



SBS Business Report

For the year Ended December 31, 2018
(Security Code:2384)

Business Highlights

**SBS RICOH LOGISTICS SYSTEM
Launched operation in SBS Group!**

Financial Highlights

**Sales exceeded 200 billion yen.
Achieved the record-high sales
and operating income.**

INDEX

Words from the President	1
Consolidated Financial Results	1
Topics	2
Special Feature	3
Corporate Profile & Stock Information ...	6

SBS Holdings, Inc.



Led by large-scale M&A and the existing logistics businesses, the SBS Group made a good start for the second-time startup, with achieving a record-high net sales and operating income.

Masahiko Kamata, President

During the current fiscal year, the logistics industry was faced with growing demand for logistics solutions due to the revision of corporate logistics functions against the backdrop from the expansion of the e-commerce market and soaring transportation rates. Meanwhile, the industry was also faced with rising costs, such as personnel, vehicle hire, and fuel expenses, as well as a worsening labor shortage.

Under these business environment, the Group aggressively made investments that will become the foundation of the next-generation SBS Group. For example, the Group worked to develop its largest-ever logistics facilities, to win new orders for its 3PL business, and to streamline existing businesses. At the same time, the Group embarked on large-scale M&As and streamlining various business flows.

Our group companies have developed marketing activities that combines websites, web advertisements, PR magazines, etc., and organizational proposal, leading to new orders and expansion of existing businesses. In unprofitable existing businesses, cost pressure was absorbed through offering efficiency improvements and negotiations for rate revisions. In addition, managers led efforts to create a diverse work style and a comfortable working environment at the workplace, and worked to reduce the turnover rate.

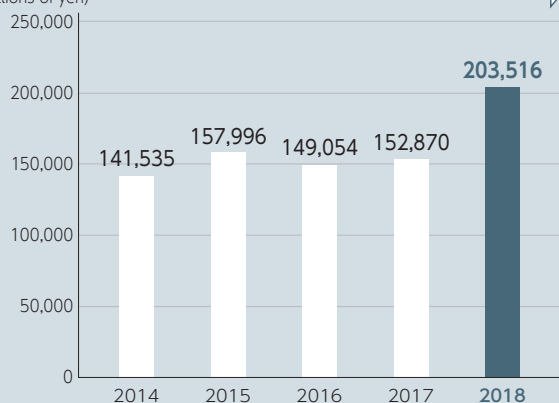
The acquisition of Ricoh Logistics, which acquired 66.6% of its outstanding shares in August, is the largest scale M&A for our group. Our group companies and Ricoh Logistics, which has strengths in manufacturing logistics and LT (Logistics Technology), are highly complementary in the functional characteristics. Therefore, we expect to generate high synergies through this collaboration. In May, we completed construction of a 3-temperature logistics facility in Ibaraki Prefecture, and in June we acquired a 35,000-tsubo (tsubo means a Japanese unit of area equal to approximately 3.31 sq. meters) site for a logistics facility in Chiba Prefecture. Construction of a logistics facility in Osaka City, which was completed in March this year, is expected to become the SBS Group's first 3PL base in western Japan, expecting almost full capacity operation.

In the current fiscal year, when the next-generation SBS Group began, thanks to our large-scale M&A and the growth of logistics businesses, we achieved net sales of 200 billion yen, which had been our dream since our founding, and marked record-high operating income of 8.2 billion yen. Looking ahead, we will work to further increase our corporate value by organically linking and integrating group companies with individuality based on the aspiration of "Innovating logistics." We look forward to the continued support and please expect the next generation SBS Group.

