February 12, 2014

Consolidated Financial Results Announcement for the Year Ended December 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)
Date of Annual General Meeting of Shareholders (planned): March 26, 2014
Date of submission of annual securities report (planned): March 26, 2014
Date for commencement of dividend payments (planned): March 10, 2014
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, 2013 (January 1, 2013 – December 31, 2013)

(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	%
FY2013	132,205	3.3	4,141	42.7	3,801	37.4	1,571	(4.6)
FY2012	127,935	5.6	2,901	33.2	2,767	67.4	1,647	(34.7)

(Note) Comprehensive income:
FY2013: 1,840 million yen (1.7%); FY2012: 1,809 million yen (-31.1%)

	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	%	%	%
FY2013	122.56	122.04	5.6	3.6	3.1
FY2012	132.39	—	6.3	2.7	2.3

(Reference) Equity in earnings and losses of affiliates
FY2013: 148 million yen; FY2012: 435 million yen

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2013	108,354	29,265	26.7	2,231.64
FY2012	104,466	27,750	26.2	2,147.51

(Reference) Shareholders' equity
FY2013: 28,973 million yen; FY2012: 27,401 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
FY2013	6,243	(6,214)	92	10,306
FY2012	7,316	(5,520)	(816)	10,175

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) (%)
FY2012	–	0.00	–	40.00	40.00	510	30.2	1.9
FY2013	–	0.00	–	40.00	40.00	519	32.6	1.8
FY2014 (forecast)	–	0.00	–	40.00	40.00		20.8	

(Note) In commemoration of listing on the First Section of the Tokyo Stock Exchange as of December 12, 2013, 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, 2013 will be 40.00 yen combined with common dividend of 30.00 yen.

3. Consolidated Financial Forecast for the Year Ending December 31, 2014 (January 1, 2014 – December 31, 2014)

(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 (accumulated)	63,000	1.9	1,100	56.5	900	68.5	500	235.6	38.51
Full year	135,000	2.1	4,600	11.1	4,200	10.5	2,500	59.1	192.56

* 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: Yes
4) Restatements: None

(3) Number of shares issued (common stock)
1) Number of shares issued at end of term (including treasury stock)
FY2013: 13,204,400 shares FY2012: 13,068,400 shares
2) Number of treasury stock at end of term
FY2013: 221,215 shares FY2012: 308,641 shares
3) Average number of outstanding shares during the period
FY2013: 12,824,355 shares FY2012: 12,444,051 shares

(Reference) Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Year Ended December 31, 2013 (January 1, 2013 – December 31, 2013)

(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	%
FY2013	2,994	20.5	1,159	68.7	976	105.2	731	7.5
FY2012	2,484	(0.2)	687	(7.0)	476	(1.8)	680	(49.9)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2013	57.07	56.83
FY2012	54.70	—

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2013	51,890	12,620	24.3	971.41
FY2012	45,927	12,236	26.6	956.50

(Reference) Shareholders' equity
FY2013: 12,612 million yen; FY2012: 12,204 million yen

*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. 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. Business Performance" on page 4.
2. The Company will hold a briefing session of results for investors on February 19 (Wed.), 2014. The presentation materials for this briefing session will be posted on the Company's homepage promptly.

I. Business Performance

1. Analysis of operations

(1) Summary of current consolidated fiscal year

The business environment held considerable uncertainty during the current consolidated fiscal year (FY2013: January 1 to December 31, 2013). Against a background of monetary easing and various economic stimulus measures, share prices rose and the correction of the previously high-priced Japanese yen continued. Signs of improvement in corporate earnings and personal consumption emerged. Even so, prospects in the business environment remained unclear, given uncertainty about overseas economies and the rising cost of imported raw materials, driven by the rapidly declining yen.

The logistics industry continued to face a challenging economic environment. Despite rising expectations for an economic recovery, the declining yen caused fuel prices and electricity rates to rise, driving up the cost of home deliveries. In addition to a shortage of trucks and drivers, logistics operators struggled with restructuring due to tightening regulations, demands for lower prices from customers and intensifying competition.

Under such circumstances, we also 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.

Regarding the business strategy, the Group pursued a two-prong strategy. To achieve further expansion in 3PL business, the Group actively pursued proposal-driven sales while establishing a series of logistics centers, to serve its new 3PL business for customers such as drugstores, DIY centers, eyeglass lens producers and food producers. In its existing business for the music and rental industries, the Group concentrated its operations by shifting them to a leading-edge, large-scale logistics center, distributed across several locations nationwide. By centralizing its operations, the Group expects to raise efficiency, thereby driving down costs.

