

May 10, 2018

Consolidated Financial Results Announcement for the Three Months Ended March 31, 2018

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
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Scheduled date of filing of Quarterly Report: May 10, 2018
 Preparation of supplementary references regarding quarterly results: No
 Holding a briefing of quarterly results: No
 Date for commencement of dividend payments (planned): —

1. Consolidated Financial Results for the Three Months Ended March 31, 2018 (from January 1, 2018 to March 31, 2018)

(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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3 Months Ended Mar. 31, 2018	37,201	6.9	912	12.5	848	-8.9	506	-20.8
3 Months Ended Mar. 31, 2017	34,795	3.5	811	26.9	930	31.0	640	-12.1

(Note) Comprehensive income: 3 Months Ended Mar. 31, 2018: 550 million yen (-18.2%);
 3 Months Ended Mar. 31, 2017: 672 million yen (0.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
3 Months Ended Mar. 31, 2018	12.76	-
3 Months Ended Mar. 31, 2017	16.11	-

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2018	130,118	38,181	27.7
As of December 31, 2017	127,802	38,510	28.5

(Reference) Shareholders' equity

As of Mar. 31, 2018: 36,088 million yen
 As of Dec. 31, 2017: 36,401 million yen

2. Dividend Status

(Base date)	Dividend per share (yen)				
	End of Q1	End of Q2	End of Q3	End of Q4	Total
FY2017	—	0.00	—	21.00	21.00
FY2018	—				
FY2018 (forecast)		0.00	—	21.00	21.00

(Note) Corrections regarding current dividend forecasts: None

3. Consolidated Financial Forecast for the Year Ending Dec. 31, 2018 (Jan. 1 – Dec. 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	75,000	4.5	2,000	14.7	2,100	2.2	1,300	-8.3	32.73
Full year	160,000	4.7	7,000	12.4	7,200	11.2	4,400	-1.0	110.78

(Note) Corrections regarding current consolidated forecast figures: None

*** Notes**

- (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 the 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.: No
 - 2) Change other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (4) Number of shares issued (common share)
- 1) Number of shares issued at the end of the term (including treasury share)

As of Mar. 31, 2018:	39,718,200 shares
As of Dec. 31, 2017:	39,718,200 shares
 - 2) Number of treasury stock at the end of the term

As of Mar. 31, 2018:	472 shares
As of Dec. 31, 2017:	472 shares
 - 3) Average number of outstanding shares during the period (Cumulative figures for the quarter)

3 Months Ended Mar. 31, 2018:	39,717,728 shares
3 Months Ended Mar. 31, 2017:	39,717,777 shares

* This consolidated financial results announcement is exempt from quarterly review by certified public accountants or accounting firms.

*** 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 "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 quarter (January 1, 2018 to March 31, 2018) of the fiscal year ending December 31, 2018, the Japanese economy experienced a modest recovery. This largely reflected firm corporate-sector earnings, and indications of a pickup in personal consumption owing mainly to improvements in employment conditions and disposable income. Meanwhile, uncertainty surrounding economic as well as political conditions continued to grow in intensity. In addition to signs of fluctuation in economic policies in the U.S. as well as foreign currency exchange rates, this uncertainty was primarily due to the growing sense of geopolitical crisis.

In the logistics industry, there was strong e-commerce market growth and robust order trends attributable to the upswing in related demand at the end of the previous fiscal year. In contrast, the logistics industry experienced an increasingly harsh operating cost environment due to a variety of factors. This included movements in fuel procurement prices, which continued to hover at a high level, and serious shortages of labor including drivers.

Under this environment, we celebrated our 30th anniversary on December 16, 2017. We are now taking steps into a new generation and the 2nd 30 years of the Group's operations. Buoyed by the SBS Group key words "For your dreams," our goal is to become a leader against the upcoming wave of challenges that the logistic industry is expected to face.

From a business strategy perspective, the SBS Group continues to engage in a wide range of marketing activities utilizing such tools as its homepage and onsite advertising. Buoyed by various initiatives including successful efforts to upgrade and expand its marketing organization, the Group secured new orders from the retail sector and OEM manufacturers of quasi-drugs. In businesses where margins have remained low, we took steps to systematically increase profit margins by strengthening improvement measures aimed at on-site operations and negotiating with customers to optimize fees. Amid the serious shortage of drivers in the logistics industry, we have developed videos on the job posting section of our homepage, and provided easy-to-understand job descriptions to prevent any mismatch in expectations between the SBS Group company and job applicants.