CONSOLIDATED OPERATING PERFORMANCE IN THE CURRENT FISCAL YEAR

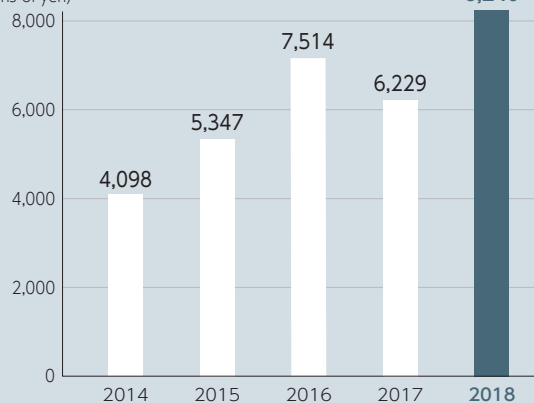
Net Sales

(Millions of yen)



Operating Profit

(Millions of yen)





May

Last mile delivery with bicycle

SBS Flec

SBS Flec began delivering with electric power assisted bicycles exclusively for delivery services at the Ichikawa Delivery Station in Ichikawa City, Chiba Prefecture, which operates an e-commerce delivery service. We will continue to promote the delivery with bicycles, which are safe, efficient, and economical, and have the potential to reduce environmental impacts.



December

Recruitment consulting services specializing in logistics personnel

SBS Staff

SBS Staff, which provides personnel services, has been engaged in temporary staffing and recruiting service for approximately 20 years. In the logistics industry, which accounts for more than 90% of our customers, we do business not only with the SBS Group, but also with more than 800 companies a year. We launched "Logistics Pro.com", a job information website specializing in logistics personnel developed by utilizing our expertise in human resource services that we have cultivated to date.



May

Introduced a mercury-containing waste crusher

SBS Sokuhai Support

SBS Sokuhai Support is equipped with a crusher for mercury-containing waste at the Shinonome Office. In the process of crushing and removing mercury-containing industrial wastes such as fluorescent lamps, this product enables eco-friendly treatment by absorbing and removing the mercury gas to prevent its diffusion into the air. We collect and process every quantity from one unit to tons.



December

11th Global KAIZEN Tournament

SBS RICHO LOGISTICS SYSTEM

Since 2010, SBS Ricoh Logistics has been holding a Global KAIZEN Tournament with the purpose of creating a climate and culture for the KAIZEN (means "improvement" in Japanese) and quickly sharing successful examples. This year, we shared one case of reform and four KAIZENs.



June

The 1st SBS Group Forklift Operator Contest

SBS Group

The SBS Group held 1st SBS Group Forklift Operator Contest to raise the safety awareness of forklift operators and prevent work accidents. We competed for the advanced driving skills required for operators and the specialized knowledge related to relevant laws and regulations, vehicle structure, etc.



May

New distribution centers

SBS Flec & SBS Logicom

In May, the "SBS Flec Ami Distribution Center" was completed in Ibaraki Prefecture, the Group's first self-developed 3PL distribution center for food products that responds to the three-temperature range. In addition, we decided to lease the entire building of SBS Logicom's "D Project Tokyo Jonanjima II (tentative name)" in November, and attended the Groundbreaking Ceremony. Operations are scheduled to begin in March 2020.



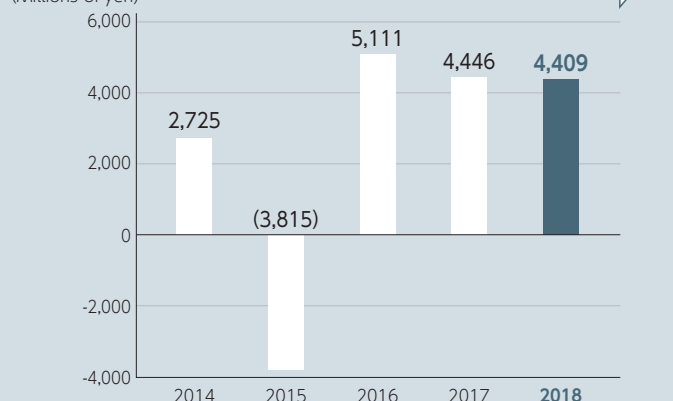
Ordinary Profit

(Millions of yen)



Net Income Attributable to Owners of Parent

(Millions of yen)



