



# SBS Business Report

For the year Ended December 31, 2016  
(Security Code:2384)

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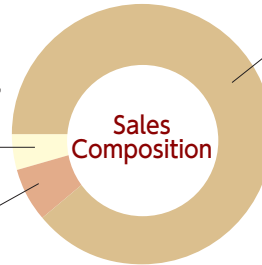
# SBS Group meets the various logistics needs with the utmost quality.

## Performance of the current fiscal year

- Net Sales      **¥ 149.0 billion**
- Operating Profit      **¥ 7.5 billion**
- Ordinary Profit      **¥ 7.8 billion**
- Net Income Attributable to Owners of Parent      **¥ 5.1 billion**
- Dividend per share      **¥ 33**

Other 4.2%  
(Human resources, environment-related, marketing and solar power generation)

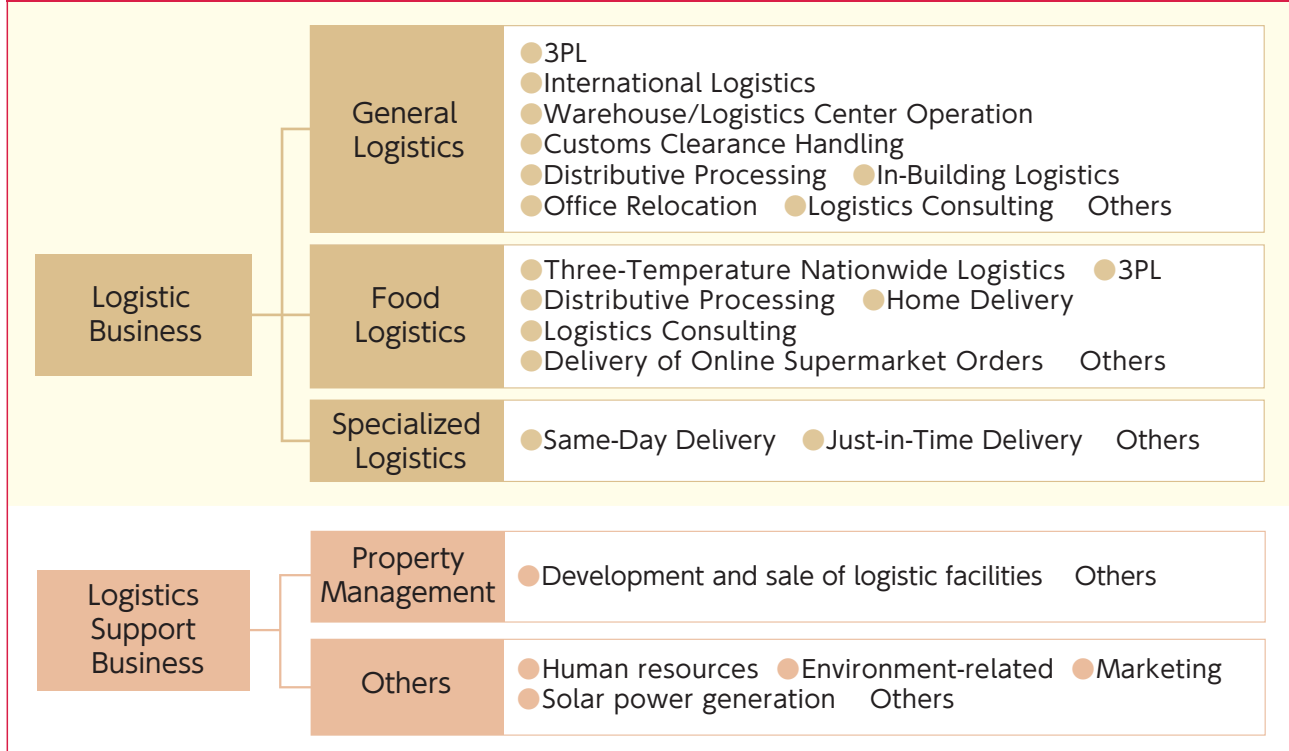
Property Management 6.9%



Logistics 88.9%

Adding logistics support business to our core logistics business, providing logistics services with high added value

