

Consolidated Financial Results Announcement for the Three Months Ended March 31, 2013

Company name: SBS Holdings, Inc.
 Stock exchange listing: Tokyo Stock Exchange (TSE)
 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)
 Scheduled date of filing of Quarterly Report: May 10, 2013
 Preparation of supplementary references regarding quarterly results: No
 Holding the briefing of quarterly results: No
 Date for commencement of dividend payments (planned): —

1. Consolidated Financial Results for the Three Months Ended March 31, 2013 (from January 1, 2013 to March 31, 2013)

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

(1) Consolidated business results (Percentages show change in value from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 Months Ended March 31, 2013	29,832	(3.7)	(63)	-	(195)	-	(156)	-
3 Months Ended March 31, 2012	30,979	12.7	530	-	691	—	563	—

(Note) Comprehensive income:

3 Months Ended March 31, 2013: 242 million yen (-55.9%); 3 Months Ended March 31, 2012: 548 million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
3 Months Ended March 31, 2013	(12.27)	—
3 Months Ended March 31, 2012	45,58	—

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3 Months Ended March 31, 2013	105,570	27,522	25.7
FY2012	104,466	27,750	26.2

(Reference) Shareholders' equity

3 Months Ended March 31, 2013: 27,179 million yen; FY2012: 27,401 million yen

2. Dividend Status

(Base date)	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
FY2012	—	0.00	—	40.00	40.00
FY2013	—				
FY2013 (forecast)		0.00	—	30.00	30.00

(Note) Corrections regarding current dividend forecasts: None

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 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	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) Corrections regarding current consolidated forecast figures: None

* 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) Application of accounting principles and procedures specific in preparation of consolidated quarterly financial statements: No

(3) 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): No

3) Changes in accounting estimates: Yes

4) Restatements: No

(Note) The depreciation method changed in the first quarter of this fiscal year. This falls under “cases where it is difficult to distinguish changes in accounting principles from changes in accounting estimates.” For details, please refer to “3. Changes in Accounting Principles, Changes in Accounting Estimates and Restatements” under “II. Summary Information (Notes)” on page 4.

(4) Number of shares issued (common stock)

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

3 Months Ended Mar 31, 2013: 13,068,400 shares

FY2012: 13,068,400 shares

2) Number of treasury stock at end of term

3 Months Ended Mar 31, 2013: 274,641 shares

FY2012: 308,641 shares

3) Average number of outstanding shares during the period (Accumulative figures for quarter)

3 Months Ended Mar 31, 2013: 12,772,202 shares

3 Months Ended Mar 31, 2012: 12,374,323 shares

*Presentation of the implementation status of quarterly review procedures

The consolidated financial results under review are exempted from the quarterly review procedures under the Financial Instruments and Exchange Act, and quarterly review procedures under the Financial Instruments and Exchange Act are implemented at the time of the release of this consolidated financial results announcement.

*Instruction on a proper use of financial forecasts and other special instructions

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. It does not guarantee that these results will be achieved. Actual results may differ significantly due to variety of factors. For assumptions used for financial forecasts and cautions on using these forecasts, refer to “3. Consolidated Performance Forecast” under “I. Business Performance” on page 4.

I. Business Performance

1. Analysis of Operations

In the first quarter of the consolidated period, reflecting the expectations for the economic and monetary policies of the new administration and U.S. economic recovery, the yen depreciated and stock prices rose, and the business results of exporting companies like manufacturing companies are improving. However, the real economy has stayed stagnant and economic prospects remain uncertain.

In the logistics industry, the total volume of freight transportation continues to decrease due to the aging society, decrease of working-age population, and increase in the offshore ratio of procurement, production and sales. Competition within the industry is getting stiffer, and along with customer savings on freight fees and instability of the procurement cost of fuel, securing profit has become even more severe.

Under these circumstances we have decided to unify our entire group brand on the occasion of our stock listing on the TSE 2nd section in December 2012 and the 25th anniversary of the founding of the company. We are now preparing for implementation in June, and introducing our new symbol, as well as changing the names of our logistic companies into ones which start with "SBS" and so on. Although a lot of investment is required, it will contribute to the expansion of our business in the long term.

