



SBS Business Report

for the Year Ended December 31, 2021

January 1, 2021 to December 31, 2021

Message from the President
Consolidated Business Results

Special Feature 1

Special Feature 2

ESG at the SBS Group

News

Corporate Profile and Stock Information



With M&A activities, the subsequent PMI process as well as organic growth, we achieved record net sales and operating income for the fourth straight year.

Masahiko Kamata, President and Representative Director



Business Results for the Fiscal Year Under Review (Year Ended December 31, 2021)

In the fiscal year under review, the COVID-19 pandemic that began in the previous year continued to spread, and the associated state of emergency declarations issued throughout the country had a significant impact on economic activity. However, e-commerce-related markets including those for daily necessities and online shopping have continued to expand, and the SBS Group has strived to actively respond to meet this demand while giving top priority to preventing infections and ensuring the safety of customers, partners and employees.

In M&A activities, a pillar of the SBS Group's growth strategy, a number of companies have joined the SBS Group since the addition of SBS Toshiba Logistics in November 2020, including Toyo Warehouse & Transportation, K.U.K. LINE, Hinomaru Kyuso, Jass, and SBS Furukawa Logistics. By leveraging the strengths of these individual companies, we have created a structure that provides even more solid support to the logistics supply chains of our customers.

In addition in our existing logistics operations, we have seen a strong performance throughout the year, with expanded business with existing customers, capturing demand from new customers, the recovery of overseas and other intercompany logistics that were hit hard by the spread of COVID-19, the capturing of e-commerce demand in the same-day delivery business, and catering to demand for daily necessities and online supermarket usage. Furthermore in the real estate business where the SBS Group implements

a unique business model of in-house logistics facility development and securitization, we transferred trust beneficiary rights for the Nanko Logistics Center (Osaka Prefecture) and achieved the completed construction and launch of operations at the Yokohama Kanazawa Logistics Center (Kanagawa Prefecture), which uses state-of-the-art logistics technologies.

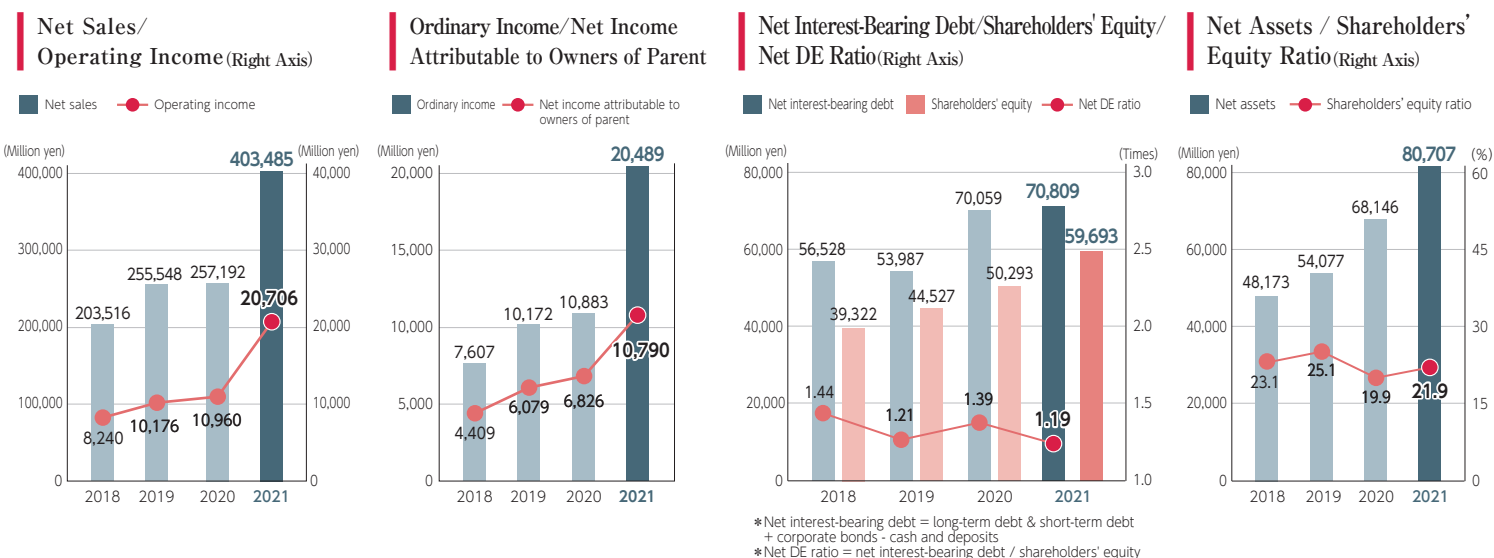
As a result, in the fiscal year under review the SBS Group recorded net sales of 403.485 billion yen, a 56.9% increase of 146.293 billion yen year on year, and operating income of 20.706 billion yen, an 88.9% increase of 9.745 billion yen year on year. In doing so, we posted record figures for both net sales and operating income for the fourth straight year.

