

Consolidated Financial Results Announcement for the Six Months Ended June 30, 2016

Company name: SBS Holdings, Inc.
 Stock exchange listing: Tokyo Stock Exchange (TSE)
 Stock code: 2384
 URL: <http://www.sbs-group.co.jp/>
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Scheduled date of filing of Quarterly Report: August 12, 2016
 Preparation of supplementary references regarding quarterly results: Yes
 Holding the briefing of quarterly results: Yes (for investors and analysts)
 Date for commencement of dividend payments (planned): —

1. Consolidated Financial Results for the Six Months Ended June 30, 2016 (from January 1, 2016 to June 30, 2016)

(Figures are rounded off below 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 attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
6 Months Ended June 30, 2016	76,531	-3.4	5,347	199.0	5,642	185.2	4,009	97.1
6 Months Ended June 30, 2015	79,229	20.5	1,788	21.9	1,978	45.3	2,033	16.3

(Note) Comprehensive income:

6 Months Ended June 30, 2016: 4,069 million yen (28.4%); 6 Months Ended June 30, 2015: 3,168 million yen (68.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
6 Months Ended June 30, 2016	100.95	-
6 Months Ended June 30, 2015	51.80	51.73

(Note) "Diluted net income per share" for the second quarter of FY2016 is not presented because no dilutive shares existed.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
6 Months Ended June 30, 2016	119,553	33,298	26.3
FY2015	124,817	29,947	22.5

(Reference) Shareholders' equity

Six Months Ended June 30, 2016: 31,392 million yen; FY2015: 28,053 million yen

2. Dividend Status

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

(Note) Corrections from 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.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	146,500	-7.3	6,600	23.4	6,600	14.3	4,300	-	108.26

(Note) Corrections from current consolidated forecast figures: None

* 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" 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)
 - 6 Months Ended June 30, 2016: 39,718,200 shares
 - FY2015: 39,718,200 shares
 - 2) Number of treasury shares at end of term
 - 6 Months Ended June 30, 2016: 385 shares
 - FY2015: 385 shares
 - 3) Average number of outstanding shares during the period (Accumulative figures for quarter)
 - 6 Months Ended June 30, 2016: 39,717,815 shares
 - 6 Months Ended June 30, 2015: 39,262,925 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 report.

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

1. Since any forward-looking statements about financial outlook presented 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 figures, 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 second quarter of the fiscal year ending December 31, 2016, the Bank of Japan's policy of monetary easing and stable crude oil prices led to some signs of brightness in the Japanese economy, such as improvements in employment and capital investment. The global economy was affected by an economic slowdown in China and the sudden decision by the United Kingdom to exit the European Union.

The logistics industry faced continued low levels of personal consumption and corporate economic activity, which caused slow growth in cargo movement both in Japan and overseas. The shortage of personnel, including drivers and part-time workers, put upward pressure on personnel costs.

Confronted by this environment, the SBS Group prioritized efforts to achieve a V-shaped recovery from the previous fiscal year, which was influenced by losses from operating company in India. The Group worked in unison to achieve the goals targeted by the "SBS Growth 2017," the medium-term management plan that commenced in 2014.

Our domestic business strategy focused on starting up logistics locations with a total floor area of around 165,000 square meters, the largest facility expansion in the Group's history. SBS Logicom executes this activity as a center. In the first half, this company established nine new logistics locations, while at the same time reorganized existing floors and transferred operations to other facilities. SBS Logicom's launch activities were generally completed according to plan. We will work to realize the results of these efforts quickly through better operational stability and working efficiency.

Meanwhile, we took steps to review our overseas activities to make our business robust and stable. We re-examined the status of operations at our companies in ASEAN countries. Based on these results and their future growth potential, we will reorganize our overseas locations and strive to enhance management efficiencies in order to reconstruct our overseas platform.

Our investment strategy included the construction completion of a multitenant distribution center in Isogo Ward, Yokohama (total floor space of 39,670 square meters) in February and a specialized logistics facility for large-scale department stores in Tokorozawa, Saitama Prefecture (29,750 square meters) in March. Our plans to sell the Kawagoe Logistics Center were accelerated from the third quarter to the second. Because of the lump-sum sale of our entire equity in this center, we were able to recover invested assets, and our balance sheet improvement.

Net sales declined ¥2,697 million, or 3.4% year on year, to ¥76,531 million. An increase in domestic logistics and the sale of a logistics center boosted revenue, but the exclusion from the scope of consolidation of overseas subsidiaries that withdrew from operations had a negative effect. On the income front, the Company was affected by a temporary spike in costs due to the launch of new logistics locations, but the sale of the logistics center mentioned earlier contributed to income. As a result, operating income was ¥5,347 million, up 199.0% year on year, ordinary income was ¥5,642 million, up 185.2%, and net income attributable to owners of parent also increased 97.1%, to ¥4,009 million.

Financial results by segment are as follows.

