥1,754 million from the end of the previous fiscal year. This is mainly due to a ¥6,404 million cash outflow from the establishment of new logistics facilities, the purchase of equity in rental properties, and the purchase of property, plant and equipment and intangible assets such as vehicles, as well as a ¥611 million cash outflow from the purchase of stocks of subsidiaries and affiliates, despite of a ¥1,578 million proceeds from sales of property, plant and equipment and intangible assets such as unused noncurrent assets.

(Cash Flows from Financial Activities)
Cash used in financial activities was ¥816 million (compared with cash inflows of ¥1,884 million in the previous fiscal year), up ¥2,700 million from the end of the previous fiscal year. This is mainly due to cash outflows from a ¥1,642 million net decrease in short-term loans payable, a ¥10,832 million repayment of long-term loans payable, and ¥370 million cash dividends paid, despite of ¥12,771 million fund procurement of long-term loans payable.

(Note)
Cash flow indexes

For the years ended December 31	2008	2009	2010	2011	2012
Equity ratio (%)	16.8	18.6	23.2	24.5	26.2
Equity ratio based on market price (%)	5.6	6.2	12.3	8.0	12.7
Debt repayment term (years)	9.9	29.8	5.6	13.0	6.6
Interest coverage ratio (times)	8.3	2.4	11.6	6.1	12.0

Notes:
Equity ratio: Equity (Shareholders' equity + Valuation and translation adjustment) / Total assets
Equity ratio based on market price: Market value of total stock / Total assets
Debt repayment term: Interest-bearing debt / Operating cash flows
Interest coverage ratio: Operating cash flows / 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. Cash flows from operating activities are used in the above calculations.
4. Interest-bearing debt includes all the liabilities recorded in the consolidated balance sheets that incur interest payments.
5. Interest paid is the amount of interest expenses included in the consolidated statements of cash flows.

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.

Based on this policy, the Company decided to pay a ¥40 year-end dividend per share for the current fiscal year, the sum of a ¥30 ordinary dividend per share and a ¥10 dividend per share to commemorate the listing on the Tokyo Stock Exchange Second Section, as announced on December 13, 2012.

For the next fiscal year, the Company plans to pay a ¥30 dividend per share.

4. Business risks

We think below are the possibilities of the risks which can affect the business results, stock price and financial conditions of our Group. Our Group 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.

Future related matters are considered and determined as appropriate by our Group as of the end of this fiscal year.

(1) Risks due to economic influence
The Group's businesses might be affected by domestic and foreign economic trends, and transportation demands from customers. In the event of a decline in consumption due to a heavy slump in the domestic economy, and a decline in imports and exports due to a sharp yen appreciation and a serious slump in overseas economy, it may affect our group's performance and financial conditions.

(2) Risks due to changes in legal system
The Group is subject to a variety of laws and regulations, including business laws relating to logistics such as truck transportation, warehousing and customs clearing businesses in its core logistics business, the Building Standards Act and Financial Instruments and Exchange Act in the property management business, as well as the Worker Dispatching Act in the human resources business. 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 our group's performance and financial conditions.

(3) 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 performance and financial conditions.

(4) Risk of client information
In the business which our group is handling, we manage a large amount of information concerning our clients, including personal information. We strive to maintain appropriate management of information concerning clients and also personal information by establishing Code of Corporate Ethics and Personal Information Management Rules. However, there is a possibility that such client information might be inadvertently leaked or lost, which may affect our group's performance and financial conditions.

(5) Risks related to the fluctuation of interest rates
Our group is working in the implementation of M&A as the key growth strategies and in the development of the logistic facilities for 3PL business development. We mainly rely on borrowings from financial institutions for the necessary funding. While proceeding with the repayment by liquidation of logistic facilities and operating cash flows 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 our group's performance and financial conditions.

(6) Risks related to concentration of our business in a particular geographical area
Industries and consumption activities are concentrated in the metropolitan area as the center of the Japanese economy. Accordingly, this is an attractive area for logistics activities as a large-scale market and is also a critically important point of contact for both domestic and international logistics operations. Since it is our Group's business strategy to benefit from this robust logistics demand, a large portion of our logistics business bases are inevitably located in the metropolitan area. In the case that situations such as large-scale disasters arise in the metropolitan area, there is a possibility that cargo owners and/or facilities of our group might be damaged, transportation might be cut off and cause chaos, and lifelines, such as electricity, gas, and water, might also be cut off, resulting in failure of business continuity, which may affect our group's performance and financial conditions.

