

Summary of Business Results for the Third Quarter Ended September 30, 2023 [Japan GAAP] (Consolidated)

November 10, 2023

Company **SBS Holdings, Inc.**
 Stock Code 2384 URL: <https://www.sbs-group.co.jp/>
 Representative Masahiko Kamata, President and Representative Director
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 Expected date of filing of quarterly report: November 10, 2023
 Preparation of quarterly supplementary financial document: None
 Quarterly results briefing: None

Listed on the TSE

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Expected starting date of dividend payment: -

(Rounded down to million yen)

1. Consolidated business results for the nine months ended September, 2023 (January 1, 2023 through September 30, 2023)

(1) Consolidated results of operations

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Sep. 2023	325,062	△1.5	16,807	29.7	17,084	34.4	9,384	114.2
Nine months ended Sep. 2022	330,144	10.1	12,962	△26.2	12,713	△28.5	4,382	△55.1

(Note) Comprehensive income

Nine months ended September 2023: 11,638 million yen (90.8%)

Nine months ended September 2023: 6,100 million yen (△49.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 2023	236.29	-
Nine months ended Sep. 2022	110.33	-

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep. 2023	313,328	100,792	25.0
As of Dec. 2022	296,898	92,172	23.7

(Reference) Shareholders' equity

As of September 2023: 78,333 million yen

As of December 2022: 70,381 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Dec. 2022	-	0.00	-	61.00	61.00
Year ending Dec. 2023	-	0.00	-	-	-
Year ending Dec. 2023 (forecast)	-	-	-	65.00	65.00

(Note) Revisions to dividend forecast for the current quarter: None

3. Forecast of consolidated business results for the fiscal year ending December 2023 (January 1, 2023 through December 31, 2023)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Year ending Dec. 2023	430,000	△5.6	19,000	△13.0	19,000	△11.2	10,500	△10.5
								264.37

(Note) Revisions to business forecast for the current quarter: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

① Changes in accounting policies associated with revision of accounting standards: : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatement : None

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of September 2023 39,718,200 shares

As of December 2022 39,718,200 shares

② Treasury stock at the end of period

As of September 2023 789 shares

As of December 2022 728 shares

③ Average number of stock during period (quarterly cumulative period)

Nine months ended September 2023 39,717,435 shares

Nine months ended September 2022 39,717,510 shares

***This quarterly consolidated financial result announcement is not subject to audit procedures.**

***Explanation regarding appropriate use of financial forecasts and other special instructions**

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

During the third quarter of the current fiscal year (January 1, 2023 to September 30, 2023), while restrict movement on COVID-19 eased and economic activities normalized, the economic outlook remained uncertain due to soaring utility costs and rising prices of resources and daily necessities.

Against this backdrop, while placing top priority on preventing infectious diseases and ensuring the safety of our customers, business partners and employees, the Group has worked to acquire 3PL, 4PL businesses in our mainstay Logistics business and proactively respond to growing e-commerce logistics demand by, for example, developing a new service called "EC Logistics Omakase Kun."

In the third quarter of the fiscal year, net sales decreased by 5,082 million yen (-1.5%) year on year to 325,062 million yen, operating income increased by 3,844 million yen (+29.7%) year on year to 16,807 million yen, ordinary income increased by 4,371 million yen (+34.4%) year on year to 17,084 million yen, and net income attributable to owners of parent increased by 5,002 million yen (+114.2%) year on year to 9,384 million yen due to the recording of a fire loss of 4,451 million yen as an extraordinary loss in the third quarter of the previous fiscal year. Although the decline in utility costs and marine container freight rates and other factors hindered growth in our logistics business revenue in the Property Management business, the liquidation of logistics properties, implemented in the fourth quarter of the previous fiscal year, was implemented in the first quarter of the current fiscal year.

The results of operations by segment are as follows:

(Logistics business)

In the mainstay Logistics business, in addition to expanding business with existing customers, we focused on acquiring new customers that seek high logistics functions, capturing demand for e-commerce logistics services, etc. However, due to factors such as a decline in freight rates and a decrease in the volume of goods in overseas business in inter-company logistics and consumer electronics and semiconductors, net sales in the Logistics business in the third quarter of the current fiscal year decreased by 17,216 million yen (-5.3%) year on year to 305,056 million yen and operating income decreased by 3,157 million yen (-26.6%) year on year to 8,691 million yen.

(Property Management business)

The Property Management business consists of the Development and Leasing businesses. In the Development business, to promote the Group's 3PL and 4PL businesses, we are comprehensively developing large-scale warehouses that meet customers' logistics requirements, from land acquisitions to construction. In the Leasing business, rental revenues are derived from warehouses, office buildings, residential properties, and other properties owned by the Group. We have liquidated our real estate properties and recovered funds for future investments. The revenues recorded as a result of the liquidation are included in the Property Management business.

In the third quarter of the current fiscal year, net sales in the Property Management business increased by 11,588 million yen (+765.3%) year on year to 13,102 million yen, and operating income increased by 6,907 million yen (+881.0%) year on year to 7,691 million yen. This was mainly due to the partial transfer of trust beneficiary rights of Yokohama Kanazawa Logistics Center (Yokohama City) and the transfer of Higashi Ogijima Warehouse (Kawasaki City, Kanagawa).

