February 13, 2015

Consolidated Financial Results Announcement for the Year Ended December 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
Contact: Koki Kakehashi, General Manager of Financial Division (Tel: +81-3-3829-2222)
Date of Annual General Meeting of Shareholders (planned): March 25, 2015
Date of submission of annual securities report (planned): March 25, 2015
Preparation of supplementary references regarding results: Yes
Holding the briefing of results: Yes (for investors and analysts)
Date for commencement of dividend payments (planned): March 9, 2015

1. Consolidated Financial Results for the Year Ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(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	%
FY2014	141,535	7.1	4,123	(0.4)	3,672	(3.4)	2,750	75.0
FY2013	132,205	3.3	4,141	42.7	3,801	37.4	1,571	(4.6)

(Note) Comprehensive income:
FY2014: 3,727 million yen (102.5%); FY2013: 1,840 million yen (1.7%)

	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	%	%	%
FY2014	70.39	70.27	9.0	3.1	2.9
FY2013	40.85	40.68	5.6	3.6	3.1

(Reference) Equity in earnings and losses of affiliates
FY2014: 206 million yen; FY2013: 148 million yen
(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. Net income per share and diluted net income per share here are calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2014	131,120	35,245	24.4	815.17
FY2013	108,354	29,265	26.7	743.88

(Reference) Shareholders' equity
FY2014: 31,971 million yen; FY2013: 28,973 million yen
(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. Net assets per share here are calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.

(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
FY2014	6,594	(15,101)	8,902	11,037
FY2013	6,243	(6,214)	92	10,306

2. Dividend Status

(Base date)	Dividend per share					Total dividend (annual) (million yen)	Payout ratio (consolidated) (%)	Dividend on equity (consolidated) (%)
	End of Q1	End of Q2	End of Q3	End of Q4	Total			
FY2013	–	0.00	–	40.00	40.00	519	32.6	1.8
FY2014	–	0.00	–	15.00	–	588	21.3	1.9
FY2015 (forecast)	–	0.00	–	16.00	16.00		16.51	

(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. Dividends indicated for FY2013 represent actual dividends paid prior to the stock split.

3. Consolidated Financial Forecast for the Year Ending December 31, 2015 (January 1, 2015 – December 31, 2015)

(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 (accumulated)	79,000	20.1	1,500	1.4	1,200	(12.6)	1,900	7.9	48.44
Full year	165,000	16.6	5,500	33.4	4,900	33.4	3,800	38.2	96.89

*** Note**

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that lead to a change in the scope of consolidation): Yes
New (1): SBS Transpole Logistics Pvt. Ltd.
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): No
3) Changes in accounting estimates: No
4) Restatements: No

(3) Number of shares issued (common stock)
1) Number of shares issued at end of term (including treasury stock)
FY2014: 39,703,200 shares FY2013: 39,613,200 shares
2) Number of treasury stock at end of term
FY2014: 481,985 shares FY2013: 663,645 shares
3) Average number of outstanding shares during the period
FY2014: 39,066,415 shares FY2013: 38,473,064 shares
(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. The number of shares issued (common stock) is calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.

(Reference) Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Year Ended December 31, 2014 (January 1, 2014 – December 31, 2014)

(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	%
FY2014	4,093	36.7	1,956	68.8	1,704	74.5	1,691	131.1
FY2013	2,994	20.5	1,159	68.7	976	105.2	731	7.5

	Net income per share	Diluted net income per share
	Yen	Yen
FY2014	43.29	43.23
FY2013	19.02	18.94

(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. Net income per share and diluted net income per share here are calculated as if the stock split had occurred at the beginning of previous fiscal year.

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2014	69,393	13,976	20.1	356.31
FY2013	51,890	12,620	24.3	323.80

(Reference) Shareholders' equity

FY2014: 13,974 million yen; FY2013: 12,612 million yen

(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. Net assets per share here are calculated as if the stock split had occurred at the beginning of previous fiscal year.

*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 18 (Wed.), 2015. The presentation materials for this briefing session will be posted on the Company's homepage promptly.

I. Business Performance

1. Explanation of Business Results

During the consolidated fiscal year ended December 31, 2014, the Japanese economy was characterized by lingering uncertainty. As the background of the economic policies of the national government and quantitative easing by the Bank of Japan, the economy moved onto a gradual recovery footing, as private-sector business results improved and the employment picture brightened. Unfortunately, an increase in the consumption tax from 5% to 8% caused personal consumption to stagnate, while the decline in the yen caused by quantitative easing drove the cost of imported materials higher and chronic personnel shortages caused wages to rise. Factors such as these continued providing cause for concern regarding near-term prospects.

