

Consolidated Financial Results Announcement for the Three Months Ended March 31, 2016

Company name: SBS Holdings, Inc.
 Stock exchange listing: Tokyo Stock Exchange (TSE)
 Stock code: 2384
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Scheduled date of filing of Quarterly Report: May 13, 2016
 Preparation of supplementary references regarding quarterly results: No
 Holding the briefing of quarterly results: No
 Date for commencement of dividend payments (planned): May 16, 2016

1. Consolidated Financial Results for the Three Months Ended March 31, 2016 (from January 1, 2016 to March 31, 2016)

(Figures are rounded to the nearest one million yen.)

(1) Consolidated business results (Percentages show change in value from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 Months Ended March 31, 2016	33,603	-15.0	639	-12.9	729	-26.3	744	-71.3
3 Months Ended March 31, 2015	39,538	22.5	734	8.8	989	73.4	2,594	564.4

(Note) Comprehensive income:

3 Months Ended March 31, 2016: 684 million yen (-79.0%); 3 Months Ended March 31, 2015: 3,257 million yen (607.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
3 Months Ended March 31, 2016	18.74	-
3 Months Ended March 31, 2015	66.12	66.07

(Note) "Diluted net income per share" for the first quarter of FY2016 is not presented because there are no diluted shares.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3 Months Ended March 31, 2016	126,259	30,569	22.8
FY2015	124,817	29,947	22.5

(Reference) Shareholders' equity

3 Months Ended March 31, 2016: 28,732 million yen; FY2015: 28,053 million yen

2. Dividend Status

(Base date)	Dividend per share (yen)				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
FY2015	—	0.00	—	0.00	—
FY2016	16.00				
FY2016 (forecast)		0.00	—	16.00	32.00

(Note) Corrections regarding current dividend forecasts: None

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 for the half year denote the increase or decrease from the previous corresponding term.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	76,500	-3.4	5,100	185.2	5,200	162.9	3,600	77.1	90.64
Full year	146,500	-7.4	6,600	23.4	6,600	14.3	4,300	-	108.26

(Note) Corrections regarding current consolidated forecast figures: Yes

* Note

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that lead to a change in the scope of consolidation): Yes

Excluded: SBS Logistics Holdings Singapore Pte. Ltd.; Atlas Logistics Pvt. Ltd.

(Note) For details, please refer to “1. Important changes of subsidiaries during this consolidated cumulative quarterly period (changes of specified subsidiaries that lead to a change in the scope of consolidation)” under “II Summary Information (Notes)” on page 5.

(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.

(4) Number of shares issued (common share)

1) Number of shares issued at end of term (including treasury share)

3 Months Ended Mar 31, 2016: 39,718,200 shares

FY2015: 39,718,200 shares

2) Number of treasury share at end of term

3 Months Ended Mar 31, 2016: 385 shares

FY2015: 385 shares

3) Average number of outstanding shares during the period (Accumulative figures for quarter)

3 Months Ended Mar 31, 2016: 39,717,815 shares

3 Months Ended Mar 31, 2015: 38,239,139 shares

*Presentation of the implementation status of quarterly review procedures

The consolidated financial results under review are exempted from the quarterly review procedures under the Financial Instruments and Exchange Act, and quarterly review procedures under the Financial Instruments and Exchange Act are implemented at the time of the release of this consolidated financial results announcement.

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

1. Since any forward-looking statements about financial outlook printed in this document are based on information currently available to the company and on certain assumptions deemed reasonable. It does not guarantee that these results will be achieved. Actual results may differ significantly due to variety of factors. For assumptions used for financial forecasts and cautions on using these forecasts, refer to “3. Explanation of Forecast of Consolidated Business Results and Other Forecasts” under “I. Business Performance” on page 4.

I. Business Performance

1. Explanation of Business Results

During the first quarter of the fiscal year ending December 31, 2016, the Japanese economy was characterized by a continuation of government economic policies and monetary easing measures by the Bank of Japan. However, a growing sense of uncertainty about the future outlook and economic stagnation mounted, due such factors as concerns about economic slowdown in China and other emerging markets, political unrest overseas and a high degree of exchange rate and stock market volatility.