Regarding the investment strategy, the Group focused on the construction of logistics centers. In Ami-machi, Ibaraki Prefecture, the Group began construction of a truck depot serving MEGMILK SNOW BRAND Co., Ltd. Aiming for completion in fall 2014, the Group set to work building a large-scale logistics center for a major food manufacturer in Nagatsuta, Midori Ward, Yokohama. In November, the Group acquired a plot for logistics use in Sugita, Isogo Ward, Yokohama, where the Group plans to erect a logistics center with about 33,000 sqm of floor space by 2015. Regarding the solar power generation business, which is our new business started in the fiscal year 2013, the Group completed construction and installation at four locations including a plant in Shibayama-machi, Chiba Prefecture by August. Sales of electricity from these installations are already under way.

Regarding the international strategy, in March, the Group established two companies in Hong Kong, a presiding company and an operations company, focused on the Chinese market; these companies began operations serving Japanese-affiliated manufacturers from the following month. In June, the Group acquired a 64,000 square meters plot for logistics purposes in Thailand. The Group plans to erect on this site our first own-company overseas logistics center, and the doors are scheduled to open in June 2014. To further accelerate its rollout of operations in ASEAN, the Group worked on a procedure to merge its presiding company and operating company in Singapore, and prepared to change the names of local affiliates in Malaysia, Vietnam and Thailand.

As a result, net sales for the consolidated fiscal year were ¥132,205 million (up 3.3% from the previous fiscal year). In earnings, the Group’s core logistics business operated at a loss in the first half of the consolidated fiscal year but rebounded from the third quarter. In property management business, a part of the beneficiary rights to a logistics-facility trust was transferred to a private placement fund and appropriated as income. In addition, revenues in human resource business and other business expanded. Therefore, operating income was ¥4,141 million (up 42.7%) and ordinary income was ¥3,801 million (up 37.4%).

Extraordinary losses included expenses of ¥598 million for projects such as the transfer and concentration of logistics centers and brand unification, as provided in the plan for the consolidated fiscal year under review. Also incurred during the period were loss on cancellation of leasehold contracts due to closure of offices and warehouses and impairment losses, raising total special losses to ¥1,342 million. Partially offsetting these extraordinary losses, however, was special income of ¥412 million from the sale of investment marketable securities and tangible fixed assets. Net income was ¥1,571 million (down 4.6%).

In June 2013, the Group completed brand unification. A new logo and slogan were introduced, and “SBS” was added to the beginning of the names of 14 Group companies mainly in logistics business; a makeover for vehicle markings and facility billboards; and unification of employee uniforms. Although this transformation required considerable investment outlay, we believe that the heightened profile and sense of unity of the SBS Group that result are sure to contribute to future growth. Another change was the transfer of the Company’s share listing from the Second to the First Section of the Tokyo Stock Exchange. We sincerely thank all shareholders and many others for the support and encouragement that made this promotion possible.

(2) An overview of segments

Operating status of each business segment is as below.

(Logistic Business)

The Group’s logistics business focused on strengthening sales operations, opening of newly acquired logistics centers for 3PL business, and the transfer and integration of existing logistics centers. During the first half of the consolidated fiscal year, difficult conditions persisted, as declining cargo loads, snow disasters and a fall in operating ratio at some centers led to an operating loss. However, this business began to recover in the consolidated third quarter. Earnings and net sales expanded significantly in the fourth quarter, normally the time of strongest demand for this business. Net sales were ¥120,786 million (up 1.2% from the previous fiscal year), meanwhile, operating income was ¥1,219 million (down 29.5%), affected by the operating loss in the first half of the consolidated fiscal year.

(Property Management Business)

In property management business, the Group developed logistics facilities as an engine for the Group’s future growth in combination with its 3PL business. As part of its exit strategy, this segment shifted to a private placement fund structure to boost liquidity. In the consolidated fourth quarter, the segment moved 51% of the trust beneficiary rights of logistics facilities to a private placement fund “SBS Logifund No.1,” created by a major financial institution. This move allocated net sales of ¥2,881 million and operating income of ¥1,191 million. The segment also benefited from increased lease revenue from real-estate facilities held for rental purposes, in which it had increased its equity in the previous consolidated fiscal year. As a result, the figures has dramatically risen, net sales became ¥5,554 million (up 121.8% from the previous fiscal year) and operating income was ¥2,550 million (up 111.3%).