Ordinary income also rose 9.605 billion yen (+88.3%) year on year to 20.489 billion yen, while net income attributable to owners of parent increased 3.963 billion yen (+58.1%) year on year to 10.790 billion yen.

For the fiscal year ending December 31, 2022, we plan to achieve 430.0 billion yen in net sales, 21.5 billion yen in operating income, 20.6 billion yen in ordinary income and 11.7 billion yen in net income attributable to owners of parent, representing increases in both net sales and income. The SBS Group will make a concerted effort to meet these goals.

I wish to thank all shareholders for their continued support going forward.

Consolidated Business Results for the Fiscal Year Under Review



Achieving net sales of over 400 billion yen with SBS Toshiba Logistics contributing throughout the year. Aspiring to further heights with a successful M&A strategy

The purpose of stock transfers is the growth of logistics subsidiaries

Companies such as manufacturers and retailers are looking to enjoy advanced logistics functions by transferring shares in their logistics subsidiaries to dedicated logistics operators and improving their corporate value, and these moves are gaining speed.

Against the backdrop of this management environment, since 2004 the SBS Group has been honing the unique strengths of individual companies and building upon business results through M&A activities involving more than 20 companies, including Yukijirushi Butsuryu (now SBS Flec) and Tokyu Logistics (now SBS Logicom).

This growth has continued with recent additions to the Group including Ricoh Logistics (now SBS Ricoh Logistics) in 2018, Toshiba Logistics (now SBS Toshiba Logistics) in 2020, and Toyo Warehouse & Transportation as well as Furukawa Logistics (now SBS Furukawa Logistics) in 2021.



(From left) President Morita of Furukawa Logistics (now SBS Furukawa Logistics), Group representative Kamata, and President Kobayashi of Furukawa Electric

Key factor behind the success of M&A activities: the system integration process

Post-merger integration, or PMI (the integration process following the realization of an M&A action), largely involves two processes.

The first process is the integration of systems, while the second is the achievement of business synergy through the integration of operations with a focus on operations in the field. During the initial stages, the most important thing is the integration of systems. Integration of SBS Ricoh Logistics was completed over an integration period of roughly two years.

At present, these processes are underway with companies that recently joined the SBS Group, such as SBS Toshiba Logistics. When this process is complete, collaboration on the operational side is expected to pick up speed very quickly.

Expertise in system integration and the financial resources required to achieve it is an essential key factor to the success of M&A activities.

Through an IT team that possesses expert skills accumulated from extensive experience, the SBS Group has developed a structure that is able to see this process through.

The SBS Group's unique PMI keyword: "integration"

The keyword for successful M&A activities at the SBS Group is "integration."

By consolidating head office functions while preserving the top management, organizational structure and personnel allocations, we improve the quality and speed of information sharing between Group companies.

In March this year, the head office functions of 19 companies in total, including companies such as SBS Toshiba Logistics that joined the SBS Group in recent years, were relocated to and consolidated in Nishi-Shinjuku.

A fundamental idea at the SBS Group is that companies that join the Group are our colleagues and kindred spirits, and this is a part of our organizational culture that has ensured the success of our M&A endeavors.

The dynamics of the values that emerge from the diverse range of human resources we have accumulated through M&A and mid-career hiring represent a strength of the SBS Group.

