SBS Holdings / 2384

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INDEX

How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Executive summary ---- **3**
Key financial data ---- **4**
Recent updates ---- **5**
Highlights ---- 5
Trends and outlook ---- **6**
Business ---- **22**
Business overview ---- 22
Main business segments ---- 22
Strengths and weaknesses ---- 38
Market and value chain ---- 39
Historical performance ---- 47
Income statement ---- 59
Balance sheet ---- 61
Cash flow statement ---- 64
Other information ---- **65**
History ---- 65
News and topics ---- 66
Major shareholders ---- 68
Corporate governance and top management ---- 69
Top management ---- 69
Employees ---- 69
Shareholder returns ---- 70
By the way ---- 70
Company profile ---- 71

Executive summary

Business: pure holding company involved in logistics and ancillary support

- SBS is a pure holding company with group companies involved in logistics and ancillary support businesses. Under its Logistics business, the company offers B2B general logistics, food logistics, and specialty logistics services. Its main logistics support service is Property Management, where SBS develops and sells logistics facilities, and manages rental properties. In FY12/20, the Logistics segment accounted for 93.6% of sales and 55.5% of operating profit, and the Property Management segment accounted for 3.6% of sales and 42.2% of operating profit.
- The Logistics segment offers B2B transportation of materials, products, and merchandise, as well as storage, cargo handling, packaging, distribution processing and information management. In recent years, home deliveries for online retailers (over the last mile) and same-day deliveries (small deliveries for companies) have been increasing. Separately, the 3PL business, where the company proposes logistics solutions to customer companies, accounts for around 50% of sales in the segment and is the chief driver of growth. The low-temperature distribution business is resistant to market fluctuations, providing a stable earnings source.
- The Property Management segment includes the group's leasing business and its development business. Under the leasing business (23.3% of segment sales and 27.5% of operating profit in FY12/20) the company leases its warehouses, offices, and residences. Under the development business (76.7% of segment sales, 72.5% of operating profit), the company develops logistics facilities and sells them to funds and institutional investors.
- The development business also plans and develops logistics facilities for the company's own use, aiming for average annual yields of 6.0–7.0%. After a logistics facility is completed, the company uses it for its 3PL business. When the company sells these facilities, it securitizes them as properties with high utilization rates, thereby securing earnings, recovering capital, and acquiring assets necessary for expansion while preventing asset buildup.

Trends

- In FY12/20, the company reported full-year consolidated sales of JPY257.2bn (+0.6% YoY), operating profit of JPY11.0bn (+7.7% YoY), recurring profit of JPY10.9bn (+7.0% YoY), and net income attributable to owners of the parent of JPY6.8bn (+12.3% YoY). Sales in the Logistics segment were unchanged and operating profit declined YoY, but sales and profit increased YoY in the Property Management segment.
- In May 2021, the company announced revisions to its FY12/21 full-year earnings forecast. The revised forecasts call for sales of JPY390.0bn (+51.6% YoY), operating profit of JPY19.0bn (+73.4% YoY), recurring profit of JPY19.0bn (+74.6% YoY), and net income attributable to owners of the parent of JPY10.6bn (+55.3% YoY). Compared with the previous forecast, the company raised its forecast for sales, operating profit, recurring profit, and net income attributable to owners of the parent by JPY10.0bn, JPY4.0bn, JPY4.2bn, and JPY2.2bn, respectively.
- SBS Holdings has not released a medium-term business plan, but has indicated that it is looking to become the largest domestic logistics service provider and, towards that end, is working to enhance its logistics infrastructure and further implement logistics and information technology. Shared Research sees its 3PL business, development business, and acquisitions driving growth over the medium term. In August 2018, the company made Ricoh Logistics System Co., Ltd. (now SBS Ricoh Logistics System Co., Ltd.) a subsidiary, and in November 2020, it made Toshiba Logistics (now SBS Toshiba Logistics) a subsidiary, which enabled it to bolster its nationwide and international networks.

Strengths and weaknesses

Shared Research believes the strengths of the company to be ambitious management hungry for growth, a solid track record in developing logistics facilities, and a history of successful M&A deals and post-merger integration. Weaknesses of the company are an inherent difficulty in lifting profitability, a need for financial fortification, and limited opportunities for growth due to insufficient personnel. (See Strengths and weaknesses)

Key financial data

Income statement (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.	FY12/21 Est.
Sales	**121,148**	**127,935**	**132,205**	**141,535**	**157,996**	**149,054**	**152,870**	**203,516**	**255,548**	**257,192**	**390,000**
YoY	1.1%	5.6%	3.3%	7.1%	11.6%	-5.7%	2.6%	33.1%	25.6%	0.6%	51.6%
Gross profit	11,254	12,566	13,459	14,276	17,555	16,977	16,013	21,351	26,028	26,802	
YoY	-9.5%	11.7%	7.1%	6.1%	23.0%	-3.3%	-5.7%	33.3%	21.9%	3.0%	
Gross profit margin	9.3%	9.8%	10.2%	10.1%	11.1%	11.4%	10.5%	10.5%	10.2%	10.4%	
Operating profit	**2,153**	**2,877**	**4,116**	**4,098**	**5,347**	**7,514**	**6,229**	**8,240**	**10,176**	**10,960**	**19,000**
YoY	-49.4%	33.6%	43.1%	-0.4%	30.5%	40.5%	-17.1%	32.3%	23.5%	7.7%	73.4%
Operating profit margin	1.8%	2.2%	3.1%	2.9%	3.4%	5.0%	4.1%	4.0%	4.0%	4.3%	4.9%
Recurring profit	**1,633**	**2,746**	**3,779**	**3,648**	**5,772**	**7,832**	**6,475**	**7,607**	**10,172**	**10,883**	**19,000**
YoY	-62.9%	68.1%	37.6%	-3.5%	58.2%	35.7%	-17.3%	17.5%	33.7%	7.0%	74.6%
Recurring profit margin	1.3%	2.1%	2.9%	2.6%	3.7%	5.3%	4.2%	3.7%	4.0%	4.2%	4.9%
Net income	**2,502**	**1,626**	**1,549**	**2,726**	**-3,815**	**5,111**	**4,446**	**4,409**	**6,079**	**6,826**	**10,600**
YoY	11.0%	-35.0%	-4.7%	75.9%	-	-	-13.0%	-0.8%	37.9%	12.3%	55.3%
Net margin	2.1%	1.3%	1.2%	1.9%	-	3.4%	2.9%	2.2%	2.4%	2.7%	2.7%
Per-share data (JPY)											
Shares issued (year-end)	39,205,200	39,205,200	39,613,200	39,703,200	39,703,200	39,703,200	39,718,200	39,718,200	39,718,200	39,718,200	
EPS	68.4	44.1	40.9	70.4	-96.8	128.9	111.9	111.0	153.1	171.9	266.9
EPS (fully diluted)	-	-	13.6	70.3	-	-	-	-	-	-	
Dividend per share	10.0	13.3	13.3	15.0	-	33.0	21.0	22.0	30.0	35.0	43.0
Book value per share	665.7	715.8	743.9	815.2	706.3	818.6	916.5	1,001.1	1,136.2	1,277.9	
Balance sheet (JPYmn)											
Cash and deposits	9,219	10,181	10,339	11,098	8,990	9,388	11,539	16,310	18,503	27,543	
Total current assets	**39,727**	**39,150**	**39,663**	**53,847**	**51,601**	**46,512**	**47,350**	**62,871**	**64,376**	**104,530**	
Tangible fixed assets	52,301	54,523	58,019	60,241	60,800	64,730	69,076	85,373	89,599	96,179	
Investments and other assets	6,384	9,016	8,897	10,324	11,131	10,044	10,311	13,292	15,635	20,345	
Intangible assets	2,336	1,778	1,774	6,706	1,285	1,042	1,064	10,818	10,436	33,495	
Total assets	**100,747**	**104,467**	**108,354**	**131,120**	**124,817**	**122,330**	**127,802**	**172,355**	**180,047**	**254,550**	
Accounts payable	7,601	7,627	7,721	8,767	9,584	7,697	8,204	13,555	14,751	30,828	
Short-term debt	30,385	27,082	28,749	36,061	30,527	24,493	24,004	26,150	28,060	53,430	
Total current liabilities	**44,442**	**41,330**	**43,969**	**54,990**	**52,994**	**41,596**	**42,323**	**58,501**	**62,896**	**111,102**	
Long-term debt	21,219	24,421	23,755	28,837	31,876	33,497	33,709	49,628	47,438	47,399	
Total fixed liabilities	**31,240**	**35,386**	**35,120**	**40,884**	**41,875**	**46,199**	**46,968**	**65,680**	**63,074**	**75,301**	
Total liabilities	**75,682**	**76,716**	**79,089**	**95,874**	**94,870**	**87,796**	**89,291**	**124,182**	**125,970**	**186,404**	
Total net assets	**25,138**	**27,781**	**29,219**	**35,091**	**29,947**	**34,533**	**38,510**	**48,173**	**54,077**	**68,146**	
Total interest-bearing debt	51,604	51,503	52,504	64,898	62,403	57,990	57,713	75,778	75,498	100,829	
Cash flow statement (JPYmn)											
Cash flows from operating activities	3,712	7,317	6,243	6,603	7,728	12,201	11,671	12,398	16,872	17,262	
Cash flows from investing activities	-3,766	-5,520	-6,214	-15,101	-7,081	-10,043	-8,127	-22,433	-12,579	-30,480	
Cash flows from financing activities	1,884	-816	92	8,893	-2,685	-1,733	-1,420	14,815	-2,048	22,726	
Financial ratios											
ROA (RP-based)	1.7%	2.7%	3.6%	3.0%	4.5%	6.3%	5.2%	5.1%	5.8%	5.0%	
ROE	10.7%	6.3%	5.6%	9.0%	-12.7%	16.9%	12.9%	11.6%	14.3%	14.2%	
Equity ratio	24.6%	26.3%	26.7%	24.3%	22.5%	26.6%	28.5%	23.1%	25.1%	19.9%	

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: In June 2014, the company conducted a 3-for-1 stock split.

Recent updates

Highlights

On August 2, 2021 Shared Research updated the report following interviews with SBS Holdings, Inc.

On May 25, 2021, the company announced revisions to its 1H FY12/21 and full-year FY12/21 forecasts.

1H FY12/21 forecast revisions

- Sales: JPY200.0bn (previous forecast: JPY190.0bn)
- Operating profit: JPY13.0bn (previous forecast: JPY9.0bn)
- Recurring profit: JPY13.0bn (previous forecast: JPY8.9bn)
- Net income*: JPY7.5bn (previous forecast: JPY5.4bn)

*Net income attributable to owners of the parent

Full-year FY12/21 forecast revisions

- Sales: JPY390.0bn (previous forecast: JPY380.0bn)
- Operating profit: JPY19.0bn (previous forecast: JPY15.0bn)
- Recurring profit: JPY19.0bn (previous forecast: JPY14.8bn)
- Net income*: JPY10.6bn (previous forecast: JPY8.4bn)
- Earnings per share: JPY266.88 (previous forecast: JPY211.49)

*Net income attributable to owners of the parent

Reasons for revisions
In the Logistics segment, 3PL and 4PL businesses are expanding, on pace to exceed the initial targets. Meanwhile, overseas businesses that struggled in 1H FY12/20 due to the COVID-19 pandemic are recovering. The company thus expects sales and all levels of profit to outperform the previous forecasts.

On May 12, 2021, the company announced earnings results for Q1 FY12/21; see the results section for details.

For previous releases and developments, please refer to the News and topics section

Trends and outlook

Quarterly trends and results

Cumulative (JPYmn)	FY12/20 Q1	FY12/20 Q2	FY12/20 Q3	FY12/20 Q4	FY12/21 Q1	FY12/21 Q2	FY12/21 Q3	FY12/21 Q4	FY12/21 % of Est.	FY12/21 1H Est.	FY12/21 % of Est.	FY12/21 FY Est.
Sales	68,809	129,139	191,619	257,192	93,002				46.5%	200,000	23.8%	390,000
YoY	6.5%	1.7%	0.5%	0.6%	35.2%					54.9%		51.6%
Gross profit	9,009	14,174	20,289	26,802	10,537							
YoY	15.9%	5.3%	3.5%	3.0%	17.0%							
Gross profit margin	13.1%	11.0%	10.6%	10.4%	11.3%							
SG&A expenses	3,929	7,930	11,726	15,841	5,800							
YoY	-0.1%	0.2%	-0.7%	-0.1%	47.6%							
SG&A ratio	5.7%	6.1%	6.1%	6.2%	6.2%							
Operating profit	5,079	6,243	8,562	10,960	4,737				36.4%	13,000	24.9%	19,000
YoY	32.4%	12.5%	9.8%	7.7%	-6.7%					108.2%		73.4%
Operating profit margin	7.4%	4.8%	4.5%	4.3%	5.1%					6.5%		4.9%
Recurring profit	5,064	6,277	8,440	10,883	4,703				36.2%	13,000	24.8%	19,000
YoY	35.8%	14.7%	8.5%	7.0%	-7.1%					107.1%		74.6%
Recurring profit margin	7.4%	4.9%	4.4%	4.2%	5.1%					6.5%		4.9%
Net income	3,073	4,131	5,363	6,826	2,220				29.6%	7,500	20.9%	10,600
YoY	36.2%	23.1%	13.5%	12.3%	-27.8%					81.6%		55.3%
Net margin	4.5%	3.2%	2.8%	2.7%	2.4%					3.8%		2.7%

Quarterly (JPYmn)	FY12/20 Q1	FY12/20 Q2	FY12/20 Q3	FY12/20 Q4	FY12/21 Q1	FY12/21 Q2	FY12/21 Q3	FY12/21 Q4
Sales	68,809	60,330	62,480	65,573	93,002			
YoY	6.5%	-3.2%	-2.1%	1.2%	35.2%			
Gross profit	9,009	5,165	6,115	6,513	10,537			
YoY	15.9%	-9.3%	-0.5%	1.4%	17.0%			
Gross profit margin	13.1%	8.6%	9.8%	9.9%	11.3%			
SG&A expenses	3,929	4,001	3,796	4,115	5,800			
YoY	-0.1%	0.5%	-2.4%	1.7%	47.6%			
SG&A ratio	5.7%	6.6%	6.1%	6.3%	6.2%			
Operating profit	5,079	1,164	2,319	2,398	4,737			
YoY	32.4%	-31.9%	2.9%	1.0%	-6.7%			
Operating profit margin	7.4%	1.9%	3.7%	3.7%	5.1%			
Recurring profit	5,064	1,213	2,163	2,443	4,703			
YoY	35.8%	-30.4%	-6.2%	2.0%	-7.1%			
Recurring profit margin	7.4%	2.0%	3.5%	3.7%	5.1%			
Net income	3,073	1,058	1,232	1,463	2,220			
YoY	36.2%	-3.8%	-10.1%	8.2%	-27.8%			
Net margin	4.5%	1.8%	2.0%	2.2%	2.4%			

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Quarterly results: breakdown by segment

Segments (cumulative)	FY12/20				FY12/21			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	**68,809**	**129,139**	**191,619**	**257,192**	**93,002**			
YoY	6.5%	1.7%	0.5%	0.6%	35.2%			
Logistics	59,345	117,504	177,767	240,818	90,632			
YoY	4.1%	0.4%	-0.4%	0.0%	52.7%			
Property Management	7,721	8,255	8,827	9,349	528			
YoY	29.4%	25.4%	22.7%	19.8%	-93.2%			
Other	1,742	3,380	5,025	7,024	1,841			
YoY	6.0%	0.5%	-2.7%	0.7%	5.7%			
Operating profit	**5,079**	**6,243**	**8,562**	**10,960**	**4,737**			
YoY	32.4%	12.5%	9.8%	7.7%	-6.7%			
Logistics	1,392	2,153	3,994	5,990	4,299			
YoY	21.9%	-7.1%	-4.4%	-4.6%	208.8%			
Operating profit margin	2.3%	1.8%	2.2%	2.5%	4.7%			
Property Management	3,615	3,929	4,256	4,558	308			
YoY	30.6%	27.3%	24.3%	20.4%	-91.5%			
Operating profit margin	46.8%	47.6%	48.2%	48.8%	58.3%			
Other	89	151	168	254	113			
YoY	74.5%	5.6%	-26.6%	36.6%	27.0%			
Operating profit margin	5.1%	4.5%	3.3%	3.6%	6.1%			
Adjustments	-16	9	141	157	15			
Segments (quarterly)	**FY12/20**				**FY12/21**			
(JPYmn)	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Sales	**68,809**	**60,330**	**62,480**	**65,573**	**93,002**			
YoY	6.5%	-3.2%	-2.1%	1.2%	35.2%			
Logistics	59,345	58,159	60,263	63,051	90,632			
YoY	4.1%	-3.0%	-1.8%	1.1%	52.7%			
Property Management	7,721	534	572	522	528			
YoY	29.4%	-13.5%	-6.2%	-14.3%	-93.2%			
Other	1,742	1,638	1,645	1,999	1,841			
YoY	6.0%	-4.7%	-8.8%	10.7%	5.7%			
Operating profit	**5,079**	**1,164**	**2,319**	**2,398**	**4,737**			
YoY	32.4%	-31.9%	2.9%	1.0%	-6.7%			
Operating profit margin	7.4%	1.9%	3.7%	3.7%	5.1%			
Logistics	1,392	761	1,841	1,996	4,299			
YoY	21.9%	-35.2%	-1.2%	-4.9%	208.8%			
Operating profit margin	2.3%	1.3%	3.1%	3.2%	4.7%			
Property Management	3,615	314	327	302	308			
YoY	30.6%	-1.3%	-3.0%	-17.0%	-91.5%			
Operating profit margin	46.8%	58.8%	57.2%	57.9%	58.3%			
Other	89	62	17	86	113			
YoY	74.5%	-32.6%	-80.2%	-	27.0%			
Operating profit margin	5.1%	3.8%	1.0%	4.3%	6.1%			
Adjustments	-16	25	132	16	15			

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Property Management segment: breakdown of results by business line

Property Management Cumulative (JPYmn)	FY12/20 Q1	FY12/20 Q2	FY12/20 Q3	FY12/20 Q4	FY12/21 Q1	FY12/21 Q2	FY12/21 Q3	FY12/21 Q4
Sales	**7,721**	**8,255**	**8,827**	**9,349**	**528**			
YoY	29.4%	25.4%	22.7%	19.8%	-93.2%			
Rental	551	1,085	1,657	2,179	528			
YoY	-6.3%	-10.0%	-8.8%	-10.1%	-4.2%			
Development	7,170	7,170	7,170	7,170	0			
YoY	33.3%	33.3%	33.3%	33.3%	-			
Operating profit	**3,615**	**3,929**	**4,256**	**4,558**	**308**			
YoY	30.6%	27.3%	24.3%	20.4%	-91.5%			
Operating profit margin	46.8%	47.6%	48.2%	48.8%	58.3%			
Rental	309	624	951	1,253	308			
YoY	-11.7%	-6.7%	-5.5%	-8.5%	-0.3%			
Operating profit margin	56.1%	57.5%	57.4%	57.5%	58.3%			
Development	3,305	3,305	3,305	3,305	0			
YoY	36.7%	36.7%	36.7%	36.7%	-			
Operating profit margin	46.1%	46.1%	46.1%	46.1%	-			

Quarterly (JPYmn)	FY12/20 Q1	FY12/20 Q2	FY12/20 Q3	FY12/20 Q4	FY12/21 Q1	FY12/21 Q2	FY12/21 Q3	FY12/21 Q4
Sales	**7,721**	**534**	**572**	**522**	**528**			
YoY	29.4%	-13.5%	-6.2%	-14.3%	-93.2%			
Rental	551	534	572	522	528			
YoY	-6.3%	-13.6%	-6.2%	-14.3%	-4.2%			
Development	7,170	-	-	-	-			
YoY	33.3%	-	-	-	-			
Operating profit	**3,615**	**314**	**327**	**302**	**308**			
YoY	30.6%	-1.3%	-3.0%	-17.0%	-91.5%			
Operating profit margin	46.8%	58.8%	57.2%	57.9%	58.3%			
Rental	309	315	327	302	308			
YoY	-11.7%	-1.3%	-3.0%	-16.8%	-0.3%			
Operating profit margin	56.1%	59.0%	57.2%	57.9%	58.3%			
Development	3,305	-	-	-	-			
YoY	36.7%	-	-	-	-			
Operating profit margin	46.1%	-	-	-	-			

Source: Shared Research, based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Other Businesses segment: breakdown of results by business line

Other	FY12/20				FY12/21			
Cumulative (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	**1,742**	**3,380**	**5,025**	**7,024**	**1,841**			
YoY	6.0%	0.5%	-2.7%	0.7%	5.7%			
Solar power generation	97	239	355	434				
YoY	9.0%	9.1%	5.3%	4.8%				
Marketing	421	821	1,249	1,719				
YoY	19.9%	14.2%	9.1%	12.8%				
Personnel	949	1,795	2,611	3,688				
YoY	-3.1%	-7.4%	-11.4%	-9.0%				
Operating profit	**89**	**151**	**168**	**254**	**113**			
YoY	74.5%	5.6%	-26.6%	36.6%	27.0%			
Operating profit margin	5.1%	4.5%	3.3%	3.6%	6.1%			
Solar power generation	30	114	165	175				
YoY	0.0%	16.3%	13.0%	19.0%				
Operating profit margin	30.9%	47.7%	46.5%	40.3%				
Marketing	45	56	100	132				
YoY	55.2%	1.8%	2.0%	29.4%				
Operating profit margin	10.7%	6.8%	8.0%	7.7%				
Personnel	-16	-36	-120	-138				
YoY	-	-	-	-				
Operating profit margin	-	-	-	-				

Other	FY12/20				FY12/21			
Quarterly (JPYmn	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	**1,742**	**1,638**	**1,645**	**1,999**	**1,841**			
YoY	6.0%	-4.7%	-8.8%	10.7%	5.7%			
Solar power generation	97	142	116	79				
YoY	9.0%	9.2%	-1.7%	2.6%				
Marketing	421	400	428	470				
YoY	19.9%	8.7%	0.5%	24.0%				
Personnel	949	846	816	1,077				
YoY	-3.1%	-11.9%	-19.1%	-2.4%				
Operating profit	**89**	**62**	**17**	**86**	**113**			
YoY	74.5%	-32.6%	-80.2%	-	27.0%			
Operating profit margin	5.1%	3.8%	1.0%	4.3%	6.1%			
Solar power generation	30	84	51	10				
YoY	0.0%	23.5%	6.3%	900.0%				
Operating profit margin	30.9%	59.2%	44.0%	12.7%				
Marketing	45	11	44	32				
YoY	55.2%	-57.7%	2.3%	700.0%				
Operating profit margin	10.7%	2.8%	10.3%	6.8%				
Personnel	-16	-20	-84	-18				
YoY	-	-	-	-				
Operating profit margin	-	-	-	-				

Source: Shared Research, based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Q1 FY12/21 results

- ▷ Sales: JPY93.0bn (+35.2% YoY)
- ▷ Operating profit: JPY4.7bn (-6.7% YoY)
- ▷ Recurring profit: JPY4.7bn (-7.1% YoY)
- ▷ Net income*: JPY2.2bn (-27.8% YoY)

*Net income attributable to owners of the parent

In Q1 FY12/21, sales were up and profits were down YoY. Overall sales growth was driven by growth in Logistics segment sales. On the profit front, although the company recorded revenue on the securitization of logistics property in Q1 FY12/20, the impact of the COVID-19 pandemic caused delays to anticipated property securitization in Q1 FY12/21, and consequently operating profit, recurring profit, and net income were all down YoY.

Progress towards company forecasts

In May 2021, the company announced revisions to 1H FY12/21 and full-year FY12/21 forecasts. The company revised forecasts up JPY10.0bn for sales, JPY4.0bn for operating profit, JPY4.2bn for recurring profit, and JPY2.2bn for net income attributable to owners of the parent. The reason for this upward revision was that the 3PL and 4PL businesses in the Logistics segment grew at faster pace than expected in initial forecasts. Furthermore, sales and each profit item were expected to surpass previous forecasts due to the overseas business recovering from the downturn in the previous year sustained because of the COVID-19 pandemic.

In Q1, sales reached 46.5% of revised 1H FY12/21 forecasts (Q1 FY12/20 sales were at 53.3% of the 1H FY12/20 result), while operating profit reached 36.4% (81.4%), recurring profit reached 36.2% (80.7%), and net income attributable to owners of parent reached 29.6% (74.4%) of revised 1H FY12/21 forecasts, respectively. In 1H FY12/20, sales was booked from the liquidation of logistics real estate, but due to the delay in the liquidation of real estate in Q1 FY12/21, the progress rate was lower than in 1H FY12/20.

Furthermore, in Q1, sales reached 23.8% of revised full-year FY12/21 forecasts (Q1 FY12/20 sales were at 26.8% of the FY12/20 full-year result), while operating profit reached 24.9% (46.3%), recurring profit reached 24.8% (46.5%), and net income attributable to owners of parent reached 20.9% (45.0%) of revised full-year FY12/21 forecasts, respectively.

Market environment, etc.

The economy was slow to recover as there was still no sign of when the COVID-19 pandemic would be overcome, and the Japanese government issued another state of emergency declaration in January 2021. At the same time, with stay-at-home consumption stemming from instructions for people to avoid excursions, online shopping and demand for food and daily necessities distribution continued to expand. The company worked to capitalize on that demand while taking steps to prevent infection and maintain safety.

In November 2020, the company acquired a 66.6% stake in SBS Toshiba Logistics Corporation, which contributed to earnings starting January 2021. The company also acquired all shares in Toyo Warehouse & Transportation Co., Ltd. in January 2021. Through these share acquisitions, the company aims to further augment its service lineup, and form a framework for supporting logistics supply chains.

Logistics

- ▷ Sales: JPY90.6bn (+52.7%YoY)
- ▷ Operating profit: JPY4.3bn (+208.8% YoY)

In the Logistics segment, the company expanded business with existing clients while also working on winning over new customers looking for sophisticated logistical functions. Q1 earnings benefitted from the consolidation of profits from SBS Toshiba Logistics Corporation. In addition, there was a pickup in B2B logistics, which suffered the impacts of COVID-19 in Q1 FY12/20, and the company successfully captured more of the e-commerce demand with its same-day delivery services. Expanding demand related to daily necessities distribution and online supermarkets also fueled solid earnings performance.

In regards to major subsidiaries, consolidating SBS Toshiba Logistics Corporation was a major factor in increasing sales. Freight volume increased for consumer electronics due to rising stay-at-home demand. SBS Ricoh Logistics also saw higher sales. Demand for overseas and office supply goods trended up compared to the previous year. In addition, SBS Lojicom, which operates a 3PL business, and SBS Zentsu, which operates a delivery service for co-ops, contributed to higher sales. On the other hand, SBS Sokuhai Support, which does same-day deliveries, saw lower sales as it was impacted by changes to delivery areas for e-commerce customers.

Operating profit increased, primarily due to higher sales at SBS Ricoh Logistics and the consolidation effect of SBS Toshiba Logistics.

- Despite increased personnel expenses, fuel expenses, and vehicle hire, etc. operating profit rose due to enacting price increases for transactions with lower profitability.
- In terms of major subsidiaries, the consolidation of SBS Toshiba Logistics and higher sales in SBS Ricoh Logistics contributed to higher sales. The company owns a 66.6% stake in each of these subsidiaries. For subsidiaries that are not wholly-owned, net income beyond that corresponding to the company's equity is recorded as net income attributable to non-controlling interests. In Q1, net income attributable to non-controlling interests was JPY814mn (+447.3% YoY).

Property Management

- Sales: JPY528mn (-93.2% YoY)
- Operating profit: JPY308mn (-91.5% YoY)

The company had planned to securitize the Osaka Nanko Logistics Center in Q1 by selling its trust beneficiary rights in the facility, but the impacts of the COVID-19 pandemic prevented it from doing so (the contract and property transfer for the trust beneficiary rights of Osaka Nanko Logistics Center was concluded in May 2021; the company plans to book earnings in Q2 (April-June 2021)) . In Q1 FY12/20, the company transferred its 40% trust beneficiary rights in the Nagatsuta Logistics Center, but it recorded no securitization earnings in Q1 FY12/21, resulting in YoY decline in sales and profit.

The leasing business booked JPY528mn in sales (-4.2% YoY) and JPY308mn in operating profit (-0.3% YoY), roughly even YoY.

Other

- Sales: JPY1.8bn (+5.7% YoY)
- Operating profit: JPY113mn (+27.0% YoY)

While the personnel business continues to suffer, profit increased in the solar power generation and environmental businesses, and sales and profit both increased YoY.

