February 14, 2017

Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 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
Contact:	Takashi Endo, General Manager of Financial Division (Tel: +81-3-3829-2222)

Date of Annual General Meeting of Shareholders (planned):	March 28, 2017
Date of submission of annual securities report (planned):	March 28, 2017
Preparation of supplementary references regarding results:	Yes
Holding the briefing of results:	Yes (for investors and analysts)
Date for commencement of dividend payments (planned):	March 10, 2017

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

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

(1) Consolidated business results

(Percentages show the change in value from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income (loss) attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	149,054	(5.7)	7,514	40.5	7,842	35.9	5,118	-
FY2015	157,996	11.6	5,347	30.5	5,772	58.2	(3,815)	-

(Note) Comprehensive income: Year Ended December 31, 2016: 5,362 million yen (-%)
Year Ended December 31, 2015: 4,693 million yen (-%)

	Net income/(loss) per share	Diluted net income per share	ROE	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2016	128.87	-	16.9	6.3	5.0
FY2015	(96.84)	-	(12.7)	4.5	3.4

(Reference) Equity in earnings of affiliates FY2016: 675 million yen; FY2015: 425 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. "Diluted net income per share" data for FY2016 is not presented because no dilutive shares existed.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	122,397	34,590	26.6	820.00
FY2015	124,817	29,947	22.5	706.32

(Reference) Shareholders' equity FY2016: 32,568 million yen
FY2015: 28,053 million yen

(3) Consolidated cash flows

	Net cash provided by (used in)			Cash and cash equivalents at end of term
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
FY2016	12,201	(10,043)	(1,733)	9,383
FY2015	7,728	(7,081)	(2,685)	8,984

2. Dividend Status

(Base date)	Dividend per share (yen) End of Q1	End of Q2	End of Q3	End of Q4	Total	Total dividend (Annual) (Million Yen)	Payout ratio (Consolidated) (%)	Dividend on equity (Consolidated) (%)
FY2015	-	0.00	-	0.00	-	-	-	-
FY2016	16.00	0.00	-	17.00	33.00	1,310	25.6	4.3
FY2017 (forecast)	-	0.00	-	17.00	17.00		16.9	

3. Consolidated Financial Forecast for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(Percentage figures for the full fiscal year denote the year-on-year increase or decrease. Percentage figures for the 2Q cumulative period denote the increase or decrease from the same period of the previous fiscal year.)

	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
2Q cumula-tive period	70,000	(8.5)	1,800	(66.3)	2,000	(64.6)	1,200	(70.1)	30.21
Full fiscal year	150,000	0.6	6,200	(17.5)	6,400	(18.4)	4,000	(21.8)	100.71

* Notes

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that led to a change in the scope of consolidation): Yes
Excluded: 2 companies Company names: SBS Logistics Holdings Singapore Pte. Ltd.
Atlas Logistics Pvt. Ltd.

(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

(3) Number of shares issued (common stock)
1) Number of shares issued at the end of the term (including treasury stock)
FY2016: 39,718,200 shares
FY2015: 39,718,200 shares
2) Number of treasury stock at the end of the term
FY2016: 423 shares
FY2015: 385 shares
3) Average number of outstanding shares during the period
FY2016: 39,717,802
FY2015: 39,398,607

(Reference) Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(1) Non-consolidated business results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Net income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	4,995	6.4	2,421	5.8	2,162	(1.0)	2,161	-
FY2015	4,694	14.7	2,289	18.7	2,184	30.0	(6,392)	-

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
FY2016	54.42	-
FY2015	(162.25)	-

(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. “Diluted net income per share” data for FY2016 is not presented because no dilutive shares existed.

(2) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	66,709	8,669	13.0	218.28
FY2015	63,232	7,032	11.1	177.05

(Reference) Shareholders’ equity FY2016: 8,669 million yen
FY2015: 7,032 million yen

* Implementation status of audit procedures

This Consolidated Financial Results Announcement is not subject to the audit procedures stipulated under the Financial Instruments and Exchange Act of Japan. As of the date of this announcement’s disclosure, audit procedures for the Company’s consolidated financial statements in accordance with the aforementioned Act had not been completed.