New business fields, customers and expanded management resources gained through M&A activities

Company name	Date of the M&A action	New business fields and customers gained	Compatibility with existing business	Enhanced management and operational resources
SBS Ricoh Logistics	Aug. 2018		Improved efficiency through mechanization and automation	Strengthening of nationwide delivery network, etc.
SBS Toshiba Logistics	Nov. 2020	Expanded business with the Toshiba Group	Sharing of 4PL functions	Strengthening of overseas logistics markets in North America and Europe
SBS Furukawa Logistics	Dec. 2021	Expanded business with the Furukawa Electric Group		Telecommunications, expertise in transportation of motor vehicles, etc.
Toyo Warehouse & Transportation	Jan. 2021	Strengths in customs clearance and international logistics		Location potential in Tokyo waterfront area
K.U.K. LINE	Apr. 2021		Small lot joint deliveries, furniture deliveries, etc.	Strengthening of west Japan logistics supply chain
Hinomaru Kyuso	Apr. 2021		Food logistics at the three temperature zones	Delivery network throughout Shikoku
Jass	Jul. 2021		Small lot deliveries in the Tohoku region, deliveries for mass merchandisers	Building a trunk line network between the Tohoku and Kanto districts

Aiming to create an e-commerce logistics services that track closely with customer growth



Full-scale entry into the e-commerce logistics business from 2022

From 2022, the SBS Group will make a full-scale entry into the electronic commerce (e-commerce, EC) logistics business. In addition to the last mile network we are currently developing, by expanding 3PL functions aimed at EC business operators that combine the system development, in-the-field expertise and logistics facility development capabilities of our Group companies, we have set the goal of expanding to become a group with net sales of 100 billion yen by the year 2030.

New establishment of dedicated EC sites in the Tokyo metropolitan area

In 2019, the B-to-C e-commerce market in Japan was worth 19.4 trillion yen, but this is expected to grow to 29.4 trillion yen by 2026, and logistics facilities are being constructed one after another in major metropolitan areas.

The SBS Group is also actively working to expand its logistics facilities to meet 3PL demand for the EC business operators that are growing year after year.

We have laid out plans to establish around 15 new dedicated EC logistics sites in the Tokyo metropolitan area by 2030, and expect to invest over 100 billion yen in total for this endeavor.

Continuing to promote IT adoption and the introduction of logistics technologies such as logistics robots

2021 marked the year in which the SBS Group began the full-scale introduction of logistics technologies (LT) and IT in the logistics field.

At the Yokohama Kanazawa Logistics Center that entered operation in October, state-of-the-art systems have been installed, including one of Asia's largest "auto stores" and inspection-less systems that utilize machine learning, and we are aiming to realize dramatic improvements in processing capacity compared with conventional sites.

Fully integrated services including the last mile

So that our services can be used at low cost by startups with annual turnover between 500 million and one billion yen and e-commerce business operators in a growth phase in addition to the major e-commerce business operators with whom we already do business, we will develop fully integrated services that go from fulfillment to last mile delivery.

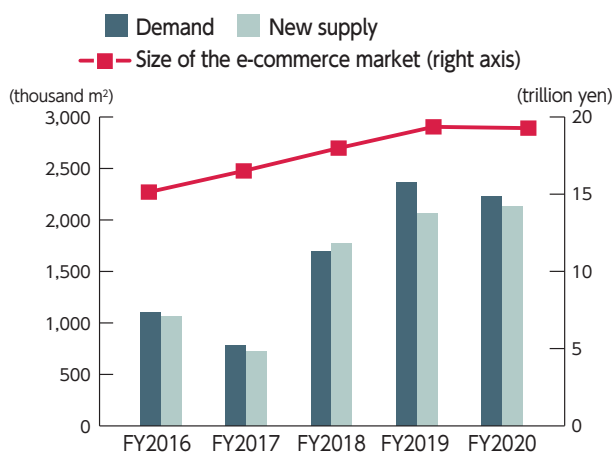
We aim to provide services that track closely with the growth of customers, so that our services can easily be used by small-scale e-commerce providers that carry a small number of products.

Developing a dedicated platform for e-commerce logistics supporting any size or business type with dedicated facilities developed in-house

By combining the system development capabilities of SBS Ricoh Logistics, extensive expertise developed through the 3PL business for office supply mail order operators, along with the technologies to introduce the latest logistics robots of SBS Toshiba Logistics and the strengths of SBS Logicom in the field, we will build a dedicated platform for e-commerce logistics.

