

# **SBS Holdings, Inc.**

**2384**

Tokyo Stock Exchange Prime Market

22-Oct.-2024

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FISCO Ltd.

<https://www.fisco.co.jp>

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## Summary

### Targeting sustained growth by strengthening 3PL, EC logistics, and international logistics

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 FY12/23, the scope of its sales grew by roughly 2.8 times.

#### 1. Outline of results for 1H FY12/24

In 1H FY12/24 (January to June 2024) consolidated results, the Company recorded decreased sales and profits, with net sales down 0.4% year-on-year (YoY) to ¥221,739mn and operating income down 23.1% YoY to ¥10,958mn. The mainstay Logistics business posted a 0.3% drop in net sales and a 31.1% decline in operating income due to a decline in marine freight rates and shipping volume, as well as higher expenses in Japan for rent and new facility openings. The Property Management business also reported a 3.2% drop in net sales and a 16.5% decline in operating income, reflecting a decline in real estate asset liquidation transactions due to timing factors (in FY12/23, liquidation income was mainly booked in 1Q). However, despite a challenging market environment, the Company made steady progress in strengthening its management foundations for future growth by acquiring new customers in Japan, opening new business sites and investing in logistics technologies (LT), among other initiatives. It also increased logistics facility operating floor area by approximately 8.5% to 3,471,000 m<sup>2</sup> from the end of the previous fiscal year.

#### 2. Outlook for FY12/24

The Company’s FY12/24 forecasts are unchanged. It forecasts a 4.2% YoY increase in net sales to ¥450,000mn and a 6.5% rise in operating income to ¥21,000mn. Although the Logistics business trailed forecasts slightly in 1H FY12/24 due to weakness in overseas logistics, the Company aims to achieve its targets by acquiring new customers and adjusting logistics charges in Japan, and by capturing operating benefits from the startup of new large-scale logistics facilities, including Noda Seto Distribution Center Building A (operating floor area of 142,000 m<sup>2</sup>), which opened in February 2024, and the Distribution Center Yokohama Fukuura (56,000 m<sup>2</sup>), which opened the following August. The Company plans to expand the operating floor area of its logistics facilities by 11.9% to around 3,580,000 m<sup>2</sup> from the end of the previous fiscal year, and has scope to expand to 4,033,000 m<sup>2</sup> if sites currently being planned or already secured are included. It also intends to continue development using its asset liquidation scheme.

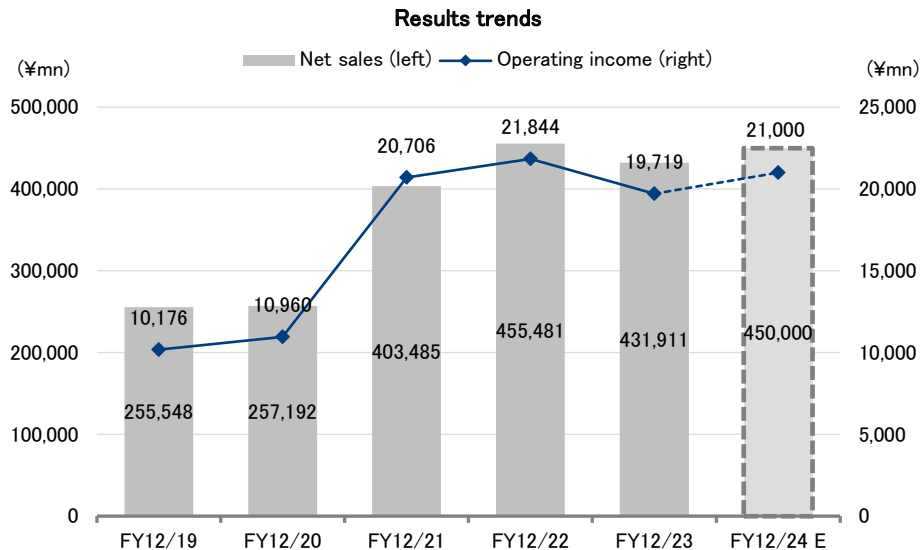
Summary

3. Growth strategy

As for the results targets of SBS Next Stage 2025, the Company's medium-term management plan announced in February 2023, the Company is aiming for net sales of ¥500.0bn, operating income of ¥27.5bn, and an operating income 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 3PL, the Company seeks to increase its domestic market share by aggressively introducing and utilizing "LT×IT" to become more competitive. It also sees potential demand from the overseas facilities of existing customers, and is considering M&A opportunities to expand its business. In EC logistics, the Company has launched an unattended delivery service for large enterprises and aims to cultivate demand for this service from general customers going forward. In M&A, the logistics subsidiary of NSK Ltd. <6471> is scheduled to join the SBS Holdings Group before the end of 2024. We estimate the subsidiary's net sales are roughly ¥20.0bn, but this is only for domestic operations. If overseas logistics operations, which are currently outsourced to other companies, are included, we estimate potential net sales are in the region of ¥50.0bn. Factoring in M&A, we believe the Company is on track to reach its FY12/25 net sales target of ¥500.0bn. In shareholder returns, the Company intends to raise the dividend payout ratio to around 30% over the longer term while taking into account capital needs and earnings performance. It plans to increase the dividend for the seventh year in a row in FY12/24, by ¥5.0 to ¥70.0 per share, which corresponds to a dividend payout ratio of 26.5%.

Key Points

- Sales and profits declined in 1H FY12/24, but were broadly in line with forecasts
- Downside risks in Logistics business, but Company remains committed to initial FY12/24 outlook for sales and profit growth
- Recovery in Logistics business and M&A are key to attaining FY12/25 net sales target of ¥500.0bn



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. Starting with the acquisition of Snow Brand Logistics Co., Ltd. (now SBS Flec Co., Ltd.) in 2004, it successively turned major logistics companies into Group companies, including Tokyu Logistic Co., Ltd. (now SBS Logicom Co., Ltd.) in 2005, and Zentsu Co., Ltd. (now SBS Zentsu Co., Ltd.) in 2006, 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. These acquisitions have become a driving force for expanding the scale of the business.

While expanding the Logistics business, in 2004, it initiated the development of logistics facilities to strengthen the 3PL business\*. It actively promotes its own business model, whereby it recovers investment funds quickly through a liquidation scheme, which it then invests in the development of new logistics facilities. As well, the Company successively turned major logistics companies into Group companies, rapidly increasing the operating floor area of logistics facilities from around 1,752,000 m<sup>2</sup> at the end of 2020 to 3,471,000 m<sup>2</sup> at the end of June 2024, or roughly by 2 times in three and a half years. The Company plans to continue pursuing these growth strategies to achieve further business expansion.

\* 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.

## Company overview

## History

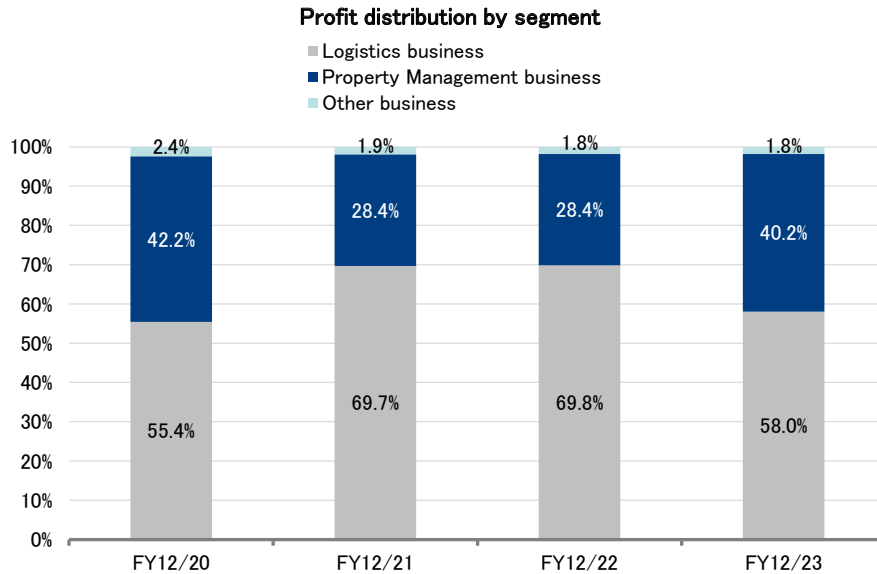
| Date       |   |
|------------|---|
| Dec. 1987  | Established Kanto Sokuhai Co., Ltd. (now SBS Holdings), began same-day deliver operations in the Tokyo metropolitan area  |
| Apr. 1994  | Started a mailing service business  |
| Mar. 1998  | Established a marketing business (Marketing Partner, Inc.)  |
| 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   |
| Oct. 2023  | SBS Logicom and Toyo Transport Warehouse Co., Ltd. merge  |

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

## 2. Business description

The Company has three business segments: Logistics business, Property Management business, and Other business. The Logistics business is the mainstay, accounting for over 90% of net sales and the majority of operating income. The Property Management business may potentially experience profit fluctuations depending on the timing and scale of liquidation of owned logistics facilities, but operating income has historically trended between ¥6.0–7.0bn. An overview by business segment follows.

