

# **SBS Holdings, Inc.**

**2384**

Tokyo Stock Exchange Prime Market

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## Summary

### Aiming for further growth through strengthening 3PL, EC logistics and international logistics and generating Group synergies

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, the scope of its sales grew by roughly 3 times.

#### 1. Outline of results for 1H FY12/23

In 1H FY12/23 (January to June 2023) consolidated results, the Company recorded increased sales and profits, with net sales up 2.7% year-on-year (YoY) to ¥222,666mn, and operating income up 70.7% to ¥14,242mn. In the mainstay Logistics business, international logistics sales decreased due to a decline in marine freight rates and shipping volume while launch costs and utility charges increased in connection with the opening of new facilities domestically. These factors led net sales to decline by 2.9% YoY and operating income to fall by 15.0%, so both sales and profit declined. However, in the Property Management business, the Company posted sales gains of approximately ¥6.9bn as a result of liquidating two properties, and this offset the decline in the Logistics business. Overall results were generally in line with initial forecasts, but in the Logistics business, progress was slower than projected due to the slump in international logistics and other factors. Results dropped to the level prior to the increase in marine freight rates that occurred in the same period the previous year, and shipping volumes for semiconductors and home appliance products also stagnated with the slowdown in the global economy.

#### 2. Outlook for FY12/23

For FY12/23 consolidated results, the Company maintained its initial forecasts, which call for net sales to increase 0.3% YoY to ¥457,000mn, and operating income to increase 4.4% to ¥22,800mn. However, entering the third quarter, international logistics appears to continue to be weak, so unless conditions change it is possible that forecasts will not be met. For this reason, the Company plans to adjust rates in the second half as well and make up for the downturn in overseas business by strengthening new customer acquisition and working to improve operating efficiency. Supposing FY12/23 results fall short of forecasts, FISCO believes there is a strong possibility that the Company gets back on a growth track in FY12/24 as a result of various measures. SBS Toshiba Logistics has launched a new sales organization to acquire new customers, and new customers outside the Toshiba Group are being acquired, so results are starting to emerge. This is expected to drive results going forward along with growth in the EC logistics business.

## Summary

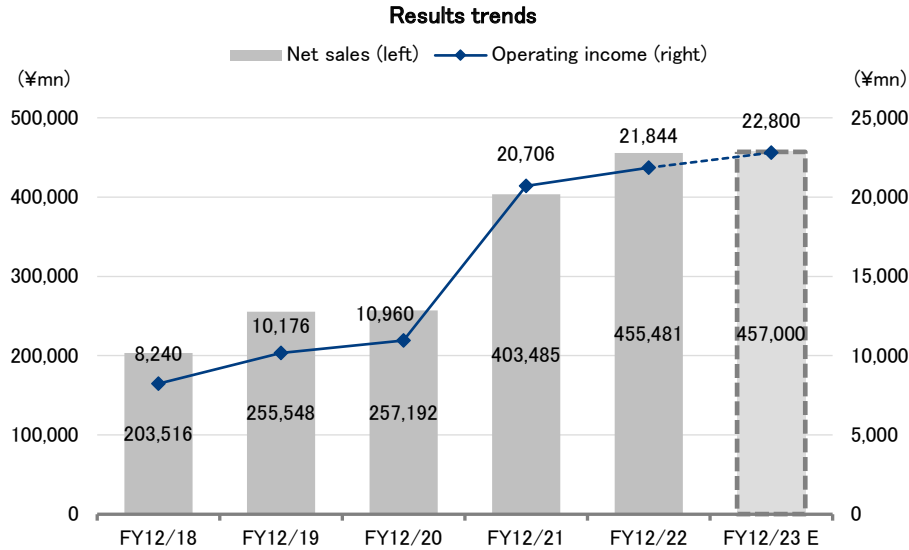
### 3. Growth strategy

As for the results targets of SBS Next Stage 2025, the Company's medium-term management plan that started in FY12/23, the Company is aiming for net sales of ¥500.0bn, operating income of ¥27.5bn and an operating margin of 5.5% in FY12/25. Regarding priority measures, it plans to draw on the strengths of Group companies to further strengthen inter-company logistics centering on 3PL, accelerate EC logistics, where market growth is expected, and expand its international logistics business. In particular, in EC logistics, the first floor (33,000m<sup>2</sup>) of the Noda Seto Distribution Center (tentative name), which is scheduled to open in January 2024, will be used exclusively for EC, and the Company is currently focused on customer acquisition in order to launch a competitive site with high productivity that combines the Company's LT x IT technological capability and operating know-how. In addition, in order to strengthen competitiveness in international logistics, SBS Toshiba Logistics and SBS Ricoh Logistics began joint purchasing of containers and other items for forwarding operations in spring 2023. The overseas sites of other Group companies will be integrated into SBS Ricoh Logistics before the end of the year, so the Company's international logistics will be consolidated into a two-company system. The operating floor area of logistics facilities was 2,790,082m<sup>2</sup> at the end of June 2023, but the Company has secured sites that will increase this number by 1.27 times to 3,547,107m<sup>2</sup>, which includes facilities currently being planned. The Company intends to expand its business while opening and liquidating these facilities in stages. The Company has a track record of continuing to grow while pursuing Group synergies through M&A. Going forward, FISCO believes that further growth can be expected from the execution of these strategies. 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 plans to increase the dividend per share in FY12/23 for the sixth consecutive period 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 consisting of 3PL and liquidation of in-house developed logistics facilities and M&A strategy
- In 1H FY12/23 results, sales and profit increased owing to real estate liquidation
- By focusing on rate adjustments and acquiring new customers, the Company aims to achieve its full-year forecasts
- In FY12/25, aims for net sales of ¥500.0bn, operating income of ¥27.5bn, and an operating income margin of 5.5%

Summary



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

## Company overview

**Continuing to grow thanks to its unique business model consisting of 3PL and liquidation of in-house developed logistics facilities and M&A strategy**

### 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 international logistics 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 is developing a strategy that involves utilizing their resources to once again expand its international logistics business going forward.

