February 29, 2016

Consolidated Financial Results Announcement for the Year Ended December 31, 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
Contact: Koki Kakehashi, Executive Officer of Financial Division
(Tel: +81-3-3829-2222)
Date of Annual General Meeting of Shareholders (planned): March 25, 2016
Date of submission of annual securities report (planned): March 25, 2016
Preparation of supplementary references regarding results: Yes
Holding the briefing of results: Yes (for investors and analysts)
Date for commencement of dividend payments (planned): —

1. Consolidated Financial Results for the Year Ended December 31, 2015 (from January 1, 2015 to December 31, 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	%
FY2015	157,996	11.6	5,347	30.5	5,772	58.2	(3,815)	-
FY2014	141,535	7.1	4,098	(0.4)	3,648	(3.5)	2,725	75.9

(Note) Comprehensive income: Year Ended December 31, 2015: 4,693 million yen (-%);
Year Ended December 31, 2014: 3,702 million yen (103.7%)

	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	%	%	%
FY2015	(96.84)	-	(12.7)	4.5	3.4
FY2014	69.77	69.65	9.0	3.0	2.9

(Reference) Equity in earnings and losses of affiliates FY2015: 425 million yen; FY2014: 206 million yen
(Notes)
1. Although there are diluted shares, "Diluted net income per share" for FY2015 is not presented because there was a current period net loss per share.
2. On June 1, 2014, the Company conducted a 3-for-1 split of common shares. The current period net income per share and the current period diluted net income per share have been calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.
3. The figures presented for FY2014 have been retroactively adjusted in accordance with changes in accounting principles.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
FY2015	124,817	29,947	22.5	706.32
FY2014	131,120	35,091	24.3	811.23

(Reference) Shareholders' equity FY2015: 28,053 million yen; FY2014 31,817 million yen
(Notes)
1. On June 1, 2014, the Company conducted a 3-for-1 split of common shares. The current period net asset per share has been calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.
2. The figures presented for FY2014 have been retroactively adjusted in accordance with changes in accounting principles.

(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		Yen
FY2015	7,728	(7,081)	(2,685)	8,984
FY2014	6,603	(15,101)	8,893	11,037

(Note) The figures presented for FY2014 have been retroactively adjusted in accordance with changes in accounting principles.

2. Dividend Status

	Dividend per share (yen)					Total dividend (Annual) (Million Yen)	Payout ratio (Consolidated) (%)	Dividend on equity (Consolidated) (%)
(Base date)	End of Q1	End of Q2	End of Q3	End of Q4	Total			
FY2014	-	0.00	-	15.00	-	595	21.5	1.9
FY2015	-	0.00	-	0.00	0.00	-	-	-
FY2016 (forecast)	16.00	0.00	-	16.00	32.00		35.5	

(Notes) 1. On June 1, 2014, the Company conducted a 3-for-1 split of common shares.
2. It is planned that for dividend distributions for FY2016, there will be a quarter dividend which takes March 31, 2016 as the record date at ¥16 per share, in addition to the normal period-end dividend of ¥16 per share.

3. Consolidated Financial Forecast for the Year Ending December 31, 2016 (January 1, 2016 – December 31, 2016)

(Percentage figures for the full year denote the year-on-year increase or decrease. Percentage figures of the half year denote the increases or decreases 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 (cumulative)	69,000	(12.9)	1,100	(38.5)	1,100	(44.4)	600	(70.5)	15.11
Full Year	145,000	(8.2)	6,200	16.0	6,200	7.4	3,600	-	90.64

* Notes

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that lead to a change in the scope of consolidation): 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
(Note) For details, please refer to "5. Consolidated Financial Statements (5) Notes regarding Consolidated Financial Statements (Change of Accounting principles)" on page 20 of the attachment.

(3) Number of shares issued (common stock)
1) Number of shares issued at end of term (including treasury shares)
FY2015: 39,718,200 shares
FY2014: 39,703,200 shares
2) Number of treasury shares at end of term
FY2015: 385 shares
FY2014: 481,985 shares
3) Average number of outstanding shares during the period
FY2015: 39,398,607
FY2014: 39,066,415
(Note) On June 1, 2014, the Company conducted a 3-for-1 split of common shares. The number of issued shares (common stocks) 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, 2015 (January 1, 2015 – December 31, 2015)

(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	%
FY2015	4,694	14.7	2,289	18.7	2,184	30.0	(6,392)	-
FY2014	4,093	36.7	1,928	70.5	1,679	76.1	1,666	135.0

	Net income per share	Diluted net income per share
	Yen	Yen
FY2015	(162.25)	-
FY2014	42.67	42.61

(Notes)
1. Although there are diluted shares, “Diluted net income per share” for FY2015 is not presented because there was a current period net loss per share.
2. On June 1, 2014, the Company conducted a 3-for-1 split of common shares. The current period net income per share and the current period diluted net income per share have been calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.
3. The figures presented for FY2014 have been retroactively adjusted in accordance with changes in accounting principles.

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2015	63,232	7,032	11.1	177.05
FY2014	69,393	13,821	19.9	352.37

(Reference) Shareholder’s equity
FY2015: 7,032 million yen; FY2014: 13,820 million yen

(Notes)
1. On June 1, 2014, the Company conducted a 3-for-1 split of common shares. The current period net asset per share has been calculated as if the stock split had occurred at the beginning of previous consolidated fiscal year.
2. The figures presented for FY2014 have been retroactively adjusted in accordance with changes in accounting principles.

