

SBS Business Report

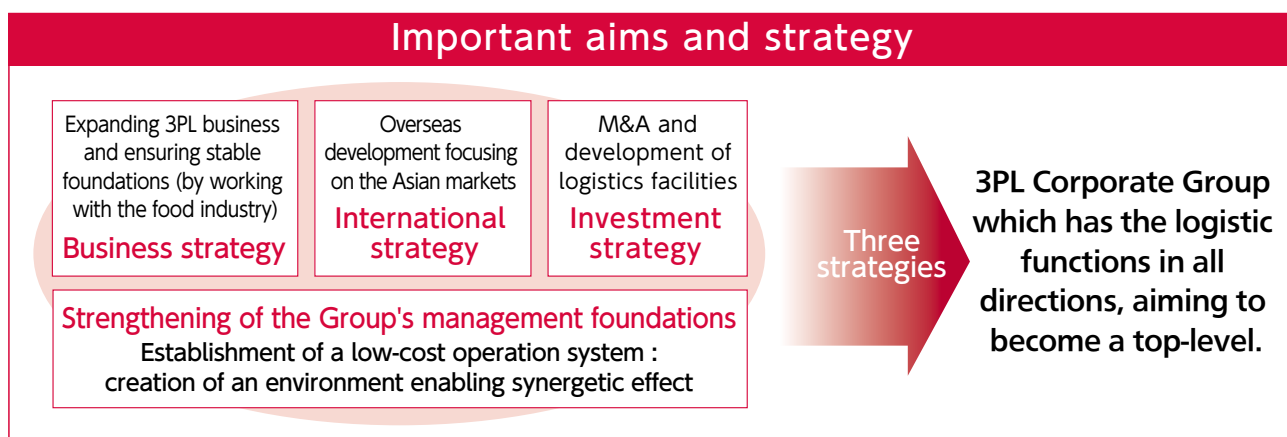
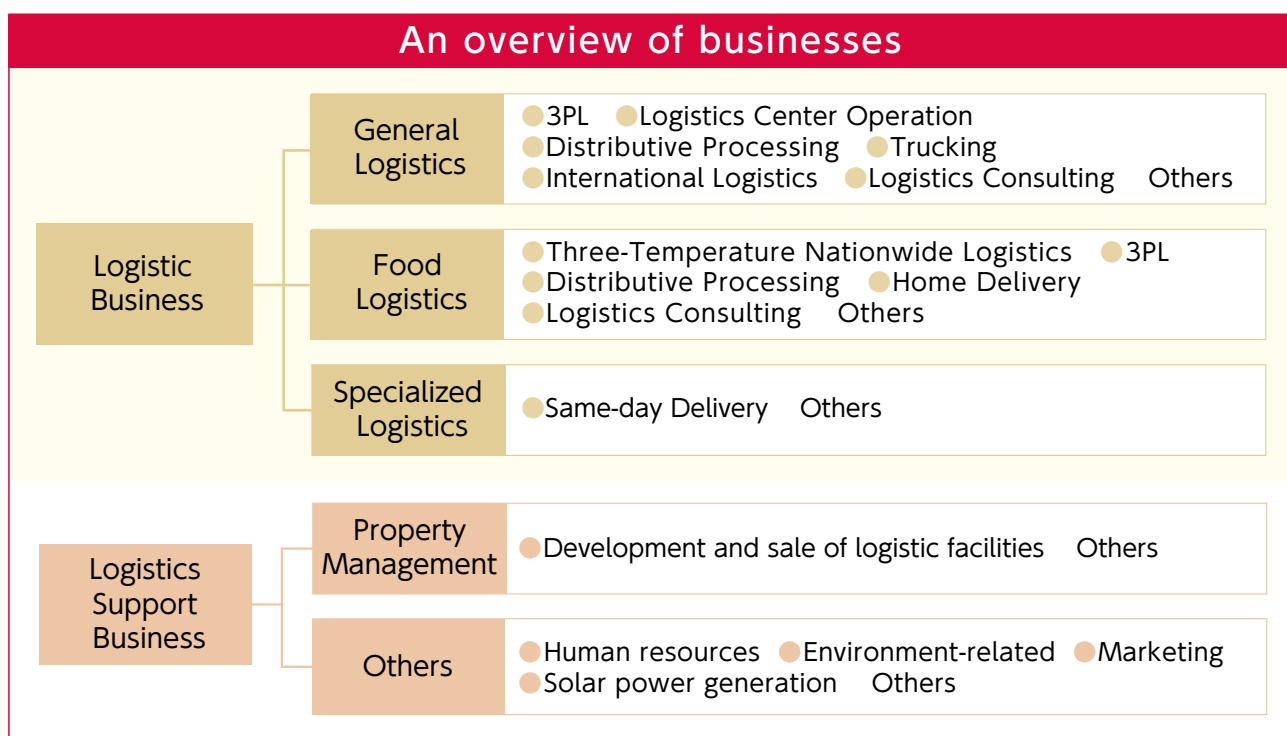
For the year Ended December 31, 2013
(Security Code:2384)