### History

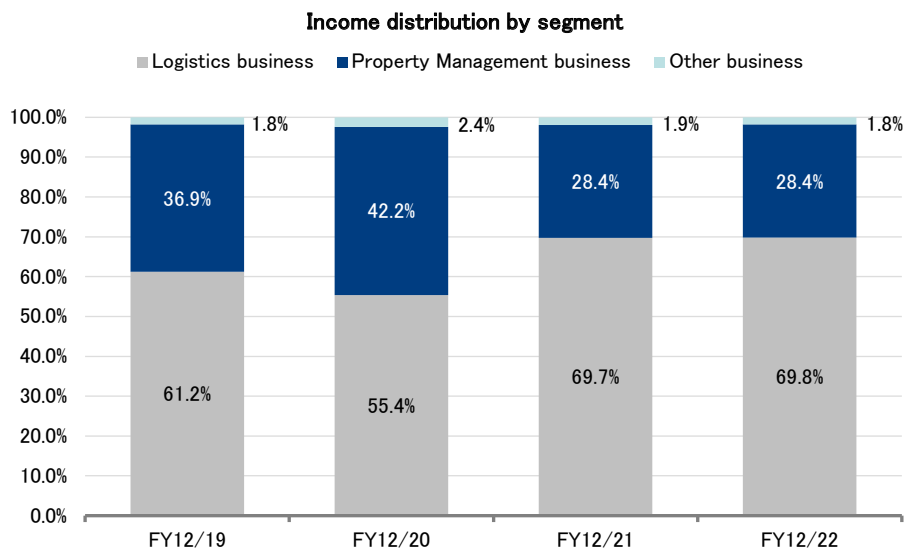
Date	
Dec. 1987	Established Kanto Sokuhai Co., Ltd. (now SBS Holdings), began same-day deliver operations in the Tokyo metropolitan area
Apr. 1994	Started a mailing service business
Mar. 1998	Established a marketing business (Marketing Partner, Inc.)
Dec. 2003	Registered over-the-counter shares with 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 up to just under 70%. The Property Management business may potentially experience significant profit fluctuations depending on the timing and scale of liquidation of owned 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 72%, followed by food product logistics at 20%, and delivery services at 8%. Looking at the breakdown (companywide) by company, two companies accounted for the majority of net sales in the segment: SBS Toshiba Logistics, which accounted for a significant share of 28%, 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 24%. These were followed by SBS Logicom, which handles EC logistics and high mix low volume 3PL, such as retail, at 19%; SBS Flec, which mainly focuses on food logistics and low-temperature logistics, at 10%; and SBS Sokuhai Support Co., Ltd., which provides same-day delivery between individuals and companies, and for individuals, at 8%; and SBS Zentsu Co., Ltd., which conducts individual deliveries (consumer co-op), and agricultural produce logistics, at 5%, followed by SBS Furukawa Logistics, which became a subsidiary at the end of 2021, among others. In terms of operating areas, SBS Toshiba Logistics, SBS Ricoh Logistics, SBS Flec 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.

#### Company overview

Under the growth strategy of the medium-term management plan, which started in FY12/23, the Company intends to strengthen the three businesses of 3PL, EC logistics and international logistics. Looking at the sales shares of these three businesses, in 1H FY12/23, 3PL accounted for 58%\* of sales while EC logistics and international logistics accounted for around 15% each of the Logistics business.

| \* 3PL's sales share is by contract type, so in some cases it includes EC logistics and international logistics. |

### (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

### In 1H FY12/23 results, sales and profit increased owing to real estate liquidation

#### 1. Outline of results for 1H FY12/23

In 1H FY12/23 consolidated results, the Company achieved increased sales and profits, setting record highs for 1H as net sales increased 2.7% YoY to ¥222,666mn, operating income rose 70.7% to ¥14,242mn, ordinary income increased 74.0% to ¥14,349mn, and net income attributable to owners of parent increased 331.9% to ¥8,186mn. In the Logistics Business, sales and profit decreased due to a decline in overseas logistics sales, startup costs for new domestic facilities, and an increase in utility charges, but this was offset by increased earnings in the Property Management business from the liquidation of two logistics properties. In addition, loss on fire of ¥4,578mn related to a logistics facility that was posted in extraordinary losses in the same period last year dropped off, which made a contribution and led to a major increase in profit on quarterly net income basis.

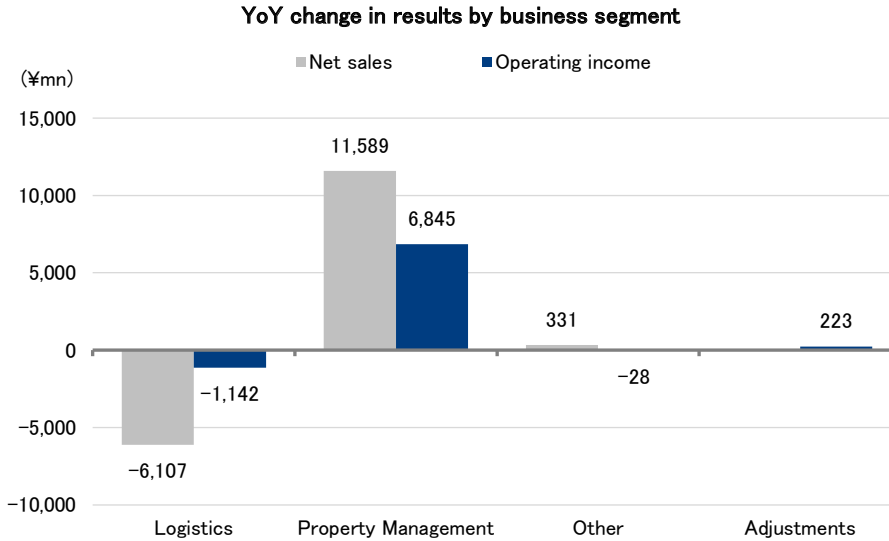
Compared to the Company's forecasts, due to stagnation in the Logistics business, net sales were short by 2.3%, but operating income exceeded the forecast by 4.7% due in part to conservatively estimating head office costs, so at each profit stage, results were slightly above forecasts.