For details on previous quarterly and annual results, see the Historical performance section.

Full-year company forecast

	FY12/19			FY12/20			FY12/21		
(JPYmn)	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	**126,944**	**128,604**	**255,548**	**129,139**	**128,053**	**257,192**	**200,000**	**190,000**	**390,000**
YoY	64.5%	1.8%	25.6%	1.7%	-0.4%	0.6%	54.9%	48.4%	51.6%
Cost of sales	113,480	121,440	234,920	114,965	115,425	230,390			
Gross profit	**13,463**	**7,165**	**20,628**	**14,174**	**12,628**	**26,802**			
YoY	78.8%	-48.2%	-3.4%	5.3%	76.2%	29.9%			
Gross profit margin	10.6%	5.6%	8.1%	11.0%	9.9%	10.4%			
SG&A expenses	7,916	7,935	15,851	7,930	7,911	15,841			
SG&A ratio	6.2%	6.2%	6.2%	6.1%	6.2%	6.2%			
Operating profit	**5,547**	**4,629**	**10,176**	**6,243**	**4,717**	**10,960**	**13,000**	**6,000**	**19,000**
YoY	137.4%	-21.6%	23.5%	12.5%	1.9%	7.7%	108.2%	27.2%	73.4%
Operating profit margin	4.4%	3.6%	4.0%	4.8%	3.7%	4.3%	6.5%	3.2%	4.9%
Recurring profit	**5,472**	**4,700**	**10,172**	**6,277**	**4,606**	**10,883**	**13,000**	**6,000**	**19,000**
YoY	145.1%	-12.5%	33.7%	14.7%	-2.0%	7.0%	107.1%	30.3%	74.6%
Recurring profit margin	4.3%	3.7%	4.0%	4.9%	3.6%	4.2%	6.5%	3.2%	4.9%
Net income	**3,356**	**2,723**	**6,079**	**4,131**	**2,695**	**6,826**	**7,500**	**3,100**	**10,600**
YoY	174.9%	-14.6%	37.9%	23.1%	-1.0%	12.3%	81.6%	15.0%	55.3%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

In May 2021, the company announced revisions to its FY12/21 full-year earnings forecast. The revised forecasts call for sales of JPY390.0bn (+51.6% YoY), operating profit of JPY19.0bn (+73.4% YoY), recurring profit of JPY19.0bn (+74.6% YoY), and net income attributable to owners of the parent of JPY10.6bn (+55.3% YoY).

Compared with the previous forecast, the company raised its forecast for sales, operating profit, recurring profit, and net income attributable to owners of the parent by JPY10.0bn, JPY4.0bn, JPY4.2bn, and JPY2.2bn, respectively.

Reasons for revisions are as follows: In the Logistics segment, 3PL and 4PL businesses are expanding, on a pace to exceed the initial targets. Meanwhile, overseas businesses that struggled in 1H FY12/20 due to the COVID-19 pandemic are recovering. The company thus expects sales and all levels of profit to outperform the previous forecasts.

In comparison with FY12/20, the company looks for full-year contributions from newly consolidated Toshiba Logistics Corporation. It also plans to securitize its logistics properties.

Segment forecasts

	FY12/19	FY12/20	FY12/21	YoY	
(JPYmn)	Act.	Act.	Est.	Change	Rate
Sales	**255,548**	**257,192**	**390,000**	**132,808**	**51.6%**
Logistics	240,772	240,818	364,800	123,982	51.5%
Property Management	7,802	9,349	17,000	7,651	81.8%
Leasing	2,425	2,179	2,200	21	1.0%
Development	5,377	7,170	14,800	7,630	106.4%
Other	6,972	7,024	8,200	1,176	16.7%
Operating profit	**10,176**	**10,960**	**19,000**	**8,040**	**73.4%**
Operating profit margin	4.0%	4.3%	4.9%		
Logistics	6,278	5,990	12,500	6,510	108.7%
Operating profit margin	2.6%	2.5%	3.4%		
Property Management	3,787	4,558	6,200	1,642	36.0%
Operating profit margin	48.5%	48.8%	36.5%		
Leasing	1,369	1,253	1,200	-53	-4.2%
Operating profit margin	56.5%	57.5%	54.5%		
Development	2,417	3,305	5,000	1,695	51.3%
Operating profit margin	45.0%	46.1%	33.8%		
Other	186	254	350	96	37.8%
Operating profit margin	2.7%	3.6%	4.3%		
Adjustments	-75	158	-50	-208	-

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: FY12/21 leasing and development business figures in the Property Management segment include Shared Research estimates.
Company forecasts based on figures in the previous forecasts

Logistics business

The company forecasts sales of JPY364.8bn (+51.5% YoY), operating profit of JPY12.5bn (+108.7% YoY), and OPM of 3.4% (-0.9pp YoY). The revision to the full-year company forecasts announced in May 2021 increases forecasts for sales by JPY10.0bn and operating profit by JPY4.0bn compared to the previous forecasts. This revision reflects positive results in Q1 FY12/21 (January-March 2020).

The company expects Logistics business sales and profit to grow primarily due to the consolidation of SBS Toshiba Logistics and Toyo Warehouse & Transportation. It expects sales and profit growth in its existing business on an anticipated recovery in logistics volume following a COVID-19 driven decline in FY12/20, increased home delivery services accompanying growth in e-commerce, the opening of new logistics facilities, and ongoing new customer acquisition.

- Toshiba Logistics became a subsidiary in November 2020. In the initial FY12/21 full-year forecasts, the company forecasted FY12/21 sales at about JPY105.0bn and operating profit after goodwill of about JPY2.0bn. In Q1, the company booked JPY28.4bn in sales and approximately JPY1.8bn in operating profit after amortization of goodwill, surpassing initial forecasts. This was a major reason for the revision to FY12/21 full-year company forecasts. A former member of the Toshiba group, SBS Toshiba Logistics transports heavy items such as electrical power equipment, medical equipment, and semiconductors and provides packaging and import-export services. The company said it was not affected by the coronavirus pandemic. The acquisition involved goodwill of JPY3.8bn and customer-related assets of JPY18.9bn. The company said goodwill depreciation would take place over 20 years and amortization of customer-related assets over 30 years, and it planned to book an annual charge of JPY830mn related to these items.
- Toyo Warehouse & Transportation became a subsidiary in January 2021. The company forecasts FY12/21 sales of about JPY2.4bn and operating profit after goodwill of about JPY200mn. A former member of the SMC group, Toyo Warehouse & Transportation has two large warehouses with waterfront locations in the Tokyo area—one in Higashiogishima in Kawasaki (Kanagawa) and the other in Wakasu (Koto-ku, Tokyo).
- Recovery in existing facilities: Excluding the impact of consolidating SBS Toshiba Logistics and Toyo Warehouse & Transportation, the company expects sales from existing businesses to grow by roughly JPY6.5bn YoY and operating profit to grow by about JPY200mn. In FY12/20, negative factors associated with COVID-19, such as stagnation in B2B logistics (depressed demand for office machines and office supplies) and disruption of overseas supply networks, brought sales down by approximately JPY10.0bn, and were a drag on operating profit of roughly JPY2.0bn. The company expects a rebound from the negative impact of the coronavirus pandemic in FY12/21. In Q1, results in SBS Ricoh Logistics recovered from the same period of the previous year, when it was impacted by the COVID-19 pandemic.

The company plans to complete building its new Yokohama Kanazawa Center logistics facility in July 2021 and start operations from late November. The majority of the space is planned to be used for 3PL business servicing office supply distributors by SBS Ricoh Logistics. The company plans to install large-capacity AutoStore equipment (an automated warehouse picking system featuring densely packed specialized containers with storage and retrieval performed by robots) to boost processing capacity.

Property Management business

The company forecasts sales of JPY17.0bn (+81.8% YoY), operating profit of JPY6.2bn (+36.0% YoY), and OPM of 36.5% (-12.3pp YoY). In the Property Management business, leasing income will decline due to the sale of logistics facilities, but the company plans to sell the Osaka Nanko Logistics Center in the development business, so expects growth in sales and profit.

- Shared Research understands that the company expects sales of JPY2.2bn (+1.0% YoY) and operating profit of JPY1.2bn (-4.2% YoY) in the leasing business.

- The company forecasts sales of JPY14.8bn (+106.4% YoY) and operating profit of JPY5.0bn (+51.3% YoY) in the development business. In March 2021, the company announced the transfer of all trust beneficiary rights in the Osaka Nanko Logistics Center. It plans to book gains of roughly JPY5.0bn resulting from the transfer as operating profit in the property development business in Q2 FY12/21. These are included in the revised company forecasts.

Other business

The company forecasts sales of JPY8.2bn (+16.7% YoY), operating profit of JPY350mn (+37.8% YoY), and OPM of 4.3% (+0.7pp YoY). In FY12/20, sales and profit fell in the personnel business as demand for temporary workers declined amid the pandemic, but the company expects a rebound in FY12/21. It expects a solid performance in the solar power generation business and growth in marketing business earnings due to strong sales of pet products.

Outlook

Growth strategy for SBS group

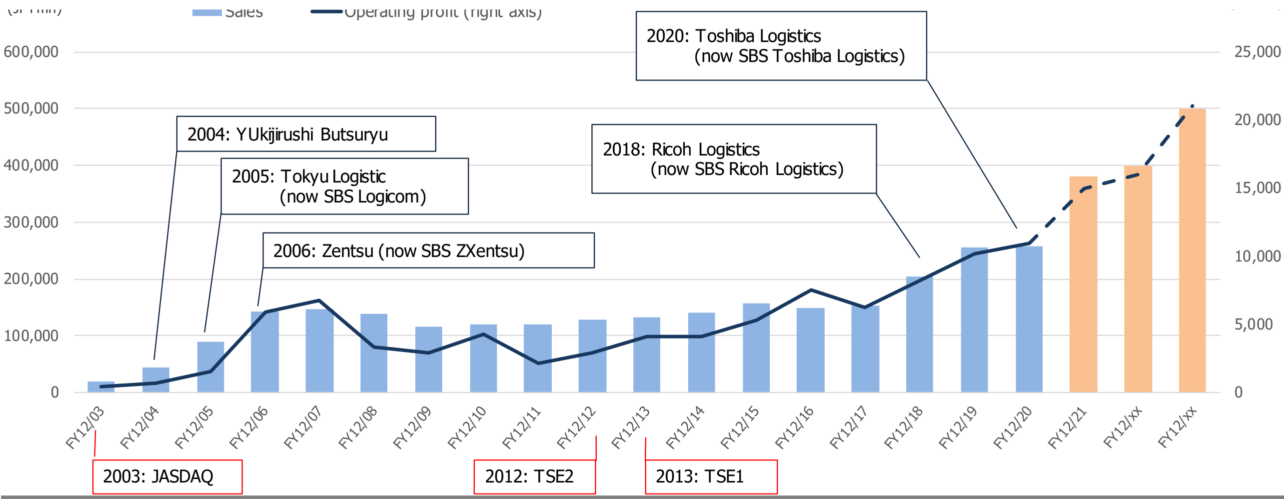
The company has not announced a medium-term business plan since completing its "SBS Growth 2017" plan in FY12/17. Instead, during its presentation for FY12/20 results in February 2021, the company outlined its group growth strategy as it seeks to become the largest domestic provider of logistics services. The group's growth strategy has several elements, as detailed below:

- ▷ Mergers and acquisitions: The company has successfully grown sales and earnings with the help of M&A in the past. From FY12/21 onward, it plans to proceed with post-merger integration (PMI) for SBS Toshiba Logistics, a subsidiary since November 2020. It also plans to enhance its logistics infrastructure with small acquisitions.
- ▷ Adoption of logistics technology and information technology: The company plans to streamline operations by introducing logistics technology and IT into its logistics facilities.
- ▷ Expansion of delivery network: SBS plans to strengthen its delivery network with group synergies and collaborations with its partners.
- ▷ Growth in 3PL business: The consolidation of SBS Toshiba Logistics puts the company in the top five Japanese 3PL operators. It aims for ongoing growth in the3PL business.
- ▷ Development and securitization of logistics facilities: The company aims to double floor space at its logistics facilities in approximately five years with new developments. It also plans to continue developing and securitizing logistics facilities.

M&A still driving growth

M&A has been a major growth driver for SBS Holdings. Since its establishment, the company has invested JPY83.0bn to acquire 29 companies as of February 2021. Its approach to M&A is to avoid easy turnaround situations and grow earnings through structural reform from a long-term perspective, including reallocating personnel and other resources. It has acquired the subsidiaries of major listed companies, such as Yukijirushi Butsuryu in 2004 (now SBS Flec), Tokyu Logistic in 2005 (now SBS Logicom), Ricoh Logistics System (now SBS Ricoh Logistics) in 2018, and Toshiba Logistics (currently SBS Toshiba Logistics) in 2020, all of which it has made more profitable after its acquisition. Shared Research understands that the company's attitude and track record in previous acquisitions flow through to success in subsequent deals.

Growth through M&A



	FY12/03	FY12/04	FY12/05	FY12/06	FY12/07	FY12/08	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13
Sales	19,360	45,124	89,319	142,643	147,097	139,406	115,711	119,824	121,148	127,935	132,205
Operating profit	431	668	1,507	5,950	6,794	3,326	2,889	4,257	2,153	2,877	4,116

	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21	FY12/xx	FY12/23
Sales	141,535	157,996	149,054	152,870	203,516	255,548	257,192	380,000	400,000	500,000
Operating profit	4,098	5,347	7,514	6,229	8,240	10,176	10,960	15,000	16,000	21,000

Source: Shared Research based on company data

Results of major M&A

Company	Price (JPYmn)	Company	Price (JPYmn)
Yukijirushi Butsuryu	3,000	AC System	950
Tokyu Logistics	15,670	Nippon Record Center	2,100
Zentsu	200	Atlas Logistics	1,300
Victor Logistics	190	Traspole	7,500
Ricoh Logistics	18,000	Toshiba Logistics	20,000

Source: Shared Research based on company data

From FY12/21 onward, it plans to proceed with PMI for SBS Toshiba Logistics, a subsidiary since November 2020. It also plans to enhance its logistics infrastructure with small acquisitions.

Progress on post-merger integration at SBS Toshiba Logistics

In November 2020, SBS Holdings acquired 66.6% of the common shares of Toshiba Logistics Corporation (now SBS Toshiba Logistics) from Toshiba Corporation for JPY20.0bn, making it a consolidated subsidiary.

SBS Toshiba Logistics transports heavy items such as electrical power equipment, medical equipment, and semiconductors and provides packaging and import-export services. Overseas it has 14 local subsidiaries in nine countries. In addition to its 3PL business, providing customer companies with comprehensive logistics services and optimal logistics management and operations, SBS Toshiba Logistics provides 4PL services involving the planning and execution of logistics strategies for customers seeking outsourcing solutions. It provides a wide range of companies including members of the Toshiba Group with comprehensive logistics solutions not limited to warehouse operation and cargo handling and transport.

SBS Holdings seeks to gain Toshiba Logistics' expertise in the 4PL business, expand its service lineup, and strengthen its overseas network. Even after the share acquisition, all of Toshiba Logistics' full-time executives have retained their positions to ensure continuity of management. SBS Holdings is also dispatching part-time executives to assist in integrating Toshiba Logistics into the SBS group and expanding synergies.

Toshiba Logistics: recent three-year operating results and financial position (non-consolidated)

(JPYmn)	FY03/17	FY03/18	FY03/19
Net assets	4,405	7,367	5,122
Total assets	30,739	37,040	33,920
Sales	87,085	85,525	89,372
Operating profit	1,515	1,364	1,735
Recurring profit	2,421	3,850	2,964
Net income	-38	4,512	2,085

From FY12/21 onward, the company will carry on with PMI at SBS Toshiba Logistics to extract synergy benefits including mutual use of logistics warehouses, exploitation of logistics technology (further use of robotics), optimal allocation of overseas facilities, and integration of core systems.

Strengthening logistics infrastructure with small acquisitions

In FY12/20, in addition to the acquisition of SBS Toshiba Logistics, the company decided on or executed the following small acquisitions.

- In August 2020, the company acquired 49% of the shares in Hinomaru Kyuso. It has a delivery network covering Shikoku primarily focused on food logistics in three temperature zones. It is highly complementary to the company's services so SBS decided it would help strengthen its delivery network, reinforce its ability to support supply chain management, and have potential synergy benefits.
- As discussed below, in November 2020, Japan Future Logistics Fund made its first investment, in Ai&Ai Chiba Chuo Co., Ltd.
- In January 2021, the company acquired ordinary shares of Toyo Warehouse & Transportation, a group company of SMC, and made it a consolidated subsidiary. The company noted that Toyo Warehouse & Transportation has two large warehouses with

waterfront locations in the Tokyo area—one in Higashiogishima in Kawasaki (Kanagawa Prefecture) and the other in Wakasu (Koto-ku, Tokyo)—and that both locations have warehouse development potential over the long term through collaborations with the company's existing warehouses in these areas.

Adoption of IT and logistics technology

Project to bring IT and logistics technology on-site launched

In April 2020, the company decided to reorganize the information systems departments of SBS Holdings and SBS Ricoh Logistics to facilitate the strategic introduction of IT technologies.

The company plans to leverage IT to reform its logistics sites by bringing together all of the skills and expertise regarding logistics belonging to group companies, share knowledge, and develop next-generation logistics facilities. In its on-site IT and logistics technology project, it plans to streamline existing business and services using IT, and introduce robots to operating logistics facilities step-by-step. It has also started joint development through aggressive investment in and support for IT venture companies.

The company's efforts to introduce and roll out IT and logistics technology will not contribute to earnings in the short term, but Shared Research thinks that they should improve workflow efficiency in the medium to long term, and streamline costs, potentially flowing through to sales growth and higher margins.

Project to bring IT and logistics technology on-site: Step-by-step introduction of robots at existing facilities

As of February 2021, the company was testing robots at its logistics facilities, and plans to introduce them step-by-step at the 3PL logistics facilities of consolidated subsidiary SBS Logicom starting in autumn 2021. SBS plans to have robots carry out tasks in logistics facilities as much as possible, and reallocate staff freed up to perform other duties.

Project to bring IT and logistics technology on-site: Introduction of logistics technology at new centers

The company plans to install large-capacity AutoStore equipment (entailing an automated warehouse picking system featuring densely packed specialized containers with storage and retrieval performed by robots) at its new Yokohama Kanazawa Center, scheduled for completion in July 2021. AutoStore aims to improve processing capacity using barcode inspection, a digital picking system (DPS), conveyors, and automatic packaging equipment.

Expanding delivery network

The company plans to strengthen its delivery network through group synergies and collaboration with partners.

Strengthening delivery network with group synergies: SBS Sokuhai Support and SBS Ricoh Logistics delivery networks

Previously the SBS group offered a corporate delivery service between companies and locations, with pickup and delivery in the morning and afternoon in Tokyo and the three neighboring prefectures, primarily through SBS Sokuhai Support. In August 2018, following the addition of SBS Ricoh Logistics to the group, its distribution network extended to cover all Japan.

The company has leveraged the delivery networks of SBS Sokuhai Support and SBS Ricoh Logistics to subcontract with multiple online retailers for home delivery and same-day delivery services. Starting with Tokyo and three neighboring prefectures, it has extended to northern Kanto (Ibaraki, Tochigi, and Gunma), Osaka, Nagoya (Aichi), and Sendai (Miyagi), for coverage of 50–60% of the population, according to the company.

Expanding delivery network through collaboration with partners: YC Delivery

▷ In June 2019, the company joined forces with the publisher of the *Yomiuri Shimbun* newspaper to form *YC Delivery*, a package delivery service providing deliveries to private homes using the delivery personnel of Yomiuri Center (or YC, the exclusive sales company for the Yomiuri Shimbun). As of February 2021, YC Delivery was operating in the 23 Tokyo wards, and was preparing to expand into the Tama area.

- YC Delivery collects packages from customer companies, sorts them by destination, and brings them to the Yomiuri Shimbun's publishing center. From there the packages are redirected to the Yomiuri sales center nearest to the final destination, from where they are finally delivered by that locale's delivery personnel to the designated household. The company says it can on receiving a certain level of package volume from major mail order/ecommerce companies.

Expanding delivery network through collaboration with partners: Japan Logistics Future Investment Fund

- In March 2020, SBS Holdings and the Development Bank of Japan (DBJ) launched an investment fund to help facilitate the business succession of operators in the logistics industry and help resolve financing issues related to the maintenance of SBS's regional distribution and delivery networks. The fund, the *Japan Logistics Future Investment Fund*, was capitalized at JPY4.0bn with SBS Holdings and the Development Bank of Japan each putting in JPY2.0bn.
- With the establishment of the Japan Logistics Future Investment Fund, SBS is looking to assure the business succession and continuity of its regional distribution and delivery networks, most of which are second-tier or small/medium-sized companies that operate mainly within the regions in which they are headquartered, and are facing a multitude of challenges ranging from labor shortages to business succession issues. In the case of logistics business operators facing business succession issues, the Fund will be able to provide investment capital while SBS Holdings and the Development Bank of Japan provide their management expertise to help logistics business operators in which the Fund invests become more competitive with assistance from various value-added initiatives (including initiatives aimed at expanding business networks; raising income and lowering expenses while upgrading financial positions; and improving compliance mechanisms). The basic thinking is that, after carrying out these initiatives and bringing individual companies to the point where they are competitive, the Fund will be able exit its investment, with the buyer in most cases most being SBS Holdings or a member of the SBS group.
- In November 2020, Japan Future Logistics Fund made its first investment, in Ai&Ai Chiba Chuo Co., Ltd. Ai&Ai, which has annual sales of JPY1.5bn, operates a light freight and general freight truck transport business providing light freight transportation services such as online supermarket deliveries, route deliveries, and dedicated corporate deliveries in Chiba Prefecture and eastern Tokyo. Ai&Ai will seek to strengthen its competitiveness by expanding its sales network, improving its earnings and financial performance, and developing a compliance system. In addition, after a certain period of time, SBS Holdings expects that Ai&Ai will exit the fund and join the SBS group.

Development and securitization of logistics facilities

The company aims to double floor space at its logistics facilities in approximately five years with new developments. It also plans to continue developing and securitizing logistics facilities.

Growth of 3PL business

3PL (third-party logistics) is the contracting of a third party that is neither manufacturer, wholesaler, nor retailer, to manage all logistics functions from transportation to distribution. This third party proposes ways to optimize efficiency and reduce costs. The domestic 3PL market has been expanding, and an average annual growth rate between 2009 and 2019 was 9.5%, with the market reaching JPY3.2tn in 2019 (+4.4% YoY).

SBS thinks its strength is providing 3PL services (logistics facility planning and development) that reflect the needs of customer companies, and improving warehouse efficiency. The company's 3PL business accounts for about 50% of the sales of its domestic logistics business. SBS fully launched its 3PL business from 2006. In FY12/19, the 3PL business reported JPY123.3bn (+38.7% YoY) in sales. Sales at the company's domestic logistics business grew by about JPY134.0bn between FY12/12 and FY12/19 (CAGR: +14.9%). The 3PL business was the main driver of growth, increasing by about JPY88.0bn (CAGR: +14.9%) during the same period.

For the medium term, the domestic logistics market is unlikely to expand given stagnant freight volume growth, demand from freight owners for reduced costs, and fierce competition. Still, Shared Research thinks that the 3PL market will grow in response to freight owners' need for cost reduction. SBS plans to keep expanding its 3PL business through leveraging its ability to develop logistics facilities in-house and then actively use these facilities to contract 3PL projects.

In addition, as discussed, the company acquired common shares (66.6% share) of Toshiba Logistics Corporation from Toshiba Corporation in November 2020 and made it a consolidated subsidiary. SBS expects the consolidation of Toshiba Logistics Corporation to cause FY12/21 sales in the 3PL business to exceed JPY200bn, growing to account for 60–70% of logistics business sales, and vaulting it from the 10th largest position in the domestic 3PL market from fifth previously.

3PL: Sales growth

(JPYmn)	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Act.	FY12/21 Est.
3PL sales	44,300	46,100	48,500	51,200	54,700	58,800	88,900	123,317	120,632	223,200
YoY	4.7%	4.1%	5.2%	5.6%	6.8%	7.5%	51.2%	38.7%	-2.2%	85.0%
% of Logistics sales	37.1%	38.2%	37.3%	35.7%	41.3%	41.9%	47.1%	51.2%	50.1%	62.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: FY12/18 results onward include impact from the consolidation of SBS Ricoh Logistics System.

Logistics facilities expansion plans

Growth in the 3PL business requires expanding floor space. At its FY12/20 results briefing, SBS flagged its intentions to double its logistics facilities in the medium term. At end-FY12/20, the company had floor space of 1,755,400 sqm (531,000 tsubo) at its logistics facilities, and plans to boost this to 1,000,000 tsubo in the medium term. As shown in the following figure, in addition to its existing 1,755,400 sqm, the consolidation of SBS Toshiba Logistics and Toyo Warehouse & Transportation, properties scheduled for completion through 2024, and development plans for sites already purchased will bring aggregate floor space to 2,994,500 sqm (905,830 tsubo).

Floor space expansion plans at logistics facilities

Facility	Floor space (sqm)	In operation	Type	User
Existing (as of end Dec. 2020)	1,755,400			
Expansion plans (1–8)	1,239,100			
1 SBS Toshiba Logistics	661,200	Jan. 2021	M&A	SBS Toshiba Logistics
2 Toyo Warehouse & Transportation	59,500	Jan. 2021	M&A	Toyo Warehouse
3 Yokohama-Kanazawa	51,000	Apr. 2021	Development	SBS Ricoh Logistics
4 Atugi Mori no Sato	57,500	May 2022	Leasing	SBS Ricoh Logistics
5 Noda-Seto A	145,500	2023 (planned)	Development	SBS Logicom
6 Noda-Seto B	105,800	2024 (planned)	Development	TBD
7 Ichinomiya Land (Aichi)	59,500	TBD	Development	SBS Ricoh Logistics
8 Tomisato Land (Chiba)	99,200	TBD	Development	SBS Logicom, other
Total (existing + planned expansion)	2,994,500			

Source: Shared Research based on company data

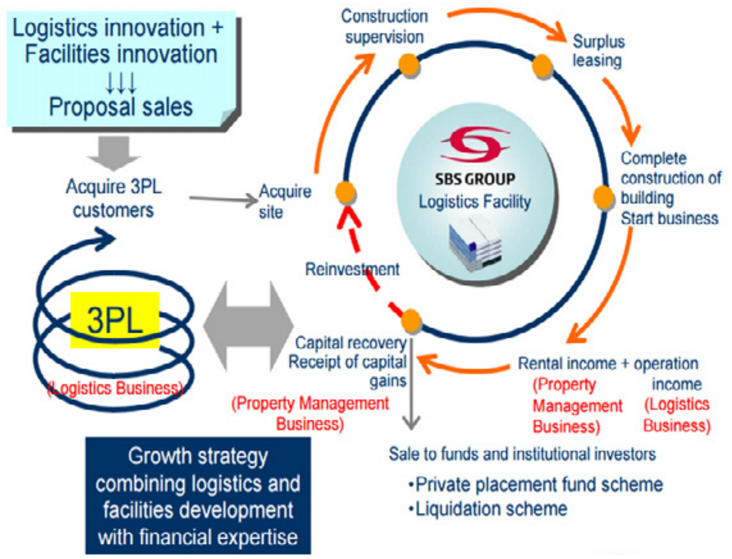
Development and securitization of logistics facilities

In the development business in the Property Management segment, SBS leverages its logistics experience and understanding of the leasing market prices as a lessee. It acquires land at low prices taking advantage of the Act on Advancement of Integration and Streamlining of Distribution Business and other laws, and develops logistics facilities targeting yields of around 6.0–7.0%.

For the medium term, SBS plans to invest in and develop logistics facilities. The company also plans to conduct reinvestment while promoting capital recovery by selling logistics facilities without expanding assets.

The company can operate 3PL services at the facilities it develops, thus contributing to earnings in the Logistics segment. However, the greatest contribution to earnings comes from the sale of these facilities.

Development of logistics facilities: Diagram of reinvestment



Source: Company data

Targeting 30–50% gain on sale of facilities

SBS targets yields of around 6.0–7.0% per year from the development of logistics facilities. In contrast, it aims for gain on the sale of facilities of 30–50% when it securitizes facilities by selling at the capitalization rate of about 5.0%.

In FY12/13, SBS began booking sales and profits of the development business under the Property Management segment. The development business' OPM has fluctuated in the 30–50% range. In FY12/21, the company plans to sell the Osaka Nanko Logistics Center for JPY14.8bn and book operating profit of JPY5.0bn.