Company overview



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

**(1) Logistics business**

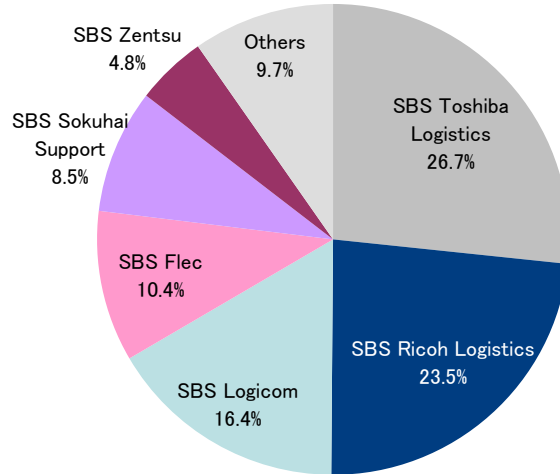
The Logistics business provides integrated logistics services primarily in the area of inter-Company logistics. These include 3PL, whereby the Company is contracted directly by the shipper to undertake logistics operations; food logistics in three temperature ranges (frozen, refrigerated, and room temperature) and general logistics, same-day delivery services of small parcels, and the international logistics business, which are provided by Group companies. Looking at the breakdown (Companywide) of net sales in FY12/23 by company, two companies accounted for around 50% of net sales in the segment: SBS Toshiba Logistics, which accounted for 26.7% share, and SBS Ricoh Logistics System, which handles logistics and 3PL for Ricoh Company, Ltd. <7752> products and tanomail (office supplies mail-order sales) for OTSUKA CORPORATION <4768>, accounted for 23.5%. These were followed by SBS Logicom which handles EC logistics and high mix low volume 3PL, such as retail, at 16.4%; SBS Flec, which mainly focuses on food logistics and low-temperature logistics, at 10.4%; SBS Sokuhai Support Co., Ltd., which provides same-day delivery between individuals and companies, and for individuals, at 8.5%; and SBS Zentsu, which conducts individual deliveries (consumer co-op) and agricultural produce logistics, at 4.8%, followed by SBS Furukawa Logistics Co., Ltd., 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, mainly in Kanto, Kansai, and Chubu. The two main Group companies engaged in international logistics are SBS Toshiba Logistics and SBS Ricoh Logistics.

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 FY12/23, 3PL accounted for 58%\* of sales while EC logistics accounted for 14% and international logistics accounted for 13%.

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

Company overview

**Breakdown of net sales by company (FY12/23)**



\* Breakdown data for SBS Flec, SBS Sokuhai Support, SBS Zentsu, and others estimated from information obtained at Company interview  
 Source: Prepared by FISCO from the Company's financial results briefing materials

**(2) Property Management business**

The Property Management business consists of a development business and a leasing business. The development business develops logistics facilities and liquidizes them for the generation of revenue to expand its 3PL business. In the leasing business, the Group 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 by having an expert asset management team and purchasing land using licenses held by logistics companies and creating lean buildings from a logistics perspective to realize competitively priced rent. Therefore, even if freight volume decreases due to factors such as economic downturns, demand is expected to shift from the relatively high priced warehouses of other companies nearby, so the Company will be 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 allows for high capacity utilization from the time of completion by conducting the remaining tenant leasing during the construction phase. 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 approximately 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 approximately 20%, with the remainder made up of Solar Power Generation business, Environmental business (collection and intermediate processing of general and industrial waste), 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 FY12/23.

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## Results trends

### Sales and profits declined in 1H FY12/24, but were broadly in line with forecasts

#### 1. Outline of results for 1H FY12/24

In 1H FY12/24, net sales declined 0.4% YoY to ¥221,739mn, operating income fell 23.1% to ¥10,958mn, ordinary income declined 20.7% to ¥11,385mn, and net income attributable to owners of parent contracted 21.1% to ¥6,456mn. In the mainstay Logistics business, net sales fell ¥653mn YoY and operating income contracted ¥2,020mn, because overseas shipping volume contracted sharply amid a global economic downturn caused by worldwide inflation and monetary tightening in Europe and North America, in addition to lower marine freight rates and an increase in startup costs and rental expenses for new domestic facilities. The Property Management business saw net sales decline ¥397mn YoY and operating income contract ¥1,216mn due to a drop in real estate asset liquidation transactions.

The Property Management business and the Other business were broadly in line with the Company's estimates, but the Logistics business underperformed 1.9% for net sales and 4.7% for operating income due to a downturn in the Logistics business. SBS Toshiba Logistics in particular missed forecasts by a wide margin. However, share of profit of entities accounted for using equity method came in slightly above the Company's estimates due to upside for non-operating income, including YoY growth of ¥97mn for equity in earnings of affiliates and an increase of ¥231mn for subsidy income.

#### 1H FY12/24 consolidated results

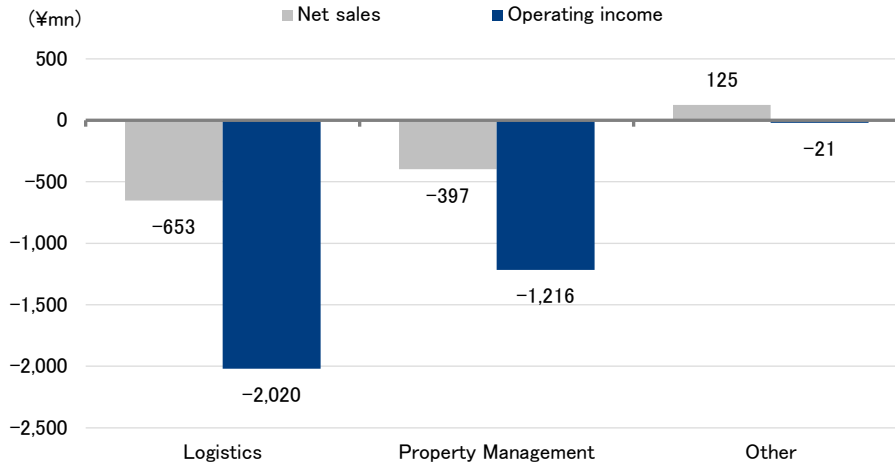
(¥mn)

|   | 1H FY12/23 |           |                  | 1H FY12/24 |           |        |               |
|---|------------|-----------|------------------|------------|-----------|--------|---------------|
|   | Results    | Vs. sales | Initial forecast | Results    | Vs. sales | YoY    | Vs. forecasts |
| Net sales                                   | 222,666    | -         | 226,000          | 221,739    | -         | -0.4%  | -1.9%         |
| Operating income                            | 14,242     | 6.4%      | 11,500           | 10,958     | 4.9%      | -23.1% | -4.7%         |
| Ordinary income                             | 14,349     | 6.4%      | 11,200           | 11,385     | 5.1%      | -20.7% | 1.7%          |
| Net income attributable to owners of parent | 8,186      | 3.7%      | 6,400            | 6,456      | 2.9%      | -21.1% | 0.9%          |

