

Summary of Business Results for the Second Quarter Ended June 30, 2018 [Japan GAAP] (Consolidated)

August 10, 2018

Company **SBS Holdings, Inc.** Listed on the TSE
 Stock Code 2384 URL: <http://www.sbs-group.co.jp/>
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 Expected date of filing of quarterly report : August 10, 2018
 Preparation of quarterly supplementary financial document : Yes
 Quarterly results briefing : Yes (for institutional investors and analysts)
 Expected starting date of dividend payment : -

(Rounded down to million yen)

1. Consolidated business results for the six months ended June 30, 2018 (January 1, 2018 through June 30, 2018)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 2018	77,178	7.5	2,337	34.1	2,233	8.6	1,221	-13.9
Six months ended Jun. 2017	71,762	-6.2	1,743	-67.4	2,055	-63.5	1,417	-64.6

(Note) Comprehensive income

Six months ended June 2018: 1,396 million yen (-15.5 %)

Six months ended June 2017: 1,652 million yen (-59.2 %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Jun. 2018	30.76		—	
Six months ended Jun. 2017	35.70		—	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 2018	131,855	39,027	27.9
As of Dec. 2017	127,802	38,510	28.5

(Reference) Shareholders' equity:

As of June 2018 : 36,843 million yen

As of December 2017 : 36,401 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 2017	-	0.00	-	21.00	21.00
Year ending Dec. 2018	-	0.00	-	21.00	21.00
Year ending Dec. 2018(forecast)	-	-	-	21.00	21.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending December 2018 (January 1, 2018 through December 31, 2018)

(% change from the previous corresponding period)

	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
Year ending Dec. 2018	202,000	32.1	7,500	20.4	7,200	11.2	4,000	-10.0	100.71

(Note) Revisions to business forecast for the current quarter: Yes

***Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation) : None
- (2) Applications of simplified accounting procedures and accounting procedures unique to the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies, accounting estimates and restatement
- ① Changes in accounting policies associated with revision of accounting standards: : None
 - ② Changes in accounting policies other than ① : None
 - ③ Changes in accounting estimates : None
 - ④ Restatement : None
- (4) Shares outstanding (common stock)
- ① Number of shares outstanding at the end of period (treasury stock included)
 - As of June 2018 39,718,200 shares
 - As of December 2017 39,718,200 shares
 - ② Treasury stock at the end of period
 - As of June 2018 472 shares
 - As of December 2017 472 shares
 - ③ Average number of stock during period (quarterly cumulative period)
 - Six months ended June 2018 39,717,728 shares
 - Six months ended June 2017 39,717,777 shares

***Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

1. Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. The company does not make any promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.
2. The company plans to hold results briefing for institutional investors and analysts on August 10, 2018 (Friday). After the results briefing, the company will promptly post the presentation materials on the company website.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

During the six months ended June 30, 2018 (January 1, 2018 through June 30, 2018), the Japanese economy maintained a stable level, supported by firm capital investment, an improvement in the employment and income environment. On the other hand, the outlook for the economy remained increasingly uncertain, with rising raw material prices and labor costs casting a shadow on corporate performance, and concerns about U.S. trade protectionism and geopolitical risks emerged intermittently.

In the logistics industry, despite robust movements in consumer-related and production-related cargoes, fuel procurement prices remained at a higher level, and labor shortages were becoming more common. As a result, the cost hike remained unsettled and the business environment remained harsh.

In this environment, we celebrated the 30th anniversary of our founding in December of last year. To become a leading company in the logistics industry, which is undergoing dramatic changes, we have worked together to share the Group's "Dreams" under the Group slogan "For Your Dreams."

In terms of business strategy, we received a large number of inquiries by actively introducing service examples through websites and PR magazines, etc., while also steadily winning new orders, including large-scale orders from major e-commerce retailers and other retailers, thanks to the effects of systematic sales activities. In addition, we strengthened our efforts to improve long-term low-margin business, and continued to coordinate and negotiate with our customers to optimize service prices.

In terms of investment strategy, in May we completed construction of a logistics facility with capability for three temperature zones (with a total floor area of 10,106 square meters) in Ami-machi, Inashiki-gun, Ibaraki Prefecture, and began operations as a 3PL base for food distribution. The construction of Osaka Nanko Logistics Center (total floor area: 61,290 square meters; to be completed in March 2019) in Nanko, Suminoe Ward, Osaka Prefecture, which started construction in December last year, is proceeding smoothly. In Seto, Noda City, Chiba Prefecture, we acquired approximately 116,000 square meters of land for the construction of the Group's largest logistics facility.

As a result, net sales increased to 77,178 million yen (up 7.5% YoY). Operating income increased by 594 million yen to 2,337 million yen (up 34.1% YoY) and ordinary income increased to 2,233 million yen (up 8.6% YoY). Net income attributable to owners of parent decreased to 1,221 million yen (down 13.9% YoY) due to an increase in tax expenses resulting from due diligence expenses.

