

SBS Holdings, Inc.

2384

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■ Index

■ Summary	01
1. Outline of results for FY12/22	01
2. Outlook for FY12/23	01
3. Growth strategy	02
■ Company overview	03
1. History	03
2. Business description	05
■ Results trends	06
1. Outline of results for FY12/22	06
2. Trends by business segment	08
3. Financial condition and management indicators	10
4. Outlook for FY12/23	12
■ Medium-term management plan	14
1. Priority measures	14
2. Management indices	18
■ Shareholder return policy	19

Summary

Earnings increases forecast to continue through strengthening of domestic 3PL and EC logistics business

SBS Holdings, Inc. <2384> (hereinafter, “the Company”) is a major 3PL (comprehensive logistics services) company which is continuing to grow thanks to its unique business model through active M&A and development and liquidation of logistics facilities. The Company has carried out large-scale M&A and converted companies into subsidiaries, such as Ricoh Logistics System Co., Ltd. (now SBS Ricoh Logistics System Co., Ltd.) in 2018 and Toshiba Logistics Co., Ltd. (now SBS Toshiba Logistics Co., Ltd.) in 2020. Between FY12/17 and FY12/22, it rapidly increased the scope of its sales by roughly 3 times, and operating income by approximately 3.5 times.

1. Outline of results for FY12/22

In FY12/22 consolidated results, net sales increased 12.9% year-on-year (YoY) to ¥455,481mn, while operating income rose 5.5% to ¥21,844mn, achieving record high operating income for the fifth consecutive fiscal year. In the mainstay Logistics business, overseas business grew due to soaring marine and air freight rates, etc., while the domestic business remained solid, primarily in electronic equipment and EC-related businesses, and SBS Furukawa Logistics Corp., which became a subsidiary at the end of FY12/21, contributed to sales; these and other factors were responsible for the increased sales. On the profit front, the sales increase made up for the increase in fuel and utility expenses, etc.

2. Outlook for FY12/23

For FY12/23 consolidated results, the Company forecasts net sales to increase 0.3% YoY to ¥457,000mn, and operating income to increase 4.4% to ¥22,800mn. In Logistics business, increased sales in domestic business through domestic 3PL and the expansion of EC logistics business made up for the decreased sales in overseas business caused by a decline in marine and air freight rates, and the Company forecasts slight increases to sales and profit. On the profit front, the main factor behind the increase will be an increase from the gain on sale of logistics facilities in the Property Management business from approximately ¥5.2bn in the previous fiscal year to roughly ¥6.9bn. Partly due to the fact that the sales will be concentrated in 1H, operating income will be unbalanced toward 1H (up 63.0% YoY to ¥13,600mn). Furthermore, with regard to delivery business, major competitors have been announcing price hikes one after another, citing cost increases, and the Company has been making requests for price hikes as well. However, it seems that it will be possible to keep the range of price hikes smaller than those by the competitors, which is likely to become an opportunity to increase its market share.

Summary

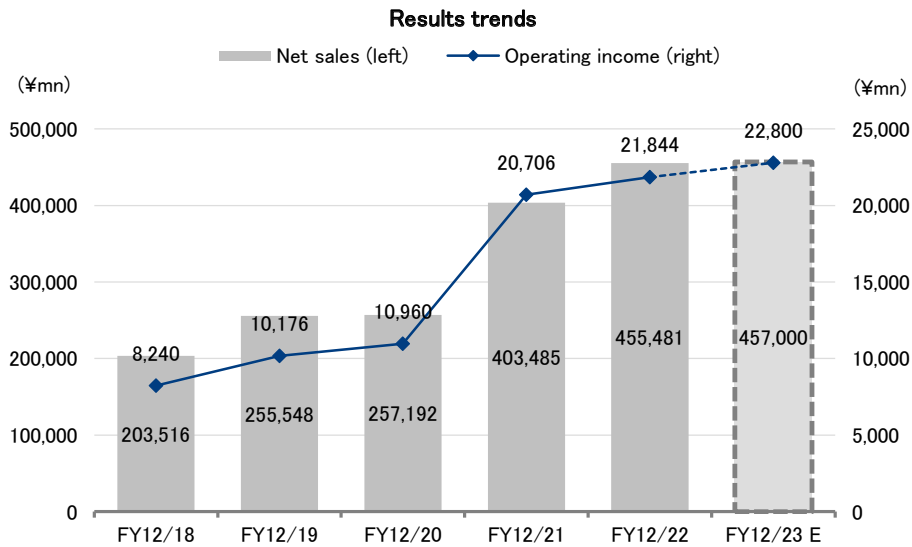
3. Growth strategy

The Company has announced a new three-year medium-term management plan. Under the slogan of “Mega-Ventures Growing with Logistics Technology (LT) x IT,” the Company aims to improve its corporate value by solidifying its position as the industry leader. As priority measures, harnessing the strengths of each Group company, it intends to further strengthen logistics between companies with a focus on 3PL, while accelerating EC logistics, where growth is anticipated, and promote the expansion of the international logistics business, etc. In particular, it aims for significant growth of EC logistics-related sales from the current ballpark of ¥30.0bn by ¥100bn in 2030. As a measure for cultivating customers, it will actively conduct investment in the development of logistics facilities in an aim to expand business from FY12/23 onward and investment in the LT x IT fields in order to improve productivity. The total amount of investment over three years, excluding M&A, will be ¥98.0bn, a 1.8-time increase from the actual amount in the past three years (¥55.0bn). For numerical targets, the Company has set forth net sales of ¥500.0bn and operating income of ¥27.5bn in FY12/25. In EC logistics, which will become the growth driver, it launched “EC Logistics Omakase-kun,” a platform to provide fulfillment services for EC business, in January 2023. For the time being, it will acquire customers, targeting small- to medium-sized EC businesses, strengthen its operational know-how and competitive edge, and aim to obtain large-scale EC businesses as customers. For the total floor area of logistics facilities, it has already secured enough space for up to 3,438,016m² (1.04 million tsubo), including projects in the planning stages, in contrast to the 2,677,686m² (810,000 tsubo) up to the end of December 2022, and if this total floor area is put to use, the Company will be more than able to achieve its net sales target of ¥500.0bn. It is also considering M&A in parallel, and anticipates net sales of ¥700.0bn in FY12/30. With regard to its shareholder return policy, it appears that the Company intends to raise the dividend payout ratio from the current level of more than 20% to around 30% in the future, while examining capital demand and earnings trends. It intends to increase the dividend per share in FY12/23 to ¥65.0 (a dividend payout ratio of 21.5%), up ¥4.0 from the previous period.

