

Summary of Business Results for the Second Quarter Ended June 30, 2019 [Japan GAAP] (Consolidated)

August 9, 2019

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 9, 2019 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the six months ended June 30, 2019 (January 1, 2019 through June 30, 2019)

(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. 2019	126,944	64.5	5,547	137.3	5,472	145.0	3,356	174.8
Six months ended Jun. 2018	77,178	7.5	2,337	34.1	2,233	8.6	1,221	-13.9

(Note) Comprehensive income

Six months ended June 2019 : 3,669 million yen (162.8 %)
 Six months ended June 2018 : 1,396 million yen (-15.5 %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Jun. 2019	84.51		-	
Six months ended Jun. 2018	30.76		-	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 2019	175,610	50,822	24.1
As of Dec. 2018	171,796	48,173	23.1

(Reference) Shareholders' equity:

As of June 2019 : 42,285 million yen
 As of December 2018 : 39,759 million yen

(Note) The Company has applied "Partial Revision of Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of the current fiscal year, and the figures for the fiscal year ended December 2018 have been retroactively applied.

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 2018	-	0.00	-	22.00	22.00
Year ending Dec. 2019	-	0.00	-	23.00	23.00
Year ending Dec. 2019(forecast)	-	-	-	23.00	23.00

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

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

(% 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.2019	250,000	22.8	9,000	9.2	8,400	10.4	4,800	8.9	120.85

(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) : 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 2019 39,718,200 shares
 - As of December 2018 39,718,200 shares
 - ② Treasury stock at the end of period
 - As of June 2019 534 shares
 - As of December 2018 512 shares
 - ③ Average number of stock during period (quarterly cumulative period)
 - Six months ended June 2019 39,717,672 shares
 - Six months ended June 2018 39,717,728 shares

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

***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 results briefing for institutional investors and analysts on August 9, 2019 (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, 2019 (January 1, 2019 to June 30, 2019), the business environment in the logistics industry remained firm on the whole, driven by the prevalence of trends in setting appropriate prices initiated by major home delivery companies and the steady trend in unit fuel prices compared to the previous year. On the other hand, labor shortages and especially severe shortages of drivers are causing opportunity losses and rising personnel costs in some areas, which are putting pressure on the business environment.

Against this backdrop, our logistics business performed well, particularly in 3PL. The consolidation of SBS RICOH LOGISTICS SYSTEM Co., Ltd., which joined the Group in August 2018, and the liquidation of logistics real estate scheduled for the current fiscal year, which resulted in the recording of revenue in the first quarter, showing a significant year- on-year increase in performance.

As a result, net sales were 126,944 million yen (up 64.5% YoY), operating income was 5,547 million yen (up 137.3%), ordinary income was 5,472 million yen (up 145.0%), and net income attributable to owners of parent was 3,356 million yen (up 174.8%).

The results of operations by segment are as follows:

(Logistics business)

In the Logistics business, while working to set appropriate price rates in existing businesses, we attracted new customers seeking high logistics functions, and steadily improve and stabilize logistics operations. Furthermore, in addition to aggressively responding to robust demand from BtoB and BtoC shippers in the same-day delivery business, earnings were firm as a result of increased volumes in response to the dramatic expansion of e-commerce. In addition, a multi-tenant Nanko Distribution Center (total floor space of 18,540 tsubo), which had been under construction in Suminoe-ku, Osaka, was completed in March and started its operation.

With the addition of SBS RICOH LOGISTICS SYSTEM Co., Ltd., net sales increased 61.5% year on year to 116,997 million yen and operating income increased 40.2% to 2,317 million yen.

The Company has been actively promoting the mutual use of warehouses and vehicles of SBS Group, the use of leasing and other Group company resources, and the consolidation and closure of domestic and overseas bases, as well as personnel exchanges. The Company's results for the second quarter under review are net sales of 37,032 million yen and operating income of 674 million yen. The amount of amortization of goodwill and other items is 306 million yen, applied separately.