In the logistics industry, rush demand ahead of the consumption-tax hike was more than offset by increasingly difficult circumstances such as stagnation in personal consumption, prompted by the protracted slump in demand in the second half of the fiscal year following the tax hike and the unusual summer weather. Moreover, the industry remained plagued by high costs for vehicle hiring and part-time and temporary workers, as well as an increasingly severe shortage of drivers.

Confronted by this environment, the SBS Group worked together to pursue its business and investment strategies and to become a leading group in the logistics industry. Underpinning these efforts was “SBS Growth 2017,” the Group’s medium-term management plan launched during the consolidated business year under review and covering the period from FY2014 through FY2017.

The business strategy of SBS Holdings, Inc., was flexible and multifaceted. To increase orders received in 3PL, the Company further bolstered proposal-based sales, succeeding in securing new orders related to operation of logistics centers for supermarkets, drugstore chains and department stores, which will contribute to performance in future fiscal years. In new business, the Company commenced operations of 3PL and logistics centers for meat processors, department stores and manufacturers of eyeglass lenses. Although existing business is lackluster due to the ongoing sluggishness of personal consumption, the Company expanded operations by cultivating new customers and areas of business. In the customs clearance business, however, rapid ongoing yen depreciation is curtailing imports of high-end apparel and accessories. Also, the growing rate of smartphone penetration, particularly among the young, is prompting changes in the CD/DVD logistics business structure for music video software. As a result, transaction volumes are falling, causing profitability to worsen.

The Company took several steps to build the foundation for its overseas operations, restructuring its affiliates in Singapore and entering the container shipping industry in that country by acquiring a local drayage shipping firm. The Company also completed construction on a warehouse in Thailand—the first facility of this nature it owns overseas. In India, the Group acquired shares in a forwarder, Transpole Logistics Pvt. Ltd. (now SBS Transpole Logistics Pvt. Ltd.), and converted that company to a subsidiary. We expect the addition to our group of SBS Transpole—which is enjoying rapid growth in Asia—to play a major role in achieving one of the targets of the medium-term management plan, which is to raise net sales from overseas operations to ¥30 billion.

In addition to acquiring two overseas subsidiaries, the Company’s investment strategy involved investing a total of around ¥15.0 billion to acquire a site for a logistics facility to fuel new 3PL business and augment solar-power generation facilities. Meanwhile, the Company generated some ¥5.5 billion through the sale of an office building and by transferring trust beneficiary rights in logistics facilities to its private placement fund, SBS Logifund No. 1. In this manner, during the year the Company increased investments necessary for future growth, such as overseas M&A activity and the acquisition of a site for facility development. At the same time, while maintaining a judicious balance between investment and return, the Company aims to expand its operations though its unique “business model combining logistics and finance.”

Net sales grew 7.1% from the preceding fiscal year, to ¥141,535 million. This growth mainly reflected the acquisition of new customers in the logistics business, as well as expansion into new businesses and M&A activity. Operating income dipped 0.4%, to ¥4,123 million, and ordinary income fell 3.4%, to ¥3,672 million. These decreases were attributable mainly to increased costs on M&A activities and worsening performance in the customs clearance and CD/DVD logistics businesses. Net income surged 75.0%, to ¥2,750 million, including extraordinary income of ¥1,375 million from a gain on sales of noncurrent assets in the form of buildings.

Financial results by segment are as follows.

(Logistics Business)

The logistics business dealt with fluctuating demand and rising costs. Logistical volumes swelled significantly up to March, due to rush demand ahead of the consumption-tax hike, creating an exceptionally busy period for the Company’s logistics center operations and shipping-and-delivery operations. From April onwards, performance in existing areas of business was sluggish due to a drop in reaction to the tax hike and yen depreciation, but sales expanded favorably thanks to the launch of new projects. Helping to improve the operating margin were a

fourth-quarter decline in fuel costs and settlement to a certain degree of customer negotiations continuing from the preceding fiscal year on adjusting freight rates and other fees. Ongoing negative factors included a rise in vehicle hiring and labor costs.

As a result, segment sales expanded 7.5%, to ¥129,884 million, and operating income grew 33.2%, to ¥1,624 million.

(Property Management Business)

In the Company's property management business, having transferred 51% of trust beneficial rights in logistical facilities to a private placement fund, SBS Logifund No. 1, in the previous consolidated fiscal year, the Company transferred the remaining 49% in the period under review. Segment sales consequently fell 8.1%, to ¥5,103 million, and operating income dropped 7.5%, to ¥2,359 million, due to a loss in rental revenue from logistics facilities transferred to the fund.

