# Summary of Business Results for the Year Ended December 31, 2018
# [Japan GAAP] (Consolidated)

**February 13, 2019**


Company SBS Holdings, Inc. Listed on the TSE
Stock Code 2384 URL: https://www.sbs-group.co.jp/
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Expected date of annual shareholders' meeting : March 26, 2019
Expected starting date of dividend payment : March 8, 2019
Expected date of filing of annual securities report : March 26, 2019
Preparation of supplementary financial document : Yes
Results briefing : Yes (for institutional investors and analysts)

*(Rounded down to million yen)*

## 1. Consolidated business results for the fiscal year ended December 2018 (January 1, 2018 through December 31, 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 | % |
| Year ended Dec. 2018 | 203,516 | 33.1 | 8,240 | 32.3 | 7,607 | 17.5 | 4,409 | -0.8 |
| Year ended Dec. 2017 | 152,870 | 2.6 | 6,229 | -17.1 | 6,475 | -17.3 | 4,446 | -13.0 |

(Note) Comprehensive income:
Year ended December 2018 : 4,494 million yen (-4.4%)
Year ended December 2017 : 4,702 million yen (-12.0%)

| | Net income per share | Diluted net income per share | Return on equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended Dec. 2018 | 111.01 | — | 11.6 | 5.1 | 4.0 |
| Year ended Dec. 2017 | 111.94 | — | 12.9 | 5.2 | 4.1 |

(Reference) Investment earnings/loss on equity-method:
Year ended December 2018 : 282 million yen
Year ended December 2017 : 610 million yen

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Dec. 2018 | 172,355 | 48,173 | 23.1 | 1,001.05 |
| As of Dec. 2017 | 127,802 | 38,510 | 28.5 | 916.50 |

(Reference) Shareholders' equity:
As of December 2018 : 39,759 million yen
As of December 2017 : 36,401 million yen

(3) Consolidated results of cash flows

| | Cash flows from | | | Cash and cash equivalents at the end of period |
|---|---|---|---|---|
| | Operating activities | Investing activities | Financing activities | |
| | Million yen | Million yen | Million yen | Million yen |
| Year ended Dec. 2018 | 12,398 | -22,433 | 14,815 | 16,303 |
| Year ended Dec. 2017 | 11,671 | -8,127 | -1,420 | 11,534 |

## 2. Dividends

| | Dividend per share | | | | | Total dividend (Annual) | Payout ratio (Consolidated) | Rate of total dividend to net assets (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Year ended Dec. 2017 | - | 0.00 | - | 21.00 | 21.00 | 834 | 18.8 | 2.4 |
| Year ended Dec. 2018 | - | 0.00 | - | 22.00 | 22.00 | 873 | 19.8 | 2.3 |
| Year ending Dec. 2019 (forecast) | - | 0.00 | - | 23.00 | 23.00 | | 19.0 | |

### 3. Forecast of consolidated business results for the fiscal year ending December 2019 (January 1, 2019 through December 31, 2019)

(% change from the previous year)

| | 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 |
| For the six months ending Jun. 2019 | 124,000 | 60.7 | 4,800 | 105.3 | 4,500 | 101.5 | 2,600 | 112.8 | 65.46 |
| Year ending Dec. 2019 | 250,000 | 22.8 | 9,000 | 9.2 | 8,400 | 10.4 | 4,800 | 8.9 | 120.85 |

***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) Changes in accounting policies, accounting estimates and restatement
①Changes in accounting policies associated with revision of accounting standards: : None
②Changes in accounting policies other than ① : None
③Changes in accounting estimates : None
④Restatement : None

(3) Shares outstanding (common stock)
① Number of shares outstanding at the end of period (treasury stock included)
As of December 2018 39,718,200 shares
As of December 2017 39,718,200 shares
② Treasury stock at the end of period:
As of December 2018 512 shares
As of December 2017 472 shares
③ Average number of stock during period (cumulative period)
Year ended December 2018 39,717,717 shares
Year ended December 2017 39,717,774 shares

**(Reference) Summary of non-consolidated business results**

**1. Non-consolidated business results for the fiscal year ended December 2018 (January 1, 2018 through December 31, 2018)**

(1) Non-consolidated results of operations (% change from the previous corresponding period)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Year ended Dec. 2018 | 6,464 | 14.9 | 3,700 | 20.3 | 3,185 | 15.0 | 3,312 | 115.9 |
| Year ended Dec. 2017 | 5,626 | 12.6 | 3,076 | 27.1 | 2,770 | 28.0 | 1,534 | -29.0 |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| Year ended Dec. 2018 | 83.41 | — |
| Year ended Dec. 2017 | 38.64 | — |

(2) Non-consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of Dec. 2018 | 94,053 | 12,026 | 12.8 | 302.79 |
| As of Dec. 2017 | 69,481 | 9,495 | 13.7 | 239.08 |

(Reference) Shareholders' equity:
As of December 2018 : 2,026 million yen
As of December 2017 : 9,495 million yen

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

***Explanation regarding appropriate use of financial 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 promises about the achievements.Actual results may differ significantly from the forecasts due to various factors.
2. The company plans to hold financial briefing for institutional investors and analysts on February 19, 2019 (Tuesday). After the financial breifing, the company will promptly post the presentation materials on the company website.

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# 1. Summary of Operating Results

## (1) Summary of operating results for the current fiscal year

Consolidated results of the current fiscal year

In the current consolidated fiscal year (January 1, 2018 to December 31, 2018), the Japanese economy remained stable, supported by strong business activities accompanied by strong capital investment and a gradual recovery in personal consumption. However, concerns over the economic slowdown, such as rising costs due to shortages of labor and concerns over the future of the Chinese economy and trade friction, became increasingly wary.

In the logistics industry, the expansion of the e-commerce market and soaring transportation and delivery fees stimulated corporate restructuring of logistics functions, boosting demand for logistics solutions. On the other hand, personnel and vehicle-hire costs rose further, and fuel prices generally remained at high levels. As a result, the operating environment was harsh, with rising costs exerting pressure on incomes.

In this environment, the Group positioned this fiscal year, which marked the 30th anniversary of its founding in December 2017, as its second founding period. Under the Group slogan "For Your Dreams." the entire Group worked together to implement business activities that enable all stakeholders to realize their dreams through logistics.

In terms of business strategies, we worked to win orders for new 3PL and expand existing businesses by developing marketing activities utilizing PR magazines, websites, online advertising, and other media, as well as group-wide organizational sales activities. In addition, in unprofitable businesses, we made proposals to improve efficiency and negotiated rate revisions to improve profitability. To secure drivers and indoor workers, we endeavored to reduce the number of employees leaving the Company by providing flexible working styles and carefully responding to the work styles desired by each individual. In terms of initiatives to create synergies with Ricoh Logistics System Co., Ltd. (currently SBS RICOH LOGISTICS SYSTEM Co., Ltd.* on January 1, 2019, the same shall apply hereinafter), which joined the SBS Group in August, we have entered the stage of executing projects, including the integration of overseas offices and the organization of a nationwide distribution network.