(7) Risks related to property management business
Our group develops and sells logistics facilities as part of our property management business. Development of new logistics facilities only proceeds on the condition that clients will be secured who will use the facilities regardless of whether on a lease or a sale basis, and its construction starts only once the leases or buyers have been confirmed and details of such information as purposes, specifications, lease fees and lease period have been determined. However, there is a possibility that sales and/or profits might be earned only during a limited period or might be delayed depending on timing of orders received, size and specification of the facilities, and timing of completion and sale, which may affect our group's performance and financial conditions.

(8) Risks related to disasters
The core operations of our group's business consist of transportation by trucks and running distribution center operations. In the case that situations such as large-scale disasters arise, there is a possibility that cargo owners and/or facilities of our group might be damaged, transportation might be cut off and cause chaos, and lifeline,

such as electricity, gas, and water, might also be cut off, resulting in failure of business continuity, which may affect our group’s performance and financial conditions.

(9) Risks related to serious accidents

The core business of our group includes transportation mainly by truck of goods and products of our clients. Therefore, in the case of serious accidents which occurred during our operations and involved death of several people, there is a possibility that such victims might start a lawsuit against us, trust from our clients and our credibility in the society might suffer, and administrative disposition might be imposed on us, such as suspension of use of vehicles or business operations, which may affect our group’s performance and financial conditions.

(10) Risks related to information system failure

Our group widely relies on computers and system networks, ranging from operation systems for information management of clients’ cargos, storage management and custom clearance, to internal administration systems, such as accounting, and personnel and payroll systems. In the case of system failures for such reasons as technical malfunction, virus infections, hacking or natural disasters, there is a possibility that provision of services to clients and trading partners might be suspended, a delay or confusion might occur in the operational processes, which may affect our group’s performance and financial conditions.

(11) Risks related to M&A

Our group carries out M&A, capital participations and capital tie-ups as part of our business strategy to expand our existing business or advance to a new business field. There is a possibility that progress of the business plan after concluding acquisitions or tie-ups might be substantially delayed as compared to initially expected, which may affect our group’s performance and financial conditions.

(12) Risks related to international development

Our group actively develops initiatives to advance our business overseas in order to maintain our future growth. There is a possibility that such initiatives might be affected by changes or stagnation in the economic situation of the region concerned, fluctuation of exchange rates, social confusion triggered by changes to political or legal systems, and the occurrence of terrorist activities, wars, epidemics or any other reasons, which may affect our group’s performance and financial conditions.

II. Business Group

Our group operates logistics, property management and other businesses with our company as a pure holding company, in mutual and close cooperation with the 24 consolidated subsidiaries of our company. The business areas and their related companies are illustrated as follows in relation with the “reporting segments”. The following includes non-consolidated subsidiaries, which are denoted by an asterisk (*)

Client

Logistics Business	Property Management Business	Other Business
Truck freight, rail freight, low temperature distribution, international logistics, distribution center operations, distributive processing, express delivery for companies, home deliveries and 3PL businesses that are commissioned for all of these inclusively, logistics consulting, and	Renting of facilities for use as offices, residences, or storage, as well as development and sales of logistics facilities	Human resources, environmental, and marketing businesses
Subsidiaries: TL LOGICOM Co., Ltd Nihon Kamotsu Kyuso Co., Ltd. Nippon Record Center Co., Ltd TL Transport Co., Ltd. AC System Corporation Foods Lec Co., Ltd. Hokkaido Lec Co., Ltd. Tohoku Wing Co., Ltd. Wing Transport Co., Ltd. Chubu Lec Co., Ltd. Kansai Ryutsu System Co., Ltd. Kyushu Lec Co., ltd. Zentsu Co., Ltd Ibaraki Zentsu Co., Ltd.* SBS Logitem Co., Ltd. Sogo Butsuryu System Co., Ltd. SBS Finance Co., Ltd. **Overseas subsidiaries:**	**Subsidiaries:** TL LOGICOM Co., Ltd. A-MAX Co., Ltd L-MAX Co., Ltd. T-Assets Co., Ltd. Shinbashi Capital Limited	**Subsidiaries:** SBS Staff Co., Ltd. Sogo Butsuryu System Co., Ltd. SBS Finance Co., Ltd. Marketing Partner Co., Ltd. PAM Co., Ltd. PEACE Inc.* R-Stone Co., Ltd.*