* Comments regarding the 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 a 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” on page 4 of this announcement.
2. The Company held a briefing session on its results for institutional investors and analysts on February 17, 2017. Presentation materials for this briefing session will be posted on the Company’s website in a timely manner immediately 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 consolidated fiscal year under review (January 1 - December 31, 2016), the Japanese economy experienced a moderate recovery. This was largely attributable to the positive flow-on effects of the government's economic policies, as well as the financial policies implemented by the Bank of Japan. Despite this moderate recovery, the outlook for the future remained unclear. This was mainly due to the shortage of labor in Japan and growing uncertainty overseas conditions.

During the fiscal year under review, conditions throughout the logistics industry were also mixed. On the one hand, the industry benefitted from increased demand on the back of online sales growth, as well as reductions in fuel costs reflecting the downturn in crude oil prices. On the other hand, the industry continued to confront a harsh operating environment due to a variety of factors. This included the spate of disasters and unseasonable weather, which triggered a slump in logistics volumes, the increasingly pronounced shortage of drivers, and the prolonged period of intense competition.

Under these circumstances, the SBS Group was successful in accomplishing certain results. By working in unison, positive steps were taken to overcome the impact of losses incurred by overseas subsidiary during the previous fiscal year, and to secure a recovery in the Group's performance while improving its financial position.

Turning to the Group's business strategy, energies were channeled toward carrying out 3PL orders from department stores, major supermarkets and drugstores at newly completed and leased logistics locations with a total floor area of around 165,000 square meters. In this manner, every effort was made to extend the Group's operations beyond the Kanto region and to also expand into the Kansai area. At the same time, the Group worked diligently to reinforce the SBS brand using various media including self-published magazines for customers and the Internet, and placed considerable emphasis on securing new contracts. Meanwhile, we reexamined the growth potential of Group companies in ASEAN countries. Based on the findings, we took steps to reorganize overseas locations and to enhance management efficiencies in order to rebuild our overseas operating platform.

As far as our investment strategy is concerned, construction was completed at a multitenant distribution center in Isogo Ward, Yokohama (total floor space: 39,670 squarer meters) in February, a specialized logistics facility for large-scale departments stores in Tokorozawa, Saitama Prefecture (29,750 square meters) in March, and a logistics facility that can accommodate three temperature ranges in Miyagino Ward, Sendai (8,300 square meters) in October. By selling its entire stake in the Kawagoe Logistics Center, we were also able to recoup invested assets and improve our balance sheet.

Taking into account each of these factors, net sales declined ¥8,941 million, or 5.7% year on year, to ¥149,054 million. Despite growth in each of the domestic logistics and property management businesses, this decline was mainly due to the substantial contraction in overseas logistics business operations. From a profit perspective, operating income climbed ¥2,166 million, or 40.5% year on year, to ¥7,514 million. This positive result reflected the sale of logistics facility a drop in fuel costs attributable to lower crude oil prices, successful rate adjustments, and other factors. Ordinary income grew 35.9% year on year, to ¥7,842 million. In addition to the increase in operating income, this growth is largely due to the year-on-year upswing of ¥250 million in equity in earnings of affiliates. Net income attributable to owners of parent came to ¥5,118 million. This represented a V-shaped recovery and positive turnaround of ¥8,933 million from the net loss attributable to owners of parent of ¥3,815 million in the previous fiscal year.

(2) Segment Overview

Financial results by segment are as follows.

(Logistics Business)

Logistics business net sales declined ¥10,904 million, or 7.6% year on year, to ¥132,487 million. Despite growth at two of the Group's mainstay companies (SBS Logicom Co., Ltd. and SBS Flec Co., Ltd.), this downturn was mainly attributable to contraction in overseas logistics business operations. Operating income, on the other hand, increased ¥194 million, or 9.4% year on year, to ¥2,266 million. This largely reflected such positive factors as falling fuel costs on the back of lower crude oil prices as well as service price hikes.

(Property Management Business)

Property management business net sales climbed 18.9% year on year, to ¥10,278 million and operating income surged ¥1,816 million, or 55.2% year on year, to ¥5,108 million. In addition to firm trends in rental income, these results were mainly due to contributions from the development business and specifically the sale of the Kawagoe Logistics Center, which brought in ¥7,570 million.

(Other Business)

Other business net sales grew ¥324 million, or 5.4% year on year, to ¥6,288 million. Operating income increased ¥82 million, or 34.7% year on year, to ¥321 million. The SBS Group was unable to capitalize on business opportunities attributable to the shortage of labor in its mainstay human resources business. Unable to attract the necessary personnel, the Group failed to secure an upswing in orders which led to an increase in opportunity loss. Despite these difficulties, both segment net sales and operating income improved on the back of robust results in the marketing business.