(Logistics Business Segment)

In Japan, net sales in the logistics business grew by approximately ¥3.5 billion due to the expansion of operations, despite sluggish increases in cargo volumes. Overseas' net sales dropped approximately ¥12.8 billion, due to the exclusion of overseas subsidiaries from the scope of consolidation. Operating income benefited from falling fuel costs and our service price hikes, as well as a reduced goodwill burden on overseas subsidiaries, but these factors are not enough to compensate for higher costs associated with the launch of logistics locations that had been incorporated into our initial plans. As a result, segment net sales decreased ¥9,248 million, or 12.5% year on year, to ¥64,562 million, and operating income fell ¥57 million, or 5.9%, to ¥916 million.

(Property Management Business Segment)

The property management business saw major increases in both sales and income. Segment net sales amounted to ¥8,935 million, up 255.9% year on year, and operating income surged 445.0%, to ¥4,390 million. These increases were due to the sale of the Kawagoe Logistics Center earlier than planned. Initially slated for the third quarter, this sale was brought forward to the second quarter, generating sales of ¥7,570 million and operating income of ¥3,661 million.

(Other Business Segment)

In other business, performance was favorable in the marketing business, and operations in the solar power generation business expanded, prompting a 4.3% increase in net sales, to ¥3,034 million, and operating income grew 37.3%, to ¥172 million.

2. Explanation of Financial Condition

Total assets amounted to ¥119,553 million as of June 30, 2016, down ¥5,264 million from December 31, 2015.

Principal reasons for the decrease in assets were declines in notes and accounts receivable, in goodwill in line with the exclusion of overseas subsidiaries from the scope of consolidation, and in inventories due to the sale of the Kawagoe Logistics Center.

Total liabilities were ¥86,255 million, down ¥8,614 million compared to December 31, 2015. Principal factors include a ¥3,146 million decline in interest-bearing debt and decreases in notes payable and accounts payable in line with the exclusion of overseas subsidiaries from the scope of consolidation.

Net assets totaled ¥33,298 million, up ¥3,350 million from December 31, 2015. This was mainly because despite a ¥1,149 million decrease in the foreign currency translation adjustment due to the exclusion of overseas subsidiaries from the scope of consolidation, net income attributable to owners of parent came to ¥4,009 million.

The equity ratio improved 3.8 percentage points, to 26.3%, from 22.5% as of December 31, 2015.

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

Looking at the economic environment going forward, we believe the business outlook will remain unpredictable, affected by a further cooling in personal consumption and yen appreciation, which will dampen corporate operating performance. In addition to concerns about a decline in cargo movement, we expect the logistics industry to continue to be affected by driver shortages, rising vehicle-hiring and personnel costs, and increasingly stringent competition.

Amid these conditions, our topmost priority for the current fiscal year is to achieve a V-shaped recovery, and we will work to recover market confidence in the Company. To accomplish these goals, we are working to quickly ensure stable operations and bolster efficiency for the logistics locations that came on line in the first half. We are also undertaking efforts to ensure a revenue-generating base of operations and reviewing our overseas business to take on new challenges.

Taking these factors into consideration, we maintain our forecast for the fiscal year ending December 31, 2016, as announced on May 13, 2016. 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

During the second quarter under review, as a result of the transfer of shares in SBS Logistics Holdings Singapore Pte. Ltd. (specific subsidiary) in the first quarter of 2016, that company was excluded from the scope of consolidation, as was the company's subsidiary, SBS Transpole Logistics Pvt. Ltd.(STPL) and four of its subsidiaries, including Atlas Logistics Pvt. Ltd. (specific subsidiary) from the first quarter of 2016.

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 second quarter of the year ended December 31, 2015, 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 this fiscal year.

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

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In line with revisions to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Practical Issues Task Force No. 32 issued on June 17, 2016), and has changed its depreciation method for structures as well as accompanying facilities acquired on or after April 1, 2016, from the declining balance method to the straight-line method, from the second quarter under review.

The impact of this change on consolidated profits and losses in the second quarter under review is minimal.

III. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Dec 31, 2015)	2Q FY2016 (As of June 30, 2016)
ASSETS		
Current assets		
Cash and deposits	8,990	10,972
Notes and accounts receivable-trade	21,342	15,928
Inventories	15,153	11,162
Other	6,333	5,741
Allowance for doubtful accounts	(218)	(53)
Total current assets	51,601	43,751
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	29,661	38,920
Accumulated depreciation and impairment loss	(20,558)	(20,899)
Buildings and structures, net	9,102	18,021
Machinery, equipment and vehicles	19,460	20,086
Accumulated depreciation and impairment loss	(12,317)	(12,026)
Machinery, equipment and vehicles, net	7,142	8,059
Land	35,846	35,981
Lease assets	2,948	2,721
Accumulated depreciation and impairment loss	(1,365)	(1,430)
Lease assets, net	1,583	1,290
Other	10,160	4,037
Accumulated depreciation and impairment loss	(3,035)	(2,779)
Other, net	7,124	1,258
Total property, plant and equipment	60,800	64,611
Intangible assets		
Other	1,285	1,015
Total Intangible assets	1,285	1,015
Investments and other assets		
Investments and other assets	15,808	10,280
Allowance for doubtful accounts	(4,676)	(106)
Total investments and other assets	11,131	10,174
Total noncurrent assets	73,216	75,801
Total assets	124,817	119,553

