February 13, 2018

Consolidated Financial Results Announcement for the Fiscal Year Ended December 31, 2017

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, Executive Officer and General Manager of Financial Division (Tel: +81-3-3829-2222)

Scheduled date of Annual General Meeting of Shareholders:	March 27, 2018
Scheduled date of filing of Annual Securities Report:	March 27, 2018
Preparation of supplementary references regarding results:	Yes
Holding the briefing of results:	Yes (for institutional investors and analysts)
Scheduled date for commencement of dividend payments:	March 9, 2018

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (from January 1, 2017 to December 31, 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	%
FY2017	152,870	2.6	6,229	(17.1)	6,475	(17.3)	4,446	(13.0)
FY2016	149,054	(5.7)	7,514	40.5	7,832	35.7	5,111	-

(Note) Comprehensive income: FY2017: 4,702 million yen (-12.0%)
FY2016: 5,346 million yen (－%)

	Net income per share	Diluted net income per share	ROE	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2017	111.94	-	12.9	5.2	4.1
FY2016	128.69	-	16.9	6.3	5.0

(Reference) Equity in earnings of affiliates FY2017: 610 million yen; FY2016: 665 million yen
(Note) Data for the fiscal year ended Dec. 31, 2016 is after retroactively applying the change in accounting principles.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	127,802	38,510	28.5	916.50
As of Dec. 31, 2016	122,330	34,533	26.6	818.55

(Reference) Shareholders' equity As of Dec. 31, 2017: 36,401 million yen
As of Dec. 31, 2016: 32,511 million yen
(Note) Data for the fiscal year ended Dec. 31, 2016 is after retroactively applying the change in accounting principles.

(3) Consolidated cash flows

	Net cash provided by (used in)			Cash and cash equiva-lents at end of term
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
FY2017	11,671	(8,127)	(1,420)	11,534
FY2016	12,201	(10,043)	(1,733)	9,383

(Note) Data for the fiscal year ended Dec. 31, 2016 is after retroactively applying the change in accounting principles.

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) (%)
FY2016	16.00	0.00	-	17.00	33.00	1,310	25.6	4.3
FY2017	-	0.00	-	21.00	21.00	834	18.8	2.4
FY2018 (forecast)	-	0.00	-	21.00	21.00		19.0	

(Note) 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 Fiscal Year Ending December 31, 2018 (January 1, 2018 – December 31, 2018)

(Percentage figures for full fiscal 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
2Q cumulative period	75,000	4.5	2,000	14.7	2,100	2.2	1,300	(8.3)	32.73
Full fiscal year	160,000	4.7	7,000	12.4	7,200	11.2	4,400	(1.0)	110.78

* Notes

(1) Important changes of subsidiaries during the term (changes of specified subsidiaries that led to a change in the scope of consolidation): None

(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): Yes
3) Changes in accounting estimates: No
4) Restatements: No

(3) Number of shares issued (common shares)
1) Number of shares issued at the end of the term (including treasury stock)
FY2017: 39,718,200 shares
FY2016: 39,718,200 shares
2) Number of treasury stock at the end of the term
FY2017: 472 shares
FY2016: 423 shares
3) Average number of outstanding shares during the period
FY2017: 39,717,774
FY2016: 39,717,802

(Reference) Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year ended December 31, 2017 (January 1, 2017 – December 31, 2017)

Non-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	%
FY2017	5,626	12.6	3,076	27.1	2,770	28.0	1,534	(29.0)
FY2016	4,995	6.4	2,421	5.8	2,162	(1.0)	2,161	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY2017	38.64	-
FY2016	54.42	-

(1) Non-consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	69,481	9,495	13.7	239.08
As of Dec. 31, 2016	66,709	8,669	13.0	218.28

(Reference) Shareholders' equity As of Dec. 31, 2017: 9,495 million yen
As of Dec. 31, 2016: 8,669 million yen

* This consolidated financial results announcement is not subject to audit procedures.