In August, we acquired Ricoh Logistics System Co., Ltd. to intensify manufacturing logistic, nationwide distribution networks, LT (Logistics Technology), and overseas business. In terms of property management, the Company started operation in a newly constructed three-temperature logistics facility in Ami-cho, Inashiki-gun, Ibaraki Prefecture in May. In June, we acquired land for a 35,000 tsubo logistics facility in Seto, Noda City, Chiba Prefecture, and commenced construction work. In March 2019, we will complete construction of a logistics facility in Nanko, Suminoe-ku, Osaka City, with a total floor area of approximately 18,000 tsubo (61,000 sq. meters). In these ways, we worked to intensify the infrastructure of our 3PL business, where demand is increasing. In November, the Company recovered investment funds by transferring a portion of trust beneficiary rights of a distribution facility in Nagatsuta, Midori-ku, Yokohama City.

As a result, sales in the logistics business grew dramatically to 203,516 million yen, an increase of 50,645 million yen from the previous fiscal year (an increase of 33.1% from the previous fiscal year). Operating income increased 32.3%, or 2,011 million yen compared with the previous fiscal year, to 8,240 million yen. This was due to growth in existing businesses in the Logistics Business, the success of rate optimization and operational efficiency initiatives, and the securitization of large-scale logistics facilities in the Real Estate Development Business. Net income attributable to owners of parent was 4,409 million yen (down 0.8% year on year) due to an increase in income taxes and net income attributable to non-controlling shareholder’s equity.

② Overview of Segments

The results of operations by segment are as follows:

(Logistics business)

In the Logistics business, net sales increased 48,205 million yen, or 34.3% year on year, to 188,627 million yen. This was due to the inclusion of the results of Ricoh Logistics System Co., Ltd. in the scope of consolidation from the third quarter, as well as continued new orders in the 3PL business and expansion of existing businesses by existing group companies. Operating income increased 1,880 million yen or 69.8%, to 4,572 million yen. Despite increases in personnel, vehicle hire, and fuel cost, the steady realization of cost reduction initiatives and rate optimization contributed to the increase in operating income.

(Property management business)

Property management business posted net sales of 8,172 million yen (increased 42.2% year on year) and operating income of 3,913 million yen (increased 19.4%). The Rent business remained stable, and the development business transferred a portion of the trust beneficiary rights to the Nagatsuta Distribution Center, a distribution facility located in Midori-ku, Yokohama City. As a result, both net sales and operating income increased.

(Other business)

In the Other business, the segment posted net sales of 6,716 million yen (increased 0.2% year on year) and operating income of 273 million yen (decreased 33.7% year on year), a decrease of 139 million yen. This was mainly due to an increase in advertising expenses and recruitment-related expenses such as office relocation in the Human Resources business, which weighed down on profits.

③ Forecasts for the next fiscal year

With regard to the outlook for economic trends going forward, although we are supported by solid business results and personal consumption, there is increasing uncertainty in the international situation due to factors such as the slowdown in the economies of China and Europe and concerns about trade friction between the United States and China, and we expect that this may have an impact on the real economy. In the logistics industry, demand is expected to remain strong along with the sustained expansion of the e-commerce market, while labor shortages are becoming more severe. Therefore, we expect that it is necessary to simultaneously make capital investments to secure on-site personnel and conserve labor. In addition, if the economy is in a slowdown phase, the volume of cargo may fluctuate unstable, and we expect that we will be forced to steer hard.

In the Logistics business, we expect the expansion to continue in the future, as the results of the large-scale M&A conducted in the fiscal year under review will contribute to the full-year results, and we will continue to conduct existing and new proposal activities. Moreover, in addition to the expansion of the scale of the Group and the scope of its services, moves to propose solutions that cut across organizations are taking root, and we expect the acquisition of large-scale new business to increase. In terms of profits, we expect that the cost of sales will continue to rise as mentioned above, and we will continue to negotiate tariff revisions with proposals to improve the efficiency of our cost structure in order to achieve fair prices. As a result, we expect the results of the Logistics business to continue to see increases in sales and profits.

In our Property management business, we expect rent to decrease in conjunction with the sale of our logistic facilities. In the development business, we plan to sell the real estate at a level similar to that of the current fiscal year, and expect sales and operating income to decline slightly in the next fiscal year.

In light of these circumstances, in the fiscal year ending December 2019, the Group will work together to achieve net sales of 250.0 billion yen, operating income of 9.0 billion yen, ordinary income of 8.4 billion yen, and net income attributable to owners of the parent of 4.8 billion yen, with an increase in both sales and profits forecast as the Logistics business is expected to remain strong, despite a slight decrease in the Property management business.

<Business forecasts for the fiscal year ending December 2019>

| | | |
|---|---|---|
| Net sales | 250,000 million yen | (up 22.8% year on year) |
| Operating income | 9,000 million yen | (up 9.2% year on year) |
| Ordinary income | 8,400 million yen | (up 10.4% year on year) |
| Net income attributable to owners of parent | 4,800 million yen | (up 8.9% year on year) |

In a business environment where it is extremely difficult to predict, we will not limit our options for management strategies, but will focus on speeding up decision-making to overcome the fierce competitive environment. At the same time, we will aim to realize logistics services that contribute to the growth of our customers' businesses.

The current consolidated fiscal year is considered the second year of the SBS Group's founding, starting with a new 30-year period, and we were able to achieve consolidated net sales of 200 billion yen, which had been a dream since our founding. In the next fiscal year ending December 31, 2019, the Group will work together to reform distribution, with the keywords of " Marriage" among Group companies with abundant individuality, including SBS RICOH LOGISTICS SYSTEM Co., Ltd., which joined the Group as a new company.

(2) Summary of financial condition in the current fiscal year

① Financial position

Total assets at the end of the fiscal year under review were 172,355 million yen, an increase of 44,553 million yen from the end of the previous fiscal year. The major changes in assets, liabilities and net assets were as follows:

(Current assets)

The balance of current assets in the consolidated fiscal year under review was 62,871 million yen, an increase of 15,520 million yen from the previous consolidated fiscal year. This was mainly due to an increase in cash and deposits and notes and accounts receivable-trade resulting from the inclusion of subsidiaries in the scope of consolidation.

(Fixed assets)

The balance of non-current assets was 109,484 million yen, an increase of 29,032 million yen from the end of the previous fiscal year. This was mainly due to the acquisition of land and logistics facilities, the acquisition and replacement of vehicles, and an increase in goodwill resulting from the acquisition of shares of subsidiaries.

(Current liabilities)

The balance of current liabilities for the consolidated fiscal year under review was 58,501 million yen, an increase of 16,178 million yen from the previous consolidated fiscal year. This was mainly due to an increase in notes and accounts payable-trade accompanying the consolidation of subsidiaries and an increase in short-term loans payable.