(3) Future Prospects

Looking at the economic environment going forward, we believe the business outlook will become increasingly unpredictable as market players adopt a wait-and-see approach toward shifts in U.S. economic policies. Operating conditions are expected to remain harsh. This reflects concerns surrounding the impact that growing caution toward capital investment and such factors as the forecast increase in crude oil prices will have on corporate-sector results and consumer sentiment.

Against this backdrop, we will continue to work diligently toward achieving our established goals in the final year of our “SBS Growth 2017,” medium-term management plan.

The following is our forecast for each segment.

In the mainstay logistics business, segment net sales are anticipated to expand. This largely reflects full-scale contributions from new logistics locations with a total floor area of around 165,000 square meters that came online during the fiscal year under review, and successful efforts to bolster marketing, which have helped secure and boost the operations of newly acquired businesses. On the earnings front, profits are expected to exhibit an upward trend. Despite concerns surrounding the impact of an increase in crude oil prices coupled with such factors as the shortage of labor, this positive outlook largely reflects the absence of costs incurred to start-up new logistics locations in the fiscal year ended December 31, 2016.

In the property management business, rental revenue from the Group’s leasing activities is projected to expand in the fiscal year ending December 31, 2017. This is mainly due to contributions from newly completed facilities, which are expected to more than offset the drop in revenues attributable to the sale of facilities during the fiscal year under review. Through our development business and the sale of logistics facilities, we have focused on securing a V-shaped recovery while improving our financial position. To this end, we undertook the sale of large-scale facilities during the fiscal year ended December 31, 2016. In the current fiscal year ending December 31, 2017, however, our disposal plans are limited to the sale of normal-scale facilities. As a result, we are forecasting a drop in both revenue and earnings in this segment.

Taking into consideration firm growth in the logistics business against a downturn in property management business revenue and earnings, we are projecting a slight increase in net sales and a decrease in profits at each major level on a consolidated basis for the fiscal year ending December 31, 2017. Moving forward, the SBS Group is committed to achieving net sales of ¥150,000 million, operating income of ¥6,200 million, ordinary income of ¥6,400 million, and net income attributable to owners of parent of ¥4,000 million.

<Consolidated financial forecast for the fiscal year ending December 31, 2017>

Net sales	¥150,000 million	(up 0.6% year on year)
Operating Income	¥6,200 million	(down 17.5% year on year)
Ordinary Income	¥6,400 million	(down 18.4% year on year)
Net Income attributable to owners of parent	¥4,000 million	(down 21.8% year on year)

2. Analysis of the Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets amounted to ¥122,397 million as of December 31, 2016, down ¥2,419 million compared with the end of the previous fiscal year. Balances of individual asset categories as of the end of the consolidated fiscal year under review and their year-on-year comparisons are provided as follows.

(Current Assets)

Current assets totaled ¥46,512 million as of the end of the fiscal year under review, ¥5,088 million lower than a year earlier. This decrease was due to the decline in notes and accounts receivable-trade following the liquidation of an overseas subsidiary, as well as the drop in inventories as a result of the sale of facilities.

(Noncurrent Assets)

Noncurrent assets came to ¥75,884 million, down ¥2,668 million year on year. This largely reflected the acquisition of logistics facilities constructed in Saitama Prefecture, Yokohama, and Miyagi Prefecture, as well as the purchase and replacement of vehicles.

(Current Liabilities)

Current liabilities stood at ¥41,596 million as of December 31, 2016, down ¥11,398 million compared with the end of the previous fiscal year. Key movements included decreases in notes and accounts payable-trade, short-term loans payable, and current portion of long-term loans payable.

(Noncurrent Liabilities)

Noncurrent liabilities came to ¥46,209 million, up ¥4,334 million year on year. The main reasons were the shift of short-term loans payable to long-term loans payable and the increase in deferred tax liabilities.

(Net Assets)

As of December 31, 2016, net assets totaled ¥34,590 million, up ¥4,643 million from a year earlier. This was mainly due to the increase in retained earnings associated with the posting of net income attributable to owners of parent of ¥5,118 million, which more than offset the decrease in foreign currency translation adjustment following the liquidation of overseas subsidiary.