(Other business)

Other business enjoyed solid growth in the period under review, paced by personnel business and industrial-waste management business. This segment also added a sale of new business, solar power generation business. However, the removal of subsidiary company which handles shipping-agency business from consolidated accounting impacted this segment. Net sales were ¥5,865 million (down 3.9% from the previous fiscal year). Operating income rose dramatically to ¥202 million (up 351.0%), lifted by recovery in the marketing and industrial-waste-management businesses and return to profitable operation of personnel business.

(3) Future prospects

Regarding the outlook ahead, there are grounds for optimism but also for caution. The national government’s economic measures and policy of monetary easing will continue to fuel recovery in the stock market and correction of the high value of the yen, and the economy will continue on a recovery footing. However, uncertainty will continue to heighten in the global economy, harboring the risk of downward economic pressure. As the yen extends its weakening trend, personnel and raw-material costs will rise. The hike in the consumption tax scheduled for April 2014 will prompt a rush in demand before the increase, followed by slackened demand thereafter.

Under these circumstances, the Group will press ahead with aggressive sales activities and thoroughgoing efforts to implement a low-cost operating framework. The Group will implement its unique growth strategy of integrating the development of logistics facilities with the expansion of 3PL business. At the same time, the Group will move forward proactively with acquisitions, expanding market share in Japan and building out its network of operating bases in overseas markets.

In light of these circumstances, the forecasts of consolidated financial results for the year ending

December 31, 2014 are net sales of ¥135 billion, operating income of ¥4.6 billion, ordinary income of ¥4.2 billion, and net income of ¥2.5 billion.

<Consolidated financial forecast for the year ending December 31, 2014>

Net Sales	135 billion yen	(up 2.1% from the previous year)
Operating Income	4.6 billion yen	(up 11.1%)
Ordinary Income	4.2 billion yen	(up 10.5%)
Net Income	2.5 billion yen	(up 59.1%)

2. Analysis of the financial position

(1) Status of assets, liabilities and net assets

(Current Assets)
The balance of current assets in the consolidated fiscal year under review is ¥39,663 million, up ¥513 million from the previous fiscal year. This is mainly due to an increase in notes and accounts receivable–trade and a decrease in lease receivables and lease investment assets. In inventory assets, the transfer of a part of trust beneficiary rights engendered a decrease of about ¥1,700 million, but this effect was offset by an increase of about ¥1,700 million in real estate for sale purposes.

(Non-current Assets)
The balance of noncurrent assets in this fiscal year is ¥68,691 million, up ¥3,374 million from the previous fiscal year. This is mainly due to acquisition of land for logistics use in Isogo Ward, Yokohama and Ami-machi, Ibaraki Prefecture and purchase of vehicles and logistics equipment.

(Current Liabilities)
The balance of current liabilities in this fiscal year is ¥43,969 million, up ¥2,639 million from the previous fiscal year. This is mainly due to an increase in the current portion of long-term loans payable, accounts payable and expenses payable.

(Non-current Liabilities)
The balance of noncurrent liabilities in this fiscal year is ¥35,120 million, down ¥266 million from the previous fiscal year. This is mainly due to decreases in corporate bonds, long-term loans payable and lease obligations.

(Net Assets)
Due to the increase in retained earnings, net assets in this fiscal year became ¥29,265 million, up ¥1,514 million from the end of the previous fiscal year. The equity ratio improved by 0.5 points to 26.7% from 26.2% 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 ¥10,306 million, up ¥130 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 ¥6,243 million, down ¥1,073 million from the previous fiscal year. This is mainly due to cash outflows from ¥769 million in income taxes paid and ¥575 in interest expenses paid, despite of increases in funds from ¥2,871 million of net income before income taxes and depreciation of ¥3,634 million.

(Cash Flows from Investment Activities)
Cash used in investment activities was ¥6,214 million, up ¥693 million from the previous fiscal year. This is mainly because inflows of ¥762 million from sale of investment marketable securities was more than offset by outflows of ¥7,026 million for the acquisition of tangible and intangible fixed assets, including acquisition of land for new logistics purposes, construction of logistics facilities and purchase of vehicles.

