



SBS Business Report

For the year Ended December 31, 2015
(Security Code:2384)

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SBS Holdings, Inc.

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

Performance of the current term

<ul style="list-style-type: none"> ■ Net Sales ¥ 157.9 billion ■ Operating Income ¥ 5.3 billion ■ Ordinary Income ¥ 5.7 billion ■ Net Income ¥ △3.8 billion ■ Dividend per share ¥ 0 	<p>Other 3.8% (Human resources, environment-related, marketing and solar power generation)</p> <p>Property Management 5.4%</p>	<p style="text-align: center;">Sales Composition</p>	<p>Logistics 90.8%</p> <p>Adding logistics support business to our core logistics business, providing logistics services with high added value</p>
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An overview of businesses

Logistic Business	<div style="border: 1px solid black; background-color: #f0e68c; padding: 5px; text-align: center;">General Logistics</div> <div style="border: 1px solid black; background-color: #f0e68c; padding: 5px; text-align: center;">Food Logistics</div> <div style="border: 1px solid black; background-color: #f0e68c; padding: 5px; text-align: center;">Specialized Logistics</div>	<ul style="list-style-type: none"> ● 3PL ● International Logistics ● Warehouse/Logistics Center Operation ● Customs Clearance Handling ● Distributive Processing ● Internal Logistics ● Office Relocation ● Logistics Consulting Others <ul style="list-style-type: none"> ● Three-Temperature Nationwide Logistics ● 3PL ● Distributive Processing ● Home Delivery ● Logistics Consulting ● Delivery of Online Supermarket Orders Others <ul style="list-style-type: none"> ● Same-Day Delivery ● Just-in-Time Delivery Others
Logistics Support Business	<div style="border: 1px solid black; background-color: #f0e68c; padding: 5px; text-align: center;">Property Management</div> <div style="border: 1px solid black; background-color: #f0e68c; padding: 5px; text-align: center;">Others</div>	<ul style="list-style-type: none"> ● Development and sale of logistic facilities Others <ul style="list-style-type: none"> ● Human resources ● Environment-related ● Marketing ● Solar power generation Others

Important aims and strategy

<p>Expanding 3PL business and ensuring stable foundations (by working with the food industry)</p> <p style="text-align: center;">Business strategy</p>	<p>Overseas development focusing on the Asian markets</p> <p style="text-align: center;">International strategy</p>	<p>M&A and development of logistics facilities</p> <p style="text-align: center;">Investment strategy</p>
<p>Strengthening of the Group's management foundations</p> <p>Establishment of a low-cost operation system : creation of an environment enabling synergetic effect</p>		
<p>3PL Corporate Group which has the logistic functions in all directions, aiming to become a top-level.</p>		

*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.

Despite an increase in sales and profits in Japan, we incurred a net loss in 2015. This was largely due to the downturn in overseas operations. Moving forward, we will work toward a V-shaped turnaround in 2016.

President: **Masahiko Kamata**

Operating Conditions in 2015

In fiscal 2015, the fiscal year ended December 31, 2015, the SBS Group continued to confront a harsh operating environment. Despite the positive flow-on effects from the downturn in fuel prices, this harsh operating environment was largely due to an upswing in recruiting, subcontracting, and other costs owing to the shortage of drivers, weak personal consumption, and such factors as inclement weather, which triggered a slump in the movement of goods.

Under these circumstances, the SBS Group worked in unison to implement the business, investment, and other strategies set out under its four-year medium-term management plan, SBS Growth 2017, which began in fiscal 2014.

Expanding the 3PL Business by Reinforcing Marketing

Moving forward with efforts to carry out its business strategy, the SBS Group took steps to renew its marketing organization in order to further expand the 3PL business. At the same time, we established a marketing base for our logistics and human resources businesses and



began cultivating new markets in earnest in the Kansai and western Japan regions. In our new business activities, we set up logistics centers to accommodate the needs of food products manufacturers, major retailers, and other business operators including importers and distributors of high-end wines. We also received an order for the CD and DVD logistics operations of Seikodo Co., Ltd., a prominent wholesaler of music and video software. Looking toward the fiscal year ending December 31, 2016, the SBS Group experienced growth in the amount of orders received. This growth was particularly strong in the Group's center operations.

