

## Consolidated Financial Results Announcement for the Three Months Ended March 31, 2017

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: May 11, 2017  
 Preparation of supplementary references regarding quarterly results: No  
 Holding the briefing of quarterly results: No  
 Date for commencement of dividend payments (planned): —

### 1. Consolidated Financial Results for the Three Months Ended March 31, 2017 (from January 1, 2017 to March 31, 2017)

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

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 Months Ended March 31, 2017	34,795	3.5	811	26.9	930	31.0	640	-12.1
3 Months Ended March 31, 2016	33,603	-15.0	639	-12.9	710	-28.2	728	-71.9

(Note) Comprehensive income: 3 Months Ended March 31, 2017: 672 million yen (0.6%);  
 3 Months Ended March 31, 2016: 668 million yen (-79.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
3 Months Ended March 31, 2017	16.11	-
3 Months Ended March 31, 2016	18.33	-

(Note) The figures have been retroactively adjusted in accordance with changes in accounting principles for the three months ended March 31, 2016.

#### (2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
3 Months Ended March 31, 2017	124,926	34,482	26.0
FY2016	122,330	34,533	26.6

(Reference) Shareholders' equity: 3 Months Ended March 31, 2017; 32,497 million yen; FY2016: 32,511 million yen

(Note) The figures have been retroactively adjusted in accordance with changes in accounting principles for the year ended March 31, 2016.

### 2. Dividend Status

(Base date)	Dividend per share (yen)				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
FY2016	16.00	0.00	—	17.00	33.00
FY2017	—	—	—	—	—
FY2017 (forecast)	—	0.00	—	17.00	17.00

(Note) Corrections regarding current dividend forecasts: None

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

(Percentage figures for the full year denote the year-on-year increase or decrease. Percentage figures for the half year denote the increase or decrease from the previous corresponding term.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	70,000	-8.5	1,800	-66.3	2,000	-64.5	1,200	-70.0	30.21
Full year	150,000	0.6	6,200	-17.5	6,400	-18.3	4,000	-21.7	100.71

(Note) Corrections regarding current consolidated forecast figures: None

(Note) Year-on-year percentage changes reflect retroactive adjustments in accordance with changes in accounting principles.

#### \* Note

- (1) Important changes of subsidiaries during the term (changes of specified subsidiaries that lead to a change in the scope of consolidation): None
- (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): Yes
  - 3) Changes in accounting estimates: No
  - 4) Restatements: No
- (4) Number of shares issued (common share)
  - 1) Number of shares issued at end of term (including treasury share)
    - 3 Months Ended March 31, 2017: 39,718,200 shares
    - FY2016: 39,718,200 shares
  - 2) Number of treasury stock at end of term
    - 3 Months Ended March 31, 2017: 423 shares
    - FY2016: 423 shares
  - 3) Average number of outstanding shares during the period (Accumulative figures for quarter)
    - 3 Months Ended March 31, 2017: 39,717,777 shares
    - 3 Months Ended March 31, 2016: 39,717,815 shares

\*The consolidated financial results under review are exempted from the quarterly review procedures.

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

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

# I. Business Performance

## 1. Explanation of Business Results

Looking at conditions in the Japanese economy throughout the first quarter of the fiscal year ending December 31, 2017, personal consumption remained weak despite the ongoing overall modest recovery spurred by the government's economic policies and financial measures introduced by the Bank of Japan. In addition, uncertainty about the future continued to grow due to the policy trends of the new administration in the U.S.

In the logistics industry, labor shortages, including drivers and warehouse workers, gained widespread recognition as a social issue, while the operating environment grew in severity. Moreover, the modal shift associated with labor saving endeavors and AI-powered robotics garnered attention, and interest rose in rebuilding infrastructure and technological innovation in labor intensive industries from both in and outside the industry.

In such an environment, the SBS Group worked in unison to achieve our goals, while welcoming the final year of "SBS Growth 2017," the four-year medium-term management plan that commenced in 2014.