By 2030, we will generate e-commerce-related sales of 100 billion yen through this platform, developing it into a major pillar of the logistics business.

Change in logistics facility demand and supply, and the size of the e-commerce market



* The e-commerce market is a B-to-C market
 * Source: partial extract from FY2020 research materials from JLL and the Ministry of Economy, Trade and Industry



Automated form feeder

ESG at the SBS Group

Adoption of Electric Trucks in Last Mile Logistics in Japan First

Aiming to shift to 10,000 electric vehicles by 2030

In October 2021, the SBS Group announced its plans to shift to electric trucks for all of its vehicles handling last mile transportation.

Over the next five years, the SBS Group will shift roughly 2,000 of the vehicles it operates for last mile transportation to electric, and is encouraging a complete switch to electric vehicles for 10,000 trucks that include affiliate companies by FY2030.

Responding to stronger targets to reduce vehicle CO₂ emissions

The SBS Group has declared stronger reductions to vehicle CO₂ emissions as a priority challenge, and has set the goal of reducing its greenhouse gas emissions by at least 3% year on year annually until 2030.

To meet this goal, we aim to replace our current fleet of vehicles with next-generation vehicles including electric vehicles, and by beginning this full-scale introduction of electric trucks, we expect the promotion of those measures to accelerate even more.

Promoting the introduction of electric vehicles and eco driving (fuel-efficient driving)

The electric trucks that are being adopted this time have been undergoing driving tests since 2021, and will be gradually put into service once maintenance and upkeep systems have been put in place.

Although there are currently few choices of electric vehicle in Japan to meet the diverse needs of the logistics industry, we believe that this initiative will represent an important step towards the realization of a decarbonized society in Japan.

The SBS Group recognizes the risks caused by climate change as a critical management issue and the Group is united in striving to implement a decarbonized society while introducing electric vehicles and promoting eco-driving (fuel-efficient driving).

One-ton electric truck not yet offered by Japanese manufacturers

Japanese manufacturers have yet to make a one-ton electric truck. The electric truck to be introduced is a vehicle with its design altered by folofly Inc. to meet Japanese safety standards. It is then built and supplied by a Chinese manufacturer on an OEM basis.

A one-ton electric truck is the most optimal vehicle type for last mile delivery handled by the SBS Group. It is equipped with a battery with a cruising distance of 300 km and is an electric vehicle with the largest capacity that can be driven with a class 1 driver's license.

Receiving electric vehicles supplied by folofly Inc. is a big step for the SBS Group in its decarbonization efforts and contributions to the global environment.

The SBS Group is seeking to swiftly adopt next-generation vehicles while financing folofly Inc. to support its future growth.



News



Toyo Warehouse & Transportation and Furukawa Logistics join the SBS Group

(SBS Group)

▶▶▶ See Special Feature 1



Acceleration of small M&A activities by Group companies

(SBS Group)

▶▶▶ See Special Feature 1



Introduction of automation systems using logistics technology (LT)

(SBS Toshiba Logistics / SBS Ricoh Logistics)

▶▶▶ See Special Feature 2



Rapidly progressing into a group that involves active women participation

(SBS Holdings / SBS Flecnet)

In August, SBS Holdings was awarded Eruboshi certification by the Minister of Health, Labour and Welfare based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace.

In addition, at the national truck driver contest held in October, a female driver from SBS Flecnet placed 5th for the first time, drawing attention to the active participation of women.



Strengthening environmental conservation efforts

(SBS Group)

The Kansai Branch of SBS Toshiba Logistics received a 2021 Osaka City Environmental Bureau Director's Award in recognition of its waste reduction activities.

SBS Ricoh Logistics is pursuing environmental conservation efforts including the implementation of corporate forest activities as a forest volunteer.

*Please refer to the section on ESG at the SBS Group for information about the full-scale introduction of electric trucks.

Corporate Profile

Company Name	SBS Holdings, Inc.
Representative Director	Masahiko Kamata
Established	December 16, 1987
Capital	3.92 billion yen
Net sales	403.4 billion yen (consolidated) *For the year ended December 31, 2021
Location	8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-6125, Japan Sumitomo Fudosan Shinjuku Grand Tower 25F Tel: 03-6772-8200 (main switchboard)
Business Activities	Logistics business, property management business, marketing business, human resources business, etc.