From an investment strategy perspective, the Group continued to push forward with construction work on a logistics facility (total floor space of roughly 9,000 square meters) in Inashikigun Amimachi, Ibaraki Prefecture, which began last year. Accommodating three temperature zones, construction of this facility is scheduled for completion in May 2018. Construction work also progressed 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 due for completion in March 2019. In addition, we leased warehouses with approximately 36,300 square meters in total floor space in the cities of Iwatsuki and Iruma in Saitama Prefecture and took preparatory steps to open new facilities.

As a result, net sales increased 6.9% year on year, to ¥37,201 million. Operating income rose ¥101 million, or 12.5%, year on year, to ¥912 million. On the other hand, ordinary income declined 8.9% year on year, to ¥848 million owing mainly to the decrease in equity in earnings of affiliates. Net income attributable to owners of parent fell 20.8% year on year, to ¥506 million.

Financial results by segment are as follows.

(Logistics Business)

Net sales in the logistics business increased ¥2,307 million year on year. This largely reflected the success of steady efforts to secure new orders. On the earnings front, operating income improved ¥94 million thanks to contributions from the expansion of existing business, which offset higher personnel expenses as well as fuel and vehicle hiring costs. As a result, revenue and earnings in this segment increased for the period under

review. In specific terms, net sales came to ¥34,821 million, up 7.1% compared with the corresponding period of the previous fiscal year. Operating income rose 23.2% year on year, to ¥502 million.

(Property Management Business)

In the property management business, our warehouse and office/residence are essentially operated at full capacity with no incidence of tenant replacement that occurred during the previous fiscal year. Net sales in this segment increased 10.5% year on year, to ¥716 million, and operating income grew 20.2% year on year, to ¥399 million.

(Other Business)

In the other business, net sales increased 1.9% year on year, to ¥1,663 million. Operating income declined 31.9% year on year, to ¥72 million owing mainly to higher-than-expected costs for securing part-time employees for the staff dispatch service business.

2. Explanation of Financial Condition

Total assets stood at ¥130,118 million as of March 31, 2018, up ¥2,315 million compared with December 31, 2017. The major increase was attributable to an upswing in “Cash and deposits”. The principal decrease was in “Notes and accounts receivable-trade”.

Total liabilities were ¥91,936 million, an increase of ¥2,644 million compared with December 31, 2017. The major increase was in “Short-term loans payable” and “Long-term loans payable”.

Net assets came to ¥38,181 million, down ¥329 million compared with December 31, 2017. The key movements included ¥506 million in net income attributable to owners of parent, and conversely, dividend payments of ¥834 million, which included a commemorative dividend to celebrate our 30th anniversary.

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

In the first quarter of the fiscal year ending December 31, 2018, successful steps to capture new business and expand existing business orders coupled with increased operating efficiency helped absorb the pressures imposed by rising costs. Turning to the control of costs, including personnel expenses as well as fuel and vehicle hiring costs, which are projected to climb even further in the future over the long term, we will promote a variety of measures to reinforce our competitiveness. This includes managing the allocation of trucks through the use of IT and introducing effective automated equipment. In addition, every effort will be made to further enhance marketing by upgrading and expanding the Group’s cross-sectional marketing network.

Results for the first quarter of the fiscal year under review are by and large proceeding as anticipated. For this reason, with regard to consolidated results for the fiscal year ending December 31, 2018, we will maintain our forecasts for the second quarter cumulative period and the full fiscal year, as announced on February 13, 2018.

II. Consolidated Financial Statements

1. Consolidated Balance Sheets

(Millions of yen)

	FY2017 (As of Dec. 31, 2017)	1Q FY2018 (As of Mar. 31, 2018)
ASSETS		
Current assets		
Cash and deposits	11,539	13,705
Notes and accounts receivable-trade	19,672	19,251
Inventories	11,226	11,188
Other	4,970	5,630
Allowance for doubtful accounts	(58)	(56)
Total current assets	47,350	49,719
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	37,63	38,224
Accumulated depreciation and impairment loss	(20,290)	(20,581)
Buildings and structures, net	17,173	17,642
Machinery, equipment and vehicles	21,635	21,492
Accumulated depreciation and impairment loss	(11,786)	(11,630)
Machinery, equipment and vehicles, net	9,849	9,862
Land	34,758	34,758
Lease assets	2,740	2,382
Accumulated depreciation and impairment loss	(1,625)	(1,382)
Lease assets, net	1,115	999
Construction in progress	4,922	4,464
Other	4,286	4,298
Accumulated depreciation and impairment loss	(3,029)	(3,078)
Other, net	1,256	1,220
Total property, plant and equipment	69,076	68,948
Intangible assets		
Other	1,064	1,093
Total Intangible assets	1,064	1,093
Investments and other assets		
Investments and other assets	10,842	10,874
Allowance for doubtful accounts	(531)	(517)
Total investments and other assets	10,311	10,356
Total noncurrent assets	80,451	80,398
Total assets	127,802	130,118