*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.

*Instruction on a proper use of financial forecasts and other special instructions

1. All forward-looking statements such as the financial outlook, etc., presented in this document are based on information currently available to the company and on certain assumptions deemed reasonable. As such, it is not intended for the Company to make any promise that such results will be achieved. Further, actual results may significantly differ due to variety of factors. For assumptions used for financial forecasts and caveats on using these forecasts, refer to “1. Analysis of Business Results and Financial Condition (1) Analysis of Business Results”.
2. The Company plans to hold a briefing session of results for institutional investors and analysts on February 29, 2016. The presentation materials for this briefing session is planned to be promptly posted on the Company’s website after the session.

I. Analysis of Business Performance and Financial Condition

1. Analysis of Business Results

(1) Overview of the Consolidated Fiscal Year Under Review

During the first half of the consolidated fiscal year under review (January 1 - December 31, 2015), the Japanese economy was marked by favorable corporate earnings and improvements in employment conditions, and was transitioning toward recovery. Nevertheless, from the second half the effects of the slowing Chinese economy, sluggish emerging economies, increasingly stagnant personal consumption, and instability both domestically and abroad caused a lack of clarity as to the future direction of the economy.

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

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

Our 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. As for new business, the Company commenced operations of logistics centers for drugstores, food products manufacturers, large retailers, fine wine, etc. We also received an order for logistics operations for CDs and DVDs from Seikodo Co., Ltd., a prominent wholesaler of music and video software. Orders for the next consolidated fiscal year expanded, primarily for center operations, from large supermarkets, drugstores, manufacturers, facilities operators, and others.

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 during the previous consolidated fiscal year, making it a subsidiary of that company. We have established a joint venture company with a local forwarder in the Philippines and launched a container logistics business. In Vietnam we concluded a memorandum of understanding with a major local retail distribution group and launched a project for the feasibility study of low-temperature foodstuffs distribution. We sought to accelerate business development elsewhere in Asia by broadly separating and reorganizing our overseas local subsidiaries into a forwarding business group and a warehousing/logistics/3PL business group, and newly established SBS Logistics Singapore Pte. Ltd. in Singapore for comprehensive supervision of the latter line of business.

Our investment strategy included the completion in January of a large-scale logistic center in Nagatsuta, Yokohama, which has been operating as a logistics center for major large food product manufacturers. In March, we began construction of a dedicated logistics center in the city of Tokorozawa, Saitama Prefecture for a major department store group, and worked to construct two large-scale logistics facilities with a total floor area of more than 66,000 square meters when the Logistics Center in Isogo-ku, Yokohama is included. Our efforts to secure clients are proceeding favorably, and we plan to have both facilities operating at full capacity after completion in spring 2016.

As a result, net sales rose to ¥157,996 million (an increase of 11.6% year-on-year), due to an increase in the number of overseas subsidiaries and expansion of domestic logistics business.

Operating income was ¥5,347 million (an increase of 30.5%, year-on-year) due to lower fuel costs caused by lower crude oil prices, and successful rate adjustments. Ordinary income jumped to ¥5,772 million (an increase of 58.2%, year-on-year) a foreign exchange gain of ¥508 million being one factor. Despite recording a gain on sales of property, plant and equipment of ¥2,260 million as extraordinary income, the recording of extraordinary losses of ¥13,547 million, which includes an extraordinary loss of ¥11,966 million arising primarily from the judgment that a large account trade receivable of Transpole, which has commenced transactions with during the current consolidated fiscal year is unrecoverable resulted in a net loss of ¥3,815 million (compared to net income for the previous consolidated fiscal year of ¥2,725 million). For details of the extraordinary loss of Transpole, please refer to “Calculation of the Overseas Consolidated Subsidiary Loss and Changes in the Relevant Consolidated Subsidiary (Share Transfer),” which was released today.

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 Report No. 30, dated March 26, 2015) since the consolidated fiscal year under review. For comparative purposes, this standard has been applied retroactively to figures for the same period of the preceding fiscal year (the same applies below).

(2) Segment Overview

Financial results by segment are as follows.

(Logistics Business Segment)
Logistics business net sales were driven by consolidation with Transpole, and reached ¥143,391 million (an increase of 10.4%, year-on-year). Despite the slowdown in the recovery of the operating ratio of the CD/DVD distribution business, factors such as lower fuel prices and rate hikes helped operating income to rise to ¥2,072 million (an increase of 27.6%, year-on-year).

(Real Property Business Segment)
For the real property business, net sales were ¥8,641 million (an increase of 69.3%, year-on-year), and operating income was ¥3,292 million (an increase of 39.6%, 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, net sales were ¥5,963 million (a decrease of 8.9%, year-on-year), and operating income was to ¥238 million (a 30.8% decrease, year-on-year). Key factors include lost opportunities arising from staff shortages as well as an increase in recruitment costs for dispatch staff, both affected by improvements in the job market, and the sale of a marketing business-handling subsidiary during the previous consolidated fiscal year.

(3) Future Prospects

Going forward we foresee tough economic circumstances brought on by factors such as continued concerns about personal consumption and facilities investment due to the cooling of consumer demand and worsening of corporate results in Japan, as well causes of instability in the global economy such as the slowdown in China and sluggish performance by emerging economies as well as recession in resource economies caused by the fall in commodity prices, such as crude oil. While fuel costs are at present expected to continue to be stable at low levels, further sluggishness in the movement of cargo, as well as rising costs and missed opportunities caused by shortages of personnel and vehicles, are causes of concern with regard to the logistics industry.