SBS Group meets the various logistics needs with the utmost quality.

Performance of the current term

<ul style="list-style-type: none"> ■ Net Sales ¥ 132.0 billion ■ Operating Income ¥ 4.1 billion ■ Ordinary Income ¥ 3.8 billion ■ Net Income ¥ 1.5 billion ■ Dividend per share ¥ 40 (common dividend ¥30 + commemorative dividend ¥10) 	<p>Other 4.4% (Human resources, environment-related, marketing and solar power generation)</p> <p>Property Management 4.2%</p>		<p>Adding logistics support business to our core logistics business, providing logistics services with high added value</p>
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*The statements made in connection with the forecasts present in these materials are based on assumptions, which include information available at the present time and uncertain components, which may affect future business results. The actual business results may differ from the forecasts due to various causes that may affect them in the future.



Commemorating the listing of the Group on the First Section of the Tokyo Stock Exchange, we will make a strong effort to ensure further growth of what we call the "Reborn SBS Group".

President : **Masahiko Kamata**

Q How did the Group perform in the current term (year ended December 31, 2013)?

This term was very difficult for the Group. The Logistics Business, which is the primary business of the Group, posted operating losses in the first half of the term due to a decrease in the volume of cargo handled and a decrease in operating ratio in some parts of the Group. From the second half, as a result of the effects of the Abenomics, economic conditions showed signs of recovery and the Group managed to achieve a substantial recovery by the end of the year.

We concluded a number of contracts for large-scale services, for example for 3PL services with the SHIMACHU and achieved a steady growth for the Group both in terms of its marketing power and of the on-site capabilities.

Moreover, the Group acquired sites for logistics facilities in Thailand and Yokohama, thus making necessary preparations towards expanding the 3PL business in the future.

Meanwhile, in the Property Management Business, the Group started construction of a new large-sized center in Yokohama, Kanagawa Prefecture and the center is due to be completed in November 2014.

Also, 51% of the trust beneficiary right to the West Japan Logistics Center which the Group owns in Kyotanabe, Kyoto Prefecture was transferred to a private placement fund 'SBS Logifund No. 1.'

In the Other Business, the Group achieved a

substantial increase in the operating profit with a move into the black made by the human resource business and the good results shown by the solar power generation business, which is a new business for the Group.

As a result of the above, although the Group as a whole had to operate in a severe environment, we managed to exceed the results of the previous term in both sales and operating profit and reached the goals set in the beginning of the term.

Q What were the current trends in the logistics industry in Japan?

The business climate in the industry is continuing to be quite severe due to the power rate hike and increased fuel prices under the depreciation of yen.

One particularly adverse aspect is that clients are continually demanding for reduction in prices, and an increasing number of enterprises which implement competitions of logistics companies to find partners offering lower prices than the enterprises are paying now.

For that reason, the price competition between companies in the industry is intensifying further, and to survive, we need to implement further measures to lower the costs of operations.

Another problem is the aggravated shortage of drivers, and in total I would say that the environment surrounding the logistics industry will remain severe for a while.

Q What is the 'SBS Logifund No. 1'?

To expand the 3PL business, it is vital to develop new logistics facilities.

Development of facilities requires a large amount of capital, but if we rely on borrowing, the Group's financial balance will inevitably deteriorate.

In the past, we recovered funds by sales. However, we decided to utilize the private placement fund method this time.

The Group collected the funds needed for development by transferring the trust beneficiary right for logistics facilities to a private placement fund named 'SBS Logifund No. 1' formed by a major financial institution.

By investing this fund in the development of new facilities, we can now advance with our growth strategy uniting the 3PL business and the development of facilities.

Moreover, one more good aspect of a private placement fund is that it helps to maintain our relationships with the customers when the Group continues its involvement with the facilities for example by making partial investments.