Restructuring Our Business Platform in the ASEAN Region

In our overseas operations, we sold shares held in SBS Transpole Logistics Pvt. Ltd. ("Transpole"), a consolidated subsidiary based in India, and withdrew from the company's operations (details are disclosed separately). Meanwhile, we commenced a container shipping business on a joint-venture basis in the Philippines, and concluded a memorandum with a prominent local distribution group to execute a feasibility study on low-temperature food logistics operations in Vietnam. Through these and other initiatives, we took positive steps toward restructuring our business platform in the ASEAN region.

Undertaking Large-Scale Investments in Logistics facilities on an Ongoing Basis

Our investment strategy included the January 2015 completion and start of operations at the Nagatsuta Logistics Center in the city of Yokohama as a logistics base for large-scale beverage manufacturers. In March, we began construction of a dedicated logistics center for a major department

store group in the city of Tokorozawa, Saitama Prefecture. We also took steps to construct two large-scale logistics facilities including the Logistics Center in Isogo Ward, Yokohama where construction is ongoing. Fully fledged operations are slated to commence at both facilities in the spring of 2016, bringing to the market an additional 66,000 square meters of new logistics floor space. In this manner, we are working definitely toward securing customers.



The new Sugita Logistics Center (completed in February 2016)

Increase in Sales and Profits in the Domestic Logistics Business; Net Loss due to the Downturn in Overseas Operations

Accounting for each of the aforementioned factors, the SBS Group reported an increase in sales and profits. In specific terms, net sales increased 11.6% compared with the previous fiscal year, to ¥157.9 billion. On a year-on-year basis, operating income climbed 30.5%, to ¥5.3 billion, while ordinary income surged 58.2%, to ¥5.7 billion. In stark contrast, and after recognizing the Group's inability to recover certain receivables in connection with a large-scale transaction undertaken by Transpole in the fiscal year under review, we incurred an extraordinary loss of ¥11.9 billion following the decision to withdraw from that company's business. As a result, the SBS Group recorded a total extraordinary loss of ¥13.5 billion and a net loss for the period of ¥3.8 billion.

Outlook for Fiscal 2016

In fiscal 2016, the fiscal year ending December 31, 2016, we anticipate results in the domestic logistics business as well as the property management business will surpass the levels recorded in fiscal 2015. Turning to the Group's overseas operations, net sales are projected to decline substantially due to the withdrawal from Transpole. From a profit perspective, however, we forecast a significant positive impact from the large drop in goodwill amortization. Taking each of the aforementioned into consideration, and our belief that the Group will not incur any additional losses attributable the withdrawal from Transpole, we are expect results in the current fiscal year will enjoy a V-shaped turnaround.

Dividends in Fiscal 2015 and Fiscal 2016

SBS Holdings' basic policy on the distribution of profits call for the maintenance of stable dividends and efforts to increase dividend levels in line with the Group's operating performance. Taking into consideration the substantial net loss of ¥3.8 billion, the Company has regretfully decided to forego the payment of the period-end dividend for the fiscal year under review. Looking at dividends in fiscal 2016, we plan to pay a quarterly dividend of ¥16 per share to shareholders of record as of March 31, 2016 in addition to the usual period-end dividend of ¥16 per share.

To Our Shareholders

I would like to take this opportunity to apologize to all shareholders for the considerable anxiety

caused by the Group's net loss for the period. Looking ahead, we will work diligently to expand our business and enhance our corporate value. Accordingly, we have positioned fiscal 2016 as a year during which we will deliver a positive turnaround. As we endeavor to achieve our established goals, we kindly request the continued support and understanding of all shareholders.



***Withdrawal from the operations of Transpole**
Based in India, Transpole is a forwarder that conducts business in a variety of countries including China and Hong Kong. The SBS Group acquired the company's shares in July 2014 in a bid to expand its overseas operations.