Amidst such an environment, our Group shall continue to move forward with “SBS Growth 2017,” our four-year medium-term management plan that sets our targets for 2017.

The following is our forecast for each segment.

We anticipate that success in strengthening our sales efforts and expanding orders in the logistics business during the fiscal year ending December 2016 will lead to the start-up of new logistics bases with a total floor area of around 165,000 square meters. This would comprise the largest base facility expansion in our Group’s history, and while initial costs are expected to put temporary pressure on earnings we believe it will contribute to greater earnings from the coming 2017 fiscal year onward. At the same time, in our overseas logistics business we will transfer all shares in Transpole, which has been written off based on the determination that recovery of a large-scale trade credit was impossible, to a third party, and we shall withdraw from management of that company. This will result in a major contraction in net sales, but will also have a positive effect on income through a broad reduction of impact on goodwill.

In our real property business, within the leasing business we anticipate the opening of two new logistics centers to drive expansion in the leasing business. This will supplement the decrease in lease fees from the facilities sold during the current consolidated fiscal year, and is expected to increase net sales and profits. In the development business, we anticipate net sales on a scale of ¥7,000 million through liquidation of large-scale logistics facilities in the second half.

Given these circumstances, in the next consolidated fiscal year ending December 31, 2016, we are expecting a V-shaped recovery in results, with forecast net sales of ¥145,000 million, operating income of ¥6,200 million, ordinary income of ¥6,200 million, and net income attributable to owners of parent of ¥3,600 million.

<Consolidated financial forecast for the year ending December 31, 2016>

Net sales ¥145,000 million (down 8.2% year-on-year)
Operating Income ¥6,200 million (up 16% year-on-year)
Ordinary Income ¥6,200 million (up 7.4% year-on-year)
Net Income attributable to owners of parent ¥3,600 million (loss of ¥3,815 million in the previous term)

2. Analysis of the financial position

(1) Status of assets, liabilities and net assets

Total assets amounted to ¥124,817 million as of December 31, 2015, down ¥6,302 million from the prior consolidated financial year-end balance. Ending balances of the current consolidated fiscal year of individual asset categories and their year-on-year comparisons are provided below.

(Current Assets)
Current assets totaled ¥51,601 million at fiscal year-end, ¥2,246 million lower than a year earlier. The decrease was due to a decrease in trade notes and accounts receivable due to the posting of an extraordinary loss associated with an overseas consolidated subsidiary, as well as compression of the balance of cash and deposits due to improved capital efficiency.

(Noncurrent Assets)
Noncurrent assets came to ¥73,216 million, down ¥4,056 million year-on-year. This was mainly due to an increase in construction in progress associated with logistics facilities under construction in Saitama Prefecture and Yokohama, while a portion of the logistics facilities were transferred to current assets as real property for sale, and one-time amortization of the goodwill of the overseas consolidated subsidiary was conducted.

(Current Liabilities)
The balance of current liabilities was ¥52,994 million for the consolidated fiscal year under review, down ¥1,995 million year-on-year. Key factors included a net decrease in short-term loans payable, as well as a decrease in the current portion of long-term loans payable.

(Noncurrent Liabilities)
Noncurrent liabilities came to ¥41,875 million, up ¥836 million year on year. The main reason was an increase in the shift of short-term loans payable to long-term loans payable.

(Net Assets)
As of December 31, 2015, net assets totaled ¥29,947 million, down ¥5,143 million from a year earlier, due to a decrease in retained earnings associated with the posting of a net loss of ¥3,815 million, as well as of a decrease in minority interests related to overseas consolidated subsidiaries.

(2) Status of Cash Flow

Cash and cash equivalents (hereinafter, "cash") at the end of the current fiscal year totaled ¥8,984 million, down ¥2,052 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 obtained by operating activities amounted to ¥7,728 million, ¥1,125 million more than in the previous fiscal year. Although there was a net loss before taxes of ¥5,495 million in addition to depreciation of ¥3,992 million, allowance for doubtful accounts, which has no effect on cash flow, increased ¥4,680 million, and amortization of goodwill of ¥5,001 million are included in the total.

(Cash Flows from Investing Activities)
Net cash used for investing activities amounted to ¥7,081 million, ¥8,019 million less than in the previous fiscal year. This was mainly because while income from the sale of property, plant and equipment as well as intangible assets amounted to ¥3,513 million, outlays due to acquisition of property, plant and equipment, such as for the construction of logistics facilities and vehicle purchases, as well as intangible assets amounted to ¥10,416 million.

(Cash Flows from Financing Activities)
Net cash used for financing activities was ¥2,685 million (an increase of ¥8,893 million year-on-year). This was mainly because while there were ¥14,412 million in proceeds from long-term loans payable, there was a ¥3,522 million net decrease in short-term loans payable and an outlay of ¥12,560 million in repayment of long-term loans payable. Cash dividends paid also used ¥595 million.