Key Points

- Continuing to grow thanks to its unique business model combining 3PL and liquidation of in-house developed logistics facilities and active M&A
- Operating income in FY12/22 was affected by soaring marine and air freight rates and yen depreciation in overseas business, while the amount of domestic logistics such as electronic components and EC-related business remained solid. Increases to operating income absorbed the amount of cost increases due to increased fuel and utility expenses, etc. and reached record highs for the fifth consecutive fiscal year
- Effects of synergy with SBS Toshiba Logistics have materialized, and increased sales and profits are expected to continue in FY12/23
- Formulated a medium-term management plan that aims for net sales of ¥500.0bn and operating income of ¥27.5bn in FY12/25

Summary



Source: Prepared by FISCO from the Company's financial results

Company overview

Continuing to grow thanks to its unique business model combining 3PL and liquidation of in-house developed logistics facilities and through active M&A

1. History

The Company was founded in 1987 by current Representative Director Masahiko Kamata as a unique company providing a “same-day delivery” transport system, which did not exist at the time, in the Tokyo metropolitan area. In 2003, it registered over-the-counter shares with the Japan Securities Dealers Association, and after strengthening its fiscal foundation, became more active about its M&A strategy and expanded the contents of its business. It successively turned major logistics companies into Group companies, including Snow Brand Logistics Co., Ltd. (now SBS Flec Co., Ltd.) in 2004, Tokyu Logistic Co., Ltd. (now SBS Logicom Co., Ltd.) in 2005, and Zentsu Co., Ltd. (now SBS Zentsu Co., Ltd.) in 2006. Net sales in FY12/06 totaled ¥142.6bn, and Company grew rapidly more than seven times over in the span of three years.

Company overview

While expanding the Logistics business, in 2004 it initiated the development and liquidation of logistics facilities in order to expand and strengthen 3PL business*. It established its unique business model of using a liquidation scheme to increase capital efficiency and accelerate growth which still serves as the driving force of growth. From 2011 onward it began advancement into Asia, and transformed major Indian international logistics company Transpole Logistics Pvt. Ltd. into a Group company through M&A in 2014. However, the subsequent slowdown in the Chinese economy, sluggish economies in emerging countries, and intensifying price competition among forwarders caused a rapid deterioration in the subsidiary's earnings, and the Company quickly decided to sell the business, judging that it would be difficult to rebuild in the future. In FY12/15, it recorded an extraordinary loss of more than ¥10.0bn, and its overseas business was downsized for the time being.

* The Company defines 3PL business as a project in which it is contracted directly by the shipper and undertakes a series of (multiple) tasks in a lump sum over a period of three years or more.

More recently, it has further expanded its business scope through successive large-scale M&A, with Ricoh Logistics in August 2018 and Toshiba Logistics in November 2020. The acquisition of these two companies as subsidiaries has also expanded the Company's overseas bases, and it plans to utilize their resources to once again expand its overseas logistics business going forward.

History

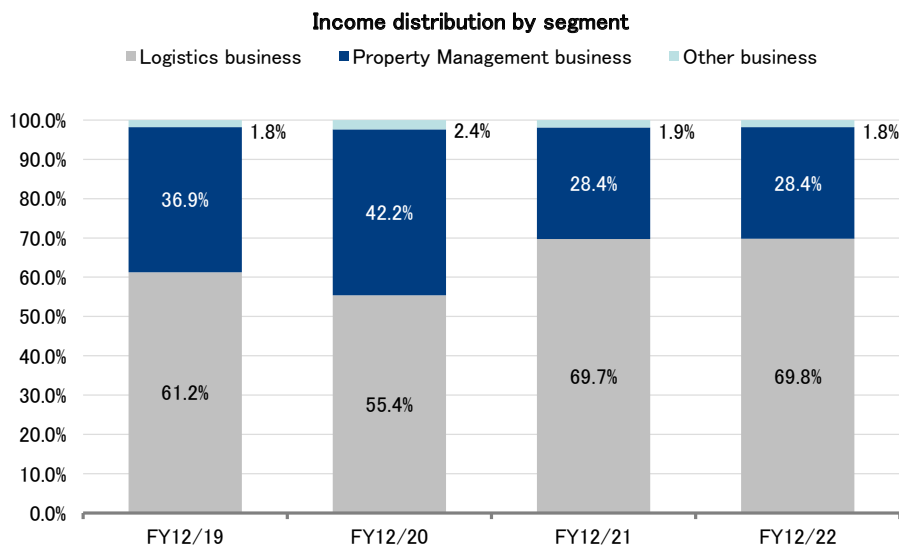
Date	
Dec. 1987	Established Kanto Sokuhai Co., Ltd. (now SBS Holdings), began same-day deliver operations in the Tokyo metropolitan area
Apr. 1994	Started a mailing service business
Mar. 1998	Established a marketing business (Marketing Partner, Inc.)
Dec. 2003	Registered over-the-counter shares with the Japan Securities Dealers Association (listed on the Tokyo Stock Exchange Second Section in 2012, and the First Section in 2013)
May 2004	Acquired Snow Brand Logistics Co., Ltd. (now SBS Flec) through M&A, entered into food logistics
Sept. 2004	Established a real estate securitization business (Amax Co., Ltd.)
Jun. 2005	Acquired Tokyu Logistic Co., Ltd. (now SBS Logicom) through M&A
Jan. 2006	Acquired Zentsu Co., Ltd. (now SBS Zentsu) through M&A, strengthened food logistics for co-ops
Apr. 2010	Acquired Victor Logistics Co., Ltd. through M&A
Jul. 2010	Acquired AC System Corporation (now SBS Global Network) through M&A
Apr. 2011	Acquired Nippon Record Center Co., Ltd. through M&A
Oct. 2011	Acquired Atlas Logistics Private Limited, an international logistics company in India
May 2012	Established a company for regional business control in Singapore
Jul. 2014	Acquired Transpole Logistics Pvt Ltd., an international logistics company in India, through M&A (sold in Mar. 2016)
Jan. 2015	Completed construction of Nagatsuda Logistics Center, consolidated and merged six regional subsidiaries of SBS Flec, established SBS Flec Net Co., Ltd.
Jul. 2015	Merged SBS Sokuhai Co., Ltd. and SBS Support Logi Co., Ltd. to establish SBS Sokuhai Support Co., Ltd.
Aug. 2015	Established SBS Logistics Singapore Pte. Ltd., a company for Asian business control in Singapore
Aug. 2018	Acquired Ricoh Logistics System Co., Ltd. (now SBS Ricoh Logistics System) through M&A
Jun. 2019	With Keiyo Driving School Co., Ltd. as a surviving company, merged with and absorbed Anesaki Driving School Co., Ltd. to form SBS Driving School Co., Ltd.
Nov. 2020	Acquired Toshiba Logistics Co., Ltd. (now SBS Toshiba Logistics) through M&A
Dec. 2021	Acquired Furukawa Logistics Corp. (now SBS Furukawa Logistics), a logistics subsidiary of Furukawa Electric Co., Ltd., through M&A
Feb. 2022	Transferred and consolidated head office functions to Nishi-Shinjuku, Shinjuku-ku
Mar. 2022	Transferred and consolidated Group head office functions to Nishi-Shinjuku
Apr. 2022	Transitioned to the Tokyo Stock Exchange Prime Market in conjunction with the TSE's market recategorization
Dec. 2022	Established LT Lab, an advanced LT testing facility
Jan. 2023	Launched "EC Logistics Omakase-kun," a platform to provide fulfillment services for EC business

Source: Prepared by FISCO from the Company's website, securities report, and Company releases

Company overview

2. Business description

The Company has three business segments: Logistics business, Property Management business, and Other business. The Logistics business is a mainstay business, accounting for over 90% of net sales and the majority of operating income. In FY12/21 in particular, the addition of SBS Toshiba Logistics further increased the compositional ratio of the Logistics business. The Property Management business may potentially experience significant profit fluctuations depending on the timing and scale of liquidation of developed logistics facilities. An overview by business segment follows.