* 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 differ significantly due to a variety of factors. For assumptions used for financial forecasts and notes on using these forecasts, refer to "I. Analysis of Business Performance and Financial Condition 1. Analysis of Business Results" on page 4 of this announcement.
2. The Company plans to hold a briefing session on its results for institutional investors and analysts on February 19, 2018 (Monday). 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, 2017 to December 31, 2017), the Japanese economy continued to experience a modest recovery trend. This was largely due to the positive flow-on effects of the government's economic policies, as well as the financial measures introduced by the Bank of Japan. However, taking into consideration concerns regarding geopolitical risks, unstable political conditions across a wide range of overseas countries, and a host of other factors, the outlook for the future remained uncertain.

Amid the continued increase in demand attributable to the growing e-commerce market, efforts to revise regulations relating to the total volume of goods handled and to optimally adjust rates gathered pace in the logistics industry. This was in line with the growing interest toward each of these concerns as key social issues. Moreover, the logistics industry confronted an increasingly harsh operating environment. In addition to increases in personnel and outsourcing expenses attributable to the shortage of labor including drivers, these difficult conditions were also due to such factors as the onset of higher oil prices.

Under these circumstances, the SBS Group worked in unison to achieve its objectives in the final year of "SBS Growth 2017," its medium-term management plan. As a result, the Group met its organic growth objectives in overall terms while falling short of its expansion targets linked to M&As.

From a business strategy perspective, the SBS Group adopted a more organized approach toward securing new 3PL orders. In addition to the 165,000 square meters of logistics area that came online in the previous fiscal year, energies were also channeled toward quickly stabilizing operations and increasing cost efficiency at new logistics space that was established during the fiscal year under review. Turning to personnel, a major factor in determining the Group's overall competitiveness, steps were taken to put in place systems that would enable personnel to select from diverse workstyle options. While endeavoring to set up and operate flexible workstyle systems, the SBS Group focused mainly on improving its programs and infrastructure. This included the dissemination of easy-to-understand information by upgrading and expanding the content of its hiring activities and distributing that information through a variety of media including video broadcast on the Internet.

As far as its investment strategy is concerned, the Group commenced construction work on a logistics center (total floor space of roughly 9,000 square meters) in Inashikigun Amimachi, Ibaraki Prefecture from April 2017. Accommodating three temperature zones, construction on this facility is scheduled for completion in April 2018. In December 2017, the SBS Group commenced construction on the provisionally named Osaka Nanko Logistics Center located in Suminoe-ku, Osaka. With total floor space of roughly 59,400 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 in July 2017, as well as a logistics facility in Chikuma-shi, Nagano Prefecture in December 2017.

Taking into account each of these factors, net sales increased ¥3,815 million, or 2.6%, year on year, to ¥152,870 million. This was mainly due to firm growth in the logistics and other businesses. From a profit perspective, operating income fell 17.1% year on year, to ¥6,229 million. Despite the positive impact of successful efforts to optimally adjust rates and increase operating efficiency in the logistics business, this downturn was largely attributable to the year-on-year drop in results in the real estate development business. Ordinary income also declined 17.3%, to ¥6,475 million and net income attributable to owners of parent dropped ¥665 million, or 13.0%, to ¥4,446 million.

Effective from the fiscal year ended 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).

(2) Segment Overview

Financial results by segment are as follows.

(Logistics Business)

Net sales in the logistics business increased ¥7,934 million, or 6.0%, year on year, to ¥140,422 million. This increase was largely due to the steady acquisition of new orders mainly by SBS Logicom Co., Ltd. and SBS Flec Co., Ltd., business expansion by SBS Sokuhaisupport Co., Ltd., and growth in logistical volumes as of the end of the year. Despite an upswing in labor, vehicle hiring, and fuel costs, earnings were favorably impacted by freight rate adjustments and steps aimed at strengthening cost reduction endeavors. As a result, operating income in this segment came to ¥2,692 million, up ¥426 million, or 18.8%, year on year.