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

Results trends

YoY change in results by business segment



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

Looking at results for Group companies, net sales declined 2.7% YoY to ¥56,986mn at SBS Toshiba Logistics due to a drop in marine freight rates and lower shipping volumes for semiconductors and home appliances. The contraction in sales, along with higher costs for opening new facilities, led to a 43.3% decline in operating income to ¥1,425mn. Similarly, SBS Ricoh Logistics reported a 3.4% YoY drop in net sales to ¥50,691mn on lower marine freight rates and overseas shipping volumes, while operating income declined 6.0% to ¥1,873mn. Overseas, shipping volumes were hit particularly hard by the temporary suspension of routes from Southeast Asia to Europe amid heightened geopolitical risks. SBS Logicom posted a 5.3% YoY rise in net sales to ¥36,492mn and a 6.4% increase in operating income to ¥2,915mn, supported by the acquisition of new customers in Japan and adjustments to logistics charges. Total net sales for other subsidiaries increased 0.7% YoY to ¥77,569mn, while operating income declined 32.2% to ¥4,744mn. The decline in real estate liquidation transaction value was the main factor for the drop in profits, but an increase in upfront investment in logistics subsidiaries also weighed on profits.

Performance by Group company

|                       |                  | 1H FY12/23 | 1H FY12/24 | YoY    |            | Reasons for change   |
|-----------------------|------------------|------------|------------|--------|------------|--|
|                       |                  |            |            | Change | Change (%) |  |
| SBS Toshiba Logistics | Net sales        | 58,563     | 56,986     | -1,577 | -2.7%      | Decline in marine freight rates, lower shipping volumes for semiconductors, etc. |
|                       | Operating income | 2,513      | 1,425      | -1,088 | -43.3%     |  |
| SBS Ricoh Logistics   | Net sales        | 52,451     | 50,691     | -1,759 | -3.4%      | Decline in marine freight rates, lower shipping volumes overseas                 |
|                       | Operating income | 1,993      | 1,873      | -119   | -6.0%      |  |
| SBS Logicom           | Net sales        | 34,655     | 36,492     | 1,836  | 5.3%       | Increase in sales from new orders  |
|                       | Operating income | 2,738      | 2,915      | 176    | 6.4%       |  |
| Other                 | Net sales        | 76,995     | 77,569     | 574    | 0.7%       | Decrease in real estate liquidation income (-933)                                |
|                       | Operating income | 6,996      | 4,744      | -2,251 | -32.2%     |  |

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

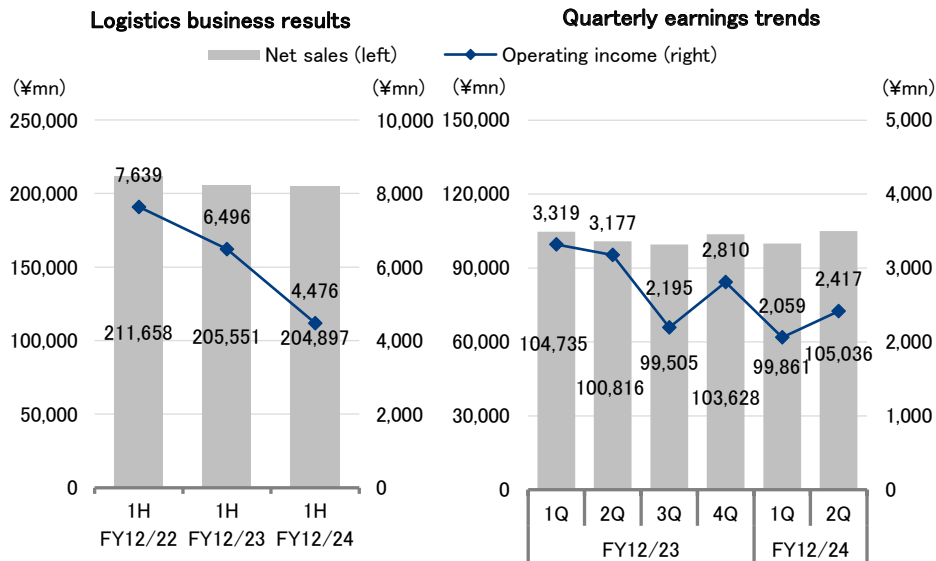
Results trends

## Sales and profits fell in Logistics business, but continues to invest in growth

### 2. Trends by business segment

#### (1) Logistics business

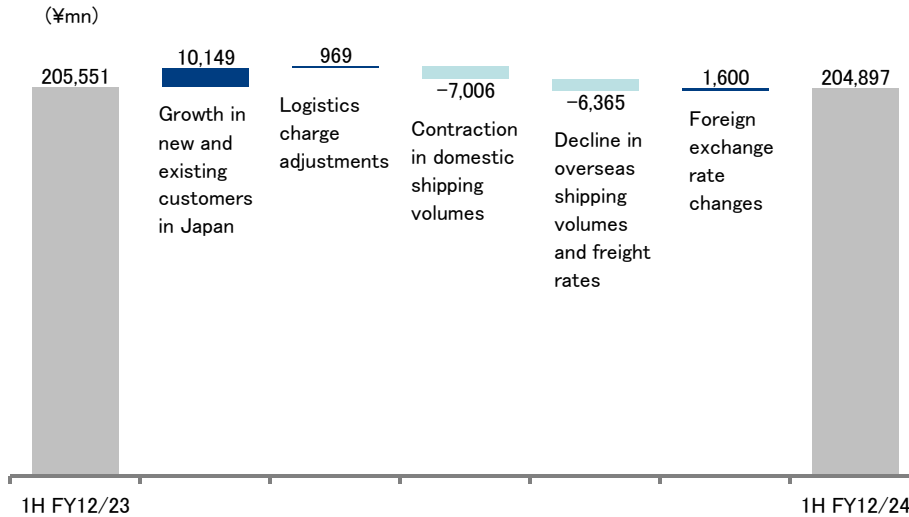
Net sales in the Logistics business declined 0.3% YoY to ¥204,897mn and operating income fell 31.1% to ¥2,020mn. Looking at the factors behind the change in net sales, sales increased by ¥10,149mn from the acquisition of new customers and growth in transactions with existing customers in Japan, by ¥969mn from adjustments to logistics charges, and by ¥1,600mn from the weaker yen. However, sales declined by ¥7,006mn due to a contraction in domestic shipping volumes and by ¥6,365mn on lower shipping volumes and freight rates overseas, resulting in sales on par with the same period last year. In overseas logistics, shipping volumes fell for semiconductors, home appliances, office equipment consumables and other products. In terms of new customer acquisition in Japan, the Company won a contract to provide unattended delivery services for a major EC retailer, and it steadily secured customers for the new Noda Seto Distribution Center Building A, which was opened in February 2024, supporting growth in the customer base.