(Reference) Cash flows indicators

For the years ended December 31	2011	2012	2013	2014	2015
Equity ratio (%)	24.6	26.3	26.7	24.3	22.5
Equity ratio based on market price (%)	8.0	12.3	18.8	30.0	30.1
Cash flow vs. debt repayment term (years)	13.0	6.6	7.9	9.4	7.8
Interest coverage ratio (times)	6.2	12.1	10.9	11.5	9.9

Notes:
1. Indicator calculations are based on the following methods:
   Equity ratio: Equity / Total assets
   Equity ratio based on market price: Total market value of stocks / Total assets
   Cash flow vs. Interest-bearing debt ratio: Interest-bearing debt / Operating cash flows
   Interest coverage ratio: Operating cash flows / Interest paid
2. Each indicator is calculated based on consolidated financial figures.
3. Total market value of stocks 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.

Nevertheless, given the broad deficit caused by net loss for the consolidated term under review of ¥3,815 million, no dividend shall be paid for the fiscal year ended December 31, 2015. We offer our humblest apologies to all of our shareholders.

With regard to dividend payments for the fiscal year ending December 31, 2016, in addition to the usual term-end distribution of ¥16 per share, we also plan to distribute a quarterly dividend of ¥16 per share with a record date of March 31, 2016.

4. Business Risks

We consider the following to be possible risks that can affect the business results, stock price and financial conditions of our Group. Our Group remains aware of the possible occurrence of these risks, and exerts all efforts both to avoid their occurrence as well as to take measures should they occur.

Items listed below pertaining to future risk were decided upon by our Group as of the end of this fiscal year.

(1) Risks caused by economic impact
The domestic and overseas economy, business climate, and trends in client company transport demand can have an impact on the Group's businesses. Events that could have an impact on our Group’s performance and financial condition include a decline in consumption due to a broad downturn in the domestic economy, a fall in imports or exports due to a very strong yen or a serious slump in the global economy, etc.

(2) Risks due to changes in legal system

The Group is subject to regulation under a variety of legal codes. Our core logistics business is governed by a variety of logistics-related commercial laws that cover truck transportation, warehousing and customs clearing businesses, while our real property business is covered by the laws such as the Building Standards Act and the Financial Instruments and Exchange Act, and laws such as the Worker Dispatch Act govern our human resources business. We may assume that the legal system will be amended, strengthened, or subject to changes in interpretation in response to social change. Our Group's operations are premised upon compliance with all laws and regulations, our Group is running the business on the basis of honoring all these laws, but depending upon the response the occurrence of a new legal burden or requirements to change the way business is developed could affect our Group's performance and financial condition.

(3) Risk of a sudden rise in oil prices

The use of fuels such as diesel and gasoline is vital to operating a logistic business. A rise in fuel prices due to a sudden rise in the global oil price or the foreign exchange rate can be a factor in raising costs. While our Group keeps an eye on market trends in creating a budget that to a certain extent takes price fluctuations into account, a greater than expected price increase or the inability to shift an amount equivalent to cost increases into fares could have an impact on our Group's performance and financial condition.

(4) Client information management risk

Our Group handles a large amount of client information, including personal data, in the course of conducting business. Our Group has established a Code of Corporate Ethics and Personal Information Management Rules, and strives manage client information and personal data appropriately. Nevertheless, the inadvertent leaking or loss of client information could have an impact on our Group's performance and financial condition.

(5) Risks related to interest rate fluctuation

Our Group engages in M&A as a key growth strategy, and develops logistics facilities for 3PL business development. We mainly rely on borrowings from financial institutions for the necessary funding. While we are making progress in repayment of interest-bearing debts through the liquidation of logistic facilities and operating cash flow on one hand, we have also taken measures such as fixing interest rates. Nevertheless, trends in monetary policies could have an impact on our Group's performance and financial condition.

(6) Risks related to concentration of business in a particular geographical area

The Tokyo metropolitan area lies at the heart of the Japanese economy, and as such industry and consumer activity are focused there. This makes it attractive a large-scale logistics market as well as an important strategic location for both domestic and international logistics operations. Our Group's business strategy seeks to benefit from this robust logistics demand, and therefore by necessity our logistics bases are concentrated in the Tokyo metropolitan area. In the event of a large-scale disaster in the Tokyo metropolitan area, the facilities of shipping companies or our Group could be damaged, the transportation network disrupted or blocked, and essential infrastructure shut down; this could make business continuity difficult, and have an impact on our Group's performance and financial condition.

(7) Risks related to the real property business

Our Group develops and sells logistics facilities as part of our real property business. New logistics facility development is premised upon the securing of clients, whether the facilities are to be leased or sold. Construction starts only when shipper tenants or buyers have been confirmed and items such as purpose, specifications, lease fees and lease periods have been clearly determined. Nevertheless, there are instances in which sales or earnings may be skewed or delayed depending upon the timing of the order, scale and specifications, completion timing, or sales timing, which may have an impact on our Group's performance and financial condition.

(8) Disaster risk

Our Group's operations center on truck transportation and logistics center operations. In the event of a large-scale disaster, the facilities of shipping companies or our Group could be damaged, the transportation network disrupted or blocked, and essential infrastructure shut down; this could make business continuity difficult, and have an impact on our Group's performance and financial condition.

(9) Serious accident risk
Our Group is engaged in the transport by truck on public roads of client products and goods. In the unlikely event of a serious accident involving multiple fatalities we could be sued by the victims, the trust of our clients or of the public could be diminished, and we could be ordered to cease using our vehicles or to stop operations, etc. This could have an impact on our Group's performance and financial condition.

(10) Systems failure risk
Our Group employs computers and networks in operations systems, such as for management of client cargo information, warehouse management, and customs processing, as well in in-house systems for accounting, payroll, etc. The failure of such systems due to accident, virus, hacking, natural disaster, etc., could halt the provision of our services to clients and trading partners as well as delay or cause confusion in operational processes. This could have an impact on our Group's performance and financial conditions.