Besides, we have promoted our business strategy, investment strategy, and international strategy into "the 3PL corporate group which has logistic functions in all the directions" aiming to be ranked in the top 10 in this industry.

In terms of business strategy, in addition to the aggressive promotion of proposal-based marketing aiming at acceleration of the 3PL business, we have prepared for establishment scheduled to be in operation from the second quarter or relocation of distribution centers for drug stores, home improvement stores and the music and rental industry.

In the investment strategy, we have started installation on a solar power generation business scheduled for launch this fiscal year. In March, we began selling power generated on the rooftop of the Noda Yoshiharu distribution center.

In August the equipment on the land or rooftop of the facilities which we own in Chiba Prefecture or Kyoto Prefecture will be completed and the total electricity sales is planned to be 5 megawatts.

In the international strategy, we have established two local subsidiaries in Hong Kong in March, one presides over the Chinese market, while the other is a business firm in Hong Kong, and we started business such as forwarding and warehousing for Japanese manufacturing companies from April. We will cultivate customers in Hong Kong and the adjacent South China.

As a result, net sales for the first quarter of the consolidated period was ¥29,832 million (down 3.7% from the previous corresponding period), because the movement of cargo mainly for food was slow due to seasonal factors every winter and also consumption has not recovered yet. We recorded losses in profit mainly because in addition to the decline in net sales, part of the cost such as opening and relocating distribution centers was preceded in the first quarter of the consolidated period. The operating loss was ¥63 million (the previous corresponding period marked an operating income of ¥530 million), ordinary loss was ¥195 million (the previous corresponding period marked an ordinary income of ¥691 million), net loss was ¥156 million (the previous corresponding period marked a net income of ¥563 million).

Financial results by segment are as follows.

(Logistics Business)

In our logistics business, although we focused on strengthening sales activities and preparatory work to open and transfer our distribution centers which will be in operation from the second quarter, net sales was ¥27,863 million (down 3.3% from the previous corresponding period), because cargo movement has not recovered yet and food-related cargo dropped in volume due to seasonal factors. In addition, operating loss was ¥409 million (the previous corresponding period marked an operating income of ¥187 million) due to the impact of a decrease in net sales and precedence of a portion of the above-mentioned opening or relocation expenses.

(Property Management Business)

In our property management business, due to the contribution of rental income from real estate for rent whose portion we made additional purchases of in the previous consolidated fiscal year, net sales were ¥682 million (up 12.0% from the previous corresponding period) and operating income was ¥363 million (up 19.3%).

(Other Business)

In our other business, net sales were ¥1,286 million (down 17.5% from the previous corresponding period) mainly due to the deconsolidation of a subsidiary of the shipping agency business. In addition, operating loss was ¥11 million (the previous corresponding period marked an operating income of ¥21 million) due to a delay in the business recovery of the human resource business.

2. Analysis of the Financial Position

Total assets at the end of the first quarter were ¥105,570 million, an increase of ¥1,103 million from the end of the previous fiscal year.

The main breakdown of assets increase was an increase of ¥482 million in property, plant and equipment due to the replacement of vehicles and the purchase of furniture and fixtures for new distribution centers and business and an increase of ¥497 million in investments and other assets due to the recording of a valuation difference on available-for-sale securities during a period of high stock prices.

Liabilities were ¥78,048 million, an increase of ¥1,331 million from the end of the previous fiscal year. This was mainly due to an increase in noncurrent liabilities of ¥1,993 million including long-term loans payable despite a decrease in current liabilities of ¥661 million including a net decrease of short-term loans payable.

Net assets were ¥27,522 million, a decrease of ¥228 million from the end of the previous fiscal year.

This was mainly due to the recording of a net loss of ¥156 million in the first quarter of the consolidated period and the payment of dividends of ¥510 million while valuation differences on available-for-sale securities increased by ¥314 million.

3. Consolidated Performance Forecast

Consolidated results for the first quarter stayed within the initial forecasts in both sales and profits.

In the future business environment, it is assumed there will be further intensified competition and rising fuel prices due to the depreciation of the yen, but an economic recovery due to penetration of the economic and financial policy of the new administration is expected.