(Non-current liabilities)

The balance of non-current liabilities in the consolidated fiscal year under review was 65,680 million yen, an increase of 18,712 million yen from the previous consolidated fiscal year. This was mainly due to increase in Long-term loan payable.

(Net assets)

Net assets increased 9,662 million yen from the previous fiscal year to 48,173 million yen due to an increase in retained earnings resulting from the recording of 4,409 million yen in net income attributable to owners of parent and a decrease of 834 million yen in dividends paid.

② Cash Flow

Cash and cash equivalents (hereinafter referred to as "cash") increased by 4,768 million yen to 16,303 million yen. The main reasons for the changes in each cash flow are as follows.

Cash flows from operating activities

Net cash provided by operating activities was 12,398 million yen. In addition to income before income taxes and minority interests of 7,467 million yen and depreciation and amortization of 5,536 million yen, inventories decreased by 2,894 million yen, resulting in an increase of 727 million yen from the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities was 22,433 million yen, an increase of 14,306 million yen from the previous fiscal year. This was mainly due to the acquisition of land for logistics facilities, construction work and the replacement of vehicles amounting to 11,068 million yen for the purchase of property, plant and equipment and intangible assets, and the purchase of shares of subsidiaries resulting in changes in the scope of consolidation due to M&As amounting to 11,100 million yen.

Cash flows from financing activities

Net cash provided by financing activities increased 16,235 million yen from the previous fiscal year to 14,815 million yen. This was mainly due to proceeds from long-term loans payable of 25,000 million yen, repayments of long-term loans payable of 9,484 million yen, and cash dividends paid of 834 million yen.

(Reference) Cash flow indicators

| | FY12/14 | FY12/15 | FY12/16 | FY12/17 | FY12/18 |
|---|---|---|---|---|---|
| Shareholders' equity ratio (%) | 24.3 | 22.5 | 26.6 | 28.5 | 23.1 |
| Equity ratio based on market value (%) | 30.0 | 30.1 | 26.5 | 35.1 | 32.7 |
| Interest-bearing debt to cash flow ratio (years) | 9.4 | 7.8 | 4.8 | 4.9 | 6.1 |
| Interest coverage ratio (times) | 11.5 | 9.9 | 26.1 | 25.6 | 21.2 |

(NOTE)

1. Calculation methods for each indicator are as follows.
   - Equity ratio : Equity capital/Total assets
   - Shareholders' Equity Ratio at market value : Market capitalization / Total assets
   - Interest-bearing debt to cash flow ratio : Interest-bearing debt / Cash flow
   - Interest coverage ratio : Cash flows/Interest payments
2. Each indicator is calculated based on consolidated financial figures.
3. Total market capitalization was computed based on the closing stock price at period-end multiplied by number of outstanding shares at period-end (after deducting treasury stock).
4. Cash are used for cash flows from operating activities.
5. Interest-bearing debt includes all liabilities on the consolidated balance sheet for which interest is paid.
6. Interest payments are the amount of interest paid in the consolidated statements of cash flows.

(3) Basic profit-appropriation policy and dividends for the current and next fiscal years

The Company considers the return of profits to shareholders to be one of its most important management priorities. The Company's basic policy on the distribution of profits is to retain sufficient internal reserves to build a stronger management foundation, maintain continuous dividends, and improve the level of dividends in line with business performance.

In light of our business performance, we plan to increase the year-end dividend by 1 yen per share from the forecast of 21 yen per share. For details, please refer to "Notice of Dividend from Retained Earnings from the Fiscal Year Ending December 2018 (Dividend Increase)" announced on February 13, 2019.

For the next fiscal year and the fiscal year ending December 2019, the Company plans to pay a year-end dividend of 23 yen per share.

(4) Business risks, etc.

We believe that the following risks could affect our results of operations, stock price and financial condition. Recognizing the possibility of these risks occurring, the Group will make maximum efforts to avoid them and respond to them should they arise.

Forward-looking statements in this section are based on judgments made by the Group as of the end of the fiscal year under review.

① Risks Associated with Economic Effects

Our business may be affected by domestic and international economic, economic and customer demand for transportation. The Group's business performance and financial position could be affected by a slump in consumption caused by a substantial decrease in the domestic economy, or a decline in import and export volumes caused by an extreme appreciation of the yen or a serious downturn in the overseas economy.

② Risks Related to Changes in the Legal System

The Group is subject to a variety of laws and regulations, including the Trucking, Warehousing, Customs in the Logistics Business, and the Building Standards Act and the Financial Instruments and Exchange Act in the Property management business, and the Worker Dispatching Act in the Human Resources Business. Changes in social conditions may lead to amendments, strengthens, or changes in interpretations of these laws and regulations. The Group's management is based on compliance with various laws and regulations. However, the Group's performance and financial position may be affected if new burdens are expected to arise or if changes are required to be made to its business development.

③ Risks Associated with Rising Crude Oil Prices

The use of fuels such as diesel oil and gasoline is essential for the Group's logistics business. However, if fuel prices rise due to the worldwide surge in crude oil prices and the impact of exchange rates, there is a possibility of cost increases. The Group prepares budgets that incorporate a certain degree of price fluctuation while closely monitoring market trends. However, in the event that prices increase more than anticipated or the Group is unable to pass on a substantial increase in costs to freight rates, the Group's business performance and financial position may be affected.

④ Risks Related to Customer Information Management

The Group's business handles a large amount of customer information, including personal information. The Group has established a Code of Business Ethics and Rules for the Management of Personal Information to ensure the appropriate management of customer information and personal information. However, in the event of a loss of customer information or data, the Group's business performance and financial position could be affected.

⑤ Risks Related to Interest Rate Fluctuations

As important growth strategies, we will undertake M&A activities and develop logistics facilities to promote our 3PL business. The funds required for these activities are primarily dependent on borrowings from financial institutions. Interest-bearing debt is repaid through the securitization of logistics facilities and operating cash flows, while we take measures such as fixing interest rates. Nevertheless, there is a possibility that the Group's business performance and financial position may be affected depending on trends in monetary policy.

⑥ Risks Related to Concentration of Business Areas

The Tokyo metropolitan area is the center of Japan's economy, and its industrial and consumer activities are concentrated. The metropolitan area is attractive as a large-scale logistics market, and it is an important distribution center in Japan and overseas. The Group's management strategy is to enjoy this vigorous demand for logistics, and as a result, distribution centers are inevitably concentrated in the Tokyo metropolitan area. In the event of a large-scale disaster or other incident occurring in the Tokyo metropolitan area, it may become difficult to continue operations due to damage to cargo owners or our facilities, disruption or shutdown of transportation networks, or the shutdown of lifelines, which could affect the business results and financial condition of the Group.

⑦ Risks Related to the Property Management Business

The Group develops and sells logistics facilities as part of its Property management business. In the development of new logistics facilities, the Group is premised on securing customers, whether for lease or sale, and starts construction after deciding the shipper or customer to be occupied and clarifying the purpose, specifications, rent, and rental period. However, the timing of orders received, the scale and specifications of logistics facilities, the timing of completion, and the timing of sales may cause sales and profits to be skewed toward a certain period of sale, or there may be delays, which may affect the Group's business performance and financial position.