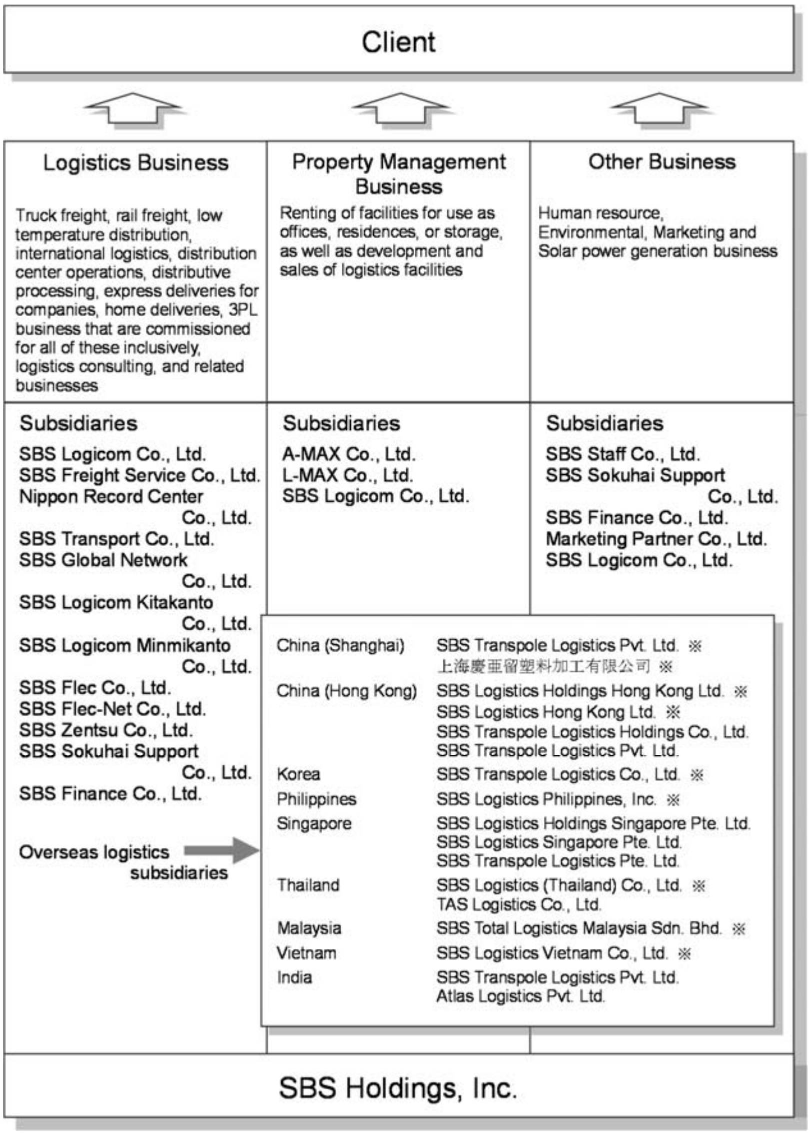
(11) M&A risk
Our Group's business strategy includes M&A, capital participation, capital alliances, etc., which are executed when we expand existing business or foray into new fields. The progress of business plans after acquisitions or alliances may be much slower than originally forecast, and this could have an impact on our Group's performance and financial conditions.

(12) Overseas expansion risk
Our Group engages in overseas business development so as to continue growing in the future. Nevertheless, there can be changes in the economic situation and regression in the business climate in regions into which we have expanded; exchange rates can fluctuate, the political situation or legal system can change, and social disorder may occur as a result of terrorism, war, epidemics, or other factors. Such occurrences could have an impact on our Group's performance and financial conditions.

II. Business Group

The SBS Group comprises SBS Holdings (the holding company for the group), 23 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.



Changes to main affiliates are as follows: SBS Logicom Kita-Kanto Co., Ltd. and SBS Logicom Minami-Kanto Co., Ltd. were newly established during the first quarter of the consolidated period under review, and therefore are included within the scope of consolidation. Also, the liquidation of Shinbashi Capital Limited was completed and therefore it has been excluded from the scope of consolidation. In addition, 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.- were integrated to form the surviving company of SBS Flec Kanto Co., Ltd., and therefore they have been excluded from the scope of consolidation. The name of SBS Flec Kanto Co., Ltd. has been changed to SBS Flec-Net Co., Ltd.

SBS Logistics Singapore Pte. Ltd. was newly established during the first quarter of the consolidated period under review, and therefore has been included within the scope of consolidation. Also, SBS Sokuhai Co., Ltd. was merged into the surviving company of SBS Support Logi Co., Ltd., and therefore has been excluded from the scope of consolidation. The name of SBS Support Logi Co., Ltd. has been changed to SBS Sokuhai Support 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 in mind, our Group exhibits total strength, professional ability, and resolution power as a "3PL Corporate Group with multi-directional logistics functions." We support our clients' global corporate activities, such as production and sales, and provide as a platform to serve society with high-quality, safe, and secure logistics services.

The logistics business has deep ties with society, and our understanding of the importance of corporate social responsibility is the basis of our sincere involvement in CSR management through safety, environmental and social contributions. We will continue to contribute to creating an affluent society by striving to increase corporate and shareholder value.

