

## Consolidated Financial Results Announcement for the Six Months Ended June 30, 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: August 10, 2016  
 Preparation of supplementary references regarding quarterly results: Yes  
 Holding the briefing of quarterly results: Yes (for investors and analysts)  
 Date for commencement of dividend payments (planned): —

### 1. Consolidated Financial Results for the Six Months Ended June 30, 2017 (from January 1, 2017 to June 30, 2017)

(Figures are rounded off below one million yen.)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
6 Months Ended June 30, 2017	71,762	-6.2	1,743	-67.4	2,055	-63.5	1,417	-64.6
6 Months Ended June 30, 2016	76,531	-3.4	5,347	199.0	5,632	184.7	4,002	96.8

(Note) Comprehensive income:

6 Months Ended June 30, 2017: 1,652 million yen (-59.2%); 6 Months Ended June 30, 2016: 4,053 million yen (27.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
6 Months Ended June 30, 2017	35.70	-
6 Months Ended June 30, 2016	100.77	-

(Note) Data for the 6 Months Ended June 30, 2016 is after retroactively applying the change in accounting principle.

### (2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
6 Months Ended June 30, 2017	124,800	35,461	26.8
FY2016	122,330	34,533	26.6

(Reference) Shareholders' equity

Six Months Ended June 30, 2017: 33,439 million yen; FY2016: 32,511 million yen

### 2. Dividend Status

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

(Note) Corrections from 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.)

	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	150,000	0.6	6,200	-17.5	6,400	-18.3	4,000	-21.7	100.71

(Note) Corrections from current consolidated forecast figures: None

#### \* Note

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

(Note) For details, please refer to 3. Notes on the Quarterly Consolidated Financial Statements (Notes regarding Changes in Accounting Policies) on page 9.
- (4) Number of shares issued (common share)
  - 1) Number of shares issued at end of term (including treasury share)
    - As of June 30, 2017: 39,718,200 shares
    - As of December 31, 2016: 39,718,200 shares
  - 2) Number of treasury shares at end of term
    - As of June 30, 2017: 423 shares
    - As of December 31, 2016: 423 shares
  - 3) Average number of outstanding shares during the period (Accumulative figures for quarter)
    - 6 Months Ended June 30, 2017: 39,717,777 shares
    - 6 Months Ended June 30, 2016: 39,717,815 shares

\*The quarterly consolidated financial results announcement is not subject to quarterly review procedures.

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

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

# I. Business Performance

## 1. Explanation of Business Results

During the first half (January 1, 2017 to June 30, 2017) of the fiscal year ending December 31, 2017, the Japanese economy continued to experience an overall moderate recovery. This was largely due to the positive flow-on effects of the government's and Bank of Japan's financial policies as well as the favorable turnaround in overseas economic conditions. However, the outlook for the future remains uncertain owing mainly to anxieties surrounding the activities of certain overseas governments and the lingering sluggish nature of personal consumption in Japan.

In the logistics industry, there are growing concerns of a shortage of labor including drivers and part-time warehouse workers, amid the continued rapid growth in Ecommerce. Buffeted by such factors as rising fuel costs, operating conditions are also becoming increasingly severe.

Under these circumstances, the SBS Group made every effort to promote stable operations at logistics locations that were newly established and expanded during the previous fiscal year. Energies were also channeled toward securing new 3PL orders. Working in unison, the Group took steps to achieve its objectives in the final year of "SBS Growth 2017," its four-year medium-term management plan.

From a business strategy perspective, the SBS Group focused on increasing cost efficiency and stabilizing operations at the 165,000 square meters of logistics area completed in the previous fiscal year. At the same time, the Group set up 3PL bases in a bid to address the needs of the import and sales industry encompassing the apparel, alcoholic beverage, food and other sectors as well as the manufacture and sale of pet foods. Steps were also taken to put in place the necessary structure and systems to respond to the sharp increase in demand for home delivery services from major Ecommerce companies operating in inner-city areas. This included securing personnel by adopting flexible forms of employment and reassigning staff among the Group.

As far as the Group's investment strategy is concerned, construction commenced on a logistics center (total floor space of roughly 9,900 square meters) in Inashikigun Amimachi, Ibaraki Prefecture in April 2017. Accommodating three temperature zones, construction on this facility is scheduled for completion in April 2018. In addition, the SBS Group is preparing to sell its logistics center in Yoshikawa City, Saitama Prefecture and other facilities as a part of its asset portfolio realignment strategy.

