

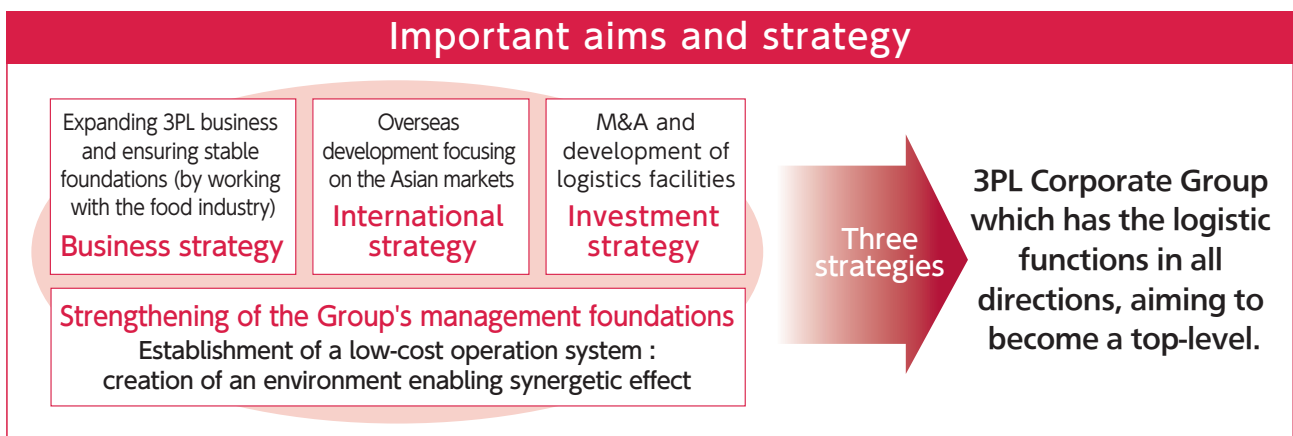
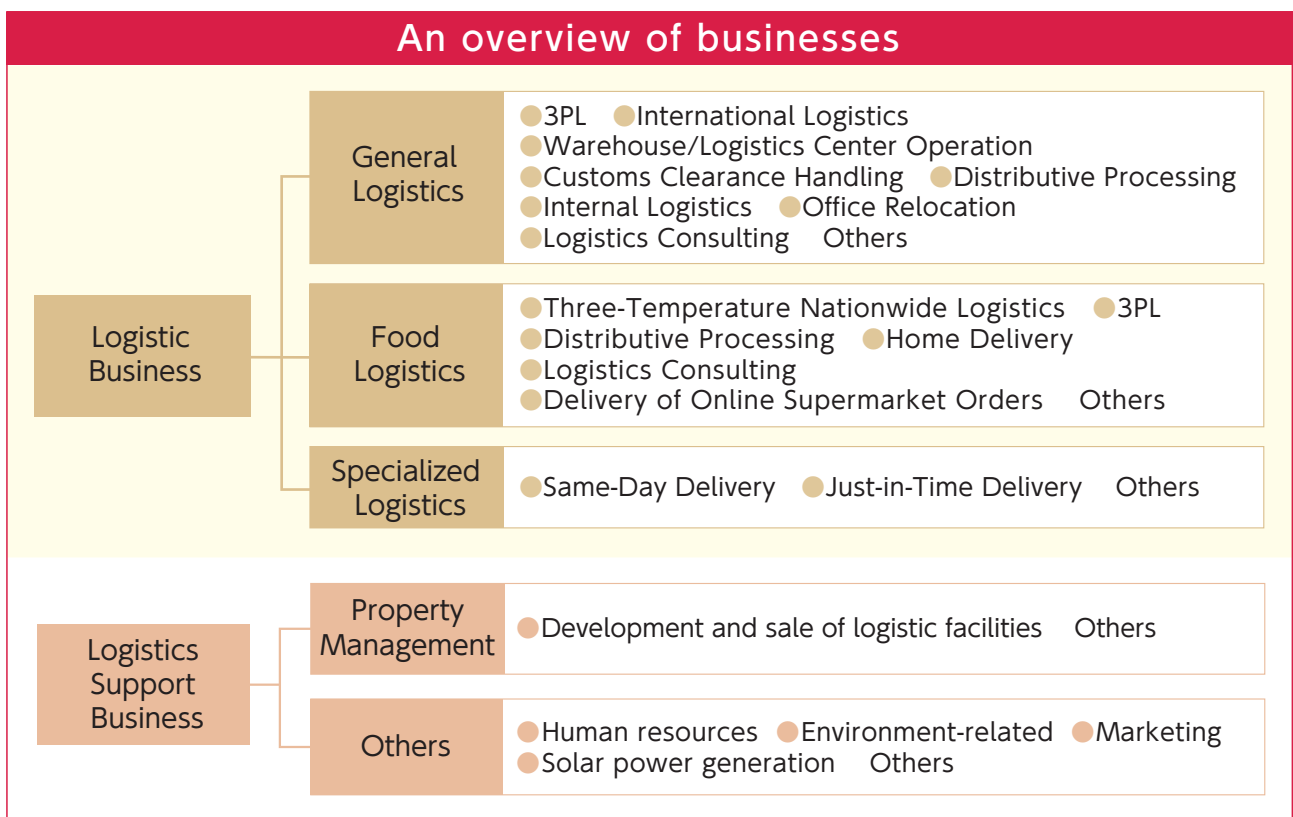
