

Summary of Business Results for the First Quarter Ended March 31, 2020 [Japan GAAP] (Consolidated)

May 15, 2020

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 filing of quarterly report	: May 15, 2020	
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 three months ended March 2020 (January 1, 2020 through March 31, 2020)

(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	%
Three months ended Mar. 2020	68,809	6.5	5,079	32.4	5,064	35.8	3,073	36.2
Three months ended Mar. 2019	64,628	73.7	3,837	320.3	3,729	339.7	2,256	345.1

(Note) Comprehensive income

Three months ended March 2020: 2,971 million yen (17.5%)

Three months ended March 2019: 2,529 million yen (359.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 2020	77.38	-
Three months ended Mar. 2019	56.80	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Mar. 2020	188,752	55,694	24.8
As of Dec. 2019	180,047	54,077	25.1

(Reference) Shareholders' equity

As of Mar. 2020: 46,763 million yen

As of Dec. 2019: 45,128 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 2019	-	0.00	-	30.00	30.00
Year ending Dec. 2020	-	-	-	-	-
Year ending Dec. 2020 (forecast)	-	0.00	-	32.00	32.00

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

3. Forecast of consolidated business results for the fiscal year ending December 2020 (January 1, 2020 through December 31, 2020)

(% 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
For the six months ending Jun. 2020	132,000	4.0	6,400	15.4	6,300	15.1	3,800	13.2	95.68
Year ending Dec. 2020	265,000	3.7	11,200	10.1	11,000	8.1	6,500	6.9	163.66

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

It is difficult to reasonably calculate the impact of the expansion of the new coronavirus (COVID-19) infectious on the Company's consolidated performance at this time. Therefore, the Company remains unchanged its consolidated business forecasts for the first half and full fiscal.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) 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 |

(4) Shares outstanding (common stock)

- | | |
|--|-------------------|
| ①Number of shares outstanding at the end of period (treasury stock included) | |
| As of March 2020 | 39,718,200 shares |
| As of December 2019 | 39,718,200 shares |
| ②Treasury stock at the end of period | |
| As of March 2020 | 575 shares |
| As of December 2019 | 575 shares |
| ③Average number of stock during period (quarterly cumulative period) | |
| Three months ended March 2020 | 39,717,625 shares |
| Three months ended March 2019 | 39,717,679 shares |

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

***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 three months ended March 31, 2020 (January 1, 2020 to March 31, 2020), the business environment was generally strong, with increased demand for logistics due to the expansion of the e-commerce markets and a more stable fuel unit price compared to last year. On the other hand, in the latter half of the quarter, the curbing of global economic activity and the decline in imports and exports due to the spread of the new coronavirus (COVID-19), are causing a deterioration in business confidence, which is having an impact on the volume of logistics handled.

Against this backdrop, our logistics business performed well, particularly in 3PL. In addition, the liquidation of logistics real estate scheduled for the current fiscal year, which resulted in the recording of revenue in the first quarter, showed a year-on-year increase in performance.

As a result, net sales were 68,809 million yen (up 6.5% YoY), operating income was 5,079 million yen (up 32.4%), ordinary income was 5,064 million yen (up 35.8%), and net income attributable to owners of parent was 3,073 million yen (up 36.2%).

The results of operations by segment are as follows:

(Logistics business)

In the Logistics business, while promoting initiatives to optimize shipping rates, we focused on acquiring new customers who require high logistics functions and expanding transactions with existing customers. As for the BtoB and BtoC services in the same-day delivery business, we captured demand for electronic commerce (e-commerce), a remarkably growing market. Supported by the growth in demand for consumer cooperative delivery, food distribution and so forth, net sales were 59,345 million yen (up 4.1% YoY) and operating income was 1,392 million yen (up 21.8%), both up from the same period last year.

(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 comprehensively developing 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. The revenues recorded as a result of the liquidation are included in the Real Estate segment.

With regard to the liquidation of real estate, we transferred our 40% stake in the Nagatsuta Distribution Center in the first quarter of the current fiscal year in the form of a trust beneficiary interest, and compared to the transfer of our 30% stake in the distribution center in the same period of the previous fiscal year, this transfer has led to an increase in sales and profit.

Net sales were 7,721 million yen (up 29.4% YoY) and operating income was 3,615 million yen (up 30.6%).

(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 1,742 million yen (up 5.9%) and operating income was 89 million yen (up 74.3%) mainly due to the sales growth in the Marketing business despite the impact of the slump in the Temporary staffing business.

(2) Financial Position

Total assets at the end of the first quarter amounted to 188,752 million yen, an increase of 8,704 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 construction of the Yokohama Kanazawa Center, fixed assets such as buildings related to the center and cash and deposits increased.

Liabilities were 133,057 million yen, an increase of 7,087 million yen from the end of the previous fiscal year. This was mainly due to an increase in short-term loans payable for prevention measures for COVID-19 and provision of reserve for bonuses.

Net assets increased by 1,617 million yen to 55,694 million yen. This was mainly due to the payment of dividends of 30 yen per share totaling 1,191 million yen despite the recording of 3,073 million yen in net income attributable to owners of parent.