Q What is the strategy of the Group for the next term (year ending December 31, 2014)?

In order to remain undefeated in the current severe environment, in 2014, our challenge will be to work under the motto of "Change or Die".

This motto was chosen to convey our wish for all of our employees to engage in their duties with a sense of impending crisis, work every day never fearing changes, always ready for new challenges.

Also, we created the following four points as the Group's policy for 2014:

- 1 Further reinforcement of the 3PL business**
- 2 Promotion of development of real estate for logistics purposes**
- 3 Promotion of overseas development**
- 4 Active use of mergers and acquisitions**

We will achieve business growth through development of the 3PL business and development of logistics facilities on the one hand and expansion in the overseas market on the other.

Regarding the profits, we are estimating an increase of profits by approximately 10% compared with the current term (year ending December 31, 2013).

Regarding sales operation, we established a powerful company-wide team in the sales department and intend to acquire new customers making full use of internet sites and direct marketing.

Q The Group has set its Medium-term business objectives. What are they?

The Group formulated "SBS Growth 2017", and we aim to achieve net sales of 200 billion yen, operating profit of 8 billion yen, and operating margin of 4% in 2017, which will be the 30th anniversary of the Group's establishment.

In order to achieve further growth and continue being a prosperous enterprise in the future, we shall make concerted efforts together.

Medium-term management plan <SBS Growth 2017>

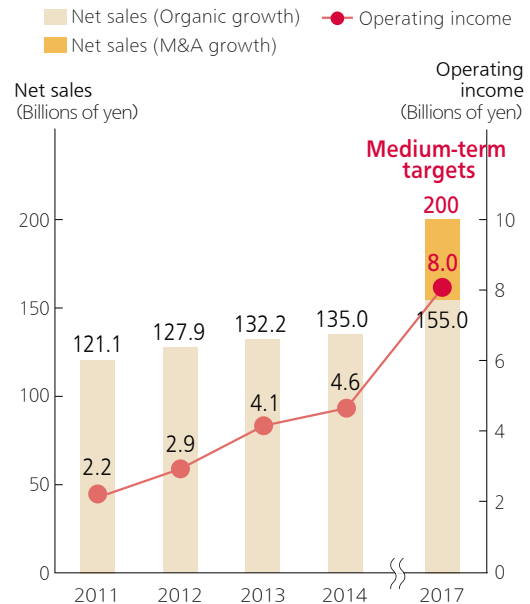
■ Corporate vision of the Group

Forming a 3PL Corporate Group which has the logistic functions in all directions, and strive to become one of the leaders of the industry as a logistics company representing not only Japan but the entire Asian region

■ Medium-term management policy

- Enhance on-site capabilities
- Bring together the Group's capabilities
- Continue to be a group with venture spirit
- Achieve sustainable growth
- Stick with management focusing on compliance and CSR

■ Numerical Targets



Q Lastly, what is your message to shareholders?

During this term, after listing on the Second Section of the Tokyo Stock Exchange, which we achieved in the previous term, the Group finally attained its long-cherished dream of being listed on the First Section.

This was possible only thanks to the great support of our shareholders, and I would like to use this opportunity to express our sincerest appreciation to all of you.

This year was also a turning point for the SBS Group; we implemented the unification of the brand, which shall enable us to increase the group synergy, and also some structural changes paving the way for a full-fledged overseas development.

From 2014, we intend to accelerate our growth rate aiming to become a logistics corporate group, which can be a strong contender on the global scale.

We shall further improve the profitability and return the profits to our shareholders as the form of improvements in stock prices and dividends.

I assure you that you can rely on us.

Listing on the First Section of the Tokyo Stock Exchange

On December 16, the SBS Holdings was listed on the First Section of the Tokyo Stock Exchange.



Site for a logistics facility acquired in Thailand, preparations started to launch construction

Establishing the first overseas logistics center, aiming to get orders from Japanese-affiliated companies by offering Japanese quality standards

Thailand is becoming one of the leading industrial nations in the ASEAN region, and many Japanese-affiliated manufacturers from the automobile industry, electrical engineering industry and other industries are opening their bases in this country.

To expand its logistics business in the ASEAN region, the Group acquired a site for logistics facility in Thailand.

The site is situated in Eastern Seaboard, one of the leading industrial areas in Thailand, and the area is a 64,000 sqm (about 20,000 tsubo).