(Other business)

The main operation of the Other business is the Temporary Staffing business, the Marketing business, the Solar Power Generation business, and the Environmental business. In the third quarter of the current fiscal year, net sales in the Other business increased by 546 million yen (+8.6%) year on year to 6,903 million yen, and operating income decreased by 33 million yen (-10.4%) year on year to 292 million yen.

(2) Financial Position

Total assets at the end of the third quarter amounted to 313,328 million yen, an increase of 164,29 million yen from the end of the previous fiscal year. This was mainly due to an increase in current assets such as cash and deposits and inventories etc.

Liabilities were 212,535 million yen, an increase of 7,809 million yen from the end of the previous fiscal year. This was due to an increase in noncurrent liabilities such as long-term borrowings and others, while there was a decrease in current liabilities such as accounts payable-trade.

Net assets increased by 8,620 million yen to 100,792 million yen. This was mainly due to an increase in retained earnings due to the recording of quarterly profit attributable to owners of parent.

(3) Consolidated Earnings Forecasts and Other Forward-Looking Information

Amid the possibility that an uncertain external environment, such as global monetary tightening, and geopolitical risks such as heightened international tensions may affect our business results in the future, we will further improve our sales capabilities by creating synergies between Group companies, and actively respond to initiatives such as capturing e-commerce related sales, where demand is strong.

In addition, we are accelerating the introduction of robots and other LT (Logistics Technology) systems in logistics sites. LT Lab, opened in December 2022, which is a facility for verifying advanced robot solutions in Koshigaya City, Saitama, and we are working to improve the accuracy of the introduction of advanced LT systems and to stabilize operations at an early stage. At the same time, we are developing a highly versatile e-commerce logistics system to capture the demand of new e-commerce logistics demand.

The business forecasts for the fiscal year ending December 2023 remain unchanged from the "Forecast of consolidated business results for the fiscal year ending December 2023" in the financial summary, based on the fact that the main Logistics business has continued to show a decreasing trend in the amounts of substances handled, including the falling marine container freight rates and the volume of household electronics and semiconductors. In order to achieve this business forecasts, our group will work together to carry out business activities and growth strategies. In order to achieve these forecasts, we will unite as a group to promote business activities and growth strategies. In particular, we will promote the various measures outlined in "SBS Next Stage 2025", which is our medium-term management plan up to fiscal 2025.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Million yen)

	Previous fiscal year (December 31, 2022)	Current Third Quarter (September 30, 2023)
Assets		
Current assets		
Cash and deposits	32,673	43,190
Notes and accounts receivable - trade, and contract assets	67,075	61,500
Inventories	31,207	34,769
Other	15,152	20,043
Allowance for doubtful accounts	-84	-107
Total current assets	146,023	159,396
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	69,581	70,992
Accumulated depreciation and impairment loss	-49,199	-50,442
Buildings and structures, net	20,381	20,549
Machinery, equipment and vehicles	34,623	35,931
Accumulated depreciation and impairment loss	-22,699	-24,048
Machinery, equipment and vehicles, net	11,924	11,882
Land	53,264	53,162
Leased asset	9,792	10,440
Accumulated depreciation and impairment loss	-6,166	-6,231
Leased assets, net	3,626	4,209
Construction in progress	1,575	2,382
Other	9,281	9,738
Accumulated depreciation and impairment loss	-7,020	-7,207
Other, net	2,261	2,530
Total property, plant and equipment	93,034	94,717
Intangible fixed assets		
Goodwill	8,392	7,841
Custom-related assets	20,141	19,570
Other	5,821	6,460
Total intangible fixed assets	34,355	33,872
Investments and other assets		
Investments and other assets	23,546	25,410
Allowance for doubtful accounts	-62	-69
Total investments and other assets	23,484	25,341
Total fixed assets	150,874	153,932
Total assets	296,898	313,328

(Million yen)

	Previous fiscal year (December 31, 2022)	Current Third Quarter (September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	35,823	32,386
Electronically recorded obligations	6,512	6,191
Short-term borrowings	28,395	28,330
Current portion of long-term loans payable	15,230	12,612
Income taxes payable	1,859	4,642
Provision for bonuses	2,969	5,021
Other	23,841	23,351
Total current liabilities	114,632	112,535
Noncurrent liabilities		
Long-term loan payable	56,079	63,518
Retirement benefit liability	11,563	11,516
Other	22,450	24,966
Total noncurrent liabilities	90,093	100,000
Total liabilities	204,726	212,535
Net assets		
Shareholders' equity		
Capital stock	3,920	3,920
Capital surplus	2,651	2,651
Retained earnings	62,787	69,749
Treasury stock	-0	-1
Total shareholders' equity	69,358	76,320
Other accumulated comprehensive income		
Valuation difference on securities	399	769
Foreign currency translation adjustment	799	1,400
Remeasurements of defined benefit plans	-176	-156
Total other accumulated comprehensive income	1,022	2,013
Non-controlling shareholders' equity	21,791	22,458
Total net assets	92,172	100,792
Total liabilities and net assets	296,898	313,328