Turning to the Group's business strategy, we advanced systematic sales proposals to expand new 3PL orders, and won the business of major players in the apparel, rental service and other industries. In addition, given the total 165,000 square meters of logistics area completed in the previous fiscal year, we promoted increased workflow efficiency to achieve stable operations and heightened productivity. Furthermore, in the "Caspian project", which aims to raise the efficiency of vehicle operations, we conducted field trials of our internally developed vehicle movement management system, and made efforts to increase and improve functionality.

In our investment strategy, we moved forward with preparations to commence work on a three-temperature range logistics facility on 31,400 square meters of logistics center land in Ami Town, Inashiki-gun, Ibaraki Prefecture. At the same time, we commenced negotiations with prospective buyers of multiple logistics properties which we plan to sell within this fiscal year.

As a result, net sales amounted to ¥34,795 million, a 3.5% increase year on year. Operating income rose 26.9%, to ¥811 million, and ordinary income increased 31.0%, to ¥930 million. In contrast, net income attributable to owners of parent declined ¥88 million, or 12.1%, to ¥640 million. This was largely due to a decline in the impact associated with the deferred income taxes attributable to the last fiscal year with no change to such factors as the corporate tax rate.

Effective from the first quarter of the fiscal year ending December 31, 2017, the Company has conducted the advance application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No. 18, March 29, 2017) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, March 29, 2017). With regard to comparisons for the same period of the previous fiscal year, the Company has retroactively applied these solutions to the previous fiscal year's figures (with the same for the following).

Financial results by segment are as follows.

### (Logistics Business)

Logistics business net sales increased ¥1,089 million, owing to business expansion. With regard to operating income, despite costs having risen across the board, for labor, fuel and vehicle-hire, there was a lower burden from the opening costs of newly built logistic centers incurred in the previous fiscal year. As a result of these factors, segment net sales amounted to ¥32,514 million, up 3.5% year on year, and operating income was ¥407 million, up 29.8%, for increases in both sales and earnings.

### (Property Management Business)

Property management business net sales declined 5.1% year on year, to ¥648 million on account of tenant replacement that occurred at certain rental properties, and other factors. Operating income amounted to ¥332 million, a decline of 5.6%.

### (Other Business)

Other business net sales grew 9.3% year on year, to ¥1,633 million, on the back of steady growth in the marketing business and brisk sales of electric power in the solar power generation business. Operating income jumped 49.7% year on year, to ¥105 million.

## 2. Explanation of Financial Condition

Total assets amounted to ¥124,926 million as of March 31, 2017, up ¥2,596 million compared with December 31, 2016.

Principal reasons for the increase in assets were a ¥2,009 million increase in current assets resulting from increased cash and deposits, and an increase of ¥390 million in total property, plant and equipment on account of the acquisition of machinery, equipment and vehicles.

Total liabilities were ¥90,443 million, up ¥2,647 million compared with December 31, 2016. Although current liabilities fell ¥664 million mainly due to decreases in short-term loans payable, noncurrent liabilities increased ¥3,311 million, affected by an increase in long-term loans payable.

Net assets totaled ¥34,482 million, down ¥51 million compared with December 31, 2016. Major movements included ¥640 million in net income attributable to owners of parent, and conversely, dividend payments of ¥675 million.

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

In the first quarter of the fiscal year ending December 31, 2017, robust growth in the logistics business offset rising costs. However, the Company projects that increased costs for labor, fuel and vehicle-hire will continue for a considerable period.

Given this situation, we will seek to raise our competitive capabilities by deploying IT systems throughout the Group, as well as through initiatives to enhance business efficiencies and raise productivity, while giving ongoing consideration to creating a favorable working environment. In addition, we will actively pursue cross-media initiatives based on the lynchpin of our website, strive to further enhance the functionality of organizational business, and secure an exceptional level of competitiveness in the logistics industry where competition is escalating in severity.

