November 14, 2016

Consolidated Financial Results Announcement for the Nine Months Ended September 30, 2016

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, President
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Scheduled date of filing of Quarterly Report:	November 14, 2016
Preparation of supplementary references regarding quarterly results:	—
Holding the briefing of quarterly results:	—
Date for commencement of dividend payments (planned):	—

1. Consolidated Financial Results for the Nine Months Ended September 30, 2016 (from January 1, 2016 to September 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	%
9 months Ended Sept. 30, 2016	112,366	-8.9	6,283	44.9	6,588	38.7	4,604	25.3
9 months Ended Sept. 30, 2015	123,295	19.5	4,337	32.7	4,751	63.0	3,674	48.0

(Note) Comprehensive income:
9 months Ended Sept. 30, 2016: 4,572 million yen (-0.4%); 9 months Ended Sept. 30, 2015: 4,591 million yen (75.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
9 months Ended Sept. 30, 2016	115.92	-
9 months Ended Sept. 30, 2015	93.53	93.45

(Note) “Diluted net income per share” for the third 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	%
9 months Ended Sept. 30, 2016	122,178	33,800	26.0
FY2015	124,817	29,947	22.5

(Reference) Shareholders’ equity
Nine months Ended Sept. 30, 2016: 31,824 million yen; FY2015: 28,053 million yen

2. Dividend Status

	Dividend per share				
(Base date)	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 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	7,200	34.7	7,500	29.9	4,700	-	118.33

(Note) Corrections from 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" 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)
9 months Ended September 30, 2016: 39,718,200 shares
FY2015: 39,718,200 shares
2) Number of treasury shares at end of term
9 months Ended September 30, 2016: 423 shares
FY2015: 385 shares
3) Average number of outstanding shares during the period (Accumulative figures for quarter)
9 months Ended September 30, 2016: 39,717,811 shares
9 months Ended September 30, 2015: 39,291,132 shares

<u>*Presentation of the implementation status of quarterly review procedures</u>
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.

<u>*Instruction on a proper use of financial forecasts and other special instructions</u>
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 third quarter of the fiscal year ending December 31, 2016, the Japanese economy showed no signs of moving into an expansionary phase. Although personal consumption was strong, thanks to a robust employment environment, dollar–yen exchange rates began to have a downward impact on export-related companies. The Japanese economy was also influenced by an economic slowdown in China and disorder in certain other countries.

The logistics industry was affected by disasters, summer typhoons and other types of unseasonable weather. Although consumer sentiment was firm, logistics volumes did not rise perceptibly. The shortage of personnel, including drivers and part-time workers, put upward pressure on personnel costs and led to a difficult operating environment.

Confronted by this environment, the SBS Group worked in unison to achieve a recovery in performance after disposing of overseas subsidiaries in the previous fiscal year.

Our business strategy concentrated 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, reorganizing locations and transferring some operations to other facilities. As a result, we made steady progress that was essentially in line with forecasts. Meanwhile, we reviewed our overseas activities to make our business more stable. We re-evaluated the future growth potential at our companies in ASEAN countries. Based on these results, we are reorganizing our overseas locations and striving to enhance management efficiencies in order to reconstruct our overseas platform.

Our investment strategy included the construction completion of the multitenant Shin-Sugita Logistics 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, commencing operations as part of our 165,000 square meters of logistics locations. We pushed forward with refurbishments on a frozen/refrigerated warehouse (approximately 8,300 square meters) we acquired in Miyagino-ku, Sendai in May, with the aim of completing construction in October. Also, due to the lump-sum sale of our entire equity in the Kawagoe Logistics Center, we were able to recover invested assets.

Net sales declined ¥10,929 million, or 8.9% year on year, to ¥112,366 million. This drop was attributable to the exclusion of overseas subsidiaries from the scope of consolidation, which caused the overseas logistics business to contract significantly, although revenues increased in the domestic logistics business and the property management business. On the income front, initial expenses to open facilities squeezed profits, but thanks to the sale of logistics properties operating income rose ¥1,946 million, or up 44.9% year on year, to ¥6,283 million. Ordinary income also increased ¥1,837 million, or 38.7% year on year, to ¥6,588 million, due to the exclusion of overseas subsidiaries from the scope of consolidation, which lowered interest, as well as to an uptick in equity earnings of affiliates. Net income attributable to owners of parent also increased 25.3%, to ¥4,604 million.

Financial results by segment are as follows.