Performance of the development business

(JPYmn)	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Act.
Facilities sold	Western Japan Logistics Center (51%)	Western Japan Logistics Center (49%)	Noda Yoshiharu Logistics Center Tokorozawa Logistics Center	Kawagoe Logistics Center	Yoshikawa Logistics Center Chikuma Logistics Center	Nagatsuta Logistics Center (30%)	Nagatsuta Logistics Center (30%)	Nagatsuta Logistics Center (40%)
Building floor space (sqm)	37,676	37,676	31,177	47,283	16,555	43,752	43,755	43,759
Sales	2,881	2,818	5,956	7,570	3,063	5,377	5,377	7,170
Operating profit	1,191	1,240	1,914	3,661	1,896	2,397	2,417	3,305
OPM	41.3%	44.0%	32.1%	48.4%	61.9%	44.6%	45.0%	46.1%

Source: Shared Research based on company data

Facilities to be securitized, facilities under construction

SBS thinks it can securitize facilities it has developed since 2004. The logistics facilities obtained prior to 2004 through acquisition have low book values and it might face tax liabilities upon transfer, so the company has no plans to securitize them.

The table below shows the primary facilities SBS believes it could securitize, as well as planned projects and projects under construction as of February 2021. The company believes this should yield stable and ongoing gains on sale for the next 14–15 years in the development business of the Property Management segment.

The total investment value for facilities that can be securitized was JPY25.4bn. The company's currently operating, sellable facilities would generate JPY8.0–13.0bn if they were sold, assuming they were sold at profit margins of 30–50%.

Facilities that can be securitized

	Completion	Floor space (sqm)	(tsubo)	Investment (JPYbn)	Contract type	Operations	Booked as	Held by
Shin-Sugita Logistics Center (Yokohama)	February 2016	38,300	11,571	6.6	Rent; internal use	Wine handling; apparel e-commerce fullfilment	Fixed asset	SBS Logicom
Nanko Logistics Center (Osaka)	March 2019	61,274	18,535	10.0	Internal use	Major deparment stores, retailers	Fixed asset	SBS Logicom
Other	-	51,700	15,651	8.8	Internal use	-	Fixed asset	-
Total		151,300	45,800	25.4				

Source: Shared Research based on company data

Facilities under development (total investment of JPY43.0bn) are as shown in the table below, including the Yokohama Kanazawa Center (tentative name) and the Noda Seto Logistics Center (tentative name). The company has also purchased land in Ichinomiya (Aichi) and Tomisato (Chiba), and is planning to develop logistics facilities there.

Facilities under construction, planned construction projects

Facility	Completion	Description	Investment (planned)	Booked as	Held by
Yokohama-Kanazawa Distribution Center	End Jul. 2021	53,000sqm logistics center to be constructed	JPY8.0bn	Fixed asset	SBS Logicom
Noda Seto project (Chiba)	Building A: 2022–2023	Four floors; 155,00sqm	JPY35.0bn	Fixed asset	SBS Logicom
	Building B: TBD	Four floors; 106,000sqm			
Ichinomiya Land (Aichi)	TBD	60,000sqm		Fixed asset	SBS Ricoh Logistic
Tomisato Land (Chiba)	TBD	99,000sqm		Fixed asset	SBS Logicom, other
Total			JPY43.0bn		

Source: Shared Research based on company data

▷ The Noda Seto Logistics Center will be the largest logistics facility development for the company with an investment of roughly JPY35.0bn. It is located about seven minutes from the Joban Expressway Kashiwa exit and has two buildings (total floor area of 261,000 sqm), Building A (total floor area: 155,000 sqm) and Building B (total floor area: 106,000 sqm). The company expects e-commerce operators' 3PL business to be a main tenant, and it is considering introduction of automation and robots on experimental basis at this facility. *Industrial Market Research* (January, 2021), released by Ichigo Real Estate Services, reported that the asking rent for logistics facilities in the Tokyo area (Ibaraki, Saitama, Chiba, Tokyo, and Kanagawa) was approximately JPY1,336 per sqm in January 2021. According to the October 2020 *Japanese Real Estate Investor Survey* published by Japan Real Estate Institute, the expected yield (cap rate) of the multi-tenant warehouse in inland area around Tokyo (Narita area in Chiba Prefecture) was 5.0%.

Business

Business overview

SBS operates a Logistics business, a Property Management business, and Other businesses. The Logistics and the Property Management segments contribute most of sales and profits. In FY12/20, Logistics accounted for 93.6% of overall sales and 55.5% of total operating profit, while Property Management contributed 3.6% and 42.2%, respectively. As the Property Management business includes profit (gain on sale of logistics facilities) from the relatively profitable development business, its contribution as a proportion of overall operating profit tends to be high.

Overview of SBS' businesses

Business		Details
Logistics business	General logistics	Logistics consulting (4PL), 3PL, truck transport, storage, warehouse/logistics center operation, international logistics, distribution processing, packaging, logistics technology, IT, and information systems design, others
	Food logistics	Nationwide deliveries with three temperature ranges, 3PL, distribution processing, home delivery service, consulting, others
	Specialty logistics	Same-day deliveries, e-commerce home deliveries, on-site logistics, company relocations, freight transport, others
Logistics support businesses	Property management business	Rental of land, warehouses, and residences, development and sales of logistics facilities, others
	Others	Personnel, environmental, marketing (e-commerce support such as fulfilment), solar power generation, others

Source: Shared Research based on company data

Main business segments

SBS has three reporting segments: Logistics, Property Management, and Other. The parent company is a pure holding company. The companies in the group are involved in logistics and ancillary support businesses.

- ▷ Logistics: This segment comprises truck and rail transport, low-temperature and international logistics, logistics facility operation, distribution processing, corporate express deliveries, and home deliveries. The company also offers all of these activities under third-party logistics (3PL) contracts. This segment also covers logistics consulting and ancillary businesses.
- ▷ Property Management: This segment rents company-owned property for office, residential and warehouse use, and also undertakes logistics facility development for sale to funds, REITs and businesses.
- ▷ Other: Personnel, environmental, marketing, and solar power generation businesses.

Segment sales and profit (JPYmn)	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Act.
Sales	**121,148**	**127,935**	**132,205**	**141,535**	**157,996**	**149,054**	**152,870**	**203,516**	**255,548**	**257,192**
YoY	1.1%	5.6%	3.3%	7.1%	11.6%	-5.7%	2.6%	33.1%	25.6%	0.6%
Logistics	112,698	119,330	120,786	129,884	143,391	132,487	140,422	188,627	240,772	240,818
YoY	5.6%	5.9%	1.2%	7.5%	10.4%	-7.6%	6.0%	34.3%	27.6%	0.0%
% of sales	93.0%	93.3%	91.4%	91.8%	90.8%	88.9%	91.9%	92.7%	94.2%	93.6%
Property Management	2,392	2,504	5,554	5,103	8,641	10,278	5,745	8,172	7,802	9,349
YoY	-60.7%	4.7%	121.8%	-8.1%	69.3%	18.9%	-44.1%	42.2%	-4.5%	19.8%
% of sales	2.0%	2.0%	4.2%	3.6%	5.5%	6.9%	3.8%	4.0%	3.1%	3.6%
Other	6,057	6,100	5,865	6,548	5,963	6,288	6,703	6,716	6,972	7,024
YoY	-14.1%	0.7%	-3.9%	11.6%	-8.9%	5.5%	6.6%	0.2%	3.8%	0.7%
% of sales	5.0%	4.8%	4.4%	4.6%	3.8%	4.2%	4.4%	3.3%	2.7%	2.7%
Operating profit	**2,153**	**2,876**	**4,116**	**4,098**	**5,347**	**7,514**	**6,229**	**8,240**	**10,176**	**10,960**
YoY	-51.1%	33.6%	43.1%	-0.4%	30.5%	40.5%	-17.1%	32.3%	23.5%	7.7%
Operating profit margin	1.8%	2.2%	3.1%	2.9%	3.4%	5.0%	4.1%	4.0%	4.0%	4.3%
Logistics	1,265	1,728	1,219	1,624	2,072	2,266	2,692	4,572	6,278	5,990
YoY	-28.2%	36.6%	-29.5%	33.2%	27.6%	9.4%	18.8%	69.8%	37.3%	-4.6%
Operating profit margin	1.1%	1.4%	1.0%	1.3%	1.4%	1.7%	1.9%	2.4%	2.6%	2.5%
% of total operating profit	58.7%	58.0%	30.7%	37.5%	37.0%	29.4%	42.2%	52.2%	61.2%	55.5%
Property Management	1,101	1,206	2,550	2,359	3,292	5,108	3,278	3,913	3,787	4,558
YoY	-51.3%	9.5%	111.4%	-7.5%	39.6%	55.2%	-35.8%	19.4%	-3.2%	20.4%
Operating profit margin	46.0%	48.2%	45.9%	46.2%	38.1%	49.7%	57.1%	47.9%	48.5%	48.8%
% of total operating profit	51.1%	40.5%	64.2%	54.5%	58.8%	66.4%	51.4%	44.7%	36.9%	42.2%
Other	-211	44	202	344	238	321	413	273	186	254
YoY	-249.6%	-120.9%	359.1%	70.3%	-30.8%	34.9%	28.7%	-33.9%	-31.9%	36.6%
Operating profit margin	-3.5%	0.7%	3.4%	5.3%	4.0%	5.1%	6.2%	4.1%	2.7%	3.6%
% of total operating profit	-9.8%	1.5%	5.1%	8.0%	4.2%	4.2%	6.5%	3.1%	1.8%	2.4%
Adjustments						-182	-154	-519	-75	157

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Figures have been retroactively restated in line with a change in accounting methods for retirement benefit liabilities and service costs from Q1 FY12/15 to enable year-on-year comparisons.

Logistics: 93.6% of sales, 55.5% of operating profit (FY12/20)

The Logistics business accounts for more than 90% of sales and roughly 60% of operating profit. In this core segment the company offers business-to-business transportation of materials, products and merchandise, as well as storage, cargo handling, packaging, distribution processing and information management. While SBS does not disclose the exact breakdown of these services, Shared Research understands that truck transportation accounts for roughly half of segment sales. The main services in the Logistics segment are listed below.

Main logistics subsidiaries

Company	Subsidiary since	Prior to joining group	Business description
SBS Sokuhai Support	June 1992	Saitama Nissho: General waste treatment	Same-day B2B delivery in Tokyo, Kanagawa, Chiba, and Saitama. Also provides outsourced e-commerce B2C delivery services for e-commerce companies.
SBS Flec	May 2004	Yukijirushi Butsuryu, logistics company of Yukijirushi Group	Specializes in food distribution in three temperature zones: dry, chilled, and frozen.
SBS Logicom	April 2006	Tokyu Logistic, logistics subsidiary of Tokyu group	3PL, truck transport, center operations, warehouse services, international logistics.
SBS Zentsu	January 2006	Food logistics company Zentsu	Logistics for Japanese Consumers' Cooperative Union (Co-op).
SBS Ricoh Logistics	August 2018	Ricoh Logistics, logistics subsidiary of Ricoh group	3PL in Japan and overseas, manages all Ricoh group logistics. Operates Otsuka Corporation's Tanomail under contract.
SBS Toshiba Logistics	November 2020	Toshiba Logistics, logistics subsidiary of Toshiba	In addition to 3PL, provides 4PL services to plan and execute logistics strategies for customers. Provides a wide range of companies including members of the Toshiba Group with comprehensive logistics solutions.
Toyo Warehouse & Transportation	January 2021	Toyo Warehouse & Transportation, warehouse subsidiary of SMC	Has two large waterfront warehouses in Tokyo area—one in Higashiogishima in Kawasaki (Kanagawa) and one in Wakasu (Koto-ku, Tokyo).

Source: Shared Research based on company data

Services provided and main related subsidiaries and affiliates

Services	Service description	Related subsidiaries/affiliates
Truck transport	The company delivers nationwide, with a fleet of around 3,000 vehicles. Will transport anything from an entire train carriage to a single component.	SBS Toshiba Logistics, SBS Ricoh Logistics, SBS Logicom, SBS Flec, SBS

		Zentsu, SBS Freight Service
Railway transport	Long-distance container transport by rail	SBS Toshiba Logistics, SBS Logicom
Refrigerated logistics	A specialist food transport service with three temperature zones (dry, chilled, frozen)	SBS Flec, SBS Zentsu, SBS Logicom, SBS Freight Service
Logistics center operation	Comprehensive management contracts for logistics centers (both on an on-site and off-site basis)	SBS Toshiba Logistics, SBS Ricoh Logistics System, SBS Logicom, SBS Flec, SBS Zentsu, SBS Freight Service, Toyo Warehouse & Transportation
International logistics	Integrated international logistics services, from customs clearance to onward arrangements and local logistics	SBS Toshiba Logistics, SBS Ricoh Logistics System, SBS Logicom, SBS Global Network, Toyo Warehouse & Transportation
Distribution processing	Processing such as assembly, labels, grouping, and wrapping	SBS Toshiba Logistics, SBS Ricoh Logistics System, SBS Logicom, SBS Flec, SBS Zentsu
Business deliveries	SBS' original express courier service and deliveries of packages from major online office supply retailers to other companies	SBS Sokuhai Support (same-day), SBS Ricoh Logistics
Home delivery (individuals)	Delivery of products to co-operative union members and online shoppers	SBS Zentsu, SBS Sokuhai Support (e-commerce home delivery), SBS Flec, SBS Ricoh Logistics
Equipment relocation and personal moving services	Relocation services for offices, public agencies, universities, and libraries, and moving service for individuals	SBS Toshiba Logistics, SBS Ricoh Logistics, SBS Logicom
Onsite logistics	Focusing on vehicles and goods entering and exiting large buildings, and making them more efficient through a unique system of collaborative delivery	SBS Logicom
Consulting	Investigation, analysis, and solutions for cost-cutting, lead time reduction, and streamlining	SBS Toshiba Logistics, SBS Logicom, SBS Flec, SBS Zentsu
3PL	Taking on the entirety of customers' logistics operations	SBS Toshiba Logistics, SBS Ricoh Logistics, SBS Logicom, SBS Flec, SBS Zentsu, SBS Freight Service, Toyo Warehouse & Transportation

Source: Shared Research based on company data

Logistic segment performance

(JPYmn)	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Act.
Sales	**112,698**	**119,330**	**120,786**	**129,884**	**143,391**	**132,487**	**140,422**	**188,627**	**240,772**	**240,818**
YoY	5.6%	5.9%	1.2%	7.5%	10.4%	-7.6%	6.0%	34.3%	27.6%	0.0%
3PL	42,300	44,300	46,100	48,500	51,200	54,700	58,800	88,900	123,317	120,632
YoY	19.5%	4.7%	4.1%	5.2%	5.6%	6.8%	7.5%	51.2%	38.7%	-2.2%
% of domestic sales	37.5%	37.1%	38.2%	37.3%	35.7%	41.3%	41.9%	47.1%	51.2%	50.1%
Operating profit	**1,265**	**1,728**	**1,219**	**1,624**	**2,072**	**2,266**	**2,692**	**4,572**	**6,278**	**5,990**
YoY	-28.2%	36.6%	-29.5%	33.2%	27.6%	9.4%	18.8%	69.8%	37.3%	-4.6%
Operating profit margin	1.1%	1.4%	1.0%	1.3%	1.4%	1.7%	1.9%	2.4%	2.6%	2.5%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

3PL business drives growth, low-temperature distribution business secures stable revenue

SBS is focusing on 3PL, where it offers customers a comprehensive service to overhaul and improve their logistics activities. The low-temperature distribution business transports food across the three temperature zones—frozen (below -25° C), chilled (5° to 8° C), and room temperature (above 15° C). As food logistics are resistant to economic swings, this business provides a stable source of revenue.

3PL: short for 3rd Party Logistics. An outsourcing business involving a third party that is neither a manufacturer nor a retailer taking over all the logistics functions from the freight owner, including proposing new logistical structures for ordering, optimization, and efficiency. SBS defines 3PL as direct long-term contracts with the freight owner for terms of at least three years to carry out at least two of the five major logistics functions: transport and delivery, storage, handling, packaging, and distribution processing.

Cargo handling: Refers to the process of loading/unloading goods from a truck etc. and moving them in and out of logistics facilities.

Distribution processing: In addition to general work such as attaching price tags to apparel, packing New Year's and midsummer gifts in boxes, and replacing labels on imported goods, it can involve outsourcing some tasks that are often handled on the production line, such as simple assembly and finishing of products and shrink wrapping.

3PL business trends

The 3PL business accounts for around 50% of SBS's logistics business revenue, of which about 80% is from comprehensive contracts where SBS performs all of the five major logistics functions: transport and delivery, storage, handling, packaging, and distribution processing. SBS entered the 3PL market in 2006, and booked FY12/20 sales of JPY120.6bn (-2.2% YoY). More of its 3PL customers are new customers rather than existing customers who renew their contracts.

3PL business sales

(JPYmn)	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Act.	FY12/21 Est.
3PL sales	44,300	46,100	48,500	51,200	54,700	58,800	88,900	123,317	120,632	223,200
YoY	4.7%	4.1%	5.2%	5.6%	6.8%	7.5%	51.2%	38.7%	-2.2%	85.0%
% of Logistics sales	37.1%	38.2%	37.3%	35.7%	41.3%	41.9%	47.1%	51.2%	50.1%	62.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

3PL business: competitive edge

SBS maintains that it can raise productivity and quality by improving the workflow in logistics centers, holding down inventory space, and effectively allocating personnel. The company has a track record of winning multiple awards at the All-Japan Logistics Improvement Case Study Convention by the Japan Institute of Logistics Systems, including the Logistics Rationalization Award and the Rationalization Endeavor Award. Subsidiary SBS Ricoh Logistics won awards in the Japan Packaging Contest sponsored by the Japan Packaging Institute and the Eco-drive Activities Contest sponsored by the Foundation for Promoting Personal Mobility and Ecological Transportation.

The key listed customers in this segment are Ricoh Co., Ltd. (TSE1: 7752), Otsuka Corporation (TSE1: 4768), Megmilk Snow Brand Co., Ltd. (TSE1: 2270), Seiko Optical Products Co., Ltd. (a subsidiary of Seiko Holdings Corporation [TSE1: 8050], developing and selling eyeglass lenses and products relating to eyeglasses), Kasumi Co., Ltd., subsidiary of United Super Market Holdings Inc., (TSE1: 3222), supermarket operating primarily in Ibaraki, and Tokyu Store Corporation, subsidiary of Tokyu Corporation (TSE1: 9005), operates supermarkets along Tokyu railway lines. Unlisted customers include Ken Depot Corporation (manages members-only construction materials wholesale stores), Tombow Pencil Company (manufacturer of writing instruments and stationery), and various convenience store, supermarket, and drug store chains and co-ops.

Low-temperature distribution business

SBS does not disclose sales of low-temperature distribution business, but it appears to account for over 60% of sales of the distribution business overall. As demand for food is relatively resistant to economic swings, food logistics tend to remain stable. The low-temperature distribution business is driven by consolidated subsidiaries SBS Flec and SBS Zentsu (see Main group companies for details).

Food logistics is divided into frozen food, chilled food, and room-temperature food. Customer companies include food manufacturers, food wholesalers, food retailers, and co-ops, for which the company provides temperature-controlled warehouse storage, logistics processing, and delivery services. Frozen food (below -25° C) encompasses instant rice and noodles dishes, ice cream, cakes and other confectionery, and frozen meat and fish. Chilled food (5° to 8° C) is primarily composed of cheese, butter, and other dairy products; beverages; soy-based products; ham and sausages; and other foods typically consumed on a regular basis.

Fee structure in logistics

SBS charges fees in three different ways:

A per-load fee charging a certain amount per load handled; a per-truck fee, where the customer is charged for the use of a whole truck; and a value-based fee. Fees may vary with length of contract and distance travelled. The value-based fees are typically 3–5% of the retail sales value of the goods that pass through SBS's logistics facilities.

In the 3PL business, value-based fees are the norm. This is because it is easy for the shippers to understand and because different industries have different logistics patterns (large one-off deliveries, small frequent deliveries, store route deliveries and so on). Also, the lot quantities vary, so it is possible to display common prices across the shipping customer base with value-based fees.

Since the shippers (customers) dislike having distribution costs (including transport) becoming fixed costs, it is easy to get their agreement for charges that rise with sales. However, in the 3PL business, some customers employ a mix of per-load and per-truck fees for deliveries and value-based fees in the warehouse. Outside the 3PL business, it appears that there are slightly more contracts on a per-truck basis than a per-load basis.

Major customers

SBS has approximately 8,000 logistics customers. Food and beverage manufacturers and wholesalers accounted for around 34% of sales in the Logistics segment for food-related logisitics as of FY12/20.

Overseas subsidiaries

Entered Indian market in early 2000s before withdrawing in 2015

SBS made inroads into the Indian market by acquiring Atlas Logistics and making it a subsidiary in 2011. The company went on to acquire 66% of Transpole Logistics, likewise making it a subsidiary. However, in FY12/15, SBS concluded that Transpole was unable to recover debt claims related to large-scale transactions and booked the claims as an extraordinary loss for the year. SBS decided to dissolve its capital alliance with Transpole and withdraw from the company's management. From FY12/16, Transpole and Atlas Logistics were excluded from consolidated accounting.

Consolidation of Ricoh Logistics and SBS Toshiba Logistics boosts number of international logistics centers

Overseas sales in FY12/20 amounted to JPY7.4bn (versus JPY10.4bn in FY12/19) due to the August 2018 consolidation of Ricoh Logistics System (now SBS Ricoh Logistics System Co., Ltd.). The company believes it can supplement its overseas network through collaboration with SBS Ricoh Logistics System, which has five logistics centers overseas. In FY12/20, overseas sales declined to JPY7.4bn. The company said that in FY12/21, overseas sales would grow due to the consolidation of SBS Toshiba Logistics (discussed later) and the weighting of overseas sales in the logistics business would climb to roughly 7% (from about 3% in FY12/20).

Toshiba Logistics (now SBS Toshiba Logistics) was consolidated in November 2020. It has international logistics operations with 14 overseas subsidiaries including China/Hong Kong, other Asia (Thailand, Philippines, Singapore, Vietnam, India, Malaysia), Europe, and North America.

Property Management: 3.6% of sales, 42.2% of operating profit (FY12/20)

The Property Management segment comprises the leasing and the development business. In the leasing business (23.3% of segment sales and 27.5% of operating profit in FY12/20) the company leases its facilities for use as warehouses, offices, and residences. In the development business (76.7% of sales and 72.5% of operating profit in FY12/20) it develops logistics facilities and sells them to funds and institutional investors.

Services	Description	Related subsidiaries and affiliates
Leasing business	Leasing out its facilities as offices, accommodation, and warehouses	SBS Logicom, SBS Asset Management, other
Development business	Developing and selling logistics facilities such as logistics centers (real estate securitization)	SBS Asset Management, SBS Logicom

Source: Shared Research based on company data

Property management performance

(JPYmn)	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Act.
Sales	**2,392**	**2,504**	**5,554**	**5,103**	**8,641**	**10,278**	**5,745**	**8,172**	**7,802**	**9,349**
YoY	-60.7%	4.7%	121.8%	-8.1%	69.3%	18.9%	-44.1%	42.2%	-4.5%	19.8%
Leasing	-	2,504	2,672	2,285	2,685	2,708	2,682	2,795	2,425	2,179
YoY	-	-	6.7%	-14.5%	17.5%	0.9%	-1.0%	4.2%	-13.2%	-10.1%
% of sales	-	-	48.1%	44.8%	31.1%	26.3%	46.7%	34.2%	31.1%	23.3%
Development	-	-	2,881	2,818	5,956	7,570	3,063	5,377	5,377	7,170
YoY	-	-	-	-2.2%	111.4%	27.1%	-59.5%	75.5%	0.0%	33.3%
% of sales	-	-	51.9%	55.2%	68.9%	73.7%	53.3%	65.8%	68.9%	76.7%
Operating profit	**1,101**	**1,206**	**2,550**	**2,359**	**3,292**	**5,108**	**3,278**	**3,913**	**3,787**	**4,558**
YoY	-51.3%	9.5%	111.4%	-7.5%	39.6%	55.2%	-35.8%	19.4%	-3.2%	20.4%
Operating profit margin	46.0%	48.2%	45.9%	46.2%	38.1%	49.7%	57.1%	47.9%	48.5%	48.8%
Leasing	-	1,206	1,358	1,119	1,378	1,447	1,388	1,516	1,369	1,253
YoY	-	-	12.6%	-17.6%	23.1%	5.0%	-4.1%	9.2%	-9.7%	-8.5%
Operating profit margin	-	48.2%	50.8%	49.0%	51.3%	53.4%	51.8%	54.2%	56.5%	57.5%
% of OP	-	-	53.3%	47.4%	41.9%	28.3%	42.3%	38.7%	36.1%	27.5%
Development	-	-	1,191	1,240	1,914	3,661	1,889	2,379	2,417	3,305
YoY	-	-	-	4.1%	54.4%	91.3%	-48.4%	25.9%	1.6%	36.7%
Operating profit margin	-	-	41.3%	44.0%	32.1%	48.4%	61.7%	44.2%	45.0%	46.1%
% of OP	-	-	46.7%	52.6%	58.1%	71.7%	57.6%	60.8%	63.8%	72.5%
Real estate for rent (on balance sheet)	24,702	26,931	25,824	22,885	23,112	23,245	25,934	25,713	26,483	
YoY	6.8%	9.0%	-4.1%	-11.4%	1.0%	0.6%	11.6%	-0.9%	3.0%	
Real estate for rent (market price)	25,253	27,183	26,006	23,070	23,344	27,584	30,721	30,545	33,456	
YoY	4.6%	7.6%	-4.3%	-11.3%	1.2%	18.2%	11.4%	-0.6%	9.5%	
Difference (market price - BS)	551	252	182	185	232	4,339	4,787	4,832	6,973	

Source: Shared Research based on company data
Note: Leasing income and loss refers to income or loss related to land and facilities.

Leasing business (23.3% of Property Management sales and 27.5% of operating profit in FY12/20)

The leasing business (under the Property Management segment) involves the rental of assets acquired by the company through M&A, and rental of logistics facilities. Group companies that own real estate mainly in the Tokyo Metro Area, such as SBS Logicom, rent these properties to third parties. The rental buildings are mainly used for logistics, although there are also office buildings, residences and open land among them as well. The business currently leases around 40 properties.

However, some of the properties acquired through M&A have low book values. Book value of real estate held by subsidiaries acquired through M&A were evaluated at market value prior to the consolidation of those subsidiaries.

Leasing business sales affected by utilization rate and facility sales, not vacancy rate and rent fluctuation

Leasing business sales are rent x utilization rate

Rents are value of rental properties owned x rental yield. According to SBS, the yield on rental properties (relative to market values) is about 10% for offices, about 9% for residential property, and 6.0–7.0% for logistics facilities. As of end-FY12/19, the balance sheet value of rental and other properties was JPY26.5bn and their term-end market price was JPY33.5bn, putting unrealized gains on these properties (the difference between the two figures) at about JPY7.0bn.

Warehouse rents vary by region, but SBS said that they average around JPY3,000–4,000/tsubo. (Note: tsubo is a unit of area equating to about 3.3sqm.) Most of the residential property is rented by companies for worker accommodation, so vacancy rates are low there as well. For logistics facilities, only those customers that pay rent on warehouses are accounted for in the Property Management segment; warehouse storage undertaken as part of 3PL activities is accounted for under the Logistics segment.

Utilization rate is 1 - vacancy rate. According to SBS, the vacancy rates for offices and residential were both trending under 5%. Because the offices are in prime urban locations (such as Tokyo's Shibuya Ward or Shinjuku Ward), the vacancy rate risk is low.

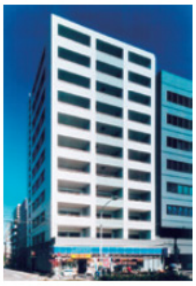
Leasing business sales tend to be affected by utilization rates and facility sales, and not as much by vacancy rates and rent fluctuations. In past years, the leasing business has consistently generated around JPY2.5bn in gross revenues and JP1.3bn in operating profit per annum.