(Other Business)

In other business, results were firm in personnel, marketing and environmental operations. Against a backdrop of chronic personnel shortages and efforts to newly construct and augment operational bases, in personnel operations sales and operating income benefited from initiatives to meet demand for personnel dispatch and introductions. As a result, segment sales increased 11.6%, to ¥6,548 million, and operating income surged 70.4%, to ¥344 million.

(3) Future prospects

We believe the economic outlook remains problematic. We think the Japanese economy will be affected by the protracted reverberations of the consumption tax hike, leading to sluggish consumption levels, as well as ongoing yen depreciation. In addition, overseas economic deceleration is a concern, particularly in Asia and Europe. Although lower fuel costs are good news for the logistics sector, this business faces ongoing cost increases due to personnel and vehicle shortages.

In this operating climate, the SBS Group will continue working toward the targets outlined in "SBS Growth 2017," its medium-term management plan, namely net sales of ¥200.0 billion and operating income of ¥8.0 billion by FY2017. In FY2015, the plan's second year, we will concentrate on five Group policies: further enhancing the 3PL business, moving forward with logistical real estate developments, promoting overseas development, being proactive in M&A and bolstering sales capabilities and the SBS brand.

In the logistics business, we anticipate the start of new 3PL and center business operations. A new base of operations is coming on line in the Kansai region, and the inclusion into the Group of the Indian company SBS Transpole Logistics Pvt. Ltd. should contribute to performance. In the CD/DVD logistics business, which experienced worsening performance during the year under review, we aim to bolter our share of transactions and restore profitability. We will also expand our handling of products in other business categories. In the customs clearance business, we will increase our operational coverage by expanding forwarding and other international logistics services.

In property management, we expect our completion of a new logistics center to drive expansion in the leasing business. We also intend to continue transferring logistics facilities.

In other business, we will seek to make inroads in the Kansai region and cultivate new markets in the robust human resources business.

Through these initiatives, in FY2015 we expect to achieve consolidated net sales of ¥165.0 billion, operating income of ¥5.5 billion, ordinary income of ¥4.9 billion and net income of ¥3.8 billion.

<Consolidated financial forecast for the year ending December 31, 2015>

Net Sales	165.0 billion yen	(up 16.6% from the previous year)
Operating Income	5.5 billion yen	(up 33.4%)
Ordinary Income	4.9 billion yen	(up 33.4%)
Net Income	3.8 billion yen	(up 38.2%)

2. Analysis of the financial position

(1) Status of assets, liabilities and net assets

Total assets amounted to ¥131,120 million as of December 31, 2014, up ¥22,765 million from a year earlier. Balances of individual asset categories and their year-on-year comparisons are provided below.

(Current Assets)

Current assets totaled ¥53,847 million at fiscal year-end, ¥14,183 million higher than a year earlier. This rise

was due mainly to the increase in trade notes and accounts receivable associated with the acquisition of a subsidiary, as well as to the recategorization of some logistics facilities from noncurrent assets to inventories as real estate for sale.

(Noncurrent Assets)
Noncurrent assets came to ¥77,272 million, up ¥8,581 million. An increase in goodwill stemming from the acquisition of a subsidiary, the purchase of a logistics site, and purchases of vehicles and logistics equipment were among the main reasons.

(Current Liabilities)
Current liabilities were ¥54,990 million as of December 31, 2015, up ¥11,020 million. Key factors included a net increase in short-term loans payable, as well as rises in the current portion of long-term loans payable, accounts payable and expenses payable.

(Noncurrent Liabilities)
Noncurrent liabilities came to ¥40,884 million, up ¥5,764 million year on year. The main reason was an increase in long-term loans payable for the funds used in M&A activity and for facility investments.

(Net Assets)
As of December 31, 2014, net assets totaled ¥35,245 million, up ¥5,980 million from a year earlier, due to higher retained earnings and increases in the foreign currency translation adjustment and minority interests. The equity ratio declined 2.3 percentage points, from 26.7% to 24.4%.

(2) Status of cash flow

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year totaled ¥11,037 million, up ¥731 million from the end of the previous fiscal year. The major changes for each cash flow are described below.

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥6,594 million, ¥351 million more than in the previous fiscal year. Major sources of cash included total net income of ¥4,708 million and depreciation of ¥3,526 million. Principal uses of cash were income taxes paid of ¥984 million and interest expenses paid of ¥573 million.