The results of operations by segment are as follows:

(Logistics business)

In the Logistics Business, net sales increased by 5,278 million yen due to strong orders for new business and expansion of existing business. Operating income increased by 725 million yen due to the expansion of existing business, despite of higher personnel, fuel, and truck charter costs. As a result, net sales increased to 72,432 million yen (up 7.9% YoY) and operating income increased to 1,653 million yen (up 78.1% YoY), recording an increase in both sales and profits.

(Property Management business)

In the Real Estate Business, net sales increased to 1,435 million yen (up 10.2% YoY) and operating income increased to 796 million yen (up 21.9%), due to the fact that rental properties were mostly fully occupied.

(Other business)

Net sales in this segment were 3,310 million yen (up 0.1% YoY). Operating income decreased to 158 million yen (down 31.0% YoY) due to higher-than-planned costs to secure temporary staff in the temporary staffing business.

(2) Financial Position

Total assets as of the end of the second quarter were 131,855 million yen, an increase of 4,053 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in current assets of 1,902 million yen due to a decrease in cash and deposits, and an increase in fixed assets of 5,955 million yen due to an increase in "Buildings and structures" and "Land".

Liabilities increased by 3,536 million yen from the end of the previous fiscal year to 92,828 million yen. This was mainly due to an increase in current liabilities of 2,579 million yen due to an increase in long-term liabilities of 957 million yen associated with an increase in short-term borrowings, and an increase in long-term debt.

Net assets increased by 516 million yen from the end of the previous fiscal year to 39,027 million yen. This was mainly due to the recording of net income attributable to owners of parent of 1,221 million yen and the payment of dividends of 834 million yen, including dividends commemorating the 30th anniversary of the Company's founding.

(3) Consolidated Earnings Forecasts and Other Forward-Looking Information

We have revised our full-year earnings forecast since we got a consolidated subsidiary through the acquisition of a part of the shares of Ricoh Logistics System Co., Ltd. (hereinafter referred to as "RicoH Logistics"), which was disclosed in the "Notice of Partial Acquisition of Shares of Ricoh Logistics System Co., Ltd." dated May 18, 2018. The forecast for the year-end dividend for FY12/18 has not been changed.

(Unit: Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous forecasts (A)	160,000	7,000	7,200	4,400	110.78 yen
Current forecasts (B)	202,000	7,500	7,200	4,000	100.71 yen
Change (B-A)	42,000	500	-	-400	-
Rate of changes	26.3	7.1	-	-9.1	-
(Reference) Actual results for the previous fiscal year (FY12/17)	152,870	6,229	6,475	4,446	111.94 yen

This revision is mainly concerning RicoH Logistics into a consolidated subsidiary. Net sales are expected to increase as sales of RicoH Logistics are expected to increase from July 1, 2018 to December 31, 2018, together with growth in existing business. In terms of operating income, while the acquisition of RicoH Logistics shares added profits during the same period of RicoH Logistics, the amortization of goodwill, one-time expenses such as due diligence expenses are expected to be incurred. As a result, the increase in operating income will be limited compared to the previous forecasts. Ordinary income remains unchanged due to the expected decrease in equity in earnings of non-consolidated subsidiaries and affiliates. Net income attributable to owners of parent is expected to be lower due to an increase in tax expenses in addition to the risk of impairment of fixed assets.

In the future economic environment, although corporate performance is strong, the outlook for the economy is expected to become more severe. In the logistics industry, given the high level of fuel costs, we expect that labor shortages will continue to cause increases in truck hiring and personnel costs, and that investment in securing human resources will remain unavoidable.

Under these circumstances, we will strive to meet the expectations of the market by strengthening our organizational sales activities, focusing on acquiring new business, and improving our business performance by streamlining in on-site operations and vehicle operations.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Second Quarter (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	11,539	9,282
Notes and accounts receivable	19,672	19,834
Inventories	11,226	11,143
Other	4,970	5,242
Allowance for doubtful accounts	-58	-54
Total current assets	47,350	45,448
Fixed assets		
Property, plant and equipment		
Buildings and structures	37,463	39,995
Accumulated depreciation and impairment loss	-20,290	-20,541
Buildings and structures, net	17,173	19,454
Machinery and equipment	21,635	21,918
Accumulated depreciation and impairment loss	-11,786	-11,470
Machinery, equipment and vehicles, net	9,849	10,447
Land	34,758	36,487
Leased asset	2,740	2,407
Accumulated depreciation and impairment loss	-1,625	-1,417
Lease assets, net	1,115	989
Construction in progress	4,922	5,905
Other	4,286	4,428
Accumulated depreciation and impairment loss	-3,029	-3,123
Other, net	1,256	1,304
Total property, plant and equipment	69,076	74,589
Intangible assets		
Other	1,064	1,107
Total intangible assets	1,064	1,107
Investments and other assets		
Investments and other assets	10,842	11,239
Allowance for doubtful accounts	-531	-528
Total investments and other assets	10,311	10,711
Total noncurrent assets	80,451	86,407
Total assets	127,802	131,855