Key rental properties

Shibuya Minamiguchi Building
Location: Shibuya, Tokyo
Site space: 874sqm
Floor space: 8,819sqm
Completion: Jan. 2000

Minami-Shinjuku SK Building
Location: Shibuya, Tokyo
Site space: 749qm
Floor space: 7,226sqm
Completion: Jul. 1997

Santokoa Kagurazaka
Location: Shinjuku, Tokyo
Site space: 534qm
Floor space: 1,691sqm
Completion: Jul. 2003



High Nest Residence
Location: Koto, Tokyo
Site space: 496qm
Floor space: 1,849sqm
Completion: Feb. 2003

Source: Shared Research based on company data

Development of logistics facilities

In 2004, SBS established A-Max Inc., now SBS Asset Management Co., Ltd. ("SBS Asset Management"), a real estate securitizer and developer, and made it a subsidiary. SBS Asset Management and its subsidiaries are primarily responsible for planning and developing low-cost logistics facilities for corporate customers, mainly in Greater Tokyo. The company aims for average annual returns of 6.0–7.0%.

Logistics knowledge key to forecasting earnings from logistic facilities, acquiring land at low prices

SBS conducts the logistics development process in reverse; after determining the market price for rents of logistic facilities in a given area, SBS then decides how much to pay for land acquisition and construction costs. When the company considers the development of logistics facilities, it calculates costs and sets rents based on the assumption that it will become a leaseholder in the future.

The company also uses the legislative system such as the Act on Advancement of Integration and Streamlining of Distribution Business for developing facilities in urbanization control areas (with restrictions on new building construction and building extensions. Some warehouse construction is permitted under certain conditions depending on the municipal's ordinances), which have relatively low land prices, and acquiring permission for distribution facility developments in locations near expressway interchanges. SBS can also acquire land at lower prices due to its ability to participate in auctions that are limited to participants with port operator licenses or warehousing registration. As such, SBS has experience developing facilities under conditions that are inaccessible to ordinary real estate developers.

The Act on Advancement of Integration and Streamlining of Distribution Business. According to the Ministry of Land, Infrastructure, Transport and Tourism, this law set the parameters for certification of and support mechanisms for certain business plans. The idea was to encourage plans that lowered distribution costs and reduced the burden on the environment in a comprehensive and efficient manner. The MLIT certifies projects that increase logistics efficiency overall, i.e., those that bundle transport, storage, cargo handling and distribution processing; streamline logistics centers and locate near expressways, harbors and airports; and rationalize the distribution network with shared transportation and delivery. Authorities take the above into account when considering permit applications for developing a special logistics business facility in an urbanization control zone.

This segment shows synergy with the Logistics segment, which gives the company the ability to comprehensively develop logistics facilities–a strength when seeking new customers in the 3PL business. In the 3PL business, project proposals to customers are differentiated from those of competitors through a multi-faceted approach, outlining ideal locations and specifications at rental rates that are lower than market prices.

Even after SBS sells a company-developed logistics facility to an external company or fund, it forms a long-term lease agreement with the buyer and continues 3PL operations. This process allows rental rates to be kept relatively low. SBS believes that the competitiveness of logistics facilities is the main factor in determining the total cost of 3PL.

Differences in cost items/amounts in the Logistics business before and after the sale of company-developed logistics facilities:

SBS records depreciation under the Logistics business for company-developed logistics facilities in the case that it holds them as fixed assets and utilizes them. If the company sells a logistics facility to an external company or fund and continues to use it after concluding a lease agreement, it will record rental payments to the buyer of the facility instead of depreciation. According to the company, rent generally exceeds depreciation for company-owned facilities.

High utilization rate owing to strategy of finding tenants and locking in 3PL contracts before facility development

SBS finds tenants or arranges use of the facility under a 3PL contract before starting facility development work. This strategy sets it apart from other logistics facilities developers such as Prologis and Mitsui Fudosan, which develop logistics facilities first and then seek customers. In principle, the company decides to move forward with facility development when it has determined that about 50% of the facility's floor space will filled due to 3PL contracts or tenant acquisition. The remaining floor space is used for new customers, or for customers currently renting in a separate SBS facility to consolidate operations. In this way, facilities will be fully operational and rented immediately after development is complete. As a result, the company's logistics facilities have a lower vacancy risk than logistics facilities developed by real estate developers. The quality and credit of tenants are also desirable, and such tenants can be expected to provide the company with stable cash flows over the medium to long term.

6.0–7.0% yield on initial investment from rental revenue

Contract periods on logistics facilities are generally 10 years or longer. Leasing rates are fixed during that time but may be increased if interest rates rise. Aside from a rental revenue, which provides a stable yield of around 6.0–7.0% per year on initial investment for land acquisition and construction, the company also counts operational revenue as a source of income. Operations cover actions undertaken at logistics facilities such as shipping and receiving, storage, distribution processing, and other 3PL contract services. SBS is also contracted for deliveries to and from the logistics facilities.

Development and securitization record

Facility	Location	Land space (sqm) Floor space (sqm)	Acquired	Securitized	Book value (JPYbn)	Transfer price (JPYbn)	Transferred to; other notes
Yoshikawa Logistics Center	Saitama	5,706 10,806	Apr 1997	Jul 2017	0.5	1.9	United Urban Investment
Omiya Center Building	Saitama	3,542 23,585	Nov 2005	Dec 2006 Jul 2007	8.3 8.0	12.0 12.5	(Office building)
Kawagoe Warehouse	Saitama	3,305 6,559	Apr 2006	Held by SBS HD			
Western Japan Logistics Center (Kyotanabe)	Kyoto	25,853 37,676	Mar 2007	Dec 2013 Aug 2014	1.8 1.8	2.8 2.8	SBS Logifund No.1
Chikuma Logistics Center	Nagano	11,137 6,299	Aug 2007	Dec 2017	0.6	1.1	Private company
Kawagoe Logistics Center	Saitama	32,665 47,770	Nov 2007	Jun 2016	3.9	7.6	United Urban Investment
Iwatsuki Logistics Center	Saitama	40,011 29,981	Dec 2007	Apr 2008	4.4 Stake: 28.5%	4.7 Gain 0.2	Iwatsuki Capital Maple Tree
Iruma Logistics Center	Saitama	26,126 26,203	Jan 2008	Sep 2010	2.9	3.4	Maple Tree
Kimitsu Materials Warehouse III	Chiba	15,695 3,000	Mar 2008	Held by SBS HD			
Toyohashi Logistics Center	Aichi	5,938 2,972	Apr 2008	Held by SBS HD			
Noda Logistics Center	Chiba	24,064 35,893	Mar 2009	Sep 2010	4.6	4.8	Maple Tree
Tokorozawa Warehouse	Saitama	8,696 5,801	Nov 2009	Mar 2015	1.1	1.2	Private company
Noda Yoshiharu Logistics Center	Chiba	7,279 10,857	Mar 2009	Sep 2010	3.0	4.8	GLP J-REIT
Nagatsuta Logistics Center	Kanagawa	47,577 43,755	Jan 2015	Nov 2018 Jan 2019 Feb 2020	3.0 2.9 3.9	5.3 5.3 7.1	Private company (30%) Private company (30%) Private company (40%)
Tokorozawa Logistics Center	Saitama	27,824 34,805	Mar 2016	Held by SBS HD			
Shin-Sugita Logistics Center	Kanagawa	17,151 38,265	Jan 2016	Held by SBS HD			
Sendai Center (Miyagi)	Miyagi	7,204 8,336	Oct 2016	Held by SBS HD			
Ami Logistics Center	Ibaraki	31,304 7,734	Jun 2018	Held by SBS HD			
Osaka Nanko Logistics Center	Osaka	24,859 16,769	Mar 2019	Mar 2021	9.8	14.8	
Total					60.5	92.1	

Source: Shared Research based on company data

Properties under development and planned for development

The company was planning development for the following facilities as of March 2021. Related investment is projected to be JPY43.0bn in total.

Facilities under development

Facility	Completion	Description	Investment (planned)	Booked as	Held by
Yokohama-Kanazawa Distribution Center	End Jul. 2021	53,000sqm logistics center to be constructed	JPY8.0bn	Fixed asset	SBS Logicom
Noda Seto project (Chiba)	Building A: 2022–2023	Four floors; 155,00sqm	JPY35.0bn	Fixed asset	SBS Logicom
	Building B: TBD	Four floors; 106,000sqm			
Ichinomiya Land (Aichi)	TBD	60,000sqm		Fixed asset	SBS Ricoh Logistic
Tomisato Land (Chiba)	TBD	99,000sqm		Fixed asset	SBS Logicom, other
Total			JPY43.0bn		

Source: Shared Research based on company data

Development of logistics facilities in Asia

SBS finished construction of a Thai logistics facility, the company's first outside Japan, in June 2014. In addition, the company will complete construction of all three Thai warehouses by August 2015. SBS stated that it completed building the first and second warehouses in June and August 2014, respectively, and that a Japanese customer has been using the first warehouse. The second warehouse is being used by a Japanese-owned forwarder.

Thailand logistics facilities

First building, office building

First truck loading dock

Source: Company photos

Development business (76.7% of Property Management sales and 72.5% of operating profit in FY12/20)

At the development business (under the Property Management segment), the company sells logistics facilities, which are operated by the leasing business or 3PL bases, to real estate funds and institutional investors. It earns returns on investment and gains on the sale of the facilities. Those assets acquired in the process of acquiring land for logistics facilities, during the period of construction through operation after completion are booked as tangible fixed assets on the balance sheet. However, once the company decides to sell such facilities and they become properties for sale, they are removed from fixed assets and booked as inventory items. Extraordinary gains are not recorded when a property is sold; Instead, the company records sales and operating profit in the development business.

Recouping investments through real estate securitization

In order to prevent the buildup of assets on its balance sheet from logistics facilities development and subsequent ownership, the company recoups its investment in developments and secures funds for new developments by selling developed properties to real estate funds (securitization) while maintaining operational management of the facilities through its 3PL business.

The company uses knowledge, data, and licenses related to logistics to acquire land, develop logistics facilities, and then transfer assets at a capitalization rate below the investment return it received from the same facilities (6.0–7.0% a year on average). By doing so, it collects a gain on transfer in addition to the gain on sales.
Real estate sale value is determined by the area of the property, rent, NOI (Net Operating Income), and the capitalization rate. When simplified, the following equation can be used: Sale value= NOI ÷ capitalization rate

NOI: income from rent - original cost + depreciation expense (including long-term prepaid expenses) or income from rent - overhead expense (real estate tax, management costs, maintenance fees, etc.)

To illustrate gain on the sale of facilities in the development business, assuming the NOI at a yield of 6.5% on an investment of JPY10bn in a logistics facility, the annual NOI would be JPY650mn. If the facility is sold at the capitalization rate of 5.0%, the selling price will be JPY13.0bn (JPY650mn/5.0%) with a gain on the sale of JPY3.0bn and margin of 30%.

The company then uses the proceeds from the property sale to invest in development of the next facility, and the virtuous cycle begins anew. The process is an important element for the company to sustain growth despite a comparatively weak financial standing (shareholders' equity ratio of 19.9% in FY12/20).

Securitization: cumulative gain of over 40% on the sale of facilities

The diagram below shows SBS's track record in securitization. As the company sold 12 facilities between FY12/06 and FY12/21, the total transfer prices came to JPY92.1bn against the facilities' total book value of JPY60.5bn, yielding an average of over 40% gain from the transfer.

Securitization record

Facility	Location	Land space (sqm) Floor space (sqm)	Acquired	Securitized	Book value (JPYbn)	Transfer price (JPYbn)	Transferred to; other notes
Yoshikawa Logistics Center	Saitama	5,706 10,806	Apr 1997	Jul 2017	0.5	1.9	United Urban Investment
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Nagatsuta Logistics Center	Kanagawa	47,577 43,755	Jan 2015	Nov 2018 Jan 2019 Feb 2020	3.0 2.9 3.9	5.3 5.3 7.1	Private company (30%) Private company (30%) Private company (40%)
Osaka Nanko Logistics Center	Osaka	24,859 16,769	Mar 2019	Mar 2021	9.8	14.8	
Total					60.5	92.1	

Source: Shared Research based on company data

Other Businesses: 2.7% of sales, 2.4% of operating profit (FY12/20)

Main drivers of the Other Businesses segment are the personnel business (52.5% of segment sales, JPY138mn operating loss in FY12/20), the solar power generation business (6.2% of segment sales, 68.9% of operating profit) and the marketing business (24.5% of segment sales, 52.0% of operating profit). Other businesses are financial (insurance agency) and environmental businesses (industrial waste recycling).

Since FY12/13, SBS has operated 4.8MW solar power generation facilities on the roofs of logistics centers to make full use of use its locations and logistics facility rooftops. As of February 2021, the company had 16 facilities in operation. The total power generation capacity is about 9.5MW.

Business	Business description and related subsidiaries/affiliates
Personnel	SBS Staff Co., Ltd. provides a staff dispatch service, sending out staff to handle labor needs in customers' logistics facilities, as well as staffing needs in other fields, such as events and removals. The company also provides a general labor dispatch service.
Solar power generation	SBS Logicom Co., Ltd. maximizes benefits received from existing assets, while at the same time, working to reduce greenhouse emissions and expand use of renewable energy sources. As a way to move closer to a low-carbon society, it has implemented solar power generation as a key initiative.
Marketing	Marketing partners provide end-to-end services, including e-commerce website creation, contracted management, and fulfillment services.
Environment	SBS Support Logi Co., Ltd. provides intermediary clean-up and collection services for industrial waste, as well as recycling resources.
Leasing/insurance	SBS Finance Co., Ltd. runs an insurance agency business, a leasing business (mainly truck rentals), and a tire and fuel sales business. Large group purchases mean the company has a cheap, stable supply of fuel and tires.

Source: Shared Research based on company data

Solar panels on the roof of the Noda Yoshiharu Logistics Center

Shibayama solar power plant

Source: Company photos

Main group companies

SBS uses a holding company structure. As of December 2020, the group consisted of the parent company and 28 consolidated subsidiaries, and one affiliate. The main consolidated subsidiaries are SBS Toshiba Logistics, SBS Logicom, SBS Flec, SBS Zentsu, and SBS Sokuhai Support Co., Ltd.

SBS Toshiba Logistics (66.6% shareholding)

In November 2020, SBS Holdings acquired 66.6% of the common shares of Toshiba Logistics Corporation (now SBS Toshiba Logistics) and made it a consolidated subsidiary. In addition to its 3PL business, providing customer companies with comprehensive logistics services and optimal logistics management and operations, SBS Toshiba Logistics provides 4PL services involving the planning and execution of logistics strategies for customers seeking outsourcing solutions. It provides a wide range of companies including members of the Toshiba Group with comprehensive logistics solutions not limited to warehouse operation and cargo handling and transport.

Toshiba Logistics Corporation reported unconsolidated sales of JPY89.4bn and operating profit of JPY1.7bn in FY03/19.

SBS Ricoh Logistics System Co., Ltd. (66.6% shareholding)

In August 2018, the company acquired 66.6% of common stock in Ricoh Logistics System (now SBS Ricoh Logistics System), making it a consolidated subsidiary. SBS Ricoh Logistics is a logistics subsidiary of Ricoh that operates a 3PL business in Japan and overseas and manages overall logistics operations of the Ricoh Group. It also provides logistics services to other customers, such as Otsuka Corporation, which has outsourced logistics operations of its e-commerce site, Tanomail, to Ricoh Logistics System. Approximately 57% of sales are derived from Ricoh group companies and 43% are derived from Otsuka Corporation and other general customer companies. The company has 105 bases in Japan and five bases overseas, delivers Ricoh products and accessories to all over Japan, and also engages in freight forwarding overseas.

For FY03/20, SBS Ricoh Logistics reported sales of JPY66.8bn (-1.7% YoY), recurring profit of JPY860mn (-19.3% YoY), and net income of JPY559mn (-22.5% YoY).

SBS Logicom Co., Ltd.

Established as a subsidiary of Sotetsu Holdings, Inc. in January 1940 and started operations. It became an SBS subsidiary in May 2006. SBS Logicom handles 3PL, truck transport, logistics facility operation, warehouse service, and international logistics. Subsidiaries include SBS Freight Service Co., Ltd., Nippon Record Center Company Limited, and SBS Global Network Co., Ltd.

SBS Logicom performance

(JPYmn)	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Sales	52,141	56,531	57,216	55,813	62,377	65,679
YoY	17.7%	8.4%	1.2%	-2.5%	11.8%	5.3%
Recurring profit	3,916	4,955	3,687	2,761	3,301	2,773
YoY	84.8%	26.5%	-25.6%	-25.1%	19.6%	-16.0%
Recurring profit margin	7.5%	8.8%	6.4%	4.9%	5.3%	4.2%
Net income	4,515	2,067	3,043	1,711	2,746	2,205
YoY	106.0%	-54.2%	47.2%	-43.8%	60.5%	-19.7%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

SBS Flec Co., Ltd. (66.6% shareholding)

Established as a subsidiary of Snow Brand Milk Products Co., Ltd. (now, Megmilk Snow Brand Co., Ltd. [TSE1: 2270]) in January 1956, it became an SBS subsidiary in June 2004. SBS Flec specializes in food distribution, which is divided into frozen food, chilled food, and room-temperature food. It has a nationwide sales network with 70 bases from Hokkaido to Kyushu. It can deliver large-lot simultaneous shipments of dairy products anywhere in Japan, but it is also capable of handling frequent small-lot deliveries through its delivery network, which is capable of all three temperature levels. In the frozen and chilled foods distribution, SBS Flec consistently ranks within the top five players. Its main customers are Megmilk Snow Brand Co., Ltd., Lotte Corporation, and Ezaki Glico Co., Ltd. (TSE1: 2206).

SBS Flec performance

(JPYmn)	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Sales	40,269	41,542	42,525	45,786	48,760	49,817
YoY	-0.4%	3.2%	2.4%	7.7%	6.5%	2.2%
Recurring profit	660	741	678	789	1,061	1,048
YoY	242.0%	12.3%	-8.5%	16.4%	34.5%	-1.2%
Recurring profit margin	1.6%	1.8%	1.6%	1.7%	2.2%	2.1%
Net income	426	535	450	560	728	723
YoY	273.7%	25.6%	-15.9%	24.4%	30.0%	-0.7%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

SBS Sokuhai Support Co., Ltd.

In 2015, SBS Support Logi Co., Ltd., which operated a waste disposal business, and SBS Sokuhai Co., Ltd., which operated a delivery business, merged to create the current SBS Sokuhai Support Co., Ltd. Through its delivery business, SBS Sokuhai Support provides same-day B2B delivery services in Tokyo, Kanagawa, Chiba, and Saitama. Additionally, it conducts transactions with major e-commerce companies, contracting B2C home-delivery services. In FY12/20, sales were JPY33.1mn (+10.8% YoY), recurring profit was JPY918mn (+25.2% YoY), and net income was JPY591mn (+34.0% YoY).

SBS Sokuhai Co., Ltd. (formerly Kanto Sokuhai Co., Ltd.) was founded in 1987 by its current president, Masahiko Kamata. The current group was formed through a sequence of events that included the 2004 conversion to a holding company structure (for more information, see the "History" section below).

SBS Zentsu Co., Ltd.

Established in 1982, it became an SBS subsidiary in 2006. SBS Zentsu has strength in delivering goods to the Japanese Consumers' Co-operative Union (Co-op). Serving as the main artery connecting the co-op logistics centers with delivery depots, it also delivers fresh meat and produce to co-op member homes. SBS Zentsu is unique, as it has acquired certification for a subsection of organic produce, allowing it to process and distribute organic fruits and vegetables.

SBS Zentsu performance

(JPYmn)	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17
Sales	14,436	15,211	16,116	16,460	17,537
YoY	0.9%	5.4%	5.9%	2.1%	6.5%
Recurring profit	497	400	614	632	376
YoY	-16.8%	-19.5%	53.5%	2.9%	-40.5%
RPM	3.4%	2.6%	3.8%	3.8%	2.1%
Net income	307	256	382	389	264
YoY	-11.0%	-16.6%	49.2%	1.8%	-32.1%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

The following table shows the group companies other than the six key companies. SBS Holdings' stake is in parentheses.

Other group companies (excluding the six main companies)

Domestic	Details
SBS Freight Service Co., Ltd. (100%)	Logistics over a wide area (from Tohoku to Kansai), shipping containers, logistics center management
Nippon Record Center Co., Ltd. (100%) (Note2)	Small, frequent deliveries of goods, for example, mail order products, and audio/visual media
SBS Global Network Co., Ltd. (100%)	Export/import work and international logistics, such as customs clearance and onward forwarding
SBS GF Co., Ltd. (51%)	Storage, logistical processing, and transportation and delivery, predominantly for apparel products
SBS Staff Co., Ltd. (100%)	Worker dispatch services to logistics centers and the like, paid recruitment agency
SBS Finance Co., Ltd. (100%)	Vehicle leasing, sales of fuel and tires, insurance sales
SBS Asset Management, Co., Ltd. (100%)	Facility rental, asset management and development of logistics facilities
Marketing Partner Co., Ltd. (100%)	Direct marketing planning, design, and operation; online shopping
Overseas	**Details**
Toshiba Logistics Hong Kong Co., Ltd.	Logistics company for Hong Kong
Toshiba Logistics (Shanghai) Co., Ltd.	Logistics company for Shanghai
Toshiba Logistics (Hangzhou) Co., Ltd.	Logistics company for Hangzhou
Toshiba Logistics (Dalian) Co., Ltd.	Logistics company for Dalian
Toshiba Logistics (Thailand) Co., Ltd.	Logistics company for Thailand
Toshiba Logistics Vietnam Co., Ltd.	Logistics company for Vietnam
Toshiba Logistics America Inc.	Logistics company for North America
Toshiba Logistics Europe GmbH	Logistics company for Europe
Ricoh Logistics Corporation [USA]	Logistics solutions in North America
Ricoh International Logistics (HK) Ltd.	Logistics solutions centered on forwarding in Hong Kong
Ricoh International Freight Forwarding (Shenzhen) Ltd.	Logistics solutions in China
SBS Logistics Singapore Pte. Ltd. (100%)	Headquarters for the Asia region; logistics company for Singapore
Shanghai Acrylic Resin Processing Corporation (100%)	Local production of store fixtures and acrylic fixtures for SBS Sokuhai Support
SBS Total Logistics Malaysia Sdn Bhd (100%)	Logistics company for Malaysia
SBS Logistics Philippines, Inc.	Logistics company for the Philippines
SBS Logistics (Thailand) Co., Ltd. (49%)	Logistics company for Thailand
TAS Logistics Co., Ltd. (49%)	Logistics facility management and development in Thailand
SBS Vietnam Co., Ltd. (99%)	Forwarding business in Vietnam

Source: Shared Research based on company data
Note 1: Overseas companies other than SBS Logistics Holdings Singapore, Atlas, and SBS Transpole are not consolidated.
Note 2: On July 1, 2019, SBS Logicom Co., Ltd. acquired Nippon Record Center Co., Ltd. in an absorption-type merger.

Profitability snapshot, financial ratios

Profit margins (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Gross profit	11,254	12,566	13,459	14,276	17,555	16,977	16,013	21,351	26,028	26,802
Gross profit margin	9.3%	9.8%	10.2%	10.1%	11.1%	11.4%	10.5%	10.5%	10.2%	10.4%
Operating profit	2,153	2,877	4,116	4,098	5,347	7,514	6,229	8,240	10,176	10,960
Operating profit margin	1.8%	2.2%	3.1%	2.9%	3.4%	5.0%	4.1%	4.0%	4.0%	4.3%
EBITDA	6,040	6,570	7,992	7,855	14,340	11,805	10,823	13,939	17,510	18,301
EBITDA margin	5.0%	5.1%	6.0%	5.5%	9.1%	7.9%	7.1%	6.8%	6.9%	7.1%
Financial ratios										
ROA (RP-based)	1.7%	2.7%	3.6%	3.0%	4.5%	6.3%	5.2%	5.1%	5.8%	5.0%
ROE	10.7%	6.3%	5.6%	9.0%	-12.7%	16.9%	12.9%	11.6%	14.3%	14.2%
Total asset turnover	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.4	1.5	1.2
Inventory turnover	14.2	15.0	15.6	12.4	10.0	9.6	11.6	18.7	31.5	23.5
Days in inventory	25.8	24.3	23.4	29.5	36.6	38.1	31.5	19.5	11.6	15.5
Working capital	16,376	15,082	16,035	26,247	26,911	22,628	22,694	26,473	24,707	37,597
Current ratio	89.4%	94.7%	90.2%	97.9%	97.4%	111.8%	111.9%	107.5%	102.4%	94.1%
Quick ratio	57.1%	60.9%	60.2%	70.1%	61.3%	59.0%	70.9%	77.1%	79.1%	80.7%
OCF / Current liabilities	0.09	0.17	0.15	0.13	0.14	0.26	0.28	0.25	0.28	0.20
Net debt / Equity	168.6%	148.7%	144.3%	153.3%	178.4%	140.7%	119.9%	123.4%	105.4%	107.5%
OCF / Total liabilities	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Cash conversion cycle (days)	48.8	44.7	43.1	56.6	86.7	86.2	76.4	65.6	57.9	78.2
Change in working capital	440	-1,294	953	10,212	664	-4,283	66	3,779	-1,766	12,890

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

SBS's GPM is around 10%, in line with the industry average. CoGS primarily comprises personnel, vehicle hire, outsourcing, repair, and fuel costs. Labor costs tend to be a large proportion of CoGS, reflecting the industry's labor-intensive nature.

	SBS HD		Hitachi Transport System		Senko		Hamakyorex	
(JPYmn)	FY12/20	% of sales	FY03/20	% of sales	FY03/20	% of sales	FY03/20	% of sales
Sales	257,192		672,286		570,030		122,471	
Cost of sales	230,389	89.6%	588,078	87.5%	503,687	88.4%	108,812	88.8%
Gross profit	26,802	10.4%	84,208	12.5%	66,342	11.6%	13,658	11.2%
SG&A expenses	15,841	6.2%	50,725	7.5%	45,686	8.0%	3,468	2.8%
Operating profit	10,960	4.3%	34,356	5.1%	20,656	3.6%	10,190	8.3%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Personnel expenses are the lion's share of SG&A expenses as well, accounting for JPY9.8bn of the JPY15.9bn in SG&A expenses reported for FY12/19. SBS's personnel expense ratio is a touch higher than other comparable companies with 3PL businesses.

Outsourcing

SBS outsources deliveries between logistics centers and consumers' homes. It uses these services for catalog mail order deliveries including health foods, beauty products, and stationery and other office supplies, as well as those from physical stores with an internet presence such as Francfranc and Shimachu. SBS outsources deliveries to Sagawa Express and Yamato. SBS had about 3,000 partner companies dispersed nationwide.

Fuel costs

SBS acquires fuel jointly with subsidiary SBS Finance, purchasing it at below-market rates. According to SBS, a JPY1/liter difference in the price of light diesel has a roughly JPY21mn impact on gross profit per year. It is difficult to levy fuel surcharges on customers, so SBS does not do so.

Strengths and weaknesses

Strengths

- **Ambitious management hungry for growth**: President Kamata makes all important decisions at his company. His strong leadership and appetite for growth, as shown by the company's use of property management investment schemes, set SBS apart from its competitors.
- **Track record in developing logistics facilities**: SBS has a significant track record of developing logistics facilities (as of FY12/20, the company had developed 23 facilities, of a total size of about 580,000sqm [175,000 tsubo], and a total investment of around JPY75.0bn). The company is able to develop competitively priced logistics facilities thanks to management's knowledge of the land market and the trust it has earned through its performance thus far. According to the company, many of its competitors lack the requisite knowledge of new financial schemes such as securitization, private funds, and REITs, and view logistics facilities as depreciating assets. This leaves with only the two traditional methods of developing new logistics centers—namely acquiring them as fixed assets or leasing them out.
- **Track record in M&A deals and PMI**: SBS had acquired 29 companies for a total of roughly JPY83.0bn as of February 2021. It grows the sales and profits of companies it has invested in without restructuring them. CEO Kamata's focus on assimilating and expanding target companies, thanks to the value he places on human resources, makes SBS one of the few logistics companies to make a success of its M&A activity. Also, under the company's approach, successful M&A deals give rise to further M&A deals, such as Tokyu Logistic after Snow Brand Logistics, and Nippon Record Center after Victor Logistics. Shared Research thinks that the company's growth is also supported by the fact that it has a team of employees with financial backgrounds, who are able to complete mergers and acquisitions, and carry out the due diligence required to develop and securitize logistics facilities—thereby removing any need to use external specialist companies.

