

# Summary of Business Results for the Third Quarter Ended September 30, 2018

## [Japan GAAP] (Consolidated)

November 13, 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 : November 13, 2018  
 Preparation of quarterly supplementary financial document : None  
 Quarterly results briefing : None  
 Expected starting date of dividend payment : -

(Rounded down to million yen)

### 1. Consolidated business results for the nine months ended September 2018 (January 1, 2018 through September 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	%
Nine months ended Sep. 2018	136,018	21.5	3,554	-15.4	3,435	-22.7	1,847	-37.5
Nine months ended Sep. 2017	111,925	-0.4	4,202	-33.1	4,442	-32.5	2,954	-35.7

(Note) Comprehensive income

Nine months ended September 2018: 2,141 million yen (-36.6%)

Nine months ended September 2017: 3,376 million yen (-25.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 2018	46.51	—
Nine months ended Sep. 2017	74.40	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep. 2018	174,589	45,821	21.5
As of Dec. 2017	127,802	38,510	28.5

(Reference) Shareholders' equity

As of September 2018 : 37,496 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
<b>Year ending Dec. 2018</b>	-	0.00	-		
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: None

**\*Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation) : Yes  
Newly included : 1 (Ricoh Logistics System Co., Ltd.,)

(2) Application of accounting procedures specific to preparation of the consolidated quarterly 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 September 2018 39,718,200 shares

As of December 2017 39,718,200 shares

② Treasury stock at the end of period

As of September 2018 512 shares

As of December 2017 472 shares

③ Average number of stock during period (quarterly cumulative period)

Six months ended September 2018 39,717,727 shares

Six months ended September 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**

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 promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Results of Operations

During the nine months ended September 30, 2018 (January 1, 2018 to September 30, 2018), the Japanese economy remained at a stable level on the whole, supported by strong corporate earnings and moderate growth in employment and income conditions. On the other hand, with the surge in raw material prices and the emergence of protectionism leading to sudden problems of trade friction, concerns over the continued expansion of the economy are beginning to emerge.

In the logistics industry, personnel expenses and vehicle hiring expenses continued to rise due to chronic labor shortages, and fuel prices remained at high levels. In addition to the increase in costs, a series of natural disasters, such as typhoons and earthquakes, caused a temporary increase in workloads, and the business environment continued to be challenging for cost control.

In this environment, we celebrated the 30th anniversary of our founding in December last year, and positioned this fiscal year as our second founding period, with the Group's slogan "For Your Dreams." Under these circumstances, the Group worked together to conduct business activities with the aim of becoming a leading company in the logistics industry, which is in a period of dramatic change, including a shift in commercial distribution and technological innovation in line with the rise of the e-commerce business.

As part of our business strategy, we worked to acquire new customer and expand existing businesses by conducting marketing activities utilizing PR magazines, websites, online advertising, and other media as well as group-wide organizational sales. We also began operating 3PL bases for quasi-drug OEM manufacturers, e-commerce companies, and retailers. We also expanded our ability to handle last mile delivery services for major e-commerce sales companies, which are increasing rapidly, by creating a flexible employment environment. With regard to the creation of synergies with Ricoh Logistics System Co., Ltd., which joined our Group on August 1, we launched a number of collaborative projects and began activities aimed at the early realization of such projects as the integration of overseas bases and the organization of the nationwide distribution network.

In August, we acquired shares in Ricoh Logistics System Co., Ltd., making it a consolidated subsidiary, with the aim of strengthening production logistics, nationwide distribution networks, LT (Logistics Technology), and overseas businesses. In the development of logistics facilities, in May, we completed the construction of a three-temperature logistics facility in Ami-cho, Inashiki-gun, Ibaraki Prefecture, and in June, we acquired land for a logistics facility of about 35,000 tsubo in Seto, Noda City, Chiba Prefecture, and began land development work. In Minami Port, Suminoe-ku, Osaka City, we are working to strengthen the infrastructure of our 3PL business, which is growing in demand, by building a logistics facility with a total floor area of approximately 18,000 tsubo, to be completed in March 2019. In addition, the Group made preparations for the partial transfer of trust beneficiary rights for logistics facilities in Nagatsuda, Midori-ku, Yokohama City.

