

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

November 12, 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: November 12, 2019 Expected starting date of dividend payment: -
 Preparation of quarterly supplementary financial document: None
 Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the nine months ended September 2019 (January 1, 2019 through September 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	%
Nine months ended Sep. 2019	190,754	40.2	7,801	119.5	7,778	126.4	4,727	155.9
Nine months ended Sep. 2018	136,018	21.5	3,554	-15.4	3,435	-22.7	1,847	-37.5

(Note) Comprehensive income

Nine months ended September 2019 : 5,233 million yen (144.3%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 2019	119.02	-
Nine months ended Sep. 2018	46.51	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep. 2019	178,028	52,387	24.5
As of Dec. 2018	171,796	48,173	23.1

(Reference) Shareholders' equity

As of September 2019 : 43,659 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	16.00	0.00	-	22.00	22.00
Year ending Dec. 2019	-	0.00	-	-	-
Year ending Dec. 2019(forecast)	-	-	-	28.00	28.00

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

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	255,000	25.3	9,800	18.9	9,500	24.9	5,700	29.3	143.51

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

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation) : Yes

Elimination: 1 Name of the company: Nippon Record Center Co. Ltd

(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 September 2019 39,718,200 shares

As of December 2018 39,718,200 shares

② Treasury stock at the end of period

As of September 2019 534 shares

As of December 2018 512 shares

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

Six months ended September 2019 39,717,670 shares

Six months ended September 2018 39,717,727 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**

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 September 30, 2019 (January 1, 2019 to September 30, 2019), the Group performance was positively impacted by a number of factors, including the penetration of moves by major delivery companies to optimize price rates, the stabilization of fuel prices compared with the previous year, and an increase in logistics volume due to a rush in demand prior to the consumption tax hike. On the other hand, changes in the overseas economic environment, such as trade friction between the United States and China, have affected the volume of exports and imports, and a shortage of manpower and a particularly serious shortage of drivers in Japan have led to opportunity losses and rising labor costs, putting pressure on the business environment.

Against this backdrop, our logistics business performed well, particularly in the existing 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 190,754 million yen (up 40.2% YoY), operating income was 7,801million yen (up 119.5%), ordinary income was 7,778 million yen (up 126.4%), and net income attributable to owners of parent was 4,727 million yen (up 155.9%).

The results of operations by segment are as follows:

(Logistics business)

In the Logistics business, we worked to optimize rates in existing businesses while continuing to work to attract new customers who require high logistics functions, and to steadily improve and stabilize logistics operations. We continued to focus on expanding transactions with existing customers. 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. The Nanko Distribution Center (total floor space of 18,540 tsubo), a large multi-tenant warehouse in Suminoe-ku in Osaka, has been steadily contributing to the business performance with almost no vacancy. On the other hand, there were some opportunity losses related to the chronic shortage of drivers in the transport sector.

As a result, net sales increased 38.4% year on year to 178,394 million yen and operating income increased 64.3% to 4,180 million yen.

SBS RICOH LOGISTICS SYSTEM Co., Ltd. is promoting the mutual use of the SBS Group's warehouses and vehicles, the use of Group corporate resources such as leasing, and the consolidation and closure of bases in Japan and overseas as well as personnel exchanges. In addition, the Group is preparing for business expansion by leasing new warehouses in Fukuoka and Nagoya. The Company's results for the third quarter under review are net sales of 55,478 million yen and operating income of 1,125 million yen. The amount of amortization of goodwill and other items is 459 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 7,193 million yen (up 232.5% year on year) and operating income was 3,423 million yen (up 182.5%).

(Other businesses)

The main operation of the Other business segment are the Temporary Staffing business, the Marketing business, and the Solar Power Generation business. Net sales were 5,166 million yen (up 3.7%) and operating income was 229 million yen (up 3.0%) mainly due to the impact of the slump in the Temporary staffing business.