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

Results trends

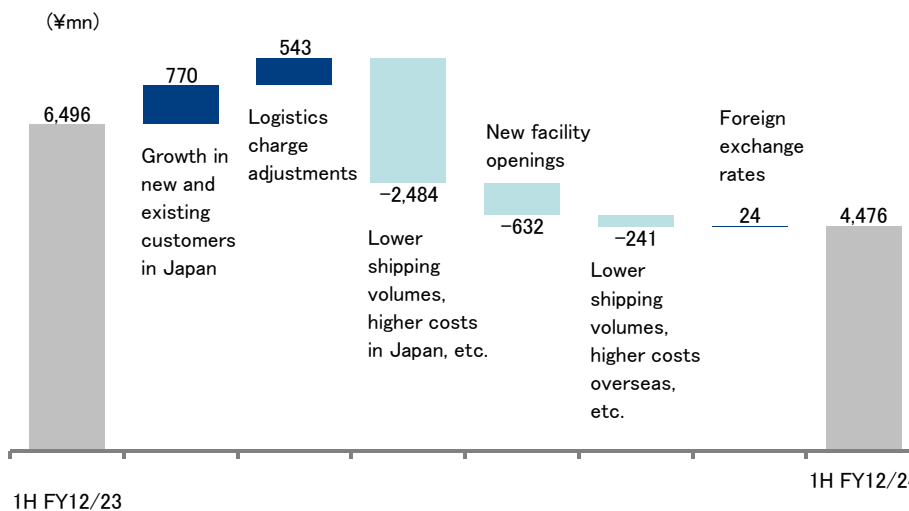
Factors for YoY change in Logistics business net sales



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

Looking at the factors behind the change in operating income, profits increased by ¥770mn from growth in new and existing customers in Japan, by ¥543mn from logistics charge adjustments, and by ¥24mn from changes in forex rates. However, profits were reduced by ¥2,484mn from lower shipping volumes and higher costs in Japan, by ¥632mn for new facility opening costs, and by ¥241mn from a contraction in shipping volumes and higher costs overseas. Roughly half of the impact on profits from lower shipping volumes and higher costs in Japan was due to the drop in volumes, with most of the remainder coming from higher rents (new logistics facilities) and an increase in vehicle charter costs.

Factors for YoY change in Logistics business net sales



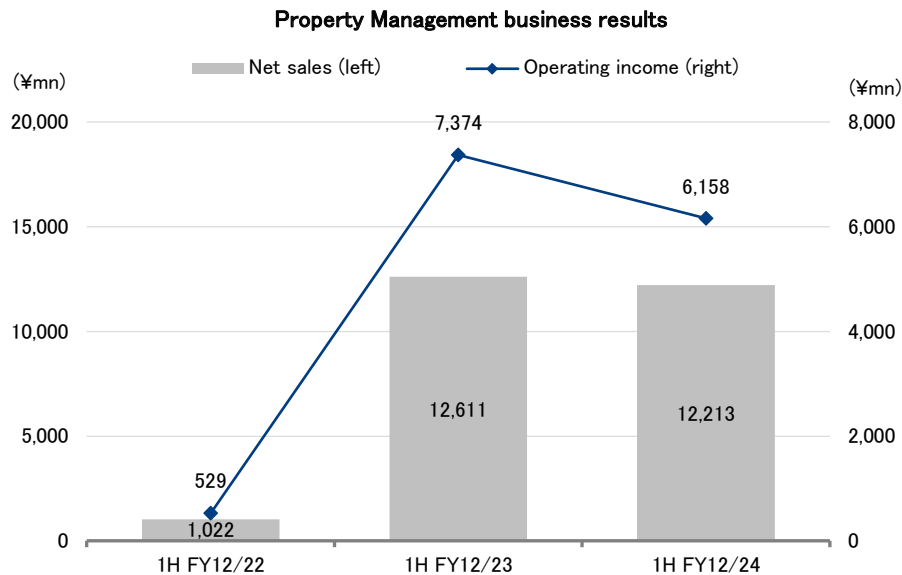
Source: Prepared by FISCO from the Company's financial results briefing materials

Results trends

Looking at earnings for companies other than the three main subsidiaries, costs for opening new facilities increased at SBS Flec, recruiting costs rose at SBS Zentsu, and some customers at SBS Sokuhai Support moved to competitors. These factors pushed down profits at all three companies, but earnings were broadly in line with forecasts.

**(2) Property Management business**

Net sales in the Property Management business declined 3.2% YoY to ¥12,213mn and operating income dropped 16.5% to ¥6,158mn. Of these amounts, net sales declined ¥443mn YoY and operating income fell ¥933mn in the real estate liquidation business. In the first quarter, the Company liquidated the Shin-Sugita Distribution Center (Kanagawa Prefecture), booking a gain of approximately ¥6.0bn (compared with two asset liquidations in 1Q FY12/23 generating gains of roughly ¥6.9bn). In the rental business, net sales increased ¥45mn and operating income declined ¥282mn. The main factors weighing on profits were an increase in depreciation costs following the opening of Noda Seto Distribution Center Building A and vacancies in some rental warehouses.



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

**(3) Other business**

Net sales in the Other business rose 2.8% YoY to ¥4,628mn and operating income declined 10.5% to ¥178mn. Net sales increased in the Marketing business, but profits declined due to higher outsourcing and procurement costs in the temporary staffing business and the environmental businesses.

## Results trends

## Stronger financial condition due to increased capital efficiency from use of real estate liquidation scheme

### 3. Financial condition and management indicators

In the Company's financial condition as of the end of 1H FY12/24, total assets were up ¥10,909mn from the previous fiscal year-end to ¥312,226mn. Looking at the main factors behind the change, in current assets, there were respective increases in cash and deposits by ¥4,416mn and inventories by ¥2,782mn. In noncurrent assets, there were increases of ¥3,168mn for property, plant and equipment and ¥1,579mn for investments and other assets, while intangible assets such as goodwill and customer-related assets decreased ¥712mn.

Total liabilities were ¥204,469mn, up ¥5,744mn from the end of the previous fiscal year. This mainly reflected a decline of ¥977mn for income taxes payable and increases of ¥5,477mn for interest-bearing debt, ¥338mn for provision for bonuses, and ¥371mn for asset retirement obligations. Total net assets were ¥107,756mn, up ¥5,164mn. Retained earnings increased ¥3,875mn, mainly due to the booking of net income attributable to owners of parent. Also, foreign currency translation adjustments increased ¥722mn and non-controlling shareholders' equity rose ¥407mn.

Looking at management indicators, the shareholders' equity ratio, a measure of financial stability, increased from 26.4% at the previous fiscal year-end to 27.0%, and the net D/E ratio declined from 0.90 times to 0.87 times, indicating the Company's financial condition continues to improve. With no major investment projects since FY12/21 and the Company's use of liquidation schemes driving an increase in capital efficiency, free cash flow has been consistently positive, supporting an improvement in the Company's financial condition. Regarding M&A, the Company is scheduled to acquire shares in NSK Logistics Co., Ltd. before the end of 2024 and there could also be progress with M&A overseas. Depending on how these deals progress, free cash flow could temporarily turn negative in FY12/24. The Company aims to lift the shareholders' equity ratio to 30% in FY12/25.

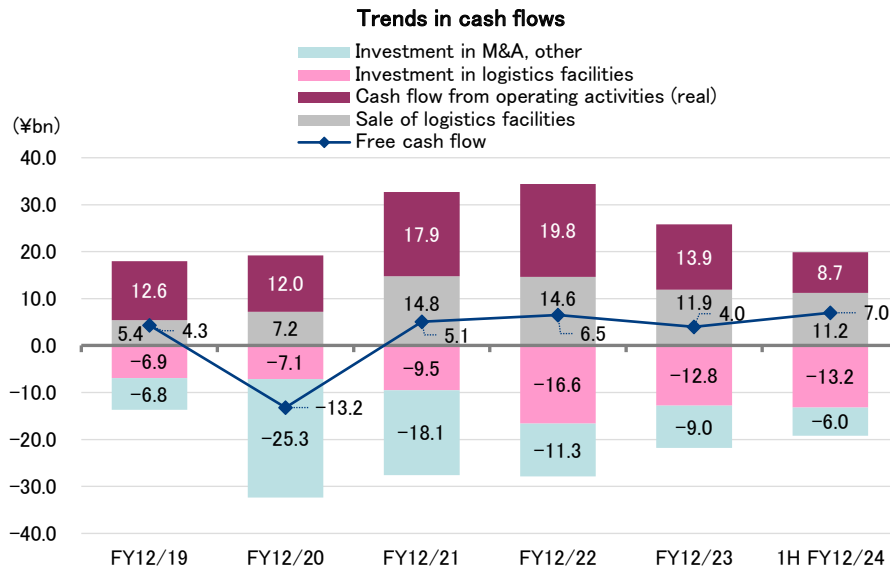
#### Consolidated balance sheet and management indicators