Source: Prepared by FISCO from the Company's financial results

(1) Logistics business

Looking at the breakdown of net sales in the Logistics business for FY12/22 by type of logistics, general logistics made up the majority at around 70%, followed by food product logistics at around 20%, and delivery services at just under 10%. By company, two companies accounted for the majority of net sales in the segment: SBS Toshiba Logistics, which accounted for a significant share of around 30%, followed by SBS Ricoh Logistics System, which handles logistics and 3PL for RICOH <7752> products and “Tanome-ru” (office supplies mail order sales) from OTSUKA CORPORATION <4768>, making up around 25%. In addition, SBS Logicom, which handles e-commerce logistics and high mix low volume 3PL, such as retail, SBS Flec, which mainly focuses on food logistics and low-temperature logistics, and SBS Sokuhai Support Co., Ltd., which provides same-day delivery between individuals and companies, and for individuals, SBS Zentsu Co., Ltd., which conducts individual deliveries (consumer co-op), and agricultural produce logistics, and SBS Furukawa Logistics, which became a subsidiary at the end of 2021. In terms of operating areas, SBS Toshiba Logistics, SBS Ricoh Logistics and SBS Furukawa Logistics operate nationwide, SBS Sokuhai Support operates in the Tokyo metropolitan area, and other Group companies operate in major urban centers around Kanto, Kansai, and Chubu.

The Company made a full-scale start in the 3PL business about 12 years ago. This business has steadily developed customers such as food manufacturers, major distribution companies, and e-commerce operators, with its share of net sales of the Logistics business rising to about 54% in FY12/22. Furthermore, the ratio of sales of the overseas logistics business has also increased to about 12% with the addition of SBS Ricoh Logistics System and SBS Toshiba Logistics as subsidiaries.

Company overview

(2) Property Management business

In the Property Management business, the Group is pursuing a growth strategy in which it develops logistics facilities to expand its 3PL business and liquidates them to rapidly recover capital investment funds, which it uses as development funding for new logistics facilities. In addition to revenue obtained through this liquidation of properties, the Group also receives rent revenue from office buildings and condominiums, and other properties that it owns, as well as from logistics facilities that do not house the Group's own operations and from which the Group receives rent only.

The Company's property liquidation business model is characterized by low-risk and high earnings. In developing new logistics facilities, it utilizes its special license as a logistics company and is able to reduce development costs through planning by its expert asset management team to realize competitively priced rent. Therefore, even if freight volume decreases due to factors such as economic downturns, work comes in from high priced warehouses, so that the Company is able to continue operating without a loss in capacity utilization. Furthermore, the Company operates on a principle of finalizing around 50% of the tenants before starting construction, which is another factor reducing costs as it allows the Company to envisage the customer and build for them while eliminating excess functions. The Company's 3PL locations operate with a capacity utilization of almost 100%, increasing their value as commercial property before selling them. Moreover, the Company continues to use the facilities under sale-and-lease back arrangements, ensuring the purchaser can secure stable profitability, thereby establishing a win-win relationship.

(3) Other business

In Other business, the Temporary Staffing business, which is centered on dispatch of light duty workers warehouses, accounts for over 50% of net sales. This is followed by the Marketing business (operation of pet food mail order website, e-commerce support services, etc.), which accounts for just over 20%, with the remainder made up of Solar Power Generation business, Environmental business, and the Insurance business, among others. In regard to Solar Power Generation business, the Company has installed solar panels on the roofs of its own logistics centers and offices, and has a generating capacity of approximately 13 MW as of the end of FY12/22.

Results trends

FY12/22 operating income reflected high marine and air freight rates and solid logistics volumes in Japan, reaching a record high for a fifth consecutive year

1. Outline of results for FY12/22

In FY12/22 consolidated results, net sales increased 12.9% YoY to ¥455,481mn, operating income rose 5.5% to ¥21,844mn, ordinary income increased 4.5% to ¥21,404mn, and net income attributable to owners of parent increased 8.7% to ¥11,732mn, with net sales, operating income, and ordinary income reaching record highs for the fifth consecutive year, and net income attributable to owners of parent achieving a record high for a fourth consecutive year. At the end of June 2022, the newly started Ami Logistics Center No. 2 (Ami, Ibaraki Prefecture) was lost to a fire, an unfortunate incident; however, the loss was covered by the expansion of the Logistics business, with sales and all levels of profit all ending higher YoY.

SBS Holdings, Inc. | 26-Apr.-2023
 2384 Tokyo Stock Exchange Prime Market | <https://www.sbs-group.co.jp/sbshlds/ir/>

Results trends

FY12/22 consolidated results

	FY12/21		Initial forecast	FY12/22			
	Results	Vs. sales		Results	Vs. sales	YoY	Vs. initial forecast
Net sales	403,485	-	430,000	455,481	-	12.9%	5.9%
Cost of sales	356,768	88.4%	-	404,945	88.9%	13.5%	-
Selling, general and administrative expenses	26,009	6.4%	-	28,692	6.3%	10.3%	-
Operating income	20,706	5.1%	21,500	21,844	4.8%	5.5%	1.6%
Ordinary income	20,489	5.1%	20,600	21,404	4.7%	4.5%	3.9%
Extraordinary gain or loss	-374	-	-	334	-	-	-
Net income attributable to owners of parent	10,790	2.7%	11,700	11,732	2.6%	8.7%	0.3%

Source: Prepared by FISCO from the Company's financial results

Net sales achieved double-digit growth, as Logistics business sales increased by ¥54,959mn YoY, mainly due to soaring marine and air freight rates and the effect of the yen's depreciation, the contribution of newly consolidated subsidiaries, increased logistics volume among existing customers, and the development of new customers, despite a decrease in Property Management business sales of ¥3,619mn due to a decrease in liquidation projects. Operating income increased because of a decrease of ¥1,344mn in common expenses, such as head office relocation expenses recorded in the previous fiscal year and advertising expenses, even though operating income decreased slightly in each business segment.

Extraordinary loss totaled ¥6,606mn, mainly comprising loss on fire of ¥4,578mn related to the Ami Logistics Center No. 2, loss on valuation of share of subsidiaries and associates of ¥744mn, and impairment loss of ¥902mn. However, extraordinary income of ¥6,940mn was recorded, mainly for insurance proceeds from disaster of ¥4,579mn and income of sales of fixed assets of ¥2,286mn. Moreover, the Company executed two M&As in FY12/22. Both of these involved companies becoming subsidiaries of the Group through investment by Nippon Logistics Future Investment Co., Ltd.* The impact on financial results is negligible.

* A fund operated by Development Bank of Japan, Ltd., co-founded by the Company and Development Bank of Japan in March 2020. The fund operates a scheme in which it invests in mid-sized and small-to medium-sized logistics operators facing management issues such as succession, then executes measures to increase value (including improvement of finances, establishment of compliance systems, etc.), before incorporating the target companies into the SBS Group.

M&A results for FY12/22

Company name	Business operations	Period of share acquisition (investment ratio)	Scale of sales
Soyu	Logistics operator specializing in frozen and chilled foods	April 2022 (100%)	¥300mn
EMC	Logistics operators undertaking contracted operations inside warehouses related to maintenance parts for machinery facilities, etc.	April 2022 (100%)	N.A.

