

Consolidated Financial Results Announcement for the Nine Months Ended September 30, 2017

Company name: SBS Holdings, Inc.
 Stock exchange listing: Tokyo Stock Exchange (TSE)
 Stock code: 2384
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 Preparation of supplementary references regarding quarterly results: —
 Holding the briefing of quarterly results: —
 Date for commencement of dividend payments (planned): —

1. Consolidated Financial Results for the Nine Months Ended September 30, 2017 (from January 1, 2017 to September 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	%
9 months Ended Sept. 30, 2017	111,925	-0.4	4,202	-33.1	4,442	-32.5	2,954	-35.7
9 months Ended Sept. 30, 2016	112,366	-8.9	6,283	44.9	6,578	38.5	4,596	25.1

(Note) Comprehensive income:

9 months Ended Sept. 30, 2017: 3,376 million yen (-25.9%); 9 months Ended Sept. 30, 2016: 4,556 million yen (-0.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
9 months Ended Sept. 30, 2017	74.40	-
9 months Ended Sept. 30, 2016	115.74	-

(Note) Data for the 9 months Ended Sep. 30 is after retroactively applying the change in accounting principles.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
9 months Ended Sept. 30, 2017	128,547	37,186	27.3
FY2016	122,330	34,533	26.6

(Reference) Shareholders' equity

9 months Ended Sept. 30, 2017: 35,135 million yen; FY2016 32,511 million yen

(Note) Data for FY2016 is after retroactively applying the changes in accounting principles.

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
FY2017	—	0.00	—		
FY2017 (forecast)				21.00	21.00

(Note) Corrections from current dividend forecasts: Yes

The FY2017 year-end dividend is comprised of an ordinary dividend of ¥18 per share and a commemorative dividend to mark the Company's 30th anniversary since its foundation of ¥3 per share.

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

(Percentage figures for full year denote the year-on-year increase or decrease.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	150,000	0.6	5,500	-26.8	5,800	-25.9	4,000	-21.7	100.71

(Note) Corrections from current consolidated forecast figures: Yes

Year-on-year changes are after retroactively applying the change in accounting principle.

* 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” under “II. Consolidated Financial Statement and Notes” on page 9.
- (4) Number of shares issued (common share)
 - 1) Number of shares issued at end of term (including treasury share)
 - As of September 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 September 30, 2017: 423 shares
 - As of December 31, 2016: 423 shares
 - 3) Average number of outstanding shares during the period (Accumulative figures for quarter)
 - 9 months Ended September 30, 2017: 39,717,777 shares
 - 9 months Ended September 30, 2016: 39,717,811 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 nine-month period-(January 1, 2017 to September 30, 2017) of the fiscal year ending December 31, 2017, the Japanese economy continued to experience a modest expansion trend mainly in the export and manufacturing fields. This was largely due to the positive flow-on effects of the government's economic policies and the financial measures introduced by the Bank of Japan. In addition, signs of an upswing in personal consumption also began to emerge, against the backdrop of further improvements in employment conditions.

In the logistics industry, efforts to optimally adjust rates gathered pace across the industry as a whole, as last-one-mile issues came to the surface. Meanwhile, the operating environment continues to exhibit both complex and difficult conditions, as shortages of labor including drivers and part-time employees put sharp upward pressure on such costs as personnel and outsourcing expenses.

Under these circumstances, the SBS Group placed considerable emphasis on reducing costs by engaging in activities aimed at stabilizing and improving 3PL operations that commenced during the previous fiscal year. At the same time, the Group made every effort to capture new orders and to actively set up locations to accommodate this increased business. 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 that came online in the previous fiscal year. Utilizing various media including its homepage and user magazines, the Group also pushed forward measures aimed at broadly showcasing the appeal of certain solutions that it had implemented in the past in a bid to capture new orders. Moreover, energies were channeled toward securing personnel by strengthening recruiting. This included putting in place a flexible employment environment and engaging in hiring activities that utilize videos.

As far as its investment strategy is concerned, the Group continued to undertake construction work on a logistics center (total floor space of roughly 9,000 square meters) in Inashikigun Amimachi, Ibaraki Prefecture that commenced in April 2017. Accommodating three temperature zones, construction on this facility is scheduled for completion in April 2018. In addition, the SBS Group pushed forward preparatory steps to commence construction on the provisionally named Osaka Nanko Logistics Center located in Suminoe-ku, Osaka. With total floor space of roughly 49,600 square meters, this facility is scheduled for completion in January 2019. As a part of its asset portfolio realignment strategy, the SBS Group recovered certain invested assets through the lump-sum sale of its trust beneficiary rights in a logistics center in Yoshikawa City, Saitama Prefecture.