Weaknesses

- **Difficult to lift profitability**: At the logistics business, profitability of SBS is negatively impacted by the fact that the food & beverage companies and co-op unions make up about 60% of its customer base. While these products are stable, they are also low priced. The result is that transport accounts for a large proportion of sales, and they are not highly profitable.
- **Financials need to be fortified**: The company recognizes its indebtedness as a major issue. At end FY12/20, net interest-bearing debt was JPY73.3bn (versus JPY57.0bn at end of FY12/19), and its net debt to equity ratio was around 1.5x (1.3x in FY12/19). Further, 53% of the company's interest-bearing debt is short-term debt (versus 37% in FY12/19).
- **Opportunities for growth limited by insufficient personnel**: One of the company's growth strategies is to combine the development of logistics facilities with the 3PL business. However, there is a possibility that a shortage of staff (drivers and logistics center employees) will be a bottleneck to growth. The 3PL segment also faces chronic staff shortages due to the high level of expertise and sales skills it requires, such as the ability to present ways of cutting costs and the ability to negotiate (customers make strong demands to cut costs). The company's expansion overseas will also depend upon whether or not it can train and secure the large number of employees with logistics experience and language abilities necessary for this business.

Market and value chain

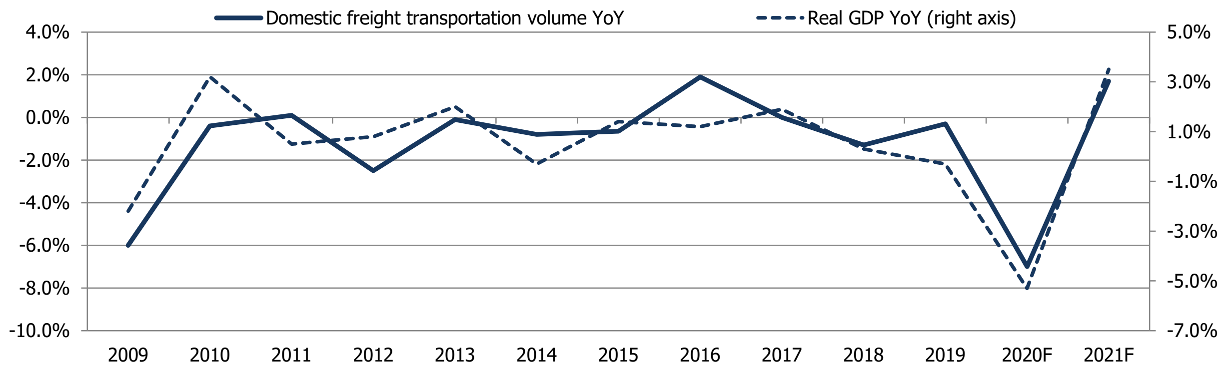
Market

Domestic freight volume

In its "Economic and Freight Transport Outlook for Fiscal 2020 and 2021," Nittsu Research Institute and Consulting (NRIC) projected freight volume decline in Fiscal 2020 of 7.0% YoY. By shipment item, for consumer-related freight, volume is estimated to have decreased 5.8%. Production-related freight is estimated to have declined by 9.4%. Construction-related freight is estimated to have declined by 5.4%.

NRIC is expecting total freight volume to rise by 1.7% YoY in Fiscal 2021. By freight category, NRIC is looking for a 3.3% YoY rebound in shipping volumes for consumer goods following the fall in Fiscal 2020. NRIC estimates shipping volumes for producer goods will rise 4.0% YoY, reflecting a bounceback in industrial production. NRIC forecasts shipping volumes for construction-related goods to decline 2.0% YoY. It expects an increase in new housing starts and higher public-sector investment, but has not factored in any major public works projects.

Relationship between domestic freight volume and GDP



	2009 Act.	2010 Act.	2011 Act.	2012 Act.	2013 Act.	2014 Act.	2015 Act.	2016 Act.	2017 Act.	2018 Act.	2019 Act.	2020 Forecast	2021 Forecast
Domestic freight transportation volume YoY	-6.0%	-0.4%	0.1%	-2.5%	-0.1%	-0.8%	-0.7%	1.9%	0.0%	-1.3%	-0.3%	-7.0%	1.7%
Real GDP YoY	-2.2%	3.2%	0.5%	0.8%	2.0%	-0.3%	1.4%	1.2%	1.9%	0.3%	-0.3%	-5.3%	3.5%

Source: Shared Research based on Nittsu Research Institute and Consulting, Inc. materials
Note: Freight transportation volume is on a MT basis.

Shipment volume forecast by item

(mn tons)	2014 Act.	2015 Act.	2016 Act.	2017 Act.	2018 Act.	2019 Act.	2020 Forecast	2021 Forecast
Total freight transportation volume	4,730	4,699	4,787	4,787	4,727	4,714	4,382	4,458
YoY	-	-0.7%	1.9%	0.0%	-1.3%	-0.3%	-7.0%	1.7%
Consumption-related cargo	1,264	1,314	1,424	1,367	1,397	1,337	1,260	1,301
YoY	-	3.9%	8.3%	-4.0%	2.2%	-4.3%	-5.8%	3.3%
Production-related cargo	1,572	1,590	1,579	1,635	1,650	1,737	1,573	1,636
YoY	-	1.1%	-0.7%	3.5%	0.9%	5.3%	-9.4%	4.0%
Construction-related cargo	1,849	1,750	1,739	1,740	1,638	1,597	1,510	1,479
YoY	-	-5.3%	-0.6%	0.0%	-5.9%	-2.5%	-5.4%	-2.0%

Source: Shared Research based on Nittsu Research Institute and Consulting, Inc. materials.
Note: Shipment volume by item are based on volumes transported by vehicles and domestic shipping vessels.

Ratio of logistics costs to sales

According to "The Logistics Cost Report" compiled by the Japan Institute of Logistics Systems, the ratio of corporate logistics costs to sales seems to have peaked in fiscal 1996 at 6.58% and has been falling since then, reaching a historical low of 4.63% in fiscal 2015. During this period, the ratio breached 5% in 2006, reaching 5.01% due to a jump in fuel prices, but from 2007 onwards it has been in the upper 4% range. The Institute reckons that such costs are in a long-term downtrend. Behind this trend is the fall in freight rates and expansion of overseas production; there is also an element of cutting procurement logistics costs and boosting distribution efficiency to cut waste. The importance of 3PL is rising as shippers' needs become increasingly diverse and the trend toward outsourcing logistics functions intensifies.

Logistics costs to sales ratio

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Japan	6.58%	6.45%	5.84%	6.13%	5.87%	5.45%	5.26%	5.01%	5.01%	4.83%	5.01%
US	8.01%	9.02%	8.95%	7.34%	9.44%	9.17%	7.65%	7.52%	8.37%	7.51%	8.79%
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Japan	4.84%	4.87%	4.77%	4.79%	4.90%	4.72%	4.77%	4.70%	4.63%	4.97%	4.66%
US	9.74%	9.28%	8.48%	8.28%	7.77%	7.87%	8.41%	9.34%	-	-	-
	2018	2019									
Japan	4.95%	4.91%									
US	-	-									

Source: Japan Institute of Logistics Systems

Japanese 3PL market

According to the monthly magazine, LOGI-BIZ, the domestic 3PL market amounted to over JPY1tn in 2005 and JPY1.3tn by 2007. However, the market shrunk in both 2008 and 2009, due to the global economic recession following the 2008 financial crisis. In 2010, it recovered to above pre-crisis levels, reaching JPY1.5tn, and has been trending toward expansion since.

The 3PL market in Japan

(JPYbn)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
3PL market: Japan	1,272	1,461	1,784	1,883	2,039	2,249	2,481	2,593	2,846	3,026	3,158
YoY	-0.3%	14.9%	22.1%	5.6%	8.5%	3.0%	10.3%	4.5%	9.8%	6.3%	4.4%

Source: Shared Research based on Logi-Biz materials

According to Armstrong Associates, in 2018, the US 3PL market was worth USD213.5bn (+15.8% YoY). The value of the market fell YoY in 2009, following the 2008 financial crisis, but has continued to trend toward expansion since. The US 3PL market is worth about eight times that of Japan's. The 3PL market was established in the US in the 1990s against the backdrop of shipping companies returning to and focusing back on their original business.

The 3PL market in the US

(USDbn)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
3PL market: US	127.0	107.1	127.3	133.8	141.8	146.4	157.2	161.2	166.8	184.3	213.5
YoY	6.7%	-15.7%	18.9%	5.1%	6.0%	3.2%	7.4%	2.5%	3.5%	10.5%	15.8%

Source: Shared Research based on Armstrong Associates

Logistics facilities market

Characteristics of logistics facilities for rental, compared to offices and residences

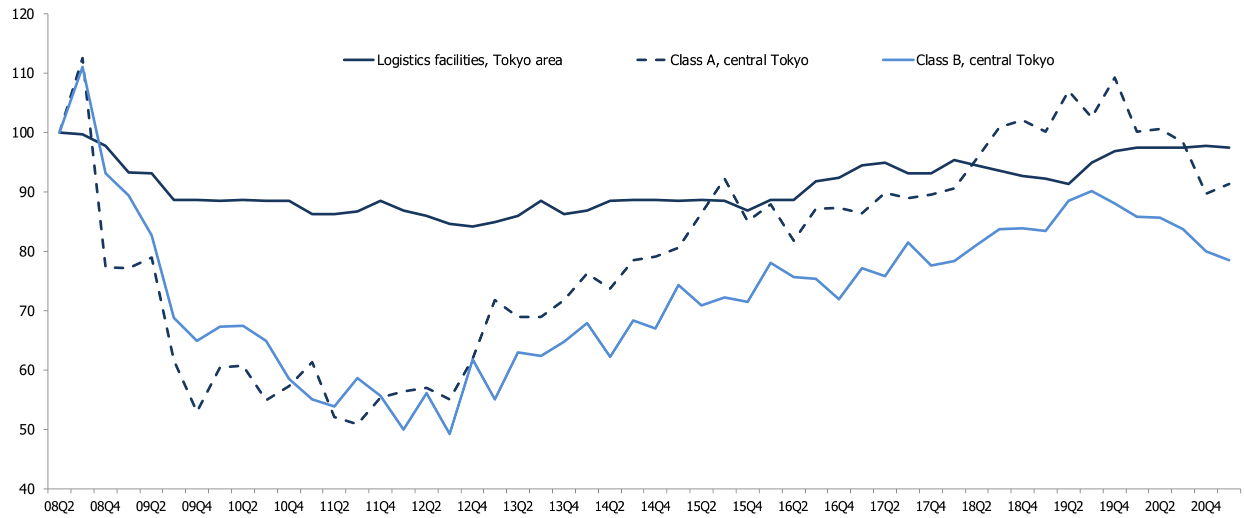
- ▷ Small rental variations
- ▷ Large fluctuations in vacancy rates
- ▷ High cap rates
- ▷ Expected increase in demand for modern logistics facilities
- ▷ Creation of new land for development (other than redevelopment)

Rents

The figure below shows asking rents for medium-sized and large rental logistics facilities in Greater Tokyo and office building rents in central Tokyo (based to 100 in Q2 FY2008). Asking rents for office buildings were basically cut in half following the global financial crisis, and from late 2012 began recovering and reached around 90% of the pre-financial crisis levels by Q2 FY2015. In Q3 2018, rents for Class A office building in central Tokyo started running above the levels seen prior to the 2008 financial crisis. However, office rents have been in a downtrend since Q3 2020 due to the impact of COVID-19. In contrast, rents for logistics facilities fell to just under 90% directly after the financial crisis, and have been flat thereafter (see graph below).

Logistics rents fluctuate less than those for offices because tenants tend to move less frequently from logistics facilities, deterred by the cost. When tenants move into logistics facilities, they install packaging, conveying, and other machinery, and may need to write off this equipment when moving out. If they employ part-time workers in packaging and processing, they must reemploy and retrain new workers.

Trends in logistics facility and office rents



	08Q2	08Q3	08Q4	09Q1	09Q2	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3
Logistics facilities, Tokyo area	100	100	98	93	93	89	89	88	89	88	88	86	86	87	88	87	86	85	84	85	86	88
Class A, central Tokyo	100	113	77	77	79	62	53	60	61	55	57	61	52	51	55	56	57	55	62	72	69	69
Class B, central Tokyo	100	111	93	89	83	69	65	67	67	65	59	55	54	59	56	50	56	49	62	55	63	62

	13Q4	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1
Logistics facilities, Tokyo area	86	87	88	89	89	88	89	88	87	89	89	92	92	94	95	93	93	95	94	94	93	92
Class A, central Tokyo	72	76	74	78	79	81	86	92	85	88	82	87	87	86	90	89	90	91	96	101	102	100
Class B, central Tokyo	65	68	62	68	67	74	71	72	71	78	76	75	72	77	76	81	78	78	81	84	84	83

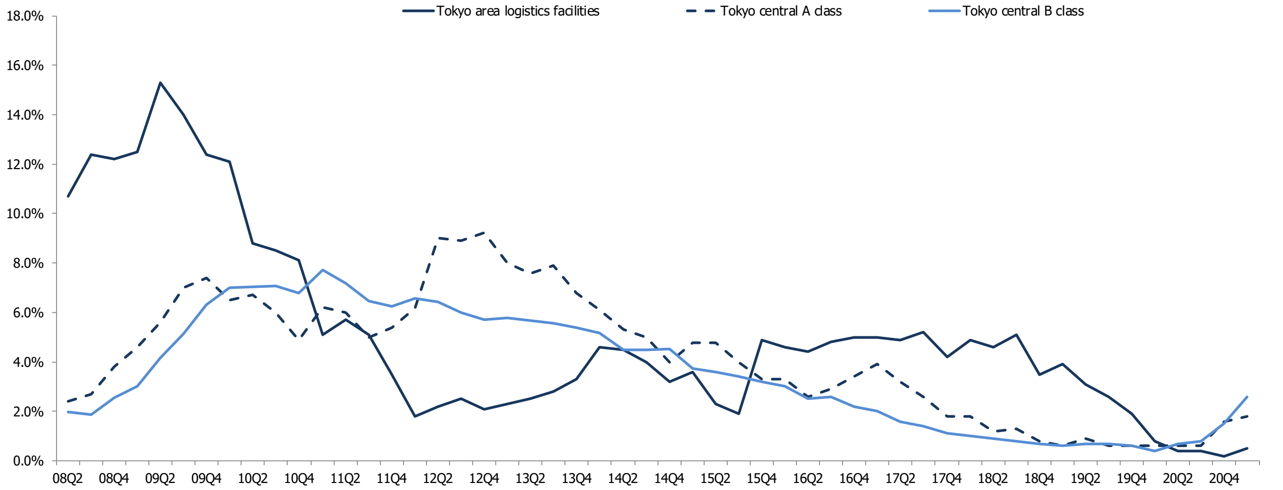
	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1
Logistics facilities, Tokyo area	91	95	97	98	98	98	98	98
Class A, central Tokyo	107	103	109	100	101	98	90	91
Class B, central Tokyo	88	90	88	86	86	84	80	78

Source: Shared Research based on materials by Ichigo Real Estate Service and Sanko Estate
Note: Indexed to 100 as of Q2 2008
Class A building: Total floor space of roughly 33,000sqm (10,000 tsubo) or larger, and standard floor area of about 992sqm (300 tsubo) or larger with maximum age of 15 years
Class B building: Buildings with standard floor area of about 661sqm (200 tsubo) or larger that do not meet Class A criteria including due to age.

Vacancy rates

Due to more supply of modern logistics facilities and a recession following the global financial crisis, in 2008–2011 logistics facility vacancy rates were more than 10%, higher than for office buildings. Yet logistics vacancy rates have been below those for office buildings between Q1 2011 and Q3 2015 due to a lack of modern logistics facility supply and growth in e-commerce and 3PL. Vacancy rates rose in Q4 2015 due to increased supply of new logistics facilities, and had been running around 5% up until Q4 2019, when vacancy rates started trending downward again. As the statistical sample is limited, vacancy rates for logistics facilities tend to rise temporarily by the addition of new facilities.

Vacancy rates: logistics facilities and office buildings



	08Q2	08Q3	08Q4	09Q1	09Q2	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3
Logistics facilities, Tokyo area	10.7%	12.4%	12.2%	12.6%	15.3%	14.1%	12.4%	12.1%	8.9%	8.5%	8.1%	5.1%	5.7%	5.1%	3.5%	1.9%	2.2%	2.5%	2.1%	2.3%	2.5%	2.8%
Class A, central Tokyo	2.4%	2.7%	3.8%	4.6%	5.6%	7.0%	7.4%	6.5%	6.7%	6.0%	4.9%	6.2%	6.0%	5.0%	5.4%	6.2%	9.0%	8.9%	9.2%	8.0%	7.6%	7.9%
Class B, central Tokyo	2.0%	1.9%	2.6%	3.0%	4.2%	5.2%	6.3%	7.0%	7.0%	7.1%	6.8%	7.7%	7.2%	6.5%	6.2%	6.6%	6.4%	6.0%	5.7%	5.8%	5.7%	5.6%

	13Q4	14Q1	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3	16Q4	17Q1	17Q2	17Q3	17Q4	18Q1	18Q2	18Q3	18Q4	19Q1
Logistics facilities, Tokyo area	3.3%	4.6%	4.5%	4.0%	3.2%	3.6%	2.3%	1.9%	4.9%	4.6%	4.4%	4.8%	5.0%	5.0%	4.9%	5.2%	4.2%	4.9%	4.9%	5.3%	3.3%	3.9%
Class A, central Tokyo	6.8%	6.1%	5.3%	5.0%	4.0%	4.8%	4.8%	4.0%	3.3%	3.3%	2.6%	2.9%	3.4%	3.9%	3.2%	2.6%	1.8%	1.8%	1.2%	1.3%	0.8%	0.6%
Class B, central Tokyo	5.4%	5.2%	4.5%	4.5%	4.5%	3.7%	3.6%	3.4%	3.2%	3.0%	2.5%	2.6%	2.2%	2.0%	1.6%	1.4%	1.1%	1.0%	0.9%	0.8%	0.7%	0.6%

	19Q2	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1
Logistics facilities, Tokyo area	3.1%	2.6%	1.9%	0.8%	0.4%	0.4%	0.2%	0.5%
Class A, central Tokyo	0.9%	0.6%	0.6%	0.6%	0.6%	0.6%	1.6%	1.8%
Class B, central Tokyo	0.7%	0.7%	0.6%	0.4%	0.7%	0.8%	1.5%	2.6%

Source: Shared Research based on materials by Ichigo Real Estate Service and Sanko Estate
Class A building: Total floor space of roughly 33,000sqm (10,000 tsubo) or larger, and standard floor area of 992sqm (300 tsubo) or larger with maximum age of 15 years
Class B building: Buildings with standard floor area of about 661sqm (200 tsubo) or larger that do not meet Class A criteria including due to age.

Demand for logistics facilities

Modern logistics facilities emerge in 2003 and expand through 2008

Per CBRE, modern logistics facilities started to spread in 2003 when a project developed by Prologis in Narita City, Chiba, was completed. Rental facilities that could be divided into multiple areas like office buildings began to grow in popularity. Subsequently there was an initial expansion phase driven by more projects spearheaded by specialist overseas-based logistics real estate developers.

> Modern logistics facilities. Facilities which have floor space of at least 9,900sqm (3,000 tsubo), ceilings 5.5sqm or higher and floor loading of 1.5t/sqm. In order to provide efficient logistics, these facilities have high ceilings (improved storage efficiency), large warehouse spaces (improved workflow efficiency), ramps that enable trucks to drive directly onto each floor, and truck waiting areas (improved transport efficiency). Can rent space to tenants on a whole floor or section basis.

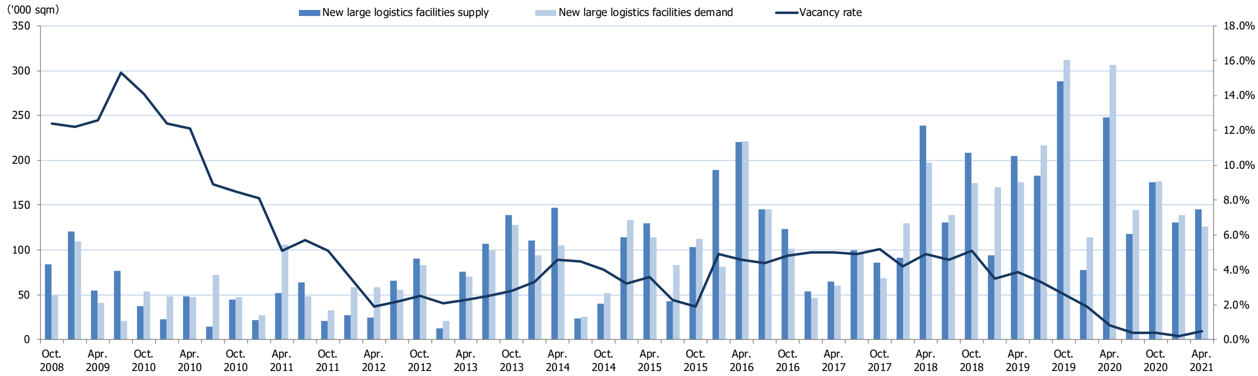
In the wake of the global financial crisis, according to Ichigo Real Estate Services, vacancy rates for large facilities (floor area of 10,000sqm or above) in metro Tokyo (Tokyo, Kanagawa, Chiba, Saitama, Ibaraki prefectures) spiked to nearly 15.5% in July 2009. According to CBRE, this was partly because of delays in absorption of supply from newly completed buildings. Vacancy rates remained low for existing facilities completed for a year or more.

New growth phase for modern logistics facilities from 2012

The development of modern logistics facilities was constrained after the global financial crisis, before expanding from 2012. According to Ichigo Real Estate, since 2013 the supply of new large logistics facilities in metro Tokyo continued to show double-digit growth versus existing rentable space, with rentable space increasing from 7.4mn sqm in January 2013 to 21.3mn sqm in January 2021.

Modern logistics facilities supply and demand increased due to frequent small deliveries from growth in e-commerce and the growth in third-party logistics (3PL).

Supply/demand balance and vacancy rate



('000 sqm)	Jan. 2009	Apr. 2009	Jul. 2009	Oct. 2010	Jan. 2010	Apr. 2010	Jul. 2010	Oct. 2010	Jan. 2011	Apr. 2011	Jul. 2011	Oct. 2011	Jan. 2012	Apr. 2012	Jul. 2012	Oct. 2012	Jan. 2013	Apr. 2013
New large logistics facilities supply	384	180	254	125	74	159	47	148	71	172	210	69	88	82	216	299	43	250
New large logistics facilities demand	349	137	69	177	160	156	239	157	90	350	159	108	192	192	184	275	70	231
Vacancy rate	12.2%	12.6%	15.3%	14.1%	12.4%	12.1%	8.9%	8.5%	8.1%	5.1%	5.7%	5.1%	3.5%	1.9%	2.2%	2.5%	2.1%	2.3%

('000 sqm)	Jul. 2013	Oct. 2013	Jan. 2014	Apr. 2014	Jul. 2014	Oct. 2014	Jan. 2015	Apr. 2015	Jul. 2015	Oct. 2015	Jan. 2016	Apr. 2016	Jul. 2016	Oct. 2016	Jan. 2017	Apr. 2017	Jul. 2017	Oct. 2017
New large logistics facilities supply	353	461	367	492	77	132	379	431	141	342	626	729	482	409	178	214	330	256
New large logistics facilities demand	329	422	312	353	83	173	441	379	274	372	269	733	482	336	154	199	321	199
Vacancy rate	2.5%	2.8%	3.3%	4.6%	4.5%	4.0%	3.2%	3.6%	2.3%	1.9%	4.9%	4.6%	4.4%	4.8%	5.0%	5.0%	4.9%	5.2%

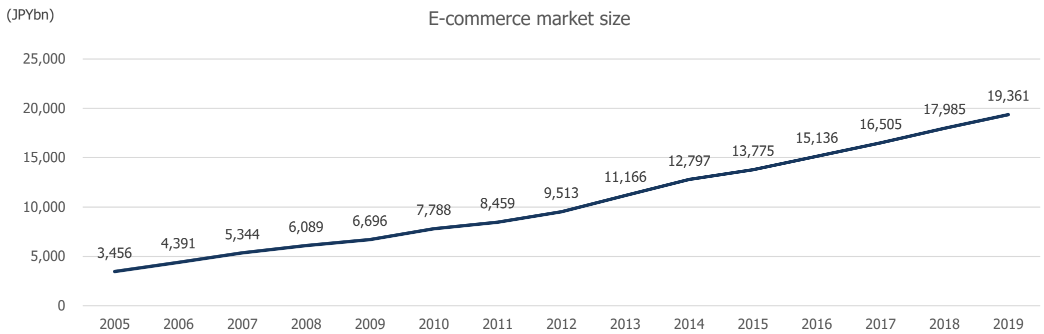
('000 sqm)	Jan. 2018	Apr. 2018	Jul. 2018	Oct. 2018	Jan. 2019	Apr. 2019	Jul. 2019	Oct. 2019	Jan. 2020	Apr. 2020	Jul. 2020	Oct. 2020	Jan. 2021
New large logistics facilities supply	302	788	438	682	311	677	605	952	247	818	391	581	432
New large logistics facilities demand	431	652	415	590	562	580	717	1,032	360	1,013	489	584	460
Vacancy rate	4.2%	4.9%	4.9%	5.3%	3.3%	3.9%	3.3%	2.6%	1.9%	0.9%	0.4%	0.4%	0.2%

Source: Shared Research based on Ichigo Real Estate Services data

Growth in online transactions

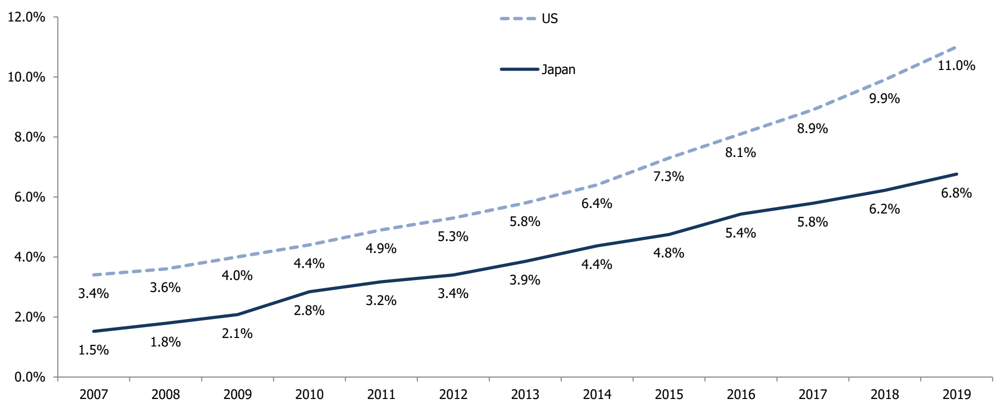
In 2019, the market for online transactions in Japan was worth JPY19.4tn, for a five-year CAGR of 8.6%. The weighting of online transactions in Japan was 6.8% in 2019 (+0.6pp YoY), lagging behind the US with 11.0% (+1.1pp YoY), so Shared Research thinks that there is room for growth in the medium term. Nomura Research Institute forecasts the domestic e-commerce market to grow to JPY29.4tn in 2026, roughly 1.5x the 2019 figure (January 2021 forecast).

Online transactions



Source: Shared Research based on METI, E-Commerce Market Survey

Share of online transactions



Source: Shared Research based on METI, E-Commerce Market Survey, US Department of Commerce, Retail E-Commerce Sales

Barriers to entry

According to the Japan Trucking Association (JTA)'s "Corporate Logistics and Trucking 2020" report, the size of the domestic logistics market was JPY24tn in 2016 (JPY26tn in 2015). Operating revenue of the trucking industry came to JPY14.5tn (JPY15.9tn in 2015), which accounted for about 60% of the domestic logistics market.

In 1990, the laws in Japan were relaxed, and the hurdles for entry into the trucking business were lowered sharply from a license-based to a permit-based system. From 40,072 operators in fiscal 1990, there were 63,122 at the peak in fiscal 2007 and 62,905 in fiscal 2012, 1.5x the original 1990 number. The total number has been hovering at about 63,000 since 2005, with 1.0-3.0% of operators entering or exiting the business on a yearly basis.

Two logistics laws: Laws that were passed in December 1989 and came into effect in December 1990. The Motor Truck Transportation Business Act and Consigned Freight Forwarding Business Act are commonly referred to as the "two logistics laws". This was a major reform after a 40-year interval since the Transport Business Act was passed in 1949 and the Road Transportation Act was passed in 1951. Under the Motor Truck Transportation Business Act, truck transport moved from a licensing to a permit system, and freight charges from an approval system to a prior-notification system.