The location is approximately 25 kilometers from the Laem Chabang Port and very favorable, which is the largest international harbor in the country. This area is also rapidly developing base for manufacture and logistics, selected as the site for offices by many Japanese-affiliated companies.

The Group plans to construct four logistics centers with the total floor space of approximately 10,000 sqm, an office building and a dormitory. By the end of June 2014, the two centers, the office building and the dormitory are to be completed first.

Putting to good use the Group's know-how about the development and administration of logistics facilities, we intend to create a logistics center of truly high quality offering Japanese-style operation.



Launched construction work of the Nagatsuta Logistic Center

Highly efficient large-sized logistics center capable of handling foodstuffs and conveniently located just two kilometers from the Tomei Yokohama Machida IC

In December, the Group carried out the groundbreaking ceremony for the Nagatsuta Logistic Center (Midori Ward Yokohama, Kanagawa Prefecture) for which we had been implementing site work for some time, and started the construction work aiming to complete the center in November, 2014.

The three-storied center with one story beneath the ground level and two stories above ground will be a large-sized logistics facility exceeding 13,000 tsubo in total floor space. It will be adjacent to the Tomei Expressway and Route 246, a major arterial road, and is conveniently located as an interprefectural transportation and delivery base to cover the metropolitan area and the Kanto area as a whole.

It has high functionality to ensure capability for work with foodstuffs, for

example, by installing truck berths on all floors to improve the cross-docking efficiency, adopting low-floor berths in some areas, and laying dustproof floors. It is also being built with environmental considerations preserving the existing green tracts of land around it.

Moreover, we intend to install solar power generation equipment of one megawatt class on the rooftop.



 **For Cosmos Pharmaceutical Corporation, establishing another logistics center in Ehime prefecture, following Kagawa**

(SBS LOGICOM)

April

SBS LOGICOM established the Ehime Center for Cosmos Pharmaceutical Corporation, a major drugstore chain, launching 3PL services covering everything from center management to delivery.



We created an organization capable of supporting as many as 80 stores, and shall offer further support to the expansion strategy of the company.

 **Ami Office, a base for large-sized vehicles completed**

(SBS Flec)

November

A base for large-sized vehicles engaged in transportation and delivery of products for a new factory of the MEGMILK SNOW BRAND to all parts of the country was completed in Ami-machi, Ibaraki Prefecture.



In February 2014, the base will start transportation and delivery services on a round-the-clock basis for all of the dairy products produced at this plant, one of the largest in the country.

 **Full-fledged entry into the solar power generation business**

(SBS Group)

August

A 3 megawatt scale solar power system power plant was completed in Shibayama-machi, Chiba Prefecture.



Together with the already operating rooftop equipment installed in Noda, Kawagoe, and Chikuma logistics centers, the total electric generating capacity of the business reached the 5 megawatt scale.

The Group intends to expand its solar power generation business further in the future.

 **Shouldering the "reverse logistics" of GINZA KABUKIZA, the new landmark in Ginza**

(SBS Support Logi)


November

The Kabuki-za, renewed as the GINZA KABUKIZA.



The company participated in the development of this giant complex facility hosting the theater with an adjacent office tower from the planning stage, and shall contribute to the environmental performance of the facility by thorough recycling and other measures.

*Reverse logistics: in logistics industry, supply of goods for consumption or manufacture is called (regular) logistics, while collection of waste such as unnecessary equipment and furniture, used containers, remnants, etc. is called "reverse logistics".

 **Logistics site of 5000 tsubo acquired in Isogo Ward, Yokohama.**

(SBS LOGICOM)

October

SBS LOGICOM acquired a logistics site in Isogo Ward, Yokohama, conveniently located close to the railroad, an express highway, and the harbor.



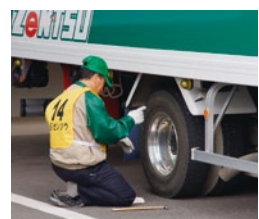
Here in 2015, the company intends to erect a highly efficient logistics center of the 10,000 tsubo scale focusing on international logistics.

 **First driver contest in the Group held to improve knowledge of safety issues and driving skills**

(SBS Zentsu)

November

With safety our highest priority, and as a part of the company's education/training to eradicate accidents and improve the quality of transportation services, the company for the first time held a drivers' contest.