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

There is a possibility that the continued spread of COVID-19 throughout the world and restrained economic activities in the future may have an impact on our first half and full-year results. However, as it is difficult to predict at this point, we have not changed our full-year business forecasts announced on February 10, 2020. If it becomes necessary to revise the forecasts in light of the future business environment or business trends, the Company will promptly disclose such revisions.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of Dec. 31, 2019)	Current First Quarter (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	18,503	29,778
Notes and accounts receivable	33,128	32,377
Inventories	6,330	3,028
Other	6,453	5,873
Allowance for doubtful accounts	-39	-37
Total current assets	64,376	71,020
Fixed assets		
Property, plant and equipment		
Buildings and structures	55,615	54,989
Accumulated depreciation and impairment loss	-27,389	-27,000
Buildings and structures, net	28,226	27,988
Machinery, equipment and vehicles	26,623	27,283
Accumulated depreciation and impairment loss	-14,703	-15,069
Machinery, equipment and vehicles, net	11,919	12,213
Land	43,093	43,093
Leased asset	6,342	6,218
Accumulated depreciation and impairment loss	-3,784	-3,834
Leased assets, net	2,558	2,384
Construction in progress	2,106	4,084
Other	5,966	5,989
Accumulated depreciation and impairment loss	-4,270	-4,320
Other, net	1,696	1,668
Total property, plant and equipment	89,599	91,432
Intangible fixed assets		
Goodwill	5,411	5,329
Other	5,024	4,973
Total intangible fixed assets	10,436	10,303
Investments and other assets		
Investments and other assets	16,005	16,354
Allowance for doubtful accounts	-369	-358
Total investments and other assets	15,635	15,995
Total fixed assets	115,671	117,731
Total assets	180,047	188,752

(Millions of yen)

	Previous fiscal year (As of Dec. 31, 2019)	Current First Quarter (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,751	13,996
Electronically recorded obligations	4,928	4,582
Short-term loan payable	17,500	28,400
Current portion of long-term loans payable	9,809	8,584
Income taxes payable	1,565	1,430
Provision for bonuses	1,436	2,906
Other	12,905	11,712
Total current liabilities	62,896	71,613
Long-term liabilities		
Long-term loan payable	45,181	43,940
Obligations for retirement plan	5,955	6,002
Other	11,937	11,501
Total long-term liabilities	63,074	61,444
Total liabilities	125,970	133,057
Net assets		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	37,956	39,838
Treasury stock	-0	-0
Total shareholders' equity	44,527	46,409
Other accumulated comprehensive income		
Valuation difference on securities	825	581
Foreign currency translation adjustment	-132	-172
Remeasurements of defined benefit plans	-93	-55
Total other accumulated comprehensive income	600	353
Non-controlling shareholders' equity	8,948	8,931
Total net assets	54,077	55,694
Total liabilities and net assets	180,047	188,752

(2) Consolidated Income Statements and Statements of Comprehensive Income

Quarterly Consolidated Income Statements

First Quarter

(Millions of yen)

	Previous First Quarter (January 1, 2019 - March 31, 2019)	Current First Quarter (January 1, 2020 - March 31, 2020)
Net sales	64,628	68,809
Cost of sales	56,857	59,799
Gross profit	7,771	9,009
Selling, general and administrative expenses	3,933	3,929
Operating income	3,837	5,079
Non-operating income		
Interest income	8	6
Dividends income	15	19
Equity in income of affiliates	51	105
Other	145	42
Total non-operating income	169	174
Non-operating expenses		
Interest expenses	171	163
Other	105	26
Total non-operating expenses	276	190
Ordinary income	3,729	5,064
Extraordinary income		
Income on sales of noncurrent assets	38	23
Total extraordinary income	38	23
Extraordinary loss		
Loss on retirement of noncurrent assets	9	2
Loss on valuation of investment securities	-	8
Other	2	1
Total extraordinary loss	12	13
Income before income taxes	3,755	5,073
Income taxes	1,777	2,184
Income taxes-deferred	-412	-324
Total income tax	1,365	1,859
Net income	2,389	3,214
Net income attributable to owners of non-controlling shareholders	133	141
Net income attributable to owners of parent	2,256	3,073

Quarterly Consolidated Statements of Comprehensive Income

First Quarter

(Millions of yen)

	Previous First Quarter (January 1, 2019 - March 31, 2019)	Current First Quarter (January 1, 2020 - March 31, 2020)
Net income	2,389	3,214
Other comprehensive income		
Valuation difference on securities	116	-252
Foreign currency translation adjustment	9	-40
Remeasurement of defined benefit plans	36	30
Share of other comprehensive income of companies accounted for by the equity-method	-21	20
Total other comprehensive income	140	-242
Comprehensive income	2,529	2,971
Breakdown		
Comprehensive income attributable to owners of parent	2,344	2,826
Comprehensive income attributable to owners of non- controlling interests	184	145

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

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Not applicable.

Segment information

[Segment information]

I. First quarter of the previous fiscal year (January 1, 2019 to March 31, 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	57,017	5,966	1,644	64,628	-	64,628
Intersegment sales or transfers between segments	87	24	81	192	-192	-
Total	57,105	5,990	1,725	64,821	-192	64,628
Segment income	1,142	2,768	51	3,962	-125	3,837

(NOTE) 1. Adjustments to segment profit are 11 million yen for elimination of intersegment transactions and -136 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 Consolidated Income Statements.

II First quarter of the current fiscal year (January 1, 2020 to March 31, 2020)

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	59,345	7,721	1,742	68,809	-	68,809
Intersegment sales or transfers between segments	104	24	96	224	-224	-
Total	59,449	7,745	1,838	69,033	-224	68,809
Segment income	1,392	3,615	89	5,096	-16	5,079

(NOTE) 1. Adjustments to segment profit are 14 million yen for elimination of intersegment transactions and -31 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 Consolidated Income Statements.