Taking into account each of these factors, net sales decreased substantially, falling 6.2% year on year, to ¥71,762 million. This downturn was mainly due to the absence of logistics facility sales conducted during the first half of the previous fiscal year. From a profit perspective, results were favorably impacted as new businesses at the 165,000 square meters of logistics area completed in the previous fiscal year began to contribute. This was more than offset by the effects of driver and part-time employee shortages, the increased cost burden attributable to rising oil prices and the aforementioned downturn in property management business revenue. As a result, operating income fell 67.4% year on year, to ¥1,743 million. Ordinary income also declined 63.5%, to ¥2,055 million and net income attributable to owners of parent dropped 64.6%, to ¥1,417 million.

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)

Net sales in the logistics business increased substantially owing mainly to the business expansion undertaken during the previous period and contributions from new facilities set up in the period. On the earnings front, operating income was positively impacted by increased efficiency at facilities set up during the previous period and such factors as the upswing in existing agreement prices. However, taking into consideration the sharp rise in various costs including labor and vehicle hiring costs as well as the lease payments and depreciation associated with the replacement of facilities, the improvement in earnings was nominal. In specific terms, segment net sales amounted to ¥67,153 million, up ¥2,591 million year on year, and operating income was ¥928 million, an increase of ¥11 million, or 1.3%.

**(Property Management Business)**

Both revenue and earnings declined substantially in the property management business in the period. Net sales fell ¥7,632 million, or 85.4% year on year, to ¥1,302 million on account of temporary vacancies as a result of the replacement of tenants that occurred at certain rental properties and the absence of any logistics facility sale during the period. Operating income amounted to ¥653 million, a drop of ¥3,737 million, or 85.1% year on year.

**(Other Business)**

Revenue and earnings both increased in the other business. Segment net sales grew 8.9% year on year, to ¥3,306 million, on the back of steady growth in the marketing business and stable contributions from the solar power generation business. Operating income climbed 33.4% year on year, to ¥229 million.

**2. Explanation of Financial Condition**

Total assets stood at ¥124,800 million as of June 30, 2017, up ¥2,470 million compared with December 31, 2016. The major movements were increases in current assets including cash and deposits as well as property, plant and equipment on the back of the acquisition of machinery, equipment and vehicles.

Total liabilities were ¥89,339 million, an increase of ¥1,542 million compared with December 31, 2016. The major movement in total liabilities came from an increase in long-term loans payable.

Net assets came to ¥35,461 million, up ¥928 million compared with December 31, 2016. Major movements included ¥1,417 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**

While economic conditions appear bright thanks to a variety of factors including the upswing in personal consumption associated with robust Ecommerce and continued capital investment by the industrial sector, the outlook for the future remains uncertain with little room for complacency. In the logistics industry, vehicle hiring costs and labor costs are projected to increase owing mainly to the shortage of labor. Under these circumstances, the industry is expected to confront a prolonged period of fierce competition.

Given these conditions, we will continue to focus on ensuring stable operations and increasing the efficiency of logistics locations set up during the previous fiscal year. By putting in place a robust business platform that is capable of generating revenue and earnings, the Group will reinforce its ability to secure stable performance growth. Looking ahead, every effort will be made to meet the expectations of the market.

Taking the aforementioned into consideration, consolidated results forecasts for the fiscal year ending December 31, 2017 previously announced on February 14, 2017 remain unchanged. Should the requirement arise to revise these forecasts, the Company will disclose pertinent details in a timely manner.

## II. Consolidated Financial Statement

### 1. Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of Dec 31, 2016)	2Q FY2017 (As of Jun 30, 2017)
<b>ASSETS</b>		
Current assets		
Cash and deposits	9,388	13,118
Notes and accounts receivable-trade	17,911	16,750
Inventories	12,414	12,284
Other	6,889	5,388
Allowance for doubtful accounts	(90)	(87)
Total current assets	46,512	47,454
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	37,234	37,494
Accumulated depreciation and impairment loss	(19,170)	(19,802)
Buildings and structures, net	18,064	17,692
Machinery, equipment and vehicles	20,761	21,202
Accumulated depreciation and impairment loss	(11,883)	(11,776)
Machinery, equipment and vehicles, net	8,877	9,425
Land	35,130	35,130
Lease assets	2,741	2,706
Accumulated depreciation and impairment loss	(1,524)	(1,514)
Lease assets, net	1,216	1,192
Other	4,307	5,021
Accumulated depreciation and impairment loss	(2,867)	(2,916)
Other, net	1,440	2,105
Total property, plant and equipment	64,730	65,546
Intangible assets		
Other	1,042	1,078
Total Intangible assets	1,042	1,078
Investments and other assets		
Investments and other assets	10,488	11,210
Allowance for doubtful accounts	(444)	(488)
Total investments and other assets	10,044	10,721
Total noncurrent assets	75,817	77,346
Total assets	122,330	124,800