⑧ Risks Related to the Disasters, etc.

The main business of the Group is the transportation by truck and the operation of distribution centers. However, in the event of a large-scale disaster or other such event, it may become difficult for the Group to continue operations due to damage to cargo owners and our facilities, disruption or interruption of transportation networks, or the shutdown of lifelines, which could affect the Group's business results and financial condition.

⑨ Risks Related to a Serious Accident

Since the Group uses trucks and other public roads to transport the products and products of its customers, if a serious accident were to occur that would result in the loss of a large number of lives, the Group's business performance and financial position could be affected by lawsuits from victims, a decline in customer trust and social credibility, the suspension of vehicle use, and administrative sanctions imposed on the suspension of operations.

⑩ Risks Related to System Failure

Our group uses computers and networks ranging from business systems, such as the management of customer cargo information, warehouse management and customs clearance, to internal systems, such as accounting and personnel and payroll systems. If these systems were to be shutdown as a result of failures, viruses, hacking, natural disasters or other factors, the Group's performance and financial condition could be affected by disruptions in the provision of services to customers and business partners, delays in or disruptions in the processing of operations.

⑪ Risks Related to M & A

As part of our business strategy, we undertake M&A, equity participation, and capital alliances to expand the scale of our existing businesses and enter new business fields. In the event that the progress of business plans following acquisitions and alliances is significantly delayed compared to initial forecasts, the Group's business performance and financial position may be affected.

⑫ Risks Related to International Expansion

The Group engages in overseas business development in order to continue to grow in the future. However, changes in economic conditions and economic downturns in the regions in which it operates, exchange rate fluctuations, changes in politics or laws and regulations, terrorist attacks, wars, outbreaks of diseases, and other factors could cause social disruptions, which could affect the Group's business results and financial condition.

## 2. Group Companies

During the fiscal year under review, there were no significant changes in the business activities of the Group (we and our affiliated companies).

(Status of the Corporate Group)

As a holding company, 25 subsidiaries and 1 affiliated company* belonging to the scope of consolidation of the Group mutually cooperate to operate the logistics business, property management business, and other businesses. The following is an overview of these activities in relation to reportable segments. In the fiscal year under review, Ricoh Logistics System Co., Ltd., which acquired new shares, and its nine subsidiaries were included in the scope of consolidation. SBS Logicom Kita Kanto Co., Ltd. was excluded from the scope of consolidation due to the merger of SBS Logicom Minami Kanto Co., Ltd. as the surviving company. SBS Logicom Minami Kanto Co., Ltd. was renamed as SBS Logicom Kanto Co., Ltd.

The Chart described below included non-consolidated entity(*)

The name of affiliate accounted for the equity method is Zero Corp

## Customers

| Logistic business | Property Management business | Other business |
|---|---|---|
| Hybrid Transportation on truck and railroad, Temperature controlled logistics, Worldwide transportation, Logistic Center Operation, Destribution processing, Immediate delivery , 3PL, Logistic consultation, and relating business | Rent business:<br>The business of renting owned logistics facilities, office buildings, residences and other properties<br>Development business:<br>The business of selling (liquidating) logistics facilities we have developed to funds and institutional investors | Human resources, Interim waste management, Web marketing, Solar power generation, |
| Subsidiaries<br>Ricoh Logistics<br>Sanai Ricoh Logistics<br>(6 regional entities)<br>SBS Logicom<br>SBS Freight Service<br>Nippon Record Center<br>SBS Global Network<br>SBS Logicom Kanto<br>SBS GF *<br>SBS Flec<br>SBS Flecnet<br>SBS Zentsu<br>SBS Sokuhai Support<br>SBS Finance<br><br>Overseas Subsidiaries → | Subsidiaries<br>SBS Logicom<br>SBS Asset Management<br>LMAX | Subsidiaries<br>SBS Logicom<br>SBS Staff<br>SBS Sokuhai Support<br>SBS Finance<br>Marketing Partner *<br>Global Pet Nutrition * |

USA
RICOH LOGISTICS CORP.
China
(HK)
RICOH INTERNATIONAL. LOGISTICS LTD
SBS Logistics Holdings Hong Kong *
SBS Logistics Hong Kong *
(Shenzen)
理光国際貨運代理（深圳）有限公司
(Shanghai)
上海慶亜留塑料加工有限公司 *
Philippine
SBS Logistics Philippines, Inc. *
Singapore
SBS Logistics Singapore Pte., Ltd
Thailand
SBS Logistics (Thailand) Co., Ltd. *
TAS Logistics Co., Ltd *
Manaysia
SBS Total Logistics Malaysia Sdn. Bhd *
Vietnam
SBS Vietnam Co., Ltd *

## SBS Holdings Inc.

(NOTE) In January 2019, the following consolidated subsidiaries changed their names:

| (Before change) | (After change) |
|---|---|
| Ricoh Logistics System Co., Ltd. | SBS RICOH LOGISTICS SYSTEM Co., Ltd. |
| SAN-AI LOGISTICS CO., LTD. (East) | SBS SAN-AI LOGISTICS HIGASHINIHON CO., LTD |
| SAN-AI LOGISTICS CO., LTD. (Kanto) | SBS SAN-AI LOGISTICS KANTO CO., LTD. |
| SAN-AI LOGISTICS CO., LTD. (Tokyo) | SBS SAN-AI LOGISTICS TOKYO CO., LTD. |
| SAN-AI LOGISTICS CO., LTD. [Chubu] | SBS SAN-AI LOGISTICS CHUBU CO., LTD. |
| SAN-AI LOGISTICS CO., LTD. [Kansai] | SBS SAN-AI LOGISTICS KANSAI CO., LTD. |
| SAN-AI LOGISTICS CO., LTD. (Kyushu) | SBS SAN-AI LOGISTICS KYUSHU CO., LTD |

## 3. Basic Policies regarding the Selection of Accounting Standards

Our policy for the time being is to prepare our consolidated financial statements in accordance with Japanese GAAP, taking into account the comparability of consolidated financial statements among periods and among companies.

With regard to the application of International Financial Reporting Standards, the Group's policy is to respond appropriately in consideration of various circumstances in Japan and overseas.