As a result, sales in the Logistics Business grew significantly to 136,018 million yen (up 21.5% year on year). Operating income decreased by 648 million year on year, to 3,554 million yen (down 15.4%), due to the absence of a gain on sales of logistics facilities in the real estate business. Ordinary income was 3,435 million yen (down 22.7%). Net income attributable to owners of parent was 1,847 million yen (down 37.5%).

The results of operations by segment are as follows:

#### (Logistics business)

In the Logistics business, net sales increased by 25,831 million yen year on year, to 128,872 million yen (up 25.1%). This was mainly due to the consolidation of Ricoh Logistics System Co., Ltd. in the third quarter of the fiscal year, as well as favorable orders for new projects and expansion of existing businesses. Operating income increased by 984 million yen to 2,544 million yen (up 63.1%) despite of rising costs such as labor, fuel, and charter costs, due to the expansion of existing businesses and the conclusion of negotiations to optimize rates.

#### (Real Estate business)

In the Real Estate business, net sales were 2,163 million yen (up 45.0%) and operating income was 1,212 million yen (down 49.8%), resulted in decrease in both sales and profits, due to the absence of the sale of logistics facilities implemented in the same period of the previous year.

#### (Other business)

In the Other Business, net sales increased to 4,982 million yen (up 0.7%) and operating income decreased to 222 million yen (down 34.5%).

## (2) Financial Position

Total assets at the end of the third quarter for the current fiscal year were 174,589 million yen, an increase of 46,786 million yen from the end of the previous fiscal year. This was mainly due to an increase of 16,747 million yen in current assets such as cash and deposits and notes and accounts receivable-trade through acquisition of subsidiaries, and an increase of 30,038 million yen in non-current assets such as land, buildings and structures, and goodwill.

Liabilities increased by 39,476 million yen from the end of the previous fiscal year to 128,768 million yen. This was mainly due to an increase of 33,878 million yen in current liabilities resulting from an increase in short-term loans payable, notes and accounts payable-trade, and provision for bonuses.

Net assets were 45,821 million yen, an increase of 7,310 million yen from the end of the previous fiscal year. This was mainly due to the recording of 1,847 million yen in profit attributable to owners of parent and an increase of 6,214 million yen in non-controlling interests.

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

As for the business environment toward the end of the fiscal year, concerns about a slowdown in the economy are expected to become more realistic. For example, the political situation in overseas countries is unstable, and the growth of the Chinese and U.S. economies, which had been booming, is slowing down, and some companies in Japan are showing stagnation. Moreover, in the logistics industry, we expect the challenging business environment to continue as costs are expected to continue to increase due to factors such as an increase in personnel costs and recruitment costs associated with a labor shortage.

In this environment, the Group, as a comprehensive logistics company centered on the 3PL business, will expand its business scope and improve operational efficiency. There are no revisions to the full-year consolidated earnings forecast that was announced on August 10, 2018.

## 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 Third Quarter (As of September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	11,539	15,856
Notes and accounts receivable	19,672	30,221
Inventories	11,226	11,227
Other	4,970	6,840
Allowance for doubtful accounts	- 58	- 47
Total current assets	47,350	64,098
Fixed assets		
Property, plant and equipment		
Buildings and structures	37,463	47,066
Accumulated depreciation and impairment loss	- 20,290	- 25,450
Buildings and structures, net	17,173	21,616
Machinery and equipment	21,635	24,223
Accumulated depreciation and impairment loss	- 11,786	- 12,796
Machinery, equipment and vehicles, net	9,849	11,426
Land	34,758	41,822
Leased asset	2,740	6,000
Accumulated depreciation and impairment loss	- 1,625	- 3,355
Lease assets, net	1,115	2,645
Construction in progress	4,922	6,626
Other	4,286	5,672
Accumulated depreciation and impairment loss	- 3,029	- 4,031
Other, net	1,256	1,641
Total property, plant and equipment	69,076	85,779
Intangible assets		
Goodwill	-	5,821
Other	1,064	5,214
Total intangible assets	1,064	11,035
Investments and other assets		
Investments and other assets	10,842	14,228
Allowance for doubtful accounts	- 531	- 553
Total investments and other assets	10,311	13,675
Total noncurrent assets	80,451	110,490
Total assets	127,802	174,589