(2) Status of Cash Flow

Cash and cash equivalents (hereinafter, "cash") as of the end of the fiscal year under review stood at ¥9,383 million, up ¥398 million compared with the end of the previous fiscal year. The major changes for each cash flow are described follows. Cash inflows and outflows of overseas subsidiaries removed from the scope of consolidation from the fiscal year ended December 31, 2016 are included in operating, investing, and financing cash flows for the fiscal year ended December 31, 2015.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥12,201 million in the fiscal year under review, ¥4,472 million more than in the previous fiscal year. Major cash inflows included income before taxes and other adjustments of ¥7,441 million, depreciation of ¥4,291 million, and the decrease in inventories mainly attributable to the sale of the Kawagoe Logistics Center totaling ¥3,814 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities came to ¥10,043 million, up ¥2,961 million compared with the previous fiscal year. The principal cash outflow was purchase of property, plant and equipment and intangible assets, which covered such items as the replacement of logistics real estate and vehicles, of ¥9,373 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,733 million, down ¥951 million year on year. The principal cash inflow was proceeds from long-term loans payable of ¥13,000 million. The major cash outflows included repayment of long-term loans payable of ¥11,240 million, net decrease in short-term loans payable of ¥2,000 million, and cash dividends paid of ¥635 million.

(Reference) Cash flow indicators

For the years ended December 31	2012	2013	2014	2015	2016
Equity ratio (%)	26.3	26.7	24.3	22.5	26.6
Equity ratio based on market price (%)	12.3	18.8	30.0	30.1	26.4
Cash flow vs. Interest-bearing debt ratio (years)	6.6	7.9	9.4	7.8	4.8
Interest coverage ratio (times)	12.1	10.9	11.5	9.9	26.1

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 the 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 for the 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.

Taking into consideration the Group’s performance, the Company plans to pay an additional ¥1 per share on top of its usual period-end distribution of ¥16 per share for the fiscal year ended December 31, 2016. For details, please refer to the press release “Dividend from SBS Holdings’ Surplus (Increase in Dividend) for the Fiscal Year Ended December 31, 2016” dated February 14, 2016.

Looking at the dividend for the fiscal year ending December 31, 2017, we plan to pay a period-end dividend of ¥17 per share.

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 risks were decided upon by our Group as of the end of the 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 Systems

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 to manage client information and personal data appropriately. Nevertheless, the inadvertent leaking or loss of client information could have an impact on the 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 the 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 activities are focused there. This makes it attractive as 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 the Group's performance and financial condition.

(7) Risks related to the Property Management Business

Our Group develops and sells logistics facilities as part of its property management 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 such items as the purpose of the development, 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 orders, the scale and specifications of the project, completion timing, and sales timing, which may have an impact on the 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 the 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 the Group's performance and financial condition.

(9) Risk of a Serious Accident

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&As, capital participation, capital alliances, etc., which are executed when we expand existing businesses 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 the Group's performance and financial condition.