## 4. Consolidated Financial Statements and Major Notes

### (1) Consolidated Balance Sheet

(Millions of yen)

| | Previous fiscal year (As of Dec. 31, 2017) | Current Fiscal Year (Dec. 31, 2018) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 11,539 | 16,310 |
| Notes and accounts receivable | 19,672 | 31,807 |
| Lease receivables and investment assets | 1,233 | 1,089 |
| Inventories | 11,226 | 8,221 |
| Deferred tax assets | 552 | 895 |
| Other | 3,184 | 4,583 |
| Allowance for doubtful accounts | -58 | -36 |
| Total current assets | 47,350 | 62,871 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 37,463 | 47,250 |
| Accumulated depreciation and impairment loss | -20,290 | -25,782 |
| Buildings and structures, net | 17,173 | 21,468 |
| Machinery and equipment and vehicles | 21,635 | 24,699 |
| Accumulated depreciation and impairment loss | -11,786 | -13,253 |
| Machinery, equipment and vehicles, net | 9,849 | 11,445 |
| Land | 34,758 | 41,634 |
| Leased asset | 2,740 | 5,971 |
| Accumulated depreciation and impairment loss | -1,625 | -3,458 |
| Lease assets, net | 1,115 | 2,512 |
| Construction in progress | 4,922 | 6,633 |
| Other | 4,286 | 5,799 |
| Accumulated depreciation and impairment loss | -3,029 | -4,119 |
| Other, net | 1,256 | 1,680 |
| Total intangible fixed assets | 69,076 | 85,373 |
| Intangible assets | | |
| Goodwill | - | 5,739 |
| Other | 1,064 | 5,078 |
| Total intangible assets | 1,064 | 10,818 |
| Investments and other assets | | |
| Investment securities | 6,485 | 7,094 |
| Guarantee deposits | 2,696 | 4,443 |
| Other | 1,660 | 2,314 |
| Allowance for doubtful accounts | -531 | -559 |
| Total investment and other assets | 10,311 | 13,292 |
| Total noncurrent assets | 80,451 | 109,484 |
| Total assets | 127,802 | 172,355 |

(Millions of yen)

| | Previous fiscal year (As of Dec. 31, 2017) | Current Fiscal Year (Dec. 31, 2018) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 8,204 | 13,555 |
| Current portion of bonds payable | 160 | 80 |
| Short-term loan payable | 14,500 | 15,500 |
| Current portion of long-term loans payable | 8,881 | 9,887 |
| Accounts payable | 1,603 | 7,066 |
| Accrued expenses | 4,107 | 4,654 |
| Lease obligation | 463 | 683 |
| Income taxes payable | 501 | 1,939 |
| Consumption tax payable | 1,517 | 1,186 |
| Provision for bonuses | 778 | 1,390 |
| Other | 1,604 | 2,557 |
| Total current liabilities | 42,323 | 58,501 |
| Long-term liabilities | | |
| Corporate bonds | 80 | - |
| Long-term loan payable | 32,861 | 47,371 |
| Long-term guarantee received | 1,999 | 1,728 |
| Lease obligation | 768 | 2,257 |
| Obligations for retirement plan | 4,338 | 6,073 |
| Deferred tax liability | 4,993 | 6,065 |
| Asset retirement obligations | 1,332 | 1,320 |
| Other | 594 | 864 |
| Total long-term liabilities | 46,968 | 65,680 |
| Total liabilities | 89,291 | 124,182 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,920 | 3,920 |
| Capital surplus | 2,651 | 2,651 |
| Retained earnings | 29,175 | 32,750 |
| Treasury stock | -0 | -0 |
| Total shareholders' equity | 35,747 | 39,322 |
| Other accumulated comprehensive income | | |
| Valuation difference on securities | 879 | 744 |
| Foreign currency translation adjustments | -90 | -114 |
| Remeasurements of defined benefit plans | -135 | -193 |
| Total other accumulated comprehensive income | 653 | 436 |
| Non-controlling shareholders' equity | 2,109 | 8,414 |
| Total net assets | 38,510 | 48,173 |
| Total liabilities and net assets | 127,802 | 172,355 |

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income...

Consolidated statements of income

(Millions of yen)

| | Previous Fiscal Year (January 1, 2017 -December 31, 2017) | Current Fiscal Year (January 1, 2018 -December 31, 2018) |
|---|---|---|
| Net sales | 152,870 | 203,516 |
| Cost of sales | 136,856 | 182,165 |
| Gross profit | 16,013 | 21,351 |
| Selling, general and administrative expenses | 9,784 | 13,110 |
| Operating income | 6,229 | 8,240 |
| Non-operating income | | |
| Interest income | 17 | 26 |
| Dividends received | 67 | 41 |
| Equity in income of affiliates | 610 | 282 |
| Other | 169 | 156 |
| Total non-operating income | 864 | 505 |
| Non-operating expenses | | |
| Interest expenses | 461 | 590 |
| Provision for allowance Loss on litigation | - | 220 |
| Other | 157 | 327 |
| Total non-operating expenses | 618 | 1,138 |
| Ordinary income | 6,475 | 7,607 |
| Extraordinary income | | |
| Income on sales of noncurrent assets | 345 | 134 |
| Gain on sale of investment securities | 572 | - |
| Other | 38 | - |
| Total extraordinary income | 955 | 134 |
| Extraordinary loss | | |
| Loss on sales of noncurrent assets | 38 | 37 |
| Loss on retirement of noncurrent assets | 48 | 92 |
| Impairment loss | 139 | 97 |
| Loss on valuation of investment securities | 193 | - |
| Valuation loss on shares of affiliates | 215 | 46 |
| Loss on extinguishment of tie-in shares | 89 | - |
| Other | 70 | - |
| Total extraordinary loss | 794 | 274 |
| Income before income taxes | 6,636 | 7,467 |
| Income taxes | 1,483 | 2,912 |
| Income taxes-deferred | 566 | -221 |
| Total income tax | 2,050 | 2,691 |
| Net income | 4,586 | 4,775 |
| Net income attributable to non-controlling interests | 140 | 366 |
| Net current fiscal year attributable to owners of parent | 4,446 | 4,409 |

Consolidated statements of comprehensive income

(Millions of yen)

| | Previous Fiscal Year (January 1, 2017 -December 31, 2017) | Current Fiscal Year (January 1, 2018 -December 31, 2018) |
|---|---|---|
| Net income | 4,586 | 4,775 |
| Other comprehensive income | | |
| Valuation difference on securities | -10 | -185 |
| Foreign currency translation adjustments | 32 | -25 |
| Remeasurement of defined benefit plans | -76 | -25 |
| Share of other comprehensive income of companies accounted for by the equity-method | 170 | -45 |
| Total other comprehensive income | 115 | -281 |
| Comprehensive income | 4,702 | 4,494 |
| Breakdown | | |
| Comprehensive profit attributable to owners of the parent | 4,559 | 4,192 |
| Comprehensive income attributable to non-controlling interests | 142 | 301 |