China (Shanghai)
- TL LOGICOM (Shanghai) Co., Ltd.*
- Shanghai Qingyaliu Plastic Processing Co., Ltd *

Singapore
- SBS Logistics RHQ Pte. Ltd.*
- SBS Atlas Logstics Holdings Pte.Ltd.*

Thai
- SBS Atlas Logistics Co., Ltd.*

Malaysia
- SBS Atlas Logistics (Malaysia) Sdn Bhd*

Vietnam
- SBS Atlas Logistics Vietnam Co., Ltd.*

India
- Atlas Logistics Pvt. Ltd.

SBS Holdings, Inc.

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.

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. The group is promoting 3 strategies such as business, investment and overseas, and the development of a group management structure that can support the strategies 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 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

We will make investments with the aim to achieve financial soundness. 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 with a careful selection of M&A, where synergies can be expected both in business scale and in profitability. We will also effectively allocate our financial resources, working on facility development in non-asset form.

(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 of orders received from Japanese companies and expansion towards domestic logistic within China. In case of ASEAN countries where Japanese companies have been greatly increased, we will develop the bases such as Thai, Malaysia, and Vietnam and focus on business expansion. In case of India, we will expand market through Atlas Logistics Pvt. Ltd. which became our subsidiary.

(4) Development of Group Management Structure
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 as well as securing management mobility 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 occurrence 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 safety measures such as ensuring work safety and avoiding traffic accidents, and environmental protection through 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 can meet the requests from the society without fail.

IV. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Thousands of yen)

	FY 2011 (As of December 31, 2011)	FY 2012 (As of December 31, 2012)
ASSETS		
Current assets		
Cash and deposits	9,218,561	10,180,787
Notes and accounts receivable-trade	16,263,214	15,080,274
Lease receivables and investment assets	2,947,258	2,694,616
Short-term investment securities	300,717	300,717
Inventories	7,713,665	7,628,511
Deferred tax assets	579,374	715,540
Other	2,769,614	2,619,502
Allowance for doubtful accounts	(65,899)	(69,955)
Total current assets	39,726,505	39,149,995
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	34,123,724	36,564,409
Accumulated depreciation and impairment loss	(20,651,495)	(21,618,376)
Buildings and structures, net	13,472,229	14,946,032
Machinery, equipment and vehicles	16,475,242	15,797,504
Accumulated depreciation and impairment loss	(13,998,062)	(13,436,258)
Machinery, equipment and vehicles, net	2,477,180	2,361,246
Land	32,807,119	33,671,842
Lease assets	4,925,198	4,751,726
Accumulated depreciation and impairment loss	(2,240,601)	(2,196,882)
Lease assets, net	2,684,597	2,554,844
Other	3,308,727	3,344,534
Accumulated depreciation and impairment loss	(2,449,350)	(2,355,602)
Other, net	859,376	988,932
Total property, plant and equipment	52,300,501	54,522,897
Intangible assets		
Software	498,182	416,559
Goodwill	1,523,758	1,078,891
Other	314,102	283,045
Total noncurrent assets	2,336,043	1,778,496
Investments and other assets		
Investment securities	2,407,173	4,704,922
Long-term loans receivable	530,603	494,541
Deferred tax assets	132,254	390,814
Guarantee deposits	2,704,190	2,721,097
Other	914,508	981,098
Allowance for doubtful accounts	(304,527)	(276,866)
Total investments and other assets	6,384,203	9,015,609
Total noncurrent assets	61,020,749	65,317,003
Total assets	100,747,254	104,466,998

(Thousands of yen)