(Cash Flows from Investing Activities)
Net cash used in investing activities totaled ¥15,101 million, ¥8,886 million more than was used by these activities in the preceding term. Sources of cash included proceeds from sales of property, plant and equipment and intangible assets, which provided ¥2,749 million, but these were overshadowed by uses of cash. Chief among these were ¥10,859 million for purchases of property, plant and equipment and intangible assets, which went toward the acquisition of a new logistics site, the construction of logistics facilities and vehicle purchases. Another primary use of cash was for payments for acquisition of stocks of subsidiaries related to changes in the scope of consolidation due to overseas M&A activity, which used ¥7,258 million.

(Cash Flows from Financing Activities)
Net cash provided by financing activities was ¥8,902 million, ¥8,810 million more than in the preceding fiscal year. The main contributors were a ¥2,251 million net increase in short-term loans payable, ¥18,836 million in proceeds from long-term loans payable versus ¥10,838 million in repayment of long-term loans payable. Cash dividends paid also used ¥519 million.

(Reference) Cash flows indicators

For the years ended December 31	2010	2011	2012	2013	2014
Equity ratio (%)	23.2	24.5	26.2	26.7	24.4
Equity ratio based on market price (%)	12.3	8.0	12.7	18.8	30.0
Debt repayment term (years)	5.6	13.0	6.6	7.9	9.4
Interest coverage ratio (times)	11.6	6.1	12.0	10.9	11.5

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

The Company considers the return of profits to shareholders one of its most important management objectives. Accordingly, our basic policy on profit distribution calls for the maintenance of stable dividends and efforts to increase dividend levels in line with operating performance, balanced against augmenting internal reserves to ensure a stronger management base.

In keeping with this policy, today, February 13, 2015, the Company announced a year-end dividend for FY2014 of ¥15 per share, ¥1 higher than the previously forecast figure of ¥14 per share. This figure amounted to a real increase of ¥5 per share from the preceding year's level.

We forecast a dividend of ¥16 per share for FY2015.

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 cannot 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.

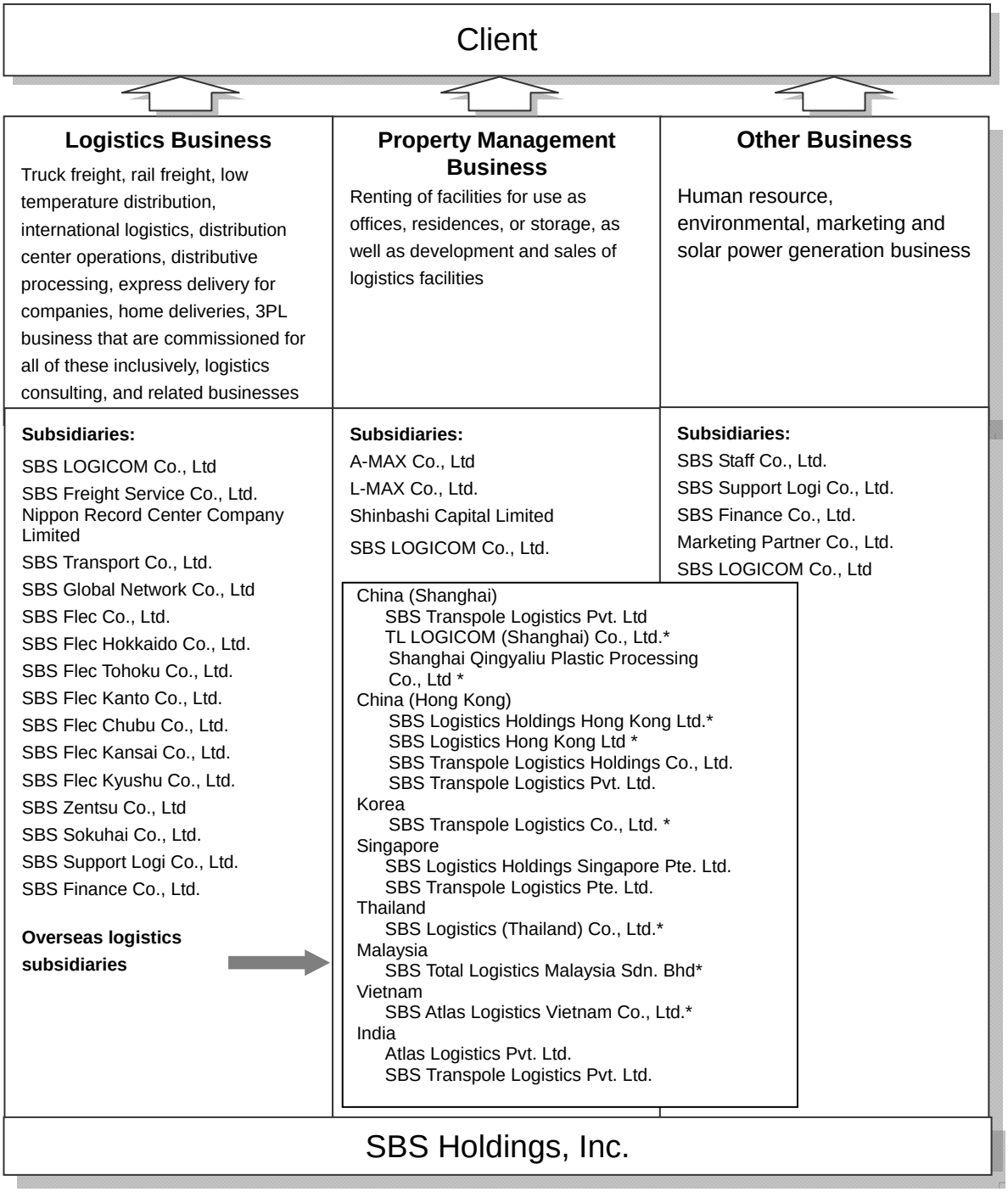
(12) Risks related to international development
Our group actively develops initiatives to advance our business overseas in order to maintain our future growth. There is a possibility that such initiatives might be affected by changes or stagnation in the economic situation of the region concerned, fluctuation 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