#### 1H FY12/23 consolidated results

	1H FY12/22		Initial forecast	1H FY12/23			
	Results	Vs. sales		Results	Vs. sales	YoY	Vs. forecast
Net sales	216,852	-	228,000	222,666	-	2.7%	-2.3%
Cost of sales	194,410	89.7%	-	193,542	86.9%	-0.4%	-
Selling, general and administrative expenses	14,099	6.5%	-	14,881	6.7%	5.5%	-
Operating income	8,343	3.8%	13,600	14,242	6.4%	70.7%	4.7%
Ordinary income	8,248	3.8%	13,300	14,349	6.4%	74.0%	7.9%
Extraordinary gain or loss	-3,121	-	-	169	-	-	-
Net income attributable to owners of parent	1,895	0.9%	7,800	8,186	3.7%	331.9%	4.9%

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

Results trends



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

**Logistics business saw lower sales and profit, despite progress in acquiring new customers, due to a decrease in overseas logistics and an increase in new facility launch costs**

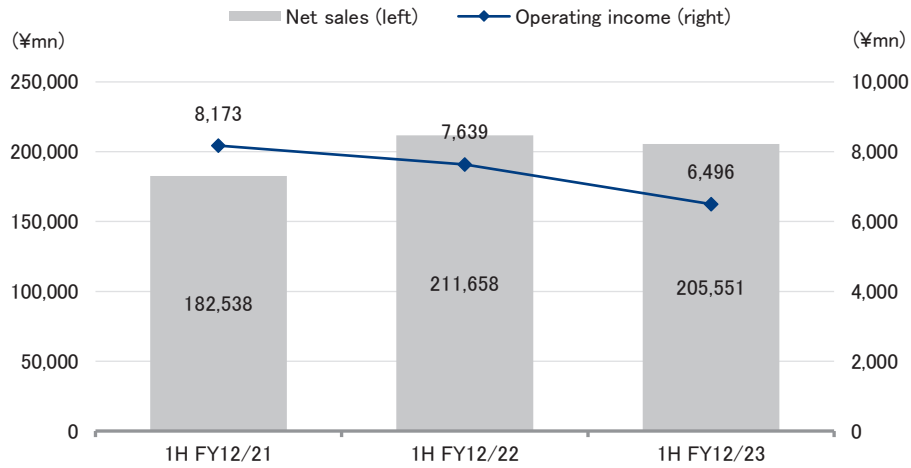
2. Trends by business segment

(1) Logistics business

Net sales in the Logistics business decreased 2.9% YoY to ¥205,551mn, while operating income decreased 15.0% to ¥6,496mn. Looking at the factors behind the change in net sales, sales was boosted by ¥2,818mn from an increase in domestic logistics volume and acquisition of new customers, by ¥824mn from adjusting domestic logistics rates, and by ¥1,458mn from the yen's depreciation on foreign exchange markets. Sales declined by ¥11,207mn from a decline in freight rates and reduced shipping volume in overseas logistics. Overseas logistics sales appear to have declined by over 20% compared to the same period last year. It was impacted by marine freight rates for containers, which had soared in 1H last year, dropping sharply to the level prior to the COVID-19 pandemic, due in part to the slowdown in the global economy, and by a slump in shipping volumes for such items as semiconductors, home appliances, and office equipment. 3PL made 50% progress in line with the forecasts, and EC also advanced according to plan; only international logistics saw a decrease in sales.