In the fiscal year under review, however, the Group experienced delays in recovering certain receivables in connection with a large-scale transaction undertaken by the company. After considering the probability of recovering these receivables going forward, we recognized that recovery would be extremely difficult. Moreover, and in light of Transpole's tight funding situation as well as the rapid deterioration in global economic conditions, we determined that rebuilding the company's operations would also be far from straightforward.

Taking each of the factors into consideration, we decided to sell all of our interest in the company to a third party and to withdraw from the company's operations while writing off our investment in full in the fiscal year under review.

Note: A forwarder does not maintain transportation or freight handling modes in its own right. Forwarders are entities that organize the shipment of goods using a variety of shipping modes including ships and airplanes leased from other parties.

Guided by the SBS Group's corporate philosophy, each and every employee recognizes the essential nature of social responsibility in securing corporate growth. Striving to put this philosophy into practice, the Group works closely with stakeholders to contribute broadly to the pleasure and continued development of society. Here, we introduce certain examples of the Group's CSR activities.

■ Kamata Foundation

The SBS Kamata Foundation was established to support academic research into society's basic infrastructure, with a particular focus on the logistics function. Drawing on the results of research in such areas as logistics efficiency and accident prevention, the Foundation is contributing to the development of industry while working to enhance people's lives. As a part of this support, the general public was invited to apply for research grants covering a wide variety of channels including academic research, workshops, symposiums, and seminars in October 2015. Working through the Foundation, the SBS Group is contributing to the growth and development of logistic functions that are useful to society.



■ Community Activities

The SBS Group vigorously engages in a variety of community contribution activities. In September 2015, Group employees participated in a traffic safety street campaign in Kameido, Tokyo. In October 2015, a power walking training session was held within the grounds of the Company's head office. This initiative was designed to promote the health of people working at local government agencies as well as the Group's employees. Again in October 2015, children of employees of NIPPON RECORD CENTER Co., Ltd. were invited to attend a workplace tour. The goal of this tour was to provide the families of employees with a deeper understanding of the company and its operations.



Power walking training session

■ CSR Report (in Japanese only)

The SBS Group issues an easy-to-understand publication outlining details of its CSR activities. Launched in 2009, this annual publication was issued for the seventh time in 2015. The 2015 CSR Report included special features on the Group's internal logistics operations, which are attracting interest as environmental measures in densely populated commercial and business areas. For more details, please refer to the Company website.



URL: <http://www.sbs-group.co.jp/hdg/csr/report/>

■ Life Care Activities

Marketing Partners Co., Ltd., a company that engages in the online sale of premium pet foods while providing e-commerce support services, co-sponsored and participated in the PET DAY 2015 AUTUMN initiative held in October 2015. The purpose of this initiative was to help people see and enjoy the pleasures of pets. Focusing mainly on owners who had recently lost a pet, PET DAY 2015 AUTUMN was an opportunity to focus on life care activities through music and books and to welcome a new family member through the adoption of a homeless pet.





Business and Capital Tie-up with Seikodo, a Large Music and Video Software Wholesale Company

(SBS Group)

March

The operations of a subsidiary of Seikodo Co., Ltd. a prominent wholesaler of music and video software, were integrated with NIPPON RECORD CENTER Co., Ltd. Based on this integration, steps were taken to conclude a basic agreement for the consignment of logistics.



Launch of SBS Sokuhai Support

(SBS Sokuhai Support Co., Ltd.)

July

Following the merger of SBS Support Logi Co., Ltd. and SBS Sokuhai Co., Ltd., SBS Sokuhai Support Co., Ltd. was newly launched on July 1, 2015. This new company is engaged in the express delivery of small packages between companies as well as wide-ranging environmental activities including the collection and intermediate processing of industrial waste.



Two Star Rating under the Tokyo Metropolitan Government's Fuel Consumption Evaluation System

(SBS Transport Co., Ltd.)

August

As a part of efforts to further improve its fuel consumption and reduce CO₂ emissions, SBS Transport Co., Ltd. applied for an assessment under the Tokyo Metropolitan Government's annual freight transportation evaluation system. As a result, the company received a two star rating.



Container Transport Business Launched in the Philippines

(SBS Group)

August

SBS Logistics Philippines, Inc. was launched as a joint venture with Sky Freight Forwarders Inc., a leading forwarder in the Philippines and core company of the De Guzman Group. SBS Logistics Philippines engages in container transportation (drayage) activities.