2. Our 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 achieve goals by 2017, during which the company will celebrate 30 years of operations. The Group is targeting net sales of ¥200.0 billion and operating income of ¥8.0 billion by 2017, with the aim of becoming 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 operations, *kaizen*)
- 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 through thorough low-cost operations 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

3. 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.

Logistics personnel for promoting our 3PL business and global human resources that bolster our overseas development are essential to maintaining growth. 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 morale, 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. With the goal of meeting society's expectations of us as a corporate group, we are making steady progress in CSR management by enhancing our corporate governance system on a platform of internal controls, thorough compliance and risk response measures.

4. Basic approach to selection of accounting standards

Taking into consideration both period-to-period and business-to-business comparability in consolidated financial statements, our Group's current policy is to prepare consolidated financial statements based on Japanese standards.

Our policy concerning the application of international accounting standards is to take into consideration the various circumstances within and outside Japan, and to respond accordingly.

V. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2014 (As of Dec. 31, 2014)	FY2015 (As of Dec. 31, 2015)
ASSETS		
Current assets		
Cash and deposits	11,098	8,990
Notes and accounts receivable-trade	22,012	21,342
Lease receivables and lease investment assets	1,757	1,456
Inventories	13,002	15,153
Deferred tax assets	419	408
Other	5,661	4,468
Allowance for doubtful accounts	(104)	(218)
Total current assets	53,847	51,601
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	33,262	29,661
Accumulated depreciation and impairment loss	(21,502)	(20,558)
Buildings and structures, net	11,760	9,102
Machinery, equipment and vehicles	18,274	19,460
Accumulated depreciation and impairment loss	(12,326)	(12,317)
Machinery, equipment and vehicles, net	5,948	7,142
Land	38,052	35,846
Lease assets	3,430	2,948
Accumulated depreciation and impairment loss	(1,391)	(1,365)
Lease assets, net	2,038	1,583
Construction in progress	1,346	6,231
Other	3,776	3,928
Accumulated depreciation and impairment loss	(2,680)	(3,035)
Other, net	1,095	892
Total property, plant and equipment	60,241	60,800
Intangible assets		
Goodwill	5,136	280
Other	1,570	1,004
Total Intangible assets	6,706	1,285
Investments and other assets		
Investment securities	6,336	7,253
Long-term loans receivable	687	508
Guarantee deposits	2,361	2,134
Other	1,123	5,911
Allowance for doubtful accounts	(184)	(4,676)
Total investments and other assets	10,324	11,131
Total noncurrent assets	77,272	73,216
Total assets	131,120	124,817

(Millions of yen)

	FY2014 (As of Dec 31, 2014)	FY2015 (As of Dec. 31, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8,767	9,584
Current portion of bonds	256	232
Short-term loans payable	23,243	19,952
Current portion of long-term loans payable	11,815	9,667
Accounts payable-other	1,543	1,564
Accrued expenses	3,446	3,616
Lease obligations	747	676
Income taxes payable	755	1,605
Accrued consumption taxes	1,707	1,571
Provision for bonuses	683	739
Provision for loss on liquidation of subsidiaries and associates	-	2,230
Other	2,022	1,553
Total current liabilities	54,990	52,994
Noncurrent liabilities		
Bonds payable	632	400
Long-term loans payable	26,372	30,272
Long-term guarantee deposited	1,503	1,873
Lease obligations	1,833	1,204
Liabilities related to retirement benefits	3,928	3,967
Deferred tax liabilities	5,839	3,242
Other	930	915
Total noncurrent liabilities	41,038	41,875
Total liabilities	96,029	94,870
Net Assets		
Shareholders' equity		
Capital stock	3,918	3,920
Capital surplus	5,502	5,504
Retained earnings	21,475	17,057
Treasury stock	(117)	(0)
Total shareholders' equity	30,778	26,483
Accumulated other comprehensive income		
Valuation difference of available-for-sale securities	415	653
Deferred gains or losses on hedges	(7)	-
Valuation and translation adjustments	-	21
Foreign currency translation adjustment	795	1,004
Remeasurements of defined benefit plans	(164)	(108)
Total accumulated other comprehensive income	1,039	1,569
Subscription rights to shares	30	52
Minority interests	3,243	1,841
Total net assets	35,091	29,947
Total liabilities and net assets	131,120	124,817

2. Consolidated Statements of Operations

(Consolidated Income Statement)

(Millions of yen)