	FY 2011 (As of December 31, 2011)	FY 2012 (As of December 31, 2012)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,601,232	7,626,827
Current portion of bonds	256,000	256,000
Short-term loans payable	19,695,899	18,014,227
Current portion of long-term loans payable	9,490,869	7,950,719
Accounts payable-other	731,181	783,351
Accrued expenses	3,069,597	2,936,855
Lease obligations	944,219	862,441
Income taxes payable	381,822	556,610
Accrued consumption taxes	440,458	460,194
Provision for bonuses	638,219	628,097
Other	1,192,633	1,254,382
Total current liabilities	44,442,134	41,329,707
Noncurrent liabilities		
Bonds payable	1,430,000	1,174,000
Long-term loans payable	17,436,578	20,913,930
Long-term guarantee deposited	1,719,213	1,715,928
Lease obligations	2,352,924	2,333,655
Provision for retirement benefits	3,577,229	3,519,012
Provision for directors' retirement benefits	113,230	119,110
Deferred tax liabilities	3,938,509	4,763,834
Other	672,093	846,942
Total noncurrent liabilities	31,239,778	35,386,414
Total liabilities	75,681,912	76,716,122
NET ASSETS		
Shareholders' equity		
Capital stock	3,833,934	3,833,934
Capital surplus	5,418,063	5,418,063
Retained earnings	16,235,458	18,407,178
Treasury stock	(658,985)	(286,424)
Total shareholders' equity	24,828,470	27,372,750
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(69,114)	161,616
Deferred gains or losses on hedges	(76,929)	(49,046)
Foreign currency translation adjustment	—	(83,553)
Total accumulated other comprehensive income	(146,043)	29,016
Subscription rights to shares	14,949	34,620
Minority interests	367,965	314,488
Total net assets	25,065,341	27,750,876
Total liabilities, net assets	100,747,254	104,466,998

2. Consolidated Statements of Operations

(Thousands of yen)

	FY 2011 (Fiscal year ended December 31, 2011)	FY 2012 (Fiscal year ended December 31, 2012)
Net sales	121,148,126	127,935,104
Cost of sales	109,894,451	115,368,751
Gross profit	11,253,674	12,566,353
Selling, general and administrative expenses	9,075,814	9,664,784
Operating income	2,177,860	2,901,568
Non-operating income		
Interest income	10,939	11,941
Dividends income	61,381	50,082
Commission fee	25,849	23,721
Equity in earnings of affiliates	—	435,235
Other	76,000	123,503
Total non-operating income	174,171	644,484
Non-operating expenses		
Interest expenses	602,730	611,776
Financial charges	19,319	48,150
Other	76,154	118,422
Total non-operating expenses	698,204	778,349
Ordinary income	1,653,826	2,767,702
Extraordinary income		
Gain on sales of noncurrent assets	582,999	374,571
Gain on sales of investment securities	100,550	—
Other	36,516	40,281
Total extraordinary income	720,066	414,853
Extraordinary loss		
Loss on sales of noncurrent assets	99,971	39,887
Loss on retirement of noncurrent assets	23,778	21,884
Loss on valuation of investment securities	232,772	—
Impairment loss	58,633	474,191
Loss on adjustment for changes of accounting standard for retirement obligations	379,557	—
Loss on disaster	198,324	—
Other	94,518	54,344
Total extraordinary loss	1,087,557	590,308
Total net income (loss)	1,286,335	2,592,247
Income taxes-current	709,952	663,938
Income taxes-deferred	(1,951,347)	302,139
Total income taxes	(1,241,394)	966,077
Income before minority interests (loss)	2,527,729	1,626,169
Minority interests in income (loss)	5,334	(21,312)
Net income	2,522,394	1,647,482

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	FY 2011 (Fiscal year ended December 31, 2011)	FY 2012 (Fiscal year ended December 31, 2012)
Income before minority interests	2,527,729	1,626,169
Other comprehensive income		
Valuation difference on available-for-sale securities	30,375	242,032
Deferred gains or losses on hedges	68,144	27,882
Foreign currency translation adjustment	—	(87,166)
Share of other comprehensive income of associates accounted for using equity method	—	727
Total other comprehensive income	98,520	183,477
Comprehensive income	2,626,249	1,809,646
Breakdown		
Comprehensive income attributable to owners of the parent	2,619,058	1,834,813
Comprehensive income attributable to minority interests	7,191	(25,166)

3. Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	FY 2011 (Fiscal year ended December 31, 2011)	FY 2012 (Fiscal year ended December 31, 2012
Shareholders' equity		
Capital stock		
Balance as of January 1, 2012	3,833,934	3,833,934
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of December 31, 2012	3,833,934	3,833,934
Capital surplus		
Balance as of January 1, 2012	5,418,063	5,418,063
Changes of items during the period		
Total changes of items during the period	—	—
Balance as of December 31, 2012	5,418,063	5,418,063
Retained earnings		
Balance as of January 1, 2012	14,100,121	16,235,458
Changes of items during the period		
Dividends from surplus	(367,320)	370,749
Net income	2,522,394	1,647,482
Disposal of treasury stock	(19,737)	(44,543)
Change of scope of consolidation	—	(46,939)
Change of scope of equity method	—	986,469
Total changes of items during the period	2,135,337	2,171,719
Balance as of December 31, 2012	16,235,458	18,407,178
Treasury stock		
Balance as of January 1, 2012	(765,058)	(658,985)
Changes of items during the period		
Disposal of treasury stock	106,072	372,561
Total changes of items during the period	106,072	372,561
Balance as of December 31, 2012	(658,985)	(286,424)
Total shareholders' equity		
Balance as of January 1, 2012	22,587,060	24,828,470
Changes of items during the period		
Dividends from surplus	(367,320)	(370,749)
Net income	2,522,394	1,647,482
Disposal of treasury stock	86,335	328,017
Change of scope of consolidation	—	(46,939)
Change of scope of equity method	—	986,469
Total changes of items during the period	2,241,409	2,544,280
Balance as of December 31, 2012	24,828,470	27,372,750

(Thousands of yen)

	FY 2011 (Fiscal year ended December 31, 2011)	FY 2012 (Fiscal year ended December 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance as of January 1, 2012	(97,632)	(69,114)
Changes of items during the period		
Change of scope of equity method	—	(12,270)
Net changes of items other than shareholders' equity	28,518	243,001
Total changes of items during the period	28,518	230,730
Balance as of December 31, 2012	(69,114)	161,616
Deferred gains or losses on hedges		
Balance as of January 1, 2012	(145,073)	(76,929)
Changes of items during the period		
Net changes of items other than shareholders' equity	68,144	27,882
Total changes of items during the period	68,144	27,882
Balance as of December 31, 2012	(76,929)	(49,046)
Foreign currency translation adjustment		
Balance as of January 1, 2012	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	—	(83,553)
Total changes of items during the period	—	(83,553)
Balance as of December 31, 2012	—	(83,553)
Total Accumulated other comprehensive income		
Balance as of January 1, 2012	(242,706)	(146,043)
Changes of items during the period		
Change of scope of equity method	—	(12,270)
Net changes of items other than shareholders' equity	96,663	187,330
Total changes of items during the period	96,663	175,060
Balance as of December 31, 2012	(146,043)	29,016
Subscription rights to shares		
Balance as of January 1, 2012	3,152	14,949
Changes of items during the period		
Net changes of items other than shareholders' equity	11,796	19,671
Total changes of items during the period	11,796	19,671
Balance as of December 31, 2012	14,949	34,620
Minority interests		
Balance as of January 1, 2012	269,111	367,965
Changes of items during the period		
Net changes of items other than shareholders' equity	98,854	(53,477)
Total changes of items during the period	98,854	(53,477)
Balance as of December 31, 2012	367,965	314,488
Total net assets		
Balance as of January 1, 2012	22,616,617	25,065,341
Changes of items during the period		
Dividends from surplus	(367,320)	(370,749)
Net income	2,522,394	1,647,482
Disposal of treasury stock	86,335	328,017
Change of scope of consolidation	—	(46,939)
Change of scope of equity method	—	974,198
Net changes of items other than shareholders' equity	207,314	153,524
Total changes of items during the period	2,448,724	2,685,534
Balance as of December 31, 2012	25,065,341	27,750,876

4. Consolidated Statements of Cash Flows

(Thousands of yen)