(Property Management business)

The Property Management business consists of the Development and Leasing businesses. In the development business, to promote the Group's 3PL businesses, we are implementing a comprehensive large-scale warehouses that meet customers' logistics requirement, from land acquisitions to construction. The leasing business earns rental income from income-generating properties (warehouses, office buildings, residential properties, etc.) owned by the Group. We have liquidated our real estate properties and recovered funds for future investments; however, the revenues recorded as a result of the liquidation are included in the Real Estate segment.

Our Group's largest logistics center is planned to establish in Seto, Noda City, Chiba Prefecture, and we are ready to start construction by the end of this fiscal year after the construction of the land has been completed. In the current of logistics real estate, we sold a 30% interest in the Nagatsuta Distribution Center in the form of a trust beneficiary right, resulting in a significant increase in earnings. Net sales were 6,583 million yen (up 358.6% year on year) and operating income was 3,086 million yen (up 287.6%).

(Other business)

The main businesses of the Other business segment are the Temporary Staffing business, the Marketing business, and the Solar Power Generation business. Net sales were 3,362 million yen (up 1.6%) and operating income was 143 million yen (down 9.2%) mainly due to the impact of the slump in the Temporary staffing business.

(2) Financial Position

Total assets at the end of the second quarter amounted to 175,610 million yen, an increase of 3,813 million yen from the end of the previous fiscal year. Despite a decrease in inventories due to the sale of the Nagatsuta Logistic Center and a decrease in construction in progress due to the completion of the Nanko Distribution Center, fixed assets such as buildings related to the center and cash and deposits increased.

Liabilities were 124,787 million yen, an increase of 1,164 million yen from the end of the previous fiscal year. This was mainly due to an increase in short-term loans payable for working capital needs and a provision for bonuses.

Net assets increased by 2,649 million yen to 50,822 million yen. This was mainly due to the payment of dividends of 22 yen per share totaling 873 million yen despite the recording of 3,356 million yen in net income attributable to owners of parent.

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

Results at the end of the 2Q were steady. We have not revised the consolidated financial forecasts for the fiscal year ending December 2019 announced on February 13, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of Dec. 31, 2018)	Current Second Quarter (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	16,310	17,005
Notes and accounts receivable	31,807	32,012
Inventories	8,221	5,778
Other	5,672	5,857
Allowance for doubtful accounts	-36	-30
Total current assets	61,975	60,624
Fixed assets		
Property, plant and equipment		
Buildings and structures	47,250	55,256
Accumulated depreciation and impairment loss	-25,782	-26,617
Buildings and structures, net	21,468	28,638
Machinery, equipment and vehicles	24,699	25,601
Accumulated depreciation and impairment loss	-13,253	-13,898
Machinery, equipment and vehicles, net	11,445	11,702
Land	41,634	41,689
Leased asset	5,971	5,876
Accumulated depreciation and impairment loss	-3,458	-3,530
Leased assets, net	2,512	2,346
Construction in progress	6,633	3,049
Other	5,799	5,881
Accumulated depreciation and impairment loss	-4,119	-4,138
Other, net	1,680	1,743
Total property, plant and equipment	85,373	89,171
Intangible assets		
Goodwill	5,739	5,575
Other	5,078	4,877
Total intangible fixed assets	10,818	10,452
Investments and other assets		
Investments and other assets	14,188	15,884
Allowance for doubtful accounts	-559	-521
Total investments and other assets	13,629	15,362
Total fixed assets	109,821	114,986
Total assets	171,796	175,610

(Millions of yen)