The SBS Group comprises SBS Holdings (the holding company for the group) 27 consolidated subsidiaries and one affiliated company*. Through collaboration among these companies, the group conducts logistics, property management and other businesses. The business areas and their related companies are illustrated as follows in relation with the reporting segments.

Please note that the figure below includes nonconsolidated subsidiaries, which are indicated with an asterisk (*).

* ZERO Co., Ltd., is an affiliated company accounted for under the equity method.



January 2015 marked the merger of six companies—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.; and SBS Flec Kyushu Co., Ltd.—with SBS Flec Kanto Co., Ltd., as the surviving company. That company's name was subsequently changed to SBS Flec Net Co., Ltd.

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 economic activity.

With this knowledge, our group exhibits total strength, professional ability, and resolution power as the "3PL Corporate Group, which has logistic functions in all directions." We support customers' global corporate activities, such as production and sales, and serve as the social infrastructure for profiting high-quality, safe and secure logistics services.

While performing logistic business that is closely related to society, we understand the importance of corporate social responsibility and are sincerely involved in CSR management through safety, environmental and social contributions. We will continue to contribute affluent society by putting in efforts to increase corporate and shareholder value.

2. The Company's medium- to long-term management strategy and management targets

In January 2014, the SBS Group announced "SBS Growth 2017," a four-year medium-term management plan to mark its 30th anniversary of establishment, in 2017. By 2017, the Group targets net sales of ¥200.0 billion and operating income of ¥8.0 billion and aims to be a key Asian logistics company and a leading industry group.

The medium-term management policy includes the following five objectives.

- Enhance on-site capabilities (low-cost operation, improvement)
- Consolidate the Group's capabilities (effective use of management infrastructure, maximization of Group synergy)
- Maintain the Group's venture spirit (sharing of dreams, speed)
- Achieve sustainable growth (balance between aggressive investment and an enhanced financial base)
- Pursue management focused on compliance and CSR (CSR management practices)

The plan's business and investment strategies call for the promotion of stable sales growth through the development of 3PL business and overseas business centered on Asia, as well as the improvement of earning power due to thorough low-cost operation and an enhanced financial base.

Target management indicators:

- Ensure business-related profits → Operating income to net sales ratio of 4% or more
- Maintain financial soundness → Shareholders' equity ratio of 30% or more

4. Company issues to be addressed

The SBS Group recognizes the importance of ensuring management maneuverability and effective checking functions to overcoming the challenges posed by an uncertain economic environment and competition from other companies. Accordingly, we are working to accelerate decision-making to invest management resources in a timely and appropriate manner, and we are also striving to clarify responsibility and authority for business execution to achieve the objectives outlined in our medium-term management plan, SBS Growth 2017.