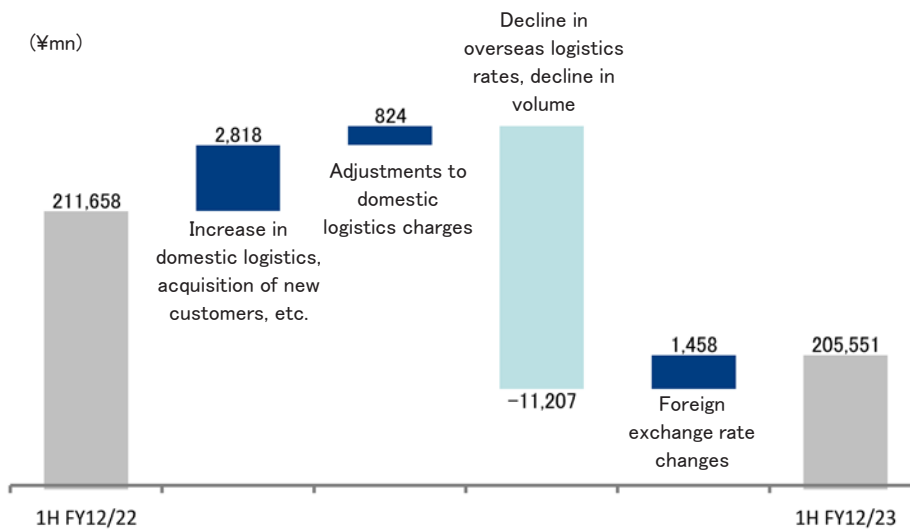
Results trends

Logistics business results



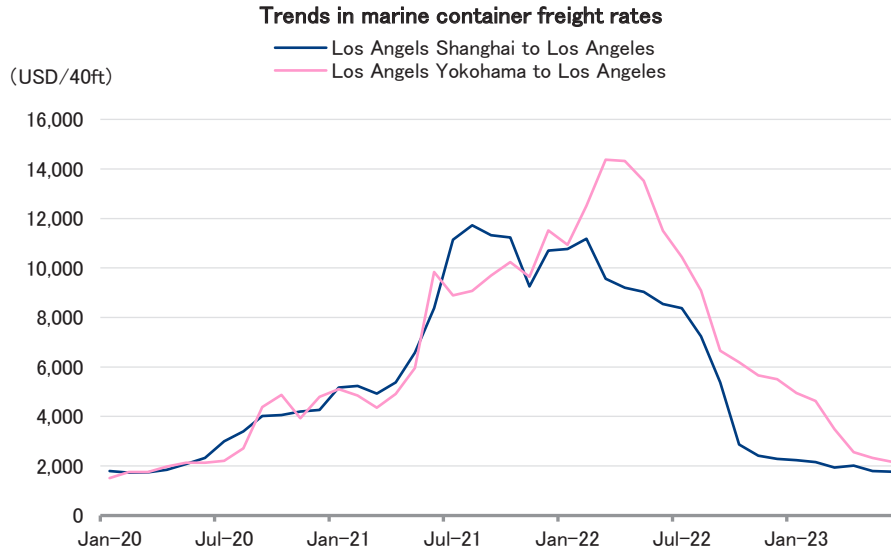
Source: Prepared by FISCO from the Company's financial results briefing materials

Factors for YoY change in Logistics business net sales



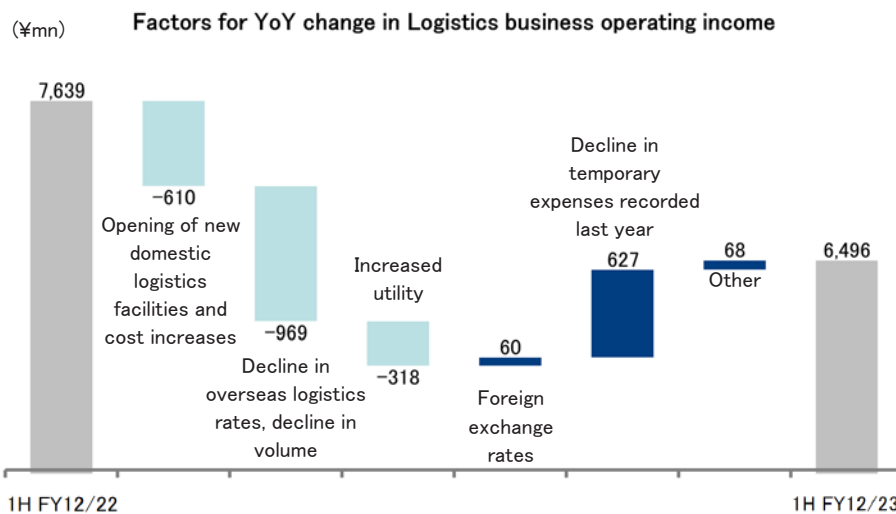
Source: Prepared by FISCO from the Company's financial results briefing materials

Results trends



Source: Prepared by FISCO from information provided by the Japan Maritime Center

Looking at the factors behind the change in operating income, temporary expenses stated in 1H last year (head office relocation and uniform update costs) dropped off, which increased profit by ¥627mn. Other increases were ¥60mn from foreign exchange rate changes and ¥68mn from other, but cost increases associated with launching new domestic distribution facilities amounted to ¥610mn, declines in overseas freight rates and volume accounted for ¥969mn, and increased utility charges accounted for ¥318mn. Regarding new domestic logistics facilities, the Tohoku Low-Temperature DC (Miyagi Prefecture, SBS Flec) opened in February 2023, the Maruoka Sales Office (Fukui Prefecture, SBS Ricoh Logistics) opened in March 2023, and the Distribution Center Ichinomiya (Aichi Prefecture, SBS Ricoh Logistics) and Osaka Suminoe Distribution Center (Osaka Prefecture, SBS Toshiba Logistics) opened in April 2023. Including the Ishikawa Cold Center that opened in October 2022, launch costs increased as did personnel expenses, advertising expenses, and depreciation associated with IT and LT capital investment.



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

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Results trends

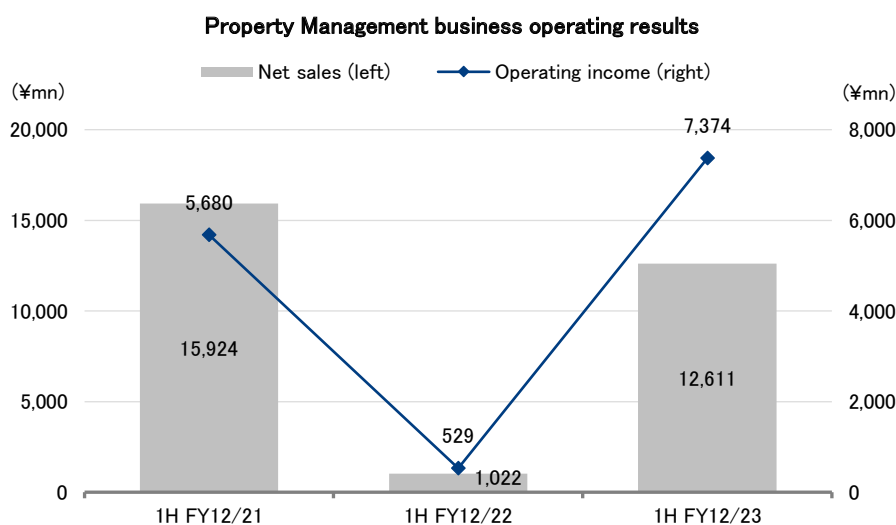
Looking at results trends by major Group company, SBS Toshiba Logistics saw lower sales and profit. This was mainly attributable to a decline in shipping volume for semiconductors and home appliances both overseas and domestically. PMI\* progress is steady, and integration of information system-related operations was completed in February 2023. Regarding the consolidation of head office functions at Nishi-Shinjuku as well, the portion remaining in Kawasaki will be transferred in October of this year to complete the relocation. SBS Ricoh Logistics saw lower sales and slightly lower profit. Domestic sales were steady thanks in part to acquisition of new customers, but the decline in overseas sales had an impact. All the space in the new Distribution Center Ichinomiya (57,520m<sup>2</sup>) has already been contracted. It is operating as a distribution center for a local food products supermarket and beverage manufacturer, and a portion of the floor will operate as a distribution center for OTSUKA CORPORATION's Tanome-ru service starting in the fall of 2023.

