August 12, 2015

Consolidated Financial Results Announcement for the Six Months Ended June 30, 2015

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:	August 12, 2015
Preparation of supplementary references regarding quarterly results:	Yes
Holding the briefing of quarterly results:	Yes (for investors and analysts)
Date for commencement of dividend payments (planned):	—

1. Consolidated Financial Results for the Six Months Ended June 30, 2015 (from January 1, 2015 to June 30, 2015)

(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	%
6 Months Ended June 30, 2015	79,229	20.5	1,788	21.9	1,978	45.3	2,033	16.3
6 Months Ended June 30, 2014	65,777	6.4	1,467	112.2	1,361	160.0	1,749	-

(Note) Comprehensive income:
6 Months Ended June 30, 2015: 3,168 million yen (68.1%); 6 Months Ended June 30, 2014: 1,884 million yen (290.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
6 Months Ended June 30, 2015	51.80	51.73
6 Months Ended June 30, 2014	44.84	44.78

(Notes) 1. 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. The figures have been retroactively adjusted in accordance with changes in accounting principles in the six months ended June 30, 2014.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
6 Months Ended June 30, 2015	133,958	37,704	25.5
FY2014	131,120	35,091	24.3

(Reference) Shareholders' equity
6 Months Ended June 30, 2015: 34,150 million yen; FY2014: 31,817 million yen

(Note) The figures have been retroactively adjusted in accordance with changes in accounting principles in the year ended December 31, 2014.

2. Dividend Status

	Dividend per share (yen)				
(Base date)	End of Q1	End of Q2	End of Q3	End of Q4	Total
FY2014	—	0.00	—	15.00	—
FY2015	—	0.00			
FY2015 (forecast)			—	16.00	16.00

(Note) Corrections regarding current dividend forecasts: None

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

(Percentage figures denote the year-on-year increase or decrease.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	165,000	16.6	5,500	34.2	4,900	34.3	3,800	39.5	96.89

(Note) Corrections regarding current consolidated forecast figures: None

(Note) Year-on-year percentage changes reflect retroactive adjustments in accordance with changes in accounting principles.

* Note

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that lead to a change in the scope of consolidation): None

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

(3) Changes in accounting principles, changes in accounting estimates and restatements
1) Changes in accounting principles accompanying revisions in accounting standards, etc: Yes
2) Change other than 1): No
3) Changes in accounting estimates: No
4) Restatements: No
(Note) For details, please refer to “3. Changes in Accounting Principles, Changes in Accounting Estimates and Restatements” under “II. Summary Information (Notes)” on page 3 of the attachment.

(4) Number of shares issued (common share)
1) Number of shares issued at end of term (including treasury share)
6 Months Ended June 30, 2015: 39,703,200 shares
FY2014: 39,703,200 shares
2) Number of treasury share at end of term
6 Months Ended June 30, 2015: 404,585 shares
FY2014: 481,985 shares
3) Average number of outstanding shares during the period (Accumulative figures for quarter)
6 Months Ended June 30, 2015: 39,262,925 shares
6 Months Ended June 30, 2014: 39,007,119 shares
(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. Here, the number of shares at the end of the previous consolidated fiscal year and in the same quarter of the previous fiscal year are calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.

*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.

I. Business Performance

1. Explanation of Business Results

During the period under review (Q2 FY2015: six months ended June 30, 2015), the Japanese economy remained in a gradual recovery phase, due to improvements in corporate earnings and employment conditions, despite the downside risks posed by debt problems in Europe and Chinese economic fluctuations.

The logistics industry expects increased demand stemming from the economic recovery, but the operating environment remained problematic, as signs of a full-fledged improvement in the movement of goods failed to materialize. Furthermore, a shortage of drivers pushed up both recruitment costs and vehicle-hiring costs, and shortages of trucks and personnel led to missed opportunities.

Confronted by this environment, the SBS Group pursued business and investment strategies based on “SBS Growth 2017,” its four-year medium-term management plan that commenced in 2014, among other measures.

The business strategy comprised the renovation of SBS Logicom’s sales organization to further expand the 3PL business, and the full-fledged start of market cultivation in the Kansai region and western Japan by opening a sales base in Osaka for the logistics and human resources businesses. In new business, the Company commenced operations of logistics centers for drugstores and food products manufacturers. We also received an order for logistics operations from Seikodo Co., Ltd., a prominent wholesaler of music and video software, and began relocating their center, where full-fledged operations are scheduled to commence in September.