(Unit: Million yen)

	Previous Fiscal Year (As of December 31, 2017)	Current Third Quarter (As of September 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,204	12,523
Current portion of bonds payable	160	80
Short-term borrowings	14,500	36,200
Current portion of long-term loans payable	8,881	8,712
Income taxes payable	501	934
Provision for bonuses	778	2,963
Other	9,297	14,787
Total current liabilities	42,323	76,201
Long-term liabilities		
Corporate bonds	80	-
Long-term loan payable	32,861	33,521
Obligations for retirement plan	4,338	5,949
Asset retirement obligations	1,332	1,298
Other	8,356	11,796
Total long-term liabilities	46,968	52,566
Total liabilities	89,291	128,768
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	29,175	30,188
Treasury stock	-0	-0
Total shareholders' equity	35,747	36,760
Other accumulated comprehensive income		
Valuation difference on securities	879	932
Foreign currency translation adjustments	- 90	- 69
Remeasurements of defined benefit plans	- 135	- 126
Total other accumulated comprehensive income	653	736
Non-controlling shareholders' equity	2,109	8,324
Total net assets	38,510	45,821
Total liabilities and net assets	127,802	174,589

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

(Unit: Million yen)

	Previous Third Quarter (January 1, 2017 - September 30, 2017)	Current Third Quarter (January 1, 2018 - September 30, 2018)
Net sales	111,925	136,018
Cost of sales	100,428	123,326
Gross profit	11,497	12,692
Selling, general and administrative expenses	7,294	9,137
Operating income	4,202	3,554
Non-operating income		
Interest income	13	18
Dividends income	61	36
Equity in earnings of associated companies	486	300
Other	135	127
Total non-operating income	697	483
Non-operating expenses		
Interest expenses	347	397
Other	109	204
Total non-operating expenses	456	602
Ordinary income	4,442	3,435
Extraordinary income		
Gain on sales of noncurrent assets	304	106
Other	49	-
Total extraordinary income	354	106
Extraordinary loss		
Loss on sales of noncurrent assets	29	17
Loss on retirement of noncurrent assets	42	71
Loss on valuation of investment securities	132	-
Loss on extinguishment of tie-in shares	89	-
Other	70	-
Total extraordinary loss	364	89
Net income before income taxes and minority interests	4,432	3,453
Income taxes	1,129	1,876
Income taxes-deferred	266	- 467
Total income taxes	1,395	1,408
Net income	3,036	2,044
Net income attributable to non-controlling interests	81	197
Net income attributable to owners of parent	2,954	1,847



(Quarterly Consolidated Statements of Comprehensive Income)  
(Third Quarter)

(Unit: Million yen)

	Previous Second Quarter (January 1, 2017 - September 30, 2017)	Current Second Quarter (January 1, 2018 - September 30, 2018)
Net income	3,036	2,044
Other comprehensive income		
Valuation difference on securities	240	37
Foreign currency translation adjustments	21	28
Adjustments for retirement benefits	- 48	52
Share of other comprehensive (loss) income in associates	127	- 21
Total other comprehensive income	340	97
Comprehensive income	3,376	2,141
Breakdown		
Comprehensive income attributable to owners of parent	3,293	1,929
Comprehensive income attributable to non-controlling interests	83	212

(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 nine months of the previous fiscal year (January 1, 2017 to September 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	103,041	3,935	4,948	111,925	-	111,925
Intersegment sales or transfers between segments	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. Adjustments to segment income are 33 million yen for elimination of intersegment transactions and -144 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 nine months of the current fiscal year (January 1, 2018 to September 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	128,872	2,163	4,982	136,018	-	136,018
Intersegment sales or transfers between segments	421	-	135	557	- 557	-
Total	129,293	2,163	5,118	136,575	- 557	136,018
Segment income	2,544	1,212	222	3,979	- 424	3,554

(NOTE) 1. Adjustments to segment income are 37 million yen for elimination of intersegment transactions and -461 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.