	FY2014 (Jan. 1, 2014 – Dec. 31, 2014)	FY2015 (Jan. 1, 2015 – Dec. 31, 2015)
Net sales	141,535	157,996
Cost of sales	127,259	140,441
Gross profit	14,276	17,555
Selling, general and administrative expenses	10,178	12,208
Operating income (loss)	4,098	5,347
Non-operating income		
Interest income	46	218
Dividends income	43	48
Foreign exchange gains	-	508
Equity in earnings of affiliates	206	425
Other	224	163
Total non-operating income	521	1,365
Non-operating expenses		
Interest expenses	599	872
Foreign exchange loss	123	-
Other	248	68
Total non-operating expenses	971	940
Ordinary income (loss)	3,648	5,772
Extraordinary income		
Gain on sales of noncurrent assets	1,375	2,260
Other	32	19
Total extraordinary income	1,408	5,772
Extraordinary loss		
Loss on sale of noncurrent assets	13	4
Loss on retirement of noncurrent assets	24	20
Impairment loss	110	1,781
Loss on valuation of shares of subsidiaries and affiliates	100	289
Amortization of goodwill	-	4,467
Allowance for doubtful accounts	-	4,509
Provision for loss on liquidation of subsidiaries and associates	-	2,230
Other	123	242
Total extraordinary loss	372	13,547
Net income (loss) before taxes and other adjustments	4,684	(5,495)
Income taxes - current	1,278	2,507
Adjustments to Income taxes etc.	648	(2,705)
Total income taxes etc.	1,927	(197)
Income (loss) before minority interests	2,756	(5,297)
Minority interest income (loss)	30	(1,482)
Net income (loss)	2,725	(3,815)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	FY2014 (Jan. 1, 2014 – Dec. 31 2014)	FY2015 (Jan 1, 2015 – Dec. 31, 2015)
Income (loss) before minority interests	2,756	(5,297)
Other comprehensive income		
Valuation difference on available-for-sale securities	90	239
Deferred gains or losses on hedges	16	7
Foreign currency translation adjustment	836	281
Remeasurements of defined benefit plans	-	52
Share of other comprehensive income of entities accounted for using equity method	2	23
Total other comprehensive income	946	604
Comprehensive income	3,702	(4,693)
(Breakdown)		
Comprehensive income attributable to owners of parent	3,579	(3,284)
Comprehensive income attributable to minority interests	123	(1,408)

3. Consolidated Statement of Changes in Shareholders' Equity

Previous 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
Opening Balance as at January 1, 2014	3,902	5,487	19,402	(161)	26,630
Current period changes					
Issuance of new shares – exercise of subscription rights to shares	15	15			30
Dividends from surplus			(528)		(528)
Net income			2,725		2,725
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				44	44
Change of scope of consolidation			(124)		(124)
Net changes of items other than shareholders' equity					
Total changes of items during the period	15	15	2,073	44	2,147
Ending balance as at December 31, 2014	3,918	5,502	21,475	(117)	30,778

	Cumulative 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	Remeasurements of defined benefit plans	Total cumulative other comprehensive income			
Opening Balance as at January 1, 2014	323	(23)	(3)	-	296	8	283	29,218
Current period changes								
Issuance of new shares – exercise of subscription rights to shares								30
Dividends from surplus								(528)
Net income								2,725
Purchase of treasury stock								(0)
Disposal of treasury stock								44
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	5,872
Ending balance as at December 31, 2014	415	(7)	795	(164)	1,039	30	3,243	35,091

Current consolidated fiscal year (January 1, 2015 – December 31, 2015

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening Balance as at January 1, 2014	3,918	5,502	21,475	(117)	30,778
Cumulative effect derived from changes in accounting principles			(6)		(6)
Opening Balance as at January 1, 2014 after adjusting for changes in accounting principles	3,918	5,502	21,469	(117)	30,772
Current period changes					
Issuance of new shares – exercise of subscription rights to shares	2	2			5
Dividends from surplus			(595)		(595)
Net loss			(3,815)		(3,815)
Purchase of treasury stock					
Disposal of treasury stock				117	117
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during the period	2	2	(4,411)	117	(4,288)
Ending balance as at December 31, 2014	3,920	5,504	17,057	(0)	26.483

	Cumulative other comprehensive income						Subscription rights to shares	Minority interests	Total net assets
	Valuation difference of available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total cumulative other comprehensive income			
Opening Balance as at January 1, 2014	415	(7)	-	795	(164)	1,039	30	3,243	35,091
Cumulative effect derived from changes in accounting principles									(6)
Opening Balance as at January 1, 2014 after adjusting for changes in accounting principles	415	(7)	-	795	(164)	1,039	30	3,243	35,085
Current period changes									
Issuance of new shares – exercise of subscription rights to shares									5
Dividends from surplus									(595)
Net loss									(3,815)
Purchase of treasury stock									
Disposal of treasury stock									117
Change of scope of consolidation									
Net changes of items other than shareholders' equity	237	7	21	208	55	530	22	(1,402)	(848)
Total changes of items during the period	237	7	21	208	55	530	22	(1,402)	(5,137)
Ending balance as at December 31, 2014	653	-	21	1,004	(108)	1,569	52	1,841	29,947

4. Consolidated Statements of Cash Flows

(Millions of yen)

	FY2014 (Jan. 1, 2014 – Dec. 31 2014)	FY2015 (Jan 1, 2015 – Dec. 31, 2015)
Net cash provided by (used in) operating activities		
Total net income (loss)	4,684	(5,495)
Depreciation	3,526	3,992
Impairment loss	110	1,781
Amortization of goodwill	231	5,001
Increase (decrease) in allowance for doubtful accounts	13	4,680
Increase (decrease) in provision for bonuses	25	54
Increase (decrease) in provision for losses from reorganization of affiliates or subsidiaries	-	2,230
Increase (decrease) in liabilities related to retirement benefits	115	179
Interest and dividends income	(90)	(267)
Interest expenses	600	872
Equity in (earnings) losses of investments in affiliates	(206)	(425)
Loss (gain) on sales of property, plant and equipment and intangible assets	(1,362)	(2,255)
Loss on retirement of property, plant and equipment and intangible assets	24	20
Loss on valuation of stocks of subsidiaries and affiliates	100	289
Decrease (increase) in notes and accounts receivable-trade	(392)	(3,477)
Decrease (increase) in inventories	(781)	1,116
Increase (decrease) in notes and accounts payable-trade	53	1,045
Increase (decrease) in accrued consumption taxes	1,174	(111)
Decrease (increase) in other current assets	(441)	1,131
Increase (decrease) in other current liabilities	518	(1,100)
Increase (decrease) in other noncurrent liabilities	(457)	238
Other increases (decreases) of other	563	16
Subtotal	8,010	9,521
Interest and dividends income received	150	309
Interest expenses paid	(572)	(782)
Income taxes paid	(984)	(1,318)
Net cash provided by (used in) operating activities	6,603	7,728

