

Summary of Business Results for the Second Quarter Ended June 30, 2020 [Japan GAAP] (Consolidated)

August 7, 2020

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 7, 2020 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, 2020 (January 1, 2020 through June 30, 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	%
Six months ended Jun. 2020	129,139	1.7	6,243	12.5	6,277	14.7	4,131	23.1
Six months ended Jun. 2019	126,944	64.5	5,547	137.3	5,472	145.0	3,356	174.8

(Note) Comprehensive income

Six months ended June 2020: 4,087 million yen (11.4 %)

Six months ended June 2019: 3,669 million yen (162.8 %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Jun. 2020	104.03		-	
Six months ended Jun. 2019	84.51		-	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Jun. 2020	192,378	56,941	24.9
As of Dec. 2019	180,047	54,077	25.1

(Reference) Shareholders' equity:

As of June 2020: 47,971 million yen

As of December 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	-	0.00	-	32.00	32.00
Year ending Dec. 2020(forecast)	-	-	-	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
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

***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 2020	39,718,200 shares
As of December 2019	39,718,200 shares
 - ② Treasury stock at the end of period

As of June 2020	575 shares
As of December 2019	575 shares
 - ③ Average number of stock during period (quarterly cumulative period)

Six months ended June 2020	39,717,625 shares
Six months ended June 2019	39,717,672 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 7, 2020 (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, 2020 (January 1, 2020 to June 30, 2020), restraint of global economic activities and a decline in import and export due to the spread of new coronavirus (COVID-19) worsened the economic sensation, and the logistics industry also faced a severe management environment. On the other hand, the demand for distribution of daily necessities such as food and daily products, as well as the e-commerce markets, has been expanding against the backdrop of self-restraint on going out and measures to close schools. The Group has been actively responding to this demand while placing top priority on ensuring the safety of its customers, business partners and employees.

In terms of financial performance, labor costs, vehicle hiring costs and other expenses increased in line with the increase in sales. On the other hand, sales and profits increased YoY thanks to the progress in cost improvement, the stabilization of fuel prices compared to the previous year, and the recording of profits higher than the previous fiscal year from liquidation of logistics properties. As a result, net sales were 129,139 million yen (up 1.7% YoY), operating income was 6,243 million yen (up 12.5%), ordinary income was 6,277 million yen (up 14.7%), and net income attributable to owners of parent was 4,131 million yen (up 23.1%).

The results of operations by segment are as follows:

(Logistics business)

In the Logistics business, in addition to expanding business with existing customers, we focused on acquiring new customers seeking high logistics functions. BtoB logistics and overseas operations were significantly impacted by the expansion of COVID-19. However, the performance was supported by efforts to capture the growing demand for same-day delivery business from e-commerce services, a remarkably growing market, and increased demand for consumer cooperative delivery, food distribution and so forth. As a result, net sales were 11,754 million yen (up 0.4% YoY) and operating income was 2,153 million yen (down 7.1%).

(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 Property Management Business.

With regard to the liquidation of real estate, we transferred our 40% stake in the Nagatsuta Distribution Center 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 8,255 million yen (up 25.4% YoY) and operating income was 3,929 million yen (up 27.3%).

(Other business)

The main operation of the Other business is the Temporary Staffing business, the Marketing business, the Solar Power Generation business, and the Environmental business. The Temporary Staffing business remained in a difficult situation, but profits increased in the Solar Power Generation business and the Environmental business. As a result, net sales amounted to 3,380 million yen (up 0.5% YoY) and operating income was 151 million yen (up 5.3%).

(2) Financial Position

Total assets at the end of the second quarter amounted to 192,378 million yen, an increase of 12,330 million yen from the end of the previous fiscal year. Although inventories decreased due to the sale of the Nagatsuta Distribution Center, cash and deposits increased and construction in progress increased due to the construction of the Yokohama Kanazawa Distribution Center.

Liabilities were 135,436 million yen, an increase of 9,466 million yen from the end of the previous fiscal year. This was mainly due to an increase in short-term loans.

Net assets increased by 56,941 million yen to 2,864 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 4,131 million yen in net income attributable to owners of parent.

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

As the spread of COVID-19 continues worldwide, continued restraint in economic activities may have an impact on our full-year results. However, at this point, there are many uncertainties and it is difficult to forecast the extent of the impact. On the other hand, we will continue to actively capture demand for daily necessities and e-commerce, which is expanding in the market amid this environment. At this stage, we will not change our full-year business forecasts announced on February 10, 2020, and will work to achieve it. If it becomes necessary to revise the forecasts in light of the future business environment and business trends, we will disclose it promptly.