(Cash Flows from Financial Activities)
Cash gained in financial activities was ¥92 million up ¥908 million from the previous fiscal year. This is mainly

due to cash outflows from a ¥11,739 million repayment of long-term loans payable and ¥510 million cash dividends paid, despite of ¥13,000 million fund procurement of long-term loans payable.

(Note)
Cash flow indexes

For the years ended December 31	2009	2010	2011	2012	2013
Equity ratio (%)	18.6	23.2	24.5	26.2	26.7
Equity ratio based on market price (%)	6.2	12.3	8.0	12.7	18.8
Debt repayment term (years)	29.8	5.6	13.0	6.6	7.9
Interest coverage ratio (times)	2.4	11.6	6.1	12.0	10.9

Notes:
1. 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
2. Each index is calculated based on consolidated financial figures.
3. 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).
4. Cash flows from operating activities are used in the above calculations.
5. Interest-bearing debt includes all the liabilities recorded in the consolidated balance sheets that incur interest payments.
6. 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 First Section, as announced on December 12, 2013.

For the next fiscal year, the Company plans to pay a ¥40 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 or the influence of exchange rate, 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 using public road 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 23 consolidated subsidiaries and 1 affiliated company[1] of our company. The business areas and their related companies are illustrated as follows in relation with the reporting segments.

During the consolidated period under review, the Group unified its brand. As part of this effort, the Group changed the names of the 14 subsidiaries that make up its logistics business, prefixing “SBS” to the names of each.

1 The affiliated company is ZERO Co., Ltd., an affiliated company accounted for by the equity method.

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, 3PL business that are commissioned for all of these inclusively, logistics consulting, and related businesses	Renting of facilities for use as offices, residences, or storage, as well as development and sales of logistics facilities	Human resource, environmental, marketing and solar power generation business
Subsidiaries: SBS LOGICOM Co., Ltd SBS Freight Service Co., Ltd. Nippon Record Center Company Limited SBS Transport Co., Ltd. SBS Global Network Co., Ltd SBS Flec Co., Ltd. SBS Flec Hokkaido Co., Ltd. SBS Flec Tohoku Co., Ltd. SBS Flec Kanto Co., Ltd. SBS Flec Chubu Co., Ltd. SBS Flec Kansai Co., Ltd. SBS Flec Kyushu Co., Ltd. SBS Zentsu Co., Ltd Ibaraki Zentsu Co., Ltd.* SBS Sokuhai Co., Ltd. SBS Support Logi Co., Ltd. SBS Finance Co., Ltd. **Overseas subsidiaries:**	**Subsidiaries:** SBS LOGICOM Co., Ltd. A-MAX Co., Ltd L-MAX Co., Ltd. Shinbashi Capital Limited	**Subsidiaries:** SBS Staff Co., Ltd. SBS Support Logi Co., Ltd. SBS Finance Co., Ltd. Marketing Partner Co., Ltd. PAM Co., Ltd. PEACE Inc.* R-Stone Co., Ltd.* SBS LOGICOM Co., Ltd

Overseas subsidiaries:

- China (Shanghai)
  - TL LOGICOM (Shanghai) Co., Ltd.*
  - Shanghai Qingyaliu Plastic Processing Co., Ltd *
- China (Hong Kong)
  - SBS Logistics Holdings Hong Kong Ltd.*
  - SBS Logistics Hong Kong Ltd *
- Singapore
  - SBS Logistics RHQ Pte. Ltd.*
  - SBS Atlas Logstics Holdings Pte.Ltd.*
- Thailand
  - 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.

In January 2014, two subsidiaries in Singapore merged, adopting the name SBS Logistics Holdings Singapore Pte. Ltd. The names of subsidiaries in Thailand, Malaysia and Vietnam are also scheduled to change in 2014.

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 Corporate Group which has the 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) Equity ratio：30% and more

(2) Operating income margin：4% and more

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 Corporate Group which has the logistic functions in all the directions".

(1) Business Strategy

The Group will work on the expansion of 3PL business, which conducts comprehensive operation under contract of corporate customers' logistics functions. Moving forward with its unique differentiation strategy of merging the development of logistics facilities with 3PL business, the Group will work hard to enhance its competitive position in the 3PL business field, establishing distinct logistics functions for each industry and business format and establishing a low-cost operation platform.

Food Logistic, which is our 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. In facility development, the Group will promote effective fund utilization by making investment funds fluidize to collect, using a private placement fund etc.