Number of truck operators

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total number of operators	62,892	62,712	62,989	63,082	62,936	62,905	62,637	62,176	62,276	62,461
Entrants	1,860	1,418	1,611	1,269	1,272	1,097	951	1,167	1,046	1,121
% of total operators	3.0%	2.3%	2.6%	2.0%	2.0%	1.7%	1.5%	1.9%	1.7%	1.8%
Exiting operators	2,090	1,598	1,334	1,175	1,444	1,128	1,219	1,628	946	936
% of total operators	3.3%	2.5%	2.1%	1.9%	2.3%	1.8%	1.9%	2.6%	1.5%	1.5%

Source: Shared Research based on the Japan Trucking Association's "Corporate Logistics and Trucking 2020" report

Many participants in the trucking market are small companies. According to the JTA's "Management Analysis Survey 2017," the percentage of operators recording recurring profit is only 60% (61% in the 2015 survey).

Profit and loss in the general freight motor transport industry

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Recurring profit margin	-0.8%	0.7%	0.4%	0.1%	-1.1%	-1.2%	-0.2%	0.2%	0.9%	0.6%	0.9%

Source: Shared Research based on the Japan Trucking Association's "Management Analysis Survey 2013"

Truck driver trends

According to the Japan Trucking Association (JTA)'s "Corporate Logistics and Trucking 2020" report, as of 2019, the total number of workers in the trucking business was about 1,960,000 (1,930,000 in 2018), of whom 870,000 (860,000 in 2018) or 44%, were transport or machine operators (mostly truck drivers).

The motor transport industry, including the trucking business, is facing labor shortages. It is increasingly dependent on middle-aged and older male workers in a market environment that struggles to attract younger workers. In addition to the high average age, the number of workers under the age of 40 is decreasing. In the land transport industry, workers below age 40 composed about 27% of the overall driver population in 2019, which underscored an incremental decrease since 2004, when the ratio was about 40%.

Behind this trend of the rising average age of truck drivers is the low pay and long hours, tough working conditions with constant danger of accidents, and the driver-regulation system in Japan*. In 2019, the average annual salary for drivers of large-sized trucks was JPY4,560,000 (JPY4,570,000 in 2018), and JPY4,190,000 for drivers of medium-sized trucks (JPY4,170,000 in 2018), compared to an average annual salary for all industries was JPY5,010,000 (JPY4,970,000 in 2018).

*In June 2007 there were major changes in driving license regulations, with a new requirement for a license to drive medium-sized (from 5 to 11 ton) trucks. New conditions included being at least 20 years of age and having a license for at least two years. There was an added on-the-road test for large truck licenses, so acquiring one became more difficult.

As a result, operators are no longer allowed to let new high school graduates under the age of 20 drive medium-sized trucks, further exacerbating the driver shortages. It was against this backdrop that new driving license regulations were drafted for "semi medium-sized cars" (gross vehicle weight of less than 7.5 tons), These regulations, put into effect in March 2017, permit drivers of 18 and up without prior experience to drive semi medium-sized trucks. Trucking businesses are hopeful that this will help draw high school graduates.

Competition

SBS ranked 13th by sales (JPY255.5bn) in FY12/19 among companies whose main business is in the domestic land transportation/warehousing industry. SBS's ranking rises to 10th (based on FY12/21 forecast of JPY380.0bn) including the sales of Toshiba Logistics, which became a subsidiary in November 2020.

Recent financial results for major companies (including unlisted companies) in the land transportation/warehousing industry

Ranking	Company	Sales (JPYmn)	FY end
1	Japan Post (postal operations, domestic and international logistics)	2,760,267	March
2	Nippon Express	2,080,352	March
3	Yamato Holdings	1,630,146	March
4	SG Holdings	1,173,498	March
5	Hitachi Transport System	672,286	March
6	Seino Holdings	627,126	March
7	Senko Group Holdings	570,030	March
8	Sankyu	569,461	March
9	Kintetsu World Express	544,533	March
10	**SBS Holdings + Toshiba Logistics**	**344,920**	
10	Konoike Transport (FY03/19)	294,158	March
11	Fukuyama Transporting	292,999	March
12	Kamigumi	278,815	March
13	**SBS Holdings**	**255,548**	**December**
14	Mitsui-Soko Holdings	241,080	March
15	Mitsubishi Logistics	229,057	March
16	Nichirei Logistics Group (temperature-controlled logistics)	206,496	March
17	Nikkon Holdings	199,512	March
18	Nissin	197,387	March
19	Sumitomo Warehouse	191,721	March
20	Japan Freight Railway	191,693	March
21	K.R.S.	172,185	November
22	Trancom	163,463	March
23	Tonami Holdings	138,167	March
24	Maruzen Showa Unyu	122,801	March
25	Hamakyorex	122,471	March
26	Meitetsu Unyu	117,053	March
27	Chilled & Frozen Logistics Holdings	110,676	March
28	Japan Transcity	101,620	March
29	Sakai Moving Service	100,859	March
30	Alps Logistics	100,741	March
	…		
	Toshiba Logistics	**89,372**	**March**

Source: Shared Research based on documents disclosed by each company

According to LOGI-BIZ, the 3PL market, SBS's strategic focus, was worth JPY3.2tn (+4.3% YoY; 46 major companies) in fiscal 2019. SBS was 10th with a 4.0% share (12th in fiscal 2018). Including 3PL sales from Toshiba Logistics, which became a subsidiary in November 2020, puts the company in fifth place.

Sales and share of 3PL market

(JPYmn)	FY2015	FY2016	FY2017	FY2018	FY2019	Share
Hitachi Transport System	465,800	462,700	475,300	449,400	455,600	14.4%
Senko Group Holdings	241,300	258,040	287,390	305,520	330,360	10.5%
Nippon Express	165,000	165,000	170,000	185,000	180,000	5.7%
Nippon Access	127,201	146,779	173,686	172,006	171,945	5.4%
Yusen Logistics	197,322	175,656	200,000	200,000	171,000	5.4%
Kintetsu World Express	101,380	151,680	168,060	176,100	163,508	5.2%
Yamato Holdings	106,822	108,643	121,939	147,437	143,934	4.6%
K.R.S.	124,607	123,499	132,382	141,175	143,017	4.5%
SG Holdings	114,000	110,400	140,400	131,557	135,823	4.3%
SBS Holdings	**51,253**	**54,700**	**58,800**	**88,900**	**126,205**	**4.0%**
Chilled & Frozen Logistics Holdings	20,000	16,385	102,420	105,735	108,826	3.4%
Sankyu	76,500	83,830	89,668	92,130	97,517	3.1%
Nichirei Logistics Group	72,300	76,810	80,500	84,500	88,100	2.8%
Hamakyorex	46,979	50,434	52,326	61,450	68,595	2.2%
Nittsu NP Logistics	-	-	-	-	68,026	2.2%

Source: Shared Research based on Monthly Logi-Biz

Historical performance

Full-year FY12/20 results

- Sales: JPY257.2bn (+0.6% YoY)
- Operating profit: JPY11.0bn (+7.7% YoY)
- Recurring profit: JPY10.9bn (+7.0% YoY)
- Net income*: JPY6.8bn (+12.3% YoY)

*Net income attributable to owners of the parent

Sales and profit both rose YoY in FY12/20. While sales were flat and operating profit was down YoY in the Logistics segment, overall earnings benefited from sales and profit growth in the Property Management segment.

Quarterly trends were as follows. In Q1, the Logistics segment posted sales and profit growth and the Property Management segment made gains on the sale of a logistics center. These became major factors in sales and profit growth in full-year FY12/20. Sales and profit declined YoY in Q2, but were largely in line with year-earlier levels in Q3 and Q4.

- Q1 sales were JPY68.8bn (+6.5% YoY) and operating profit was JPY5.1bn (+32.4% YoY). The Logistics business grew sales and profit primarily due to ongoing growth in revenues from the third-party logistics (3PL) business. In the Property Management business, sales and profit grew YoY as the company sold a logistics center.
- Q2 sales were JPY60.3bn (-3.2% YoY) and operating profit was JPY1.2bn (-31.9% YoY). In April 2020, the Japanese government declared a state of emergency to prevent the spread of COVID-19, and B2B logistics stagnated, leading to a YoY decline in sales and profit, primarily in the mainstay Logistics business.
- Q3 sales were JPY62.5bn (-2.1% YoY) and operating profit was JPY2.3bn (+2.9% YoY), and Q4 sales were JPY65.6bn (+1.2% YoY) and operating profit was JPY2.4bn (+1.0% YoY). The mainstay Logistics segment's earnings were flat YoY, with freight volume beginning to recover after the emergency declaration was lifted in May 2020, and rate adjustments also contributing.

Earnings versus full-year company forecast

Results were largely in line with the full-year FY12/20 company forecast. Sales came in at 97.1% of forecast, operating profit 97.9%, recurring profit 98.9%, and net income 105.0%.

Operating environment

The COVID-19 pandemic has led to restraints on global economic activity and an ongoing reduction in the cross-border movement of goods, and the logistics industry faced a difficult market environment characterized by declining demand for B2B logistics. At the same time, with stay-at-home consumption stemming from instructions for people to avoid excursions, online shopping and demand for food and daily necessities distribution continued to expand. The company worked to capitalize on that demand while taking steps to prevent infection and maintain safety.

Furthermore, in November 2020, the company acquired a 66.6% stake in Toshiba Logistics Corporation (currently SBS Toshiba Logistics Corporation), making it a consolidated subsidiary. SBS Toshiba Logistics Corporation earnings will be added to the scope of consolidated reporting from FY12/21. By acquiring SBS Toshiba Logistics as a subsidiary, the company aims to augment its service lineup, strengthen its overseas network, and form a framework for supporting logistics supply chains.

Logistics

- Sales: JPY240.8bn (flat YoY)
- Operating profit: JPY6.0bn (-4.6% YoY)

In the Logistics segment, the company expanded business with existing clients while also working on winning over new customers looking for sophisticated logistical functions. The pandemic has substantially impacted B2B logistics (such as OA equipment, department stores, and restaurants) and overseas business. At the same time, though, the company successfully captured more of the ever-expanding e-commerce demand with its same-day delivery services. Expanding demand related to daily necessities distribution and online supermarkets also underpinned performance.

▷ By key subsidiary, sales rose YoY at SBS Logicom (3PL business), SBS Sokuhai Support (same-day delivery and e-commerce home delivery services), and SBS Zentsu (delivery and transport services for the Japanese Consumers' Co-operative Union). Sales were down YoY at SBS Ricoh Logistics. At SBS Logicom, freight volume for supermarkets and drugstores increased. At SBS Sokuhai Support, freight volume related to the last mile for e-commerce (home delivery and same-day delivery under contract) increased. Sales declined YoY at SBS Ricoh Logistics as demand for office supplies fell in Q2 as telework spread in the pandemic, before beginning to recover in Q3 after the government lifted its emergency declaration.

▷ The segment booked sales growth due to the operation of new bases and an increase in logistics demand from existing customers, despite the COVID-19 pandemic's net negative impact on sales.

- Positive impact of the pandemic: The pandemic boosted sales by about JPY4.4bn due to increased demand for food, logistics for drug stores, supermarkets, and home improvement centers, and home delivery for individuals.
- Positive impact of the operation of new bases: Bases established in FY12/19 and FY12/20 positively affected sales by roughly JPY2.3bn.
- Impact of increased logistics demand from existing customers: Contributed approximately JPY3.3bn to sales.
- Negative impact of the pandemic: Negative factors associated with COVID-19, such as stagnation in B2B logistics (depressed demand for office machines and office supplies) and disruption of overseas supply networks brought sales down by approximately JPY10.0bn.

▷ Operating profit was down YoY because the negative impact of the COVID-19 pandemic on profit outweighed its positive impact.

- Positive impact of the pandemic: Increased demand for food and home delivery for individuals had a positive impact of JPY1.4bn on profit.
- Other positive factors: Other sales growth contributed JPY158mn, price revisions JPY566mn, and lower fuel costs JPY391mn to profit.
- Negative impact of the pandemic: The stagnation of B2B logistics and decline in overseas sales due to the pandemic negatively affected profit by JPY2.0bn.
- Other negative factors: Launch costs for new 3PL logistics facilities had a negative impact of JPY355mn, M&A-related expenses for Toshiba Logistics had a JPY122mn impact, and increases in personnel expenses and vehicle hire expenses had a JPY399mn impact.

Segment results by quarter were as follows.

▷ Q1 sales were JPY59.3bn (+4.1% YoY) and operating profit was JPY1.4bn (+21.9% YoY). The impact of the COVID-19 outbreak began to emerge late in Q1. However in the Logistics segment, the company serves a range of industries, which helped lessen the impact, and it was able to increase sales YoY by winning new customers and expanding transactions with existing customers. The increase in sales also boosted operating profit YoY.

▷ Q2 sales were JPY58.2bn (-3.0% YoY) and operating profit was JPY761mn (-35.2% YoY). In April 2020, the government declared a state of emergency in a bid to prevent the spread of COVID-19. The declaration caused the B2B flows to stagnate, pushing both sales and profit down YoY.

▷ Q3 sales were JPY60.3bn (-1.8% YoY) and operating profit was JPY1.8bn (-1.2% YoY), and Q4 sales were JPY63.1bn (+1.1% YoY) and operating profit was JPY2.0bn (-4.9% YoY). 2H earnings were flat YoY, with freight volume beginning to recover after the emergency declaration was lifted in May 2020, and rate adjustments also contributing.

Property Management

- Sales: JPY9.3bn (+19.8% YoY)
- Operating profit: JPY4.6bn (+20.4% YoY)

For logistics real estate securitization, the company's 40% trust beneficiary rights in the Nagatsuta Logistics Center were transferred in Q1 FY12/20. Its effect exceeded the 30% share transfer of the same logistics center in FY12/19 and sales and profit grew YoY.

- In the leasing business, sales were JPY2.2bn (-10.1% YoY) and operating profit was JPY1.3bn (-8.5% YoY). The company transferred portions of its holdings in Nagatsuta Logistics Center (Yokohama, Kanagawa) in Q1 FY12/19 and Q1 FY12/20, causing a drop in leasing income and a YoY decline in operating profit.
- In the development business, sales were JPY7.2bn (+33.3% YoY) and operating profit was JPY3.3bn (+36.7% YoY). In terms of securitizing logistics properties, in Q1 FY12/20 the company transferred its 40% trust beneficiary rights in the Nagatsuta Logistics Center, following the transfer of a 30% share in Q1 FY12/19.

Other

- Sales: JPY7.0bn (+0.7% YoY)
- Operating profit: JPY254mn (+36.6% YoY)

While the personnel business continues to suffer, profit increased in the solar power generation and environmental businesses, and sales and profit both increased YoY.

- In the solar power generation business, sales were JPY434mn (+4.8% YoY) and operating profit was JPY175mn (+19.0% YoY). Power sales increased with the installation of a solar generating system at the Osaka Nanko Logistics Center.
- In the marketing business, sales were JPY1.7bn (+12.8% YoY) and operating profit was JPY132mn (+29.4% YoY). Consolidated subsidiary Marketing Partner Co., Ltd., achieved solid results, benefiting from rising sales of pet-related products on an increase in orders from people staying home due to the COVID-19 pandemic.
- In the personnel business, sales were JPY3.7bn (-9.0% YoY) and operating loss was JPY138mn (operating loss of JPY78mn in FY12/19). Utilization of dispatched labor was down due to the COVID-19 pandemic.

Topic 1: Toshiba Logistics Corporation becomes subsidiary

In November 2020, SBS Holdings acquired 66.6% of the common shares of Toshiba Logistics Corporation (now SBS Toshiba Logistics) from Toshiba Corporation for JPY20.0bn. With the acquisition, SBS Holdings made Toshiba Logistics a consolidated subsidiary.

In addition to its 3PL business, providing customer companies with comprehensive logistics services and optimal logistics management and operations, Toshiba Logistics conducts 4PL business involving the planning and promotion of logistics strategies for customers seeking outsourcing solutions. It provides a wide range of companies including members of the Toshiba Group with comprehensive logistics solutions not limited to warehouse operation and cargo handling and transport. With the acquisition of shares, SBS Holdings seeks to gain Toshiba Logistics' expertise in the 4PL business, expand its service lineup, and strengthen its overseas network. Even after the share acquisition, all of Toshiba Logistics' full-time executives have retained their positions to ensure continuity of management. SBS Holdings is also dispatching part-time executives to assist in integrating Toshiba Logistics into the SBS group and expanding synergies.

Topic 2: Toyo Warehouse & Transportation becomes subsidiary

In January 2021, the company acquired 100% of the ordinary shares of Toyo Warehouse & Transportation Co., Ltd., a group company of SMC Corporation, for JPY7.2bn, and made it a consolidated subsidiary. It plans to start consolidating results from Q2 FY12/21.

The company said the acquisition would help further its current investment plans focused on technologically advanced warehouse facilities in the Tokyo waterfront area. With more and more of Japan's population living in and around Tokyo, such locations have taken on added importance, and with e-commerce accounting for an increasing amount of freight/warehouse volumes, the SBS group will clearly need even more warehouse space with the latest mechanized and automated systems in the future. The company noted that Toyo Warehouse & Transportation has two large waterfront warehouses in the Tokyo area—one in Higashiogishima in Kawasaki (Kanagawa) and the other in Wakasu (Koto-ku, Tokyo)—and that both locations have warehouse development potential over the long term through collaborations with the company's existing warehouses in these areas.

The company said that as of February 2021, it had not determined the amount of goodwill associated with the purchase of shares in Toyo Warehouse & Transportation.

Cumulative Q3 FY12/20 results

- Sales: JPY191.6bn (+0.5% YoY)
- Operating profit: JPY8.6bn (+9.8% YoY)
- Recurring profit: JPY8.4bn (+8.5% YoY)
- Net income*: JPY5.4bn (+13.5% YoY)

*Net income attributable to owners of the parent

Sales and profit both rose YoY in cumulative Q3 FY12/20. The growth in sales caused increases in personnel and vehicle hire expenses, but improved cost efficiency and lower fuel prices positively impacted profit. The company booked greater earnings YoY in logistics real estate securitization, which also contributed to performance.

Results by quarter were as follows. Sales and profit rose YoY in Q1 (January–March 2020) on higher sales and profit in the Logistics segment and gain on the sale of a logistics center, which also contributed to YoY sales and profit growth in cumulative Q3. However, sales and profit declined YoY in Q2 (April–June 2020) and were essentially flat YoY in Q3 (July–September 2020).

- Q1 sales were JPY68.8bn (+6.5% YoY) and operating profit was JPY5.1bn (+32.4% YoY). The Logistics segment reported higher sales and profit YoY centered on the 3PL business. The Property Management segment also reported higher sales and profit YoY with the sale of a logistics center.
- Q2 sales were JPY60.3bn (-3.2% YoY) and operating profit was JPY1.2bn (-31.9% YoY). In April 2020, the Japanese government declared a state of emergency in an attempt to prevent the spread of the novel coronavirus, causing the inter-company flow of goods to stagnate. As a result, sales and profit declined YoY especially in the mainstay Logistics segment.
- Q3 sales were JPY62.5bn (-2.1% YoY) and operating profit was JPY2.3bn (+2.9% YoY). The mainstay Logistics segment's earnings were flat YoY, with freight volume beginning to recover after the emergency declaration was lifted in May 2020, and rate adjustments also contributing.

Progress versus full-year forecast

Versus the company's FY12/20 forecast, progress in cumulative Q3 put sales at 72.3% (cumulative Q3 FY12/19 sales were at 74.6% of the FY12/19 full-year result), operating profit 76.4% (76.7%), recurring profit 76.7% (76.5%), and net income attributable to owners of the parent 82.5% (77.8%). Progress was about the same as a year earlier.

Market environment

The COVID-19 pandemic has led to restraints on global economic activity and a reduction in the cross-border movement of goods, hurting business sentiment and creating a difficult market environment for the logistics industry. At the same time, with school closings and people voluntarily staying home to avoid infection, online shopping and demand for food and daily necessities distribution have expanded.

Logistics

- Sales: JPY117.8bn (-0.4% YoY)
- Operating profit: JPY4.0bn (-4.4% YoY)

In the Logistics segment, the company expanded business with existing customers while also working on winning over new customers looking for sophisticated logistics functions. The pandemic has substantially impacted B2B logistics and overseas business. However, the company successfully captured more of the ever-expanding e-commerce demand with its same-day delivery services, and expanding demand related to food and daily necessities distribution underpinned performance. The impact of the COVID-19 outbreak began to appear in the latter half of Q1, but sales for cumulative Q3 were essentially flat YoY. In the Logistics segment, the company interacts with a range of industries, and transactions with industries that remained strong in the face of the pandemic helped to offset the pandemic's negative impact.

- By key subsidiary, sales rose YoY at SBS Logicom (conducts 3PL business), SBS Sokuhai Support (provides same-day delivery service), and SBS Zentsu (provides delivery service for the Japanese Consumers' Co-operative Union); sales were down YoY at SBS Ricoh Logistics. At SBS Logicom, freight volume for supermarkets and drugstores increased. At SBS Sokuhai Support, freight volume related to e-commerce increased. Sales declined YoY at SBS Ricoh Logistics due to lower demand for office supplies in Q2 with the greater prevalence of telework triggered by the pandemic, although this demand began to recover in Q3 after the government lifted its emergency declaration.
- Operating profit fell YoY as the negative effects of the pandemic outweighed the positive effects.

Segment results by quarter were as follows.

- Q1 sales were JPY59.3bn (+4.1% YoY) and operating profit was JPY1.4bn (+21.9% YoY). The impact of the COVID-19 outbreak began to appear in the latter half of Q1. However in the Logistics segment, the company conducts business across a range of industries, which helped lessen the impact of the pandemic, and it was able to increase sales YoY by winning new customers and expanding transactions with existing customers. The increase in sales also boosted operating profit YoY.
- Q2 sales were JPY58.2bn (-3.0% YoY) and operating profit was JPY761mn (-35.2% YoY). In April 2020, the government declared a state of emergency in an attempt to prevent the spread of COVID-19. The declaration caused the inter-company flow of goods to stagnate, pushing both sales and profit down YoY.
- Q3 sales were JPY60.3bn (-1.8% YoY) and operating profit was JPY1.8bn (-1.2% YoY). Earnings were essentially flat YoY, with freight volume beginning to recover after the emergency declaration was lifted in May 2020, and rate adjustments also contributing.

Property Management

- Sales: JPY8.8bn (+22.7% YoY)
- Operating profit: JPY4.3bn (+24.3% YoY)

For logistics real estate securitization, the company's 40% trust beneficiary rights in the Nagatsuta Logistics Center were transferred in Q1 FY12/20. The effect exceeded the 30% share transfer of the same logistics center in Q1 FY12/19 and sales and profit grew YoY. Leasing income declined as a result of the latest transfer of rights in the Nagatsuta Logistics Center.

- In the leasing business, sales were JPY1.7bn (-8.8% YoY) and operating profit was JPY951mn (-5.5% YoY). The company transferred portions of its holdings in Nagatsuta Logistics Center (Yokohama, Kanagawa Prefecture) in Q1 FY12/19 and Q1 FY12/20, causing a drop in leasing income and therefore a YoY decline in operating profit.
- In the development business, sales were JPY7.2bn (+33.3% YoY) and operating profit was JPY3.3bn (+36.7% YoY). In terms of logistics properties, in Q1 FY12/20 the company transferred its 40% trust beneficiary rights in the Nagatsuta Logistics Center, after having already transferred a 30% share in Q1 FY12/19.

Other

- Sales: JPY5.0bn (-2.7% YoY)
- Operating profit: JPY168mn (-26.6% YoY)

While the personnel business continued to suffer, profit increased in the solar power generation and environmental businesses. However, sales and profit both fell YoY.

- In the solar power generation business, sales were JPY355mn (+5.3% YoY) and operating profit was JPY165mn (+13.0% YoY).
- In the marketing business, sales were JPY1.2bn (+9.1% YoY) and operating profit was JPY100mn (+2.0% YoY). Consolidated subsidiary Marketing Partner Co., Ltd., achieved solid results, benefiting from rising sales of pet-related products on an increase in orders from people staying home due to the COVID-19 pandemic.
- In the personnel business, sales were JPY2.6bn (-11.4% YoY) and operating loss was JPY120mn (versus operating loss of JPY18mn in cumulative Q3 FY12/19). Utilization of dispatched labor was down due to the COVID-19 pandemic. On a quarterly basis, the business sustained operating losses from Q2 FY12/18 (April–June 2018) to Q3 FY12/19 (July–September 2019) due to increased costs for securing dispatch workers. It moved into the black in Q4 FY12/19 (October–December 2019), but again sustained operating losses from Q1 to Q3 FY12/20.

Topic 1: Toshiba Logistics Corporation becomes subsidiary

In November 2020, SBS Holdings acquired 66.6% of the common shares of Toshiba Logistics Corporation from Toshiba Corporation for JPY20.0bn. With the acquisition, SBS Holdings made Toshiba Logistics a consolidated subsidiary (changed the name to SBS Toshiba Logistics Corporation as of January 2021).

In addition to its 3PL business, providing customer companies with comprehensive logistics services and optimal logistics management and operations, Toshiba Logistics conducts 4PL business involving the planning and promotion of logistics strategies for customers seeking outsourcing solutions. It provides a wide range of companies including members of the Toshiba Group with comprehensive logistics solutions not limited to warehouse operation and cargo handling and transport. With the acquisition of shares, SBS Holdings seeks to gain Toshiba Logistics' expertise in the 4PL business, expand its service lineup, and strengthen its overseas network. Even after the share acquisition, all of Toshiba Logistics' full-time executives have retained their positions to ensure continuity of management. SBS Holdings is also dispatching part-time executives to assist in integrating Toshiba Logistics into the SBS group and expanding synergies.

SBS Holdings said the amount of goodwill derived from the acquisition of Toshiba Logistics shares remained undetermined as of November 2020. However, goodwill amortization is to take place over 20 years, so it expects amortization costs to be about JPY800–900mn per year. With Toshiba Logistics included in consolidation from FY12/21, SBS Holdings expects the new subsidiary to contribute operating profit of about JPY3.0bn before goodwill amortization, leaving around JPY2.0bn after amortization.

Topic 2: First investment decided for Japan Future Logistics Fund

Japan Future Logistics Fund (Japan Future Logistics Investment Limited Partnership), jointly established by the company and Development Bank of Japan Inc. (DBJ), concluded its first investment contract and completed the investment procedure in November 2020.

The fund's first investment is in Ai&Ai Chiba Chuo Co., Ltd. Ai&Ai, which has annual sales of JPY1.5bn, operates a light freight and general freight truck transport business providing light freight transportation services such as online supermarket deliveries, route deliveries, and dedicated corporate deliveries in Chiba Prefecture and eastern Tokyo.

Ai&Ai will seek to strengthen its competitiveness through measures to enhance its value by leveraging the expertise of the company and DBJ. Such measures will include expanding its sales network, improving its earnings and financial performance, and developing a compliance system. In addition, after a certain period of time, SBS Holdings expects that Ai&Ai will exit the fund and join the SBS group.

1H FY12/20 results

- Sales: JPY129.1bn (+1.7% YoY)
- Operating profit: JPY6.2bn (+12.5% YoY)
- Recurring profit: JPY6.3bn (+14.7% YoY)
- Net income*: JPY4.1bn (+23.1% YoY)

*Net income attributable to owners of the parent

Sales and profit both rose YoY in 1H FY12/20. The growth in sales caused increases in personnel and vehicle hire expenses, but improved cost efficiency and lower fuel prices positively impacted profit. The company booked greater earnings YoY in logistics real estate securitization, which also contributed to performance.

Progress versus company forecasts

In 1H FY12/20, versus 1H forecasts, the company achieved 97.8% for sales, 97.5% for operating profit, 99.6% for recurring profit, and 108.7% for net income attributable to owners of the parent. Sales and operating profit fell short of SBS Holdings' 1H forecast, but the company left full-year forecasts unchanged. Net income exceeded the forecast due to recorded gains on the sale of investment securities.

In 1H FY12/20, stagnation in inter-company logistics due to the state of emergency declaration had a negative impact on sales and profits in the Logistics business, but in 2H, the company expects inter-company logistics to recover now that the state of emergency has been lifted. In addition, the company plans to implement rate hikes and cost reductions in the Logistics business, and believes it will be able to recover the shortfall between actual 1H results and corresponding forecasts over the full-year period.

Market environment

The COVID-19 pandemic has led to restraints on global economic activity and a reduction in the cross-border movement of goods, hurting business sentiment and creating a difficult market environment for the logistics industry. At the same time, with school closings and people voluntarily staying home to avoid infection, online shopping and demand for food and daily necessities distribution have expanded.