(Property Management Business)

Both revenue and earnings declined in the property management business. In specific terms, net sales fell 44.1% year on year, to ¥5,745 million and operating income decreased 35.8% year on year, to ¥3,278 million. While the Group sold its interests in a logistics center in Yoshikawa City, Saitama Prefecture in July 2017 and a logistics facility in Chikuma-shi, Nagano Prefecture in December 2017, 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 ¥414 million, or 6.6% year on year, to ¥6,703 million, and operating income increased ¥91 million, or 28.6% year on year, to ¥413 million.

(3) Future Prospects

Looking ahead, the economy is projected to expand thanks largely to the underlying strengths of current economic policies and private-sector business results. However, taking into consideration concerns regarding geopolitical risks, unstable political conditions across a wide range of overseas countries, and a host of other factors, the outlook for the future is expected to become increasingly uncertain. In response to a variety of issues including structural changes in the market brought about by the upswing in e-commerce activities, as well as the shortage of labor, the importance of management decisions that encompass the medium, long, and ultra-long terms is becoming increasingly apparent.

By major segment, existing logistics locations are anticipated to maintain their high operating rates on the back of robust e-commerce demand in the logistics business. The Group is also expected to see progress in the acquisition of new customers as a result of efforts to further strengthen proposal-based sales capabilities as well as Internet-based promotional activities. On the earnings front, we forecast that personnel, vehicle hiring, and fuel costs will maintain their upward trend. On a positive note, the strict control of expenses as well as robust efforts to realize optimal pricing are expected to have a favorable effect. Taking each of these factors into consideration, we are projecting an increase in both segment net sales and profits.

In the property management business, the SBS Group expects that any downturn in results attributable to the decrease in rental revenue following the sale of facilities during the fiscal year under review will be held to a nominal decline. As far as the development business is concerned, disposal plansare comprised of the sale of normal-scale facilities. As a result, both segment revenue and operating income are anticipated to come in at the levels recorded for the fiscal year under review for the fiscal year ending December 31, 2018.

Taking into consideration these conditions, we are projecting an overall increase in both net sales and profits for the current fiscal year. By segment, the logistics business is forecast to experience firm growth while the property management business will come in at around the same level as the fiscal year under review. In specific terms, the SBS Group will work in unison to achieve net sales of ¥160,000 million, operating income of ¥7,000 million, ordinary income of ¥7,200 million, and net income attributable to owners of parent of ¥4,400 million for the fiscal year ending December 31, 2018.

<Consolidated financial forecast for the fiscal year ending December 31, 2018>

Net sales	¥160,000 million	(up 4.7% year on year)
Operating Income	¥7,000 million	(up 12.4% year on year)
Ordinary Income	¥7,200 million	(up 11.2% year on year)
Net income attributable to owners of parent	¥4,400 million	(down 1.0% year on year)

Against the backdrop of an expected harsh operating environment, the SBS Group will take every step to overcome any difficulties and to deliver logistics services that help customers grow their businesses by placing the utmost importance on engaging in timely management decisions that draw from a broad range of options.

In December 2017, SBS Holdings celebrated its 30th anniversary. With this milestone as a formidable base, the Group will position the fiscal year ending December 31, 2018 as a "second foundation" and start of the next three decades. Driven by a DNA that is grounded in an "indomitable entrepreneurial spirit" and "free and vigorous corporate culture," the SBS Group will remain united as it pushes ever forward in order to promote logistics reform.

2. Analysis of Financial Position

(1) Status of Assets, Liabilities and Net Assets

Total assets stood at ¥127,802 million as of December 31, 2017, up ¥5,472 million compared with the end of the previous fiscal year. The major factors for the year-on-year increase and decrease in assets, liabilities, and net assets are provided as follows.