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

SBS Logicom saw increases in sales and profit. The results of activities to capture orders related to the relocation of universities, hospitals and city halls, which were strengthened several years ago, are starting to emerge in the form of sales, and in 3PL efforts to not only service existing customers but acquire new customers has given a boost to earnings. SBS Flec and SBS Zentsu saw higher sales, but profit declined due to mounting costs from launching new facilities. In addition, SBS Sokuhai Support saw its growth rate slow, but it continued to record sales and profit increases thanks to not only serving major EC providers, its main customers, but also developing new customers.

**(2) Property Management business**

The Property Management business achieved significant increases to both sales and profits, as net sales increased 1,133.6% YoY to ¥12,611mn, while operating income increased 1,293.4% to ¥7,374mn. In the development business, two properties were liquidated, the Yokohama-Kanzawa Distribution Center (Kanagawa Prefecture) and Higashi-Ogishima Warehouse and total sales gains of ¥6.9bn were recorded in operating income, which helped increase sales and profit. Regarding the rental business, earnings were generally in line with 1H of the previous year.



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

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

## Results trends

**(3) Other business**

Net sales in other business increased 7.9% YoY to ¥4,503mn, while operating income decreased 12.3% to ¥199mn. Although sales increased respectively in Temporary Staffing business, Marketing business, and Environmental business, profit decreased due to an increase in costs in the Temporary Staffing and Marketing businesses.

## 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 1H FY12/23, total assets were up ¥7,533mn from the previous fiscal year-end to ¥304,431mn. Looking at the main factors behind the change, in current assets, despite an increase in cash and deposits by ¥13,951mn, notes and accounts receivable – trade and contract assets, and inventories decreased by ¥7,360mn and ¥3,370mn, respectively. In noncurrent assets, property, plant and equipment increased by ¥1,066mn, and investments and other assets increased by ¥936mn, while intangible assets decreased by ¥375mn.

Total liabilities increased by ¥758mn from the previous fiscal year-end to ¥205,484mn. Notes and accounts payable – trade declined by ¥5,134mn but there were increases of ¥4,561mn in income taxes payable, ¥162mn in interest-bearing debt, and in other liabilities. Total net assets increased by ¥6,774mn to ¥98,946mn. Retained earnings increased by ¥5,764mn, accumulated other comprehensive income rose by ¥662mn, and non-controlling shareholders' equity increased by ¥348mn.

Looking at management indicators, the shareholders' equity ratio, a measure of stability, increased from 23.7% at the previous fiscal year-end to 25.2%, and the net D/E ratio decreased from 1.01 times to 0.75 times, so the Company's financial condition continues to improve alongside earnings expansion. The Company has set a goal of increasing its shareholders' equity ratio to 30% by FY12/25. There is still a gap compared to its present level, but by increasing the profitability of Group companies through generating synergies via M&A, the Company intends to raise its shareholders' equity ratio and further strengthen its financial foundation.

#### Consolidated balance sheet and management indicators

	(¥mn)				
	FY12/20	FY12/21	FY12/22	1H FY12/23	Change
<b>Current assets</b>	104,530	121,541	146,023	151,929	5,906
(Cash and deposits)	27,543	23,800	32,673	46,624	13,951
(Inventories)	13,236	22,425	31,207	27,837	-3,370
<b>Noncurrent assets</b>	150,020	155,655	150,874	152,501	1,627
Property, plant and equipment	96,179	96,877	93,034	94,100	1,066
Intangible assets	33,495	35,651	34,355	33,980	-375
Investment, etc.	20,345	23,126	23,484	24,420	936
<b>Total assets</b>	254,550	277,197	296,898	304,431	7,533
<b>Total liabilities</b>	186,404	196,489	204,726	205,484	758
(Interest-bearing liabilities)	100,829	98,656	104,094	104,256	162
<b>Net assets</b>	68,146	80,707	92,172	98,946	6,774
<b>(Stability)</b>					
Shareholders' equity ratio	19.9%	21.9%	23.7%	25.2%	1.5pt
Net Debt Equity Ratio (times)	1.44	1.23	1.01	0.75	-0.26

Note: Interest-bearing liabilities include lease liabilities. 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

## Aiming to achieve full-year results forecasts by adjusting rates and acquiring new customers

### 4. Outlook for FY12/23

In FY12/23 consolidated results, the Company has maintained its initial forecasts, 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. The 1H progress rates are 48.7% for net sales and 62.5% for operating income, so it appears steady progress is being made, but the contribution of the Property Management business is significant. With consumer spending and companies' appetite for investment suffering due to rising prices and higher interest rates, and with the impact of slower growth in the Chinese economy, overseas logistics appears to continue to stagnate even entering the third quarter, so the key to achieve the full-year forecasts lies in trends in the domestic logistics business. The Company intends to adjust rates related to domestic logistics in the second half as well based on the situation at Group companies and will attempt to offset the slump in the overseas business by strengthening new customer acquisitions and making cost reductions. Even supposing that FY12/23 results do not meet forecasts, the effects of these initiatives will emerge in FY12/24, so FISCO believes there is a strong likelihood that results will return to a growth track.