Taking into account each of these factors, net sales decreased, falling ¥440 million, or 0.4%, year on year, to ¥111,925 million. Despite the increase in revenues in the logistics business, this downturn was mainly due to lower results compared with the same period of the previous fiscal year in the real estate development business. From a profit perspective, operating income fell ¥2,080 million, or 33.1% year on year, to ¥4,202 million. Ordinary income also declined ¥2,135 million, or 32.5%, to ¥4,442 million and net income attributable to owners of parent dropped 35.7%, to ¥2,954 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 ¥4,900 million, or 5.0%, year on year, to ¥103,041 million. This was mainly due to contributions from business expansion and the additional 165,000 square meters of logistics area that came online in the previous fiscal year as well as successful efforts to capture new customers. Despite an upswing in labor and vehicle hiring costs, earnings were favorably impacted by rate revisions and steps aimed at strengthening cost reduction endeavors. As a result, operating income in this segment came to ¥1,559 million, an increase of ¥146 million, or 10.4%.

(Property Management Business)

Both revenue and earnings declined in the property management business. In specific terms, net sales fell ¥5,675 million, or 59.1% year on year, to ¥3,935 million and operating income decreased ¥2,340 million, or 49.2% year on year, to ¥2,413 million. While the Group sold its interest in a logistics center in Yoshikawa City, Saitama Prefecture in June, this downturn reflects the scale of its sales activities, which fell short of the level of sales undertaken during the previous fiscal year.

(Other Business)

In the other business, the Group's human resources, marketing, and solar power generation businesses grew steadily. As a result, segment net sales climbed ¥334 million, or 7.2% year on year, to ¥4,948 million, and operating income increased ¥79 million, or 30.5% year on year, to ¥339 million.

2. Explanation of Financial Condition

Total assets stood at ¥128,547 million as of September 30, 2017, up ¥6,217 million compared with December 31, 2016. The major increases were attributable to an upswing in cash and deposits as well as the replacement of machinery, equipment and vehicles. The principal decreases were in buildings and structures as well as land.

Total liabilities were ¥91,361 million, an increase of ¥3,564 million compared with December 31, 2016. The major movements in total liabilities came from increases in provision for bonuses and long-term loans payable.

Net assets came to ¥37,186 million, up ¥2,652 million compared with December 31, 2016. Major movements included ¥2,954 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 anticipating sustained modest growth in domestic corporate-sector results and personal consumption, the outlook for future economic conditions remains uncertain with little room for complacency. This is largely due to the political instability that continues to plague certain overseas regions. In the logistics industry, rate increases are helping to push up profits. In contrast, it is becoming increasingly imperative to stringently control expenses including personnel and vehicle hiring costs due to such factors as the structural shortage of labor. Turning to activities among industry peers, competition is expected to intensify with respect to the acquisition of new orders and hiring of human resources.

As far as the forecast of consolidated business results for the full fiscal year ending December 31, 2017 is concerned, the SBS Group has decided to partially postpone the liquidation of logistics facilities planned for the fiscal year in the property management business. As a result, steps have been taken to revise the forecast announced on February 14, 2017. For details, please refer to the press release dated November 10, 2017 entitled "Notice Concerning Revisions to Forecasts of Consolidated Business Results for the Full Fiscal Year Ending December 31, 2017 and Dividends."

<Reference> Basic Policy on Profit Distribution and Dividends for the Fiscal Year

The Company considers the return of profits to shareholders an important management objective. 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.

Recognizing that business results in the logistics and other business segments are firm in the fiscal year, the Company has decided to pay a period-end dividend of ¥18 per share. This is ¥1 higher than the previously planned period-end dividend of ¥17 per share. In addition, the Company will celebrate its 30th anniversary as of the fiscal year ending December 31, 2017. We would like to take this opportunity to express our heartfelt gratitude to all stakeholders including shareholders, whose longstanding support and guidance has, in large part, helped us achieve this milestone. As a measure of our appreciation, we have implemented a 30th anniversary commemorative dividend of ¥3 per share. Accordingly, we are projecting a period-end dividend for the fiscal year ending December 31, 2017 of ¥21 per share, which will comprise an ordinary dividend of ¥18 per share and a commemorative dividend of ¥3 per share.

II. Consolidated Financial Statement and Notes

1. Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of Dec 31, 2016)	3Q FY2017 (As of Sep 30, 2017)
ASSETS		
Current assets		
Cash and deposits	9,388	14,972
Notes and accounts receivable-trade	17,911	18,712
Inventories	12,414	11,736
Other	6,889	5,773
Allowance for doubtful accounts	(90)	(99)
Total current assets	46,512	51,095
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	37,234	37,373
Accumulated depreciation and impairment loss	(19,170)	(19,972)
Buildings and structures, net	18,064	17,400
Machinery, equipment and vehicles	20,761	21,893
Accumulated depreciation and impairment loss	(11,883)	(11,960)
Machinery, equipment and vehicles, net	8,877	9,933
Land	35,130	34,769
Lease assets	2,741	2,742
Accumulated depreciation and impairment loss	(1,524)	(1,594)
Lease assets, net	1,216	1,148
Other	4,307	5,032
Accumulated depreciation and impairment loss	(2,867)	(2,964)
Other, net	1,440	2,068
Total property, plant and equipment	64,730	65,320
Intangible assets		
Other	1,042	1,090
Total Intangible assets	1,042	1,090
Investments and other assets		
Investments and other assets	10,488	11,525
Allowance for doubtful accounts	(444)	(485)
Total investments and other assets	10,044	11,040
Total noncurrent assets	75,817	77,451
Total assets	122,330	128,547