(Current Assets)

Current assets totaled ¥47,350 million as of the end of the fiscal year, ¥837 million higher than a year earlier. The major movements in current assets included increases in cash and deposits as well as notes and accounts receivable-trade, and a drop in inventories.

(Noncurrent Assets)
Noncurrent assets came to ¥80,451 million, up ¥4,634 million year on year. This largely reflected the purchase and replacement of vehicles as well as an increase in construction in progress relating to a logistics center that accommodates three temperature zones in Inashikigun Amimachi, Ibaraki Prefecture and the Osaka Nanko Logistics Center located in Suminoe-ku, Osaka.

(Current Liabilities)
Current liabilities stood at ¥42,323 million, up ¥726 million compared with the end of the previous fiscal year. Key movements included an increase in notes and accounts payable-trade and a decrease in current portion of long-term loans payable.

(Noncurrent Liabilities)
Noncurrent liabilities came to ¥46,968 million, up ¥768 million year on year. The main reasons were new long-term loans payable and the increase in net defined benefit liability.

(Net Assets)
As of December 31, 2017 net assets totaled ¥38,510 million, up ¥3,977 million from the end of the previous fiscal year. This was mainly due to the increase in retained earnings associated with the posting of net income attributable to owners of parent of ¥4,446 million, which more than offset the decrease of ¥675 million following the payment of dividends.

(2) Status of Cash Flow
Cash and cash equivalents (hereinafter, "cash") as of the end of the fiscal year under review stood at ¥11,534 million, up ¥2,150 million compared with the end of the previous fiscal year. The major changes for each cash flow are described follows.

(Cash Flows from Operating Activities)
Net cash provided by operating activities amounted to ¥11,671 million in the fiscal year under review, down ¥530 million year on year. Major cash inflows included income before taxes and other adjustments of ¥6,636 million, depreciation of ¥4,581 million, and the decrease in inventories of ¥1,010 million. The principal cash outflow came from an increase in notes and accounts receivable-trade of ¥1,710 million.

(Cash Flows from Investing Activities)
Net cash used in investing activities came to ¥8,127 million, down ¥1,916 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 ¥9,219 million.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥1,420 million, down ¥313 million year on year. The principal cash inflow came from proceeds from long-term loans payable of ¥10,000 million. The major cash outflows included repayment of long-term loans payable of ¥9,930 million and cash dividends paid of ¥675 million.

(Reference) Cash flow indicators

For the years ended December 31	2013	2014	2015	2016	2017
Equity ratio (%)	26.7	24.3	22.5	26.6	28.5
Equity ratio based on market price (%)	18.8	30.0	30.1	26.5	35.1
Cash flow vs. Interest-bearing debt ratio (years)	7.9	9.4	7.8	4.8	4.9
Interest coverage ratio (times)	10.9	11.5	9.9	26.1	25.6

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 Fiscal Year Ended December 31, 2017 and Current 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.

Taking into consideration the Group's performance, the Company plans to increase its ordinary period-end dividend of ¥17 per share by ¥1 per share for a period-end distribution of ¥18 per share for the fiscal year ended December 31, 2017. In addition, the Company also plans to pay a commemorative dividend to mark its 30th anniversary since its foundation of ¥3 per share. This will take the total period-end dividend for the fiscal year ended December 31, 2017 to ¥21 per share. 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."

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.