To maintain our growth, logistics personnel are key to promoting our 3PL business, and global human resources are essential to our overseas development. Given the increasingly serious shortage of drivers, we also recognize the need to enhance our training programs and build personnel systems to ensure our ability to recruit and train superior human resources. Furthermore, we are creating an environment that fosters participation in management and have introduced an employee stock ownership plan (ESOP) to boost morale, augmenting job satisfaction, pride and a sense of worth for each employee.

To fulfill our social responsibilities as a logistics company, we are actively engaged in safety measures such as ensuring work safety and avoiding traffic accidents. We are also addressing environmental preservation by promoting eco-driving and working to reduce the environmental impact of vehicles and facilities. Aiming to meet society's expectations of us as a corporate group, we are making steady progress on CSR management. We are enhancing our corporate governance system by focusing on such pillars as augmenting internal controls, ensuring thorough compliance and introducing measures to address risks.

IV. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2013 (As of Dec 31, 2013)	FY2014 (As of Dec 31, 2014)
ASSETS		
Current assets		
Cash and deposits	10,339	11,098
Notes and accounts receivable-trade	16,173	22,012
Lease receivables and investment assets	2,327	1,757
Inventories	7,583	13,002
Deferred tax assets	651	419
Other	2,634	5,661
Allowance for doubtful accounts	(46)	(104)
Total current assets	39,663	53,847
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	36,491	33,262
Accumulated depreciation and impairment loss	(21,796)	(21,502)
Buildings and structures, net	14,694	11,760
Machinery, equipment and vehicles	16,455	18,274
Accumulated depreciation and impairment loss	(12,431)	(12,326)
Machinery, equipment and vehicles, net	4,024	5,948
Land	36,170	38,052
Lease assets	3,582	3,430
Accumulated depreciation and impairment loss	(1,359)	(1,391)
Lease assets, net	2,222	2,038
Other	3,456	5,122
Accumulated depreciation and impairment loss	(2,549)	(2,680)
Other, net	907	2,442
Total property, plant and equipment	58,019	60,241
Intangible assets		
Goodwill	909	5,136
Other	864	1,570
Total Intangible assets	1,774	6,706
Investments and other assets		
Investment securities	5,214	6,336
Long-term loans receivable	414	687
Guarantee deposits	2,388	2,361
Other	1,083	1,123
Allowance for doubtful accounts	(203)	(184)
Total investments and other assets	8,897	10,324
Total noncurrent assets	68,691	77,272
Total assets	108,354	131,120

(Millions of yen)

	FY2013 (As of Dec 31, 2013)	FY2014 (As of Dec 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,721	8,767
Current portion of bonds	286	256
Short-term loans payable	18,255	23,243
Current portion of long-term loans payable	9,416	11,815
Accounts payable-other	1,490	1,543
Accrued expenses	3,228	3,446
Lease obligations	792	747
Income taxes payable	312	755
Accrued consumption taxes	549	1,707
Provision for bonuses	660	683
Other	1,255	2,022
Total current liabilities	43,969	54,990
Noncurrent liabilities		
Bonds payable	888	632
Long-term loans payable	20,709	26,372
Long-term guarantee deposited	1,651	1,503
Lease obligations	2,158	1,833
Provision for retirement benefits	3,479	-
Liabilities related to retirement benefits	-	3,928
Deferred tax liabilities	5.268	5,839
Other	964	775
Total noncurrent liabilities	35,120	40,884
Total liabilities	79,089	95,874
NET ASSETS		
Shareholders' equity		
Capital stock	3,902	3,918
Capital surplus	5,511	5,588
Retained earnings	19,468	21,574
Treasury stock	(205)	(149)
Total shareholders' equity	28,677	30,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	323	415
Deferred gains or losses on hedges	(23)	(7)
Foreign exchange conversion adjustments	(3)	795
Cumulative adjustments related to retirement benefits	–	(164)
Total accumulated other comprehensive income	296	1,039
Subscription rights to shares	8	30
Minority interests	283	3,243
Total net assets	29,265	35,245
Total liabilities, net assets	108,354	131,120

2. Consolidated Statements of Operations

(Millions of yen)