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous 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 | 3,920 | 2,651 | 25,399 | -0 | 31,970 |
| Cumulative effect of changes in accounting policies | | | 5 | | 5 |
| Balance at the beginning of the current fiscal year reflecting changes in accounting policies | 3,920 | 2,651 | 25,404 | -0 | 31,976 |
| Changes in current fiscal year | | | | | |
| Dividend of surplus | | | -675 | | -675 |
| Net income attributable to owners of parent | | | 4,446 | | 4,446 |
| Purchase of treasury stock | | | | -0 | -0 |
| Changes in equity of the parent company in transactions with non-controlling interests | | 0 | | | 0 |
| Net changes other than shareholders' equity | | | | | |
| Total changes in current fiscal year | - | 0 | 3,770 | -0 | 3,771 |
| Closing balance | 3,920 | 2,651 | 29,175 | -0 | 35,747 |

| | Other accumulated comprehensive income | | | | Non-controlling shareholders' equity | Total net assets |
|---|---|---|---|---|---|---|
| | Other securities Variance from valuation | Translation Adjustment account | Remeasurements of retirement benefits | Total other comprehensive income | | |
| Opening balance | 823 | -140 | -143 | 540 | 2,022 | 34,533 |
| Cumulative effect of changes in accounting policies | | | | | | 5 |
| Balance at the beginning of the current fiscal year reflecting changes in accounting policies | 823 | -140 | -143 | 540 | 2,022 | 34,539 |
| Changes in current fiscal year | | | | | | |
| Dividend of surplus | | | | | | -675 |
| Net income attributable to owners of parent | | | | | | 4,446 |
| Purchase of treasury stock | | | | | | -0 |
| Changes in equity of the parent company in transactions with non-controlling interests | | | | | | 0 |
| Net changes other than shareholders' equity | 56 | 49 | 7 | 113 | 87 | 200 |
| Total changes in current fiscal year | 56 | 49 | 7 | 113 | 87 | 3,971 |
| Closing balance | 879 | -90 | -135 | 653 | 2,109 | 38,510 |

Current Fiscal Year (January 1, 2018 -December 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Opening balance | 3,920 | 2,651 | 29,175 | -0 | 35,747 |
| Changes in current fiscal year | | | | | |
| Dividend of surplus | | | -834 | | -834 |
| Net income attributable to owners of parent | | | 4,409 | | 4,409 |
| Purchase of treasury stock | | | | -0 | -0 |
| Net changes other than shareholders' equity | | | | | |
| Total changes in current fiscal year | - | - | 3,575 | -0 | 3,574 |
| Closing balance | 3,920 | 2,651 | 32,750 | -0 | 39,322 |

| | Other accumulated comprehensive income | | | | Non-controlling shareholders' equity | Total net assets |
|---|---|---|---|---|---|---|
| | Other securities Variance from valuation | Translation Adjustment account | Remeasurements of retirement benefits | Total other comprehensive income | | |
| Opening balance | 879 | -90 | -135 | 653 | 2,109 | 38,510 |
| Changes in current fiscal year | | | | | | |
| Dividend of surplus | | | | | | -834 |
| Net income attributable to owners of parent | | | | | | 4,409 |
| Purchase of treasury stock | | | | | | -0 |
| Net changes other than shareholders' equity | -134 | -24 | -57 | -216 | 6,304 | 6,087 |
| Total changes in current fiscal year | -134 | -24 | -57 | -216 | 6,304 | 9,662 |
| Closing balance | 744 | -114 | -193 | 436 | 8,414 | 48,173 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | Previous Fiscal Year (January 1, 2017 -December 31, 2017) | Current Fiscal Year (January 1, 2018 -December 31, 2018) |
|---|---|---|
| Consolidated Statements of Cash Flows | | |
| Income before income taxes | 6,636 | 7,467 |
| Depreciation and amortization | 4,581 | 5,536 |
| Impairment loss | 139 | 97 |
| Amortization of goodwill | 13 | 163 |
| Increase (decrease) in allowance for doubtful accounts | 32 | 26 |
| Increase (decrease) in accrued bonuses | 18 | -45 |
| (Decrease) increase in liability for retirement benefits | 184 | 281 |
| Interest and dividend income | -85 | -67 |
| Interest expenses | 461 | 590 |
| Share of profit (loss) of entities accounted for using equity method | -610 | -282 |
| Loss (gain) on sales of property, plant and equipment and intangible assets | -306 | -96 |
| Loss on retirement of tangible and intangible fixed assets | 48 | 92 |
| Loss (gain) on sales of investment securities | -571 | - |
| Loss (gain) on valuation of investment securities | 193 | - |
| Valuation loss on shares of affiliates | 215 | 46 |
| Loss (gain) on extinguishment of tie-in shares | 89 | - |
| Decrease (increase) in notes and accounts receivable-trade | -1,710 | -1,534 |
| (Increase) decrease in inventories | 1,010 | 2,894 |
| Increase (decrease) in notes and accounts payable-trade | 500 | 906 |
| Increase (decrease) in accrued consumption taxes | 570 | -476 |
| Other | 1,501 | -933 |
| Sub-total | 12,914 | 14,667 |
| Interest and dividend received | 274 | 183 |
| Interest expenses paid | -455 | -585 |
| Income taxes paid | -1,062 | -1,867 |
| Consolidated Statements of Cash Flows from operating activities | 11,671 | 12,398 |
| Cash flow from investing activities | | |
| Payment by tangible and intangible fix assets acquisition | -9,219 | -11,068 |
| Proceeds from sale of tangible and intangible fixed assets | 775 | 383 |
| Purchase of investment securities | -36 | -42 |
| Proceeds from sale of investment securities | 975 | - |
| Purchase of affiliated companies stock | -38 | - |
| Acquisition of newly consolidated subsidiaries | - | -11,100 |
| Payment on guarantee deposited | -475 | -311 |
| Collection of fixed leasehold deposits | 85 | 248 |
| Other | -193 | -542 |
| Cash flow from investing activities | -8,127 | -22,433 |

(Millions of yen)

| | Previous Fiscal Year (January 1, 2017 -December 31, 2017) | Current Fiscal Year (January 1, 2018 -December 31, 2018) |
|---|---|---|
| Cash flow from financing activities | | |
| Net increase (decrease) in short-term loans payable | - | 1,000 |
| Repayments of lease obligations | -599 | -660 |
| Proceeds from Long-term loan payable | 10,000 | 25,000 |
| Repayment of long-term loans payable | -9,930 | -9,484 |
| Redemption of bonds | -160 | -160 |
| Cash dividends paid | -675 | -834 |
| Dividends paid to non-controlling interests | -54 | -45 |
| Other | -0 | -0 |
| Cash flow from financing activities | -1,420 | 14,815 |
| Effect of exchange rate change on cash and cash equivalents | 5 | -11 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,128 | 4,768 |
| Balance of cash and cash equivalents at beginning of period | 9,383 | 11,534 |
| Increase in cash and cash equivalents due to merger with unconsolidated subsidiaries | 21 | - |
| Balance of cash and cash equivalents at year-end | 11,534 | 16,303 |

(5) Notes on the Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

Notes to consolidated financial statements

1 Scope of consolidation

(1) Number of consolidated subsidiaries: 25

Names of major consolidated subsidiaries are omitted because they are listed in "2. Status of the Corporate Group."