	FY 2011 (Fiscal year ended December 31, 2011)	FY 2012 (Fiscal year ended December 31, 2012)
Net cash provided by (used in) operating activities		
Total net income (loss)	1,286,335	2,592,247
Depreciation	3,567,160	3,317,198
Impairment loss	58,633	474,191
Amortization of goodwill	319,671	375,768
Increase (decrease) in allowance for doubtful accounts	195,730	(18,863)
Increase (decrease) in provision for bonuses	(14,142)	(8,888)
Increase (decrease) in provision for retirement benefits	(51,024)	(57,801)
Interest and dividends income	(72,320)	(62,024)
Interest expenses	602,730	611,776
Equity in (earnings) losses of affiliates	9	(435,235)
Loss (gain) on valuation of investment securities	232,772	―
Loss (gain) on sales of property, plant and equipment and intangible assets	(483,028)	(334,684)
Loss on retirement of property, plant and equipment and intangible assets	23,778	21,884
Loss on adjustment for changes of accounting standard for asset retirement obligations	379,557	―
Decrease (increase) in notes and accounts receivable-trade	(1,009,105)	1,311,163
Decrease (increase) in inventories	7,411	(3,639)
Decrease (increase) in other current assets	92,175	(70,346)
Increase (decrease) in notes and accounts payable-trade	257,912	96,379
Increase (decrease) in other current liabilities	(59,543)	(49,282)
Increase (decrease) in accrued consumption taxes	(248,549)	18,366
Increase (decrease) in other noncurrent liabilities	231,087	183,039
Other	202,359	251,305
Subtotal	5,519,610	8,212,557
Interest and dividends income received	70,914	87,290
Interest expenses paid	(603,614)	(607,270)
Income taxes paid	(1,274,958)	(375,847)
Net cash provided by (used in) operating activities	3,711,952	7,316,729

(Thousands of yen)

	FY 2011 (Fiscal year ended December 31, 2011)	FY 2012 (Fiscal year ended December 31, 2012)
Net cash provided by (used in) investing activities		
Payments into time deposits	(24,000)	(5,003)
Proceeds from withdrawal of time deposits	54,000	5,000
Purchase of property, plant and equipment and intangible assets	(2,408,248)	(6,404,533)
Proceeds from sales of property, plant and equipment and intangible assets	1,498,987	1,578,159
Purchase of short-term investment securities	(299,880)	(299,910)
Proceeds from redemption of securities	300,000	300,000
Purchase of investment securities	(40,046)	(8,205)
Proceeds from sales of investment securities	130,155	79,950
Purchase of stocks of subsidiaries and affiliates	(2,184)	(611,939)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,888,577)	—
Payments of loans receivable	(10,433)	(133,045)
Collection of loans receivable	98,690	167,359
Payments for guarantee deposits	(444,875)	(182,574)
Proceeds from collection of guarantee deposits	308,188	99,181
Other	(37,538)	(104,919)
Net cash provided by (used in) investing activities	(3,765,762)	(5,520,481)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,620,000	(1,642,867)
Repayments of lease obligations	(998,696)	(808,883)
Proceeds from long-term loans payable	8,490,000	12,771,000
Repayment of long-term loans payable	(6,684,014)	(10,832,506)
Redemption of bonds	(256,000)	(256,000)
Proceeds from sales of treasury stock	85,881	327,558
Cash dividends paid	(367,320)	(370,749)
Cash dividends paid to minority shareholders	(5,070)	(3,840)
Other	(780)	(30)
Net cash provided by (used in) financing activities	1,884,000	(816,319)
Effect of exchange rate change on cash and cash equivalents	(253)	(6,319)
Net increase (decrease) in cash and cash equivalents	1,829,936	973,609
Cash and cash equivalents at the beginning of period	7,382,624	9,212,561
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	26,851
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(37,237)
Cash and cash equivalents at the end of period	9,212,561	10,175,784

V. Segment Information etc

Segment Information

1. Overview of Reporting Segments

Separate financial segments can be acquired for component units of our company group reporting segments, and the board of directors periodically considers them to evaluate results and determine division of management resources.

The SBS Group is affiliated with SBS Holdings which is a pure holdings company, with each company operating independently to formulate strategies and carry out operating activities, but for core business of the SBS Group, our company performs overall management.

Based on these reasons, the SBS Group splits reporting segments into "logistics business", "property management business" and "other business".

"Logistics business" includes truck freight, rail freight, low temperature distribution, international logistics, distribution center operations, distributive processing, and express delivery for companies, home deliveries, 3PL businesses that are commissioned for all of these inclusively, logistics consulting, and related businesses.