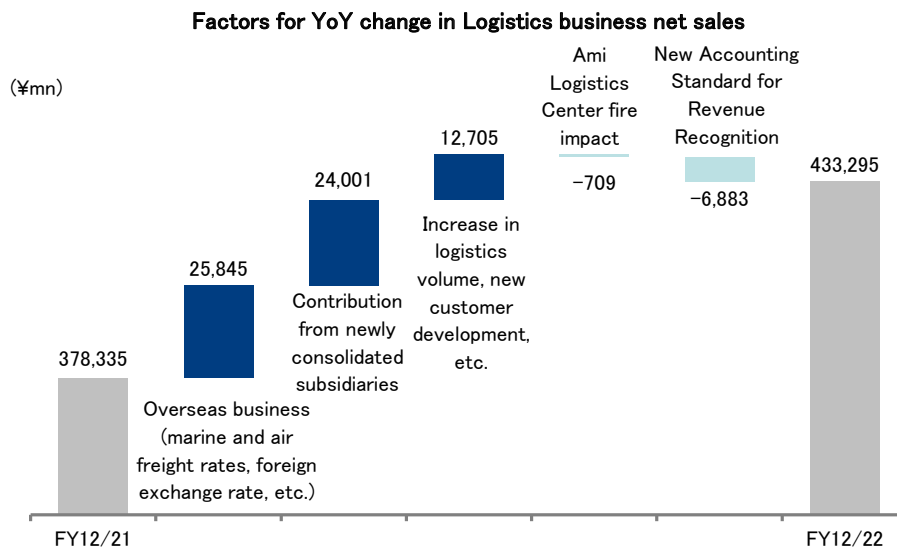
Note: Sotomo was absorbed by SBS Flec Net Co., Ltd. after becoming a subsidiary
 Source: Prepared by FISCO from the Company's releases

The Logistics business saw double-digit sales growth due to expansion of the overseas business and the effect of M&As

2. Trends by business segment

(1) Logistics business

Net sales in the Logistics business increased 14.5% YoY to ¥433,295mn, while operating income decreased 0.8% to ¥15,423mn. Looking at factors behind the change in net sales, overseas business sales increased ¥25,845mn due to high marine and air freight rates and the depreciation of the yen in foreign exchanges, while contribution from newly consolidated subsidiaries by M&A conducted in 2021, such as SBS Furukawa Logistics, was ¥24,001mn, and the impact of increased logistics volume among existing customers and development of new customers was an increase in sales of ¥12,705mn. On the other hand, sales decreased by ¥709mn due to the impact of a fire at Ami Logistics Center No. 2 (Ami Logistics Center No. 1 also received partial fire damage), and there was also a decrease of ¥6,883mn following the application of the “Accounting Standard for Revenue Recognition” among other factors. In the overseas business, the development of new customers (local Japanese manufacturers) by SBS Ricoh Logistics also contributed. In the domestic business, logistics of electronic devices and e-commerce continued to perform strongly.

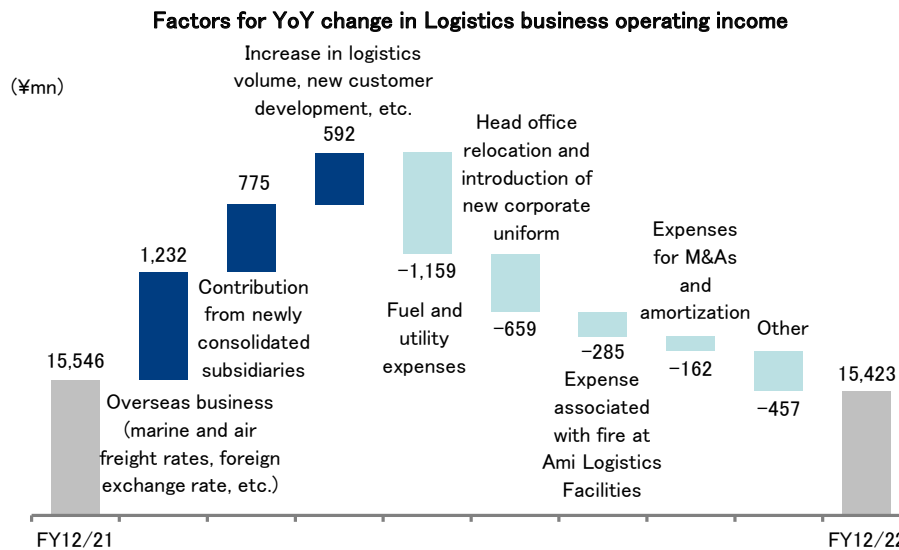


Source: Prepared by FISCO from the Company's financial results briefing materials

Results trends

Looking at factors for the change in operating income, the main factors increasing income were ¥1,232mn from an increase in sales of overseas business, ¥775mn in contribution from new consolidated subsidiaries, and ¥592mn from increase in logistics volume of existing customers and development of new customers, etc. The main factors decreasing income were ¥1,159mn* in increase in fuel and utility expenses, ¥659mn in expenses associated with head office relocation and introduction of a new corporate uniform, ¥285mn recorded in expenses associated with fire at Ami Logistics Facilities, ¥162mn in increase in M&A-related amortization cost, and ¥457mn in increase in other expenses. Discounting head office relocation and corporate uniform renewal expenses and fire response expenses, which are one-time expenses, operating income increased by about 5%. Moreover, the operating margin decreased from 4.1% in the previous fiscal year to 3.6%, however, this margin seems healthy considering that it was below the 3% level prior to FY12/20 and that one-time expenses were incurred.

* The average price of diesel increased from ¥103/L in FY12/21 to ¥114/L in FY12/22. An increase by ¥1/L has a negative impact on profits of around ¥30mn.



Source: Prepared by FISCO from the Company's financial results briefing materials

Looking at trends by main Group companies, SBS Toshiba Logistics net sales increased 16% YoY to ¥129.2bn, mainly due to growth in the overseas business. Since joining the Group, the company president has visited all business sites nationwide personally and worked to improve the environment for sharing and exchanging opinions on problems through communication with core personnel. In March 2022, the majority of head office functions were transferred from Kawasaki to Nishi Shinjuku, while transfer of the remaining divisions are scheduled for completion in October 2023. PMI related to information systems was completed by February 2023, and synergetic effects can be expected to emerge.

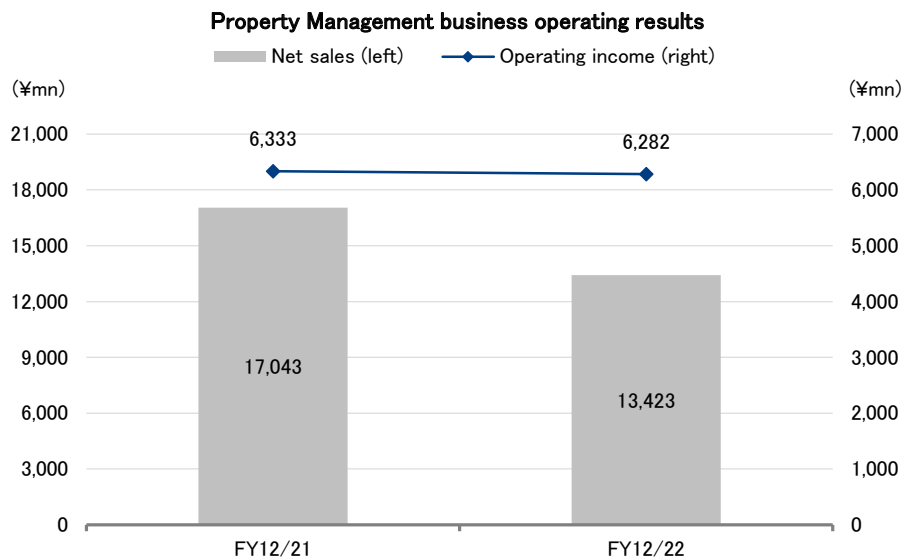
SBS Ricoh Logistics' net sales rose 20% YoY to ¥110.0bn, with profit also increasing. In addition to growth in the overseas business, the company also saw sales growth due to a contribution from the Yokohama-Kanazawa Distribution Center (Yokohama City, Kanagawa Prefecture, Total floor area: 53,553.7 m²). The Company has steadily acquired new customers outside of the former parent company, Ricoh Group, and has achieved average annual growth of 11.2% over the five years since its consolidation as a Group company.