Full-Service Contracting from Import to Delivery of High-End Wines

(SBS Logicom Co., Ltd.)

November

Further expanding the coverage of its logistics business activities, SBS Logicom began offering a full range of wine services from November 2015. As a one-stop logistics provider, the company's activities extend from the import of high-end wines through customs clearance, storage, distribution, and reefer delivery to restaurants and retail stores.



Received the Director-General's Award at the Green Logistics Partnership Conference

(SBS Logicom Co., Ltd.)

December

SBS Logicom received the Director-General's Award as one member of a collective group of seven companies at the Green Logistics Partnership Conference. The Green Logistics Partnership Conference is an initiative that supports collaboration between consignor companies and logistics business operators aimed at establishing sustainable logistics mechanisms.

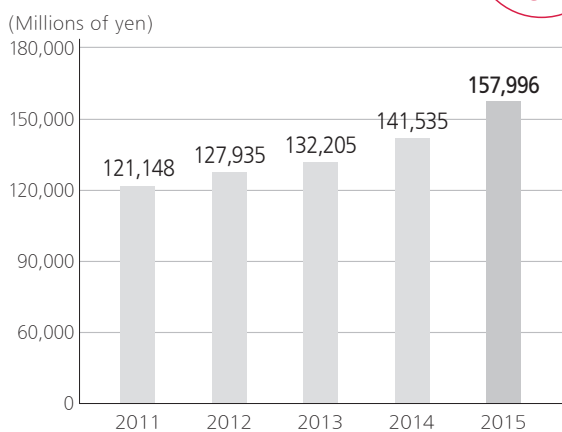


CONSOLIDATED OPERATING PERFORMANCE

Against the backdrop of a harsh operating environment, net sales increased compared with the previous fiscal year. This increase was largely attributable to the full contributions of overseas subsidiaries and growth in the domestic logistics business. From a profit perspective, operating income and ordinary income increased substantially. This was mainly due to the decrease in fuel prices coupled with freight rate adjustments and foreign exchange gains. In contrast, SBS Holdings incurred a net loss for the period under review owing primarily to the write-off the Company's entire investment in SBS Transpole.