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 Second Quarter (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	18,503	33,755
Notes and accounts receivable	33,128	30,930
Inventories	6,330	3,095
Other	6,453	5,657
Allowance for doubtful accounts	-39	-33
Total current assets	64,376	73,405
Fixed assets		
Property, plant and equipment		
Buildings and structures	55,615	55,191
Accumulated depreciation and impairment loss	-27,389	-27,436
Buildings and structures, net	28,226	27,754
Machinery, equipment and vehicles	26,623	27,369
Accumulated depreciation and impairment loss	-14,703	-15,106
Machinery, equipment and vehicles, net	11,919	12,262
Land	43,093	43,091
Leased asset	6,342	5,687
Accumulated depreciation and impairment loss	-3,784	-3,438
Leased assets, net	2,558	2,248
Construction in progress	2,106	5,327
Other	5,966	6,093
Accumulated depreciation and impairment loss	-4,270	-4,389
Other, net	1,696	1,704
Total property, plant and equipment	89,599	92,388
Intangible fixed assets		
Goodwill	5,411	5,247
Other	5,024	4,967
Total intangible fixed assets	10,436	10,214
Investments and other assets		
Investments and other assets	16,005	16,448
Allowance for doubtful accounts	-369	-78
Total investments and other assets	15,635	16,369
Total fixed assets	115,671	118,972
Total assets	180,047	192,378

(Millions of yen)

	Previous fiscal year (As of Dec. 31, 2019)	Current Second Quarter (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,751	13,008
Electronically recorded obligations	4,928	4,336
Short-term borrowings	17,500	32,500
Current portion of long-term loans payable	9,809	8,760
Income taxes payable	1,565	1,696
Provision for bonuses	1,436	1,545
Other	12,905	12,699
Total current liabilities	62,896	74,546
Fixed liabilities		
Long-term loan payable	45,181	43,322
Obligations for retirement plan	5,955	5,936
Other	11,937	11,631
Total long-term liabilities	63,074	60,890
Total liabilities	125,970	135,436
Net assets		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	37,956	41,027
Treasury stock	-0	-0
Total shareholders' equity	44,527	47,599
Other accumulated comprehensive income		
Valuation difference on securities	825	438
Foreign currency translation adjustment	-132	-47
Remeasurements of defined benefit plans	-93	-18
Total other accumulated comprehensive income	600	372
Non-controlling shareholders' equity	8,948	8,969
Total net assets	54,077	56,941
Total liabilities and net assets	180,047	192,378

(2) 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, 2019 - June 30, 2019)	Current Second Quarter (January 1, 2020 - June 30, 2020)
Net sales	126,944	129,139
Cost of sales	113,480	114,965
Gross profit	13,463	14,174
Selling, general and administrative expenses	7,916	7,930
Operating income	5,547	6,243
Non-operating income		
Interest income	15	12
Dividends income	50	51
Equity in income of affiliates	166	290
Other	262	110
Total non-operating income	494	465
Non-operating expenses		
Interest expenses	340	334
Other	229	96
Total non-operating expenses	570	431
Ordinary income	5,472	6,277
Extraordinary income		
Income on sales of fixed assets	65	38
Loss on sales of investment securities	51	364
Gain on sales of stock of affiliates	20	51
Total extraordinary income	85	402
Extraordinary loss		
Loss on sales of fixed assets	12	7
Loss on retirement of fixed assets	16	7
Loss on valuation of investment securities	51	10
Other	51	1
Total extraordinary loss	28	27
Income before income taxes	5,528	6,653
Income taxes	2,068	2,451
Income taxes-deferred	-115	-65
Total income tax	1,953	2,385
Net income	3,574	4,267
Net income attributable to owners of non-controlling shareholders	218	135
Net income attributable to owners of parent	3,356	4,131

Quarterly Consolidated Statements of Comprehensive Income

Second Quarter

(Millions of yen)

	Previous Second Quarter (January 1, 2019 - June 30, 2019)	Current Second Quarter (January 1, 2020 - June 30, 2020)
Net income	3,574	4,267
Other comprehensive income		
Valuation difference on securities	93	-311
Foreign currency translation adjustment	-60	71
Adjustments for retirement benefits	72	60
Share of other comprehensive income of companies accounted for by the equity-method	-10	-1
Total other comprehensive income	94	-180
Comprehensive income	3,669	4,087
Breakdown		
Comprehensive income attributable to owners of parent	3,400	3,904
Comprehensive income attributable to owners of non- controlling interests	268	183

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

Segment information

[Segment information]

I. Second quarter of the previous 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 (Note1)	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.

II Second quarter of the current fiscal year (January 1, 2020 to June 30, 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	117,504	8,255	3,380	129,139	-	129,139
Intersegment sales or transfers between segments	210	48	182	441	-441	-
Total	117,714	8,303	3,563	129,581	-441	129,139
Segment income	2,153	3,929	151	6,234	9	6,243

(NOTE) 1. Adjustments to segment profit are 25 million yen for elimination of intersegment transactions and -16 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.