|                               | (¥mn)       |             |             |                |        |
|-------------------------------|-------------|-------------|-------------|----------------|--------|
|                               | End-FY12/21 | End-FY12/22 | End-FY12/23 | End-FY12/24 2Q | Change |
| <b>Current assets</b>         | 121,541     | 146,023     | 150,375     | 157,250        | 6,875  |
| (Cash and deposits)           | 23,800      | 32,673      | 29,668      | 34,084         | 4,416  |
| (Inventories)                 | 22,425      | 31,207      | 38,056      | 40,838         | 2,782  |
| <b>Noncurrent assets</b>      | 155,655     | 150,874     | 150,942     | 154,976        | 4,034  |
| <b>Total assets</b>           | 277,197     | 296,898     | 301,317     | 312,226        | 10,909 |
| <b>Total liabilities</b>      | 196,489     | 204,726     | 198,724     | 204,469        | 5,744  |
| (Interest-bearing debt)       | 98,656      | 104,094     | 101,593     | 107,070        | 5,477  |
| <b>Total net assets</b>       | 80,707      | 92,172      | 102,592     | 107,756        | 5,164  |
| <b>(Stability)</b>            |             |             |             |                |        |
| Shareholders' equity ratio    | 21.9%       | 23.7%       | 26.4%       | 27.0%          | 0.6pt  |
| Net Debt Equity Ratio (times) | 1.23        | 1.01        | 0.90        | 0.87           | 0.02   |

Note: Interest-bearing debt includes lease liabilities. Net Debt Equity Ratio = Net interest-bearing debt (interest-bearing debt – cash and deposits) ÷ shareholders' equity

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

Results trends



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

## Downside risks in Logistics business, but Company remains committed to initial FY12/24 outlook for sales and profit growth

### 4. Outlook for FY12/24

The Company's initial forecasts for FY12/24 are unchanged. It forecasts net sales of ¥450,000mn, up 4.2% YoY, operating income of ¥21,000mn, up 6.5%, ordinary income of ¥20,500mn, up 3.8%, and net income attributable to owners of parent of ¥10,500mn, up 4.4%. It sees both net sales and profits rising YoY for the first time in two years. 1H progress rates were 49.3% for net sales and 52.2% for operating income. In the Logistics business, the progress rate for operating income is slightly low at 34.3% and we see some modest downside risk for 2H, depending on trends in overseas shipping volume and marine freight rates. The Company aims to achieve its initial forecasts for the Logistics business by catching up in 2H. Specifically, it plans to adjust logistics charges and use new domestic facilities opened since the start of 2024 to acquire new customers and generate more business from existing customers to expand sales. Its forex assumption is ¥139/USD, the same level as in FY12/23.

### Consolidated outlook for FY12/24

|   | FY12/23 |        | FY12/24            |      | 1H progress rate |
|---|---------|--------|--------------------|------|------------------|
|   | Results | YoY    | Full-year forecast | YoY  |                  |
| Net sales                                   | 431,911 | -5.2%  | 450,000            | 4.2% | 49.3%            |
| Operating income                            | 19,719  | -9.7%  | 21,000             | 6.5% | 52.2%            |
| Ordinary income                             | 19,747  | -7.7%  | 20,500             | 3.8% | 55.5%            |
| Net income attributable to owners of parent | 10,056  | -14.3% | 10,500             | 4.4% | 61.5%            |
| Net income per share (¥)                    | 253.20  |        | 264.37             |      |                  |

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

## Results trends

## Outlook by business segment

|                              | (¥mn)   |         |           |        |                  |
|------------------------------|---------|---------|-----------|--------|------------------|
|                              | FY12/22 | FY12/23 | FY12/24 E | YoY    | 1H progress rate |
| Net sales                    | 455,481 | 431,911 | 450,000   | 4.2%   | 49.3%            |
| Logistics business           | 433,295 | 408,684 | 424,800   | 3.9%   | 48.2%            |
| Property Management business | 13,423  | 13,899  | 15,190    | 9.3%   | 80.4%            |
| Other business               | 8,762   | 9,328   | 10,010    | 7.3%   | 46.2%            |
| Operating income             | 21,844  | 19,719  | 21,000    | 6.5%   | 52.2%            |
| Logistics business           | 15,423  | 11,501  | 13,050    | 13.5%  | 34.3%            |
| Property Management business | 6,282   | 7,962   | 7,970     | 0.1%   | 77.3%            |
| Other business               | 402     | 359     | 400       | 11.2%  | 44.5%            |
| Adjustments                  | -264    | -104    | -420      | -      | -                |
| Operating income margin      | 4.8%    | 4.6%    | 4.7%      | 0.1pt  |                  |
| Logistics business           | 3.6%    | 2.8%    | 3.1%      | 0.3pt  |                  |
| Property Management business | 46.8%   | 57.3%   | 52.5%     | -4.8pt |                  |
| Other business               | 4.6%    | 3.8%    | 4.0%      | 0.1pt  |                  |

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

### (1) Logistics business

In the Logistics business, the Company is targeting net sales of ¥424,800mn, up 3.9% YoY, and operating income of ¥13,050mn, up 13.5%. It assumes a modest YoY decline in the average marine container freight rate and a drop in shipping volumes, centered on home appliances and semiconductors. To offset the decline in overseas shipping volumes, it plans to acquire new customers and generate more business with existing customers in the domestic market, supported by the opening of new logistics facilities. It also intends to adjust logistics charges. As of the end of 1H, progress rates versus full-year forecasts were 48.2% for net sales and 34.3% for operating income. As noted earlier, weak earnings at SBS Toshiba Logistics in particular are weighing on operating income.

Current marine freight rates are trending above expectations, partly due to heightened geopolitical risks, but overseas shipping volumes could contract if economies continue to slow in Europe and North America. In terms of new logistics facilities in Japan, the occupancy rate is steadily increasing at Noda Seto Distribution Center Building A (Chiba Prefecture, 142,000 m<sup>2</sup>), which opened in February 2024 as one of the Group's largest facilities. Roughly 99,000 m<sup>2</sup> is currently occupied and the Company expects the facility to be fully tenanted by spring 2025. Initially, one of the facility's four floors was earmarked for EC logistics (roughly 33,000 m<sup>2</sup>), with the remaining three floors to be occupied by Group companies. However, due to strong interest in its EC logistics services, the Company plans to expand EC logistics floor space to around 50,000 m<sup>2</sup>, an increase of 50% compared with the original plan. It also intends to open a new EC logistics center (around 6,600 m<sup>2</sup>) in Osaka in December 2024. Additionally, the Company opened the Distribution Center Yokohama Fukuura (SBS Ricoh Logistics, 56,000 m<sup>2</sup>) in August and it plans to expand operations at the Kashiwanuma Minami Warehouse (SBS Toshiba Logistics, roughly 29,000 m<sup>2</sup>) in September. It plans to expand the operating area of its logistics facilities by 11.9% to around 3,580,000 m<sup>2</sup> from the end of the previous fiscal year. Together, these initiatives are expected to drive further growth in domestic net sales in 2H FY12/24.

Over the full year, it assumes logistics charge adjustments in Japan will boost profits by around ¥2.0bn. As of the end of 1H, progress against this forecast was low (¥0.54bn), but the Company believes it is attainable over the full year, as shippers are starting to recognize the need for logistics charge adjustments amid a growing impact from the "2024 problem" (restrictions on truck driver overtime hours that took effect in April 2024).



#### Results trends

In terms of the growth outlook for key Group companies, SBS Toshiba Logistics forecasts 2% YoY for net sales and 5% for operating income, SBS Ricoh Logistics forecasts 6% for net sales and 24% for operating income, and SBS Logicom forecasts 4% for net sales and 4% for operating income. However, we see risks to the full-year profit outlook for SBS Toshiba Logistics, as progress versus its operating income forecast was a low 32% at the end of 1H. However, we believe the deterioration in earnings is not only being caused by lower shipping volumes for semiconductors and home appliances in Japan and overseas, but also by upfront investment in growth, such as the cost of opening new facilities, so we see no real need for concern on the medium-term outlook. The Company is also implementing structural reforms (to improve loading efficiency, optimize personnel allocation, etc.), targeting cost improvements of ¥1.0–2.0bn to drive a sharp rebound in earnings in FY12/25.