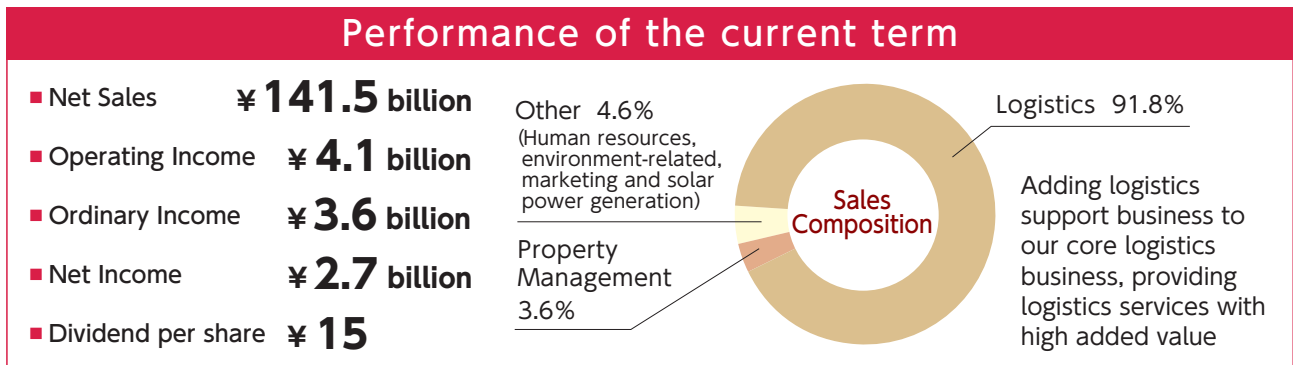