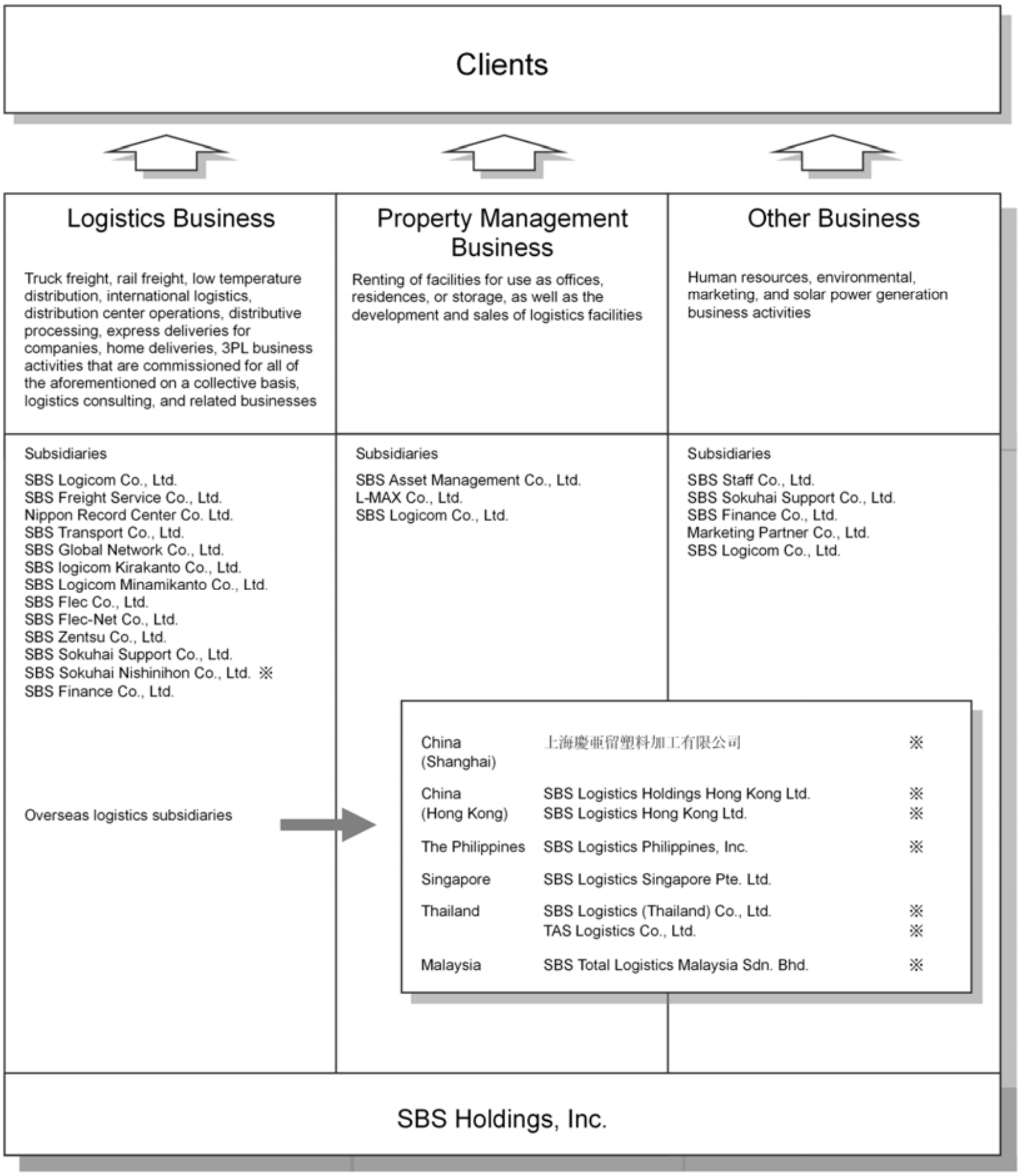
(12) Overseas Expansion Risk

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), 17 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 to reporting segments. Please note that the chart includes nonconsolidated subsidiaries as well as certain affiliated companies, which are indicated with an asterisk (*).

* ZERO Co., Ltd., is an affiliated company accounted for under the equity method.



SBS Transport Co., Ltd. was merged with SBS Logicom Co., Ltd. as the surviving company effective January 1, 2017. Accordingly, SBS Transport Co., Ltd. was removed from the Company's scope of consolidation from the fiscal year ending December 31, 2017.

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 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 details of "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. Under this plan, the Group is targeting net sales of ¥200.0 billion and operating income of ¥8.0 billion. Within these overall targets, the Group will pursue M&A opportunities in a bid to secure net sales of ¥45.0 billion and operating income of ¥1.8 billion. Through self-sustained growth, the Group is targeting net sales of ¥155.0 billion and operating income of ¥6.2 billion.

The Group's 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 and overseas businesses centered on Asia, as well as the improvement of earnings 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

Amid changes to the structure of society, ongoing technological innovation, and other factors that include an economic environment that continues to evolve at a dizzying pace, the SBS Group recognizes the important need to enhance the transparency and efficiency of its management and to maximize Group synergies in order to overcome increasingly fierce competition. As a part of efforts to achieve the objectives set out under our SBS Growth 2017 medium-term management plan, we are therefore working diligently to build an optimal decision-making platform that ensures the timely and proper allocation of management resources.

Moreover, it is vital that we secure logistics personnel, who are capable of promoting our 3PL business, global human resources, who can bolster our overseas business development activities, and professional staff, who are highly skilled in developing logistics facilities and incorporating innovative technologies. As we continue to face a variety of issues including a declining workforce and a serious shortage of drivers, it is imperative that we put in place the necessary human resources programs while recruiting and training highly qualified personnel. Taking each of the aforementioned factors into consideration, 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 the need to preserve the environment by promoting eco-driving and working to reduce the environmental impact of our vehicles and facilities. With the goal of meeting society's expectations as a corporate group, we are making steady progress in promoting CSR management by enhancing our corporate governance system on a platform of internal controls, thorough compliance, and risk response measures.