In the logistics industry, the movement of cargo continued to trend downward, affected by protracted stagnation in personal consumption, among other factors. On the cost front, although the industry benefited from low and stable fuel prices, economic conditions remained problematic due to factors including increasingly severe shortages of drivers and part-time and temporary workers, which pushed up both recruiting and vehicle-hiring costs.

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.

Our business strategy included the start of an initiative at the beginning of the fiscal year to start up logistics bases with a total floor area of around 165,000, the largest base facility expansion in the Group's history. To date, we have made steady progress in the opening of logistics facilities, including in Isogo Ward, Yokohama; Tokorozawa, Saitama Prefecture; Inzai, Chiba Prefecture; and Sanda, Hyogo Prefecture, and moving steadily forward with 3PL businesses. We expect these start-ups to peak in the second quarter and be essentially complete by June 30, 2016. Also, SBS Sokuhai Support established a joint venture in Osaka with KASEI, Inc., and launched a delivery business in the Hanshin region.

Our investment strategy included the completion in February of a multitenant distribution center in Isogo Ward, Yokohama (total floor space of 39,670 square meters) and the completion of construction in March of a specialized logistics facility for large-scale department stores in Tokorozawa, Saitama Prefecture (29,750 square meters). Solar-power generation facilities generating approximately 2 megawatts were installed on the roofs of these two logistics facilities, bringing the Group's generation capacity to 10 megawatts.

As a result, net sales declined ¥5,935 million, or 15.0% year on year, to ¥33,603 million, due in part to the withdrawal from operation of an overseas subsidiary. Operating income fell ¥95 million, or 12.9%, to ¥639 million, owing to initial costs for the increased start-up of logistics bases and the absence on gain on sale of logistics facilities in the real property business. Ordinary income decreased ¥260 million, or 26.3%, to ¥729 million, as the result of a sharp drop in foreign exchange gains stemming from the exclusion of overseas subsidiaries from the scope of consolidation. Reflecting the posting of a ¥2,279 million gain on sales of noncurrent assets in extraordinary income in the first quarter of the preceding fiscal year, the absence of this factor in the first quarter under review caused net income attributable to owners of parent to plunge ¥1,850 million, or 71.3% year on year, to ¥744 million.

Financial results by segment are as follows.

(Logistics Business Segment)

In Japan, net sales in the logistics business grew by approximately ¥2.0 billion due to the expansion of operations, despite sluggishness in the movement of cargo. Overseas, however, net sales dropped approximately ¥6.7 billion, due to the exclusion of overseas subsidiaries from the scope of consolidation. Operating income was affected by increased costs for the startup of bases, but benefited from falling fuel costs and price hikes, as well as a reduced goodwill burden on overseas subsidiaries. As a result, segment net sales amounted to ¥31,424 million, down 13.3% year on year, and operating income was ¥314 million, up 17.9%.

(Real Property Business Segment)

Within the real property business, in the development business the Company sold a facility in the city of Tokorozawa in the previous first quarter, resulting in performance only in the leasing business. Net sales in the real property business accordingly fell 63.1% year on year, to ¥683 million, and operating income fell 25.2%, to ¥352 million.

(Other Business Segments)

In other business, performance was favorable in the marketing and other businesses, prompting a 3.5% increase in net sales, to ¥1,494 million, and operating income grew 31.7%, to ¥70 million.

2. Explanation of Financial Condition

Total assets amounted to ¥126,259 million as of March 31, 2016, up ¥1,441 million from December 31, 2015.

Principal reasons for the increase in assets were a ¥3,866 million increase in noncurrent assets resulting from the completion of construction of two logistics facilities that had been under construction in Saitama and Yokohama. Conversely, the total amount of current assets, intangible assets, and investments and other assets fell by ¥2,425 million, due largely to declines in notes and accounts receivable, goodwill and investment securities in line with the exclusion of overseas subsidiaries from the scope of consolidation.

Total liabilities were ¥95,690 million, up ¥820 million compared to December 31, 2015. Although current liabilities fell ¥4,848 million due to decreases in trade notes and accounts payable and other factors, noncurrent liabilities expanded ¥5,668 million, affected by rising long-term loans payable.