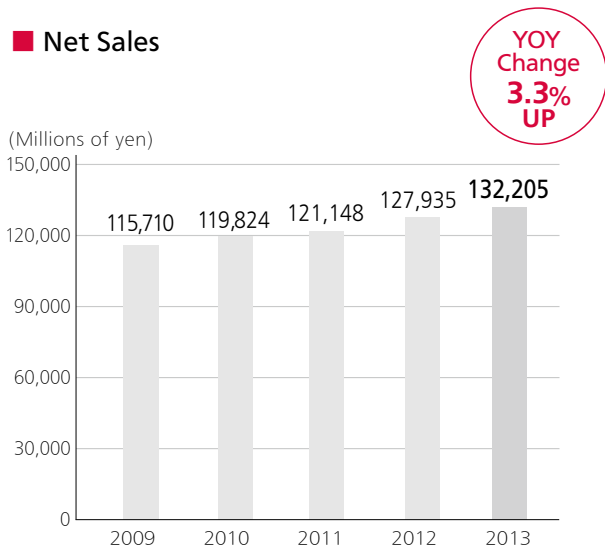
The contest was conducted as a tournament, so the participants voluntarily engaged in practice beforehand, and the initiative will surely result in increasing the awareness of safety issues among the personnel.

CONSOLIDATED FINANCIAL PERFORMANCE

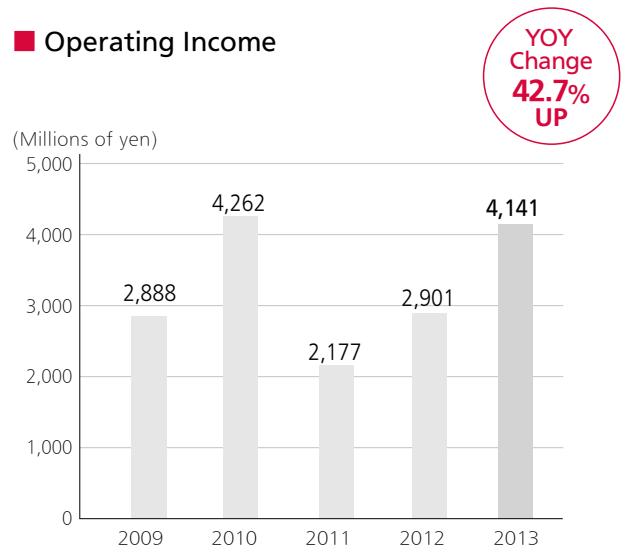
In the uncertain conditions with a sense of insecurity driven by business climate overseas and other factors, the Group actively developed proposal sales to expand its 3PL business, transferred a part of trust beneficiary rights for logistics facilities and conducted other measures. As a result, the net sales was increased, and there were also increase of the operating and the ordinary income.

On the other hand, the net income for the year decreased due to expenses required for relocation/grouping of logistics centers and brand unification.

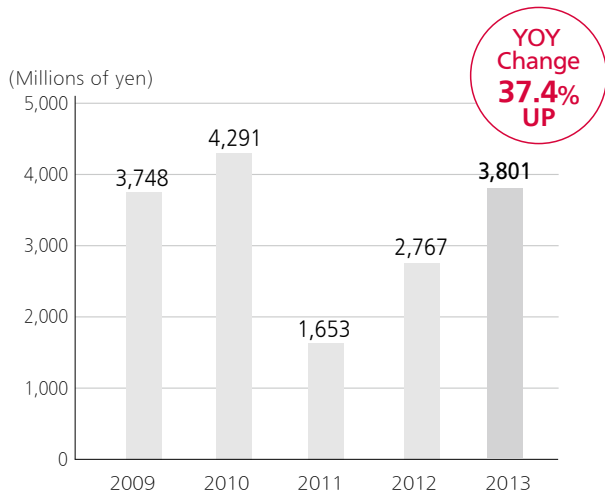
■ Net Sales



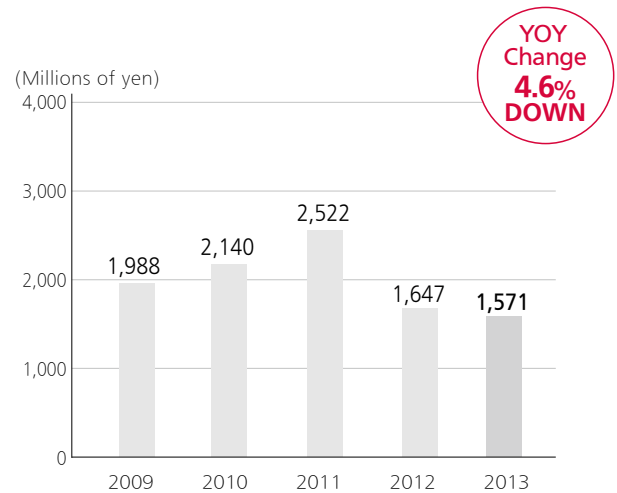
■ Operating Income



■ Ordinary Income



■ Net Income



■ Sales by Segment

(Millions of yen)