IV. Basic Approach to the 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 various circumstances within and outside Japan, and to respond accordingly.

V. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
ASSETS		
Current assets		
Cash and deposits	8,990	9,388
Notes and accounts receivable-trade	21,342	17,911
Lease receivables and lease investment assets	1,456	1,305
Inventories	15,153	12,414
Deferred tax assets	408	1,183
Other	4,468	4,400
Allowance for doubtful accounts	(218)	(90)
Total current assets	51,601	46,512
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	29,661	37,234
Accumulated depreciation and impairment loss	(20,558)	(19,170)
Buildings and structures, net	9,102	18,064
Machinery, equipment and vehicles	19,460	20,761
Accumulated depreciation and impairment loss	(12,317)	(11,883)
Machinery, equipment and vehicles, net	7,142	8,877
Land	35,846	35,130
Lease assets	2,948	2,741
Accumulated depreciation and impairment loss	(1,365)	(1,524)
Lease assets, net	1,583	1,216
Other	10,160	4,307
Accumulated depreciation and impairment loss	(3,035)	(2,867)
Other, net	7,124	1,440
Total property, plant and equipment	60,800	64,730
Intangible assets		
Other	1,285	1,042
Total Intangible assets	1,285	1,042
Investments and other assets		
Investment securities	7,253	6,706
Long-term loans receivable	508	667
Guarantee deposits	2,134	2,379
Other	5,911	802
Allowance for doubtful accounts	(4,676)	(444)
Total investments and other assets	11,131	10,112
Total noncurrent assets	73,216	75,884
Total assets	124,817	122,397

(Millions of yen)

	FY2015 (As of Dec. 31, 2015)	FY2016 (As of Dec. 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	9,584	7,697
Current portion of bonds	232	160
Short-term loans payable	19,952	14,500
Current portion of long-term loans payable	9,667	9,222
Accounts payable-other	1,564	1,829
Accrued expenses	3,616	3,603
Lease obligations	676	611
Income taxes payable	1,605	778
Accrued consumption taxes	1,571	978
Provision for bonuses	739	759
Other	3,784	1,455
Total current liabilities	52,994	41,596
Noncurrent liabilities		
Bonds payable	400	240
Long-term loans payable	30,272	32,450
Long-term guarantee deposited	1,873	1,807
Lease obligations	1,204	807
Net defined benefit liability	3,967	4,040
Deferred tax liabilities	3,242	5,088
Asset retirement obligations	500	1,313
Other	414	461
Total noncurrent liabilities	41,875	46,209
Total liabilities	94,870	87,806
NET ASSETS		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	5,504	2,651
Retained earnings	17,057	25,426
Treasury stock	(0)	(0)
Total shareholders' equity	26,483	31,998
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	653	823
Revaluation reserve for land	21	30
Foreign currency translation adjustment	1,004	(140)
Remeasurements of defined benefit plans	(108)	(143)
Total accumulated other comprehensive income	1,569	570
Subscription rights to shares	52	-
Non-controlling interests	1,841	2,022
Total net assets	29,947	34,590
Total liabilities, net assets	124,817	122,397

2. Consolidated Statements of Operations

(Consolidated Income Statements)

(Millions of yen)

	FY2015 (Jan. 1, 2015 – Dec. 31, 2015)	FY2016 (Jan. 1, 2016 – Dec. 31, 2016)
Net sales	157,996	149,054
Cost of sales	140,441	132,077
Gross profit	17,555	16,977
Selling, general and administrative expenses	12,208	9,463
Operating income (loss)	5,347	7,514
Non-operating income		
Interest income	218	13
Dividends income	48	52
Equity in earnings of affiliates	425	675
Other	672	151
Total non-operating income	1,365	893
Non-operating expenses		
Interest expenses	872	478
Other	68	86
Total non-operating expenses	940	564
Ordinary income (loss)	5,772	7,842
Extraordinary income		
Gain on sales of noncurrent assets	2,260	110
Other	19	-
Total extraordinary income	2,280	110
Extraordinary loss		
Loss on sales of noncurrent assets	4	15
Loss on retirement of noncurrent assets	20	65
Impairment loss	1,781	99
Loss on valuation of shares of subsidiaries and associates	289	199
Amortization of goodwill	4,467	-
Allowance for doubtful accounts	4,509	77
Provision for loss on liquidation of subsidiaries and associates	2,230	-
Other	242	53
Total extraordinary loss	13,547	511
Income (loss) before taxes and other adjustments	(5,495)	7,441
Income taxes - current	2,507	1,198
Income taxes - deferred	(2,705)	897
Total income taxes	(197)	2,096
Net income (loss)	(5,297)	5,344
Net income (loss) attributable to non-controlling interests	(1,482)	226
Net income (loss) attributable to owners of parent	(3,815)	5,118