## An overview of businesses



## Important aims and strategy

Expanding 3PL business and ensuring stable foundations (by working with the food industry)  
**Business strategy**

Overseas development focusing on the Asian markets  
**International strategy**

M&A and development of logistics facilities  
**Investment strategy**

**Strengthening of the Group's management foundations**  
Establishment of a low-cost operation system : creation of an environment enabling synergetic effect



**3PL Corporate Group** which has the logistic functions in all directions, aiming to become a top-level.

\*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.

The SBS Group worked steadily toward a V-shaped recovery through continued growth in its 3PL and logistics facility development businesses. We have also commenced steps to build a foundation that will help propel us into the next era.

President: **Masahiko Kamata**



### **Operating Conditions in the Current Fiscal Year**

In the current fiscal year, the fiscal year ended December 31, 2016, the SBS Group continued to confront a harsh operating environment. Despite the positive flow-on effects of increased logistics demand on the back of such factors as rapid growth in the e-commerce industry as well as reductions in fuel costs reflecting the downturn in crude oil prices, this harsh operating environment was mainly attributable to the series of weather-related and other disasters, which triggered a slump in logistics volumes, and the increasingly pronounced shortage of drivers. Under these circumstances, the SBS Group worked in unison to expand its business operations and improve revenue and expenditures in an effort to bring about a V-shaped recovery from the losses incurred by overseas subsidiaries during the previous fiscal year.

## Undertaking the Group's Largest Ever Logistics Facility Expansion

As far as the Group's business strategy is concerned, every effort was made to open a succession of logistics facilities, with a combined floor space of 165,000 square meters, during the current fiscal year. At the same time, energies were channeled toward carrying out 3PL orders from department store, major supermarket, and drug-store chain operators. Developed in-house, this included the Shin-Sugita Logistics Center, which in addition to providing e-commerce fulfillment services caters to wine storage, reefer delivery, and other needs. Despite representing the Group's largest every logistics facility expansion in a single fiscal year, this initiative was completed without incident.

## Successfully Completed Work on Three Logistics Facilities and Sold One Building

Turning to the Group's investment strategy, construction was completed at a multi-tenant distribution center in Isogo Ward, Yokohama (total floor space: 39,670 square meters) in February 2016. This center boasts one of Japan's largest warehouses specializing in the storage of wine. Work was also completed on a specialized logistics facility for large-scale departments stores in Tokorozawa, Saitama Prefecture (29,750 square meters) in March, and a logistics facility that can accommodate three temperature ranges in Miyagino Ward, Sendai (8,300 square meters) in October. This facility has commenced operations as a major low-temperature logistics base in the Tohoku region.

Meanwhile, steps were taken to sell the Kawagoe Logistics Center (46,280 square meters). In this manner, we were able to recoup invested assets and improve our balance sheet, which had suffered as a result of the withdrawal from an overseas subsidiary during the previous fiscal year.

## Results for the Current Fiscal Year and Our Outlook for Fiscal 2017

Taking into account each of these initiatives, net sales declined 5.7% compared with the previous fiscal year, to ¥149.0 billion. From a profit perspective, operating profit climbed 40.5% year on year, to ¥7.5 billion. Net income attributable to owners of parent came to ¥5.1 billion. This represented a V-shaped recovery and positive turnaround from the net loss attributable to owners of parent of ¥3.8 billion in the previous fiscal year.

In 2017, the pace and scale of logistics real estate sales is projected to return to normal levels. As a result, we are projecting a slight increase in revenue and decrease in earnings. In specific terms, net sales are anticipated to reach ¥150.0 billion. Operating profit and net income attributable to owners of parent are estimated to come in at ¥6.2 billion and ¥4.0 billion, respectively.