From the fiscal year under review, Ricoh Logistics System Co., Ltd., which newly acquired shares, and its nine subsidiaries have been included in the scope of consolidation. SBS Logicom Kitakanto Co., Ltd. was excluded from the scope of consolidation due to the merger of SBS Logicom Minami Kanto Co., Ltd. as the surviving company. SBS Logicom Minamikanto Co., Ltd. was renamed SBS Logicom Kanto Co., Ltd.

(2) Major non-consolidated subsidiary

Names of major non-consolidated subsidiaries are omitted because they are described in "2. Status of the Corporate Group."

(Reason for exclusion from the scope of consolidation)

All of the non-consolidated subsidiaries are small companies, and their total assets, net sales, net income (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest) do not have a significant impact on the consolidated financial statements. Therefore, they are excluded from the scope of consolidation.

2 Application of the equity method

(1) Number of affiliates accounted for by the equity method: 1

Zero Corp.

(2) Names of non-consolidated subsidiaries and affiliates not accounted for by the equity method

Major non-consolidated subsidiaries not accounted for by the equity method

This information is omitted because it is described in "2. Status of the Corporate Group."

Major affiliated companies not accounted for by the equity method

Okada Rikuyu Co., Ltd., Japan Music Data Co., Ltd., SBS Logistics (Thailand Co., Ltd., TAS Logistics Co., Ltd., Atlas Logistics Pvt. Ltd.

(Reason for not applying the equity method)

The effect on net income (amount corresponding to equity interest) and retained earnings (amount corresponding to equity interest), etc. is insignificant and is immaterial as a whole. Therefore, they are excluded from the application of the equity method.

(3) Zero Co., Ltd., an equity-method affiliate, has a fiscal year-end of June 30, and its consolidated financial statements are prepared on a provisional basis as of September 30. Significant intercompany transactions occurring between the consolidated balance sheet date and the consolidated balance sheet date are adjusted for consolidation.

3 Matters on the business year, etc. of Consolidated Subsidiary Companies

All consolidated subsidiaries have fiscal year-ends consistent with their fiscal year-ends.

4 Matters concerning accounting policies

(1) Valuation of principal assets

① Security

Other securities

With market value

Stated at fair value based on the market value at the balance sheet date. (Unrealized gains and losses are included in net assets. Cost of securities sold is determined by the moving-average method.)

Without market value

As determined by the moving average method

② Derivative

Stated at fair value.

For interest rate swaps that meet the requirements for special treatment, the Company adopts special treatment.

③ Inventories

Inventories held for sale in the ordinary course of business

Valuation is based on the cost method (the method of writing down the book value due to a decline in profitability).

Real estate for sale in process............................specific identification method

Real estate for sale.............................................specific identification method

Trust beneficial interest in real estate for sale... specific identification method

Merchandise and finished goods........................ First-in-First-Out

Raw materials and supplies................................ mainly most recent purchase method

(2) Depreciation and amortization of fixed assets

① Property, plant and equipment (excluding leased assets)

Mainly computed by the declining-balance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

Useful life for primary assets is as follows:

Buildings and structures 2 to 50 years

Machinery, equipment and vehicles 2 to 17 years

Tools, furniture and fixtures 2-20 years

② Intangible assets (excluding leased assets)

Software for internal use is depreciated using the straight-line method over its estimated useful life (up to five years), and other intangible assets are depreciated using the straight-line method.

③ Leased asset

Depreciation is computed by the straight-line method over the lease term with a residual value of zero (if there is a residual value guarantee, such amount).

(3) Reserves and Allowances

① Allowance for doubtful accounts

To calculate losses due to bad debt, the expected amount to be collected is accounted for based on the actual bad debt ratio for general credits and by examining specific credits individually to evaluate the possibility of collection.

② Provision for bonuses

In order to prepare for the payment of bonuses to employees, the Company and some of its consolidated subsidiaries provide for the estimated amount of future bonuses to be paid at the end of the fiscal year under review.

(4) Accounting method for retirement plan

① Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, certain consolidated subsidiaries use the benefit formula basis as the method of attributing expected retirement benefits to periods up to the end of the fiscal year under review.

② Amortization of actuarial gain or loss and prior service cost

Prior service cost is amortized as incurred by the straight-line method over a certain number of years (5 years and 15 years) within the average remaining service period of employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods (3 to 13 years) which are shorter than the average remaining years of service of the eligible employees.

③ Recruitment of simplified method for small enterprises, etc.

Certain consolidated subsidiaries apply a simplified method for calculating net defined benefit liability and retirement benefit expenses using the amount that would be required if all employees voluntarily terminated their employment at the end of the fiscal year as retirement benefit obligations.

(5) The standards for recognition of significant revenues and expenses

Accounting standard for profit from finance leases

The Methods recognize net sales and cost of sales upon receipt of lease payments.

(6) Significant hedge accounting method

① Hedge accounting method

Deferred hedge accounting is applied. Interest rate swaps that meet the criteria for special treatment are accounted for using the special method.

② Hedging instruments and hedged items

(Hedging instruments) Interest rate swaps

(Hedged) Interest on Loan payables

③ Hedging policy

The Company and its consolidated subsidiaries use interest rates to manage their exposures to fluctuations in market rates.

④ Hedging evaluation

For interest rate swaps, the Company evaluates the effectiveness of the cumulative changes in cash flows between the hedged items and the hedging instruments by comparing them on a semi-annual basis. However, evaluation of effectiveness is omitted for interest rate swaps which are accounted for under the special treatment.

(7) The amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over a reasonable amortization period of up to 20 years.

(8) Scope of funds in consolidated cash flow statement

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, deposits that can be withdrawn on demand, and short-term investments with a maturity of three months or less when purchased that are readily convertible to cash and are exposed to insignificant risk of changes in value.

(9) Other significant matters for preparing Consolidated Financial Statements

① Accounting for consumption tax

Consumption taxes are subject to the net of tax method.

② Consolidated tax return system

We and certain of our consolidated subsidiaries apply the consolidated taxation system.

(Change in Presentation Method)

(Consolidated Balance Sheet)

"Long-term loans receivable" under "Investments and other assets" which was presented separately in the previous fiscal year has been included in "Other" in the current fiscal year due to its immateriality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, "Long-term loans receivable" of 726 million yen and "Other" of 933 million yen, which were included in "Investments and other assets" in the consolidated balance sheet for the previous fiscal year, have been reclassified as "Other" of 1,660 million yen.

(Consolidated Statement of Cash Flows)

"Amortization of goodwill," which was included in "Other" under "Cash flows from operating activities" in the previous fiscal year, has been presented separately from the current fiscal year due to an increase in its significance. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 1,514 million yen in "Other" under "Cash flows from operating activities" in the consolidated statement of cash flows for the previous fiscal year has been reclassified as "Amortization of goodwill" of 13 million yen and "Other" of 1,501 million yen.