(3) International Strategy

Staring at the decline in the demand for domestic logistic, we will work on a full-fledged overseas development seeking new markets. The target is countries in Asia such as ASEAN countries, India and China where the market is growing. The Group has established a regional presiding company in Singapore and is focusing its attention on expanding business in Thailand, Malaysia, Vietnam and other ASEAN markets, where Japanese-affiliated companies are rapidly increasing their presence. In India, the Group will work to expand its market share through Atlas Logistics Pvt. Ltd. Similarly, in China, the Group aims to expand its operations under contract from Japanese-affiliated companies and otherwise build its operations on the Chinese mainland, using

Hong Kong as its base.

(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

(Millions of yen)

	FY 2012 (As of December 31, 2012)	FY 2013 (As of December 31, 2013)
ASSETS		
Current assets		
Cash and deposits	10,180	10,339
Notes and accounts receivable-trade	15,080	16,173
Lease receivables and investment assets	2,694	2,327
Inventories	7,628	7,583
Deferred tax assets	715	651
Other	2,920	2,634
Allowance for doubtful accounts	(69)	(46)
Total current assets	39,149	39,663
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	36,564	36,491
Accumulated depreciation and impairment loss	(21,618)	(21,796)
Buildings and structures, net	14,946	14,694
Machinery, equipment and vehicles	15,797	16,455
Accumulated depreciation and impairment loss	(13,436)	(12,431)
Machinery, equipment and vehicles, net	2,361	4,024
Land	33,671	36,170
Lease assets	4,751	3,582
Accumulated depreciation and impairment loss	(2,196)	(1,359)
Lease assets, net	2,554	2,222
Other	3,344	3,456
Accumulated depreciation and impairment loss	(2,355)	(2,549)
Other, net	988	907
Total property, plant and equipment	54,522	58,019
Intangible assets		
Software	416	434
Goodwill	1,078	909
Other	283	430
Total noncurrent assets	1,778	1,774
Investments and other assets		
Investment securities	4,704	5,214
Long-term loans receivable	494	414
Deferred tax assets	390	184
Guarantee deposits	2,721	2,388
Other	981	898
Allowance for doubtful accounts	(276)	(203)
Total investments and other assets	9,015	8,897
Total noncurrent assets	65,317	68,691
Total assets	104,466	108,354

(Millions of yen)

	FY 2012 (As of December 31, 2012)	FY 2013 (As of December 31, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,626	7,721
Current portion of bonds	256	286
Short-term loans payable	18,014	18,255
Current portion of long-term loans payable	7,950	9,416
Accounts payable-other	783	1,490
Accrued expenses	2,936	3,228
Lease obligations	862	792
Income taxes payable	556	312
Accrued consumption taxes	460	549
Provision for bonuses	628	660
Other	1,254	1,255
Total current liabilities	41,329	43,969
Noncurrent liabilities		
Bonds payable	1,174	888
Long-term loans payable	20,913	20,709
Long-term guarantee deposited	1,715	1,651
Lease obligations	2,333	2,158
Provision for retirement benefits	3,519	3,479
Provision for directors' retirement benefits	119	—
Deferred tax liabilities	4,763	5,268
Other	846	964
Total noncurrent liabilities	35,386	35,120
Total liabilities	76,716	79,089
NET ASSETS		
Shareholders' equity		
Capital stock	3,833	3,902
Capital surplus	5,418	5,511
Retained earnings	18,407	19,468
Treasury stock	(286)	(205)
Total shareholders' equity	27,372	28,677
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	323
Deferred gains or losses on hedges	(49)	(23)
Foreign currency translation adjustment	(83)	(3)
Total accumulated other comprehensive income	29	296
Subscription rights to shares	34	8
Minority interests	314	283
Total net assets	27,750	29,265
Total liabilities, net assets	104,466	108,354

2. Consolidated Statements of Operations

(Millions of yen)