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

Third Quarter

	(Million yen)	
	Previous Third Quarter (January 1, 2022 - September 30, 2022)	Current Third Quarter (January 1, 2023 - September 30, 2023)
Net sales	330,144	325,062
Cost of sales	296,178	285,896
Gross profit	33,966	39,166
Selling, general and administrative expenses	21,004	22,358
Operating income	12,962	16,807
Non-operating income		
Interest income	24	40
Dividends income	84	117
Foreign exchange gains	181	288
Equity in income of affiliates	474	559
Other	296	250
Total non-operating income	1,061	1,256
Non-operating expenses		
Interest expenses	679	643
System transition-related expenses	309	-
Other	321	336
Total non-operating expenses	1,310	979
Ordinary income	12,713	17,084
Extraordinary income		
Income on sales of fixed assets	2,278	273
Other	6	32
Total extraordinary income	2,284	306
Extraordinary loss		
Loss on retirement of fixed assets	70	83
Loss on fire	4,451	-
Loss on valuation of investment securities	10	21
Loss on valuation of shares of subsidiaries and associates	744	-
Other	12	17
Total extraordinary loss	5,289	122
Income before income taxes	9,709	17,268
Income taxes	5,536	7,970
Income taxes-deferred	-784	-954
Total income tax	4,752	7,015
Net income	4,956	10,252
Net income attributable to owners of non-controlling shareholders	574	867
Net income attributable to owners of parent	4,382	9,384

Quarterly Consolidated Statements of Comprehensive Income

Third Quarter

(Million yen)

	Previous Third Quarter (January 1, 2022 - September 30, 2022)	Current Third Quarter (January 1, 2023 - September 30, 2023)
Net income	4,956	10,252
Other comprehensive income		
Valuation difference on securities	-192	424
Foreign currency translation adjustment	1,357	915
Adjustments for retirement benefits	-71	24
Share of other comprehensive income of companies accounted for by the equity-method	49	21
Total other comprehensive income	1,144	1,385
Comprehensive income	6,100	11,638
Breakdown		
Comprehensive income attributable to owners of parent	5,165	10,375
Comprehensive income attributable to owners of non- controlling interests	934	1,263

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional information)

On June 30, 2022, a fire broke out at our consolidated subsidiary SBS Fleck Co., Ltd.'s logistics facility, Ami Logistics Center No. 2 (location: 6-1 Hoshi-no-sato, Ami-cho, Inashiki-gun, Ibaraki Prefecture), and the fire ceased on July 5, 2022. A part of the Logistics Center No. 1 adjacent to Ami Logistics Center No. 2 was also damaged.

As of the filing date of this quarterly financial results report, the causes, etc. are process of being confirmed by an external agency. Additional losses may also arise due to compensation for destruction by the fire or impairment of shippers' merchandise. However, at this time, the impact of such losses is not reflected in the quarterly consolidated financial statements because it is difficult to reasonably estimate the amount of such losses.

Segment information

[Segment information]

I Third quarter of the previous fiscal year (January 1, 2022 to September 30, 2022)

Information on net sales and income (loss) by reportable segment and revenue decomposition information

(Million yen)

	Reportable Segments				Adjusted amount (Note1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Logistics	Property management	Other	Total		
Net sales						
Revenue from contracts with customers	318,444	-	6,112	324,556	-	324,556
Other revenue	3,829	1,514	244	5,588	-	5,588
Net sales	322,273	1,514	6,357	330,144	-	330,144
Intersegment sales or transfers between segments	472	77	522	1,073	-1,073	-
Total	322,746	1,592	6,880	331,218	-1,073	330,144
Segment income	11,849	784	326	12,959	2	12,962

(NOTE) 1. Adjustments to segment profit are -2 million yen for elimination of intersegment transactions and 5 million yen for profit and loss relating to the Company not allocated to each reportable segment.

2. Segment income is adjusted with operating income in the consolidated quarterly statements of income.

II Third quarter of the current fiscal year (January 1, 2023 to September 30, 2023)

Information on net sales and income (loss) by reportable segment and revenue decomposition information

(Million yen)

	Reportable Segments				Adjusted amount (Note1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Logistics	Property management	Other	Total		
Net sales						
Revenue from contracts with customers	301,067	4,038	6,605	311,711	-	311,711
Other revenue	3,989	9,064	297	13,351	-	13,351
Net sales	305,056	13,102	6,903	325,062	-	325,062
Intersegment sales or transfers between segments	547	433	707	1,688	-1,688	-
Total	305,604	13,535	7,611	326,750	-1,688	325,062
Segment income	8,691	7,691	292	16,675	131	16,807

(NOTE) 1. Adjustments to segment profit are -76 million yen for elimination of intersegment transactions and 207 million yen for profit and loss relating to the Company not allocated to each reportable segment.

2. Segment income is adjusted with operating income in the consolidated quarterly statements of income.