

Consolidated Financial Results Announcement for the Three Months Ended March 31, 2014

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
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 Scheduled date of filing of Quarterly Report: May 12, 2014
 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, 2014 (from January 1, 2014 to March 31, 2014)

(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, 2014	32,266	8.2	674	-	570	-	390	-
3 Months Ended March 31, 2013	29,832	(3.7)	(63)	-	(195)	-	(156)	-

(Note) Comprehensive income:

3 Months Ended March 31, 2014: 460 million yen (90.3%); 3 Months Ended March 31, 2013: 242 million yen (-55.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
3 Months Ended March 31, 2014	30.06	30.01
3 Months Ended March 31, 2013	(12.27)	—

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3 Months Ended March 31, 2014	108,398	29,245	26.7
FY2013	108,354	29,265	26.7

(Reference) Shareholders' equity

3 Months Ended March 31, 2014: 28,953 million yen; FY2013: 28,973 million yen

2. Dividend Status

(Base date)	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
FY2013	—	0.00	—	40.00	40.00
FY2014	—	—	—	—	—
FY2014 (forecast)	—	0.00	—	14.00	14.00

(Note) Corrections regarding current dividend forecasts: None

As announced in the Notice on Stock Split, Partial Amendment of the Articles of Incorporation and Revision of Dividend Forecast, published April 11, 2014, the Company intends to execute a 3-for-1 split of common shares on June 1, 2014. In tandem with this stock split, the year-end dividend forecast for December 31, 2014 is calculated at ¥13.33 per share and rounded up to ¥14 per share. Based on the previous forecast for the year-end dividend of ¥40 per share before the stock split, this represents an effective ¥2 increase in dividend per share before the stock split.

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 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	63,000	1.9	1,100	56.5	900	68.5	500	235.6	12.84
Full year	135,000	2.1	4,600	11.1	4,200	10.5	2,500	59.1	64.19

(Note) Corrections regarding current consolidated forecast figures: None

As announced in the Notice on Stock Split, Partial Amendment of the Articles of Incorporation and Revision of Dividend Forecast, published April 11, 2014, the Company intends to execute a 3-for-1 split of common shares on June 1, 2014. In tandem with this stock split, the accumulative Q2 consolidated business results and full-year net income per share listed here reflect the effect of the stock split.

* 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: No
 - 2) Change other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (4) Number of shares issued (common share)
 - 1) Number of shares issued at end of term (including treasury share)
 - 3 Months Ended Mar 31, 2014: 13,204,400 shares
 - FY2013: 13,204,400 shares
 - 2) Number of treasury share at end of term
 - 3 Months Ended Mar 31, 2014: 197,615 shares
 - FY2013: 221,215 shares
 - 3) Average number of outstanding shares during the period (Accumulative figures for quarter)
 - 3 Months Ended Mar 31, 2014: 12,991,209 shares
 - 3 Months Ended Mar 31, 2013: 12,772,202 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

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. 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. Explanation of Forecast of Consolidated Business Results and Other Forecasts" under "I. Business Performance" on page 4.

2. As announced in the Notice on Stock Split, Partial Amendment of the Articles of Incorporation and Revised Dividend Forecast, published April 11, 2014, the Company intends to execute a 3-for-1 split of common shares on June 1, 2014. In tandem with this stock split, the dividend forecast and forecast of net income per share in the forecast of consolidated business results listed here reflect the effect of the stock split.

I. Business Performance

1. Explanation of Business Results

During the period under review (Q1 FY2014: three months ended March 31, 2014), the Japanese economy staged a modest recovery in its bid to escape deflation. Against a background of stimulus measures by the national government and monetary measures by the Bank of Japan, corporate earnings and employment conditions improved. Rush demand ahead of an increase in the consumption tax prompted expansion in both production and consumption.

The logistics industry steered a difficult course in the period under review, despite some positive developments. After a long hiatus, business was brisk, as rush demand in advance of the consumption-tax rise reinvigorated the movement of goods, while negotiations with shippers achieved gradual progress. At the same time, the concentration of demand led to a shortage of drivers and vehicles, resulting in lost opportunities. Other negative factors included rises in vehicle-rental, electricity and fuel charges.

The Group moved to bolster results on several fronts against this mixed environment. Guided by SBS Growth 2017, the Group's current four-year medium-term management plan, drafted during the consolidated business year under review, the SBS Group commenced Group-wide efforts to achieve its targets by pursuing business strategies, investment strategies and buttressing of its management base.

The business strategy comprised efforts to better serve areas of growing demand while seeking out fresh opportunities. Aiming for a significant expansion in order acceptance, the Group strengthened proposal-based sales. At the same time the Group responded to rush demand by increasing warehouse-internal work, boosting the number of delivery trucks in operation, and serving spot transportation needs. In new business, the Group launched 3PL operations for major meat processors and commenced operation of centers for mail-order sales on behalf of major department stores and for food-delivery operations, beginning with the Kanto region and continuing to Kansai. In personnel operations, where demand is rising, the Group opened new sales facilities and refurbished existing ones, striving to secure necessary personnel and galvanize sales efforts.