	FY2013		FY2012	
	Net Sales	Operating Income	Net Sales	Operating Income
Logistics	120,786	1,219	119,330	1,728
Property Management	5,554	2,550	2,504	1,206
Other	5,865	202	6,100	44
Adjustment	—	169	—	(79)
Total	132,205	4,141	127,935	2,901

● Logistics Business :

Net sales increased as a result of strengthening of marketing activities and the recovery made from the second half of the term.

Although the Group opened new logistics centers and implemented relocation/grouping of the existing logistics centers for the 3PL business, due to a deterioration of the earnings we experienced early in the year, there was a decrease in the operating profit.

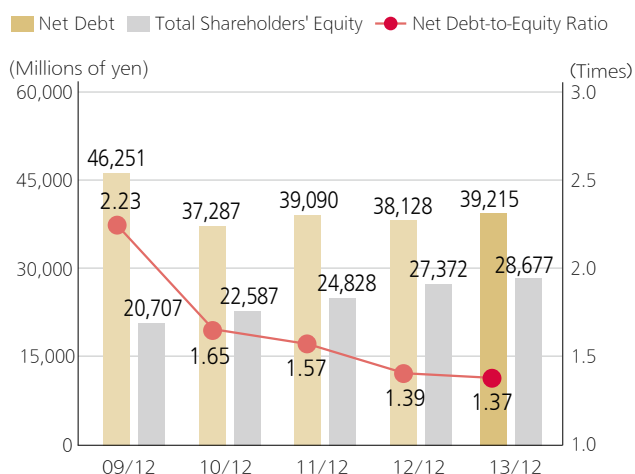
● Logistics Support Business :

The Property Management Business carried out a number of measures to increase liquidity by establishing a private placement fund to develop logistics facilities, which resulted in an increase in both sales and profits.

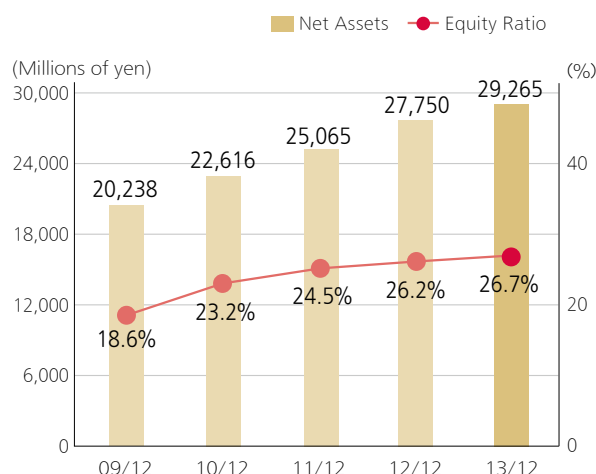
On the other hand, although sales of the newly established solar power generation business made a good contribution to the Other Business, due to deconsolidation of a subsidiary of the shipping agency business, there was a decrease in net sales.

There was an increase in operating income due to such factors as the move into the black achieved by the human resource business.

■ Net Debt, Total Shareholders' Equity(left), Net Debt-to-Equity Ratio (right)

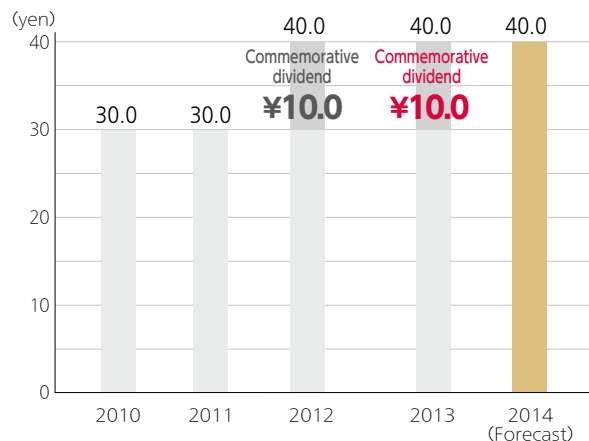


■ Net Assets, Equity Ratio



*Net Debt=Long-term loans + Short-term loans + Bond-Cash and deposits
 *Net Debt-to-Equity Ratio=Long-term loans (net)/Total shareholders' equity

■ Dividends per Share



Basic Policy regarding the Profit Distribution

SBS Group regards redistribution of profits to our shareholders as one of the primary tasks of management.