(Millions of yen)

	FY2017 (As of Dec. 31, 2017)	1Q FY2018 (As of Mar. 31, 2018)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	8,204	8,139
Current portion of bonds	160	160
Short-term loans payable	14,500	15,000
Current portion of long-term loans payable	8,881	9,481
Income taxes payable	501	330
Provision for bonuses	778	1,641
Other	9,297	8,868
Total current liabilities	42,323	43,621
Noncurrent liabilities		
Bonds payable	80	—
Long-term loans payable	32,861	34,181
Net defined benefit liability	4,338	4,397
Asset retirement obligations	1,332	1,328
Other	8,356	8,408
Total noncurrent liabilities	46,968	48,314
Total liabilities	89,291	91,936
NET ASSETS		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	29,175	28,848
Treasury stock	(0)	(0)
Total shareholders' equity	35,747	35,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	879	899
Foreign currency translation adjustment	(90)	(110)
Remeasurements of defined benefit plans	(135)	(120)
Total accumulated other comprehensive income	653	668
Non-controlling interests	2,109	2,092
Total net assets	38,510	38,181
Total liabilities, net assets	127,802	130,118

2. Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Operations)
(Three Months Ended March 31, 2018)

(Millions of yen)

	1Q FY2017 (Jan. 1, 2017 - Mar. 31, 2017)	1Q FY2018 (Jan. 1, 2018 - Mar. 31, 2018)
Net sales	34,795	37,201
Cost of sales	31,606	33,821
Gross profit	3,188	3,379
Selling, general and administrative expenses	2,377	2,466
Operating income	811	912
Non-operating income		
Interest income	4	4
Dividends income	9	1
Equity in earnings of affiliates	161	43
Other	62	36
Total non-operating income	236	86
Non-operating expenses		
Interest expenses	109	110
Other	7	40
Total non-operating expenses	117	151
Ordinary income	930	848
Extraordinary income		
Gain on sales of noncurrent assets	14	29
Gain on sales of investment securities	11	—
Total extraordinary income	25	29
Extraordinary loss		
Loss on disposal of noncurrent assets	0	9
Loss on retirement of noncurrent assets	12	6
Allowance for doubtful accounts	46	—
Other	5	—
Total extraordinary loss	65	15
Income before taxes and other adjustments	891	861
Income taxes-current	331	601
Income taxes-deferred	(93)	(276)
Total income taxes	237	325
Net income	653	536
Net income attributable to non-controlling interests	13	29
Net income attributable to owners of parent	640	506

(Consolidated Statements of Comprehensive Income)**(Three Months Ended March 31, 2018)**

(Millions of yen)

	1Q FY2017 (Jan. 1, 2017 - Mar. 31, 2017)	1Q FY2018 (Jan. 1, 2018 - Mar. 31, 2018)
Net income	653	536
Other comprehensive income		
Valuation difference on available-for-sale securities	34	(3)
Foreign currency translation adjustment	(3)	(26)
Remeasurements of defined benefit plans	(35)	15
Share of other comprehensive income of associates accounted for using the equity method	23	29
Total other comprehensive income	18	14
Comprehensive income	672	550
(Breakdown)		
Comprehensive income attributable to owners of parent	655	521
Comprehensive income attributable to non-controlling interests	17	28

3. Notes on the Quarterly Consolidated Financial Statements

(Notes regarding Going Concern)

No applicable items.

(Notes regarding Remarkable Change of Shareholders' Equity)

No applicable items.

(Segment Information)

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

(Millions of yen)

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

(Notes)

- Adjustments to segment income are the elimination of ¥11 million in inter-segment sales or transfers and a negative ¥46 million for the operations of indirect divisions at headquarters of the Company and certain consolidated subsidiaries that were not allocated to reporting segments.
- Segment income is adjusted with operating income, as recorded in consolidated quarterly income statements.

2. Information Concerning Net Sales and Income and Loss for Reporting Segments 1Q FY2018 (Jan. 1, 2018 – Mar. 31, 2018)

(Millions of yen)

	Reporting Segment				Adjustment Amount *1	Consolidated Quarterly Income Statement Amount *2
	Logistics Business	Property Management Business	Other Business	Total		
Net sales						
Sales to external customers	34,821	716	1,663	37,201	—	37,201
Inter-segment sales or transfers	136	—	31	167	(167)	—
Total	34,957	716	1,695	37,368	(167)	37,201
Segment income	502	399	72	974	(61)	912

(Notes)

- Adjustments to segment income are the elimination of ¥10 million in inter-segment sales or transfers and a negative ¥72 million for the operations of the Company that were not allocated to reporting segments.
- Segment income is adjusted with operating income, as recorded in consolidated quarterly income statements.