	FY2013 (Fiscal year ended December 31, 2013)	FY2014 (Fiscal year ended December 31, 2014)
Net sales	132,205	141,535
Cost of sales	118,746	127,259
Gross profit	13,459	14,276
Selling, general and administrative expenses	9,318	10,152
Operating income	4,141	4,123
Non-operating income		
Interest income	9	46
Dividends income	55	43
Commission fee	24	22
Equity in earnings of affiliates	148	206
Other	121	202
Total non-operating income	358	521
Non-operating expenses		
Interest expenses	576	600
Foreign exchange losses	0	123
Loss on investments in partnership	8	98
Other	112	150
Total non-operating expenses	697	972
Ordinary income	3,801	3,672
Extraordinary income		
Gain on sales of noncurrent assets	126	1,375
Other	285	32
Total extraordinary income	412	1,408
Extraordinary loss		
Loss on sales of noncurrent assets	82	13
Loss on retirement of noncurrent assets	63	24
Impairment loss	328	110
Loss on valuation of stocks of subsidiaries and affiliates	–	100
Loss on sales of shares of subsidiaries and associates	–	79
Brand unification expenses	406	–
Loss on cancellation of leasehold contracts	214	–
Office transfer expenses	191	–
Other	55	44
Total extraordinary loss	1,342	372
Total net income (loss)	2,871	4,708
Income taxes-current	616	1,278
Income taxes-deferred	683	648
Total income taxes	1,300	1,927
Income before minority interests	1,570	2,781
Minority interest income (loss)	(0)	30
Net income	1,571	2,750

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2013 (Fiscal year ended December 31, 2013)	FY2014 (Fiscal year ended December 31, 2014)
Income before minority interests	1,570	2,781
Other comprehensive income		
Valuation difference on available-for-sale securities	157	91
Deferred gains or losses on hedges	25	16
Foreign exchange conversion adjustment	82	836
Share of other comprehensive income of associates accounted for using equity method	4	2
Total other comprehensive income	269	946
Comprehensive income	1,840	3,727
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,839	3,603
Comprehensive income attributable to minority interests	1	123

3. Consolidated Statements of Changes in Net Assets

Previous 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
Change of scope of consolidation					
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	Cumulative adjustments related to retirement benefits	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 shares								138
Dividends from surplus								(510)
Net income								1,571
Purchase of treasury stock								(0)
Disposal of treasury stock								105
Change of scope of consolidation								
Net changes of items other than shareholders' equity	162	25	79		267	(26)	(30)	209
Total changes of items during the period	162	25	79		267	(26)	(30)	1,514
Balance as of December 31, 2013	323	(23)	(3)	–	296	8	283	29,265

Current consolidated fiscal year (January 1, 2014 – December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2014	3,902	5,511	19,468	(205)	28,677
Changes of items during the period					
Issuance of new shares—exercise of subscription rights to shares	15	15			30
Dividends from surplus			(519)		(519)
Net income			2,750		2,750
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		62		56	118
Change of scope of consolidation			(124)		(124)
Net changes of items other than shareholders' equity					
Total changes of items during the period	15	77	2,106	56	2,255
Balance as of December 31, 2014	3,918	5,588	21,574	(149)	30,932

	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	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income			
Balance as of January 1, 2014	323	(23)	(3)	–	296	8	283	29,265
Changes of items during the period								
Issuance of new shares—exercise of subscription rights								30
Dividends from surplus								(519)
Net income								2,750
Purchase of treasury stock								(0)
Disposal of treasury stock								118
Change of scope of consolidation								(124)
Net changes of items other than shareholders' equity	91	16	799	(164)	742	22	2,960	3,724
Total changes of items during the period	91	16	799	(164)	742	22	2,960	5,980
Balance as of December 31, 2014	415	(7)	795	(164)	1,039	30	3,243	35,245

4. Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2013 (Fiscal year ended December 31, 2013)	FY 2014 (Fiscal year ended December 31, 2014)
Net cash provided by (used in) operating activities		
Total net income (loss)	2,871	4,708
Depreciation	3,634	3,526
Impairment loss	328	110
Amortization of goodwill	242	231
Increase (decrease) in allowance for doubtful accounts	(104)	13
Increase (decrease) in provision for bonuses	31	25
Increase (decrease) in provision for retirement benefits	(40)	–
Increase (decrease) in liabilities related to retirement benefits	–	115
Interest and dividends income	(64)	(90)
Interest expenses	576	600
Equity in (earnings) losses of affiliates	(148)	(206)
Loss (gain) on investments in partnership	8	98
Loss (gain) on sales of property, plant and equipment and intangible assets	(43)	(1,362)
Loss on retirement of property, plant and equipment and intangible assets	63	24
Loss on valuation of stocks of subsidiaries and affiliates	–	100
Loss (gain) on sales of shares of subsidiaries and associates	–	79
Decrease (increase) in notes and accounts receivable-trade	(631)	(392)
Decrease (increase) in inventories	(49)	(781)
Decrease (increase) in other current assets	(40)	(441)
Increase (decrease) in notes and accounts payable-trade	77	53
Increase (decrease) in other current liabilities	807	518
Increase (decrease) in accrued consumption taxes	89	1,174
Increase (decrease) in other noncurrent liabilities	(169)	(490)
Other	56	385
Subtotal	7,493	8,002
Interest and dividends income received	94	150
Interest expenses paid	(575)	(573)
Income taxes paid	(769)	(984)
Net cash provided by (used in) operating activities	6,243	6,594