In overseas operations, we began restructuring our organization and business in Asia, centered on SBS Transpole Logistics Pvt. Ltd. (“Transpole”), an Indian firm that joined the Group in 2014. In India, we converted Atlas Logistics Pvt. Ltd. to a Transpole subsidiary. Going forward, we plan to move forward with operational and site consolidations, spearheaded by Transpole. In the ASEAN region, we integrated our forwarding business with Transpole. We also began reorganizing overlapping bases in Hong Kong and Singapore.

Our investment strategy included the January 2015 completion and start of operations at the Nagatsuta Logistics Center in the city of Yokohama as a logistics base for large-scale food product manufacturers. In March, we began construction of a dedicated logistics center for a major department store group in the city of Tokorozawa, Saitama Prefecture. We are now moving forward steadily with construction on two large-scale logistics facilities, including the Sugita Logistics Center in Yokohama, where construction has already begun. The center is slated for completion in spring of 2016, resulting in a new logistics space of approximately 66,000 square meters.

As a result, net sales surged 20.5% year on year, to ¥79,229 million, thanks to an increase in the number of overseas subsidiaries and expansion of the domestic logistics business. In addition to the rise in net sales, fuel costs fell due to lower crude oil prices. These factors, plus the impact of successful freight rate adjustments, caused operating income to increase 21.9%, to ¥1,788 million, and ordinary income jumped 45.3%, to ¥1,978 million, due to the recording of ¥204 million in foreign exchange gains. Net income exceeded that of the first six months of the preceding fiscal year by 16.3%, or ¥284 million, rising to ¥2,033 million. While posting a gain on sales of property, plant and equipment of ¥2,236 million as extraordinary income, we also posted an extraordinary loss, writing off goodwill of ¥771 million in a lump sum based on our judgment that recovering our investment in Atlas Logistics Pvt. Ltd. of India would be delayed beyond previous expectations.

During the first quarter of the fiscal year under review, the Company adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30, December 25, 2013). This standard has been applied retroactively to figures for the same period of the preceding fiscal year (the same applies below).

Financial results by segment are as follows.

(Logistics Business)
Segment sales in the logistics business grew 20.5% year on year, to ¥73,810 million. Although the Group had been concerned about a potential demand backlash compared with the first quarter of the preceding fiscal year, which was affected by a demand rush ahead of the consumption tax hike, shipments increased in some segments of the retail industry and from an increase in the number of foreign visitors at department stores. Also contributing to these rises were the inclusion in the scope of consolidation of Transpole of India, whose shares we acquired in the preceding fiscal year, and lower fuel charges. Operating income increased 60.9%, to ¥973 million, helped by lower fuel costs and price increases, despite rises in vehicle-hiring costs and rising personnel expenses.

(Property Management Business)
In the property management business, rental revenue increased, helped by the commencement of operations at the Nagatsuta Logistics Center, and we sold for ¥1,173 million a logistics facility in the city of Tokorozawa, Saitama Prefecture that we had held as real estate for sale. As a result, sales in this segment rose 110.1% year on year, to ¥2,510 million, and operating income increased 31.6%, to ¥805 million.

(Other Business)
In other business, sales were down 13.0%, to ¥2,908 million, and operating income fell 27.1%, to ¥125 million. Key factors included lost opportunities in the human resources business, as we secured fewer staff for dispatch than we had anticipated, and the sale in the previous fiscal year of a marketing business subsidiary.

2. Explanation of Financial Condition

As of June 30, 2015, total assets amounted to ¥133,958 million, up ¥2,837 million from their level on December 31, 2014.

Major contributors to this increase were a ¥4,150 million increase in the “other” category within property, plant and equipment (construction in progress) in line with the construction of logistics facilities in Saitama and Yokohama, which boosted noncurrent assets ¥2,783 million, despite a ¥713 decline in intangible assets stemming from the lump-sum write-off of goodwill.

Total liabilities came to ¥96,253 million, ¥224 million higher than on December 31, 2014. Although current liabilities were down ¥8,682 million due to a net decrease in short-term loans payable, this increase was largely attributable to a rise in long-term loans payable, which caused noncurrent liabilities to expand ¥8,907 million.

Net assets totaled ¥37,704 million, up ¥2,613 million compared with December 31, 2014. And increase in net income of ¥2,033 million and a rise in foreign exchange conversion adjustments of ¥651 million led to this increase, despite dividend payments of ¥595 million.

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

Going forward, we expect the business environment to be affected by driver shortages, rises in vehicle-hiring costs and personnel expenses, and increased competition within the industry. At the same time, we believe economic conditions will continue to be characterized by improvements in employment and income conditions, and that the effects of falling crude oil prices and various government policies will drive gradual economic recovery.