## Utilizing IT to Push Forward the Group's Marketing Activities While Conducting Research into Next-Generation Logistics Services

The SBS Group is actively employing a wide range of media to push forward its marketing activities. In addition to its website, the Group is using a mix of case studies encompassing services directed toward specific customers together with online advertising. In this manner, we are promoting the appeal of our services to customers. We have also put in place a mechanism that allows us to quickly pick up on customer needs and to put forward optimal solutions at the most appropriate time. The number of business inquiries through the WEB is steadily increasing with each year. In order to increase loading rates and to conduct new service research, we are also utilizing IT to actively develop next-generation logistics services. This includes a pilot test using 1,000 frontline vehicles to assess a dynamic vehicle management system developed in-house by project members with onsite experience.

## Growing Awareness Toward the SBS Brand

Since integrating to a single brand in June 2013, each and every member of the SBS Group has adopted the same logo as a sign of uniformity. At the same time, we have continued to steadfastly disseminate information regarding our common Group-wide brand using a variety of media including newspaper advertising, the Internet, and other publications targeting customers. The response to these initiatives and the SBS logo by customers and trading partners has been profound. We are convinced that the market is showing growing levels of awareness toward our presence. In addition to further embracing the spirit of the SBS Group brand, each and every employee will continue to engage in branding activities that employ a wide range of media going forward.

## To Our Shareholders

The SBS Group will celebrate its 30th anniversary in December this year. I would like to take this opportunity to express my sincere gratitude to all shareholders for their understanding and support to date. Looking to the future and what we believe should be our ideal vision going forward, we are working diligently to develop new logistics services and to increase operating efficiency. As we advance, we will make every effort to further enhance our corporate value by reforming the logistics function and drawing on the indomitable spirit of challenge that first emerged across every corner of old warehouses throughout downtown Tokyo 30 years ago.

As we work toward achieving our goals, we ask for your continuous support and understanding.

## 2017 SBS Group Policies

- 1 Bolster sales capabilities and the SBS brand
- 2 Further enhance the 3PL business
- 3 Move forward with logistical real estate developments
- 4 Be proactive in M&A
- 5 Promote overseas development



# Drawing on Our Wealth of Food Logistics Knowhow to Provide the Impetus for Entering the Fine Wine Logistics Market

– Building a Wine Logistics Service Platform Over a Short Period of Time to Help Capture Anticipated Consumption Growth –



SBS Logicom Co., Ltd. launched a series of new logistics services focusing on wine from autumn 2015. Completely overturning traditional concepts and standards as they apply to wine, construction of a high-quality facility designated to store wine was completed within the Shin-Sugita Logistics Center in February 2016. Steps are being taken to rollout these new services. Attracting widespread acclaim, this includes the use of vehicles designed exclusively for the handling of wine to ensure seamless temperature and humidity control through to delivery. Making the most of its food logistics know-how, a major strength of the SBS Group, we are undertaking tasks that require the utmost expertise and putting in place a logistics service platform that specializes in fine wines at a rapid pace.

## Underlying Strengths of the SBS Group's Wine Logistics Services ①

### Realizing thoroughgoing temperature and humidity control from storage through to delivery

Strict handling and control throughout the logistics process from the point of local production through to the end user are essential in preserving the brand value and quality of fine wines. As a result, it is absolutely vital to maintain constant temperature and humidity levels during the entire logistics process. Wine packed in reefer containers are delivered from the point of production and received at the Shin-Sugita Logistics Center using dock shelters to avoid exposure to outside temperatures. A 365-day/24-hour system is in place to ensure that temperatures and humidity levels are maintained at 14°C and 70%, respectively. Moreover, great care is taken to preserve the quality of wines during the transportation process through the use of vehicles designed specifically and exclusively for the delivery of wine. In every facet of the logistics process, we employ designated facilities and equipment that deliver the highest performance.