(Millions of yen)

	FY 2013 (Fiscal year ended December 31, 2013)	FY 2014 (Fiscal year ended December 31, 2014)
Net cash provided by (used in) investing activities		
Payments into time deposits	(32)	(18)
Proceeds from withdrawal of time deposits	5	6
Purchase of property, plant and equipment and intangible assets	(7,026)	(10,859)
Proceeds from sales of property, plant and equipment and intangible assets	236	2,749
Proceeds from redemption of securities	300	–
Purchase of investment securities	(110)	(691)
Purchase of stocks of subsidiaries and affiliates	(584)	(494)
Payments for acquisition of stocks of subsidiaries resulting in changes in the scope of consolidation	–	(7,258)
Proceeds from sale of stocks of subsidiaries resulting in changes in the scope of consolidation	–	53
Payments of loans receivable	(13)	(286)
Collection of loans receivable	122	347
Payments for guarantee deposits	(204)	(244)
Proceeds from collection of guarantee deposits	342	291
Other	750	1,302
Net cash provided by (used in) investing activities	(6,214)	(15,101)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	222	2,251
Repayments of lease obligations	(831)	(683)
Proceeds from long-term loans payable	13,000	18,836
Repayment of long-term loans payable	(11,739)	(10,838)
Redemption of bonds	(256)	(286)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	106	23
Proceeds from sales of treasury stock	104	118
Cash dividends paid	(510)	(519)
Cash dividends paid to minority shareholders	(2)	-
Other	(0)	(0)
Net cash provided by (used in) financing activities	92	8,902
Effect of exchange rate change on cash and cash equivalents	8	(36)
Net increase (decrease) in cash and cash equivalents	130	359
Cash and cash equivalents at the beginning of period	10,175	10,306
Increase (decrease) in cash and cash equivalents resulting from changes in the scope of consolidation	–	320
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	51
Cash and cash equivalents at the end of period	10,306	11,037

5. 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

FY2013 (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

(Notes)

*1 Adjustment amount details are as follows:

(1) Adjustments to segment income include the elimination of a negative ¥30 million in inter-segment transactions and ¥199 million for the operations by the parent company (company releasing the quarterly financial statement) that was not allocated to reporting segments.

(2) Segment asset adjustments include a negative ¥21,203 million eliminated in inter-segment transactions and ¥26,007 million in companywide assets not allocated to reporting segments. Principal companywide assets include idle money (cash and deposits) invested by the parent company, assets related to internal Group financing and assets held by administrative departments.

(3) The adjustment for Increases in property, plant and equipment and intangible assets is a negative ¥924 million in inter-segment transactions in accordance with the change of use and ¥37 million in companywide assets 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, 2014 – December 31, 2014)

(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	129,884	5,103	6,548	141,535	–	141,535
Inter-segment sales or transfers	215	6	246	468	(468)	-
Total	130,099	5,109	6,794	142,004	(468)	141,535
Segment income	1,624	2,359	344	4,327	(204)	4,123
Segment assets	85,700	37,454	4,370	127,524	3,595	131,120
Other items						
Depreciation and amortization	2,858	355	241	3,455	71	3,526
Amortization of goodwill	231	–	–	231	–	231
Impairment loss on fixed assets	58	52	–	110	–	110
Increase in property, plant and equipment and intangible assets	15,059	229	677	15,965	22	15,988

(Notes)

*1 Adjustment amount details are as follows:

(1) Adjustments to segment income include the elimination of ¥13 million in inter-segment sales or transfers and a negative ¥217 million for the operations of indirect divisions at headquarters of the Company and certain consolidated subsidiaries that were not allocated to reporting segments.

(2) Segment asset adjustments include a negative ¥33,337 million eliminated for inter-segment transactions and ¥36,932 million in companywide assets not allocated to reporting segments. Principal companywide assets include idle money (cash and deposits) invested by the Company and certain consolidated subsidiaries, assets related to internal Group financing and assets held by administrative departments.

(3) The adjustment for increases in property, plant and equipment and intangible assets is ¥22 million in companywide assets not allocated to reporting segments.

*2 Segment income is adjusted with operating income, as recorded in consolidated financial statements.