Results for the first quarter of the year are by and large proceeding as anticipated. For this reason, with regard to consolidated results for the fiscal year ending December 31, 2017, the Company will maintain its results forecasts for the second quarter cumulative period and the full fiscal year, as announced on February 14, 2017.

## II. Consolidated Financial Statement

### 1. Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of Dec 31, 2016)	1Q FY2017 (As of Mar 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and deposits	9,388	12,847
Notes and accounts receivable-trade	17,911	16,643
Inventories	12,414	12,364
Other	6,889	6,753
Allowance for doubtful accounts	(90)	(85)
Total current assets	46,512	48,522
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	37,234	37,358
Accumulated depreciation and impairment loss	(19,170)	(19,507)
Buildings and structures, net	18,064	17,851
Machinery, equipment and vehicles	20,761	21,125
Accumulated depreciation and impairment loss	(11,883)	(11,947)
Machinery, equipment and vehicles, net	8,877	9,178
Land	35,130	35,130
Lease assets	2,741	2,651
Accumulated depreciation and impairment loss	(1,524)	(1,461)
Lease assets, net	1,216	1,189
Other	4,307	4,680
Accumulated depreciation and impairment loss	(2,867)	(2,909)
Other, net	1,440	1,770
Total property, plant and equipment	64,730	65,120
Intangible assets		
Other	1,042	1,039
Total Intangible assets	1,042	1,039
Investments and other assets		
Investments and other assets	10,488	10,727
Allowance for doubtful accounts	(444)	(484)
Total investments and other assets	10,044	10,242
Total noncurrent assets	75,817	76,403
Total assets	122,330	124,926

(Millions of yen)

	FY2016 (As of Dec 31, 2016)	1Q FY2017 (As of Mar 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	7,697	7,705
Current portion of bonds	160	160
Short-term loans payable	14,500	13,700
Current portion of long-term loans payable	9,222	9,759
Income taxes payable	778	266
Provision for bonuses	759	1,581
Other	8,478	7,758
Total current liabilities	41,596	40,932
Noncurrent liabilities		
Bonds payable	240	160
Long-term loans payable	32,450	35,797
Net defined benefit liability	4,040	4,101
Asset retirement obligations	1,313	1,314
Other	8,154	8,137
Total noncurrent liabilities	46,199	49,511
Total liabilities	87,796	90,433
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	25,399	25,369
Treasury stock	(0)	(0)
Total shareholders' equity	31,970	31,941
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	864
Foreign currency translation adjustment	(140)	(146)
Remeasurements of defined benefit plans	(143)	(162)
Total accumulated other comprehensive income	540	555
Non-controlling interests	2,022	1,985
Total net assets	34,533	34,482
Total liabilities, net assets	122,330	124,926

**2. Consolidated Statements of Operations****(Three Months Ended March 31, 2017)**

(Millions of yen)

	1Q FY2016 (Jan 1, 2016 - Mar 31, 2016)	1Q FY2017 (Jan 1, 2017 - Mar 31, 2017)
Net sales	33,603	34,795
Cost of sales	30,628	31,606
Gross profit	2,974	3,188
Selling, general and administrative expenses	2,334	2,377
Operating income (loss)	639	811
Non-operating income		
Interest income	2	4
Dividends income	16	9
Equity in earnings of affiliates	144	161
Other	52	62
Total non-operating income	216	236
Non-operating expenses		
Interest expenses	121	109
Other	23	7
Total non-operating expenses	145	117
Ordinary income	710	930
Extraordinary income		
Gain on sales of noncurrent assets	24	14
Gain on sales of investment securities	-	11
Total extraordinary income	24	25
Extraordinary loss		
Loss on disposal of noncurrent assets	6	12
Loss on sales of shares of subsidiaries and associates	27	-
Allowance for doubtful accounts	-	46
Other	2	6
Total extraordinary loss	36	65
Income (loss) before income taxes	699	891
Income taxes-current	213	331
Income taxes-deferred	(283)	(93)
Total income taxes	(70)	237
Profit (loss)	769	653
Profit attributable to non-controlling interests	41	13
Profit attributable to owners of parent	728	640