## Underlying Strengths of the SBS Group's Wine Logistics Services ②

### Training and allocating professional staff with an intimate knowledge about wine

The fine wine logistics services offered through the Shin-Sugita Logistics Center are based first and foremost on a genuine understanding and passion toward fine wines. It is therefore no coincidence that our professional staff are receiving the highest praise for their knowledge. Staff are able to draw on their wealth of experience to identify and classify at a glance a wide variety wines with labels printed in diverse languages using different fonts or without bar codes. We encourage our staff to obtain the appropriate qualifications issued by the Japan Sommelier Association. We also hold lectures on a periodic basis led by wine professionals. In this manner, we focus on providing onsite staff with the necessary skills and understanding.



## Underlying Strengths of the SBS Group's Wine Logistics Services ③

### Harnessing the collective strengths of the SBS Group to provide one-stop wine logistics services

The SBS Group is capable of providing a comprehensive range of wine logistics services. This includes (1) organizing the import of wines from their point of overseas production; (2) providing customs agency services that encompass a host of procedures including import declaration and storage approval application; (3) overseeing acceptance and pre-shipment inspections by professional staff; (4) maintaining storage at constant temperatures and levels of humidity; (5) undertaking the distribution process including affixing labels, sorting into sets, and packaging, and; (6) arranging delivery using specialized vehicles. In addition to wines imported from overseas, we offer the same level of expertise for wines produced in Japan.



 **Contributed ¥3 Million to Relief Efforts for Areas Affected by the Kumamoto Earthquake**

(SBS Group)

**April**

Measuring a maximum seismic intensity of seven, the Kumamoto earthquake wreaked havoc on both Kumamoto and Oita Prefecture. The SBS Group contributed ¥3 million to relief and reconstruction efforts.



 **Undertaking the Group's Largest Ever Logistics Facility Expansion with the Addition of 165,000 Square Meters**

(SBS Logicom Co., Ltd.)

**February to June**

In addition to centers owned and operated by the company coming online in Yokohama and Saitama, new facilities with a total of 165,000 square meters of floor space were opened in various areas including Chiba (Sakura, Inzai, Ichikawa) and Hyogo (Sanda). The company has expanded the baseload of its 3PL business encompassing wine, department store, e-commerce, drugstore chain, and other operators.



 **Development and Launch of NRC Safe and Relief Exercises**

(Nippon Record Center Co., Ltd.)

**October**

Playing a leading role, Nippon Record Center's Health and Safety Committee put in place the NRC Safe and Relief Exercise initiative in a bid to help improve the health of its employees. As a part of this initiative, employees carry out exercises for three minutes prior to the start of their work.

In this manner, Nippon Record Center is helping to improve the health of its employees by engaging in health management activities that enhance the company's growth potential.



 **Construction Completed on the Sendai Logistics Center**

(SBS Flec Co., Ltd.)

**October**

SBS Flec has consolidated its three-temperature zone logistics operations in the Tohoku area at a center in Sendai. Adhering strictly to specific standards in its control and management of temperatures through the use of cutting-edge frozen and chilled food distribution equipment, the center serves as a relay base for the Hokkaido, Tohoku, and Kanto regions while providing logistics services that can accommodate three temperature levels on a 365-day/24-hour basis.



 **1st SBS Group Driver Contest Held**

(SBS Group)

**November**

SBS Holdings held its first driver contest as a group. This contest put to the test the safety skills of 21 competitors from seven Group companies. Grabbing the steering wheel for the first time in 30 years, Masahiko Kamata, the Company's president took a trial run along the course. Through this and other initiatives, the SBS Group is endeavoring to raise awareness toward safety across the Group as a whole.



 **Pilot Test Utilizing 1,000 Vehicles Initiated to Improve Transportation Efficiency**

(SBS Logicom Co., Ltd.)

**November**

SBS Logicom has developed a proprietary framework to enhance truck transportation efficiency in the transportation and delivery business. Using around 1,000 vehicles owned by the company, a network has been configured that employs specialized devices to track vehicle movements in real time. Through a pilot test, steps are being taken to raise the productivity of truck transportation.