In overseas operations, the Group raised its profile in the ASEAN region. To accelerate its operations in this region, in January 2014 the Group merged its two existing Singapore affiliates and acquired a logistics company, also in Singapore, active in container shipping. The Group entered the domestic shipping as well as forwarding industry within Singapore.

The Group's investment strategy focused on energy. A project to install solar panels on the roof of the West Japan Logistics Center, begun in the previous consolidated fiscal year, was completed in March 2014. This milestone marked the final component of the Group's 1st Solar Power Generation Plan. When combined with four other solar-power facilities already in operation, this project raised the Group's solar-power generating capacity to 5.4MW. The Group plans to implement capital investment at seven locations in the current consolidated period, with plans to start operations adding a further 2MW of generating capacity.

As a result, net sales for the first quarter of the consolidated period were ¥32,266 million (up 8.2% from the previous corresponding period). As net sales increased, the operating income was ¥674 million (the previous corresponding period marked an operating loss of ¥63 million), ordinary income was ¥570 million (the previous corresponding period marked an ordinary loss of ¥195 million) and net income was ¥390 million (the previous corresponding period marked a net loss of ¥156 million). In each case the Group moved out of the red column and into profitable operation.

Financial results by segment are as follows.

(Logistics Business)

In its logistics business, the Group launched 3PL operations and opened a new center for its foodstuffs operations and greatly expanded shipping volumes centering on consumable goods, beverages, and convenience goods in response to rush demand ahead of the April 1 increase in the consumption tax. At SBS Logicom Co., Ltd., SBS Zentsu Co., Ltd. and SBS Sokuhai Co., Ltd., the Group focused strongly on center operations and transport and delivery operations.

As a result, net sales were ¥29,973 million (up 7.6% from the previous corresponding period), operating income was ¥192 million (the previous corresponding period marked an operating loss of ¥409 million).

(Property Management Business)

In our property management business, we transferred some of our rental real-estate assets to a private-placement fund in the previous consolidated period, resulting in a decline in rental revenue. Net sales were ¥618 million (down 9.5% from the previous corresponding period) and operating income was ¥339 million (down 6.4%).

(Other Business)

In our other business, trends were firm in our personnel, environmental and marketing business, and the Group

added operations in solar power generation. Net sales were ¥1,674 million (up 30.2% from the previous corresponding period) and operating income was ¥97 million (the previous corresponding period marked an operating loss of ¥11 million).

2. Explanation of Financial Condition

Total assets at the end of the first quarter were ¥108,398 million, an increase of ¥43 million from the end of the previous fiscal year. In key components of this increase in assets, replacement of vehicles and purchase of furniture and fixtures led to an increase in property, plant and equipment, raising noncurrent assets by ¥436 million in spite of recovery of notes and accounts receivable-trade advanced, prompting a ¥393 million reduction in current assets..

Liabilities were ¥79,152 million, an increase of ¥63 million from the end of the previous fiscal year. This was mainly due to an increase in noncurrent liabilities of ¥2,735 million including long-term loans payable despite a decrease in current liabilities of ¥2,671 million including a net decrease of short-term loans payable.

Net assets were ¥29,245 million, a decrease of ¥20 million from the end of the previous fiscal year. This was mainly due to the payment of dividends of ¥519 million while the recording of a net income of ¥390 million in the first quarter of the consolidated period and valuation differences on available-for-sale securities increased by ¥92 million.

3. Explanation of Forecast of Consolidated Business Results and Other Forecasts

The Q1 consolidated business results reflect stronger-than-forecast rush demand in advance of the hike in the consumption tax. Both sales and income results were favorable.

Going forward, however, the recoil from the rush demand is forecast to result in a slump in the movement of goods, while rental-vehicle and fuel costs increase. Due to the difficulty at the present time of estimating the degree to which these factors will impact the sales and earnings of the Company, we will not revise our forecasts for the first half of the consolidated period and the full fiscal year announced on February 12, 2014.

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

No applicable items.

III. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2013 (As of Dec 31, 2013)	1Q FY2014 (As of Mar 31, 2014)
ASSETS		
Current assets		
Cash and deposits	10,339	10,198
Notes and accounts receivable-trade	16,173	15,082
Inventories	7,583	7,594
Other	5,613	6,443
Allowance for doubtful accounts	(46)	(49)
Total current assets	39,663	39,270
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	36,491	36,545
Accumulated depreciation and impairment loss	(21,796)	(22,066)
Buildings and structures, net	14,694	14,478
Machinery, equipment and vehicles	16,455	16,565
Accumulated depreciation and impairment loss	(12,431)	(12,267)
Machinery, equipment and vehicles, net	4,024	4,298
Land	36,170	36,173
Lease assets	3,582	3,582
Accumulated depreciation and impairment loss	(1,359)	(1,285)
Lease assets, net	2,222	2,297
Other	3,456	3,568
Accumulated depreciation and impairment loss	(2,549)	(2,584)
Other, net	907	984
Total property, plant and equipment	58,019	58,231
Intangible assets		
Goodwill	909	959
Other	864	901
Total Intangible assets	1,774	1,861
Investments and other assets		
Investments and other assets	9,100	9,234
Allowance for doubtful accounts	(203)	(199)
Total investments and other assets	8,897	9,035
Total noncurrent assets	68,691	69,127
Total assets	108,354	108,398