Consolidated Subsidiaries (January 1, 2022)

SBS Toshiba Logistics Corporation
TL Logi Service Co., Ltd.
Toshiba Logistics (Shanghai) Co., Ltd.
Toshiba Logistics (Hangzhou) Co., Ltd.
Toshiba Logistics (Dalian) Co., Ltd.
Toshiba Logistics (Hong Kong) Co., Ltd.
Toshiba Logistics (Thailand) Co., Ltd.
Toshiba Logistics Vietnam Co., Ltd.
Toshiba Logistics America, Inc.
Toshiba Logistics Europe GmbH
SBS Ricoh Logistics System Co., Ltd.
SBS San-Ai Logistics Co., Ltd.
Ricoh Logistics Corporation
Ricoh International Logistics (H.K) Ltd.
Ricoh International Freight Forwarding (Shenzhen) Co., Ltd.
Jass Co., Ltd.
SBS Logicom Co., Ltd.
SBS Freight Service Co., Ltd.
SBS Global Network Co., Ltd.
SBS Logicom Kanto Co., Ltd.
Kyokushin Unyu Kaihatsu (K.U.K. LINE)
SBS Flec Co., Ltd.
SBS Flecnet Co., Ltd.
Hinomaru Kyuso K.K.
SBS Sokuhai Support Co., Ltd.
SBS Zentsu Co., Ltd.
SBS Furukawa Logistics Corp.
SBS Staff Co., Ltd.
SBS Finance Co., Ltd.
Toyo Warehouse & Transportation Co., Ltd.
Marketing Partner, Inc.
SBS Asset Management Co., Ltd.
LMAX Co., Ltd.

Directors (as of March 25, 2022)

Representative Director	Masahiko Kamata
Director	Kenichi Iriyama
Director	Masato Taiji
Director	Yasuhito Tanaka
Director	Katsuhisa Wakamatsu
Director	Hajime Kato
Director	Hiroaki Sato
Outside Director	Tetsuya Sekimoto
Outside Director	Jiro Iwasaki
Outside Director	Shuichi Hoshi
Director (Audit & Supervisory Committee Member)	Takashi Endo
Outside Director (Audit & Supervisory Committee Member)	Masato Matsumoto
Outside Director (Audit & Supervisory Committee Member)	Sachie Tsuji

Stock Information

Number of Shares Authorized	154,705,200 shares
Number of Shares Issued	39,718,200 shares
Unit Stock System	Yes (100 shares)
Number of shareholders	5,103

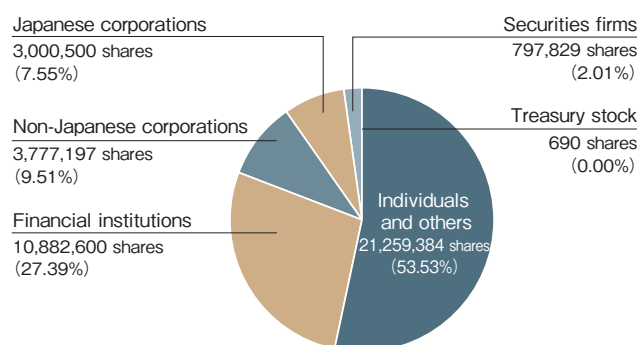
Major Shareholders

Shareholder Name	Number of Shares Held	Shareholding Ratio (%)
Masahiko Kamata	14,388,400	36.22
Custody Bank of Japan, Ltd. (trust account)	5,156,200	12.98
The Master Trust Bank of Japan, Ltd. (trust account)	1,575,700	3.96
SBS Holdings Employee Share Ownership Association	1,354,100	3.40
Sumitomo Mitsui Trust Bank, Limited (trust account Ko-18)	1,200,000	3.02
Sumitomo Mitsui Trust Bank, Limited (trust account Ko-13)	1,000,000	2.51
TOBU Properties Co., Ltd.	986,000	2.48
Masaru Wasami	800,000	2.01
Junichi Ouchi	576,700	1.45
SMBC Nikko Securities Inc.	449,800	1.13

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

Distribution of Shares by Shareholder Type

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



Changes in Dividends