Aiming for dramatic growth through integration with SBS Ricoh Logistics

Pioneer in precision products distribution

On August 1, 2018, SBS Holdings acquired a 66.6% shares of Ricoh Logistics, a logistics subsidiary, from Ricoh Co., Ltd. In January 2019, the company name was changed to SBS Ricoh Logistics Co., Ltd., including six domestic group companies. (Table on the right)

In 1964, SBS Ricoh Logistics System Co., Ltd. was established as a logistics subsidiary of the Ricoh Group, a major manufacturer of precision equipment. The company is engaged in the 3PL business, which is responsible for the entire logistics operations of Ricoh group in Japan and overseas. The company also provides logistics services to customers outside the Ricoh Group, including contracted logistics services for OTSUKA CORPORATION's "tanomail".

New corporate name

SBS RICHU LOGISTICS SYSTEM Co., Ltd.
SBS SAN-AI LOGISTICS HIGASHINIHON Co., Ltd.
SBS SAN-AI LOGISTICS KANTO Co., Ltd.
SBS SAN-AI LOGISTICS TOKYO Co., Ltd.
SBS SAN-AI LOGISTICS CHUBU Co., Ltd.
SBS SAN-AI LOGISTICS KANSAI Co., Ltd.
SBS SAN-AI LOGI KYUSHU Co., Ltd.



Creating New Value through Synergies with Group Companies

The SBS Group has technologies and expertise as a comprehensive logistics group. SBS Ricoh Logistics has outstanding technologies and know-how cultivated in manufacturing-affiliated logistics, and both possess strengths in the 3PL business. The operations of the SBS Group and SBS Ricoh Logistics are highly complementary, and we expect strong synergies in areas such as: strengthening the nationwide distribution network, streamlining by mechanization and automation, strengthening our ability to respond to supply chain management, expanding our business model in logistics real estate development, and expanding our overseas business.

Synergies generated by combining networks of both parties, customer bases, technologies and expertise will bring new value to the SBS Group as a 3PL corporate group with omni-directional logistics functions. Looking ahead, we will launch collaborative projects across the Group for each theme and promote initiatives to realize synergies.

Toward full-oriented 3PL expansion

Synergy of strengths × mutual complementation of issues

SBS Ricoh Logistics

Strength

3PL to manufacturers nationwide and overseas
Distribution for BtoB e-commerce order

Issue

Expansion outside the Ricoh Group
Securing personnel and vehicles

Expected synergy effects

- ① Strengthening of the nationwide network
- ② Mechanization and automation
- ③ Expansion of business model in logistics real estate development
- ④ Strengthening of supply chain management
- ⑤ Expansion of overseas business

Comprehensive Logistics SBS Logicom

Strength

Develop 3-temperature 3PL distribution facilities for 3PL foods for retailers and wholesalers

Issue

Overseas expansion Business centered on the Kanto region

Food distribution SBS Flec SBS Zentsu
Same-day delivery SBS Sokuhai Support
Human resource SBS Staff

Leveraging the strengths of Group companies to achieve further growth

The SBS Group has worked to expand its logistics services by leveraging and expanding the strengths of businesses that joined the Group through M&A. In the same way, SBS Ricoh Logistics will be able to seize new growth opportunities by leveraging the Group's management resources. The SBS Group will continue to provide optimal logistics services for customers' businesses through the growth of Group companies.



Mr. Kamata (left), President of SBS Group and Mr. Wakamatsu (right), President of SBS Ricoh Logistics

SBS Group's ESG activities

We classify CSR themes into four categories: the environment, safety, society, and governance. We have established priority items and measures for CSR promotion, and are continually and multilaterally implementing them. We have established a promotion organization (Group Meeting) for each of the four issues to promote activities and share information. The CSR Promotion Committee, which oversees these organizations, is composed of representatives from Group companies and is responsible for promoting CSR activities, such as deciding policies and approving measures across the Group.

Environment

■ Commencement of 3rd Mid-to Long-Term Environmental Plan

The SBS Group formulated the Group's Medium-to Long-Term Environmental Plan following the Environmental Action Plan 2017. We named this plan "Sincere Challenge."