# SBS Business Report

For the year Ended December 31, 2014  
(Security Code:2384)



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



\*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.

# We made major investments, conducting M&A activities and developing logistics facilities to achieve the objectives of our medium-term management plan, “SBS Growth 2017.”

President: **Masahiko Kamata**

## **Business Climate in the Fiscal Year Ended December 31, 2014**

During the year, the logistics industry experienced a rush in demand ahead of the consumption tax hike. However, the protracted slump in demand following that rise caused logistical volumes to remain stagnant.

Furthermore, personnel shortages led to increases in costs for vehicle hiring and part-time and temporary workers, driving up cost of sales. An increasingly severe driver shortage contributed to these ongoing difficulties in the operating environment. Against this backdrop, the SBS Group launched its medium-term management plan, “SBS Growth 2017.\*” The Group worked together on business and investment strategies to meet the plan’s objective of becoming a leading group in the logistics industry.

\*“SBS Growth 2017” is a medium-term management plan that calls for net sales of ¥200.0 billion and operating income of ¥8.0 billion in the fiscal year ending December 31, 2017.



## Expanding Operations by Cultivating New Customers and Businesses

In the logistics business, we stepped up our efforts to conduct proposal sales. As a result, we gained new orders from supermarkets, drugstore chains and department stores, which will contribute to performance in future fiscal years. The Company also commenced operations of 3PL and logistics centers for meat processors, department stores and manufacturers of eyeglass lenses. Although existing business was lackluster due to the ongoing sluggishness of personal consumption and profits in some areas worsened, the Company expanded operations by cultivating new customers and areas of business.

## Building the Foundations of Our Overseas Operations

The Company took several steps to build the foundation for its overseas operations, restructuring its affiliates in Singapore and entering the container shipping industry in that country by purchasing a local drayage shipping firm. In India, the Group acquired

shares in a forwarder, Transpole Logistics Pvt. Ltd. (now SBS Transpole Logistics Pvt. Ltd.), and converted that company to a subsidiary. We expect the addition to our group of SBS Transpole—which is enjoying rapid growth in Asia—to play a major role in achieving the targets of our medium-term management plan.

## Making Large-Scale Investments in M&A and Logistics Facilities and Recovering Capital

In addition to acquiring two overseas subsidiaries, the Company invested around ¥15.0 billion to acquire a site for a logistics facility to fuel new 3PL business and augment solar-power generation facilities. We recovered around ¥5.5 billion in cash through the sale of an office building and by transferring trust beneficiary rights in a logistics facility to a private placement fund, SBS Logifund No.1. By expanding its unique “business model combining logistics and finance,” the Company seeks to expand its operations while maintaining a judicious balance between investment and return.



Nagatsuta Logistics Center  
(commencing operations in spring 2015)

**Our Medium-Term Management Plan,  
<SBS Growth 2017>**

**■ The Group's Corporate Vision**

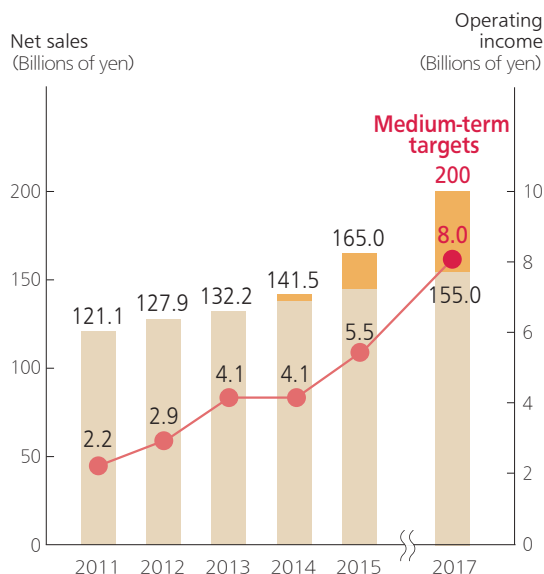
Forming a 3PL corporate group that has logistics functions in all directions, and striving to become an industry-leading logistics company representing not only Japan but the entire Asian region

**■ Medium-Term Management Policy**

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

**■ Numerical Targets**

■ Net sales (Organic growth)    ● Operating income  
■ Net sales (M&A contribution)



**Bolstering Sales Capabilities and the SBS Brand in the Fiscal Year Ending December 31, 2015**

The upcoming fiscal year marks the second year for our medium-term management plan. In addition to ongoing policies 1 through 4 below, we have defined “bolstering sales capabilities and the SBS brand” as a new policy for expanding new orders and enhancing awareness.

**1 Further enhancing the 3PL business**

We will further enhance our proposal sales capabilities to acquire new customers and cultivate existing customers.

**2 Moving forward with developments of real estate for logistics purposes**

We will further and expand our unique business model fusing finance and logistics.

**3 Promoting overseas development**

We will develop high-quality 3PL business, centered on the ASEAN region.