Given these conditions, at present we maintain our forecast of consolidated business results for the year ending December 31, 2015, unchanged from that announced on February 13, 2015. If we judge that a revision is warranted, we will disclose this information promptly.

II. Summary Information (Notes)

1. Important Changes of Subsidiaries during the Term

No applicable items.
Although there were no changes in specific subsidiaries, during the first quarter of the fiscal year, the Company established SBS Logicom Kita Kanto Co., Ltd., and SBS Logicom Minami Kanto Co., Ltd., which were newly included in the scope of consolidation. Also, as the liquidation of Shinbashi Capital Ltd., was completed, this company was excluded from the scope of consolidation. Furthermore, five companies—SBS Flec Hokkaido Co., Ltd.; SBS Flec Tohoku Co., Ltd.; SBS Flec Chubu Co., Ltd.; SBS Flec Kansai Co., Ltd.; and SBS Flec Kyushu Co., Ltd.—merged with SBS Flec Kanto Co., Ltd., the surviving company. Those five companies were therefore excluded from the scope of consolidation. The company name of SBS Flec Kanto Co., Ltd., was subsequently changed to SBS Flec Net Co., Ltd.

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

No applicable items.

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

Changes in Accounting Principles
(Application of Accounting Standards for Retirement Benefits)
The Company has applied Clause 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and Clause 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, portion announced on May 17, 2012) from the first quarter of the fiscal year under review. Accordingly, the Company has reviewed its calculation method of retirement benefit obligations and service

costs, changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis, and changed the method of determination of the discount rate.

Following Clause 37 of the “Accounting Standard for Retirement Benefits,” which stipulates transitional treatment of the new standard, the effect of the change in the calculation method of retirement benefit obligations and service costs is adjusted in retained earnings at the beginning of the first six months under review.

The change had the effect, at the beginning of the six months under review, of reducing liabilities related to retirement benefits by ¥48 million, investment securities by ¥44 million and retained earnings by ¥6 million. The impact on operating income, ordinary income and net quarterly income before taxes and other adjustments was slight.

(Application of the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts)

The Company applied the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force No. 30, portion announced on December 25, 2013) from the first quarter of the current fiscal year. Accordingly, the Company recognizes at the time of disposal the difference arising from the disposal of treasury shares by the Company to the trust, and posts as liabilities the differences arising from the net amount of gain or loss from sales of shares sold by the trust to the employee stock ownership plan, dividends paid by the Company for the shares held by the trust and miscellaneous expenses related to the trust. These accounting policies have been applied retroactively, and the consolidated financial statements for the first six months of the fiscal year ended December 31, 2014, and the full fiscal year reflect this retroactive application.

Compared with the figures before retroactive application, as of December 31, 2014, other noncurrent liabilities increased ¥154 million, while capital surplus, retained earnings and treasury stock decreased by ¥86 million, ¥99 million and ¥31 million, respectively. The impact of this retroactive application on profits and losses for the six months ended June 30, 2014, was slight.

II. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2014 (As of Dec 31, 2014)	2Q FY2015 (As of June 30, 2015)
ASSETS		
Current assets		
Cash and deposits	11,098	10,515
Notes and accounts receivable-trade	22,012	22,626
Inventories	13,002	14,115
Other	7,838	6,754
Allowance for doubtful accounts	(104)	(109)
Total current assets	53,847	53,901
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	33,262	33,163
Accumulated depreciation and impairment loss	(21,502)	(21,408)
Buildings and structures, net	11,760	11,755
Machinery, equipment and vehicles	18,274	18,982
Accumulated depreciation and impairment loss	(12,326)	(12,237)
Machinery, equipment and vehicles, net	5,948	6,745
Land	38,052	37,717
Lease assets	3,430	2,917
Accumulated depreciation and impairment loss	(1,391)	(1,258)
Lease assets, net	2,038	1,659
Other	5,122	9,435
Accumulated depreciation and impairment loss	(2,680)	(2,869)
Other, net	2,442	6,565
Total property, plant and equipment	60,241	64,443
Intangible assets		
Goodwill	5,136	4,286
Other	1,570	1,707
Total Intangible assets	6,706	5,993
Investments and other assets		
Investments and other assets	10,508	9,896
Allowance for doubtful accounts	(184)	(277)
Total investments and other assets	10,324	9,619
Total noncurrent assets	77,272	80,056
Total assets	131,120	133,958

(Millions of yen)