(Millions of yen)

	FY2015 (As of Dec 31, 2016)	3Q FY2016 (As of Sep 30, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,697	7,815
Current portion of bonds	160	160
Short-term loans payable	14,500	14,500
Current portion of long-term loans payable	9,222	9,423
Income taxes payable	778	237
Provision for bonuses	759	1,692
Other	8,478	8,745
Total current liabilities	41,596	42,575
Noncurrent liabilities		
Bonds payable	240	80
Long-term loans payable	32,450	34,595
Net defined benefit liability	4,040	4,285
Asset retirement obligations	1,313	1,329
Other	8,154	8,495
Total noncurrent liabilities	46,199	48,786
Total liabilities	87,796	91,361
NET ASSETS		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	25,399	27,684
Treasury stock	(0)	(0)
Total shareholders' equity	31,970	34,256
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	1,122
Foreign currency translation adjustment	(140)	(103)
Remeasurements of defined benefit plans	(143)	(140)
Total accumulated other comprehensive income	540	879
Non-controlling interests	2,022	2,050
Total net assets	34,533	37,186
Total liabilities, net assets	122,330	128,547

2. Consolidated Statements of Operations**(Nine Months Ended September 30, 2017)**

	(Millions of yen)	
	3Q FY2016 (Jan 1, 2016 - Sep 30, 2016)	3Q FY2017 (Jan 1, 2017 - Sep 30, 2017)
Net sales	112,366	111,925
Cost of sales	99,030	100,428
Gross profit	13,335	11,497
Selling, general and administrative expenses	7,052	7,294
Operating income (loss)	6,283	4,202
Non-operating income		
Interest income	9	13
Dividends income	47	61
Equity in earnings of affiliates	528	486
Other	132	135
Total non-operating income	717	697
Non-operating expenses		
Interest expenses	360	347
Other	61	109
Total non-operating expenses	422	456
Ordinary income	6,578	4,442
Extraordinary income		
Gain on sales of noncurrent assets	85	304
Other	—	49
Total extraordinary income	85	354
Extraordinary loss		
Loss on sales of noncurrent assets	5	29
Loss on retirement of noncurrent assets	16	42
Loss on valuation of investment securities	—	132
Loss on extinguishment of tie-in shares	—	89
Other	46	70
Total extraordinary loss	68	364
Income (loss) before income taxes	6,595	4,432
Income taxes-current	1,168	1,129
Income taxes-deferred	649	266
Total income taxes	1,817	1,395
Profit (loss)	4,778	3,036
Profit attributable to non-controlling interests	181	81
Profit attributable to owners of parent	4,596	2,954

(Nine Months Ended September 30, 2017)

(Millions of yen)

	3Q FY2016 (Jan 1, 2016 - Sep 30, 2016)	3Q FY2017 (Jan 1, 2017 - Sep 30, 2017)
Profit	4,778	3,036
Other comprehensive income		
Valuation difference on available-for-sale securities	11	240
Foreign currency translation adjustment	(148)	21
Remeasurements of defined benefit plans	36	(48)
Share of other comprehensive income of associates accounted for using equity method	(122)	127
Total other comprehensive income	(221)	340
Comprehensive income	4,556	3,376
(Breakdown)		
Comprehensive income attributable to owners of parent	4,376	3,293
Comprehensive income attributable to non-controlling interests	179	83

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
3Q FY2016 (January 1, 2016 – September 30, 2016)

(Millions of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	98,140	9,610	4,614	112,366	—	112,366
Inter-segment sales or transfers	272	44	120	437	(437)	—
Total	98,413	9,655	4,734	112,803	(437)	112,366
Segment income (loss)	1,413	4,754	260	6,427	(144)	6,283

(Note)

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

2. Information Concerning Net Sales and Profits and Losses for Reporting Segments
3Q FY2017 (January 1, 2017 – September 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	103,041	3,935	4,948	111,925	—	111,925
Inter-segment sales or transfers	380	—	112	493	(493)	—
Total	103,422	3,935	5,061	112,419	(493)	111,925
Segment income	1,559	2,413	339	4,313	(111)	4,202

(Note)

1. The adjustment amount for segment income is -¥144 million not allocated to reporting segments due to the operations of indirect divisions of certain consolidated subsidiaries and headquarters of the Company and from ¥33 million elimination among segments.
2. Segment income is adjusted with operating loss, as recorded in consolidated quarterly income statements.