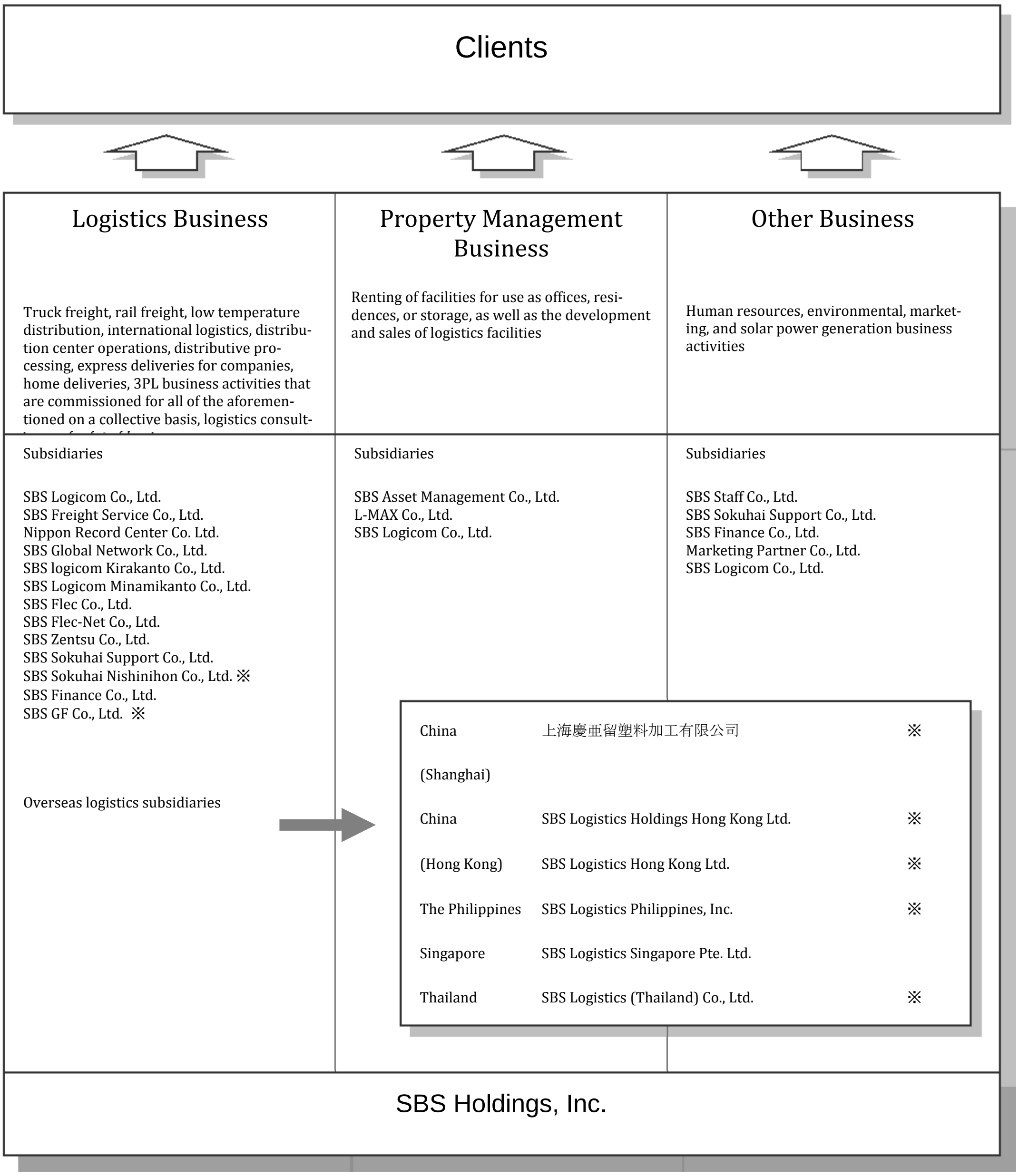
(12) Overseas Expansion Risk

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), 16 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 (*). 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.