**(Three Months Ended March 31, 2017)**

(Millions of yen)

	1Q FY2016 (Jan 1, 2016 – Mar 31, 2016)	1Q FY2017 (Jan 1, 2017 – Mar 31, 2017)
Profit	769	653
Other comprehensive income		
Valuation difference on available-for-sale securities	(89)	34
Foreign currency translation adjustment	1	(3)
Remeasurements of defined benefit plans	10	(35)
Share of other comprehensive income of associates accounted for using equity method	(22)	23
<b>Total other comprehensive income</b>	<b>(100)</b>	<b>18</b>
Comprehensive income	668	672
(Breakdown)		
Comprehensive income attributable to owners of parent	628	655
Comprehensive income attributable to non-controlling interests	39	17



### **3. Notes on the Quarterly Consolidated Financial Statements**

(Notes regarding Going Concern)

No applicable items.

(Notes regarding Remarkable Change of Shareholder's Equity)

No applicable items.

(Notes regarding Changes in Accounting Policies)

(Application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

Effective from the first quarter of the fiscal year ending December 31, 2017, the Company has undertaken the early application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements (practical issues task force no. 18, issued on March 29, 2017) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (practical issues task force no. 24, issued on March 29, 2017). At the same time, the Company has utilized the quarterly consolidated financial statements that were prepared by affiliated companies in Japan in accordance with International Financial Reporting Standards in carrying out its consolidation process. This change in accounting policy has been retroactively applied and the consolidated financial statements of the first quarter and full fiscal period of previous fiscal year restated accordingly.

The impact of this retroactive application of the quarterly and full fiscal period consolidated financial statements is minimal.

(Application of the Guidance on the Recoverability of Deferred Tax Assets)

The Company applied the "Guidance on the Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Guidance No. 26, issued on March 28, 2016); hereinafter referred to as the "Recoverability Guidance") from the first quarter of the fiscal year ending December 31, 2017, and partially reviewed the method of accounting for the recoverability of deferred tax assets.

With regards to the application of the Recoverability Guidance, in accordance with the specific transitional provisions stipulated in paragraph 49 (4) of the Recoverability Guidance, when at the beginning of the first quarter of the consolidated accounting period the Company applied the stipulations corresponding to the provisions of paragraph 49, (3), items 1) to 3) of the Recoverability Guidance, the Company added the difference between (i) the amount of deferred tax assets and deferred tax liabilities and (ii) the amount of deferred tax assets and deferred tax liabilities at the end of the previous consolidated fiscal year to retained earnings at the beginning of the first quarter of the consolidated fiscal year. The impact of this change on the Company's quarterly consolidated financial statements is minimal.

## (Segment Information)

1. Information Concerning Net Sales and Profits and Losses for Reporting Segments  
1Q FY2016 (Jan. 1, 2016 – Mar. 31, 2016)

(Millions of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics Business	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	31,424	683	1,494	33,603	-	33,603
Inter-segment sales or transfers	75	0	41	117	(117)	-
Total	31,499	684	1,536	33,720	(117)	33,603
Segment income	314	352	70	737	(97)	639

(Note)

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

2. Information Concerning Net Sales and Profits and Losses for Reporting Segments  
1Q FY2017 (Jan. 1, 2017 – Mar. 31, 2017)

(Millions of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics Business	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	32,514	648	1,633	34,795	-	34,795
Inter-segment sales or transfers	122	0	35	157	(157)	-
Total	32,636	648	1,668	34,953	(157)	34,795
Segment income	407	332	105	846	(34)	811

(Note)

1. The adjustment amount for segment income is -¥11 million not allocated to reporting segments by the parent company (company releasing the quarterly financial statement) and from ¥46 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.