Under these circumstances, we will not revise our forecasts for the first half of the consolidated period and the full fiscal year announced on February 8, 2013.

II. Summary Information (Notes)

1. Important Changes of Subsidiaries during the Term

No applicable items.

2. Application of Accounting Principles and Procedures Specific in Preparation of Consolidated Quarterly Financial Statements

No applicable items.

3. Changes in Accounting Principles, Changes in Accounting Estimates and Restatements

(Changes in accounting principles which are difficult to distinguish from changes in accounting estimates)

Due to the revision of the Corporation Tax Act of Japan, the Company and its domestic consolidated subsidiaries have replaced the method of depreciation for property, plant and equipment obtained on or after January 1, 2013, with the method according to the revised Corporation Tax Act.

The effect of this change on operating loss, ordinary loss, and net quarterly loss before taxes and other adjustments in the first quarter of the consolidated period is immaterial.

III. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Thousands of yen)

	FY2012 (As of Dec 31, 2012)	1Q FY2013 (As of Mar 31, 2013)
ASSETS		
Current assets		
Cash and deposits	10,180,787	10,130,996
Notes and accounts receivable-trade	15,080,274	14,741,328
Short-term investment securities	300,717	300,718
Inventories	7,628,511	7,674,517
Other	6,029,659	6,560,985
Allowance for doubtful accounts	(69,955)	(97,537)
Total current assets	39,149,995	39,311,009
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	36,564,409	36,552,293
Accumulated depreciation and impairment loss	(21,618,376)	(21,889,619)
Buildings and structures, net	14,946,032	14,662,674
Machinery, equipment and vehicles	15,797,504	15,669,201
Accumulated depreciation and impairment loss	(13,436,258)	(12,981,304)
Machinery, equipment and vehicles, net	2,361,246	2,687,897
Land	33,671,842	33,673,791
Lease assets	4,751,726	4,717,582
Accumulated depreciation and impairment loss	(2,196,882)	(2,150,353)
Lease assets, net	2,554,844	2,567,228
Other	3,344,534	3,816,133
Accumulated depreciation and impairment loss	(2,355,602)	(2,402,627)
Other, net	988,932	1,413,506
Total property, plant and equipment	54,522,897	55,005,097
Intangible assets		
Goodwill	1,078,891	1,060,233
Other	699,605	681,063
Total Intangible assets	1,778,496	1,741,297
Investments and other assets		
Investments and other assets	9,292,475	9,796,770
Allowance for doubtful accounts	(276,866)	(283,460)
Total investments and other assets	9,015,609	9,513,309
Total noncurrent assets	65,317,003	66,259,705
Total assets	104,466,998	105,570,714

(Thousands of yen)

	FY2012 (As of Dec 31, 2012)	1Q FY2013 (As of Mar 31, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,626,827	7,337,453
Current portion of bonds	256,000	256,000
Short-term loans payable	18,014,227	15,775,620
Current portion of long-term loans payable	7,950,719	8,883,898
Income taxes payable	556,610	149,359
Provision for bonuses	628,097	1,332,579
Other	6,297,224	6,933,407
Total current liabilities	41,329,707	40,668,318
Noncurrent liabilities		
Bonds payable	1,174,000	1,046,000
Long-term loans payable	20,913,930	22,977,441
Provision for retirement benefits	3,519,012	3,492,452
Other	9,779,470	9,863,851
Total noncurrent liabilities	35,386,414	37,379,745
Total liabilities	76,716,122	78,048,063
NET ASSETS		
Shareholders' equity		
Capital stock	3,833,934	3,833,934
Capital surplus	5,418,063	5,424,616
Retained earnings	18,407,178	17,740,015
Treasury stock	(286,424)	(254,872)
Total shareholders' equity	27,372,750	26,743,692
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	161,616	476,447
Deferred gains or losses on hedges	(49,046)	(36,069)
Foreign exchange conversion adjustments	(83,553)	(4,518)
Total valuation and translation adjustments	29,016	435,858
Subscription rights to shares	34,620	39,588
Minority interests	314,488	303,510
Total net assets	27,750,876	27,522,650
Total liabilities, net assets	104,466,998	105,570,714