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



III. 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.

IV. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of Dec. 31, 2016)	FY2017 (As of Dec. 31, 2017)
ASSETS		
Current assets		
Cash and deposits	9,388	11,539
Notes and accounts receivable-trade	17,911	19,672
Lease receivables and lease investment assets	1,305	1,233
Inventories	12,414	11,226
Deferred tax assets	1,183	552
Other	4,400	3,184
Allowance for doubtful accounts	(90)	(58)
Total current assets	46,512	47,350
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	37,234	37,463
Accumulated depreciation and impairment loss	(19,170)	(20,290)
Buildings and structures, net	18,064	17,173
Machinery, equipment and vehicles	20,761	21,635
Accumulated depreciation and impairment loss	(11,883)	(11,786)
Machinery, equipment and vehicles, net	8,877	9,849
Land	35,130	34,758
Lease assets	2,741	2,740
Accumulated depreciation and impairment loss	(1,524)	(1,625)
Lease assets, net	1,216	1,115
Construction in progress	489	4,922
Other Construction in progress	3,818	4,286
Accumulated depreciation and impairment loss	(2,867)	(3,029)
Other, net	951	1,256
Total property, plant and equipment	64,730	69,076
Intangible assets		
Other	1,042	1,064
Total Intangible assets	1,042	1,064
Investments and other assets		
Investment securities	6,638	6,485
Long-term loans receivable	667	726
Guarantee deposits	2,379	2,696
Other	802	933
Allowance for doubtful accounts	(444)	(531)
Total investments and other assets	10,044	10,311
Total noncurrent assets	75,817	80,451
Total assets	122,330	127,802

(Millions of yen)

	FY2016 (As of Dec. 31, 2016)	FY2017 (As of Dec. 31, 2017)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	7,697	8,204
Current portion of bonds	160	160
Short-term loans payable	14,500	14,500
Current portion of long-term loans payable	9,222	8,881
Accounts payable-other	1,829	1,603
Accrued expenses	3,603	4,107
Lease obligations	611	463
Income taxes payable	778	501
Accrued consumption taxes	978	1,517
Provision for bonuses	759	778
Other	1,455	1,604
Total current liabilities	41,596	42,323
Noncurrent liabilities		
Bonds payable	240	80
Long-term loans payable	32,450	32,861
Long-term guarantee deposited	1,807	1,999
Lease obligations	807	768
Net defined benefit liability	4,040	4,338
Deferred tax liabilities	5,078	4,993
Asset retirement obligations	1,313	1,332
Other	461	594
Total noncurrent liabilities	46,199	46,968
Total liabilities	87,796	89,291
NET ASSETS		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	25,399	29,175
Treasury stock	(0)	(0)
Total shareholders' equity	31,970	35,747
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	823	879
Foreign currency translation adjustment	(140)	(90)
Remeasurements of defined benefit plans	(143)	(135)
Total accumulated other comprehensive income	540	653
Non-controlling interests	2,022	2,109
Total net assets	34,533	38,510
Total liabilities, net assets	122,330	127,802

2. Consolidated Statements of Operations

(Consolidated Income Statements)

(Millions of yen)

		FY2016 (Jan. 1 – Dec. 31, 2016)	FY2017 (Jan. 1 – Dec. 31, 2017)
Net sales		149,054	152,870
Cost of sales		132,077	136,856
Gross profit		16,977	16,013
Selling, general and administrative expenses		9,463	9,784
Operating income (loss)		7,514	6,229
Non-operating income			
	Interest income	13	17
	Dividends income	52	67
	Equity in earnings of affiliates	665	610
	Other	151	169
	Total non-operating income	883	864
Non-operating expenses			
	Interest expenses	478	461
	Other	86	157
	Total non-operating expenses	564	618
Ordinary income (loss)		7,832	6,475
Extraordinary income			
	Gain on sales of noncurrent assets	110	345
	Gain on sales of investment securities	-	572
	Other	-	38
	Total extraordinary income	110	955
Extraordinary loss			
	Loss on sales of noncurrent assets	15	38
	Loss on retirement of noncurrent assets	65	48
	Impairment loss	99	139
	Loss on valuation of shares of subsidiaries and associates	199	215
	Loss on valuation investment securities	25	193
	Loss on extinguishment of tie-in shares	-	89
	Other	105	70
	Total extraordinary loss	511	794
Income (loss) before taxes and other adjustments		7,431	6,636
Income taxes - current		1,198	1,483
Income taxes - deferred		895	566
Total income taxes		2,094	2,050
Net income (loss)		5,337	4,586
Net income (loss) attributable to non-controlling interests		226	140
Net income (loss) attributable to owners of parent		5,111	4,446