(Millions of yen)

	FY2013 (As of Dec 31, 2013)	1Q FY2014 (As of Mar 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,721	7,818
Current portion of bonds	286	286
Short-term loans payable	18,255	14,461
Current portion of long-term loans payable	9,416	10,166
Income taxes payable	312	205
Provision for bonuses	660	1,351
Other	7,316	7,008
Total current liabilities	43,969	41,297
Noncurrent liabilities		
Bonds payable	888	760
Long-term loans payable	20,709	23,747
Provision for retirement benefits	3,479	3,473
Other	10,043	9,874
Total noncurrent liabilities	35,120	37,855
Total liabilities	79,089	79,152
NET ASSETS		
Shareholders' equity		
Capital stock	3,902	3,902
Capital surplus	5,511	5,527
Retained earnings	19,468	19,339
Treasury stock	(205)	(183)
Total shareholders' equity	28,677	28,587
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	323	291
Deferred gains or losses on hedges	(23)	(14)
Foreign exchange conversion adjustments	(3)	89
Total valuation and translation adjustments	296	366
Subscription rights to shares	8	8
Minority interests	283	283
Total net assets	29,265	29,245
Total liabilities, net assets	108,354	108,398

2. Consolidated Statements of Operations**(Three Months Ended March 31, 2014)**

(Millions of yen)

	1Q FY2013 (Jan 1, 2013 - Mar 31, 2013)	1Q FY2014 (Jan 1, 2014 - Mar 31, 2014)
Net sales	29,832	32,266
Cost of sales	27,521	29,330
Gross profit	2,311	2,935
Selling, general and administrative expenses	2,374	2,260
Operating income (loss)	(63)	674
Non-operating income		
Interest income	2	1
Dividends income	18	8
Equity in earnings of affiliates	22	69
Other	31	31
Total non-operating income	75	110
Non-operating expenses		
Interest expenses	143	135
Loss on investments in partnership	22	48
Other	41	30
Total non-operating expenses	207	214
Ordinary income (loss)	(195)	570
Extraordinary income		
Gain on sales of noncurrent assets	41	30
Other	0	-
Total extraordinary income	42	30
Extraordinary loss		
Loss on sales of noncurrent assets	5	8
Loss on retirement of noncurrent assets	14	1
Total extraordinary loss	19	10
Net quarterly income (loss) before taxes and other adjustments	(172)	590
Income taxes-current	147	238
Income taxes-deferred	(152)	(34)
Total income taxes	(4)	203
Income before minority interests (loss)	(167)	387
Minority interest income (loss)	(10)	(3)
Net income (loss)	(156)	390

(Three Months Ended March 31, 2014)

(Millions of yen)

	1Q FY2013 (Jan 1, 2013 - Mar 31, 2013)	1Q FY2014 (Jan 1, 2014 - Mar 31, 2014)
Income (loss) before minority interests	(167)	387
Other comprehensive income		
Valuation difference on available-for-sale securities	313	(32)
Deferred gains or losses on hedges	12	8
Foreign exchange conversion adjustment	81	96
Share of other comprehensive income of associates accounted for using equity method	1	0
Total other comprehensive income	409	73
Comprehensive income	242	460
(Breakdown)		
Comprehensive income attributable to owners of the parent	250	460
Comprehensive income attributable to minority interests	(8)	0

3. Notes on the Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

No applicable items.

(Notes regarding Remarkable Change of Shareholder's Equity)

No applicable items.

(Segment Information)

**1. Information Concerning Net Sales and Profits and Losses for Reporting Segments
1Q FY2013 (January 1, 2013 – March 31, 2013)**

(Millions 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	682	1,286	29,832	—	29,832
Inter-segment sales or transfers	40	2	84	128	(128)	—
Total	27,904	685	1,371	29,961	(128)	29,832
Segment income (loss)	(409)	363	(11)	(57)	(5)	(63)

(Note)

1. The adjustment amount for segment income (loss) is ¥3,000,000 not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from -¥8,000,000 lost in trading between segments.
2. Segment income (loss) 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 FY2014 (January 1, 2014 – March 31, 2014)**

(Millions 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	29,973	618	1,674	32,266	—	32,266
Inter-segment sales or transfers	47	2	73	124	(124)	—
Total	30,021	621	1,747	32,390	(124)	32,266
Segment income	192	339	97	629	44	674

(Note)

1. The adjustment amount for segment income is ¥41,000,000 not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from ¥3,000,000 lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.