November 13, 2015

Consolidated Financial Results Announcement for the Nine Months Ended September 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:	November 13, 2015
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 Nine Months Ended September 30, 2015 (from January 1, 2015 to September 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	%
9 Months Ended Sept. 30, 2015	123,295	19.5	4,337	32.7	4,751	63.0	3,674	48.0
9 Months Ended Sept. 30, 2014	103,150	8.6	3,268	114.6	2,914	131.5	2,482	351.7

(Note) Comprehensive income: 9 Months Ended Sept. 30, 2015: 4,591 million yen (75.1%);
9 Months Ended Sept. 30, 2014: 2,621 million yen (213.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
9 Months Ended Sept. 30, 2015	93.53	93.45
9 Months Ended Sept. 30, 2014	63.60	63.50

(Notes) 1. On June 1, 2014, the Company conducted a 3-for-1 split of common shares. Net quarterly income per share and diluted net quarterly 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 nine months ended Sept. 30, 2014.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
9 Months Ended Sept. 30, 2015	134,667	39,223	26.4
FY2014	131,120	35,091	24.3

(Reference) Shareholders' equity
9 Months Ended Sept. 30, 2015: 35,588 million yen; FY2014: 31,817 million yen

(Note) The figures have been retroactively adjusted in accordance with changes in accounting principles for 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 5 of the attachment.

(4) Number of shares issued (common share)
1) Number of shares issued at end of term (including treasury shares)
9 Months Ended Sept. 30, 2015: 39,718,200 shares
FY2014: 39,703,200 shares
2) Number of treasury shares at end of term
9 Months Ended Sept. 30, 2015: 53,685 shares
FY2014: 481,985 shares
3) Average number of outstanding shares during the period (Accumulative figures for quarter)
9 Months Ended Sept. 30, 2015: 39,291,132 shares
6 Months Ended June 30, 2014: 39,034,106 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 the 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 consolidated period under review (Q3 FY2015: nine months ended September 30, 2015), the Japanese economy saw strong corporate earnings and improvements in employment conditions, and remained in a recovery phase. However, the effects of the slowing Chinese economy and spreading stagnation in personal consumption are creating uncertainty as to how the economy will unfold.

The operating environment of the logistics industry, while benefiting from the reduction of fuel prices, remained problematic due to a shortage of drivers, which pushed up both recruitment costs and vehicle-hiring costs, shortages of trucks and personnel causing missed opportunities, and sluggish growth in personal consumption and unseasonable weather during the summer, causing a slowdown in cargo movement.

Confronted by this environment, the SBS Group worked in unison to execute the business and investment strategies based on "SBS Growth 2017," which is our four-year medium-term management plan that commenced in 2014.

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 July, SBS Sokuhai and SBS Support-Logi merged, with the trade name changed to SBS Sokuhai Support, so as to downsize the management structure and back office operations. As for 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. The relocation of the center, which had been proceeding in phases since May, has been completed and full-fledged operations commenced in late September.

Activity in overseas operations included the acquisition of shares in Atlas Logistics Pvt. Ltd., a consolidated subsidiary of our Company engaged in the forwarding business in India, by SBS Transpole Logistics Pvt. Ltd. ("Transpole"), which joined the Group last year and has now become a subsidiary of our Company. Future plans include site consolidation and the coordination of operations.

We have established a joint venture company with a local forwarder in the Philippines and launched a container logistics business. We are also seeking to accelerate business developments and enhance competitiveness elsewhere in Asia by broadly separating and reorganizing our overseas local subsidiaries into a forwarding business group and a warehousing/logistics/3PL business group. We have newly established SBS Logistics Singapore Pte. Ltd. in Singapore for comprehensive supervision of the latter line of business.

Our investment strategy included the completion of a large-scale logistic center in Nagatsuta, Yokohama, in January, and it has been operating as a logistics center for major large 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 according to plan 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 2016, resulting in a new logistics space of approximately 66,000 square meters.

As a result, revenue surged to ¥123,295 million (an increase of 19.5% year-on-year), due to an increase in the number of overseas subsidiaries and expansion of domestic logistics business.

Operating income was ¥4,337 million (an increase of 32.7%, year-on-year) due to increased sales, lower fuel costs due to lower crude oil prices, and successful rate adjustments. Ordinary income jumped to ¥4,751 million (an increase of 63.0%, year-on-year) with the support of a foreign exchange gain of ¥508 million. Net income exceeded that of the first nine months of the preceding fiscal year by ¥1,192 million and was ¥3,674 million (an increase of 48.0%, year-on-year), while posting a gain on sales of property, plant and equipment of ¥2,210 million as extraordinary income, and posting an extraordinary loss from the writing off of goodwill of ¥775 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.