**4 Being proactive in M&A**

We will search out and acquire partners to augment the Group's scale and functions.

**5 Bolstering sales capabilities and the SBS brand**

We will endeavor to be the corporate Group of choice for customers and a place where people want to work.

In the logistics business, we expect to launch new operations in Japan. Overseas, our inclusion of SBS Transpole Logistics Pvt. Ltd. of India will contribute to Group performance. In the property management business, we plan to complete construction of a new logistics center and liquidate logistics facilities.

The SBS Group will continue striving to expand its business and enhance its corporate value. We ask for the ongoing support of our shareholders in these endeavors.



## Operation of Premium Dedicated Sites for Pet Dogs and Cats

Marketing Partner, an SBS Group company, provides e-commerce support services and develops online sales. The company operates two sites dedicated to offering premium pet food: “POCHI (Pochi’s Happiness)” and “Tama (Tama’s Wishes).” Themed around nature, health, security and safety, more than 1,000 pet foods, therapeutic foods, supplements and sundry items have been selected for this site, which is used by 100,000 members who pamper their pet dogs and cats like their own children. We also offer a free health consultation service with a pet dietician.

### ■ “Tama (Tama’s Wishes)” <http://www.tamaone.jp/>



### ■ “POCHI (Pochi’s Happiness)” <http://www.pochi.co.jp/>



### Marketing Partner Co., Ltd.

<http://www.marketing-partner.jp/>

4F, Da Vinci Ogawamachi, 2-4 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054

#### ■ Planning Department

Marketing planning, media planning, e-commerce support services, e-commerce outsourcing, e-commerce fulfillment, call center operation

#### ■ Mail-Order Department

- Operation of “Pochi’s Happiness,” a site dedicated to premium dog food
- Operation of “Tama’s Wishes,” a site dedicated to premium cat food

## Completion in Thailand of our First Logistics Facilities Overseas

(SBS Group)

### June

Construction has been completed on the SBS Group's first overseas logistics facilities warehouse, located near Laem Chabang Port, Thailand's largest international port. A second warehouse and dormitory block were also completed in August, and construction of a third warehouse is in the planning stages.



## Capital and Operational Alliance with MEGMILK SNOW BRAND Co., Ltd.

(SBS Flec)

### October

To further strengthen trading relations with key business partner MEGMILK SNOW BRAND Co., Ltd., as well as to continuously expand business by leveraging mutual functions, we formed a capital and operational alliance under which MEGMILK SNOW BRAND acquired a stake of around 34% in SBS Flec.



## Acquisition in India of Transpole Logistics

(SBS Group)

### July

Our Asian regional headquarters, SBS Logistics Holdings Singapore Pte. Ltd., acquired the shares of Transpole Logistics Pvt. Ltd., an international logistics company demonstrating rapid growth in India, and we converted the company to a subsidiary. Through this move, we have acquired a solid partner to bolster the SBS Group's overseas operations.



## Acquisition of Our First Logistics Site in Osaka Nanko

(SBS Logicom)

### November

To bolster our base of operations in the Kansai region, we acquired a site of approximately 24,800 square meters in Suminoe-ku, Osaka. We plan to build a logistics center with floor space of around 49,600 square meters on the site, which is our first large-scale logistics site acquisition in the Kansai region.



## Shipping of E7 Series Hokuriku Shinkansen Cars

(SBS Logicom)

### October

We were entrusted with transporting E7-Series railcars for the Hokuriku Shinkansen, which is scheduled to begin service in spring of 2015. Working from early summer through autumn of 2014, we completed the project of transporting 42 railcars—3.5 sets of 12-car train—overland from their assembly plant to the port.