Results trends

SBS Logicom is promoting increased efficiency and more sophisticated operations at its existing workplaces, and accelerating upfront investment in e-commerce logistics and 3PL. Food logistics companies SBS Flec and SBS Zentsu struggled to absorb cost increases, leading both to report decreased profits. SBS Sokuhai Support reported growth in sales and profits due to continued growth in delivery demand for a major e-commerce company.

(2) Property Management business

Net sales in the Property Management Business decreased 21.2% YoY to ¥13,423mn, while operating income decreased 0.8% to ¥6,282mn. Within this, the development business transferred a 60% stake of its trust beneficiary rights in Yokohama-Kanazawa Distribution Center in November 2022, recording a gain on sale of approximately ¥5.2bn as operating income. Although net sales decreased YoY, operating income increased slightly. On the other hand, in the leasing business, both net sales and operating decreased slightly after selling two residential properties between January and February 2023.



Source: Prepared by FISCO from the Company's financial results briefing materials

(3) Other business

Net sales in other business increased 8.1% YoY to ¥8,762mn, while operating income decreased 7.5% to ¥402mn. Sales increased due to growth in the Marketing business and Environmental business, while profit decreased due to an increase in costs in the Temporary Staffing business.

Steady improvement in financial condition due to earnings expansion

3. Financial condition and management indicators

In the Company's financial condition as of the end of FY12/22, total assets were up ¥19,701mn from the previous fiscal year-end to ¥296,898mn. Looking at the main factors behind the change, in current assets, there were respective increases in cash and deposits by ¥8,873mn, accounts receivable-trade and contract assets by ¥4,520mn, and inventories by ¥8,782mn. In noncurrent assets, property, plant and equipment decreased by ¥3,843mn, while intangible assets decreased by ¥1,296mn, mainly due to continued amortization of goodwill.

We encourage readers to review our complete legal statement on "Disclaimer" page.

Results trends

Total liabilities increased by ¥8,236mn from the previous fiscal year-end to ¥204,726mn. Income taxes payable decreased by ¥1,315mn, while interest-bearing debt increased by ¥5,438mn, notes and accounts payable-trade by ¥1,630mn, accounts payable and accrued expenses by ¥612mn, and retirement benefit liability by ¥737mn, respectively. Total net assets increased by ¥11,464mn from the previous fiscal year-end to ¥92,172mn. Retained earnings increased by ¥9,665mn, and non-controlling shareholders' equity increased by ¥1,755mn.

Looking at management indicators, the Company's KPIs show steady improvement in financial position due to earnings expansion, with the shareholders' equity ratio, a measure of stability, increasing from 21.9% at the previous fiscal year-end to 23.7%, and the net D/E ratio decreasing from 1.23 times to 1.01 times. Efficiency indicators ROA and ROE both decreased slightly YoY. While total assets and shareholders' equity increased with the expansion of business scale, changes in the sales composition ratio and other factors caused a slight decrease in profitability. However, the level is higher than that prior to FY12/20. The Company has set a target for bringing the shareholders' equity ratio up to 30% by FY12/25. While this is far from the current level, the Company aims to achieve it by expanding earning through generation of synergies through M&As and increasing productivity through the combination of Logistics Technology (LT) and IT ("LT×IT").

Consolidated balance sheet and management indicators

	(¥mn)				
	FY12/19	FY12/20	FY12/21	FY12/22	Difference
Current assets	64,376	104,530	121,541	146,023	24,482
(Cash and deposits)	18,503	27,543	23,800	32,673	8,873
(Inventories)	6,330	13,236	22,425	31,207	8,782
Noncurrent assets	115,671	150,020	155,655	150,874	-4,781
Total assets	180,047	254,550	277,197	296,898	19,701
Total liabilities	125,970	186,404	196,489	204,726	8,236
(Interest-bearing liabilities)	75,498	100,829	98,656	104,094	5,438
Total net assets	54,077	68,146	80,707	92,172	11,464
(Stability)					
Shareholders' equity ratio	25.1%	19.9%	21.9%	23.7%	1.8pt
Net Debt Equity Ratio (times)	1.26	1.44	1.23	1.01	-0.22
(Efficiency)					
ROA	5.8%	5.0%	7.7%	7.5%	-0.2pt
ROE	14.3%	14.2%	19.4%	17.9%	-1.5pt

Note: Net Debt Equity Ratio = Net interest-bearing liabilities (interest-bearing liabilities – cash and deposits) ÷ shareholders' equity
 Source: Prepared by FISCO from the Company's financial results

Results trends

Sales and profits are expected to continue increasing in FY12/23 as synergy effects with SBS Toshiba Logistics emerge

4. Outlook for FY12/23

In FY12/23 consolidated results, sales and profits are expected to continue increasing, with net sales expected to increase by 0.3% YoY to ¥457,000mn, operating income by 4.4% to ¥22,800mn, ordinary income by 4.2% to ¥22,300mn, and net income attributable to owners of parent by 2.3% to ¥12,000mn, respectively. In the Logistics business, a slight increase in sales and profits is forecast, with a projected decrease in sales of the overseas business due to a drop in marine and air freight rates expected to be absorbed by an increase in the domestic business driven by expansion in the domestic 3PL and e-commerce logistics businesses. Meanwhile, in the Property Management business, sales and profits are expected to increase due to liquidation of real estate, which is the main driver of expected profit increase in FY12/23. Sales are concentrated in 1H, so that FY12/23 operating income is expected to be weighted towards 1H (up 63.0% from 1H FY12/22 to ¥13,600mn). In the delivery business, major competitors have announced a series of price increases citing increasing costs, and the Company has also been requesting price increases. However, apparently the price increase may be smaller than that of competitors, pointing to an opportunity for expanding market share.

Outlook for FY12/23

	FY12/22		FY12/23			
	Results	YoY	1H forecast	YoY	Full-year forecast	YoY
Net sales	455,481	12.9%	228,000	5.1%	457,000	0.3%
Operating income	21,844	5.5%	13,600	63.0%	22,800	4.4%
Ordinary income	21,404	4.5%	13,300	61.2%	22,300	4.2%
Net income attributable to owners of parent	11,732	8.7%	7,800	311.5%	12,000	2.3%
Net income per share (¥)	295.39		196.39		302.13	

Source: Prepared by FISCO from the Company's financial results

Operating income is set to increase by around ¥1.0bn YoY. The main factors behind the expected increase will be the effect of higher sales in the domestic Logistics business, an increase in profit in the Property Management business, the absence of one-time expenses, and a decrease in goodwill amortization cost. Factors expected to decrease profits include lower sales in the overseas Logistic business, an increase in head office expenses (operation expenses, lease fees, LT-related investment expenses, etc.), PMI* expenses, and the end of special projects related to COVID-19 in the Logistics business. Furthermore, the assumed exchange rate is ¥133/US \$1 (result for FY12/22: ¥131.4/US \$1).