(2) Financial Position

Total assets at the end of the third quarter amounted to 178,028 million yen, an increase of 6,231 million yen from the end of the previous fiscal year. Although inventories decreased due to the sale of the Nagatsuda Distribution Center, non-current assets and accounts receivable-trade increased in addition to buildings and other assets related to the completion of the Nanko Distribution Center.

Liabilities were 125,641 million yen, an increase of 2,018 million yen from the end of the previous fiscal year. This was mainly due to an increase in short-term loans payable.

Net assets increased by 4,213 million yen to 52,387 million yen. This was mainly due to the payment of dividends of 22 yen per share totaling 873 million yen despite the recording of 4,727 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 3Q were steady. The Company has revised its consolidated business forecasts for the fiscal year ending December 31, 2019, as the performance is expected to exceed the forecasts announced on February 13, 2019 due to the favorable performance of each Group company, although the initial forecasts were conservatively planned in light of the business environment.

For details, please refer to the "Notice Concerning Revisions to Forecast of Consolidated Financial Results and Dividend Forecast for the Fiscal Year Ending December 31, 2019" announced today.

(Millions of yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to owners of parent	Consolidated net income
Previous forecast (A)	250,000	9,000	8,400	4,800	120.85 yen
Revised forecast (B)	255,000	9,800	9,500	5,700	143.51 yen
Change (B-A)	5,000	800	1,100	900	-
Change ratio (%)	2.0	8.9	13.1	18.8	-
(Ref.) Previous consolidated results (FY12/18)	203,516	8,240	7,607	4,409	111.01 yen

<Reference> Basic Policy on Profit Distribution and Dividends for the Current Fiscal Year

We regard the return of profits to shareholders as one of the Company's most important management policies, and the basic policy on the distribution of profits is to enhance internal reserves to build a more robust management foundation, and to maintain continuous dividend payments and to raise the level of dividends in line with business performance.

In the current fiscal year, given the solid performance of the logistics businesses of the main Group companies, including SBS RICOH LOGISTICS SYSTEM Co., Ltd., the Company will pay a year-end dividend of 28 yen per share, an increase of 5 yen from the planned year-end dividend of 23 yen per share.

*The above business forecasts and dividends are based on information available as of the date of announcement of this document. Actual results may differ from forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of Dec. 31, 2018)	Current Third Quarter (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	16,310	16,423
Notes and accounts receivable	31,807	33,275
Inventories	8,221	5,777
Other	5,672	6,659
Allowance for doubtful accounts	-36	-33
Total current assets	61,975	62,101
Fixed assets		
Property, plant and equipment		
Buildings and structures	47,250	55,436
Accumulated depreciation and impairment loss	-25,782	-26,972
Buildings and structures, net	21,468	28,463
Machinery, equipment and vehicles	24,699	26,357
Accumulated depreciation and impairment loss	-13,253	-14,274
Machinery, equipment and vehicles, net	11,445	12,083
Land	41,634	41,779
Leased asset	5,971	5,914
Accumulated depreciation and impairment loss	-3,458	-3,529
Leased assets, net	2,512	2,385
Construction in progress	6,633	3,425
Other	5,799	5,951
Accumulated depreciation and impairment loss	-4,119	-4,197
Other, net	1,680	1,754
Total property, plant and equipment	85,373	89,890
Intangible assets		
Goodwill	5,739	5,493
Other	5,078	4,971
Total intangible fixed assets	10,818	10,465
Investments and other assets		
Investments and other assets	14,188	16,088
Allowance for doubtful accounts	-559	-517
Total investments and other assets	13,629	15,571
Total fixed assets	109,821	115,926
Total assets	171,796	178,028

(Millions of yen)