#### Outlook for FY12/23

	FY12/22		FY12/23		1H progress rate
	Results	YoY	Full-year forecast	YoY	
Net sales	455,481	12.9%	457,000	0.3%	48.7%
Operating income	21,844	5.5%	22,800	4.4%	62.5%
Ordinary income	21,404	4.5%	22,300	4.2%	64.3%
Net income attributable to owners of parent	11,732	8.7%	12,000	2.3%	68.2%
Net income per share (¥)	295.39		302.13		

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

Under the initial forecasts, 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. On the other hand, 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 are expected as factors that will decrease profits. Furthermore, the assumed exchange rate is ¥133/US \$1 (result for FY12/22: ¥131.4/US \$1).

## Results trends

## Outlook by business segment

	FY12/21	FY12/22	FY12/23 E	YoY	1H progress rate
Net sales	403,485	455,481	457,000	0.3%	48.7%
Logistics business	378,335	433,295	433,500	0.0%	47.4%
Property Management business	17,043	13,423	14,300	6.5%	88.2%
Other business	8,106	8,762	9,200	5.0%	48.9%
Operating income	20,706	21,844	22,800	4.4%	62.5%
Logistics business	15,546	15,423	15,500	0.5%	41.9%
Property Management business	6,333	6,282	7,500	19.4%	98.3%
Other business	435	402	300	-25.5%	66.3%
Adjustments	-1,609	-264	-500	-	-

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 EC logistics businesses and others. But with the protracted slump in demand for electronics products like computers and smartphones, shipping volumes for semiconductors and home appliance products, which are handled by SBS Toshiba Logistics, have been coming in below expectations, so forecasts may not be met.

Operating under such conditions, as a recovery measure, the Company, is adjusting rates in line with increases in driver wages and utility charges depending on the situation at each Group company and aims to achieve its forecasts by strengthening new customer acquisition and making cost reductions. Regarding its response to the worker shortage, it is raising driver wages and developing a proprietary daily payment system for warehouse workers to bolster its competitiveness as an employer.

Regarding the acquisition of new customers, a new sales development headquarters was launched in 2023 at SBS Toshiba Logistics with around 20 people and has started full-fledged activities. It is already producing results, with new orders being acquired from manufacturers outside the Toshiba Group. For this reason, going forward the Company intends to increase the size of the organization to 50 people and further strengthen the acquisition of new customers. Regarding such initiatives, this is the path followed by SBS Ricoh Logistics, when entered the Group two years ahead of SBS Toshiba Logistics. It made real progress in acquiring new customers, and the Company's sales have risen by just under 1.5 times over three years since 2019. SBS Toshiba Logistics also has a proven track record of quality, so by strengthening sales to acquire new customers, FISCO believes there is sufficient room for expanding domestic sales over the medium term.

### (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. The 1H progress rate for operating income is 98.3%, and though no properties will be liquidated in the second half, given the fact that rental income will be recorded, FISCO thinks that there is room to slightly beat the forecast. The Company announced in August 2023 that in the first quarter of FY12/24 it will be liquidating the Shinsugita Distribution Center (Kanagawa Prefecture) and plans to record a sales gain of around ¥6.0bn.



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 1H progress rates are 48.9% for net sales and 66.3% for operating income, so steady progress is being made. Although there are some profit declines, the Company expects to meet its forecasts on a profit basis. 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 mainly due to increased costs from investment in human resources and so forth.

## 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 “Logistics × IT.” It has formulated a three-year medium-term management plan, “SBS Next Stage 2025,” starting from FY12/23, in order to solidify its position as the industry leader, meet the logistics needs of all its customers, and become a 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 further improvements to corporate value and sustainable growth.

#### 1. Management indices

As management indices, for FY12/25, which will be the final year of the plan, the Company’s targets are 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 will be 4.5%, and 9.8% for operating income. While growth in FY12/23 is expected to be muted due to the impact of a 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

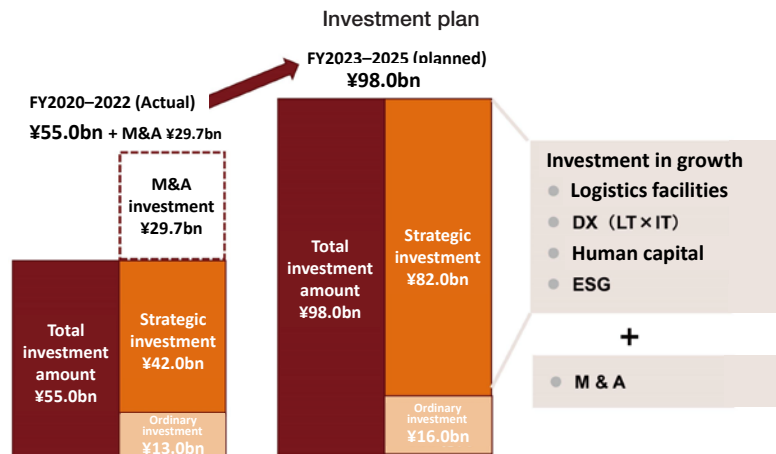
	FY12/22 results	FY12/23 (planned)	FY12/25 (planned)	CAGR (FY12/23-FY12/25)
	(¥bn)			
Net sales	4,555	4,570	5,000	4.5%
Logistics business	4,333	4,335	4,681	3.9%
Property Management business	134	143	219	23.8%
Other business	88	92	100	4.3%
Operating income	218	228	275	9.8%
Logistics business	154	155	190	10.7%
Property Management business	63	75	80	3.3%
Other business	4	3	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

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 mentioned later. 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 Company will actively deploy LT x IT as a differentiation strategy, but the immediate future is positioned as the stage for upfront investment as operational know-how is accumulated while going through a trial-and-error process. The results of this deployment are expected to emerge in FY12/25 at the earliest. 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 forecasts for growth in the marketing business following expansion of the e-commerce field.