Logistics

- Sales: JPY117.5bn (+0.4% YoY)
- Operating profit: JPY2.2bn (-7.1% YoY), OPM: 1.8% (-0.2pp YoY)

In the Logistics segment, the company expanded business with existing customers while also working on winning over new customers looking for sophisticated logistical functions. The pandemic has substantially impacted B2B logistics and overseas business. However, the company successfully captured more of the ever-expanding e-commerce demand with its same-day delivery services, and expanding demand related to food and daily necessities distribution underpinned performance. Sales in 1H were almost unchanged YoY despite the onset of impact from the COVID-19 pandemic in the latter half of 1H. Since the company's Logistics business customers are diversified across a number of industries, transactions with companies in industries performing well despite the pandemic offset the negative impact from the relative scarcity of transactions with other companies that were faring less favorably. However, sales still fell YoY in Q2 (April–June 2020).

- Major subsidiaries SBS Logicom (conducts 3PL), SBS Sokuhai Support (provides same-day delivery services), and SBS Zentsu (provides home delivery services for consumers' co-ops) contributed to sales growth. Sales generated by SBS Ricoh Logistics decreased YoY. At SBS Logicom, handling volumes associated with supermarkets and drug stores increased. Meanwhile, e-commerce freight volume increased at SBS Sokuhai Support. Sales fell at SBS Ricoh Logistics owing to a decrease in demand for office supplies as companies implemented telework in response to the COVID-19 pandemic.
- The company achieved sales growth due to the operation of new bases and an increase in logistics demand from existing customers despite the COVID-19 pandemic's net negative impact on sales.
  - Positive impact of the pandemic on sales: The pandemic had a positive impact on sales to the tune of JPY2.0bn due to increased demand for food, home delivery for individuals, and logistics for drug stores, supermarkets, and home improvement centers.
  - Positive impact of the operation of new bases on sales: The operation of bases established in 1H FY12/20 or FY12/19 positively affected sales by roughly JPY700mn.
  - Impact of increased logistics demand from existing customers: Increased logistics demand from existing customers contributed approximately JPY2.9bn to sales.
  - Negative impact of the pandemic on sales: Negative factors associated with COVID-19, such as stagnation in inter-company logistics (depressed demand for office machines and office supplies) and disruption of overseas supply networks, brought sales down by approximately JPY5.1bn.
- Operating profit was down YoY because the negative impact of the COVID-19 pandemic on profit outweighed its positive impact.
  - Positive impact of the pandemic on profit: Increased demand for food and home delivery for individuals had a positive impact of JPY770mn on profit.
  - Other positive factors affecting profit: Other sales growth effects contributed JPY130mn, price revisions had a positive impact of JPY269mn, and reduction of fuel costs pushed up profits by JPY194mn.
  - Negative impact of the pandemic on profit: The stagnation of inter-company logistics and decline in overseas sales due to the pandemic negatively affected profit by JPY1.3bn.
  - Other negative factors affecting profit: M&A-related expenses for Toshiba Logistics Corporation had a JPY100mn impact, and increases in personnel expenses and vehicle hire expenses had a JPY99mn impact.

SBS Holdings' e-commerce-related business:
The company's e-commerce delivery services include business delivery (B2B delivery), home delivery (B2C delivery), and the *YC Delivery* service.

Business delivery includes SBS Sokuhai Support's express delivery service and SBS Ricoh Logistics' office mail order delivery. The company collects and delivers small packages and light freight between companies and within companies, for example, from manufacturers to stores, company A to company B, or from head offices to branches. The delivery network extends to most prefectures except Hokkaido and those in Shikoku, and the company is expanding the area covered.

Home delivery operations include SBS Sokuhai Support's e-commerce home delivery. SBS Sokuhai Support undertakes deliveries from mail-order sites and delivers products ordered online to individual residences. The company is expanding the area covered based on customer company requests.

YC Delivery is a joint project conducted with Yomiuri Shimbun in which the delivery personnel at Yomiuri Shimbun distribution centers (YC) deliver parcels to private residences. SBS Sokuhai Support collects packages from its customers (mail-order companies) and delivers them to Yomiuri

Shimbun's newspaper printing locations. Parcels are subsequently delivered from these hubs to each Yomiuri Shimbun distribution center, from where they are delivered to private residences. The company started the initiative in February 2020, expanded it to the 23 wards of Tokyo in July 2020, and plans to further expand the system to the parts of Tokyo outside of the 23 wards, as well as to Chiba, Saitama, and Kanagawa prefectures.

Property Management

- Sales: JPY8.3bn (+25.4% YoY)
- Operating profit: JPY3.9bn (+27.3% YoY)

For logistics real estate securitization, the company's 40% trust beneficiary rights in the Nagatsuta Logistics Center were transferred in Q1 FY12/20. Its effect exceeded the 30% share transfer of the same logistics center in Q1 FY12/19 and sales and profit grew YoY. Leasing income decreased due to the liquidation of the Nagatsuta Logistics Center.

- In the leasing business, sales were JPY1.1bn (-10.0% YoY) and operating profit was JPY624mn (-6.7% YoY). Leasing income decreased due to the transfer of ownership in Nagatsuta Logistics Center (Yokohama, Kanagawa Prefecture) in Q1 FY12/19 and Q1 FY12/20, and operating profit decreased accordingly.
- In the development business, sales were JPY7.2bn (+33.3% YoY) and operating profit was JPY3.3bn (+36.7% YoY). The company transferred its 40% trust beneficiary rights in the Nagatsuta Logistics Center. It had transferred a 30% share in Q1 FY12/19.

Other

- Sales: JPY3.4bn (+0.5% YoY)
- Operating profit: JPY151mn (+5.6% YoY)

While the personnel business continues to suffer, profit increased in the solar power generation and environmental businesses, leading to sales and profit growth YoY.

- In the solar power generation business, sales were JPY239mn (+9.1% YoY) and operating profit was JPY114mn (+16.3% YoY).
- In the marketing business, sales were JPY821mn (+14.2% YoY) and operating profit was JPY56mn (+1.8% YoY). Marketing Partner Co., Ltd., a consolidated subsidiary, achieved solid results. Sales of pet goods increased owing to an increase in home-centered consumption and a tendency to avoid leaving the home caused by the COVID-19 pandemic.
- In the personnel business, sales were 1.8bn (-7.4% YoY) and operating loss was JPY36mn (versus operating loss of JPY14mn in 1H FY12/19). Utilization of dispatched labor was down due to the pandemic. On a quarterly basis, the business sustained operating losses from Q2 FY12/18 (April–June 2018) to Q3 FY12/19 (July–September 2019) due to increased costs for securing dispatched staff. The business achieved an operating profit in Q4 FY12/19 (October–December 2019), but this again turned into an operating loss in Q1 and Q2 FY12/20.

Q1 FY12/20 results

- Sales: JPY68.8bn (+6.5% YoY)
- Operating profit: JPY5.1bn (+32.4% YoY)
- Recurring profit: JPY5.1bn (+35.8% YoY)
- Net income*: JPY3.1bn (+36.2% YoY)

*Net income attributable to owners of the parent

Consolidated sales and profits finished Q1 with solid gains YoY, driven by ongoing growth in revenues from the third-party logistics (3PL) business in the Logistics business and the completion of scheduled sales of logistics properties.

Progress versus plan

Q1 results left the company with 52.1% of its 1H target for sales, 79.4% of its 1H target for operating profit, 80.4% of its 1H target for recurring profit, and 80.9% of its 1H target for net income. The high level of profits realized in Q1 relative to the company's 1H targets was due in large part to the gains on property sales in the Property Management business. Excluding the property sales, 1Q sales were equal to 49.4% and operating profit equal to 57.3% of the company's target figures for 1H. In short, Q1 operating profit still exceeded 50% of 1H plan even without the property sales.

The company made no changes to its forecast for FY12/20, saying the COVID-19 pandemic and its uncertain impact make it impossible to make any changes to its estimates on a rational basis at this time. In this relation, the company noted that sales from its mainstay B2B logistics services (which accounts for the majority of volumes handled in the Logistics business) might fall YoY, but that even in the B2B logistics services it would probably see positive sales growth in some areas, such as supermarkets and drug stores.

Under its Logistics business, subsidiaries on the B2B service side are SBS Logicom and SBS Ricoh Logistics System. On the B2C service side are subsidiaries SBS Flec, SBS Sokuhai Support, and SBS Zentsu, which handle package deliveries and other B2C logistics services. (For further details and individual results, see Main group companies section later in this report.)

Market environment

The company described the market environment as generally favorable thanks to a combination of declining fuel prices and rising demand for logistics services from the growing e-commerce market. Still, the company noted that handling volumes at its Logistics business did take a hit in the latter half of Q1 (January–March 2020) as the rapid spread of the COVID-19 pandemic depressed economic activity around the world, triggering declines in import/export traffic and otherwise hurting business sentiment.

At the individual segment level, the company reported higher sales and profits across all segments, as detailed below.

Logistics segment

- ▷ Sales: JPY59.3bn (+4.1% YoY)
- ▷ Operating profit: JPY1.4bn (+21.9% YoY), OPM: 2.3% (+0.3pp YoY)
- ▷ (For reference) Operating profit before intragroup eliminations: JPY2.0bn (+31.7% YoY), OPM: 3.4% (+0.7pp YoY)

Higher sales and profit in the Logistics segment in Q1 reflected ongoing efforts by the company to gain customer acceptance of rate hikes and bring in more customers for its advanced logistics services, as well as increase handling volumes under contracts with existing customers. The Logistics segment also benefited from growing demand from the e-commerce market for its B2B and B2C same-day delivery services, and growing demand for logistics services from shippers in the household goods and food industries.

- ▷ Subsidiaries contributing to higher sales were 3PL service provider SBS Logicom, which saw rising handling volumes from supermarkets and drug stores, and same-day delivery service provider SBS Sokuhai Support, which benefited from growing demand from the e-commerce sector. Sales were basically flat YoY at SBS Ricoh Logistics. According to the company, the impact of the COVID-19 pandemic on handling volumes was visible from the latter half of Q1, but sales at the segment still finished the quarter higher YoY thanks to the diversification of its customer company base by industry.

- ▷ The YoY increase in segment operating profit was driven largely by margin improvement, as the increases in personnel, fuel, and vehicle hire costs trailed the growth in sales. Before eliminations for intra-group transactions and adjustments for corporate overhead, the Logistics segment reported an operating profit margin of 3.4%, up 0.7pp versus the same quarter last year.
  - ・Compared with a positive impact of JPY2.6bn to operating profit (JPY2.3bn of the increase in sales and JPY260mn from fuel sales outside the group), costs were up JPY2.3bn (JPY360mn of the increase from personnel costs, JPY1.6bn from spending on vehicle hire and outsourcing, JPY240 from depreciation, and JPY160mn from other expenses).
  - ・Looking at major subsidiaries under the Logistics segment, higher sales at SBS Logicom contributed to the higher operating profit. Rising handling volumes from the e-commerce sector at SBS Sokuhai Support added very little to operating profit. SBS Sokuhai Support experienced low margins stemming from the low efficiency due to changes in its e-commerce shipment delivery territory in Q1 FY12/19, but it did see some margin improvement in Q1 FY12/20 as it kept its delivery territory the same and found new ways to improve efficiency.

Property Management segment

- ▷ Sales: JPY7.7bn (+29.4% YoY)
- ▷ Operating profit: JPY3.6bn (+30.6% YoY)

The Property Management segment got a big boost from the completion of the sale of another 40% of its trust beneficiary rights in the Nagatsuta Logistics Center versus the sale of 30% of its trust beneficiary rights in this logistics center in Q1 FY12/19. While boosting sales and profit at the segment, the sale of additional trust beneficiary rights led to a further decline in the leasing income received from the facility.

- ▷ Under the segment, the leasing business reported Q1 sales of JPY551mn (-6.3% YoY) and an operating profit of JPY309mn (-11.7% YoY). Lower operating profit reflected the decline in leasing income, which was due mainly to past sales of the company's trust beneficiary rights in the Yokohama-based Nagatsuta Logistics Center; 30% of which were sold in Q1 FY12/19 and 30% of which were sold in Q4 FY12/18.
- ▷ The development business reported Q1 sales of JPY7.2bn (+33.3% YoY) and an operating profit of JPY3.3bn (+36.7% YoY). The company sold 40% of its trust beneficiary rights in the Nagatsuta Logistics Center versus the sale of 30% in Q1 FY12/19.

Other Businesses segment

- ▷ Sales: JPY1.7bn (+6.0% YoY)
- ▷ Operating profit: JPY89mn (+74.5% YoY)

Higher sales and operating profit in the Other Businesses segment were largely driven by ongoing growth at its marketing business, as its personnel business continued to struggle.

- ▷ Under the segment, the solar power generation business reported Q1 sales of JPY97mn (+9.0% YoY) and an operating profit of JPY30mn (flat YoY).
- ▷ The marketing business reported Q1 sales of JPY421mn (+19.9% YoY) and operating profit of JPY45mn (+55.2% YoY), reflecting strong growth at consolidated subsidiary Marketing Partner Co., Ltd., which benefited from rising sales of pet-related products on an increase in stay-at-home orders as more people refrained from going out as COVID-19 spread.
- ▷ The personnel business reported Q1 sales of JPY949mn (-3.1% YoY) and an operating loss of JPY16mn (versus loss of JPY9mn in Q1 FY12/19) as demand for temporary workers declined amid the pandemic. The personnel business had only just managed to report an operating profit in Q4 FY12/19 (October to December 2019), but prior to that the business consistently ran in the

red from Q2 FY12/18 (April to June 2018) through Q3 FY12/19 (July to September 2019) as its costs went up to acquire its staff available for temporary assignments.

Other topics: Toshiba Logistics Corporation to join group as consolidated subsidiary

In May 2020, SBS Holding reached an agreement with Toshiba Corporation to acquire a majority stake in its subsidiary Toshiba Logistics Corporation. At a cost of JPY19.9bn, the 66.6% stake will make Toshiba Logistics a consolidated subsidiary of SBS Holdings. The share transfer was initially scheduled for October 2020 (later moved to November that year). SBS Holding plans to use bank loans to finance the acquisition.

Reason for acquisition

Toshiba Logistics is a fourth-party logistics (4PL) company providing a broad range of corporate logistics outsourcing services, from optimized logistics management and operations typically offered by third-party logistics (3PL) companies to the planning and execution of customer logistics strategies. It provides these comprehensive logistics solutions that go beyond just warehouse operations, cargo handling, and transportation to a diverse range of companies, including Toshiba group companies.

With the acquisition, SBS is looking to acquire the 4PL business expertise of Toshiba Logistics, expand its service line-up, and strengthen its overseas network. Following the acquisition, all executive directors of Toshiba Logistics will remain in office to maintain business continuity. For its part, SBS will second non-executive directors to Toshiba Logistics in order to help integrate Toshiba Logistics into the group and find additional synergies.

Overview of Toshiba Logistics

- ▷ Business: Warehousing, cargo utilization and transportation, machinery and equipment installation, scaffolding and civil engineering, customs clearance, air transport agency, and logistics consulting services
- ▷ Largest shareholder: Toshiba Corporation (100.0%)

Toshiba Logistics: recent three-year operating results and financial position (non-consolidated)

(JPYmn)	FY03/17	FY03/18	FY03/19
Net assets	4,405	7,367	5,122
Total assets	30,739	37,040	33,920
Sales	87,085	85,525	89,372
Operating profit	1,515	1,364	1,735
Recurring profit	2,421	3,850	2,964
Net income	-38	4,512	2,085

Income statement

Income statement (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Total sales	**121,148**	**127,935**	**132,205**	**141,535**	**157,996**	**149,054**	**152,870**	**203,516**	**255,548**	**257,192**
YoY	1.1%	5.6%	3.3%	7.1%	11.6%	-5.7%	2.6%	33.1%	25.6%	0.6%
Cost of sales	109,894	115,369	118,746	127,259	140,441	132,077	136,856	182,165	229,519	230,389
Gross profit	**11,254**	**12,566**	**13,459**	**14,276**	**17,555**	**16,977**	**16,013**	**21,351**	**26,028**	**26,802**
YoY	-9.5%	11.7%	7.1%	6.1%	23.0%	-3.3%	-5.7%	33.3%	21.9%	3.0%
Gross profit margin	9.3%	9.8%	10.2%	10.1%	11.1%	11.4%	10.5%	10.5%	10.2%	10.4%
SG&A expenses	9,101	9,690	9,343	10,178	12,208	9,463	9,784	13,110	15,851	15,841
SG&A ratio	7.5%	7.6%	7.1%	7.2%	7.7%	6.3%	6.4%	6.4%	6.2%	6.2%
Operating profit	**2,153**	**2,877**	**4,116**	**4,098**	**5,347**	**7,514**	**6,229**	**8,240**	**10,176**	**10,960**
YoY	-49.4%	33.6%	43.1%	-0.4%	30.5%	40.5%	-17.1%	32.3%	23.5%	7.7%
Operating profit margin	1.8%	2.2%	3.1%	2.9%	3.4%	5.0%	4.1%	4.0%	4.0%	4.3%
Non-operating income	174	644	359	522	1,365	883	864	505	1,001	783
Non-operating expenses	694	775	695	972	940	564	618	1,138	1,005	860
Recurring profit	**1,633**	**2,746**	**3,779**	**3,648**	**5,772**	**7,832**	**6,475**	**7,607**	**10,172**	**10,883**
YoY	-62.9%	68.1%	37.6%	-3.5%	58.2%	35.7%	-17.3%	17.5%	33.7%	7.0%
Recurring profit margin	1.3%	2.1%	2.9%	2.6%	3.7%	5.3%	4.2%	3.7%	4.0%	4.2%
Extraordinary gains	720	415	412	1,408	2,280	110	345	134	137	499
Extraordinary losses	1,088	590	1,342	372	13,547	511	794	274	409	117
Income taxes	-1,241	966	1,300	1,927	-197	2,094	2,050	2,691	3,242	3,997
Implied tax rate	-98.1%	37.6%	45.6%	41.1%	-	28.2%	34.0%	36.0%	32.7%	35.5%
Net income atttributable to noncontrolling interests	5	-21	-	30	-1,482	226	140	366	578	442
Net income attributable to owners of the parent	**2,502**	**1,626**	**1,549**	**2,726**	**-3,815**	**5,111**	**4,446**	**4,409**	**6,079**	**6,826**
YoY	11.0%	-35.0%	-4.7%	75.9%	-	-	-13.0%	-0.8%	37.9%	12.3%
Net margin	2.1%	1.3%	1.2%	1.9%	-	3.4%	2.9%	2.2%	2.4%	2.7%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Refer to the Business section for sales and operating profit information.

Non-operating income and expenses

Non-operating income

Non-operating income was significantly impacted by investment gains under the equity method from ZERO CO., LTD (TSE2: 9028) in which SBS has a 20.37% stake.

Breakdown of non-operating income

(JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Non-operating income	174	644	359	522	1,365	883	864	505	1,001	783
Interest income	11	11	9	46	218	13	17	26	41	19
Dividend income	61	50	55	43	48	52	67	41	61	52
Equity in earnings of affiliates	-	435	148	206	425	675	610	282	496	543
Other	102	148	147	227	674	143	170	156	403	169

Source: Shared Research based on company data

Non-operating expenses

Non-operating expenses were significantly impacted by interest expenses, which have been declining on a decrease in interest-bearing debt and the interest rate.

Breakdown of non-operating expenses

(JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Non-operating expenses	694	775	695	972	940	564	618	1,138	1,005	860
Interest expenses	603	611	576	599	872	478	461	590	677	713
Interest rate	1.2%	1.2%	1.1%	1.0%	1.4%	0.8%	0.8%	0.9%	0.9%	0.8%
Other	91	164	119	373	68	86	157	548	328	147

Source: Shared Research based on company materials
Note: Interest rate is calculated by dividing interest expense by average interest-bearing debt at the end/beginning of the period.

Extraordinary gains and losses

SBS booked significant extraordinary gains and losses in FY12/15. The primary reason for the extraordinary gain in FY12/15 was a JPY2.3bn gain on the sale of tangible fixed assets, while the primary reason for the extraordinary loss was a JPY12.0bn extraordinary loss related to goodwill amortization and provisions of allowances for doubtful accounts for Transpole.

Balance sheet

Balance sheet (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
ASSETS										
Cash and deposits	9,219	10,181	10,339	11,098	8,990	9,388	11,539	16,310	18,503	27,543
Accounts receivable	16,263	15,080	16,173	22,012	21,342	17,911	19,672	31,807	33,128	55,189
Inventories	7,714	7,629	7,583	13,002	15,153	12,414	11,226	8,221	6,330	13,236
Other	6,531	6,260	5,568	7,735	6,116	6,799	4,913	6,533	6,413	8,560
Total current assets	**39,727**	**39,150**	**39,663**	**53,847**	**51,601**	**46,512**	**47,350**	**62,871**	**64,376**	**104,530**
Buildings	13,472	14,946	14,694	11,760	9,102	18,064	17,173	21,468	28,226	21,689
Machinery, equipment and vehicles	2,477	2,361	4,024	5,948	7,142	8,877	9,849	11,445	11,919	13,076
Land	32,807	33,672	36,170	38,052	35,846	35,130	34,758	41,634	43,093	49,424
Lease asset	2,685	2,555	2,222	2,038	1,583	1,216	1,115	2,512	2,558	2,715
Other	859	989	907	2,442	7,124	1,440	6,179	8,313	3,802	9,273
Total tangible fixed assets	**52,301**	**54,523**	**58,019**	**60,241**	**60,800**	**64,730**	**69,076**	**85,373**	**89,599**	**96,179**
Investment Securities	2,407	4,705	5,214	6,336	7,253	6,638	6,485	7,094	8,975	10,728
Lease and guarantee deposits	2,704	2,721	2,388	2,361	2,134	2,379	2,696	4,443	4,602	7,522
Other	1,273	1,590	1,294	1,626	1,743	1,025	1,129	1,755	2,058	2,093
Investments andl other assets	**6,384**	**9,016**	**8,897**	**10,324**	**11,131**	**10,044**	**10,311**	**13,292**	**15,635**	**20,345**
Goodwill	1,524	1,079	909	5,136	280	-	-	5,739	5,411	8,895
Other	2,336	700	865	1,570	1,004	1,042	1,064	5,078	5,024	24,599
Total intangible fixed assets	**2,336**	**1,778**	**1,774**	**6,706**	**1,285**	**1,042**	**1,064**	**10,818**	**10,436**	**33,495**
Total fixed assets	**61,021**	**65,317**	**68,691**	**77,272**	**73,216**	**75,817**	**80,451**	**109,484**	**115,671**	**150,020**
Total assets	**100,747**	**104,467**	**108,354**	**131,120**	**124,817**	**122,330**	**127,802**	**172,355**	**180,047**	**254,550**
LIABILITIES										
Accounts payable	7,601	7,627	7,721	8,767	9,584	7,697	8,204	13,555	14,751	30,828
Electronically recorded obligations–operating	-	-	-	-	-	-	-	-	4,928	4,574
Short-term debt	30,385	27,082	28,749	36,061	30,527	24,493	24,004	26,150	28,060	53,430
Accounts payable–other	731	783	1,490	1,543	1,564	1,829	1,603	7,066	3,099	4,995
Accrued expenses	3,070	2,937	3,228	3,446	3,616	3,603	4,107	4,654	4,851	6,021
Other	2,653	2,899	2,776	5,167	7,699	3,970	4,400	7,072	7,202	11,249
Total current liabilities	**44,442**	**41,330**	**43,969**	**54,990**	**52,994**	**41,596**	**42,323**	**58,501**	**62,896**	**111,102**
Long-term debt	21,219	24,421	23,755	28,837	31,876	33,497	33,709	49,628	47,438	47,399
Long-term guarantee deposited	1,719	1,716	1,651	1,503	1,873	1,807	1,999	1,728	2,257	1,980
Provision for retirement benefits	3,577	3,519	3,479	3,928	3,967	4,040	4,338	6,073	5,995	11,579
Deferred tax liabilities	3,939	4,764	5,268	5,839	3,242	5,088	4,993	6,065	5,426	10,770
Other	786	967	964	775	917	1,767	1,929	2,186	1,958	3,573
Total fixed liabilities	**31,240**	**35,386**	**35,120**	**40,884**	**41,875**	**46,199**	**46,968**	**65,680**	**63,074**	**75,301**
Total liabilities	**75,682**	**76,716**	**79,089**	**95,874**	**94,870**	**87,796**	**89,291**	**124,182**	**125,970**	**186,404**
NET ASSETS										
Capital stock	3,834	3,834	3,902	3,918	3,920	3,920	3,920	3,920	3,920	3,920
Capital surplus	5,418	5,418	5,487	5,502	5,504	2,651	2,651	2,651	2,651	2,651
Retained earnings	16,224	18,376	19,402	21,475	17,057	25,399	29,175	32,750	37,956	43,722
Treasury stock	-575	-225	-162	-117	-	-	-	-	-	-
Shareholders' equity	24,901	27,402	28,631	30,778	26,483	31,970	35,747	39,322	44,527	50,293
Subscription rights to shares	15	35	8	30	52	-	-	-	-	-
Non-controlling interests	368	314	283	3,243	1,841	2,022	2,109	8,414	8,948	17,390
Total net assets	**25,138**	**27,781**	**29,219**	**35,091**	**29,947**	**34,533**	**38,510**	**48,173**	**54,077**	**68,146**
Working capital	16,376	15,082	16,035	26,247	26,911	22,628	22,694	26,473	24,707	37,597
Total interest-bearing debt	51,604	51,503	52,504	64,898	62,403	57,990	57,713	75,778	75,498	100,829
Net debt	42,386	41,322	42,165	53,800	53,413	48,602	46,174	59,468	56,995	73,286

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Assets

Main assets items are accounts payables (current assets), inventories (current assets), buildings (tangible fixed assets) and land (tangible fixed assets).

Liquid assets

At end-FY12/20, liquid assets accounted for 41% of total assets. The breakdown of liquid assets: 53% in notes and accounts receivable, and 13% in inventories.

Inventories comprised real estate sales in progress and real estate trust beneficiary interests for sale. When logistics facilities are completed, they are recorded as fixed assets; however, when they are to be securitized, the facilities are turned over to be booked under inventories.

Breakdown of inventories

(JPYmn)	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Inventories	**7,714**	**7,629**	**7,583**	**13,002**	**15,153**	**12,414**	**11,226**	**8,221**	**6,330**	**13,236**
Real estate for sale in process	4,059	4,071	5,796	8,195	-	-	-	-	1,145	2,913
Real estate for sale	3,462	3,368	1,604	4,626	14,915	12,162	10,942	781	773	9,809
Trust beneficiary right in real estate for sale	-	-	-	-	-	-	-	7,005	3,953	-
Merchandise and finished products	58	62	64	84	105	112	135	126	168	161
Raw materials and supplies	135	125	117	95	132	139	147	307	290	351

Source: Shared Research based on company data

Tangible fixed assets

At end-FY12/20, tangible fixed assets stood at JPY96.2bn and accounted for 38% of total assets. Land comprised 51% of tangible fixed assets. Included in tangible fixed assets are consolidated subsidiary SBS Logicom's office, vehicle transport equipment, land for logistics facilities, and rental properties.

At end-FY12/20, the net value of trucks and other machinery and transport equipment was JPY31.6bn, with a large amount already depreciated (JPY18.6bn), leaving the net value at JPY13.1bn. This is because the legally designated useful life of these vehicles is between three and four years, although in fact many of them are actually used for five years or more.

Investments and other assets

At end-FY12/20, investment securities came to JPY10.7bn. Another group company, SBS Logicom, owned the shares of 38 companies in order to strengthen trading relationships, worth JPY1.1bn (at end FY12/19), including companies such as Tokyu Corporation (TSE1: 9005). Investment securities increased at the end of FY12/12 as the result of making Zero an equity-method affiliate (Zero [TSE2: 9028] was formerly a logistics subsidiary of Nissan Motor Co., Ltd. [TSE1: 7201]; its main business is the overland transportation of completed and second-hand cars).

Intangible fixed assets

The company recorded goodwill of JPY5.1bn in FY12/14, most of which was due to the acquisition of Transpole stock. As SBS carried out one-time amortization of goodwill (JPY3.7bn) in FY12/15 stemming from Transpole's inability to recover debt claims, goodwill declined from FY12/14. In FY12/18, goodwill increased to JPY5.7bn (from JPY0mn in FY12/17) and other intangible assets rose to JPY5.1bn (from JPY1.1bn in FY12/17) due to the conversion of Ricoh Logistics (now SBS Ricoh Logistics System) to a subsidiary in August 2018. In November 2020 it made Toshiba Logistics (now SBS Toshiba Logistics) a subsidiary, increasing goodwill to JPY8.9bn (JPY5.4bn in FY12/19) and customer-related assets to JPY21.1bn (versus JPY2.2bn).