	Previous fiscal year (As of Dec. 31, 2018)	Current Third Quarter (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	13,555	13,693
Electronically recorded obligations	-	4,533
Current portion of bonds	80	-
Short-term borrowings	15,500	18,300
Current portion of long-term loans payable	9,887	10,084
Income taxes payable	1,939	1,284
Provision for bonuses	1,390	3,035
Other	16,140	10,055
Total current liabilities	58,493	60,986
Long-term liabilities		
Long-term loan payable	47,371	46,928
Obligations for retirement plan	6,073	6,045
Other	11,685	11,682
Total long-term liabilities	65,130	64,655
Total liabilities	123,623	125,641
Net assets		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	32,750	36,604
Treasury stock	-0	-0
Total shareholders' equity	39,322	43,176
Other accumulated comprehensive income		
Valuation difference on securities	744	763
Foreign currency translation adjustment	-114	-171
Remeasurements of defined benefit plans	-193	-108
Total other accumulated comprehensive income	436	483
Non-controlling shareholders' equity	8,414	8,727
Total net assets	48,173	52,387
Total liabilities and net assets	171,796	178,028

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

Quarterly Consolidated Statement of Income

Third Quarter

(Millions of yen)

	Previous Third Quarter (Jan. 1, 2018- Sep. 30, 2018)	Current Third Quarter (Jan. 1, 2019- Sep. 30, 2019)
Net sales	136,018	190,754
Cost of sales	123,326	171,147
Gross profit	12,692	19,606
Selling, general and administrative expenses	9,137	11,805
Operating income	3,554	7,801
Non-operating income		
Interest income	18	27
Dividends income	36	54
Equity in income of affiliates	300	335
Other	127	344
Total non-operating income	483	763
Non-operating expenses		
Interest expenses	397	507
Other	204	279
Total non-operating expenses	602	786
Ordinary income	3,435	7,778
Extraordinary income		
Income on sales of noncurrent assets	106	92
Gain on sales of stock of affiliates	-	20
Total extraordinary income	106	112
Extraordinary loss		
Loss on sales of fixed assets	17	22
Loss on retirement of fixed assets	71	102
Total extraordinary loss	89	125
Income before income taxes	3,453	7,764
Income taxes	1,876	3,018
Income taxes-deferred	-467	-384
Total income tax	1,408	2,633
Net income	2,044	5,131
Net income attributable to owners of non-controlling shareholders	197	404
Net income attributable to owners of parent	1,847	4,727

Quarterly Consolidated Statements of Comprehensive Income
Third Quarter

(Millions of yen)

	Previous Third Quarter (Jan. 1, 2018 - Sep. 30, 2018)	Current Third Quarter (Jan. 1, 2019 - Sep. 30, 2019)
Net income	2,044	5,131
Other comprehensive income		
Valuation difference on securities	37	87
Foreign currency translation adjustment	28	-79
Adjustments for retirement benefits	52	108
Share of other comprehensive income of companies accounted for by the equity-method	-21	-14
Total other comprehensive income	97	101
Comprehensive income	2,141	5,233
Breakdown		
Comprehensive income attributable to owners of parent	1,929	4,773
Comprehensive income attributable to owners of non- controlling interests	212	459

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. Third quarter of the previous fiscal year (January 1, 2018 to September 30, 2018)

Information on net sales and profits or losses by reported segment

(Millions of yen)

	Reportable Segments				Adjusted amount (Note1)	Amounts posted in quarterly consolidated income statement (Note 2)
	Logistics business	Property management business	Other businesses	Total		
Net sales						
Sales to unaffiliated 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 profit are 37 million yen for elimination of intersegment transactions and -461 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. Third quarter of the current fiscal year (January 1, 2019 to September 30, 2019)

Information on net sales and profits or losses by reported segment

(Millions of yen)

	Reportable Segments				Adjusted amount (Note1)	Amounts posted in quarterly consolidated income statement (Note 2)
	Logistics business	Property management business	Other businesses	Total		
Net sales						
Sales to unaffiliated customers	178,394	7,193	5,166	190,754	-	190,754
Intersegment sales or transfers between segments	304	72	295	672	-672	-
Total	178,698	7,265	5,462	191,426	-672	190,754
Segment income	4,180	3,423	229	7,833	-32	7,801

(NOTE) 1. Adjustments to segment profit are 38 million yen for elimination of intersegment transactions and -70 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.