## Construction start on Sugita (Yokohama) Logistics Center

(SBS Logicom)

### December

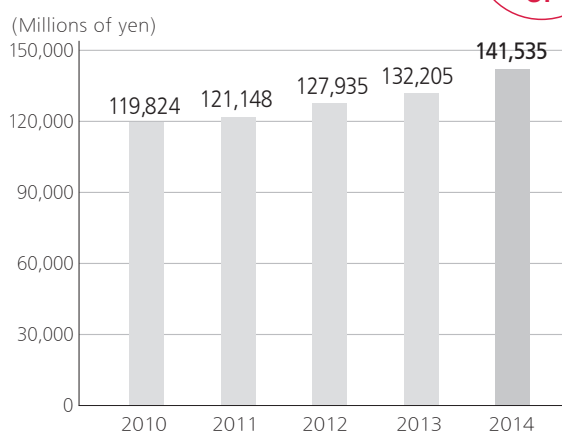
We commenced construction of a logistics center with floor space of 41,700 square meters on a site measuring approximately 17,200 square meters that we acquired from the city of Yokohama in 2013 through a public tender. Construction is slated for completion in spring of 2016. SBS Logicom's website contains a special page dedicated to disseminating timely information about this project.



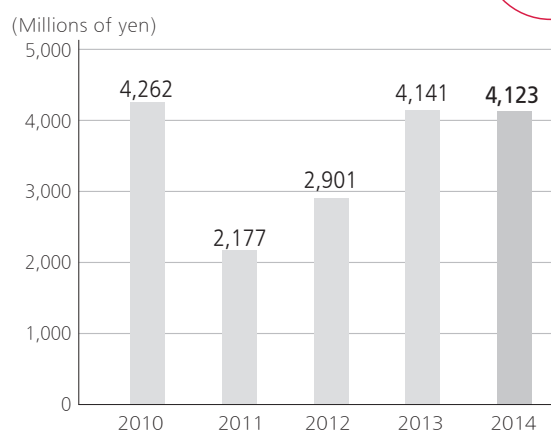
## CONSOLIDATED OPERATING PERFORMANCE

Despite ongoing uncertainty about future economic prospects, during the year we made an organization-wide bid to increase 3PL orders by enhancing our proposal sales capabilities. As a result, we succeeded in acquiring new customers and expanding new business operations, leading to a year-on-year increase in net sales. Operating income and ordinary income declined, however, owing to higher costs stemming from our M&A activities and worsening performance in the customs clearance and CD/DVD logistics business. Net income was up, however, as we posted extraordinary income from a gain on sales of an office building and other noncurrent assets.

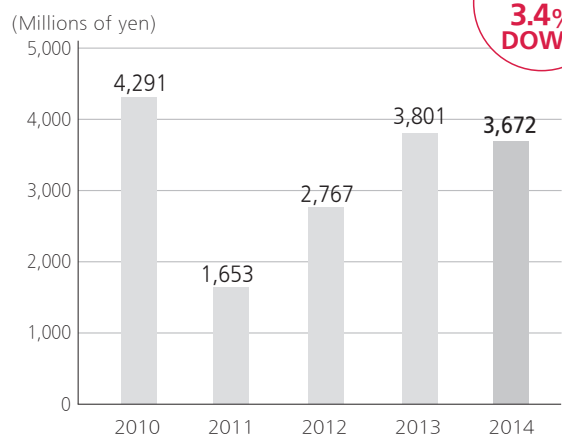
### Net Sales



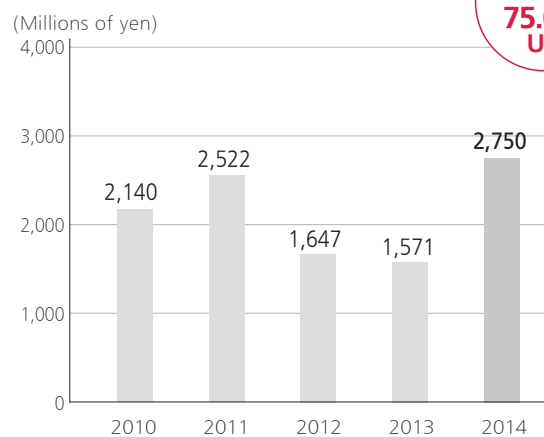
### Operating Income



### Ordinary Income



### Net Income





■ Performance by Segment

(Millions of yen)