Liabilities

Debt mainly consists of accounts payables and interest-bearing debt. At end-FY12/20, SBS had JPY100.8bn in interest-bearing debt, making up 54% of total liabilities. After deducting cash and deposits, net debt was JPY73.3bn. Interest-bearing debt was up in FY12/18 due to the consolidation of SBS Ricoh Logistics System and in FY12/20 due to SBS Toshiba Logistics. The net debt/equity ratio (net debt/shareholders' funds) was 1.8x in FY12/10; this declined to 1.5x in FY12/20.

Short-term interest-bearing debt was JPY53.4bn and accounted for 53% of interest-bearing debt, while long-term interest-bearing debt was JPY47.4bn and accounted for 47% of interest-bearing debt. The composition of short-term interest-bearing debt peaked at 59% in FY12/11 but has since been declining. SBS said it planned to reduce the share of short-term debt to around 40%, replacing it with long-term debt.

Net assets

Since FY12/04, SBS has grown net assets through aggressive M&A, profit growth and the development and securitization of logistics facilities. The number declined in FY12/15 as the company booked a net loss of JPY3.8bn, but since then the company has built up net assets by retained earnings.

Shareholders' equity

The company's equity ratio was 19.9% in FY12/20 (25.1% in FY12/19). The ratio was 16.8% in FY12/08, but was above 20% from FY12/10 to FY12/19.

▷ The equity ratio fell to 22.5% (from 24.3% in FY12/14) in FY12/15 due to a drop in retained earnings caused by the recording of net loss.

▷ The equity ratio fell in FY12/18 due to an increase in total assets accompanying the consolidation of SBS Ricoh Logistics System.

▷ The equity ratio fell in FY12/20 due to an increase in total assets accompanying the consolidation of SBS Toshiba Logistics.

Non-controlling interests

Non-controlling interests were JPY17.4bn in FY12/20 (JPY8.9bn in FY12/19). They increased due to the addition of SBS Ricoh Logistics System to consolidated accounts in FY12/18. SBS acquired 66.6% of the shares of SBS Ricoh Logistics System. The remaining 33.4% of shares are owned by the joint holding company of Ricoh Co., Ltd. and Otsuka Corporation. Non-controlling interests increased in FY12/20 due to the consolidation of SBS Toshiba Logistics following the acquisition of a 66.6% stake by SBS. Toshiba Corporation holds 33.4% of the shares in SBS Toshiba Logistics.

Number of shares issued

SBS's outstanding shares amounted to 39,718 at end FY12/20. The company's investments are usually funded by operating cash flow and borrowings. It has not issued equity since FY12/04. The number of shares has been constant since FY02/05 at 130,684, but in FY12/12, the company had a 1:100 stock split, taking the total to 13,068,400. SBS carried out the exercise of stock options and a three-for-one stock split in June 2014.

Cash flow statement

Cash flow statement (JPYmn)	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.	FY12/20 Cons.
Cash flows from operating activities (1)	3,712	7,317	6,243	6,603	7,728	12,201	11,671	12,398	16,872	17,262
Cash flows from investing activities (2)	-3,766	-5,520	-6,214	-15,101	-7,081	-10,043	-8,127	-22,433	-12,579	-30,480
Free cash flow (1+2)	-54	1,796	29	-8,498	647	2,158	3,544	-10,035	4,293	-13,218
Cash flows from financing activities	1,884	-816	92	8,893	-2,685	-1,733	-1,420	14,815	-2,048	22,726
Depreciation and amortization (A)	3,887	3,693	3,876	3,757	8,993	4,291	4,594	5,699	7,334	7,341
Capital expenditures (B)	-2,408	-6,405	-7,026	-10,859	-10,416	-9,373	-9,219	-11,068	-10,504	-11,886
Working capital changes (C)	440	-1,294	953	10,212	664	-4,283	66	3,779	-1,766	12,890
Simple FCF (NI + A + B - C)	3,540	208	-2,554	-14,588	-5,902	4,312	-245	-4,739	4,675	-10,609

Source: Shared Research based on company data
Note: Figures may differ from company in rounding methods.

Cash flows from operating activities

The main components of SBS's cash flow are net income before taxes and other adjustments, depreciation, and changes in working capital. Since real estate is included in inventories, working capital tends to fluctuate due to the acquisition of land for real estate development as well as in periods around transfers.

Cash flows from investing activities

The acquisition of tangible, intangible fixed assets, and the shares of subsidiaries accounts for the bulk of investing cash flows. In FY12/14, cash flows from investing activities ended up JPY15.1bn in negative territory. This included fixed asset purchases of JPY10.9bn, including the Osaka Nanko site, and JPY7.3bn to purchase shares in Transpole. Cash used in investing activities was JPY22.4bn in FY12/18, primarily due to JPY11.1bn in outflow related to acquisition of tangible and intangible fixed assets and another JPY11.1bn related to the purchase of shares in SBS Ricoh Logistics System. In FY12/20, investing cash outflows totaled JPY30.5bn, comprising JPY11.9bn in acquiring intangible and tangible assets and JPY17.6bn in acquiring shares of SBS Toshiba Logistics.

Cash flows from financing activities

Cash flows from financing activities are impacted by the amount of interest-bearing debt and dividend payments. Through FY12/20, the company primarily relied on borrowings to meet its capital needs.

The only equity finance SBS has raised in the past decade was in September 2005, with the issuance of yen-denominated convertible bonds worth JPY5.0bn maturing in October 2010. SBS's top management said it was negative on equity financing.

In FY12/08 there were outflows of JPY787mn due to share buybacks (8,486,000 shares, 6.49% of outstanding shares). The company unloaded some of its treasury stock with a third-party allocation (563,000 shares) following the introduction of an ESOP (Employee Stock Ownership Plan) in August 2010. The company also conducted a third-party allocation (285,600 shares) in November 2012, with TOBU Properties Co., Ltd. as the receiving party. As of end-FY12/20, SBS owned 575 of its own shares.

Other information

History

The company's forerunner was Kanto Sokuhai, founded by President Kamata in 1987. After working for the Sagawa Express Group for eight years, Mr. Kamata in Tokyo founded Kanto Sokuhai, a delivery services company encompassing Tokyo and the three neighboring prefectures. The company's business proposition was lower logistics costs and same-day delivery. Profits grew steadily, with a major turning point in 1994. That year the Ministry of Posts and Telecommunications dropped mail charges; Kanto Sokuhai beat other companies in the industry to begin a mailing service business to get housewives to deliver direct mail, which provided another boost to profits.

As its business expanded, the company changed its name to Sogo Butsuryu System in 1989 and SBS in 1999. In 2004, the group was reorganized as a holding company, then changed its name to the current name in 2006. Since 2004, SBS has made a series of acquisitions, including acquisitions of the subsidiaries of major companies. In 2004, it acquired Snow Brand Logistics (now SBS Flec); in 2005 it acquired Tokyu Logistic (now SBS Logicom); and in 2010 it acquired Victor Logistics (now SBS Logicom).

Since 2007, SBS has been an active logistics facilities developer, and in 2013, it securitized assets via a private fund (the limited liability company SBS Logi Fund No. 1).

In 2011, SBS bought Atlas Logistics, an international logistics company in India. In 2012, SBS set up a regional Asian headquarters company, SBS Logistics RHQ, and has a presence in Singapore, Thailand, Vietnam and Malaysia. In April 2013, SBS set up a local subsidiary in Hong Kong and launched a logistics business there. In January 2014, SBS acquired a drayage transport firm and a container shipping business in Singapore. In July 2014, the company acquired a 66% stake in the Indian international logistics company Transpole Logistics Pvt. Ltd. (now SBS Transpole Logistics Pvt. Ltd.). However, in FY12/15 SBS decided to sell all of its shares in Transpole to a third party after concluding that Transpole would be unable to recover large trade credits, subsequently booking the uncollected amounts as extraordinary losses.

In August 2018, the company acquired 66.6% of common stock in Ricoh Logistics (now SBS Ricoh Logistics System), making it a consolidated subsidiary. This acquisition will enable the company to absorb Ricoh Logistics' nationwide network in Japan, as well as its overseas networks, and allow it to make use of its expertise regarding the automation of logistics centers.

In November 2020, SBS Holdings acquired a 66.6% stake in Toshiba Corporation subsidiary Toshiba Logistics Corporation and made it a consolidated subsidiary.

Date	Event
December 1988	Established Kanto Sokuhai in Koto-ku, Tokyo
April 1994	Launched a mailing service business
December 2003	Listed on JASDAQ
May 2004	Acquired the stock of Yukijirushi Butsuryu Co. Ltd. (now SBS Flec) from Yukijirushi Group
July 2004	Transitioned to a pure holding company
September 2004	Established A-Max Inc. (now SBS Asset Management), which operates a real estate securitization business
June 2005	Acquired the stock of the Tokyu Group's logistics subsidiaries: Tokyu Logistic (now SBS Logicom), Nippon Cargo Dispatch Co., Ltd. (now SBS Freight Service Co., Ltd.) and TL Transport Co., Ltd (now SBS Logicom)
January 2006	Acquired the stock of Zentsu Co., Ltd. (now SBS Zentsu Co., Ltd.), which operates a food logistics business
April 2006	Changed the corporate name to SBS Holdings, Inc.
April 2011	TL Logicom (now SBS Logicom Co., Ltd.) acquired the stock of Victor Logistics' subsidiary Nippon Record Center
October 2011	Acquired the stock of India-based Atlas Logistics Pvt. Ltd., an international logistics company
December 2012	Listed on the TSE Second Section

December 2013	Listed on the TSE First Section
July 2014	Acquired the stock of India-based Transpole Logistics Pvt. Ltd., an international logistics company
February 2016	Made decision to withdraw operations from India-based SBS Transpole Logistics Pvt, Ltd., an international logistics company
March 2016	Transferred all shares of SBS Logistics Holdings Singapore Pte. Ltd. (SLHS) to Global International Network Pte. Ltd., and removed all six of its subsidiaries from its consolidated income statements, including SBS Transpole Logistics Pvt. Ltd and Atlas Logistics. Pvt.
August 2018	Acquired the stock of Ricoh Logistics System Co., Ltd. (now SBS Ricoh Logistics System)
November 2020	Acquired 66.6% stake in Toshiba Logistics Corporation
January 2021	Acquired shares of Toyo Warehouse & Transportation Co., Ltd.

News and topics

April 2021

On April 27, 2021, the company announced the partial acquisition of shares in Furukawa Logistics Corp.

The company decided to acquire a part of the common stock (66.6%) of Furukawa Logistics Corp., a subsidiary of Furukawa Electric Co., Ltd., and make it a consolidated subsidiary of the company.

Reason for share acquisition

Furukawa Logistics, as a logistics subsidiary of the Furukawa Electric group, has accumulated expertise and skills in the transportation business in areas such as information and communication, energy, and automobiles. As a comprehensive logistics provider, SBS Holdings has positioned M&A as one of its growth strategies to expand the scale and scope of its business as well as to secure personnel. The company intends to provide comprehensive, value-added logistics services in the target business areas in cooperation with Furukawa Logistics, while placing the highest priority on maintaining the relationship between Furukawa Logistics and the Furukawa Electric group and its major customers.

Overview of the subsidiary to be transferred

- Name: Furukawa Logistics Corp.
- Business: Transportation, distribution processing, international distribution, and storage of electronic parts, automotive parts, and wires
- Major shareholder and ownership ratio: 100.0% owned by Furukawa Electric Co., Ltd.

Operating results and financial position of Furukawa Logistics for the past three years

(JPYmn)	FY03/18	FY03/19	FY03/20
Net assets	1,173	1,152	1,127
Total assets	5,277	5,483	5,106
Sales	15,781	15,718	16,168
Operating loss	97	53	62
Recurring loss	113	61	47
Net loss	44	38	31

Ownership status prior to and after the acquisition

- Number of shares held prior to acquisition: 0 shares of common stock (0 voting rights; 0.0% of voting rights)
- Number of shares acquired: 388,944 shares of common stock (388,944 voting rights)
- Number of shares held after acquisition: 388,944 shares of common stock (388,944 voting rights; 66.6% of voting rights)

Schedule

- Contract date: April 27, 2021

- Planned share acquisition date: By the end of 2021

March 2021

On March 15, 2021, the company announced the transfer of the trust beneficiary rights held by a consolidated subsidiary.

On the same day, its Board of Directors approved the transfer of the trust beneficiary rights (100% of the total) to a property held for sale (the Osaka Nanko Logistics Center) owned by consolidated subsidiary SBS Logicom Co., Ltd. by end-March 2021. The recurring profit generated by the resolution will be equivalent to 30% or more of the recurring profit reported by the company in FY12/20.

Reason for transfer

The transfer was in keeping with the group's asset portfolio strategy of periodically replacing assets to promote the development of logistics properties to facilitate the expansion of the group's 3PL business while maintaining the company's financial condition.

Overview of transfer

- Property name: Osaka Nanko Logistics Center
- Land, buildings: Land 24,858.6sqm, buildings 61,279.9sqm
- Current status: Used by the company
- Buyer: Undisclosed

Impact on FY12/21 earnings

The company will record JPY14.8bn in proceeds from the transfer as sales and JPY5.0bn in gains from the transfer as operating profit. These amounts are already factored into the consolidated forecasts disclosed in February 2021.

February 2021

On February 12, 2021, the company announced a dividend of surplus (dividend hike).

SBS Holdings finalized FY12/20 annual dividends at JPY35.0 per share (up from its previous forecast of JPY32.0). The company made the decision to increase the dividend based on the solid performance, particularly in its Logistics segment in FY12/20, earnings for which the company also reported on February 12, 2021.

December 2020

On December 24, 2020, the company announced the acquisition of shares of Toyo Warehouse & Transportation Co., Ltd.

The company's Board of Directors approved the acquisition of common shares of Toyo Warehouse & Transportation Co., Ltd., a group company of SMC Corporation, to make it a consolidated subsidiary. The acquisition will not have a material impact on the company's FY12/20 financial results. Toyo Warehouse & Transportation is slated to be included in consolidated results from Q2 FY12/21.

Reason for acquisition

The company said the acquisition would help further its current investment plans focused on technologically advanced warehouse facilities located in the Tokyo waterfront area. With more and more of Japan's population living in and around Tokyo, such locations have taken on added importance and this, coupled with the increasing amount of freight/warehouse volumes accounted for by e-commerce, has made it clear that the SBS group will need still more warehouse space that is equipped with the latest mechanized and automated systems in the future.

The company noted that Toyo Warehouse & Transportation has two large warehouses with waterfront locations in the Tokyo area—one in Higashiogishima in the city of Kawasaki (Kanagawa Prefecture) and the other in Wakasu (Koto-ku, Tokyo)—and that both these locations have warehouse development potential over the long term through collaborations with the company's existing warehouses in these areas.

Following the acquisition, SBS Holdings plans to place some of its people on Toyo Warehouse & Transportation's Board of Directors but will otherwise respect the continuity of the latter's existing management team even as it brings the newly acquired subsidiary into its fold and integrates operations.

Overview of planned acquisition

- Name: Toyo Warehouse & Transportation Co., Ltd.
- Business: Warehousing, customs brokerage, freight transportation/handling services
- Major shareholder and ownership ratio: SMC Corporation (100%)

Operating results and financial position of Toyo Warehouse & Transportation for past three years

(JPYmn)	FY03/18	FY03/19	FY03/20
Net assets	5,655	5,803	5,950
Total assets	7,439	7,481	7,617
Sales	2,153	2,326	2,436
Operating profit	189	220	220
Recurring profit	199	222	223
Net income	137	153	156

Details of share acquisition

- Number of shares held prior to acquisition: 0 shares (no voting rights)
- Number of shares to be acquired: 383,008 shares of common stock
- Total acquisition price: JPY7.2bn
- Number of shares held after acquisition: 383,008 shares of common stock (100% voting rights)

Timeline for acquisition

- Approved by Board of Directors: December 24, 2020
- Contract date: December 24, 2020
- Planned share acquisition date: January 29, 2021

Major shareholders

Top shareholders	Shares held	Shareholding ratio
Masahiko Kamata	14,388,400	36.2%
Custody Bank of Japan, Ltd. (Trust account)	5,156,200	13.0%
The Master Trust Bank of Japan, Ltd. (Trust account)	1,575,700	4.0%
SBS Holdings Employee Share Ownership Association	1,354,100	3.4%
SMBC Trust Bank Designated Securities Trust	1,200,000	3.0%
Sumitomo Mitsui Trust Bank, Ltd. (Trust account Ko-13)	1,000,000	2.5%
Tobu Properties Co., Ltd.	986,000	2.5%
Junichi Ouchi	800,000	2.0%
Masaru Wasami	576,700	1.5%
Hiroshi Date	449,800	1.1%
SUM	27,486,900	69.2%

Source: Shared Research based on company data
As of December 31, 2020
Note: Shareholding ratios do not include treasury stock

Corporate governance and top management

Corporate governance overview

Corporate governance (as of March 2021)

Organizational and capital structure	
Organizational structure	Company with audit and supervisory committee
Controlling shareholder (excluding parent company)	-
Parent company	None
Company directors	
Number of directors under Articles of Incorporation	20
Term of directors under Articles of Incorporation	One year
Number of directors	13
Number of outside/independent directors	Four
Number of audit and supervisory committee members	Three
Number of outside directors on audit and supervisory committee	Two
Other	
Participation in electronic voting platform for shareholders	Yes
Provision of summaries of shareholder notifications in English	No
Disclosure of compensation for directors	Does not disclosure compensation for individuals
Policy for determining compensations or calculation method	Yes
Takeover defense measures	No

Top management

Masahiko Kamata, representative director and president (born 1959), joined Tokyo Sagawa Express in 1979. He worked there for eight years, learning the basics of the logistics business, and also how improvements to logistics functions can boost corporate profits. In 1987, he left the company to strike out on his own, establishing Kanto Sokuhai (forerunner of SBS). In 1988, he was appointed representative director and president of SBS. Since then he has expanded the number of group companies. At end FY12/20, he was a director of SBS Flec, SBS Zentsu, SBS Ricoh Logistics, and SBS Toshiba Logistics, as well as representative director of SBS Logicom and SBS Sokuhai Support, and an outside director of Zero.

The senior managing executive officer and director, **Kenichi Iriyama** (born 1951), joined the Long-Term Credit Bank of Japan (now Shinsei Bank) in 1974, rising to head of the personnel department, and joined SBS in 2002 as head of corporate planning. He became managing director of SBS in 2006 and assumed his current position in March 2019. He is a director of SBS Flec, SBS Logicom, and SBS Zentsu, and representative director of SBS Asset Management as President Kamata’s right-hand man.

Employees

At the consolidated group level, SBS had a total of 9,742 regular employees at end FY12/20 (7,124 regular employees at end FY12/19, and 12,098 temporary employees (yearly average basis; 10,674 in FY12/19). The parent company had 246 employees (195) and 19 temporary employees (18) on a yearly average basis.

- Average age: 44.7 years
- Average length of service: 8.1 years

Number of employees by segment

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19	FY12/20
Number of employees	**4,624**	**4,645**	**4,662**	**5,572**	**5,555**	**5,189**	**5,515**	**6,979**	**7,124**	**9,742**
Logistics	4,323	4,337	4,346	5,196	5,161	4,790	5,108	6,570	6,716	9,285
Temporary staff	7,620	7,837	7,715	8,323	8,446	8,457	8,715	10,352	10,407	11,857
Property Management	9	9	9	8	7	12	16	13	14	13
Other	186	183	193	178	186	178	186	201	199	198
Corporate	106	116	114	190	201	209	205	195	195	246

Source: Shared Research based on company data

Shareholder returns

SBS aims at a stable dividend. The company's basic policy on distribution of profit is to maintain a constant dividend and to increase the level of distributions in accordance with performance.

For FY12/20, the company decided to pay a dividend of JPY35.0 per share for a payout ratio of 20.4%. For FY12/21, the company plans to pay a dividend of JPY43.0 per share, representing a payout ratio of 20.3%.

By the way

The company's name, SBS Holdings, comes from the initials of the Japanese "Sogo" (general) "Butsuryu" (logistics) and "Shisutemu" (system). According to the company, "the name originates from the group's desire to provide customers with organized, systematic and streamlined services, from a comprehensive logistical perspective." The company's new logo was created in June 2013 to mark the company's 25th anniversary and listing on the Tokyo Stock Exchange. The company said that, "the logo is in the motif of the "S" from SBS and depicts the dynamic intersection of two curves. This design represents the encounter, communion and mutual interaction between SBS, people, corporations and society, as well as how SBS strives to exist as a company where all employees can take on new challenges and pursue their dreams".

Source: Company photos

Company profile

Company name	Head office
SBS Holdings, Inc.	Olinas Tower, 1-3 Taihei 4-chome, Sumida-ku, Tokyo, Japan 130-0012
Phone	**Listed on**
+81-3-3829-2222	Tokyo Stock Exchange 1st Section
Established	**Exchange listing**
December 16, 1987	December 16, 2013 (JASDAQ: December 15, 2003)
Website	**Fiscal year-end**
https://www.sbs-group-ir.com/index.html	December
IR contact	**IR web**
Investor and Public Relations Department	https://www.sbs-group.co.jp/sbsh/ir/
IR email	**IR phone**
Inquiry form on company website	+81-3-3829-2240

Main consolidated segments (% of total sales)

Logistics	94.2%
Property Management	3.1%
Other	2.7%

Directors

Masahiko Kamata, president
Kenichi Iriyama, senior director
Masato Taiji, director
Yasuhito Tanaka, director
Katsuhisa Wakamatsu, director
Gen Kato, director
Hiroaki Sato, director
Jiro Iwasaki, director (outside)
Tetsuya Sekimoto, director (outside)
Hidekazu Hoshi, director (outside)
Yasuhiro Yamashita, director, audit & supervisory committee member
Masato Matsumoto, director, audit & supervisory committee member (outside)
Sachie Tsuji, director, audit & supervisory committee member (outside)
(As of March 25, 2021)

Employees

Employees (consol.)	9,742	
Employees (parent)	246	
Average age (parent)	44.7 years	
	(as of December 31, 2020)	

Shares issued (including treasury shares)

39,718 shares

Shareholders capital

JPY3,920,000,000

Main subsidiaries

SBS Toshiba Logistics Corporation
SBS Ricoh Logistics System Co., Ltd.
SBS Logicom Co., Ltd.
SBS Flec Co., Ltd.
SBS Sokuhai Support Co., Ltd.
SBS Zentsu Co., Ltd.
Main financing bank

Main banks

MUFG Bank, Ltd.
Sumitomo Mitsui Banking Corporation
Mizuho Bank, Ltd.

Auditors

Ernst & Young ShinNihon LLC

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at https://sharedresearch.jp.

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Anritsu Corporation
Apaman Co., Ltd.
ARATA CORPORATION
Artspark Holdings Inc.
AS ONE CORPORATION
Ateam Inc.
Aucfan Co., Ltd.
AVANT CORPORATION
Axell Corporation
Azbil Corporation
AZoom, Co., Ltd.
Base Co., Ltd
BEENOS Inc.
Bell-Park Co., Ltd.
Benefit One Inc.
B-lot Co.,Ltd.
Broadleaf Co., Ltd.
CanBas Co., Ltd.
Canon Marketing Japan Inc.
Career Design Center Co., Ltd.
Carna Biosciences, Inc.
CARTA HOLDINGS, INC
CERES INC.
Chiyoda Co., Ltd.
Chori Co., Ltd.
Chugoku Marine Paints, Ltd.
cocokara fine Inc.
COMSYS Holdings Corporation
COTA CO.,LTD.
CRE, Inc.
CREEK & RIVER Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.
Daiki Axis Co.,Ltd.
Daiseki Co., Ltd.
Daiwabo Holdings Co.,Ltd.
Demae-Can CO., LTD.
DIC Corporation
Digital Arts Inc.
Digital Garage Inc.
Doshisha Corporation
Dream Incubator Inc.
Earth Corporation
Edion Corporation
Elecom Co., Ltd.
en Japan Inc.
Estore Corporation.
euglena Co., Ltd.
FaithNetwork Co., Ltd.
Ferrotec Holdings Corporation
FIELDS CORPORATION
Financial Products Group Co., Ltd.
First Brothers Co., Ltd.
FreeBit Co., Ltd.
Gamecard-Joyco Holdings, Inc.
GameWith, Inc.
GCA Corporation
Good Com Asset Co., Ltd.
Grandy House Corporation
GiG Works Inc.
Hakuto Co., Ltd.
Hamee Corp.
Happinet Corporation
Harmonic Drive Systems Inc.
HENNGE K.K.
Hosokawa Micron Corporation
Hope, Inc.
HOUSEDO Co., Ltd.
H2O Retailing Corporation
IDOM Inc.
IGNIS LTD.
i-mobile Co.,Ltd.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
ipet Holdings CO., Ltd.
Itochu Enex Co., Ltd.
ItoKuro Inc.
JAFCO Co.,Ltd.
JMDC Inc.
JSB Co., Ltd.
JTEC Corporation
J Trust Co., Ltd
Japan Best Rescue System Co., Ltd.
JINS HOLDINGS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kanamic Network Co., LTD.
KANEMATSU CORPORATION
kaonavi, inc.
KFC Holdings Japan, Ltd.
KI-Star Real Estate Co., Ltd.
KLab Inc.
Kondotec Inc.
Kumiai Chemical Industry Co., Ltd.
Lasertec Corporation
Locondo, Inc.
LUCKLAND CO., LTD.
Marumae Co., Ltd.
MATSUI SECURITIES CO., LTD.
Media Do Co., Ltd.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
MedPeer,Inc.
Mercuria Holdings Co., Ltd.
Metaps Inc.
Micronics Japan Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
MORINAGA MILK INDUSTRY CO., LTD.
Mortgage Service Japan Limited.
MRT Inc.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
NEC Networks & System Integration Corporation
Net Marketing Co., Ltd.
Net One Systems Co.,Ltd.
Nichi-Iko Pharmaceutical Co., Ltd.
NIHON CHOUZAI Co.,Ltd.
Nihon Denkei Co., Ltd.
Nippon Commercial Development Co., Ltd.
Nippon Koei Co., Ltd.
NIPPON PARKING DEVELOPMENT Co., Ltd.
NIPRO CORPORATION
Nisshinbo Holdings Inc.
Nisso Corporation
NS TOOL CO., LTD.
OLBA HEALTHCARE HOLDINGS,Inc.
OHIZUMI MFG. CO., LTD.
Oisix ra daichi Inc.
Oki Electric Industry Co., Ltd.
ONO SOKKI Co., Ltd.
ONWARD HOLDINGS CO.,LTD.
Pan Pacific International Holdings Corporation
PARIS MIKI HOLDINGS Inc.
PCA CORPORATION
PIGEON CORPORATION
P3, inc.
QB Net Holdings Co., Ltd.
RACCOON HOLDINGS, Inc.
Raysum Co., Ltd.
RESORTTRUST, INC.
ROUND ONE Corporation
RYOHIN KEIKAKU CO., LTD.
SanBio Company Limited
SANIX INCORPORATED
Sanrio Company, Ltd.
SATO HOLDINGS CORPORATION
SBS Holdings, Inc.
Seikagaku Corporation
Seria Co.,Ltd.
Serverworks Co.,Ltd.
SHIFT Inc.
Shikigaku Co., Ltd.
SHIP HEALTHCARE HOLDINGS, INC.
SIGMAXYZ Inc.
SMS Co., Ltd.
Snow Peak, Inc.
Solasia Pharma K.K.
SOURCENEXT Corporation
Space Value Holdings Co., Ltd.
Star Mica Holdings Co., Ltd.
Stream Media Corporation
Strike Co., Ltd.
Sunnexta Group Inc.
SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
Takashimaya Company, Limited
Take and Give Needs Co., Ltd.
TEAR Corporation
Tenpo Innovation Inc.
3-D Matrix, Ltd.
The Hokkoku Bank,Ltd.
TKC Corporation
TKP Corporation
Tsuzuki Denki Co., Ltd.
TOCALO Co., Ltd.
TOKAI Holdings Corporation
Tokyu Construction Co., Ltd.
TOYOBO CO., LTD.
Toyo Ink SC Holdings Co., Ltd.
Toyo Tanso Co., Ltd.
Tri-Stage Inc.
TSURUHA Holdings
VISION INC.
VISIONARY HOLDINGS CO., LTD.
V-cube,Inc.
World Holdings Co., Ltd.
WOW WORLD Inc.
YELLOW HAT LTD.
YOSHINOYA HOLDINGS CO., LTD.
ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

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