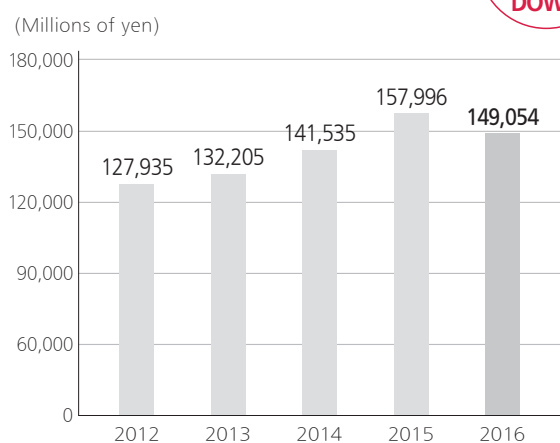


## CONSOLIDATED OPERATING PERFORMANCE IN THE CURRENT FISCAL YEAR

The SBS Group achieved a V-shaped recovery a positive turnaround from the substantial drop in earnings attributable to the losses incurred by a subsidiary in India in the previous fiscal year. This was largely due to the sale of logistics facilities, a drop in operating expenses in line with movements in fuel prices, and the favorable effects of price. In addition, successful steps were taken to reinforce the SBS brand by bolstering efforts aimed at disseminating information to users through the use of brochures and the Internet, and to capture new orders as a part of the Group's overall business strategy.

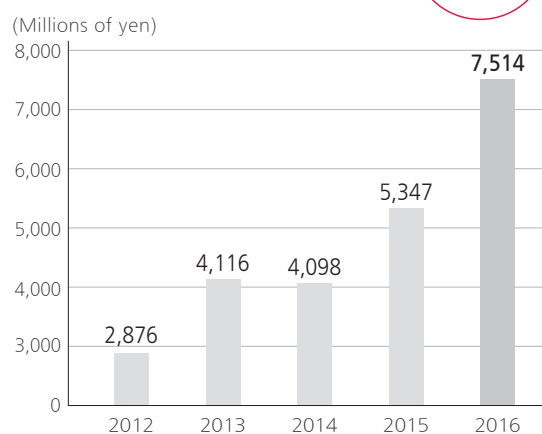
### ■ Net Sales

YOY  
Change  
**5.7%**  
DOWN



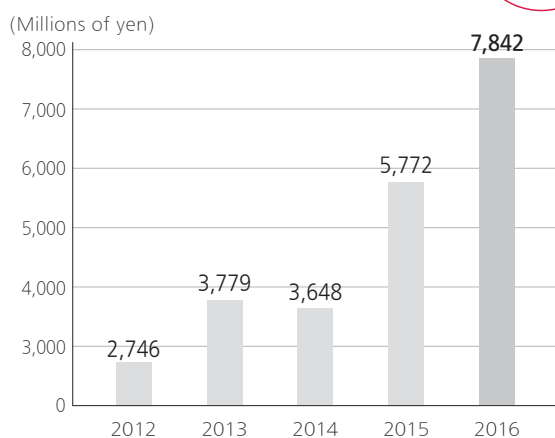
### ■ Operating Profit

YOY  
Change  
**40.5%**  
UP



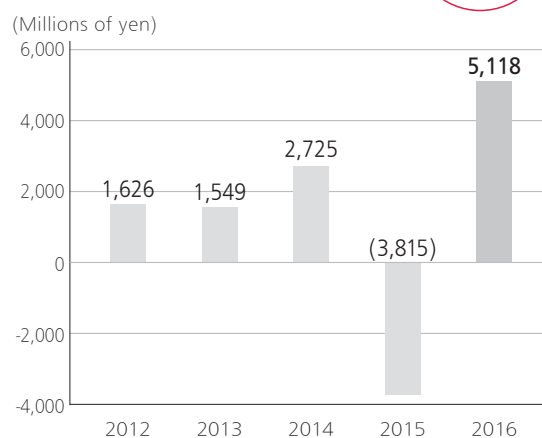
### ■ Ordinary Profit

YOY  
Change  
**39.5%**  
UP



### ■ Net Income Attributable to Owners of Parent

YOY  
Change  
—





## CONSOLIDATED OPERATING PERFORMANCE

### Performance by Segment

(Millions of yen)