From the first quarter of the consolidated fiscal year under review, the Company has 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 as announced). For comparative purposes, 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)

Although there were concerns about a potential reduction of consumption as a backlash to a demand rush ahead of the consumption tax hike, which occurred in the preceding first quarter cumulative consolidated period, the segment revenue of the logistics business was ¥110,934 million (an increase of 18.5%, year-on-year). Key factors include strong performance in certain segments of the retail industry and department stores, etc., due to the increase in the number of visitors coming to Japan, and the new consolidation of Transpole of India, whose shares we acquired in the preceding consolidated fiscal year. Operating income jumped to ¥1,390 million (an increase of 44.1%, year-on-year), helped by lower fuel costs and rate hikes, despite rises in vehicle-hiring costs and rising personnel expenses.

(Real Property Business Segment)
For the real property business, revenue was ¥7,954 million (an increase of 73.9%, year-on-year), and operating income was ¥2,923 million (an increase of 38.3%, year-on-year). One factor was the increase of rental revenue sourced from the commencement of operations at the Nagatsuta Logistics Center. Another factor was the sale of logistics facilities, which had been held as real property for sale, including the sale of a property in the city of Tokorozawa, Saitama Prefecture, in March for ¥1,173 million, and the sale of a property in Noda, Chiba Prefecture, in July for ¥4,782 million.

(Other Business Segments)
As for other business segments, revenue was ¥4,405 million (a decrease of 10.5%, year-on-year), and operating income was to ¥194 million (a 28.1% decrease, year-on-year). Key factors include lost opportunities in the main human resources business arising from staff shortages as well as an increase in recruitment costs for dispatch staff, affected by improvements in the job market, and the sale of a marketing business-handling subsidiary during the previous consolidated fiscal year.

2. Explanation of Financial Condition

As at the end of this third quarter of the consolidated financial period (i.e., September 30, 2015), the total assets balance was ¥134,667 million, up by ¥3,547 million from the balance compared to the end of the prior consolidated fiscal year (i.e., December 31, 2014).

As for the increase in assets, a major contributor to this increase was a ¥5,637 million increase in the fixed asset balance due to an 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; this is despite the decrease in current assets by ¥2,089 million arising from the net reduction of inventory caused by the completion of construction and sales of logistic centers held for sales.

Liabilities were ¥95,444 million, a decrease of ¥584 million compared to the end of the prior consolidated fiscal year (i.e., December 31, 2014). This was largely attributable to the decrease in the net reduction of short-term loan payables by ¥6,227 million, although there was an increase in non-current liabilities by ¥5,643 million caused by factors such as an increase in long-term loans payables.

Net assets totaled ¥39,223 million, which was an increase of ¥4,131 million compared to the end of the prior consolidated fiscal year (i.e., December 31, 2014). The key factor was that the Company recorded a net quarterly income of ¥3,674 million, and that there was an increase of ¥359 million in foreign exchange conversion adjustments account, despite making a dividend distribution of ¥595 million.

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

Results for both sales volume and operating income during this consolidated cumulative third quarter unfolded favorably. Ordinary income and quarterly net income yielded results much higher than planned, due to the booking of a foreign exchange gain.

As for the business environment moving towards period-end, it is assumed that vehicle-hiring costs and labor costs will continue to rise due to shortages of drivers and labor, despite lower fuel prices. As for the movement of goods, there are concerns about reduction or stagnation due to sluggish domestic consumption caused by rising food prices etc., and slowing foreign demand such as that of China.

Given these conditions, at present we maintain our consolidated business results forecast 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 such information promptly.

II. Summary Information (Notes)

1. Important Changes of Subsidiaries during this consolidated cumulative quarterly period

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.

From this consolidated third quarterly period onward, the incorporation of SBS Logistics Singapore Pte. Ltd., will result in its inclusion within the scope of consolidation. Further, SBS Sokuhai Co., Ltd., will be excluded from consolidation because it has merged with SBS Support Logi Co., Ltd., which became the surviving company. Furthermore, SBS Support Logi Co., Ltd. has changed its trade name to SBS Sokuhai Support Co., Ltd.

2. Application of Accounting Principles and Procedures Specific to the 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 for 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 nine months under review.

The change had the effect, at the beginning of the nine 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 and ordinary income of this third consolidated cumulative quarter, and upon the 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 nine months of the fiscal year ended December 31, 2014, and the same full fiscal year reflects 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 nine months ended September 30, 2014, was slight.

III. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2014 (As of Dec. 31, 2014)	3Q FY2015 (As of Sept. 30, 2015)
ASSETS		
Current assets		
Cash and deposits	11,098	10,657
Notes and accounts receivable-trade	22,012	22,730
Inventories	13,002	11,200
Other	7,838	7,342
Allowance for doubtful accounts	(104)	(174)
Total current assets	53,847	51,757
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	33,262	33,186
Accumulated depreciation and impairment loss	(21,502)	(21,655)
Buildings and structures, net	11,760	11,530
Machinery, equipment and vehicles	18,274	19,148
Accumulated depreciation and impairment loss	(12,326)	(12,277)
Machinery, equipment and vehicles, net	5,948	6,871
Land	38,052	37,733
Lease assets	3,430	2,914
Accumulated depreciation and impairment loss	(1,391)	(1,299)
Lease assets, net	2,038	1,615
Other	5,122	10,800
Accumulated depreciation and impairment loss	(2,680)	(2,927)
Other, net	2,442	7,872
Total property, plant and equipment	60,241	65,624
Intangible assets		
Goodwill	5,136	4,163
Other	1,570	1,590
Total Intangible assets	6,706	5,754
Investments and other assets		
Investments and other assets	10,508	11,810
Allowance for doubtful accounts	(184)	(279)
Total investments and other assets	10,324	11,531
Total noncurrent assets	77,272	82,910
Total assets	131,120	134,667