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	FY2015 (Jan. 1, 2015 – Dec. 31, 2015)	FY2016 (Jan. 1, 2016 – Dec. 31, 2016)
Net income (loss)	(5,297)	5,344
Other comprehensive income		
Valuation difference on available-for-sale securities	239	157
Deferred gains or losses on hedges	7	-
Foreign currency translation adjustment	281	(58)
Remeasurements of defined benefit plans	52	50
Share of other comprehensive income of associates accounted for using equity method	23	(131)
Total other comprehensive income	604	17
Comprehensive income (loss)	(4,693)	5,362
(Breakdown)		
Comprehensive income (loss) attributable to owners of parent	(3,284)	5,136
Comprehensive income (loss) attributable to non-controlling interests	(1,408)	226

3. Consolidated Statements of Changes in Shareholders' Equity

Previous 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, 2015	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, 2015 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 attributable to owners of parent			(3,815)		(3,815)
Disposal of treasury stock				117	117
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, 2015	3,920	5,504	17,057	(0)	26.483

	Cumulative other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on 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, 2015	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, 2015 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 attributable to owners of parent									(3,815)
Disposal of treasury stock									117
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, 2015	653	-	21	1,004	(108)	1,569	52	1,841	29,947

Current consolidated fiscal year (January 1, 2016 – December 31, 2016)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance as at January 1, 2016	3,920	5,504	17,057	(0)	26,483
Current period changes					
Dividends from surplus		(635)			(635)
Net income attributable to owners of parent			5,118		5,118
Purchase of treasury stock				(0)	(0)
Changes in the scope of consolidation and application of the equity method			1,031		1,031
Deficit disposition		(2,218)	2,218		-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(2,853)	8,368	(0)	5,514
Ending balance as at December 31, 2016	3,920	2,651	25,426	(0)	31,998

	Cumulative other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total cumulative other comprehensive income			
Opening balance as at January 1, 2016	653	21	1,004	(108)	1,569	52	1,841	29,947
Current period changes								
Dividends from surplus								(635)
Net income attributable to owners of parent								5,118
Purchase of treasury stock								(0)
Changes in the scope of consolidation and application of the equity method								1,031
Deficit disposition								-
Net changes of items other than shareholders' equity	170	8	(1,144)	(34)	(999)	(52)	181	(871)
Total changes of items during the period	170	8	(1,144)	(34)	(999)	(52)	181	4,643
Ending balance as at December 31, 2016	823	30	(140)	(143)	570	-	2,022	34,590

4. Consolidated Statements of Cash Flows

(Millions of yen)

	FY2015 (Jan. 1, 2015 – Dec. 31, 2015)	FY2016 (Jan. 1, 2016 – Dec. 31, 2016)
Net cash provided by (used in) operating activities		
Income (loss) before taxes and other adjustments	(5,495)	7,441
Depreciation	3,992	4,291
Impairment loss	1,781	99
Increase (decrease) in allowance for doubtful accounts	4,680	336
Increase (decrease) in provision for bonuses	54	30
Increase (decrease) in net defined benefit liability	179	173
Interest and dividends income	(267)	(65)
Interest expenses	872	478
Equity in (earnings) losses of investments in associates	(425)	(675)
Loss (gain) on sales of property, plant and equipment and intangible assets	(2,255)	(95)
Loss on retirement of property, plant and equipment and intangible assets	20	65
Loss on valuation of stocks of subsidiaries and associates	289	199
Decrease (increase) in notes and accounts receivable-trade	(3,477)	(655)
Decrease (increase) in inventories	1,116	3,814
Increase (decrease) in notes and accounts payable-trade	1,045	(90)
Increase (decrease) in accrued consumption taxes	(111)	(584)
Other increases (decreases) in other	7,518	440
Subtotal	9,521	15,204
Interest and dividends income received	309	244
Interest expenses paid	(782)	(467)
Income taxes paid	(1,318)	(2,779)
Net cash provided by (used in) operating activities	7,728	12,201