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

		FY2016 (Jan. 1 – Dec. 31, 2016)	FY2017 (Jan. 1 – Dec. 31, 2017)
Net income (loss)		5,337	4,586
Other comprehensive income			
	Valuation difference on available-for-sale securities	157	(10)
	Foreign currency translation adjustment	(58)	32
	Remeasurements of defined benefit plans	50	(76)
	Share of other comprehensive income of associates accounted for using equity method	(140)	170
	Total other comprehensive income	8	115
Comprehensive income (loss)		5,346	4,702
	(Breakdown)		
	Comprehensive income (loss) attributable to owners of parent	5,120	4,559
	Comprehensive income (loss) attributable to non-controlling interests	226	142

3. Consolidated Statements of Changes in Shareholders' Equity

Previous 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**
Cumulative effect derived from changes in accounting principles			(20)		**(20)**
Opening balance as at January 1, 2016 after adjusting for changes in accounting principles	3,920	5,504	17,037	(0)	**26,463**
Current period changes					
Dividends from surplus		(635)			**(635)**
Net income attributable to owners of parent			5,111		**5,111**
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)	8,361	(0)	**5,507**
Ending balance as at December 31, 2016	3,920	2,651	25,399	(0)	**31,970**

	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
Cumulative effect derived from changes in accounting principles		(21)			(21)			(41)
Opening balance as at January 1, 2016 after adjusting for changes in accounting principles	653	-	1,004	(108)	1,548	52	1,841	29,906
Current period changes								
Dividends from surplus								(635)
Net income attributable to owners of parent								5,111
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	-	(1,144)	(34)	(1,008)	(52)	181	(880)
Total changes of items during the period	170	-	(1,144)	(34)	(1,008)	(52)	181	4,627
Ending balance as at December 31, 2016	823	-	(140)	(143)	540	-	2,022	34,533

Current consolidated fiscal year (January 1, 2017 – December 31, 2017)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance as at January 1, 2017	3,920	2,651	25,399	(0)	31,970
Cumulative effect derived from changes in accounting principles			5		5
Opening balance as at January 1, 2017 after adjusting for changes in accounting principles	3,920	2,651	25,404	(0)	31,976
Current period changes					
Dividends from surplus			(675)		(675)
Net income attributable to owners of parent			4,446		4,446
Purchase of treasury stock				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	0	3,770	(0)	3,771
Ending balance as at December 31, 2017	3,920	2,651	29,175	(0)	35,747

	Cumulative other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total cumulative other comprehensive income		
Opening balance as at January 1, 2017	823	(140)	(143)	540	2,022	34,533
Cumulative effect derived from changes in accounting principles						5
Opening balance as at January 1, 2017 after adjusting for changes in accounting principles	823	(140)	(143)	540	2,022	34,539
Current period changes						
Dividends from surplus						(675)
Net income attributable to owners of parent						4,446
Purchase of treasury stock						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						0
Net changes of items other than shareholders' equity	56	49	7	113	87	200
Total changes of items during the period	56	49	7	113	87	3,971
Ending balance as at December 31, 2017	879	(90)	(135)	653	2,109	38,510

4. Consolidated Statements of Cash Flows

(Millions of yen)