(Millions of yen)

	FY2014 (As of Dec 31, 2014)	3Q FY2015 (As of Sept.30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8,767	8,206
Current portion of bonds	256	232
Short-term loans payable	23,243	19,210
Current portion of long-term loans payable	11,815	10,080
Income taxes payable	755	1,553
Provision for bonuses	683	1,546
Other	9,467	7,933
Total current liabilities	54,990	48,762
Noncurrent liabilities		
Bonds payable	632	400
Long-term loans payable	26,372	32,517
Net defined benefit liability	3,928	3,885
Other	10,106	9,879
Total noncurrent liabilities	41,038	46,682
Total liabilities	96,029	95,444
NET ASSETS		
Shareholders' equity		
Capital stock	3,918	3,920
Capital surplus	5,502	5,504
Retained earnings	21,475	24,548
Treasury stock	(117)	(13)
Total shareholders' equity	30,778	33,960
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	415	572
Deferred gains or losses on hedges	(7)	—
Revaluation reserve for land	—	21
Foreign currency translation adjustment	795	1,155
Remeasurements of defined benefit plans	(164)	(121)
Total accumulated other comprehensive income	1,039	1,627
Subscription rights to shares	30	50
Minority interests	3,243	3,584
Total net assets	35,091	39,223
Total liabilities, net assets	131,120	134,667

2. Consolidated Statements of Operations

(Nine Months Ended September 30, 2015)

(Millions of yen)

	3Q FY2014 (Jan. 1, 2014 - Sept. 30, 2014)	3Q FY2015 (Jan. 1, 2015 - Sept. 30, 2015)
Net sales	103,150	123,295
Cost of sales	92,648	109,813
Gross profit	10,502	13,481
Selling, general and administrative expenses	7,233	9,144
Operating income (loss)	3,268	4,337
Non-operating income		
Interest income	14	155
Dividends income	39	43
Foreign exchange gains	—	508
Equity in earnings of affiliates	162	280
Other	121	124
Total non-operating income	338	1,113
Non-operating expenses		
Interest expenses	408	647
Other	283	51
Total non-operating expenses	691	699
Ordinary income (loss)	2,914	4,751
Extraordinary income		
Gain on sales of noncurrent assets	1,351	2,210
Other	32	30
Total extraordinary income	1,384	2,240
Extraordinary loss		
Amortization of goodwill	—	775
Other	161	305
Total extraordinary loss	161	1,081
Net quarterly income (loss) before taxes and other adjustments	4,137	5,910
Income taxes-current	1,211	2,437
Income taxes-deferred	437	(408)
Total income taxes	1,648	2,028
Income before minority interests (loss)	2,489	3,881
Minority interest income (loss)	6	206
Net income (loss)	2,482	3,674

(Nine Months Ended September 30, 2015)

(Millions of yen)

	3Q FY2014 (Jan. 1, 2014 - Sept. 30, 2014)	3Q FY2015 (Jan 1, 2015 - Sept. 30, 2015)
Income (loss) before minority interests	2,489	3,881
Other comprehensive income		
Valuation difference on available-for-sale securities	47	156
Deferred gains or losses on hedges	16	7
Foreign currency translation adjustment	66	480
Re-measurements of defined benefit plans	—	31
Share of other comprehensive income of associates accounted for using equity method	2	34
Total other comprehensive income	132	709
Comprehensive income	2,621	4,591
(Breakdown)		
Comprehensive income attributable to owners of parent	2,611	4,263
Comprehensive income attributable to minority interests	10	328

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
3Q FY2014 (January 1, 2014 – September 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	93,654	4,573	4,923	103,150	0	103,150
Inter-segment sales or transfers	150	5	187	342	(342)	0
Total	93,805	4,578	5,110	103,493	(342)	103,150
Segment income (loss)	964	2,114	271	3,350	(82)	3,268

(Notes)

1. The adjustment amount for segment income (loss) is -¥94 million not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from ¥11 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 nine months of the preceding fiscal year. The impact of this application to segment income in the first nine months of the preceding fiscal year was slight.

2. Information Concerning Net Sales and Profits and Losses for Reporting Segments
3Q FY2015 (January 1, 2015 – September 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	110,934	7,954	4,405	123,295	0	123,295
Inter-segment sales or transfers	180	2	133	316	(316)	0
Total	111,115	7,957	4,538	123,611	(316)	123,295
Segment income (loss)	1,390	2,923	194	4,509	(171)	4,337

(Note)

1. The adjustment amount for segment income (loss) is - ¥196 million not allocated to reporting segments due to the operations of indirect divisions of certain consolidated subsidiaries and headquarters of the Company and from ¥24 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."