Net assets totaled ¥30,569 million, up ¥621 million from December 31, 2015. Mainly, this was because despite a ¥1,032 million decrease in the foreign currency translation adjustment, net income attributable to owners of parent came to ¥744 million, and retained earnings increased by ¥616 million due to the exclusion of consolidated subsidiaries from the scope of consolidation.

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

The Company has revised its forecasts for the six months ending June 30, 2016, and the year ending December 31, 2016, from the forecasts announced on February 29, 2016. For details, please refer to today's announcement, entitled "Transfer of Consolidated Subsidiary's Trust Beneficiary Rights and Revisions to SBS Holdings' Financial Forecasts."

<Reference> Basic Policy on Distribution of Profits and Dividends for the Year

The Company considers the return of profits to shareholders an important management objective. 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.

However, as net income was substantially negative in the previous fiscal year the Company elected to forego dividends. For the year under review, in addition to a year-end dividend the Company has decided on a quarterly dividend with a record date of March 31, 2016.

The dividend forecast is as follows.

Record Date	Dividend per Share		
	End of Q1	Fiscal Year-End	Annual
Dividend Forecast	¥16.00	¥16.00	¥32.00
Actual Dividend	¥16.00		
Year ended December 31, 2015	—	¥0.00	¥0.00

II. Summary Information (Notes)

1. Important Changes of Subsidiaries during This Consolidated Cumulative Quarterly Period

During the first quarter under review, as a result of the transfer of shares in SBS Logistics Holdings Singapore Pte. Ltd. (specific subsidiary), that company was excluded from the scope of consolidation, as was that company's subsidiary, SBS Transpole Logistics Pvt. Ltd. (STPL) and four of STPL's subsidiaries, including Atlas Logistics Pvt. Ltd. (specific subsidiary).

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 the Accounting Standard for Business Combinations)

The Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), and other standards from the first quarter of the year ending December 31, 2016. As a result, the accounting method has been changed to record the difference caused by changes in equity in subsidiaries the Company continues to control as capital surplus, and to record acquisition-related costs for the fiscal year in which the costs were incurred. Furthermore, for business combinations carried out on or after the beginning of the first quarter of the fiscal year, the accounting method was changed to reflect the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment in the consolidated financial statements of the period in which the business combination occurs. In addition, the Company has changed its presentation of net income and related items, and renamed "minority interests" as "non-controlling interests." The quarterly consolidated financial statement for the first quarter of the year ending December 31, 2016, and the consolidated financial statements for the year ended December 31, 2015, have been reclassified to reflect this change.

Application of the Accounting Standard for Business Combinations and other standards is in accordance with the transitional measures provided for in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures. The Company will continue to apply the standards from the beginning of the first quarter of the fiscal year.

These changes in the first quarter of the year ending December 31, 2016, have no impact on the quarterly consolidated financial statements.

II. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Dec 31, 2015)	1Q FY2016 (As of Mar 31, 2016)
ASSETS		
Current assets		
Cash and deposits	8,990	13,193
Notes and accounts receivable-trade	21,342	15,858
Inventories	15,153	15,094
Other	6,333	6,972
Allowance for doubtful accounts	(218)	(56)
Total current assets	51,601	51,062
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	29,661	38,847
Accumulated depreciation and impairment loss	(20,558)	(20,603)
Buildings and structures, net	9,102	18,243
Machinery, equipment and vehicles	19,460	19,976
Accumulated depreciation and impairment loss	(12,317)	(12,024)
Machinery, equipment and vehicles, net	7,142	7,951
Land	35,846	35,981
Lease assets	2,948	2,735
Accumulated depreciation and impairment loss	(1,365)	(1,366)
Lease assets, net	1,583	1,368
Other	10,160	3,945
Accumulated depreciation and impairment loss	(3,035)	(2,823)
Other, net	7,124	1,121
Total property, plant and equipment	60,800	64,666
Intangible assets		
Other	1,285	976
Total Intangible assets	1,285	976
Investments and other assets		
Investments and other assets	15,808	9,653
Allowance for doubtful accounts	(4,676)	(100)
Total investments and other assets	11,131	9,553
Total noncurrent assets	73,216	75,196
Total assets	124,817	126,259

(Millions of yen)