Additionally, over the three-year period, the Company is planning total investment of ¥98.0bn (including 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). Strategic investments include investments in the development of logistics facilities and the LTxIT field. The Company is also continuing to examine M&A with a focus on large-scale projects, 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

2. Priority measures

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

a) 3PL business

The Company has set forth a goal of solidifying its position as industry leader in the 3PL business, realizing unrivaled competitive strength by developing its unique business model combined with logistics facility development. In addition, the Company will strengthen its sales development capability through aggressive investment of human resources and expand the scope of scales by not only deepening transactions with existing customers, but also by aggressively developing 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.

Medium-term management plan

As for the main initiatives of Group companies, SBS Toshiba Logistics has launched a new sales development headquarters and is working to promote the sharing of sales information within the company and the Group and to expedite decision-making, with progress expected in acquiring new customers. SBS Flec restructured its organization by region and service area to strengthen its sales system. SBS Furukawa Logistics consolidated new sales divisions inside and outside Japan and established a follow-up system for existing shippers.

By employing a multifaceted sales approach for new acquisitions and further development of existing customers, the Company is aiming for 3PL business sales of ¥256.0bn in FY12/25 (¥232.0bn in FY12/22) and a sales share in the Logistics business of 54.7% (53.5% in FY12/22).

**b) EC logistics**

The B2C e-commerce merchandise market in Japan is projected to continue growing 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 EC logistics-related net sales by FY12/30 (the "EC1000" project) from FY12/22.

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

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 strategic 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.

To expand EC logistics, the Company expanded cross-Group project teams to the E-Commerce Business Promotion Department and Group Business Strategy Department in order for the Company to promote EC logistics on an integrated basis, which had been conducted individually by Group companies, and thereby established a system for undertaking EC logistics projects that come up from Group companies. In addition, the Noda Seto Distribution Center (tentative name), the Company's first major logistics facility dedicated to e-commerce, is scheduled to begin operations in January 2024. There will be a dedicated EC floor that occupies 33,000m<sup>2</sup> of the center's 132,231m<sup>2</sup> of floor space. The Company aims to combine IT x LT technological capabilities and the Group's operational know-how to create a highly competitive facility capable of providing high productivity and a highly flexible service menu. The remaining 99,173m<sup>2</sup> of the Noda Seto Distribution Center (tentative name) will be used for general logistics, but currently around 70% of the floor area has been contracted with shippers and the Company is aiming for operations at a level close to 100% by the time the facility opens.

Regarding the target customers for EC logistics, the Company's strategy is to acquire customers with small and medium-sized EC providers as the target for the time being and then strengthen operational know-how and competitiveness to acquire large-scale EC providers. As a platform for acquiring small and medium-sized providers, the Company launched "EC Logistics Omakase-kun", which provides fulfillment services for EC business, in January 2023. It appears that customers are being steadily acquired, and the Company plans to expand various promotional measures to acquire further customers in the medium-sized range.

Medium-term management plan

**EC1000 Project promotion flow**

Area	Up to FY12/22	FY12/23	FY12/24	FY12/25–FY12/30
<b>Dedicated EC logistics branch</b>	0 m <sup>2</sup> Located alongside some of the bases	More than 17,000 m <sup>2</sup> • Establishment of dedicated EC logistics zones within sites (10 sites, mainly in the Tokyo metropolitan area, with a total floor area of 17,000 m <sup>2</sup> ).	More than 33,000 m <sup>2</sup> • Operation of the EC logistics strategy base Noda Seto Distribution Center	More than 660,000 m <sup>2</sup> • Nationwide expansion of dedicated bases (over 33,000 m <sup>2</sup> ) • Establishment of centers for diversification, consolidation and collaboration (33,000 m <sup>2</sup> or less) as appropriate
<b>LT×IT</b>	• Specialist LT and IT departments set up across the Group	• 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	• Accelerate introduction of selected equipment through demonstration tests to new centers and existing sites • Collaboration/expansion of functions of e-commerce shared IT base	• Efforts for further efficiency • Industry-specific IT base for e-commerce + Collaboration of added value/expansion of functions
<b>Service</b>	• Individual responses to customer needs	• Platform "EC Logistics Omakase-kun" (e-commerce construction support + distribution processing + last mile service)	• Ability to propose solutions to SCM/ management issues (cross-border, forwarding, store x centralization of e-commerce inventory, etc.)	
<b>Customer base</b>	• 3PL-derived e-commerce for major B2B customers • Last mile entrustment	• Small & mid-sized e-commerce companies (multi-tenant)	• +Mid-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**

Regarding international logistics, SBS Toshiba Logistics and SBS Ricoh Logistics have begun joint purchasing of containers and other items in forwarding operations as of spring 2023 and are reducing costs by leveraging scale merits. In addition, the Company plans to integrate the overseas facilities of SBS Furukawa Logistics into SBS Ricoh Logistics sites before the end of 2023 and consolidate its overseas business into a two-company format with SBS Toshiba Logistics and SBS Ricoh Logistics. Currently, the Company is at the stage of considering schemes for building a collaborative system for the two companies. Examples of initiatives include collaboration between the companies within the same facility and cross-selling to each other's customer networks.