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Net Sales	Operating Income	Net Sales	Operating Income
Logistics	129,884	1,624	120,786	1,219
Property Management	5,103	2,359	5,554	2,550
Other	6,548	344	5,865	202
Adjustment	—	(204)	—	169
<b>Total</b>	<b>141,535</b>	<b>4,123</b>	<b>132,205</b>	<b>4,141</b>

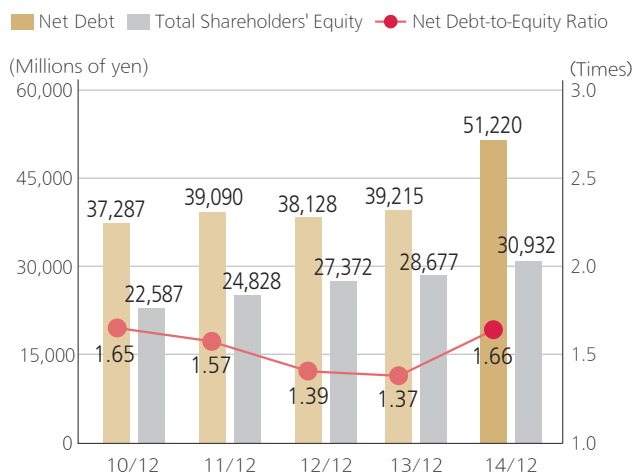
● Logistics Business :

Logistical volumes swelled significantly up to March, due to rush demand ahead of the consumption tax hike. From April onward, performance in existing areas of business was sluggish due to a drop in reaction to the tax hike, as well as to yen depreciation. However, thanks to the launch of new projects, sales grew steadily for the year. The operating margin remained essentially unchanged, with positive factors including a decline in fuel costs and some success in our efforts to adjust freight rates. These were offset by ongoing negative factors, such as a rise in vehicle hiring and labor costs.

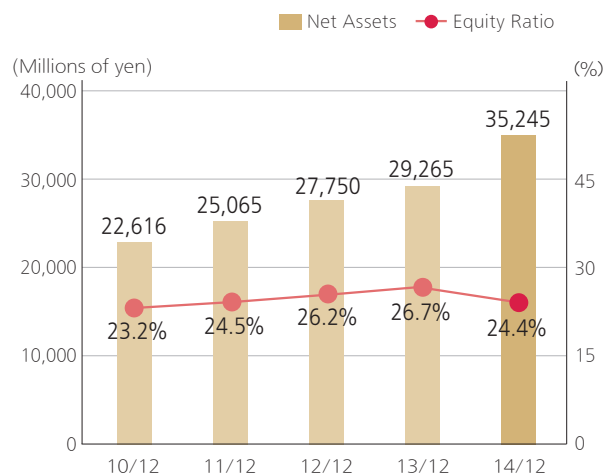
● Logistics Support Business :

In the property management business, sales and operating income were both down due to the loss in rental revenues from logistics facilities transferred to a private placement fund, SBS Logifund No. 1. The personnel business benefited from rising demand for personnel dispatch and introductions caused by staff shortages, enabling the Group to open new sales offices and refurbish existing ones and bolstering segment sales and operating income.

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

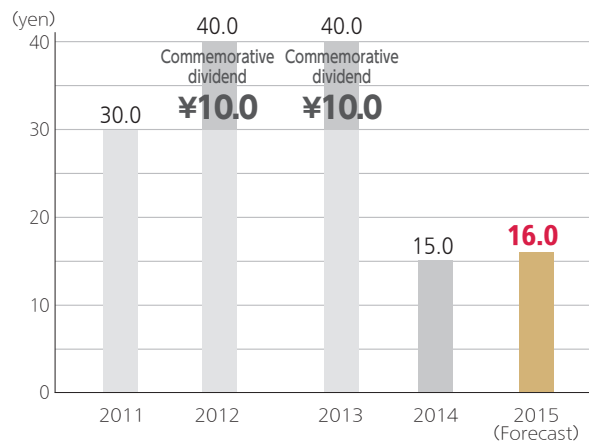


■ Net Assets, Equity Ratio



Notes: Net debt = long-term loans + short-term loans + bond - cash and deposits  
 Net debt-to-equity ratio = net debt/total shareholders' equity

■ Dividends per Share



Notes: The Group conducted a three-for-one split of common shares on June 1, 2014.