	FY2016 (Jan. 1 – Dec. 31, 2016)	FY2017 (Jan. 1 – Dec. 31, 2017)
Net cash provided by (used in) operating activities		
Income (loss) before taxes and other adjustments	7,431	6,636
Depreciation	4,291	4,581
Impairment loss	99	139
Increase (decrease) in allowance for doubtful accounts	336	32
Increase (decrease) in provision for bonuses	30	18
Increase (decrease) in net defined benefit liability	173	184
Interest and dividends income	(65)	(85)
Interest expenses	478	461
Equity in (earnings) losses of investments in associates	(665)	(610)
Loss (gain) on sales of property, plant and equipment and in-tangible assets	(95)	(306)
Loss on retirement of property, plant and equipment and in-tangible assets	65	48
Loss on valuation of stocks of subsidiaries and associates	199	215
Loss (gain) on sales of investment securities	0	(571)
Loss (gain) on valuation investment securities	25	193
Loss (gain) on extinguishment of tie-in shares	-	89
Decrease (increase) in notes and accounts receivable-trade	(655)	(1,710)
Decrease (increase) in inventories	3,814	1,010
Increase (decrease) in notes and accounts payable-trade	(90)	500
Increase (decrease) in accrued consumption taxes	(584)	570
Other increases (decreases) in other	415	1,514
Subtotal	15,204	12,914
Interest and dividends income received	244	274
Interest expenses paid	(467)	(455)
Income taxes paid	(2,779)	(1,062)
Net cash provided by (used in) operating activities	12,201	11,671

(Millions of yen)

	FY2016 (Jan. 1 – Dec. 31, 2016)	FY2017 (Jan. 1 – Dec. 31, 2017)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment and intangible assets	(9,373)	(9,219)
Proceeds from sales of property, plant and equipment and intangible assets	168	775
Purchase of stocks of subsidiaries and associates	(54)	(38)
Purchase of investment securities	(36)	(36)
Proceeds from sales of securities	1	975
Proceeds from sale of stocks of subsidiaries resulting in changes in the scope of consolidation	50	-
Payments of loans receivable	(452)	(70)
Collection of loans receivable	38	37
Payments for guarantee deposits	(455)	(475)
Proceeds from collection of guarantee deposits	131	85
Other	(62)	(161)
Net cash provided by (used in) investing activities	(10,043)	(8,127)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,000)	-
Repayments of lease obligations	(582)	(599)
Proceeds from long-term loans payable	13,000	10,000
Repayment of long-term loans payable	(11,240)	(9,930)
Redemption of bonds	(232)	(160)
Cash dividends paid	(635)	(675)
Cash dividends paid to non-controlling interests	(43)	(54)
Other	(0)	(0)
Net cash provided by (used in) financing activities	(1,733)	(1,420)
Effect of exchange rate change on cash and cash equivalents	(26)	5
Net increase (decrease) in cash and cash equivalents	398	2,128
Cash and cash equivalents at the beginning of period	8,984	9,383
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	21
Cash and cash equivalents at the end of period	9,383	11,534

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, 2016 through December 31, 2016)

(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	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	7,897	122,330
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 ¥42,926 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.

Consolidated Fiscal Year under Review (January 1, 2017 – December 31, 2017)

(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	140,422	5,745	6,703	152,870	-	152,870
Inter-segment sales or transfers	534	-	155	689	(689)	-
Total	140,956	5,745	6,858	153,560	(689)	152,870
Segment income	2,692	3,278	413	6,383	(154)	6,229
Segment assets	78,580	35,674	4,579	118,834	8,967	127,802
Other items						
Depreciation and amortization	3,701	472	342	4,516	64	4,581
Impairment loss on fixed assets	139	-	-	139	-	139
Increase in property, plant and equipment and intangible assets	8,727	832	60	9,620	(43)	9,576

(Notes)

1 Adjustment amount details are as follows:

(1) Adjustments to segment income are the elimination of ¥40 million in inter-segment sales or transfers and a negative ¥194 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 ¥38,537 million eliminated for inter-segment transactions and ¥47,504 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 ¥64 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 ¥141 million and ¥98 million of Companywide assets not allocated to any reporting segment.

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