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Net Sales	Operating Profit	Net Sales	Operating Profit
Logistics	132,487	2,266	143,391	2,072
Property Management	10,278	5,108	8,641	3,292
Other	6,288	321	5,963	238
Adjustment	—	(182)	—	(256)
<b>Total</b>	<b>149,054</b>	<b>7,514</b>	<b>157,996</b>	<b>5,347</b>

#### Logistics Business :

Operations steadily commenced under 3PL agreements following the completion and leasing of new logistics facilities with a combined floor space of 165,00 square meters during the current fiscal year. This in turn helped the Company expand its operating footprint. Despite a downturn in revenues owing to contraction in overseas logistics business operations, earnings grew at SBS Logicom and SBS Flec, two of the Group's mainstay companies.

#### Property Management Business :

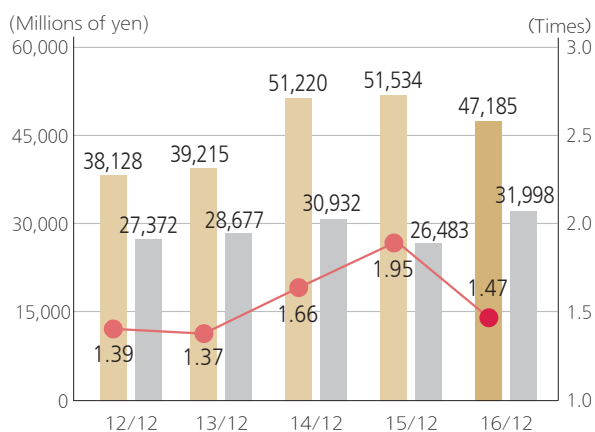
Segment revenues and earnings increased substantially due to firm trends in rental income and the sale of the Kawagoe Logistics Center in the first half of the current fiscal year.

#### Other Business :

The SBS Group was unable to secure the necessary staff due to the shortage of labor. This in turn led to an increase in opportunity loss. However, segment sales and operating profit improved on the back of robust results in the marketing business.

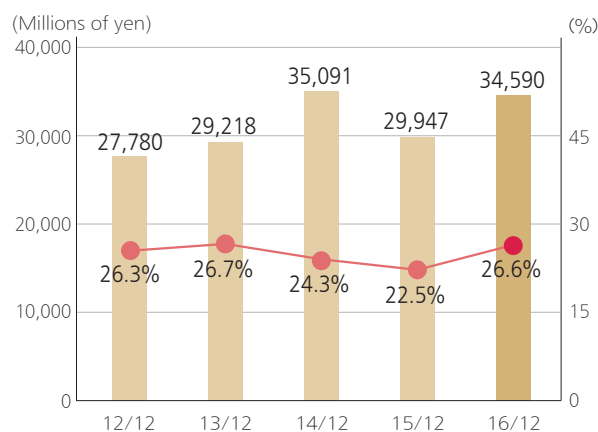
### Net Debt, Total Shareholders' Equity (left), Net Debt-to-Equity Ratio (right)

Net Debt (brown bar), Total Shareholders' Equity (grey bar), Net Debt-to-Equity Ratio (red line)