* Integration process to maximize synergy effects after M&A. Includes replacement of mission critical systems, etc.

Results trends

Outlook by business segment

	(¥mn)				
	FY12/20	FY12/21	FY12/22	FY12/23 E	YoY
Net sales	257,192	403,485	455,481	457,000	0.3%
Logistics business	240,818	378,335	433,295	433,500	0.0%
Property Management business	9,349	17,043	13,423	14,300	6.5%
Other business	7,024	8,106	8,762	9,200	5.0%
Operating income	10,960	20,706	21,844	22,800	4.4%
Logistics business	5,990	15,546	15,423	15,500	0.5%
Property Management business	4,558	6,333	6,282	7,500	19.4%
Other business	254	435	402	300	-25.5%
Adjustments	157	-1,609	-264	-500	-
Operating income margin	4.3%	5.1%	4.8%	5.0%	0.2pt
Logistics business	2.5%	4.1%	3.6%	3.6%	0.0pt
Property Management business	48.8%	37.2%	46.8%	52.4%	5.6pt
Other business	3.6%	5.4%	4.6%	3.3%	-1.3pt

Source: Prepared by FISCO from the Company's financial results briefing materials

(1) Logistics business

Net sales in the Logistics business are forecast to increase slightly YoY to ¥433,500mn, while operating income is expected to increase 0.5% to ¥15,500mn. Sales in the overseas Logistics business are expected to decrease by around ¥20.0bn due to a decrease in marine and air freight rates, which the Company plans to absorb by expansion of the domestic 3PL and e-commerce logistics businesses and others. Marine and air freight rates peaked in FY12/22 at around 10 times pre-COVID-19 levels, and recently returned by around 70%-80%. At some point both rates are expected to return to pre-COVID-19 levels (around ¥300,000).

In e-commerce logistics, the Company launched "EC Logistics Omakase-kun" in December 2022 as a platform providing a full-line of services from the upstream processes of the e-commerce business (e-commerce website construction, customer attraction support) to the downstream processes (delivery and after-sales service), and is working to develop new customers among start-ups and small- to medium-sized e-commerce companies. In the past, Group companies each worked to develop their respective customer bases, but this platform enables efficient customer development and optimal resource allocation through centralized management, and deserves attention as an initiative that should drive growth acceleration for the business. The Company's policy is to acquire customers by strengthening promotion, including TV commercials to increase recognition, and by appealing the cost benefits. Inquiries have already started to grow, and future trends will be watched with interest.

In addition, PMI of SBS Toshiba Logistics appears to be proceeding smoothly, with IT infrastructure-related PMI completed in February 2023. In March, the Company set up a sales development division (just under 40 staff) to develop new customers. The effects of these initiatives are expected to emerge in 2H FY12/23 and contribute to an increase in sales.

(2) Property Management business

Net sales in the Property Management business are forecast to increase 6.5% to ¥14,300mn and operating income to increase 19.4% to ¥7,500mn. Rental revenue is expected to continue at the same level as FY12/22, but property liquidation is expected to be a factor driving higher sales and profits. In February 2023, the Company already transferred the remaining 40% of trust beneficiary interests in Yokohama-Kanazawa Distribution Center, and in March it is expected to transfer Higashi-Ogishima Warehouse, and to record gain on transfer of approximately ¥6.9bn in 1Q FY12/23.

Results trends

(3) Other business

In Other business, net sales are expected to increase by 5.0% YoY to ¥9,200mn and operating income to decrease by 25.5% to ¥300mn. The Solar Power Generation business is set to have level sales, while the Marketing business, Temporary Staffing business, and Environmental business are also expected to see sales increase. The Company is forecasting a decrease in profit due to continued investment in human resources and so forth.

■ Medium-term management plan

Formulated a medium-term management plan aiming for net sales of ¥500.0bn and operating income of ¥27.5bn in FY12/25

The Company has been advocating mega-ventures growing with “LT×IT.” It has formulated a three-year medium-term management plan, “SBS Next Stage 2025,” starting from FY12/23, under which it seeks to solidify its position as the industry leader, meet the logistics needs of all its customers, and be company that coexists with and is trusted by society.

The Company’s management vision consists of three points: 1. Contribute to the creation of value for customers through the provision of services; 2. Emphasize ESG as social infrastructure and contribute to all stakeholders; and 3. Continuously return profits to shareholders in line with business performance. Its policy is to aim for sustainable growth by engaging in the following priority measures.

1. Priority measures

(1) Enhance the overall strength of the Group (group platform strategy and unique strategies of each company)

a) 3PL business

The Company will solidify its position as industry leader in the 3PL business, realizing unrivaled competitive strength by developing its unique business model fused with logistics facility development. In addition, the Company will strengthen its sales development capability through aggressive investment of human resources, not only to strengthen transactions with existing customers, but also to aggressively develop new customers and markets. Moreover, in addition to providing services on the logistics front line, the Company will take a management perspective in providing logistics strategies and schemes with a view to proposing high-value-added 3PL (known as “4PL”). The Group plans to develop 4PL proposals by sharing expertise of SBS Toshiba Logistics throughout the Group. Through a multidirectional sales approach, targeting development of new customers and deepening of relationships with existing customers, the Company aims to steadily increase net sales, aiming for ¥256.0bn in FY12/25 (¥232.bn in FY12/22), with the Logistics business making up 54.7% of net sales (53.5% in FY12/22).

b) E-commerce logistics

The B2C e-commerce merchandise market in Japan is projected to continue growing steadily, from ¥13.2tn* in 2021 to ¥20.0tn in 2030 (4.6% growth per annum). By aggressively capturing this market, the Group is targeting an increase of ¥100.0bn in e-commerce logistics-related net sales by FY12/30 (the “EC1000” project).

* Source: Ministry of Economy, Trade and Industry “FY2021 E-Commerce Market Survey to analyze the current state of the Japanese e-commerce (EC) market”

Medium-term management plan

In obtaining new customers, the Company is taking a three-point approach involving technology, infrastructure, and marketing, from start-up companies to large-scale EC companies including the B2B domain. In technology, the Company will provide low-cost, robust logistics services through high-level designs using next-generation robots, in line with the development and collaboration policy categorized and defined by industry and scale using IT. In infrastructure, the Company aims to develop logistics centers that consolidate the e-commerce field and build last-mile networks including its own Group companies and collaborating partners. In marketing, the Company will provide platforms optimized by industry and a menu of logistics processes to meet the needs of a wide range of customers.

In January 2023, the Company launched the “EC Logistics Omakase-kun,” a platform providing fulfillment services for the e-commerce business. At this stage, the Company is working to capture customers among small- to medium-size e-commerce companies, and then strengthen its operational expertise and competitive capabilities with the aim of capturing large-scale e-commerce companies. The e-commerce logistics strategy base, Noda Seto Distribution Center Building A, (Noda City, Chiba Prefecture, total floor area: approx. 167,934 m²) is scheduled to commence operations in January 2024.