(Millions of yen)

	FY2016 (As of Dec 31, 2016)	2Q FY2017 (As of Jun 30, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	7,697	7,429
Current portion of bonds	160	160
Short-term loans payable	14,500	14,200
Current portion of long-term loans payable	9,222	9,542
Income taxes payable	778	419
Provision for bonuses	759	803
Other	8,478	8,257
Total current liabilities	41,596	40,811
Noncurrent liabilities		
Bonds payable	240	160
Long-term loans payable	32,450	34,619
Net defined benefit liability	4,040	4,232
Asset retirement obligations	1,313	1,317
Other	8,154	8,197
Total noncurrent liabilities	46,199	48,527
Total liabilities	87,796	89,339
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	25,399	26,147
Treasury stock	(0)	(0)
Total shareholders' equity	31,970	32,719
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	1,013
Foreign currency translation adjustment	(140)	(117)
Remeasurements of defined benefit plans	(143)	(177)
Total accumulated other comprehensive income	540	719
Non-controlling interests	2,022	2,022
Total net assets	34,533	35,461
Total liabilities, net assets	122,330	124,800

**2. Consolidated Statements of Operations****(Six Months Ended June 30, 2017)**

(Millions of yen)

	2Q FY2016 (Jan 1, 2016 - Jun 30, 2016)	2Q FY2017 (Jan 1, 2017 - Jun 30, 2017)
Net sales	76,531	71,762
Cost of sales	66,455	65,149
Gross profit	10,076	6,612
Selling, general and administrative expenses	4,729	4,869
Operating income (loss)	5,347	1,743
Non-operating income		
Interest income	6	8
Dividends income	36	52
Equity in earnings of affiliates	427	386
Other	101	121
Total non-operating income	572	569
Non-operating expenses		
Interest expenses	238	226
Other	48	31
Total non-operating expenses	287	257
Ordinary income	5,632	2,055
Extraordinary income		
Gain on sales of noncurrent assets	54	69
Gain on sales of shares of subsidiaries and associates	-	38
Gain on sales of investment securities	-	11
Total extraordinary income	54	119
Extraordinary loss		
Loss on retirement of noncurrent assets	17	32
Loss on sales of shares of subsidiaries and associates	27	-
Allowance for doubtful accounts	-	47
Other	3	6
Total extraordinary loss	49	86
Income (loss) before income taxes	5,637	2,088
Income taxes-current	844	464
Income taxes-deferred	679	153
Total income taxes	1,524	617
Profit (loss)	4,113	1,470
Profit attributable to non-controlling interests	110	52
Profit attributable to owners of parent	4,002	1,417

**(Six Months Ended June 30, 2017)**

(Millions of yen)

	2Q FY2016 (Jan 1, 2016 - Jun 30, 2016)	2Q FY2017 (Jan 1, 2017 - Jun 30, 2017)
Profit	4,113	1,470
Other comprehensive income		
Valuation difference on available-for-sale securities	49	163
Foreign currency translation adjustment	(112)	4
Remeasurements of defined benefit plans	23	(67)
Share of other comprehensive income of associates accounted for using equity method	(20)	81
Total other comprehensive income	(59)	181
Comprehensive income	4,053	1,652
(Breakdown)		
Comprehensive income attributable to owners of parent	3,944	1,597
Comprehensive income attributable to non-controlling interests	109	54

### 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  
2Q FY2016 (January 1, 2016 – June 30, 2016)

(Millions of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	64,562	8,935	3,034	76,531	-	76,531
Inter-segment sales or transfers	167	22	80	270	(270)	-
Total	64,729	8,957	3,115	76,802	(270)	76,531
Segment income	916	4,390	172	5,479	(131)	5,347

## (Note)

1. The adjustment amount for segment income is -¥140 million not allocated to reporting segments by the parent company (company releasing quarterly financial statements) and from ¥8 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.

2. Information Concerning Net Sales and Profits and Losses for Reporting Segments  
2Q FY2017 (January 1, 2017 – June 30, 2017)

(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	67,153	1,302	3,306	71,762	-	71,762
Inter-segment sales or transfers	248	-	72	321	(321)	-
Total	67,402	1,302	3,378	72,083	(321)	71,762
Segment income	928	653	229	1,811	(67)	1,743

## (Note)

1. The adjustment amount for segment income is -¥88 million not allocated to reporting segments by the parent company (company releasing quarterly financial statements) and from ¥20 million lost in trading between segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.