	Previous fiscal year (As of Dec. 31, 2018)	Current Second Quarter (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,555	13,326
Electronically recorded obligations	-	3,663
Current portion of bonds	80	-
Short-term loan payable	15,500	18,800
Current portion of long-term loans payable	9,887	9,933
Income taxes payable	1,939	1,392
Provision for bonuses	1,390	1,547
Other	16,140	13,947
Total current liabilities	58,493	62,611
Long term liabilities		
Long-term loan payable	47,371	44,498
Obligations for retirement plan	6,073	6,003
Other	11,685	11,674
Total fixed liabilities	65,130	62,176
Total liabilities	123,623	124,787
Net assets		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	32,750	35,233
Treasury stock	-0	-0
Total shareholders' equity	39,322	41,805
Other accumulated comprehensive income		
Valuation difference on securities	744	775
Foreign currency translation adjustment	-114	-159
Remeasurements of defined benefit plans	-193	-135
Total other accumulated comprehensive income	436	480
Non-controlling shareholders' equity	8,414	8,536
Total net assets	48,173	50,822
Total liabilities and net assets	171,796	175,610

Quarterly Consolidated Statements of Income and Statements of Comprehensive Income

Quarterly Consolidated Statement of Income

Second Quarter

(Millions of yen)

	Previous Second Quarter (January 1, 2018 - June 30, 2018)	Current Second Quarter (January 1, 2019 - June 30, 2019)
Net sales	77,178	126,944
Cost of sales	69,648	113,480
Gross profit	7,530	13,463
Selling, general and administrative expenses	5,192	7,916
Operating income	2,337	5,547
Non-operating income		
Interest income	9	15
Dividends income	34	50
Equity in income of affiliates	160	166
Other	65	262
Total non-operating income	269	494
Non-operating expenses		
Interest expenses	227	340
Office relocation expenses	2	122
Other	143	106
Total non-operating expenses	373	570
Ordinary income	2,233	5,472
Extraordinary income		
Income on sales of noncurrent assets	59	65
Gain on sales of stock of affiliates	-	20
Total extraordinary income	59	85
Extraordinary loss		
Loss on sales of fixed assets	12	12
Loss on retirement of fixed assets	41	16
Other	3	-
Total extraordinary loss	57	28
Income before income taxes	2,235	5,528
Income taxes	932	2,068
Income taxes-deferred	-39	-115
Total income tax	893	1,953
Net income	1,342	3,574
Net income attributable to owners of non-controlling	120	218
Net income attributable to owners of parent	1,221	3,356

Quarterly Consolidated Statements of Comprehensive Income
 Second Quarter

(Millions of yen)

	Previous Second Quarter (January 1, 2018 - June 30, 2018)	Current Second Quarter (January 1, 2019 - June 30, 2019)
Net income	1,342	3,574
Other comprehensive income		
Valuation difference on securities	34	93
Foreign currency translation adjustment	-27	-60
Adjustments for retirement benefits	28	72
Share of other comprehensive income of companies accounted for by the equity-method	19	-10
Total other comprehensive income	53	94
Comprehensive income	1,396	3,669
Breakdown		
Comprehensive income attributable to owners of parent	1,276	3,400
Comprehensive income attributable to owners of non- controlling interests	120	268

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. Second quarter of the previous fiscal year (January 1, 2018 to June 30, 2018)

Information on net sales and profits or losses by reported segment

(Millions of yen)

	Reportable Segments				Adjusted amount (Note 1)	Amounts posted in quarterly consolidated income statement (Note 2)
	Logistics business	Property management business	Other businesses	Total		
Net sales						
Sales to unaffiliated 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 profit are 26 million yen for elimination of intersegment transactions and -296 million yen for profit and loss relating to the Company not allocated to each reportable segment.

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

II Second quarter of the current fiscal year (January 1, 2019 to June 30, 2019)

Information on net sales and profits or losses by reported segment

(Millions of yen)

	Reportable Segments				Adjusted amount (Note 1)	Amounts posted in quarterly consolidated income statement (Note 2)
	Logistics business	Property management business	Other businesses	Total		
Net sales						
Sales to unaffiliated customers	116,997	6,583	3,362	126,944	-	126,944
Intersegment sales or transfers between segments	201	48	195	444	-444	-
Total	117,199	6,631	3,558	127,389	-444	126,944
Segment income	2,317	3,086	143	5,548	-0	5,547

(NOTE) 1. Adjustments to segment profit are 28 million yen for elimination of intersegment transactions and -29 million yen for profit and loss relating to the Company not allocated to each reportable segment.

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