	FY 2012 (Fiscal year ended December 31, 2012)	FY 2013 (Fiscal year ended December 31, 2013)
Net sales	127,935	132,205
Cost of sales	115,368	118,746
Gross profit	12,566	13,459
Selling, general and administrative expenses	9,664	9,318
Operating income	2,901	4,141
Non-operating income		
Interest income	11	9
Dividends income	50	55
Commission fee	23	24
Equity in earnings of affiliates	435	148
Other	123	121
Total non-operating income	644	358
Non-operating expenses		
Interest expenses	611	576
Other	166	121
Total non-operating expenses	778	697
Ordinary income	2,767	3,801
Extraordinary income		
Gain on sales of noncurrent assets	374	126
Gain on sales of investment securities	―	285
Other	40	―
Total extraordinary income	414	412
Extraordinary loss		
Loss on sales of noncurrent assets	39	82
Loss on retirement of noncurrent assets	21	63
Impairment loss	474	328
Brand unification expenses	―	406
Loss on cancellation of leasehold contracts	―	214
Office transfer expenses	―	191
Other	54	55
Total extraordinary loss	590	1,342
Total net income (loss)	2,592	2,871
Income taxes-current	663	616
Income taxes-deferred	302	683
Total income taxes	966	1,300
Income before minority interests (loss)	1,626	1,570
Minority interests in income (loss)	(21)	(0)
Net income	1,647	1,571

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY 2012 (Fiscal year ended December 31, 2012)	FY 2013 (Fiscal year ended December 31, 2013)
Income before minority interests	1,626	1,570
Other comprehensive income		
Valuation difference on available-for-sale securities	242	157
Deferred gains or losses on hedges	27	25
Foreign currency translation adjustment	(87)	82
Share of other comprehensive income of associates accounted for using equity method	0	4
Total other comprehensive income	183	269
Comprehensive income	1,809	1,840
Breakdown		
Comprehensive income attributable to owners of the parent	1,834	1,839
Comprehensive income attributable to minority interests	(25)	1

3. Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2012	3,833	5,418	16,235	(658)	24,828
Changes of items during the period					
Dividends from surplus			(370)		(370)
Net income			1,647		1,647
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock			(44)	372	328
Change of scope of consolidation			(46)		(46)
Change of scope of equity method			986		986
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,171	372	2,544
Balance as of December 31, 2012	3,833	5,418	18,407	(286)	27,372

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total Accumulated other comprehensive income			
Balance as of January 1, 2012	(69)	(76)	—	(146)	14	367	25,065
Changes of items during the period							
Dividends from surplus							(370)
Net income							1,647
Purchase of treasury stock							(0)
Disposal of treasury stock							328
Change of scope of consolidation							(46)
Change of scope of equity	(12)			(12)			974
Net changes of items other than shareholders' equity	243	27	(83)	187	19	(53)	153
Total changes of items during the	230	27	(83)	175	19	(53)	2,685
Balance as of December 31, 2012	161	(49)	(83)	29	34	314	27,750

Current consolidated fiscal year (January 1, 2013 – December 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2013	3,833	5,418	18,407	(286)	27,372
Changes of items during the period					
Issuance of new shares - exercise of subscription rights to shares	69	69			138
Dividends from surplus			(510)		(510)
Net income			1,571		1,571
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		24		81	105
Net changes of items other than shareholders' equity					
Total changes of items during the period	69	93	1,061	81	1,304
Balance as of December 31, 2013	3,902	5,511	19,468	(205)	28,677

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total Accumulated other comprehensive income			
Balance as of January 1, 2013	161	(49)	(83)	29	34	314	27,750
Changes of items during the period							
Issuance of new shares - exercise of subscription rights to							138
Dividends from surplus							(510)
Net income							1,571
Purchase of treasury stock							(0)
Disposal of treasury stock							105
Net changes of items other than shareholders' equity	162	25	79	267	(26)	(30)	209
Total changes of items during the	162	25	79	267	(26)	(30)	1,514
Balance as of December 31, 2013	323	(23)	(3)	296	8	283	29,265

4. Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2012 (Fiscal year ended December 31, 2012)	FY 2013 (Fiscal year ended December 31, 2013)
Net cash provided by (used in) operating activities		
Total net income (loss)	2,592	2,871
Depreciation	3,317	3,634
Impairment loss	474	328
Amortization of goodwill	375	242
Increase (decrease) in allowance for doubtful accounts	(18)	(104)
Increase (decrease) in provision for bonuses	(8)	31
Increase (decrease) in provision for retirement benefits	(57)	(40)
Interest and dividends income	(62)	(64)
Interest expenses	611	576
Equity in (earnings) losses of affiliates	(435)	(148)
Loss (gain) on valuation of investment securities	1	(285)
Loss (gain) on sales of property, plant and equipment and intangible assets	(334)	(43)
Loss on retirement of property, plant and equipment and intangible assets	21	63
Decrease (increase) in notes and accounts receivable-trade	1,311	(631)
Decrease (increase) in inventories	(3)	(49)
Decrease (increase) in other current assets	(70)	(40)
Increase (decrease) in notes and accounts payable-trade	96	77
Increase (decrease) in other current liabilities	(49)	807
Increase (decrease) in accrued consumption taxes	18	89
Increase (decrease) in other noncurrent liabilities	183	(169)
Other	249	350
Subtotal	8,212	7,493
Interest and dividends income received	87	94
Interest expenses paid	(607)	(575)
Income taxes paid	(375)	(769)
Net cash provided by (used in) operating activities	7,316	6,243