(Millions of yen)

	FY2015 (Jan. 1, 2015 – Dec. 31, 2015)	FY2016 (Jan. 1, 2016 – Dec. 31, 2016)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	3	-
Purchase of property, plant and equipment and intangible assets	(10,416)	(9,373)
Proceeds from sales of property, plant and equipment and intangible assets	3,513	168
Purchase of investment securities	(1,614)	(36)
Proceeds from sales of securities	1,481	1
Purchase of stocks of subsidiaries and associates	(416)	(54)
Proceeds from sale of stocks of subsidiaries resulting in changes in the scope of consolidation	-	50
Payments of loans receivable	(112)	(452)
Collection of loans receivable	288	38
Payments for guarantee deposits	(287)	(455)
Proceeds from collection of guarantee deposits	453	131
Other	24	(62)
Net cash provided by (used in) investing activities	(7,081)	(10,043)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(3,522)	(2,000)
Repayments of lease obligations	(621)	(582)
Proceeds from long-term loans payable	14,412	13,000
Repayment of long-term loans payable	(12,560)	(11,240)
Redemption of bonds	(256)	(232)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	3	-
Proceeds from sales of treasury stock	465	-
Cash dividends paid	(595)	(635)
Cash dividends paid to non-controlling interests	(11)	(43)
Other	-	(0)
Net cash provided by (used in) financing activities	(2,685)	(1,733)
Effect of exchange rate change on cash and cash equivalents	(29)	(26)
Net increase (decrease) in cash and cash equivalents	(2,067)	398
Cash and cash equivalents at the beginning of period	11,037	8,984
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	14	-
Cash and cash equivalents at the end of period	8,984	9,383

5. Notes on the Quarterly Consolidated Financial Statements

(Segment Information)

(1) Overview of Reporting Segments

The reporting segments of the Company are component units for which separate financial information is available. These segments are subject to periodic review to enable the Company's Board of Directors to decide on the allocation of business resources and to evaluate business performance.

The SBS Group is comprised of SBS Holdings, Inc., which is a pure holdings company, and Group companies that operate independently to formulate strategies and carry out operating activities. SBS Holdings, Inc. oversees and manages the core business of the Group.

Based on these reasons, the SBS Group splits its reporting segments into the "logistics business," "property management business," and "other business."

The "logistics business" includes truck freight, rail freight, low temperature distribution, international logistics, distribution center operations, distributive processing, express deliveries for companies, home deliveries, 3PL business activities that are commissioned for all of the aforementioned on a collective basis, logistics consulting, and related businesses.

The "property management business" includes the renting of facilities for use as offices, residences, or storage, as well as the development and sales of logistics facilities.

The "other business" includes the 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 the Basis 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, Income or Loss, Assets, Liabilities and Other Items of Reporting Segments

Previous Consolidated Fiscal Year (From January 1, 2015 through December 31, 2015)

(Millions of yen)

	Reporting Segment				Adjustment Amount*1	Consolidated Financial Statements Amount*2
	Logistics Business	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	143,391	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 ¥42,063 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) Adjustment 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 property, plant and equipment 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.

Consolidated Fiscal Year under Review (January 1, 2016 – December 31, 2016)

(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	132,487	10,278	6,288	149,054	-	149,054
Inter-segment sales or transfers	413	66	158	637	(637)	-
Total	132,900	10,345	6,446	149,692	(637)	149,054
Segment income	2,266	5,108	321	7,696	(182)	7,514
Segment assets	73,292	36,304	4,835	114,432	7,965	122,397
Other items						
Depreciation and amortization	3,370	507	342	4,220	70	4,291
Impairment loss on fixed assets	99	-	-	99	-	99
Increase in property, plant and equipment and intangible assets	9,575	491	708	10,775	(319)	10,455

(Notes)
1 Adjustment amount details are as follows:
(1) Adjustments to segment income are the elimination of ¥20 million in inter-segment sales or transfers and a negative ¥202 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 ¥35,028 million eliminated for inter-segment transactions and ¥42,994 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 ¥0 million eliminated for inter-segment transactions and depreciation and amortization expense of ¥70 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 the elimination of inter-segment transactions of negative ¥404 million and ¥85 million of Companywide assets not allocated to any reporting segment.

2 Segment income is adjusted with operating income, as recorded in consolidated financial statements.