(Millions of yen)

	FY2015 (As of Dec 31, 2015)	2Q FY2016 (As of June 30, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	9,584	7,153
Current portion of bonds	232	160
Short-term loans payable	19,952	14,200
Current portion of long-term loans payable	9,667	9,425
Income taxes payable	1,605	951
Provision for bonuses	739	812
Other	11,213	7,927
Total current liabilities	52,994	40,630
Noncurrent liabilities		
Bonds payable	400	320
Long-term loans payable	30,272	33,272
Net defined benefit liability	3,967	3,954
Other	7,235	8,077
Total noncurrent liabilities	41,875	45,624
Total liabilities	94,870	86,255
NET ASSETS		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	5,504	2,651
Retained earnings	17,057	24,317
Treasury stock	(0)	(0)
Total shareholders' equity	26,483	30,889
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	653	720
Deferred gains or losses on hedges	21	30
Foreign currency translation adjustment	1,004	(144)
Remeasurements of defined benefit plans	(108)	(102)
Total accumulated other comprehensive income	1,569	503
Subscription rights to shares	52	-
Non-controlling interests	1,841	1,905
Total net assets	29,947	33,298
Total liabilities, net assets	124,817	119,553

2. Consolidated Statements of Operations**(Six Months Ended June 30, 2016)**

(Millions of yen)

	2Q FY2015 (Jan 1, 2015 - June 30, 2015)	2Q FY2016 (Jan 1, 2016 - June 30, 2016)
Net sales	79,229	76,531
Cost of sales	71,335	66,455
Gross profit	7,894	10,076
Selling, general and administrative expenses	6,105	4,729
Operating income (loss)	1,788	5,347
Non-operating income		
Interest income	112	6
Dividends income	32	36
Equity in earnings of affiliates	180	437
Other	293	101
Total non-operating income	618	582
Non-operating expenses		
Interest expenses	400	238
Other	28	48
Total non-operating expenses	429	287
Ordinary income	1,978	5,642
Extraordinary income		
Gain on sales of noncurrent assets	2,236	54
Other	27	-
Total extraordinary income	2,263	54
Extraordinary loss		
Loss on sales of noncurrent assets	2	3
Loss on sales of shares of subsidiaries and associates	23	17
Amortization of goodwill	771	-
Loss on retirement of noncurrent assets	-	27
Other	136	-
Total extraordinary loss	933	49
Income (loss) before income taxes	3,308	5,647
Income taxes-current	1,114	844
Income taxes-deferred	26	682
Total income taxes	1,141	1,527
Profit (loss)	2,167	4,120
Profit attributable to non-controlling interests	133	110
Profit attributable to owners of parent	2,033	4,009

(Six Months Ended June 30, 2016)

(Millions of yen)

	2Q FY2015 (Jan 1, 2015 – June 30, 2015)	2Q FY2016 (Jan 1, 2016 – June 30, 2016)
Profit	2,167	4,120
Other comprehensive income		
Valuation difference on available-for-sale securities	194	49
Deferred gains or losses on hedges	4	-
Foreign currency translation adjustment	769	(112)
Remeasurements of defined benefit plans	17	23
Share of other comprehensive income of associates accounted for using equity method	15	(11)
Total other comprehensive income	1,001	(50)
Comprehensive income	3,168	4,069
(Breakdown)		
Comprehensive income attributable to owners of parent	2,916	3,960
Comprehensive income attributable to non-controlling interests	252	109

3. Notes on the Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

No applicable items.

(Notes regarding Remarkable Change of Shareholder's Equity)

On May 2, 2016, the Company reduced its legal capital surplus by ¥3,000 million, transferring that amount to the other capital surplus and, on the same date, reducing the other capital surplus by ¥2,218 million and transferring this amount to retained earnings brought forward to dispose of the deficit. These activities resulted in no major changes to total shareholders' equity.

(Segment Information)

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

(Millions of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	73,810	2,510	2,908	79,229	-	79,229
Inter-segment sales or transfers	118	1	87	207	(207)	-
Total	73,928	2,512	2,995	79,436	(207)	79,229
Segment income (loss)	973	805	125	1,904	(115)	1,788

(Note)

1. The adjustment amount for segment income is -¥122 million not allocated to reporting segments due to the operations of indirect divisions of certain consolidated subsidiaries and headquarters of the Company and from ¥6 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.

2. Information Concerning Net Sales and Profits and Losses for Reporting Segments 2Q FY2016 (January 1, 2016 – June 30, 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	64,562	8,935	3,034	76,531	-	76,531
Inter-segment sales or transfers	167	22	80	270	(270)	-
Total	64,729	8,957	3,115	76,802	(270)	76,531
Segment income	916	4,390	172	5,479	(131)	5,347

(Note)

1. The adjustment amount for segment income is -¥140 million not allocated to reporting segments due to the operations of indirect divisions of certain consolidated subsidiaries and headquarters of the Company and from ¥8 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.