As with the name, we are committed to this plan in good faith and proactively.



SBS Group Mid-to Long-Term Environmental Plan

Plan name	SINCERE CHALLENGE 2030
Slogan	"We challenges to make an eco-friendly society with a lot of greenery!"
Priority issue	Mid-term: Curtailment of CO ₂ emissions (reduction of carbon emissions from vehicles and facilities) Promotion of resource recycling (effective use and recycling of waste) Conservation of natural resources (reduction of use of copying paper and water) Long-term: Strengthen reduction of CO ₂ emissions from vehicles(Formulation and Implementation of Plan for Introduction of Next-Generation Vehicles)
Action plan	Environmental Action 2020

Safty

For the SBS Group, the realization of safety and accident-free operations is a top priority and is at the core of service quality. We are working to prevent accidents through multifaceted approaches, such as improving driver safety awareness and driving skills, supporting health management, and ensuring vehicle safety.

■ Number of G-Mark certified sites

The number of SBS Group offices certified under the GMark is **153**, and the acquisition rate is **86.4%**. (As of December 13, 2018)

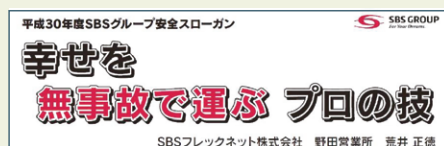
■ Driver contests

Driver contests are held at Group companies to improve safety knowledge and driving skills. Driver contests are also held at competitions sponsored by the Truck Association.



- SBS Zentsu/Home Derivery Division: held 6th Driver Contest (April)
- SBS Zentsu/Trunk-route Transport Division: held 6th Driver Contest (June)
- Mr. Tachibanaki, a staff of SBS Frecnet wins 24th Truck Driver Contest in Nagano Prefecture (July)
- Participated in 50th National Truck Driver Contest (October)
- Held 3rd SBS Group Driver Contest (November)
- SBS RICOH LOGISTICS SYSTEM: held 6th Driver Contest held (November)

■ Formulation of safety slogan



Professional skills to carry happiness without accident

■ Improvement Initiatives

To improve logistics quality, our Group companies hold various contests and presentations.

- SBS Zentsu/Home Derivery Division: held 2nd Customer Contest held (July)
- SBS Zentsu/Home Derivery Division: held 3rd Improvement Case Presentation Meeting (November)
- SBS Flecnet: held 2nd Business Improvement Presentation Meeting (November)

■ Participation in Traffic Safety Campaign

The SBS Group is engaged in a variety of activities aimed at eliminating traffic accidents. During the Spring and Autumn, National Traffic Safety Campaigns, volunteers participate in joint street activities conducted by local police stations and other organizations, calling on local residents to prevent accidents and ensure traffic safety. During the same period, we posted awareness-raising posters and dangling curtains at all of our business sites. Employees wear Traffic Safety Ribbons and are always aware of traffic safety.

Social

The SBS Group adheres to its management philosophy, and its business activities are based on the fundamental principle of living in harmony with society. As a corporate citizen, we strive to contribute to the resolution of social issues while also valuing communication with our stakeholders and building relationships of trust.

■ Support the Food Bank activities

In June 2018, the SBS Group began providing logistics support, which is the foundation of Food Bank activities.



■ Efforts of the Nippon Record Center

The Nippon Record Center is engaged in a variety of initiatives to deepen its relationships with local communities.

- Held Training for Supporters of Presymptomatic Diseases (February)
- Held 4th Summer Lesson for Children (August)
- Held 5th Power Walking Seminar (November)



■ Employment of Persons with Disabilities

SBS Zentsu was awarded by Saitama Prefecture in September 2018. In October, as an excellent employee with disabilities, Ms. Yamazaki, a staff of SBS Flecnet was awarded by Oita Prefecture.