(Millions of yen)

	FY 2012 (Fiscal year ended December 31, 2012)	FY 2013 (Fiscal year ended December 31, 2013)
Net cash provided by (used in) investing activities		
Payments into time deposits	(5)	(32)
Proceeds from withdrawal of time deposits	5	5
Purchase of property, plant and equipment and intangible assets	(6,404)	(7,026)
Proceeds from sales of property, plant and equipment and intangible assets	1,578	236
Proceeds from redemption of securities	300	300
Purchase of investment securities	(8)	(110)
Proceeds from sales of investment securities	79	762
Purchase of stocks of subsidiaries and affiliates	(611)	(584)
Payments of loans receivable	(133)	(13)
Collection of loans receivable	167	122
Payments for guarantee deposits	(182)	(204)
Proceeds from collection of guarantee deposits	99	342
Other	(404)	(12)
Net cash provided by (used in) investing activities	(5,520)	(6,214)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,642)	222
Repayments of lease obligations	(808)	(831)
Proceeds from long-term loans payable	12,771	13,000
Repayment of long-term loans payable	(10,832)	(11,739)
Redemption of bonds	(256)	(256)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	—	106
Proceeds from sales of treasury stock	327	104
Cash dividends paid	(370)	(510)
Cash dividends paid to minority shareholders	(3)	(2)
Other	(0)	(0)
Net cash provided by (used in) financing activities	(816)	92
Effect of exchange rate change on cash and cash equivalents	(6)	8
Net increase (decrease) in cash and cash equivalents	973	130
Cash and cash equivalents at the beginning of period	9,212	10,175
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	26	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(37)	—
Cash and cash equivalents at the end of period	10,175	10,306

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 resource, environmental, marketing and solar power generation 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, 2012 – December 31, 2012)

(Millions 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	2,504	6,100	127,935	-	127,935
Inter-segment sales or transfers	275	10	303	589	(589)	-
Total	119,605	2,514	6,404	128,524	(589)	127,935
Segment income	1,728	1,206	44	2,980	(79)	2,901
Segment assets	65,161	32,026	2,683	99,872	4,594	104,466
Other items						
Depreciation and amortization	2,671	492	63	3,227	89	3,317
Amortization of goodwill and negative goodwill	323	22	30	375	-	375
Impairment loss on fixed assets	447	26	-	474	-	474
Increase in property, plant and equipment and intangible assets	4,768	2,404	314	7,487	(290)	7,196

(Note)

1. Details of Adjustment Amount are as follows:
   (1) The adjustment amount for segment income is -¥76 million in trading between segments and from -¥2 million 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 million in trading between segments and ¥20,363 million 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 million in transfer, etc. between segments in accordance with the change of use and from ¥34 million 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.

Current consolidated fiscal year (January 1, 2013 – December 31, 2013)

(Millions 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	120,786	5,554	5,865	132,205	-	132,205
Inter-segment sales or transfers	189	11	478	679	(679)	-
Total	120,975	5,566	6,343	132,885	(679)	132,205
Segment income	1,219	2,550	202	3,971	169	4,141
Segment assets	66,502	32,933	4,115	103,551	4,803	108,354
Other items						
Depreciation and amortization	2,962	465	127	3,555	78	3,634
Amortization of goodwill	229	-	12	242	-	242
Impairment loss on fixed assets	328	-	-	328	-	328
Increase in property, plant and equipment and intangible assets	7,002	986	1,376	9,365	(886)	8,478

(Note)

1. Details of Adjustment Amount are as follows:
   (1) The adjustment amount for segment income is -¥30 million in trading between segments and from ¥199 million not allocated to reporting segments by the parent company (company releasing the quarterly financial statement).
   (2) The adjustment amount for segment assets is -¥21,203 million in trading between segments and from ¥26,007 million 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 -¥924 million in transfer, etc. between segments in accordance with the change of use and from ¥37 million 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.