The commemorative dividend distributed in 2012 commemorates the Group's listing on the Second Section of the Tokyo Stock Exchange. The commemorative dividend distributed in 2013 commemorates the Group's listing on the First Section of the Tokyo Stock Exchange.

Basic Policy on Distribution of Profits

The SBS Group considers the return of profits to shareholders an important management objective. Accordingly, our basic policy on profit distribution calls for the maintenance of stable dividends and efforts to increase dividend levels in line with operating performance, balanced against augmenting internal reserves to ensure a stronger management base.

For the fiscal year ended December 31, 2014, the Group declared a dividend of ¥15 per share, ¥1 higher than the previously forecast figure of ¥14 per share. This figure amounted to a real increase of ¥5 per share from the preceding year's level. We forecast a dividend of ¥16 per share for the fiscal year ending December 31, 2015.

PERFORMANCE FORECASTS (For the Year Ending December 31, 2015)

Net Sales **¥ 165,000** million YOY change 16.6%UP

Ordinary Income **¥ 4,900** million YOY change 33.4%UP

Operating Income **¥ 5,500** million YOY change 33.4%UP

Net Income **¥ 3,800** million YOY change 38.2%UP

■ By Segment

(Millions of yen)

	Logistics	Property Management	Other	Consolidation/Corporate	Total
Net Sales	150,000	8,300	6,700	—	165,000
YOY Change	+15.5%	+62.6%	+2.3%	—	+16.6%
Operating Income	2,100	3,000	400	0	5,500
YOY Change	+29.3%	+27.2%	+16.3%	—	+33.4%
Operating Margin	1.4%	36.1%	6.0%	—	3.3%

## ■ Corporate Profile (As of December 31, 2014)

Company name	SBS Holdings, Inc.
President	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	¥3,918.21 million
Net sales	¥141.5 billion (consolidated)
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 Freight Service Co., Ltd.* Nippon Record Center Co., Ltd.* SBS Staff Co., Ltd. SBS Support Logi Co., Ltd. SBS Logistics Holdings Singapore Pte. Ltd. SBS Transpole Logistics Pvt. Ltd.* Atlas Logistics Pvt. Ltd.* SBS Finance Co., Ltd. A-MAX Co., Ltd. Marketing Partner Co., Ltd. *Indirectly held subsidiaries

## ■ Directors and Auditors

(As of March 25, 2015)

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

Notes: Jiro Iwasaki and Tetsuya Sekimoto are outside directors.  
Shigetaka Shomatsumoto and Masahito Takeda are outside auditors.

## ■ Stock Information (As of December 31, 2014)

Shares authorized	154,705,200
Shares issued	39,703,200 (including 1,200 shares of less than one trading unit)
Trading unit stock system	Yes (100 shares)
Shareholders	3,990

## ■ Major Shareholders (As of December 31, 2014)

Shareholder	Shares Held	Ratio of Shares Held (%)
Masahiko Kamata	17,888,400	45.05
SBS Holdings Employee Share Ownership Association	1,710,700	4.30
Japan Trustee Services Bank, Ltd. (trust account)	1,598,200	4.02
SMBC Trust Bank Ltd.	1,200,000	3.02
Junichi Ouchi	928,200	2.33
The Chase Manhattan Bank, N. A. London Secs Lending Omnibus Account	926,400	2.33
TOBU Properties Co., Ltd.	826,800	2.08
State Street Bank and Trust Company 505224	750,000	1.88
3E Corporation	468,000	1.17
Trust & Custody Services Bank, Ltd. (securities investment trust account)	452,500	1.13

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 481,600 of our shares.  
The ratio of shares held against number of shares issued is truncated after the second decimal place.

## ■ Distribution of Shares by Shareholder Type (As of December 31, 2014)

(Shares issued: 39,703,200)