(Logistics Business Segment)
Net sales in the logistics business decreased ¥12,794 million, or 11.5% year on year, to ¥98,140 million. Although net sales in the logistics business in Japan grew by approximately ¥5.0 billion due to the acquisition of customers in Japan in the preceding fiscal year, as well as to the performance of existing customers, overseas net sales dropped approximately ¥18.0 billion, due to the exclusion of overseas subsidiaries from the scope of consolidation. Operating income rose ¥22 million, or 1.6%, to ¥1,413 million. Although we incurred initial expenses to open logistics locations, as is noted earlier, several positive factors were in play: fuel prices were lower than we had expected, goodwill amortization on overseas subsidiaries decreased, and performance benefited from rate increases.

(Property Management Business Segment)
Our sale of the Kawagoe Logistics Center was instrumental in achieving this V-shaped recovery. The property management business saw increases in both sales and income. Segment net sales rose ¥1,655 million, or 20.8% year on year, to ¥9,610 million and operating income increased ¥1,830 million, or 62.6% year on year, to ¥4,754 million._

(Other Business Segment)
In other business, the marketing business fared well, and performance was favorable in the human resources and solar power generation businesses. As a result, net sales increased ¥209 million, or 4.7% year on year, to ¥4,614 million, and operating income grew ¥65 million, or 33.6% year on year, to ¥260 million.

2. Explanation of Financial Condition

Total assets amounted to ¥122,178 million as of September 30, 2016, down ¥2,638 million from December 31, 2015.

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

Total liabilities were ¥88,378 million, down ¥6,491 million compared to December 31, 2015. Principal factors behind the decrease include decreases in notes and accounts payable in line with the exclusion of overseas subsidiaries from the scope of consolidation, a decline in interest-bearing debt and income taxes payable.

Net assets totaled ¥33,800 million, up ¥3,852 million from December 31, 2015. This was mainly because despite a ¥1,196 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 ¥4,604 million.

The equity ratio improved 3.5 percentage points, to 26.0%, 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 grow more difficult, affected by personal consumption, which is unlikely to expand, and yen appreciation, which will dampen corporate operating performance. In addition to weakness in cargo movement, we expect the logistics industry to continue to be affected by increasingly stringent competition as shortages of personnel, including drivers and part-time workers, will put upward pressure on personnel costs and vehicle-hiring costs.

Our previous forecast of consolidated business results for the year ending December 31, 2016, was conservative, due to the difficult operating environment surrounding the Group and expectations of initial costs to open large-scale logistics facilities. However, we are revising our forecasts of operating income, ordinary income, and net income attributable to owners of parent from the figures announced on May 13, as outlined below, because fuel prices trended lower than we had expected, and the impact of rate hikes are expected to continue having an impact this fiscal year. Our revised figure for ordinary income is higher than that for operating income because of the expected impact of higher equity in earnings of affiliates. Our net sales forecast remains unchanged.

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income per Share
Previously announced forecast (A)	146,500	6,600	6,600	4,300	108.26
Current forecast revision (B)	146,500	7,200	7,500	4,700	118.33
Difference (B – A)	0	600	900	400	—
Percentage difference (%)	—	9.0	13.6	9.3	—
(Reference) Year ended December 31, 2015	157,996	5,347	5,772	-3,815	—

For details, please refer to the press release dated November 14, 2016 entitled “Revisions to SBS Holdings’ Consolidated Financial Forecasts for the Fiscal Year Ending December 31, 2016.”

II. Summary Information (Notes)

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

During the third 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 third 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 third 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 of the year ending December 31, 2016.

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

III. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Dec 31, 2015)	3Q FY2016 (As of Sep 30, 2016)
ASSETS		
Current assets		
Cash and deposits	8,990	12,201
Notes and accounts receivable-trade	21,342	15,857
Inventories	15,153	11,132
Other	6,333	6,515
Allowance for doubtful accounts	(218)	(56)
Total current assets	51,601	45,649
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	29,661	39,791
Accumulated depreciation and impairment loss	(20,558)	(21,238)
Buildings and structures, net	9,102	18,553
Machinery, equipment and vehicles	19,460	20,437
Accumulated depreciation and impairment loss	(12,317)	(11,934)
Machinery, equipment and vehicles, net	7,142	8,503
Land	35,846	35,984
Lease assets	2,948	2,698
Accumulated depreciation and impairment loss	(1,365)	(1,465)
Lease assets, net	1,583	1,232
Other	10,160	4,122
Accumulated depreciation and impairment loss	(3,035)	(2,855)
Other, net	7,124	1,267
Total property, plant and equipment	60,800	65,541
Intangible assets		
Other	1,285	1,021
Total Intangible assets	1,285	1,021
Investments and other assets		
Investments and other assets	15,808	10,072
Allowance for doubtful accounts	(4,676)	(106)
Total investments and other assets	11,131	9,965
Total noncurrent assets	73,216	76,529
Total assets	124,817	122,178

(Millions of yen)