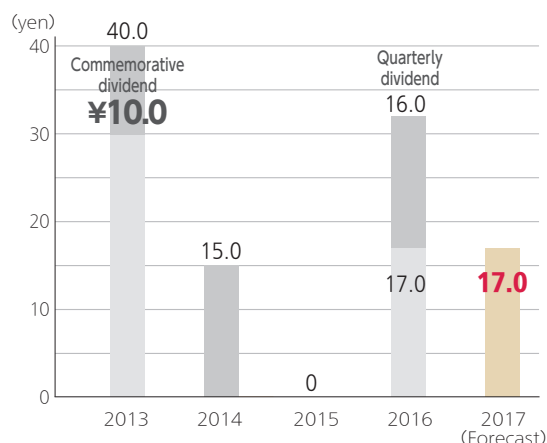
### Net Assets, Equity Ratio

Net Assets (brown bar), Equity Ratio (red line)



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 profit 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. Based on the aforementioned, we plan to pay a period-end dividend for the fiscal year ending December 31, 2017 of ¥17 per share.

Notes: The Group conducted a three-for-one split of common shares on June 1, 2014. 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, 2017)



■ By Segment

(Millions of yen)

	Logistics	Property Management	Other	Total
Net Sales	136,500	6,800	6,700	150,000
YOY Change	3.0%	-33.8%	6.5%	0.6%
Operating Profit	2,500	3,600	350	6,200
YOY Change	10.3%	-29.5%	9.0%	-17.5%
Operating Margin	1.8%	52.9%	5.2%	4.1%

## ■ Corporate Profile

Company name	SBS Holdings, Inc.
President	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	¥3,920.75 million
Net sales	¥149.0 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.

### Consolidated Subsidiaries

■ Domestic	<ul style="list-style-type: none"> <li>— SBS Logicom Co., Ltd.           <ul style="list-style-type: none"> <li>— SBS Freight Service Co., Ltd.</li> <li>— Nippon Record Center Co., Ltd.</li> <li>— SBS Transport Co., Ltd.*</li> <li>— SBS Global Network Co., Ltd.</li> <li>— SBS Logicom Kitakanto Co., Ltd.</li> <li>— SBS Logicom Minamikanto Co., Ltd.</li> </ul> </li> <li>— SBS Flec Co., Ltd. — SBS Flecnet Co., Ltd.</li> <li>— SBS Zentsu Co., Ltd.</li> <li>— SBS Sokuhai Support Co., Ltd.</li> <li>— SBS Staff Co., Ltd.</li> <li>— SBS Finance Co., Ltd.</li> <li>— SBS Asset Management Co., Ltd. — L-MAX Co., Ltd.</li> <li>— Marketing Partner Co., Ltd.</li> </ul>
■ Overseas	<ul style="list-style-type: none"> <li>— SBS Logistics Singapore Pte. Ltd.</li> </ul>

\*It has been merged into SBS Logicom Co., Ltd. effective January 1, 2017.

## ■ Directors and Auditors

President	Masahiko Kamata
Senior Director	Kenichi Iriyama
Directors	<ul style="list-style-type: none"> <li>Masato Taiji</li> <li>Yoshitsugu Sato</li> <li>Jiro Iwasaki</li> <li>Tetsuya Sekimoto</li> </ul>
Audit & Supervisory Board Member (full-time)	Yasuhiro Yamashita
Audit & Supervisory Board Member (outside)	<ul style="list-style-type: none"> <li>Shigetaka Shomatsumoto</li> <li>Masahito Takeda</li> </ul>

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	4,891

## ■ Major Shareholders

Shareholder	Shares Held	Ratio of Shares Held (%)
Masahiko Kamata	14,888,400	37.48
Japan Trustee Services Bank, Ltd. (trust account)	3,652,500	9.19
SBS Holdings Employee Share Ownership Association	1,535,700	3.86
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02
TOBU Properties Co., Ltd.	954,800	2.40
Junichi Ouchi	875,000	2.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	758,600	1.90
CBNY-GOVERNMENT OF NORWAY	704,300	1.77
STATE STREET BANK AND TRUST COMPANY 505224	650,000	1.63
3E Holdings Co., Ltd.	468,000	1.17

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

## ■ Distribution of Shares by Shareholder Type

(Shares issued: 39,718,200)