Governnance

The SBS Group aims for sound management. By strengthening corporate governance to accelerate and improve management efficiency, and by continuing to ensure soundness and transparency, we will meet the expectations of our stakeholders as a trusted business. We are also working on compliance and risk management, which are becoming increasingly difficult due to changes in the business environment.

■ Disaster Response Initiatives

Each SBS Group company conducts a variety of emergency response drills, including communication among group companies and the establishment of substitute bases, in anticipation of emergencies such as large-scale earthquakes.

- SBS Group: held the 3rd Emergency Response Training (October)
- SBS Ricoh Logistics: Safety Confirmation Training (Regular)
- SBS Holdings: received certification as Company to Promote Restriction on Mandatory Returns by Tokyo Metropolitan Government (December)

Corporate Profile

Company Name	SBS Holdings, Inc.
President	Masahiko Kamata
Founded	December 16, 1987
Paid-in Capital	¥3,920.75 million
Net sales	¥203.5 billion (consolidated) *For the year ended December 31, 2018
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 (January 1, 2019)	SBS RICOH LOGISTICS SYSTEM Co., Ltd. SBS SAN-AI LOGISTICS HIGASHINIHO Co., Ltd. SBS SAN-AI LOGISTICS KANTO Co., Ltd. SBS SAN-AI LOGISTICS TOKYO Co., Ltd. SBS SAN-AI LOGISTICS CHUBU Co., Ltd. SBS SAN-AI LOGISTICS KANSAI Co., Ltd. SBS SAN-AI LOGISTICS KYUSHU Co., Ltd. RICOH LOGISTICS CORPORATION [USA] RICOH INTERNATIONAL LOGISTICS(HK) LTD. RICOH INTERNATIONAL FREIGHT FOWARDING(SHENZHEN) CO., LTD. SBS Logicom Co., Ltd. SBS Freight Service Co., Ltd. Nippon Record Center Co., Ltd. SBS Global Network Co., Ltd. SBS Logicom Kanto Co., Ltd. SBS Flec Co., Ltd. SBS Flechnet Co., Ltd. SBS Zentsu Co., Ltd. SBS Sokuhai Support Co., Ltd. SBS Staff Co., Ltd. SBS Finance Co., Ltd. SBS Asset Management Co., Ltd. L-MAX Co., Ltd. Marketing Partner Co., Ltd. SBS Logistics Singapore Pte. Ltd.
---	---

Directors and Auditors (As of March 26, 2019)

President	Masahiko Kamata
Directors	Kenichi Iriyama
Directors	Masato Taiji
Directors	Yoshitsugu Sato
Directors	Katsuhisa Wakamatsu
Directors	Tetsuya Sekimoto
Directors	Jiro Iwasaki
Directors	Shuichi Hoshi
Audit & Supervisory Board Member	Yasuhiro Yamashita (full-time)
Audit & Supervisory Board Member	Masahito Takeda
Audit & Supervisory Board Member	Masato Matsumoto

Notes: Jiro Iwasaki, Tetsuya Sekimoto and Shuichi Hoshi are outside directors.
Masahito Takeda and Masato Matsumoto are outside audit & supervisory board members.

Stock Information

Number of shares authorized	154,705,200 shares
Number of shares issued	39,718,200 shares including 914 fractional shares
Unit Stock System	Yes (100 shares)
Number of shareholders	2,921

Major Shareholders

Shareholder	Shares Held	Ratio of Shares Held (%)
Masahiko Kamata	14,888,400	37.48
Japan Trustee Services Bank, Ltd. (trust account)	5,446,900	13.71
SBS Holdings Employee Share Ownership Association	1,424,400	3.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,238,700	3.11
SMBC TRUST BANK Designated Securities Trust	1,200,000	3.02
TOBU Properties Co., Ltd.	954,800	2.40
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS	896,700	2.25
CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	875,000	2.20
Junichi Ouchi	814,700	2.05
GOVERNMENT OF NORWAY	740,200	1.86
Hiroshi Date		

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

Distribution of Shares by Shareholder Type

(Number of share issued: 39,718,200 shares)