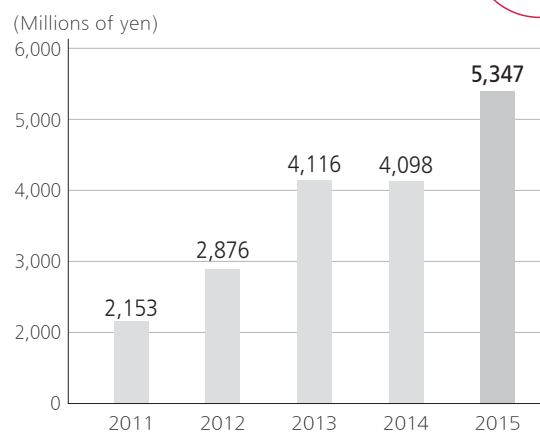
■ Net Sales

YOY
Change
11.6%
UP



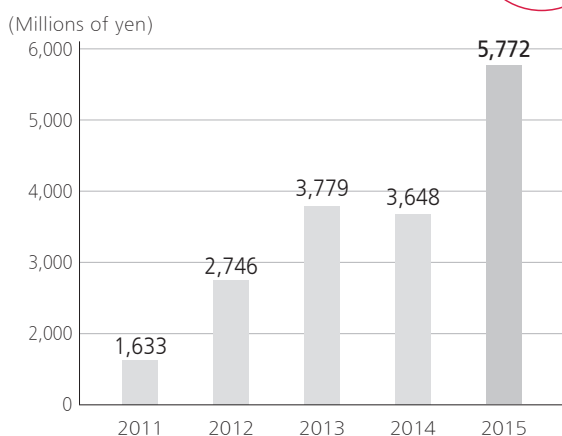
■ Operating Income

YOY
Change
30.5%
UP



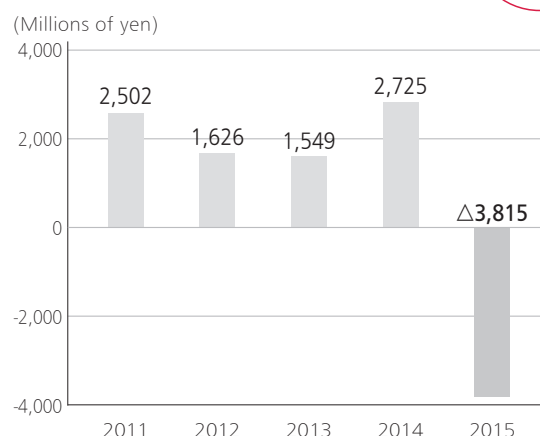
■ Ordinary Income

YOY
Change
58.2%
UP



■ Net Income

YOY
Change
—



CONSOLIDATED OPERATING PERFORMANCE

■ Performance by Segment

(Millions of yen)

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Net Sales	Operating Income	Net Sales	Operating Income
Logistics	143,391	2,072	129,884	1,624
Property Management	8,641	3,292	5,103	2,359
Other	5,963	238	6,548	344
Adjustment	—	△256	—	△229
Total	157,996	5,347	141,535	4,098

● Logistics Business :

Segment sales increased on the back of the inclusion of SBS Transpole in the Company's scope of consolidation as well as robust results in the 3PL business. Buoyed by such positive flow-on effects as the decrease in fuel prices together with freight rate adjustments, operating income also improved.

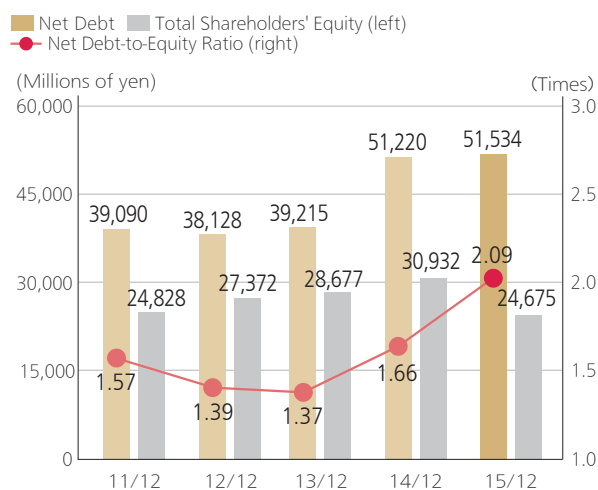
● Property Management Business :

The Nagatsuda Logistics Center commenced operations in January 2015 leading to an upswing in rental income. Buoyed also by the liquidation of a part of logistics facilities for sale, both segment sales and profits increased.

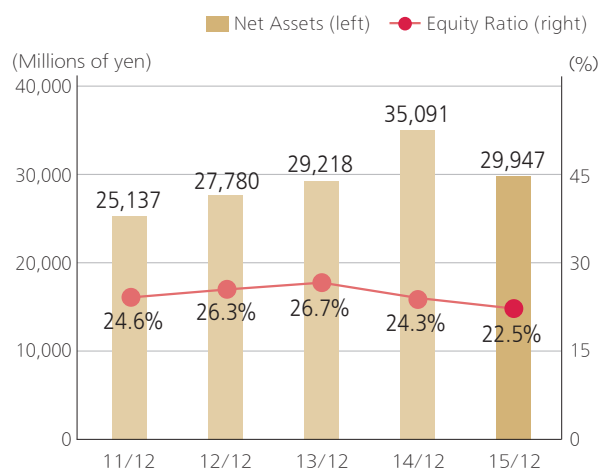
● Other Business :

Both segment sales and profits declined. This largely reflected the increase in recruiting costs triggered by a shortage of personnel in the human resources business and the impact of the sale of a marketing business subsidiary.