Through these initiatives, the Company will further strengthen its price competitiveness, realize quick, optimal services cultivated based on extensive experience and an ample track record, which have been the Company's strengths, and increase operations undertaken for major general customers by drawing on its responsiveness, which means handling a large variety of items from extra heavy project cargo to small precision devices and food products. In this way the Company will work to expand its international logistics business. As for the Company's strategy by region, in China and Southeast Asia, alongside production logistics for manufacturers, it will expand overseas business undertaken from domestic 3PL customers. In the U.S. and Europe, it plans to focus on acquiring orders for new operations through inter-Group coordination. It will also delve deeper into its international logistics business by focusing on new project acquisition through collaboration with third-party forwarders and on acquiring customers in the area of cross-border EC.

Medium-term management plan

## (2) Develop and expand logistics business infrastructure

The Company will strengthen the infrastructure supporting the logistics business, such as 3PL, EC logistics, and last-mile services (logistics facilities, distribution networks, human resources). With regard to the operational area of logistics facilities, in addition to approx. 2,790,082 m<sup>2</sup> (844,000 tsubo) of total floor area as of the end of June 2023, when including sites currently planned, the Company has secured sites totaling 3,547,107 m<sup>2</sup> (1.073 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. Most recently, the Company will start construction on the Tomisato Development Plan in FY2024. Also, with regard to expanding its transport and delivery networks, it will expand its domestic EC logistics network nationwide, rebuild its nationwide B2B delivery network for frozen and chilled items, and promote the strengthening of core and last-mile networks through M&A. Regarding human resources, along with strengthening recruiting, the Company intends to enhance resources through reskilling and intra-Group personnel transfers.

### Operating floor area of Group logistics facilities

Name	Location	Operating (consolidated) time	Operating floor areas (tsubo)	Type	Operating company
<b>Operational area by the end of Dec. 2022</b>			813,100		
Tohoku Low-Temperature DC	Miyagi	Feb. 2023	3,400	Rent	SBS Flec
Maruoka Sales Office	Fukui	Mar. 2023	4,400	Rent	SBS Ricoh Logistics System
Ichinomiya Distribution Center	Aichi	Apr. 2023	17,400	In-house development	SBS Ricoh Logistics System
Osaka Suminoe Distribution Center	Osaka	Apr. 2023	5,700	Wholesale lease (on a building)	SBS Toshiba Logistics
<b>Operating floor area up to the end of Jun. 2023</b>			844,000		
Kashiwazaki Warehouse	Niigata	Oct. 2023	600	In-house development	SBS Toshiba Logistics
Noda Seto Distribution Center (tentative name)	Chiba	Jan. 2024	43,800	In-house development	SBS Asset Management
(small-scale increase to floor area)	Saitama, Okayama	During FY2024	6,100	Rent	SBS Toshiba Logistics
Mie Warehouse	Mie	Apr. 2024	600	In-house development	SBS Toshiba Logistics
Yokohama Fukuura Distribution Center (tentative name)	Kanagawa	Aug. 2024	18,000	Wholesale lease (on a building)	SBS Ricoh Logistics System
Tomisato Development Plan	Chiba	During FY2026	30,000	In-house development	SBS Asset Management
Noda Seto Bldg. B	Chiba	Planned	39,500	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
Yokoshibahikari-cho Land	Chiba	Planned	60,000	In-house development	SBS Logicom
Kasumigaura City Land	Ibaraki	Planned	20,000	In-house development	SBS Logicom
<b>Planned floor area expansion from Jul. 2023 onward</b>			229,600		
<b>Total operating area (existing + planned)</b>			<b>1,073,600</b>		

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

## Medium-term management plan

**(3) LT × IT = Logistics DX**

The Company aims to achieve industry leading labor-saving and increase productivity by promoting “LT×IT.” In December 2022, the Company established the LT Lab, a cutting-edge LT testing facility, and is running tests on next-generation robot operations and collecting data from sources inside and outside Japan. Regarding next-generation robots, which are expected to be effectively deployed, the Company is at the stage of collecting data by operating the robots at actual facilities. As of the present, it has deployed 12 types of LT devices at 12 distribution facilities. Among them, at Ichinomiya Distribution Center, 176 conveyor robots are in operation, the largest number in the Group, and for the time being the Company has the goal of raising productivity to a level equivalent to warehouse workers. There are around 270 LT and IT division employees as of the end of June 2023.

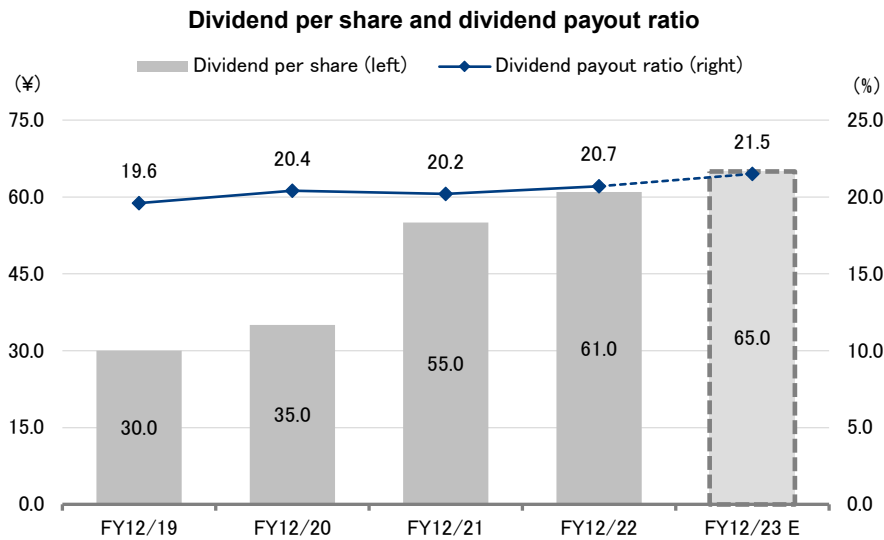
**(4) Strengthen the foundations of sustainability management**

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.

## 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 FY12/23, the Company plans to increase the dividend for the sixth consecutive period in a row 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%.



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

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