"Payments of loans receivable" and "Collection of loans receivable" under "Cash flows from investing activities" which were presented separately in the previous fiscal year have been included in "Other" in the current fiscal year due to their immateriality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statements of cash flows for the previous fiscal year, "Payments for loans receivable" included in "Cash flows from investing activities" of-70 million yen, "Proceeds from collection of loans receivable" of 37 million yen, and "Other" of-161 million yen have been reclassified into "Other" of-193 million yen.

(Segment Information)

Segmented information

1. The outline of any Reporting Segment

Our reportable segments are components of our group for which separate financial statements are available and which are subject to periodic review by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating performance.

Under our umbrella as a holding company, each operating company formulates strategies and conducts business activities as an independent management unit. However, we comprehensively and horizontally control and manage the core businesses of the Group. Therefore, the three reportable segments of the Group are the Logistics Business, the Property Management Business, and the Other Business.

The Logistics Business consists of truck transportation, rail transportation, low-temperature distribution, international logistics, logistics center operations, distribution processing, immediate delivery to companies, personal courier services, and other businesses. The 3PL business handles all of these businesses, logistics consulting, and businesses incidental to these businesses.

The Property Management Business is comprised of the business of leasing owned facilities for use in offices, homes, warehouses, etc., and the business of developing and selling logistics facilities.

"Other Businesses" consists of businesses such as human resources, environment, marketing and solar power generation.

2. Calculation method for net sales, income (loss), assets, and other items by reportable segment

The accounting methods for reportable business segments are generally the same as those described in "Significant Accounting Policies for the Preparation of Consolidated Financial Statements."

Income of reportable segments is based on operating income. Inter-segment profits and transfers are based on prevailing market prices.

3. Information on net sales, income or loss, assets and other items by reportable segment

Previous Fiscal Year (January 1, 2017 -December 31, 2017)

(Millions of yen)

| | Reportable Segments | | | | Adjusted Amount (Note1) | Amounts posted in consolidated income statement (Note2) |
|---|---|---|---|---|---|---|
| | Logistics business | Property management business | Other businesses | Total | | |
| Net sales | | | | | | |
| Sales to unaffiliated customers | 140,422 | 5,745 | 6,703 | 152,870 | - | 152,870 |
| Intersegment sales or transfers between segments | 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 |
| Amortization of goodwill | 13 | - | - | 13 | - | 13 |
| Impairment loss | 139 | - | - | 139 | - | 139 |
| Property, plant and equipment Intangible assets increase | 8,727 | 832 | 60 | 9,620 | -43 | 9,576 |

(NOTE) 1 Adjustments are as follows:

(1) The adjustment to segment income includes an elimination of inter-segment transactions of 40 million yen and a loss of 194 million yen related to indirect divisions of headquarters, etc. of the Company and certain consolidated subsidiaries that are not allocated to each reportable segment.

(2) The adjustment to segment assets includes an elimination of inter-segment transactions of -38,537 million yen and corporate assets of 47,504 million yen that are not allocated to any reportable segment. Corporate assets mainly consist of surplus operating funds (cash and deposits) of the Company and certain consolidated subsidiaries and assets of the Group's internal financial and administrative divisions.

(3) The adjustment to depreciation and amortization includes an elimination of inter-segment transactions of -0 million yen and depreciation and amortization of 64 million yen related to the indirect departments of the headquarters, etc. of the Company and certain consolidated subsidiaries that are not attributable to each reportable segment.

(4) The adjustment to increase in property, plant and equipment and intangible assets is an elimination of inter-segment transactions of -141 million yen and corporate assets of 98 million yen that are not allocated to each reportable segment.

2 Segment income is adjusted with operating income in the consolidated financial statements.

Current Fiscal Year (January 1, 2018 -December 31, 2018)

(Millions of yen)

| | Reportable Segments | | | | Adjusted Amount (Note1) Property management business | Amounts posted in consolidated income statement (Note2) Other businesses |
|---|---|---|---|---|---|---|
| | Logistics business | Property management business | Other businesses | Logistics business | | |
| Net sales | | | | | | |
| Sales to unaffiliated customers | 188,627 | 8,172 | 6,716 | 203,516 | - | 203,516 |
| Intersegment sales or transfers between segments | 530 | - | 223 | 754 | -754 | - |
| Total | 189,158 | 8,172 | 6,940 | 204,270 | -754 | 203,516 |
| Segment income | 4,572 | 3,913 | 273 | 8,760 | -519 | 8,240 |
| Segment assets | 128,540 | 33,232 | 4,262 | 166,036 | 6,319 | 172,355 |
| Other items | | | | | | |
| Depreciation and amortization | 4,676 | 471 | 308 | 5,456 | 79 | 5,536 |
| Amortization of goodwill | 163 | - | - | 163 | - | 163 |
| Impairment loss | 97 | - | - | 97 | - | 97 |
| Property, plant and equipment Intangible assets increase | 10,770 | 502 | 151 | 11,423 | 183 | 11,607 |

(NOTE) 1 Adjustments are as follows:

(1) The adjustment to segment income is an elimination of inter-segment transactions of 50 million yen and a loss of 570 million yen related to us that is not allocated to any reportable segment.

(2) The adjustment to segment assets includes an elimination of inter-segment transactions of -46,971 million yen and corporate assets of 53,291 million yen that are not allocated to any reportable segment. Corporate assets mainly consist of surplus operating funds (cash and deposits) and assets related to the Group's internal financial and administrative divisions.

(3) The adjustment to depreciation and amortization is an elimination of inter-segment transactions of minus 0 million yen and depreciation and amortization of 79 million yen that is not attributable to any reportable segment.

(4) The adjustment to increase in property, plant and equipment and intangible assets is 183 million yen in corporate assets that are not allocated to each reportable segment.

2 Segment income is adjusted with operating income in the consolidated financial statements.

(Per-stock Information)

| | Previous Fiscal Year<br>(Jan. 1, 2017)<br>-Dec. 31, 2017) | Current Fiscal Year<br>(From: Jan. 1, 2018<br>To Dec. 31, 2018) |
|---|---|---|
| Net assets per share | 916.50 yen | 1,001.05 yen |
| Net income per share | 111.94 yen | 111.01 yen |

(NOTE) Diluted net income per share is not presented because there are no potentially dilutive shares.
The basis for calculation of net income per 21 shares is as follows.

| | Previous Fiscal Year<br>(Jan. 1, 2017)<br>-Dec. 31, 2017) | Current Fiscal Year<br>(From: Jan. 1, 2018<br>To Dec. 31, 2018) |
|---|---|---|
| Profit attributable to owners of parent (million yen) | 4,446 | 4,409 |
| Amount not attributable to common shareholders (million yen) | - | - |
| Profit attributable to owners of parent related to common stock Millions of Yen | 4,446 | 4,409 |
| Average number of shares of common stock during the period (shares) | 39,717,774 | 39,717,717 |

(Significant subsequent events)

Not applicable.

## 5. Other

(1) Changes in management

① Change in the office of the representative director

Not applicable.

② Changes in Other Officers

Not applicable.

(2) Other

Not applicable.