■ Net Debt, Total Shareholders' Equity, Net Debt-to-Equity Ratio

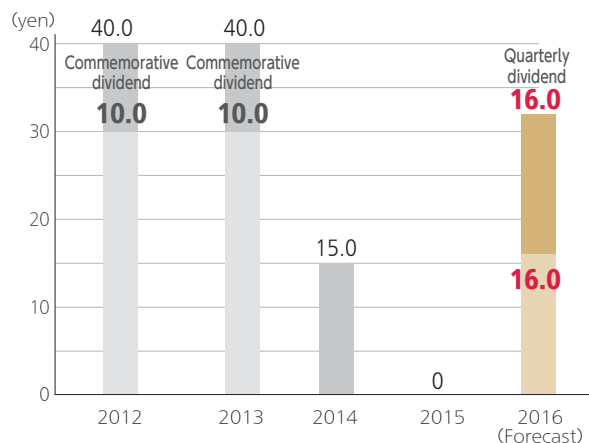


■ Net Assets, Equity Ratio



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



Basic Policy on the Distribution of Profits

The SBS Group has positioned the return of profits to its shareholders as an important management objective. Accordingly, our basic policy on the distribution of profits is to maintain a steady stream of ongoing dividends while working to increase dividend levels in line with the Group's operating performance. In implementing this policy, we also take into consideration the need to boost internal reserves to ensure a stronger management base.

However, taking into consideration the substantial net loss for the period under review, we have regrettably decided to forego the payment of the period-end dividend.

Looking at dividends in fiscal 2016, we plan to pay a quarterly dividend of ¥16 per share to shareholders of record as of March 31, 2016 in addition to the usual period-end dividend of ¥16 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.

PERFORMANCE FORECASTS (For the Year Ending December 31, 2016)

Net Sales **¥ 145,000** million YOY change 8.2%down

Ordinary Income **¥ 6,200** million YOY change 7.4%UP

Operating Income **¥ 6,200** million YOY change 16%UP

Net Income **¥ 3,600** million YOY change -

■ By Segment

(Millions of yen)

	Logistics	Property Management	Other	Total
Net Sales	128,200	10,500	6,300	145,000
YOY Change	△10.6%	+21.5%	+5.7%	△8.2%
Operating Income	1,200	4,700	300	6,200
YOY Change	△42.1%	+42.8%	+26.1%	+16.0%
Operating Margin	0.9%	44.8%	4.8%	4.3%

■ Corporate Profile

Company name	SBS Holdings, Inc.
President	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	¥3,920.75 million
Net sales	¥157.9 billion (consolidated)
Number of Employees	14,191 (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.

Consolidated Subsidiaries

■ Domestic	SBS Logicom Co., Ltd.	SBS Freight Service Co., Ltd.
		Nippon Record Center Co., Ltd.
		SBS Transport Co., Ltd.
		SBS Global Network Co., Ltd.
		SBS Logicom Kitakanto Co., Ltd.
		SBS Logicom Minamikanto Co., Ltd.
■ Overseas	SBS Flec Co., Ltd. — SBS Flecnet Co., Ltd.	SBS Zentsu Co., Ltd.
		SBS Sokuhai Support Co., Ltd.
		SBS Staff Co., Ltd.
		SBS Finance Co., Ltd.
		A-MAX Co., Ltd. — L-MAX Co., Ltd.
		Marketing Partner Co., Ltd.
		■ Overseas

■ Directors and Auditors

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

Shares authorized	154,705,200
Shares issued	39,718,200 (including 2,100 shares of less than one trading unit)
Trading unit stock system	Yes (100 shares)
Shareholders	4,393

■ Major Shareholders

Shareholder	Shares Held	Ratio of Shares Held (%)
Masahiko Kamata	14,888,400	37.48
Japan Trustee Services Bank, Ltd. (trust account)	4,144,000	10.43
SBS Holdings Employee Share Ownership Association	1,569,300	3.95
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02
Junichi Ouchi	928,200	2.33
TOBU Properties Co., Ltd.	909,800	2.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	830,400	2.09
CBNY-GOVERNMENT OF NOR WAY	791,294	1.99
STATE STREET BANK AND TRUST COMPANY 505224	750,000	1.88
3E Holdings Co., Ltd.	468,000	1.17

Note: The ratio of shares held against number of shares issued is truncated after the second decimal place.

■ Distribution of Shares by Shareholder Type

(Shares issued: 39,718,200)