Profitability is seen improving more sharply at SBS Ricoh Logistics, reflecting expected productivity gains at the Distribution Center Ichinomiya (Aichi Prefecture, roughly 56,000 m<sup>2</sup>), which incurred start-up costs after coming on line in FY12/24, and the acquisition of new customers outside the Ricoh group. Although 1H progress rates of 47% for net sales and 43% for operating income are trailing full-year forecasts slightly due to a contraction in overseas shipping volumes and a drop in marine freight rates, we think these modest shortfalls are recoverable in the second half.

1H progress rates for SBS Logicom Group are steady, at 48% for net sales and 49% for operating income, with the Company on track to attain full-year forecasts.

#### Outlook by Group company

|                       |                  | (¥bn)   |           |     |                  |
|-----------------------|------------------|---------|-----------|-----|------------------|
|                       |                  | FY12/23 | FY12/24 E | YoY | 1H progress rate |
| SBS Toshiba Logistics | Net sales        | 115.1   | 117.8     | 2%  | 48%              |
|                       | Operating income | 4.3     | 4.5       | 5%  | 32%              |
| SBS Ricoh Logistics   | Net sales        | 101.3   | 107.8     | 6%  | 47%              |
|                       | Operating income | 3.4     | 4.2       | 24% | 43%              |
| SBS Logicom           | Net sales        | 73.4*   | 76.0      | 4%  | 48%              |
|                       | Operating income | 5.7*    | 5.9       | 4%  | 49%              |

\* Includes results for Toyo Warehouse and Transportation Co., Ltd., which merged with the Company in October 2023  
 Source: Prepared by FISCO from the Company's financial results briefing materials

### (2) Property Management business

In the Property Management business, the Company is targeting net sales of ¥15,190mn, up 9.3% YoY, and operating income of ¥7,970mn, up 0.1%. It plans to liquidate the Fukagawa Warehouse (Tokyo Prefecture) in 4Q and book a gain of roughly ¥1.5bn. This is expected to lift profits in the development business by around ¥0.6bn YoY. However, the Company forecasts modest declines in sales and profits in the leasing business due to continued liquidation of real estate assets, higher depreciation costs, and lower occupancy rates at some warehouses. We see prospects for modest upside to profits if the rental property occupancy rate remains stable in 2H.

### (3) Other business

In Other business, net sales are forecast to increase 7.3% YoY to ¥10,050mn and operating income to rise 11.2% to ¥400mn. The Company looks for sales and profit growth in the Solar Power Generation business and Marketing business.

## Medium-term management plan

The Company has been advocating mega-ventures growing with “LT×IT” and it seeks 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. Under its three-year medium-term management plan SBS Next Stage 2025, which started in FY12/23, 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 profit to shareholders in line with business performance. Its policy is to aim for further improvements to corporate value and sustainable growth.

### Recovery in Logistics business and M&A are key to attaining FY12/25 net sales target of ¥500.0bn

#### 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 income margin of 5.5%. However, these targets are now slightly more challenging after FY12/23 results fell short of the initial forecast due to the sharp decline of the overseas logistics business. However, the Company is in talks to acquire 66.61% of shares in NSK Logistics, NSK’s logistics subsidiary, by the end of 2024. We estimate the resulting consolidation of NSK Logistics would add more than ¥20.0bn to net sales. With the Company also exploring M&A opportunities with 3PL companies and other companies overseas, we believe it is on track to achieve its net sales target, depending on progress with M&A and the rate of recovery in the Logistics business. NSK Logistics only operates in Japan, with NSK’s overseas logistics handled by an external distribution company. As with its other M&A deals, the Company is considering taking on NSK’s overseas logistics. Factoring that in, we estimate the deal could generate up to ¥50.0bn in sales from logistics services for the NSK group alone.

#### Management indices

|                              | FY12/23            |         | FY12/24<br>(planned) | FY12/25<br>(planned) | CAGR<br>(FY12/23–FY12/25) |
|------------------------------|--------------------|---------|----------------------|----------------------|---------------------------|
|                              | (initial forecast) | Results |                      |                      |                           |
| Net sales                    | 457.0              | 431.9   | 450.0                | 500.0                | 7.6%                      |
| Logistics business           | 433.5              | 408.6   | 424.8                | 468.1                | 7.0%                      |
| Property Management business | 14.3               | 13.8    | 15.1                 | 21.9                 | 26.0%                     |
| Other business               | 9.2                | 9.3     | 10.0                 | 10.0                 | 3.7%                      |
| Operating income             | 22.8               | 19.7    | 21.0                 | 27.5                 | 18.1%                     |
| Logistics business           | 15.5               | 11.5    | 13.0                 | 19.0                 | 28.5%                     |
| Property Management business | 7.5                | 7.9     | 7.9                  | 8.0                  | 0.6%                      |
| Other business               | 0.3                | 0.3     | 0.4                  | 0.5                  | 29.1%                     |
| (Operating income margin)    | 5.0%               | 4.6%    | 4.7%                 | 5.5%                 |                           |
| Shareholders’ equity ratio   | 25.5%              | 26.4%   | -                    | 30.0%                |                           |

Source: Prepared by FISCO from the Company’s briefing materials

Medium-term management plan

By business segment, the Logistics business fell short of target, as noted earlier, but the Property Management business and the Other business are mostly on track. In the Logistics business, a recovery in overseas logistics and the strength of sales growth in core operations such as EC logistics and 3PL will be key. The Company also targets a segment operating income margin improvement from 2.8% in FY12/23 to 4.1% in FY12/25. It mainly expects profitability improvement at SBS Ricoh Logistics and SBS Toshiba Logistics, whose PMI effects will materialize. We think this segment operating income margin target is achievable, considering that it was 4.1% in FY12/21. Specifically, it aims to lift profitability by adjusting logistics charges and by improving productivity through better loading efficiency and optimal personnel allocation. To improve loading efficiency, it will run training videos and implement other activities, while also raising driver awareness.

The Company is actively deploying “LT×IT” as a differentiation strategy, but the immediate future is positioned as the stage for upfront investment 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 record stable earnings by a planned liquidation program of logistics facilities.

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 in three years through FY12/22) and strategic investments of ¥82.0bn (¥42.0bn). Strategic investments include investments in the development of logistics facilities and the LT×IT field. In the first six months of FY12/24, the Company invested ¥13.2bn in the development of logistics facilities and ¥6.0bn in other investments (vs ¥12.8bn and ¥9.0bn, respectively, in FY12/23). In 18 months, the Company has used over 40% of the investment budget. With investments in M&A also to be added, the Company appears to be investing at a mostly steady pace. Even amid the current difficult market conditions, the Company believes it needs to invest steadily to generate medium- and long-term growth. It plans to continue making investments as it works towards its net sales target of ¥700.0bn in FY12/30. Investments will be funded by own capital and borrowings, as well as early liquidation of logistics facilities.