	FY2015 (As of Dec 31, 2015)	3Q FY2016 (As of Sep 30, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	9,584	7,210
Current portion of bonds	232	160
Short-term loans payable	19,952	14,500
Current portion of long-term loans payable	9,667	9,602
Income taxes payable	1,605	711
Provision for bonuses	739	1,615
Other	11,213	7,019
Total current liabilities	52,994	40,818
Noncurrent liabilities		
Bonds payable	400	240
Long-term loans payable	30,272	34,519
Net defined benefit liability	3,967	3,987
Asset retirement obligations	500	1,307
Other	6,734	7,505
Total noncurrent liabilities	41,875	47,559
Total liabilities	94,870	88,378
NET ASSETS		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	5,504	2,651
Retained earnings	17,057	24,912
Treasury stock	(0)	(0)
Total shareholders' equity	26,483	31,483
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	653	676
Deferred gains or losses on hedges	21	30
Foreign currency translation adjustment	1,004	(191)
Remeasurements of defined benefit plans	(108)	(174)
Total accumulated other comprehensive income	1,569	340
Subscription rights to shares	52	—
Non-controlling interests	1,841	1,976
Total net assets	29,947	33,800
Total liabilities, net assets	124,817	122,178

2. Consolidated Statements of Operations

(Nine Months Ended September 30, 2016)

(Millions of yen)

	3Q FY2015 (Jan 1, 2015 - Sep 30, 2015)	3Q FY2016 (Jan 1, 2016 - Sep 30, 2016)
Net sales	123,295	112,366
Cost of sales	109,813	99,030
Gross profit	13,481	13,335
Selling, general and administrative expenses	9,144	7,052
Operating income (loss)	4,337	6,283
Non-operating income		
Interest income	155	9
Dividends income	43	47
Equity in earnings of affiliates	280	538
Other	633	132
Total non-operating income	1,113	727
Non-operating expenses		
Interest expenses	647	360
Other	51	61
Total non-operating expenses	699	422
Ordinary income	4,751	6,588
Extraordinary income		
Gain on sales of noncurrent assets	2,210	85
Other	30	—
Total extraordinary income	2,240	85
Extraordinary loss		
Loss on sales of noncurrent assets	7	5
Loss on retirement of noncurrent assets	29	16
Amortization of goodwill	775	—
Loss on sales of shares of subsidiaries and associates	—	27
Loss on valuation of shares of subsidiaries and associates	—	18
Other	269	—
Total extraordinary loss	1,081	68
Income (loss) before income taxes	5,910	6,605
Income taxes-current	2,437	1,168
Income taxes-deferred	(408)	651
Total income taxes	2,028	1,820
Profit (loss)	3,881	4,785
Profit attributable to non-controlling interests	206	181
Profit attributable to owners of parent	3,674	4,604

(Nine Months Ended September 30, 2016)

(Millions of yen)

	3Q FY2015 (Jan 1, 2015 – Sep 30, 2015)	3Q FY2016 (Jan 1, 2016 – Sep 30, 2016)
Profit	3,881	4,785
Other comprehensive income		
Valuation difference on available-for-sale securities	156	11
Deferred gains or losses on hedges	7	—
Foreign currency translation adjustment	480	(148)
Remeasurements of defined benefit plans	31	36
Share of other comprehensive income of associates accounted for using equity method	34	(113)
Total other comprehensive income	709	(213)
Comprehensive income	4,591	4,572
(Breakdown)		
Comprehensive income attributable to owners of parent	4,263	4,392
Comprehensive income attributable to non-controlling interests	328	179

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
3Q FY2015 (January 1, 2015 – September 30, 2015)

(Millions of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	110,934	7,954	4,405	123,295	—	123,295
Inter-segment sales or transfers	180	2	133	316	(316)	—
Total	111,115	7,957	4,538	123,611	(316)	123,295
Segment income (loss)	1,390	2,923	194	4,509	(171)	4,337

(Note)

1. The adjustment amount for segment income is -¥196 million not allocated to reporting segments due to the operations of indirect divisions of certain consolidated subsidiaries and headquarters of the Company and from ¥24 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.

2. Information Concerning Net Sales and Profits and Losses for Reporting Segments
3Q FY2016 (January 1, 2016 – September 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	98,140	9,610	4,614	112,366	—	112,366
Inter-segment sales or transfers	272	44	120	437	(437)	—
Total	98,413	9,655	4,734	112,803	(437)	112,366
Segment income	1,413	4,754	260	6,427	(144)	6,283

(Note)

1. The adjustment amount for segment income is -¥159 million not allocated to reporting segments due to the operations of indirect divisions of certain consolidated subsidiaries and headquarters of the Company and from ¥14 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.