	FY2015 (As of Dec 31, 2015)	1Q FY2016 (As of Mar 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	9,584	7,405
Current portion of bonds	232	160
Short-term loans payable	19,952	20,100
Current portion of long-term loans payable	9,667	10,191
Income taxes payable	1,605	249
Provision for bonuses	739	1,569
Other	11,213	8,469
Total current liabilities	52,994	48,146
Noncurrent liabilities		
Bonds payable	400	320
Long-term loans payable	30,272	34,906
Net defined benefit liability	3,967	3,914
Other	7,235	8,402
Total noncurrent liabilities	41,875	47,543
Total liabilities	94,870	95,690
NET ASSETS		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	5,504	5,504
Retained earnings	17,057	18,854
Treasury stock	(0)	(0)
Total shareholders' equity	26,483	28,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	653	567
Deferred gains or losses on hedges	21	21
Foreign currency translation adjustment	1,004	(28)
Remeasurements of defined benefit plans	(108)	(107)
Total accumulated other comprehensive income	1,569	453
Subscription rights to shares	52	-
Non-controlling interests	1,841	1,836
Total net assets	29,947	30,569
Total liabilities, net assets	124,817	126,259

2. Consolidated Statements of Operations**(Three Months Ended March 31, 2016)**

(Millions of yen)

	1Q FY2015 (Jan 1, 2015 - Mar 31, 2015)	1Q FY2016 (Jan 1, 2016 - Mar 31, 2016)
Net sales	39,538	33,603
Cost of sales	35,813	30,628
Gross profit	3,724	2,974
Selling, general and administrative expenses	2,989	2,334
Operating income (loss)	734	639
Non-operating income		
Interest income	63	2
Dividends income	13	16
Equity in earnings of affiliates	70	163
Other	305	52
Total non-operating income	453	235
Non-operating expenses		
Interest expenses	186	121
Other	10	23
Total non-operating expenses	197	145
Ordinary income	989	729
Extraordinary income		
Gain on sales of noncurrent assets	2,279	24
Other	16	-
Total extraordinary income	2,296	24
Extraordinary loss		
Loss on sales of noncurrent assets	0	2
Loss on sales of shares of subsidiaries and associates	19	6
Loss on retirement of noncurrent assets	-	27
Total extraordinary loss	19	36
Income (loss) before income taxes	3,266	718
Income taxes-current	804	213
Income taxes-deferred	(170)	(280)
Total income taxes	633	(67)
Profit (loss)	2,633	785
Profit attributable to non-controlling interests	38	41
Profit attributable to owners of parent	2,594	41

(Three Months Ended March 31, 2016)

(Millions of yen)

	1Q FY2015 (Jan 1, 2015 – Mar 31, 2015)	1Q FY2016 (Jan 1, 2016 – Mar 31, 2016)
Profit	2,633	785
Other comprehensive income		
Valuation difference on available-for-sale securities	93	(89)
Deferred gains or losses on hedges	4	-
Foreign currency translation adjustment	527	1
Remeasurements of defined benefit plans	4	10
Share of other comprehensive income of associates accounted for using equity method	(5)	(22)
Total other comprehensive income	624	(100)
Comprehensive income	3,257	684
(Breakdown)		
Comprehensive income attributable to owners of parent	3,121	644
Comprehensive income attributable to non-controlling interests	135	39

3. Notes on the Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

No applicable items.

(Notes regarding Remarkable Change of Shareholder's Equity)

No applicable items.

(Segment Information)

**1. Information Concerning Net Sales and Profits and Losses for Reporting Segments
1Q FY2015 (January 1, 2015 – March 31, 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	36,240	1,853	1,443	39,538	-	39,538
Inter-segment sales or transfers	54	0	37	92	(92)	-
Total	36,294	1,854	1,480	39,630	(92)	39,538
Segment income (loss)	266	471	53	791	(56)	734

(Note)

1. The adjustment amount for segment income is -¥59 million not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from ¥2 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.

**2. Information Concerning Net Sales and Profits and Losses for Reporting Segments
1Q FY2016 (January 1, 2016 – March 31, 2016)**

(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	31,424	683	1,494	33,603	-	33,603
Inter-segment sales or transfers	75	0	41	117	(117)	-
Total	31,499	684	1,536	33,720	(117)	33,603
Segment income	314	352	70	737	(97)	639

(Note)

1. The adjustment amount for segment income is -¥101 million not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from ¥3 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.