## Strengthening 3PL, EC logistics, and international logistics, seeking strong growth while continuing to develop logistics facilities

### 2. Priority measures and progress

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

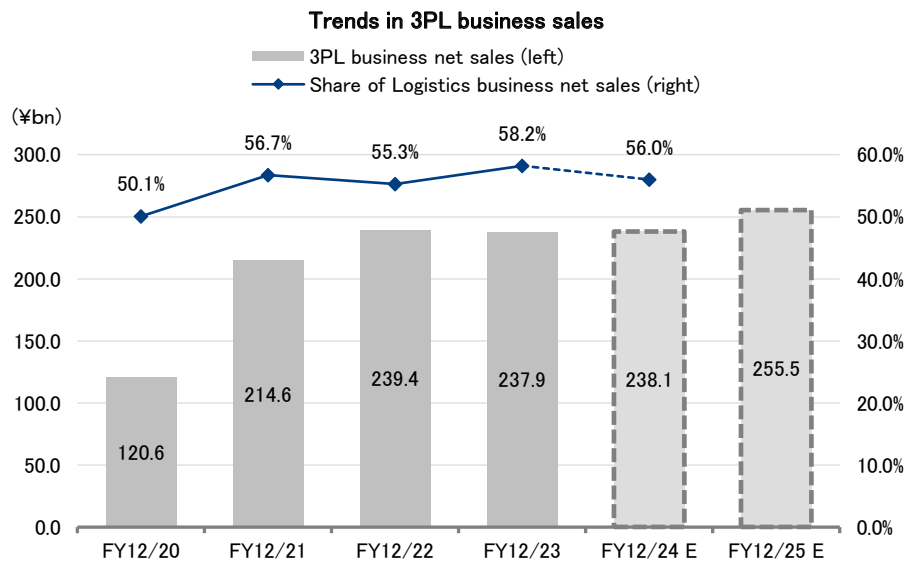
##### a) 3PL business

The domestic 3PL market was worth approximately ¥4.2tn in FY2023, of which the Company’s share was around 5.6% to 5.9%, representing a significant presence in the industry. The CAGR of the 3PL industry from FY2010 and beyond has been growing at 8% a year, and its share of the overall logistics industry continues to increase. We expect its annual growth rate to remain at around 10% in the next few years, because companies must contend with ongoing increases in personnel and fuel expenses as well as comply with restrictions on working hours (so-called “2024 problem”). This is because shippers will benefit from using 3PL not only in terms of cost savings, but also increasingly from utilizing specialist logistics companies’ expertise and sophisticated systems. In this context, we at FISCO think that for the Group, with its abundant track record in 3PL and dedicated LT×IT team of around 270, the next few years will be a good opportunity to attract new customers as well as deepen transactions with existing customers.

Medium-term management plan

The Company forecasts 3PL net sales of ¥238.1bn in FY12/24, up 0.1% YoY. The 1H progress rate was 50% (¥119.4bn), mostly in line with the forecast. Acquisition of new customers and growth in existing operations offset a drop in shipping volume. Net sales should expand further in the second half, supported by a higher occupancy rate at Noda Seto Distribution Center Building A, which opened in February 2024, and by the Distribution Center Yokohama Fukuura (roughly 56,000 m<sup>2</sup>; expected to be fully occupied), which opened in August, and the Kashiwanuma Minami Warehouse, which is scheduled to start operation of its medical logistics platform\* (roughly 29,000 m<sup>2</sup>) in September. The business appears to be on track to attain its FY12/25 net sales target of ¥255.5bn.

\* Four-floor warehouse with air conditioning systems and other facilities suited to the distribution of medical equipment and consumables



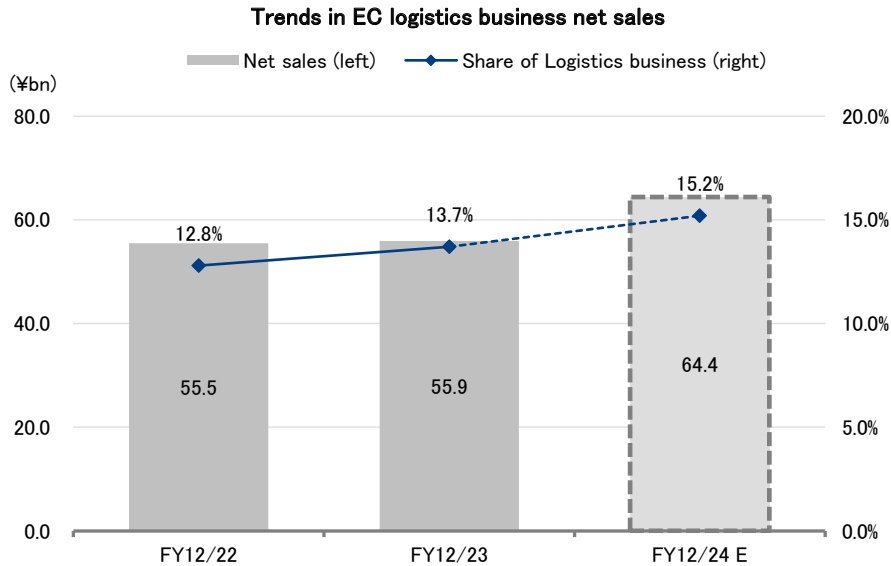
Source: Prepared by FISCO from the Company's financial results briefing materials

**b) E-commerce logistics**

The B2C e-commerce merchandise market in Japan is projected to grow from ¥13.9tn\* in 2022 to ¥20tn 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 from FY12/22 to FY12/30 (the "EC1000" project). The Company forecasts FY12/24 net sales of ¥64.4bn, up 15.2% YoY, with EC logistics expected to account for 15.2% of net sales in the Logistics business, up from 13.7% in FY12/23. 1H net sales totaled ¥29.0bn, equating to a progress rate of 45.2%, but we expect the business to achieve its full-year target due to a rising occupancy rate at Noda Seto Distribution Center Building A and the planned start of operations at its second EC logistics center (roughly 6,600 m<sup>2</sup>) in Osaka in December 2024.

\* Source: Ministry of Economy, Trade and Industry "FY2022 E-Commerce Market Survey to analyze the current state of the Japanese e-commerce (EC) market"

Medium-term management plan



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

In 1H FY12/24, 14 companies had started operations at Noda Seto Distribution Center Building A as planned, and orders are trending ahead of targets. One reason for the strong orders appears to be the center's constant-temperature facilities (20°C and 30°C zones) and refrigerator-freezer (around 1,650 m<sup>2</sup>), which are in demand for products such as supplements, food and cosmetics. To address this demand, the Company plans to expand the center's floor space assigned to EC logistics from the original plan of roughly 33,000 m<sup>2</sup> to 50,000 m<sup>2</sup> by spring 2025. In March 2024, the Company began offering an unattended delivery service in the Tokyo-Nagoya-Osaka area under contract to a major EC retailer. To expand this service, it plans to launch its own brand to capture demand from general customers. The Company is also working to leverage LTxIT to boost productivity. In addition to existing shelf and tall robots, it plans to launch a new Warehouse Management System (WMS) specifically designed for EC logistics in December 2024.

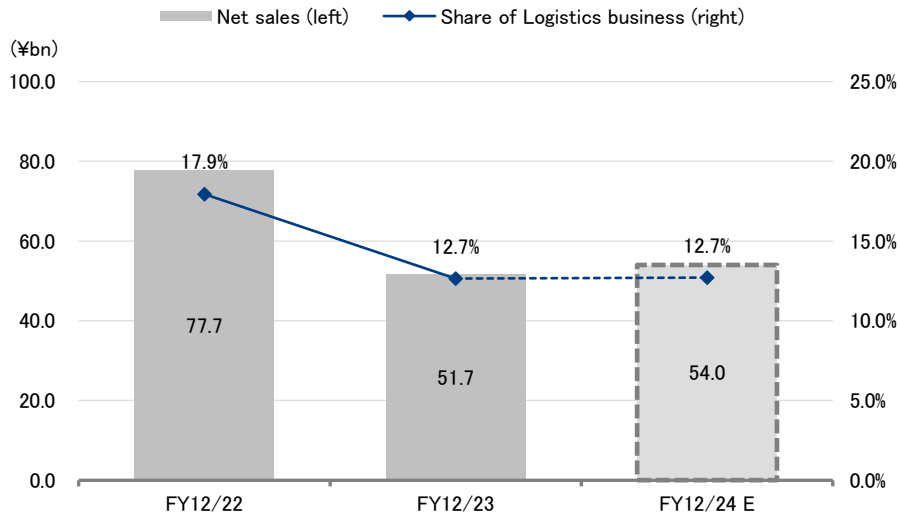
In other developments, the Company is steadily winning new customers for its EC business fulfillment service, "EC Logistics Omakase-kun," which was launched in January 2023 as a platform to attract SME EC businesses. In July 2024 it started running a new marketing campaign featuring a famous actor to raise the visibility of the SBS brand and improve distribution center recruitment. It also plans to actively use social media to step up the recruitment of drivers and young employees.