(Unit: Million yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Second Quarter (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,204	7,973
Current portion of bonds payable	160	160
Short-term borrowings	14,500	17,100
Current portion of long-term loans payable	8,881	9,040
Income taxes payable	501	610
Provision for bonuses	778	857
Other	9,297	9,160
Total current liabilities	42,323	44,903
Long-term liabilities		
Corporate bonds payable	80	-
Long-term loan payable	32,861	33,695
Obligations for retirement pay	4,338	4,384
Asset retirement obligations	1,332	1,339
Other	8,356	8,505
Total long-term liabilities	46,968	47,925
Total liabilities	89,291	92,828
Net Assets		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	29,175	29,563
Treasury stock	-0	-0
Total shareholders' equity	35,747	36,135
Other accumulated comprehensive income		
Valuation difference on securities	879	923
Foreign currency translation adjustments	-90	-108
Remeasurements of defined benefit plans	-135	-106
Total other accumulated comprehensive income	653	708
Non-controlling shareholders' equity	2,109	2,183
Total net assets	38,510	39,027
Total liabilities and net assets	127,802	131,855

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Second Quarter)

(Unit: Million yen)

	Previous Second Quarter (January 1, 2017 - June 30, 2017)	Current Second Quarter (January 1, 2018 - June 30, 2018)
Net sales	71,762	77,178
Cost of sales	65,149	69,648
Gross profit	6,612	7,530
Selling, general and administrative expenses	4,869	5,192
Operating income	1,743	2,337
Non-operating income		
Interest income	8	9
Dividends income	52	34
Equity in earnings of associated companies	386	160
Other	121	65
Total non-operating income	569	269
Non-operating expenses		
Interest expenses	226	227
Other	31	145
Total non-operating expenses	257	373
Ordinary income	2,055	2,233
Extraordinary income		
Gain on sales of noncurrent assets	69	59
Gain on sales of stock of affiliates	38	-
Gain on sales of investment securities	11	-
Total extraordinary income	119	59
Extraordinary loss		
Loss on sales of noncurrent assets	0	12
Loss on retirement of noncurrent assets	32	41
Provision for allowance for doubtful accounts	47	-
Other	5	3
Total extraordinary loss	86	57
Net income before income taxes and minority interests	2,088	2,235
Income taxes	464	932
Income taxes-deferred	153	-39
Total income taxes	617	893
Net income	1,470	1,342
Net income attributable to non-controlling interests	52	120
Net income attributable to owners of parent	1,417	1,221

(Quarterly Consolidated Statements of Comprehensive Income)

(Second Quarter)

(Unit: Million yen)

	Previous Second Quarter (January 1, 2017 - June 30, 2017)	Current Second Quarter (January 1, 2018 - June 30, 2018)
Net income	1,470	1,342
Other comprehensive income		
Valuation difference on securities	163	34
Foreign currency translation adjustments	4	-27
Adjustments for retirement benefits	-67	28
Share of other comprehensive (loss) income in associates	81	19
Total other comprehensive income	181	53
Comprehensive income	1,652	1,396
Breakdown		
Comprehensive income attributable to owners of parent	1,597	1,276
Comprehensive income attributable to non-controlling interests	54	120

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

Segment information

[Segment information]

I. For the six months of the previous fiscal year (January 1, 2017 to June 30, 2017)

Information on net sales and profits or losses by reported segment

(Unit: Million yen)

	Reportable Segments				Adjusted amount (Note1)	Amounts posted in quarterly consolidated income statement (Note2)
	Logistics business	Property Management business	Other businesses	Total		
Net sales						
Sales to customers	67,153	1,302	3,306	71,762	-	71,762
Intersegment sales or transfers between segments	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. Adjustments to segment income are 20 million yen for elimination of intersegment transactions and -88 million yen for indirect divisions of the head office, etc. of us and certain consolidated subsidiaries not allocated to each reporting segment.
2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.

II For the six months of the current fiscal year (January 1, 2018 to June 30, 2018)

Information on net sales and profits or losses by reported segment

(Unit: Million yen)

	Reportable Segments				Adjusted amount (Note1)	Amounts posted in quarterly consolidated income statement (Note2)
	Logistics business	Property Management business	Other businesses	Total		
Net sales						
Sales to customers	72,432	1,435	3,310	77,178	-	77,178
Intersegment sales or transfers between segments	290	-	75	365	-365	-
Total	72,722	1,435	3,386	77,544	-365	77,178
Segment income	1,653	796	158	2,608	-270	2,337

- (NOTE) 1. Adjustments to segment income are 26 million yen for elimination of intersegment transactions and -296 million yen for loss related to us, which is not allocated to each reportable segment.
2. Segment income is adjusted with operating income in the quarterly consolidated statements of income.