"Property management business" includes the renting of facilities for use as offices, residences, or storage, as well as development and sales of logistics facilities.

"Other business" includes human resources, environmental, and marketing businesses.

2. Calculation method of net sales, income or loss, assets, liabilities and other items of reporting segments

The accounting method for reporting segments is generally identical to the method included in the "Significant Accounting Policies as Bases for the Preparation of Consolidated Financial Statements".

Reporting segment income consists of figures based on operating income. Inter-segment sales and transfers are reported based on market prices.

3. Information Concerning Net Sales and Profits and Losses for Reporting Segments

Previous consolidated fiscal year (January 1, 2011 – December 31, 2011)

(Thousands of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Financial Statements Amount *2
	Logistics Business	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	112,698,256	2,392,802	6,057,068	121,148,126	-	121,148,126
Inter-segment sales or transfers	328,718	20,392	483,579	832,689	(832,689)	-
Total	113,026,974	2,413,194	6,540,647	121,980,815	(832,689)	121,148,126
Segment income (loss)	1,265,523	1,101,110	(211,856)	2,154,777	23,082	2,177,860
Segment assets	64,226,079	31,233,628	2,582,118	98,041,827	2,705,427	100,747,254
Other items						
Depreciation and amortization	2,859,717	487,804	87,474	3,434,997	132,163	3,567,160
Impairment loss on fixed assets	40,580	-	18,053	58,633	-	58,633
Increase in property, plant and equipment and intangible assets	2,604,901	1,798,265	11,755	4,414,922	(1,576,779)	2,838,143

(Note)

1. Details of Adjustment Amount are as follows:
   (1) The adjustment amount for segment income (loss) is ¥24,187 thousand in trading between segments and from -¥1,104 thousand not allocated to reporting segments by the parent company (company releasing the quarterly financial statement).
   (2) The adjustment amount for segment assets is -¥12,883,387 thousand in trading between segments and ¥15,588,814 thousand from the entire Group which is not allocated to reporting segments. These Group-wide assets comprise mainly idle money invested by the parent company (cash and deposits), finance within the Group and the assets held by the administrative departments.
   (3) The adjustment amount for Increase in property, plant and equipment and intangible assets is -¥1,689,279 thousand in transfer, etc. between segments in accordance with the change of use and from ¥112,500 thousand from the entire Group which is not allocated to reporting segments.
2. Segment income (loss) is adjusted with operating income, as recorded in consolidated financial statements.

Current consolidated fiscal year (January 1, 2012 – December 31, 2012)

(Thousands of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Financial Statements Amount *2
	Logistics Business	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	119,330,078	2,504,048	6,100,977	127,935,104	-	127,935,104
Inter-segment sales or transfers	275,811	10,872	303,097	589,780	(589,780)	-
Total	119,605,890	2,514,920	6,404,074	128,524,884	(589,780)	127,935,104
Segment income	1,728,930	1,206,841	44,821	2,980,593	(79,025)	2,901,568
Segment assets	66,593,783	32,026,814	2,683,260	101,303,859	3,163,139	104,466,998
Other items						
Depreciation and amortization	2,671,249	492,665	63,311	3,227,226	89,972	3,317,198
Impairment loss on fixed assets	447,734	26,457	-	474,191	-	474,191
Increase in property, plant and equipment and intangible assets	4,768,821	2,404,358	314,445	7,487,625	(290,651)	7,196,974

(Note)

1. Details of Adjustment Amount are as follows:
   (1) The adjustment amount for segment income is -¥76,219 thousand in trading between segments and from -¥2,805 thousand not allocated to reporting segments by the parent company (company releasing the quarterly financial statement).
   (2) The adjustment amount for segment assets is -¥15,768,493 thousand in trading between segments and from ¥18,931,633 thousand from the entire Group which is not allocated to reporting segments. These Group-wide assets comprise mainly idle money invested by the parent company (cash and deposits), finance within the Group and the assets held by the administrative departments.
   (3) The adjustment amount for Increase in property, plant and equipment and intangible assets is -¥324,791 thousand in transfer, etc. between segments in accordance with the change of use and from ¥34,140 thousand from the entire Group which is not allocated to reporting segments.
2. Segment income is adjusted with operating income, as recorded in consolidated financial statements.