EC1000 Project promotion flow

Area	Up to FY12/22	FY12/23	FY12/24	FY12/25–FY12/30
Dedicated e-commerce logistics branch	0 m ² <ul style="list-style-type: none"> Located alongside some of the bases 	More than 17,000 m ² <ul style="list-style-type: none"> Establishment of dedicated e-commerce logistics zones within sites (10 sites, mainly in the Tokyo metropolitan area, with a total floor area of 17,000 m²). 	More than 33,000 m ² <ul style="list-style-type: none"> Operation of the e-commerce logistics strategy base Noda Seto Distribution Center 	More than 660,000 m ² <ul style="list-style-type: none"> Nationwide expansion of dedicated bases (over 33,000 m²) Establishment of Centers for Diversification, Consolidation and Collaboration (33,000 m² or less) as appropriate
LT×IT	<ul style="list-style-type: none"> Specialist LT and IT departments set up across the Group Over 200 staff in place 	<ul style="list-style-type: none"> Full-scale operation of LT Lab (LT planning and collection of operation data for dedicated e-commerce sites) Launch of common IT infrastructure for e-commerce 	<ul style="list-style-type: none"> Accelerate introduction of selected equipment through demonstration tests to new centers and existing sites Collaboration/expansion of functions of e-commerce shared IT base 	<ul style="list-style-type: none"> Efforts for Further Efficiency Industry-specific IT base for e-commerce + Collaboration of added value/expansion of functions
Service	<ul style="list-style-type: none"> Individual responses to customer needs 	<ul style="list-style-type: none"> Platform “EC Logistics Omakase-Kun” (e-commerce construction support + distribution processing + last mile service) 	<ul style="list-style-type: none"> Ability to propose solutions to SCM/ management issues (cross-border, forwarding, store x centralization of e-commerce inventory, etc.) 	
Customer base	<ul style="list-style-type: none"> 3PL-derived e-commerce for major B2B customers Last mile entrustment 	<ul style="list-style-type: none"> Small & Middle-sized e-commerce companies (multi-tenant) 	<ul style="list-style-type: none"> +Middle-sized e-commerce companies (Some automation x quality requirements) +Large e-commerce companies (Reduce opportunity losses, optimize inventory, and minimize logistics costs) 	

Source: Prepared by FISCO from the Company's financial results briefing materials

c) International logistics

The Company has broadly completed consolidation and reorganization of its overseas Group businesses around SBS Ricoh Logistics, and is promoting information sharing and efficiency. The Company's policy is to utilize the network platform that it has built, to strengthen the international-related business centered on overseas service entrustment for domestic 3PL customers. Looking at the structure by area, in China and Southeast Asia, in addition to production logistics for manufacturers the Company will expand overseas business entrustment for domestic 3PL customers. In the United States and Europe, the Company aims to capture new services through internal Group cooperation. Moreover, to deepen other international logistics business, the Company will focus on capturing new business deals through collaboration with third-party forwarders and on development of new customers in the cross-border e-commerce field.

Medium-term management plan

(2) Develop and expand logistics business infrastructure

The Company will strengthen the infrastructure supporting the logistics business, such as 3PL, e-commerce logistics, and last-mile services (logistics facilities, distribution networks, human resources). With regard to logistics facilities, in addition to approx. 2,677,685 m² (810,000 tsubo) of total floor area as of the end of December 2022, when including sites currently planned, the Company has secured sites totaling 3,438,016 m² (1.04 million tsubo) of land, and once this area is made operational, the net sales target of ¥500.0bn for FY12/25 will be very achievable. For the FY12/26 onward, the Company will continue to acquire sites centered on the Kanto and Kansai regions. The Company has grown using a business model in which it utilizes its license as a logistics company to acquire land at low cost, then enhances its cost competitiveness by developing logistics facilities itself, before liquidating the facilities to recover its investment funds, which are then allocated to fund the development of the next logistic facilities. It will continue to follow this strategy. It will also engage in the establishment of dedicated e-commerce logistics centers and increasing added value (design of next-generation general purpose warehouses, installation of solar power generation equipment, etc.) In enhancing its distribution network, the Group will undertake nationwide development of its domestic e-commerce logistics network, rebuilding of its frozen and chilled B2B national distribution network, and promote strengthening of its core network and last-mile network through M&As. Meanwhile, overseas, the Company is proceeding to build a globally integrated full-line system. With regard to human resources, the Company will strengthen recruitment and enhance its resources by conducting re-skilling and personal exchanges within the Group.

Medium-term management plan

Operating floor area of Group logistics facilities

Name	Location	Operating (consolidated) time	Total floor areas (tsubo)	Type	Operating company
Operating floor area up to the end of FY12/20			531,000		
SBS Toshiba Logistics	Nationwide	January 2021	200,000	M&A	SBS Toshiba Logistics
TOYO WAREHOUSE & TRANSPORTATION	Kanagawa, Tokyo	Jan. 2021	18,000	M&A	TOYO WAREHOUSE & TRANSPORTATION
Yokohama-Kanazawa Distribution Center	Kanagawa	Nov. 2021	16,200	In-house development	SBS Ricoh Logistics System
SBS Furukawa Logistics	Nationwide	Jan. 2022	23,000	M&A	SBS Furukawa Logistics
Atsugi Distribution Center	Kanagawa	May 2022	17,400	Wholesale lease (on a building)	SBS Ricoh Logistics System
Osaka Ishikiri Branch	Osaka	June 2022	4,900	Wholesale lease (on a building)	SBS Logicom
Ichikawa Cold Center	Chiba	Oct. 2022	2,600	Rent	SBS Zentsu
Operational area by the end of Dec. 2022			813,100		
Distribution Center Ichinomiya (tentative name)	Aichi	Apr. 2023	17,400	In-house development	SBS Ricoh Logistics System
Osaka Suminoe Distribution Center (tentative name)		Apr. 2023	5,900	Wholesale lease (on a building)	SBS Toshiba Logistics
Noda Seto Bldg. A	Chiba	Jan. 2024	50,800	In-house development	SBS Asset Management
Noda Seto Bldg. B	Chiba	Planned	39,500	In-house development	SBS Asset Management
Tomisato (land)	Chiba	Planned	28,400	In-house development	SBS Asset Management
Tokorozawa (land A)	Saitama	Planned	7,000	In-house development	SBS Logicom
Tokorozawa (land B)	Saitama	Planned	4,000	In-house development	SBS Sokuhai Support
Kashiwazaki Warehouse	Niigata	Under construction	600	In-house development	SBS Toshiba Logistics
Mie Warehouse	Mie	Under construction	600	In-house development	SBS Toshiba Logistics
Yokoshibahikari-cho Land	Chiba	Planned	60,000	In-house development	SBS Logicom
Kasumigaura City Land	Ibaraki	Planned	15,000	In-house development	SBS Logicom
Planned floor area expansion from Jan. 2023 onward			229,200		
Total operating area (existing + planned)			1,042,300		

Source: Prepared by FISCO from the Company's financial results briefing materials

(3) LT × IT = Logistics DX

The Company aims to achieve industry leading labor-saving and increase productivity by promoting "LT×IT." In December 2022, it established the LT Lab as a testing facility for advanced LT. At the lab, around 40 LT specialists from all Group companies come together to examine the operation of next-generation robots from Japan and overseas and collect data, and promote the introduction of robots that can be expected to produce outcomes. Meanwhile, at existing logistics facilities, the Company conducts trial testing of robotics under a demonstration environment and plans the introduction of the optimal next-generation robots for the frontline environment. SBS Ricoh Logistics System and SBS Toshiba Logistics have many LT and IT specialists, and appear to be leaders in initiatives in the LT field. The effects of LT×IT on productivity improvement are expected to emerge from FY12/25 onward, after the start-up period following the start of operations of Noda Seto Distribution Center Building. A.