We endeavor to ensure stable redistribution of profits taking into account the business results achieved by continually improving solid management foundations and raising the returns on equity.

For the year ended December 31, 2013, we added 10 yen to the common dividend of 30 yen per share and distributed the dividend of 40 yen commemorating our listing on the First Section of the Tokyo Stock Exchange. For the year ending December 31, 2014, we intend to distribute the same amount of 40 yen per share.

※The amount of dividend per share listed is given for after the stock split and switchover to the unit stock system.

※The commemorative dividend distributed in 2012 implemented the listing of the Group on the Second Section of the Tokyo Stock Exchange.

PERFORMANCE FORECASTS (For the year ending December 31, 2014)



■ By Segment

	Logistics	Property Management	Other	Consolidation/Corporate	Total
Net Sales	123,500	5,300	6,200	—	135,000
YOY Change	+2.2%	-4.6%	+5.7%	—	2.1%
Operating Income	1,950	2,400	250	0	4,600
YOY Change	+60.0%	-5.9%	+23.8%	—	11.1%
Operating Margin	1.6%	45.3%	4.0%	—	3.4%

※Figures of the earnings forecast contain the proceeds of internal sales between segments.

■ Corporate Profile (As of December 31, 2013)

Company name	SBS Holdings, Inc.
President	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	¥3,902.98 million
Net sales	¥127.9 billion (or the year ended December 31, 2013)
Head office	4-1-3 Taihei, Sumida-ku, Tokyo 130-0012, Japan Tel: +81-3-3829-2222(main) Fax: +81-3-3829-2822
Lines of Business	Logistics, property management, marketing, human resources, etc.
Major consolidated subsidiaries	SBS Logicom Co., Ltd. SBS Flec Co., Ltd. SBS Zentsu Co., Ltd. SBS Sokuhai Co., Ltd. SBS Staff Co., Ltd. Atlas Logistics Private Limited SBS Support Logi Co., Ltd. SBS Finance Co., Ltd. A-MAX Co., Ltd. Marketing Partner Co., Ltd. PAM Co., Ltd.

■ Board of Directors and Auditors

(As of March 26, 2014)

President	Masahiko Kamata
Senior director	Kenichi Iriyama
Director	Taiji Sugino Makoto Watanabe
Director (outside)	Tetsuya Sekimoto
Audit & Supervisory Board Member (full-time)	Shin-ichiro Watanabe
Audit & Supervisory Board Member (outside)	Shigetaka Shomatsumoto Masahito Takeda Jiro Iwasaki

■ Stock Information (As of December 31, 2013)

Number of shares authorized	51,568,400 shares
Number of shares issued (including 500 less-than-one-unit shares)	13,204,400 shares
Unit Stock System	Yes
Number of shareholders	3,292

■ Major Shareholders (As of December 31, 2013)

Shareholder Name	Number of shares held (hundred shares)	Ratio of share held (%)
Masahiko Kamata	5,962,800	45.15
SBS Holdings Employee Share Ownership Association	576,300	4.36
Japan Trustee Services Bank, Ltd. (Trust account)	429,300	3.25
SMBC Trust Bank Ltd.	400,000	3.02
The Chase Manhattan Bank, N. A. London Secs Lending Omnibus Account	334,800	2.53
Junichi Ouchi	309,400	2.34
TOBU Properties, Co., Ltd.	275,600	2.08
The Master Trust Bank of Japan, Ltd. (Trust account)	264,700	2.00
Hiroshi Date	215,900	1.63
State Street Bank and Trust Company	200,000	1.51

Note: Japan Trustee Services Bank, Ltd. (Trust account) is a re-trusted employee share ownership association and the number of shares its trust account holds includes 221,100 of our shares.

■ Distribution of Shares by Shareholder Type

(As of December 31, 2013)

Number of share issued: 13,204,400 shares