(Millions of yen)

	FY2014 (Jan. 1, 2014 – Dec. 31 2014)	FY2015 (Jan 1, 2015 – Dec. 31, 2015)
Net cash provided by (used in) investing activities		
Payments into time deposits	(18)	(0)
Proceeds from withdrawal of time deposits	6	3
Purchase of property, plant and equipment and intangible assets	(10,859)	(10,416)
Proceeds from sales of property, plant and equipment and intangible assets	2,749	3,513
Purchase of investment securities	(691)	(1,614)
Proceeds from sales of securities	41	1,481
Purchase of stocks of subsidiaries and affiliates	(494)	(416)
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	(286)	(112)
Collection of loans receivable	347	288
Payments for guarantee deposits	(244)	(287)
Proceeds from collection of guarantee deposits	291	453
Other	1,261	24
Net cash provided by (used in) investing activities	(15,101)	(7,081)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,251	(3,522)
Repayments of lease obligations	(683)	(621)
Proceeds from long-term loans payable	18,836	14,412
Repayment of long-term loans payable	(10,838)	(12,560)
Redemption of bonds	(286)	(256)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	23	3
Proceeds from sales of treasury stock	118	465
Cash dividends paid	(528)	(595)
Cash dividends paid to minority shareholders	-	(11)
Other	(0)	-
Net cash provided by (used in) financing activities	8,893	(2,685)
Effect of exchange rate change on cash and cash equivalents	(36)	(29)
Net increase (decrease) in cash and cash equivalents	359	(2,067)
Cash and cash equivalents at the beginning of period	10,306	11,037
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	14
Cash and cash equivalents at the end of period	11,037	8,984

5. Notes on the Quarterly Consolidated Financial Statements

(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 the core business of the SBS Group, our company performs overall management.

Based on these reasons, the SBS Group splits reporting segments into "logistics business," "real property 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 business commissioned for all of these inclusively, logistics consulting, and related businesses.

"Real property 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 resources, 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, profits or losses, assets, liabilities and other items of each reporting segment

Prior Consolidated Fiscal Year (From January 1, 2014 through December 31, 2014)

(Millions of yen)

	Reporting Segment				Adjustment Amount*1	Consolidated Financial Statements Amount*2
	Logistics Business	Real property 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	(229)	4,098
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 are the elimination of ¥13 million in inter-segment sales or transfers and a negative ¥242 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 are the 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) Adjustments to depreciation and amortization is ¥6 million eliminated for inter-segment transactions and depreciation and amortization expense of ¥78 million of the Company and certain consolidated subsidiaries which were not attributable to any reporting segment
(4) The adjustment for increases in tangible assets and intangible assets is ¥22 million in companywide assets not allocated to any reporting segment.

*2 Segment income is adjusted with operating income, as recorded in consolidated financial statements.
3 As stated in “Changes of Accounting principles”, in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts,” changes to accounting principles have been applied retrospectively, and the figures of the prior fiscal year are after retrospective applications have been made. The impact, arising from such changes, on segment profits of the prior consolidated fiscal year is negligible.

Current consolidated fiscal year (January 1, 2015 – December 31, 2015)

(Millions of yen)

	Reporting Segment				Adjustment Amount*1	Consolidated Financial Statements Amount*2
	Logistics Business	Real property business	Other Business	Total		
Net sales						
Sales to external customers	14,391	8,641	5,963	157,996	-	157,996
Inter-segment sales or transfers	252	3	179	434	(434)	-
Total	143,643	8,644	6,142	158,431	(434)	157,996
Segment income	2,072	3,292	238	5,603	(256)	5,347
Segment assets	78,389	38,416	4,363	121,168	3,649	124,817
Other items						
Depreciation and amortization	3,086	515	308	3,911	81	3,992
Amortization of goodwill	5,001	-	-	5,001	-	5,001
Impairment loss on fixed assets	1,648	-	-	1,648	133	1,781
Increase in property, plant and equipment and intangible assets	10,248	101	616	10,967	175	11,142

(Notes)
*1 Adjustment amount details are as follows:
(1) Adjustments to segment income are the elimination of ¥27 million in inter-segment sales or transfers and a negative ¥283 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 are the negative ¥38,414 million eliminated for inter-segment transactions and ¥42,603 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) Adjustments to depreciation and amortization is ¥5 million eliminated for inter-segment transactions and depreciation and amortization expense of ¥76 million of the Company and certain consolidated subsidiaries which were not attributable to any reporting segment
(4) Adjustments to impairment losses was the impairment loss of ¥133 million relating to companywide assets not allocated to any reporting segment.
(5) The adjustment for increases in tangible assets and intangible assets is the elimination of inter-segment transactions of negative ¥82 million and ¥258 million of companywide assets not allocated to any reporting segment.

*2 Segment income is adjusted with operating income, as recorded in consolidated financial statements.
3 Amortization of goodwill includes “Amortization of Goodwill” in extraordinary losses.