Medium-term management plan

(4) Strengthen the foundations of sustainability management

The Company aims to realize a balance between a sustainable society and corporate value by strengthening governance to support sustainability and tackling priority issues (materiality) in the three areas of safety, environment, and human resources. Within materiality, in the area of safety, the Company is working to realize the provision of safe and secure logistics services targeting zero major accidents by promoting operational safety management and implementing a safety education curriculum. In the area of environment, it aims to reduce emissions of greenhouse gases by taking steps to introduce next-generation automobiles and improving fuel efficiency, as well as developing logistics facilities with increased efficiency using "LT×IT." In the area of human resources, the Company will enhance its human resource and organization capabilities to strengthen the combined capabilities of the Group.

2. Management indices

For FY12/23, the Company's targets are net sales of ¥457.0bn, operating income of ¥27.5bn, and an operating margin of 5.0%, and for FY12/25, net sales of ¥500.0bn, operating income of ¥27.5bn, and an operating margin of 5.5%. The target CAGR for net sales over the three-year period is 4.5%. While growth in FY12/23 is expected to be muted due to the impact of a reactionary decline in marine and air freight rates, the Company plans to accelerate growth from FY12/24. For the shareholders' equity ratio, the Company is targeting 30.0% by the end of FY12/25, following growth in earnings (23.7% at the end of FY12/22).

Management indices

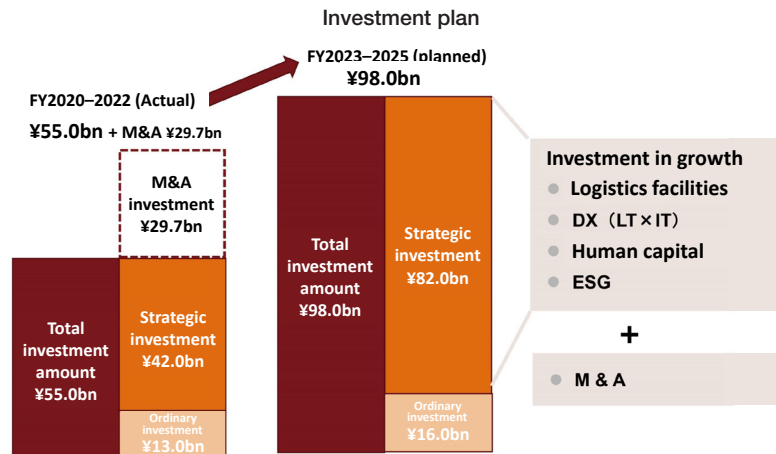
	FY12/22 results	FY12/23 (planned)	FY12/25 (planned)	CAGR (FY12/23-FY12/25)
	(¥bn)			
Net sales	455.5	457.0	500.0	4.5%
Logistics business	433.3	433.5	468.1	3.9%
Property Management business	13.4	14.3	21.9	23.8%
Other business	8.8	9.2	10.0	4.3%
Operating income	21.8	22.8	27.5	9.8%
Logistics business	15.4	15.5	19.0	10.7%
Property Management business	6.3	7.5	8.0	3.3%
Other business	0.4	0.3	0.5	29.1%
(Operating income margin)	4.8%	5.0%	5.5%	
Shareholders' equity ratio	23.7%	25.5%	30.0%	

Source: Prepared by FISCO from the Company's medium-term management plan

By business segment, all businesses are expected to expand over the three-year period, centered on the mainstay Logistics business, which is expected to see net sales CAGR of 3.9% and operating income CAGR of 10.7% by promoting the priority measures. The segment operating margin is expected to increase from 3.6% in FY12/22 to 4.1% in FY12/25. Primarily, this reflects expected increases in operating income with the emergence of PMI effects at SBS Ricoh Logistics System, SBS Toshiba Logistics, and SBS Furukawa Logistics. The effect of introducing LT×IT are expected to emerge from FY12/25. The Property Management business is expected to see net sales CAGR of 23.8% and operating income CAGR of 3.3% mainly reflecting the sale of logistics facilities. Other business is projecting net sales CAGR of 4.3% and operating income CAGR of 29.1%, driven by growth in the marketing business following expansion of the e-commerce field.

Medium-term management plan

Over the three-year period, the Company is planning total investment of ¥98.0bn (excluding M&A), an increase of 1.8 times from the investment amount in the past three years (¥55.0bn). Breaking this down, the investment plans include ordinary investments of ¥16.0bn (¥13.0bn for the past three years) and strategic investments of ¥82.0bn (¥42.0bn), aimed at developing logistics facility and the LT×IT field. The Company is also examining M&A at the same time, looking to achieve net sales of ¥700.0bn by FY12/30. Investments are to be funded by own capital and borrowings, as well as early liquidation of logistics facilities.



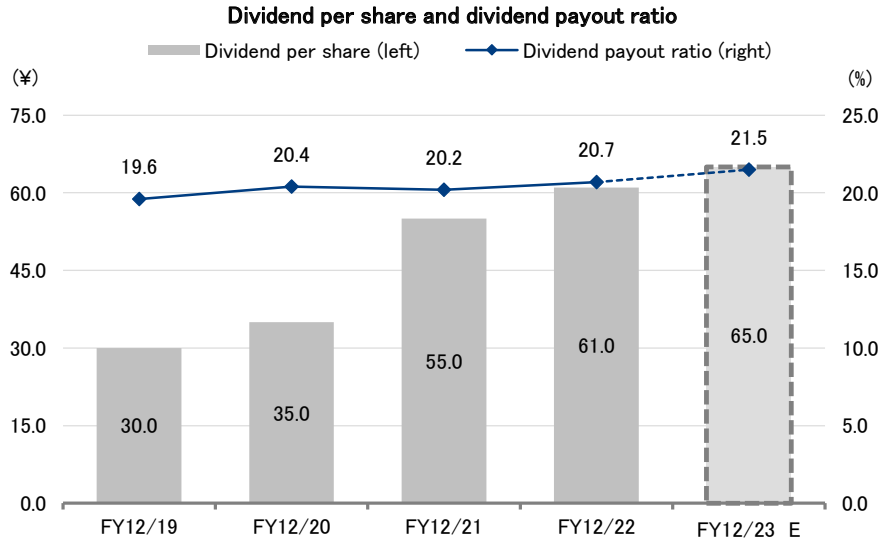
Source: Prepared from the Company's medium-term management plan

Shareholder return policy

Aiming to maintain continuous dividends and increase the level of dividends in line with operating results

The Company's basic policy for shareholder returns is to maintain continuous dividends and increase the level of dividends in line with operating results. The per-share dividend for FY12/22 was ¥61.0 (dividend payout ratio of 20.7%), an increase of ¥6.0 YoY and ¥2.0 more than initially planned. For FY12/23, the Company plans to increase the dividend by ¥4.0 YoY to ¥65.0 per share (dividend payout ratio of 21.5%). In future, the Company intends to increase the dividend payout ratio from its current level just above 20% to around 30%.

Shareholder return policy



Source: Prepared by FISCO from the Company's financial results



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