2. Consolidated Statements of Operations**(Three Months Ended March 31, 2013)**

(Thousands of yen)

	1Q FY2012 (Jan 1, 2012 - Mar 31, 2012)	1Q FY2013 (Jan 1, 2013 - Mar 31, 2013)
Net sales	30,979,311	29,832,968
Cost of sales	28,062,023	27,521,348
Gross profit	2,917,287	2,311,619
Selling, general and administrative expenses	2,386,716	2,374,739
Operating income (loss)	530,571	(63,120)
Non-operating income		
Interest income	3,431	2,201
Dividends income	15,912	18,801
Equity in earnings of affiliates	321,111	22,613
Other	31,660	31,555
Total non-operating income	372,115	75,171
Non-operating expenses		
Interest expenses	148,490	143,397
Other	62,486	63,901
Total non-operating expenses	210,976	207,298
Ordinary income (loss)	691,710	(195,247)
Extraordinary income		
Gain on sales of noncurrent assets	30,563	41,987
Subsidy income	10,848	-
Other	7,110	833
Total extraordinary income	48,522	42,820
Extraordinary loss		
Loss on sales of noncurrent assets	566	5,575
Loss on retirement of noncurrent assets	1,349	14,360
Other	47	-
Total extraordinary loss	1,963	19,935
Net quarterly income (loss) before taxes and other adjustments	738,270	(172,362)
Income taxes-current	206,590	147,398
Income taxes-deferred	(27,243)	(152,026)
Total income taxes	179,347	(4,627)
Income before minority interests (loss)	558,922	(167,734)
Minority interest income (loss)	(5,076)	(10,962)
Net income (loss)	563,999	(156,772)

(Three Months Ended March 31, 2013)

(Thousands of yen)

	1Q FY2012 (Jan 1, 2012 - Mar 31, 2012)	1Q FY2013 (Jan 1, 2013 - Mar 31, 2013)
Income (loss) before minority interests	558,922	(167,734)
Other comprehensive income		
Valuation difference on available-for-sale securities	65,247	313,866
Deferred gains or losses on hedges	16,187	12,976
Foreign exchange conversion adjustment	(92,020)	81,337
Share of other comprehensive income of associates accounted for using equity method	-	1,569
Total other comprehensive income	(10,585)	409,750
Comprehensive income	548,336	242,015
(Breakdown)		
Comprehensive income attributable to owners of the parent	557,275	250,069
Comprehensive income attributable to minority interests	(8,938)	(8,054)

3. Notes regarding Going Concern

No applicable items.

4. Notes regarding Remarkable Change of Shareholder's Equity

No applicable items

5. Segment Information**1. Information Concerning Net Sales and Profits and Losses for Reporting Segments**

1Q FY2012 (January 1, 2012 – March 31, 2012)

(Thousands of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	28,810,920	609,648	1,558,742	30,979,311	—	30,979,311
Inter-segment sales or transfers	83,058	4,548	65,117	152,724	(152,724)	—
Total	28,893,979	614,196	1,623,859	31,132,035	(152,724)	30,979,311
Segment income	187,530	304,385	21,173	513,089	17,481	530,571

(Note)

1. The adjustment amount for segment income is ¥13,769,000 not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from ¥3,712,000 lost in trading between segments.
2. Segment income is adjusted with operating income, as recorded in consolidated quarterly income statements.

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

1Q FY2013 (January 1, 2013 – March 31, 2013)

(Thousands of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	27,863,815	682,876	1,286,275	29,832,968	—	29,832,968
Inter-segment sales or transfers	40,573	2,988	84,926	128,488	(128,488)	—
Total	27,904,389	685,864	1,371,201	29,961,456	(128,488)	29,832,968
Segment income (loss)	(409,587)	363,089	(11,129)	(57,627)	(5,492)	(63,120)

(Note)

1. The adjustment amount for segment income (loss) is ¥3,362,000 not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from -¥8,855,000 lost in trading between segments.
2. Segment income (loss) is adjusted with operating loss, as recorded in consolidated quarterly income statements.