	FY2014 (As of Dec 31, 2014)	2Q FY2015 (As of June 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8,767	8,446
Current portion of bonds	256	280
Short-term loans payable	23,243	17,101
Current portion of long-term loans payable	11,815	11,356
Income taxes payable	755	591
Provision for bonuses	683	731
Other	9,467	7,799
Total current liabilities	54,990	46,307
Noncurrent liabilities		
Bonds payable	632	480
Long-term loans payable	26,372	35,396
Net defined benefit liability	3,928	3,903
Other	10,106	10,166
Total noncurrent liabilities	41,038	49,946
Total liabilities	96,029	96,253
NET ASSETS		
Shareholders' equity		
Capital stock	3,918	3,918
Capital surplus	5,502	5,502
Retained earnings	21,475	22,907
Treasury stock	(117)	(98)
Total shareholders' equity	30,778	32,229
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	415	610
Deferred gains or losses on hedges	(7)	(2)
Revaluation reserve for land	-	21
Foreign currency translation adjustment	795	1,446
Remeasurements of defined benefit plans	(164)	(154)
Total accumulated other comprehensive income	1,039	1,921
Subscription rights to shares	30	44
Minority interests	3,243	3,508
Total net assets	35,091	37,704
Total liabilities, net assets	131,120	133,958

2. Consolidated Statements of Operations

(Six Months Ended June 30, 2015)

(Millions of yen)

	2Q FY2014 (Jan 1, 2014 - June 30, 2014)	2Q FY2015 (Jan 1, 2015 - June 30, 2015)
Net sales	65,777	79,229
Cost of sales	59,751	71,335
Gross profit	6,026	7,894
Selling, general and administrative expenses	4,558	6,105
Operating income (loss)	1,467	1,788
Non-operating income		
Interest income	7	112
Dividends income	31	32
Foreign exchange gains	7	204
Equity in earnings of affiliates	138	180
Other	85	88
Total non-operating income	269	618
Non-operating expenses		
Interest expenses	265	400
Other	110	28
Total non-operating expenses	376	429
Ordinary income (loss)	1,361	1,978
Extraordinary income		
Gain on sales of noncurrent assets	1,327	2,236
Other	-	27
Total extraordinary income	1,327	2,263
Extraordinary loss		
Amortization of goodwill	-	771
Other	112	162
Total extraordinary loss	112	933
Net quarterly income (loss) before taxes and other adjustments	2,576	3,308
Income taxes-current	404	1,114
Income taxes-deferred	417	26
Total income taxes	822	1,141
Income before minority interests (loss)	1,754	2,167
Minority interest income (loss)	4	133
Net income (loss)	1,749	2,033

(Six Months Ended June 30, 2015)

(Millions of yen)

	2Q FY2014 (Jan 1, 2014 - June 30, 2014)	2Q FY2015 (Jan 1, 2015 - June 30, 2015)
Income (loss) before minority interests	1,754	2,167
Other comprehensive income		
Valuation difference on available-for-sale securities	16	194
Deferred gains or losses on hedges	9	4
Foreign currency translation adjustment	104	769
Remeasurements of defined benefit plans	-	17
Share of other comprehensive income of associates accounted for using equity method	1	15
Total other comprehensive income	130	1,001
Comprehensive income	1,884	3,168
(Breakdown)		
Comprehensive income attributable to owners of parent	1,876	2,916
Comprehensive income attributable to minority interests	8	252

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
2Q FY2014 (January 1, 2014 – June 30, 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	61,237	1,195	3,344	65,777	-	65,777
Inter-segment sales or transfers	92	4	132	229	(229)	-
Total	61,330	1,199	3,477	66,006	(229)	65,777
Segment income (loss)	605	612	171	1,388	78	1,467

(Notes)
1. The adjustment amount for segment income is ¥71 million not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from ¥6 million lost in trading between segments.
2. Segment income coincides with operating income (loss), as recorded in consolidated quarterly income statements.
3. As noted in the “changes in accounting principles,” due to the adoption of the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts,” the Company has retroactively applied this standard to figures for the first six months of the preceding fiscal year. The impact of this application to segment income in the first six months of the preceding fiscal year was slight.

2. Information Concerning Net Sales and Profits and Losses for Reporting Segments
2Q FY2015 (January 1, 2015 – June 30, 2015)

(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	73,810	2,510	2,908	79,229	-	79,229
Inter-segment sales or transfers	118	1	87	207	(207)	-
Total	73,928	2,512	2,995	79,436	(207)	79,229
Segment income	973	805	125	1,904	(115)	1,788

(Note)
1. The adjustment amount for segment income is -¥122 million not allocated to reporting segments due to the operations of indirect divisions of certain consolidated subsidiaries and headquarters of the Company and from ¥6 million lost in trading between segments.
2. Segment income coincides with operating income (loss), as recorded in consolidated quarterly income statements.
3. As noted in the “changes in accounting principles,” the Company has adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts.”