**c) International logistics**

The Company is targeting FY12/24 net sales of ¥54.0bn in the international logistics business, up 4.4% YoY. Net sales in 1H totaled ¥25.5bn, equating to progress of 47.3%. We expect the business to achieve its full-year targets, provided there are no significant changes in marine freight rates or exchange rates. In terms of initiatives in 1H FY12/24, the Company integrated SBS Furukawa Logistics' Hong Kong and Shanghai bases and its Philippines subsidiary with bases operated by SBS Ricoh Logistics, creating a two-company framework with SBS Toshiba Logistics' overseas bases. Under this new framework, it will focus on expanding shipping from East and Southeast Asia and on local logistics business in the region. In future, it plans to expand its global network to include Europe and North America, with M&A also an option. Companies that provide 3PL services to Japanese companies locally and have sales of around ¥1.0–3.0bn are potential M&A targets. It aims to expand its international 3PL business by transferring its highly cost-competitive 3PL expertise from Japan to overseas markets.

Medium-term management plan

Trends in International logistics business net sales



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

(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 the operating floor area of logistics facilities, a total of 3,580,000 m<sup>2</sup> is planned for the end of December 2024, an increase of 380,000 m<sup>2</sup> from 3,200,000 m<sup>2</sup> at the end of December 2023. If sites currently being planned or already secured are included, there is scope to increase the operating floor area up to 4,033,000 m<sup>2</sup>. Assuming sales growth is proportional to the increase in operating floor area, net sales of the Logistics business for these properties alone could increase by 1.25 times the FY12/23 results to ¥510.0bn, which makes the FY12/25 Company forecast of ¥468.1bn simply another milestone. Regarding expansion of its distribution networks, the Company plans to extend its domestic EC logistics network nationwide, restructure its nationwide B2B delivery network for frozen and chilled products (SBS Flec's Distribution Center Ichinomiya and Atsugi Low Temperature DC) in 2024, and strengthen trunk line networks and last-mile delivery networks. To strengthen its human resources, the Company plans to strengthen hiring, reskill employees, and enable an exchange of personnel within the Group.

## Medium-term management plan

## Operating floor area of Group logistics facilities

| Name  | Location | Operating (consolidated) time | Operating floor areas (m <sup>2</sup> ) | Type                 | Operating company          |
|---|----------|-------------------------------|---|----------------------|----------------------------|
| Operating floor area by the end of Dec. 2023                      |          |                               | 3,200,000                               |                      |                            |
| Noda Seto Distribution Center Building A                          | Chiba    | Feb. 2024                     | 145,000                                 | In-house development | L-MAX                      |
| Distribution Center Ichinomiya                                    | Aichi    | Feb. 2024                     | 9,000                                   | Rent                 | SBS Flec                   |
| Tsurugashima Warehouse  | Saitama  | Feb. 2024                     | 8,000                                   | Rent                 | SBS Toshiba Logistics      |
| Kashiwanuma Minami Warehouse                                      | Chiba    | May 2024                      | 29,000                                  | Rent                 | SBS Toshiba Logistics      |
| Totsuka Warehouse   | Kanagawa | May 2024                      | 17,000                                  | Rent                 | SBS Toshiba Logistics      |
| Shiga Konan Branch Office   | Shiga    | Jun. 2024                     | 43,000                                  | Rent                 | SBS Logicom                |
| Other   |          |                               | 20,000                                  | Rent                 |                            |
| Operating floor area by the end of Jun. 2024                      |          |                               | 3,471,000                               |                      |                            |
| Distribution Center Yokohama Fukuura                              | Kanagawa | Aug. 2024                     | 56,000                                  | Rent                 | SBS Ricoh Logistics System |
| Atsugi Low Temperature DC   | Kanagawa | Sep. 2024                     | 14,000                                  | Rent                 | SBS Flec                   |
| Yao Distribution Center (tentative name)                          | Osaka    | Nov. 2024                     | 26,000                                  | Rent                 | SBS Ricoh Logistics System |
| LOGI FLAG TECH Tokorozawa I                                       | Saitama  | Nov. 2024                     | 9,000                                   | Rent                 | SBS Zentsu                 |
| Other   |          |                               | 4,000                                   | Rent                 |                            |
| Operating floor area by the end of Dec. 2024 (existing + planned) |          |                               | 3,580,000                               |                      |                            |
| Tomisato Logistics Center (tentative name)                        | Chiba    | Aug. 2026                     | 99,000                                  | In-house development | L-MAX                      |
| Noda Seto Distribution Center Building B                          | Chiba    | Planned                       | 111,000                                 | In-house development | SBS Asset Management       |
| Tokorozawa (land A)   | Saitama  | Planned                       | 23,000                                  | In-house development | SBS Logicom                |
| Tokorozawa (land B)   | Saitama  | Planned                       | 13,000                                  | In-house development | SBS Sokuhai Support        |
| Yokoshibahikari-cho Land  | Chiba    | Planned                       | 198,000                                 | In-house development | SBS Logicom                |
| Kasumigaura City Land   | Ibaraki  | Planned                       | 66,000                                  | In-house development | SBS Logicom                |
| <b>Total operating area (existing + planned)</b>                  |          |                               | <b>4,033,000</b>                        |                      |                            |

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 profitability by promoting "LT×IT." In December 2022, the Company established the LT Lab, a cutting-edge LT testing facility, and is running motion tests and gathering data of next-generation robots sourced in Japan and overseas. It is at the stage of on-site operation of next-generation robots expected to be effective at various facilities to gather data.

In 1H FY12/24, the Company introduced goods-to-person (GTP) robots (Automatic Guided Vehicles (AGVs)/tall robots) at Noda Seto Distribution Center Building A (EC Logistics Omakase-kun), and transport robots (AGF/AGV) at Noda Seto Distribution Center Building A (SBS Logicom), Qianhai Warehouse (SBS Ricoh Logistics, China) and Northern Kanto Distribution Center (SBS Toshiba Logistics). In 2H, it plans to open the New LT Lab in the Logistics Center Yokohama Kanazawa in October 2024. The laboratory will begin verification testing of high-density/high-power robots and conduct PoC linked to Robot arms/GTP system robots. GTP robots will also be phased in at each site, including the Nasu Logistics Center (SBS Toshiba Logistics) and the NRC Branch Office (SBS Logicom), to verify robot solutions that combine flexibility with high density/high productivity. For now, the goal is to raise productivity to a level equivalent to warehouse workers. We think the effect of introducing these devices on profitability will emerge in or after FY12/25.

## 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 EVs and improving fuel efficiency, as well as developing logistics facilities with increased efficiency using "LT×IT." Regarding EVs, the Company is introducing 1-ton commercial vans, which are being used by SBS Sokuhai Support for deliveries. To reduce the investment burden, it is also working with manufacturers to convert compact-size used trucks to EV powertrains. In July 2024, the trucks began field tests at the Anezaki driving school operated by SBS Driving School Co., Ltd. The number of EVs in use stood at 33 as of end-June 2024, and the Company plans to introduce an additional 40 (including converted vehicles) by the end of 2024.

In human resources development, the Company selects potential future senior managers and leaders from section chief and general manager grades at each Group company. These candidates are then assigned to one of two programs, where they receive roughly one year of specialist training before being assigned to their new post. In their post, they continue to receive support for personal growth and development. The second term of these programs is currently underway, with the total number of graduates from the first two terms expected to top 100.

In addition, amid the lack of truck drivers in the logistics industry due to the 2024 problem, the Company has started preparations to hire drivers from overseas. This has become possible after "automobile transportation" was added to Japan's list of Specified Skilled Workers (i)\*, a type of residency status for foreigners, in April 2024. Skill levels and Japanese language proficiency will also require testing, so the Company intends to work with overseas driving centers and Japanese language schools, as well as SBS driving schools, to eliminate the driver shortage by recruiting and training foreign drivers.

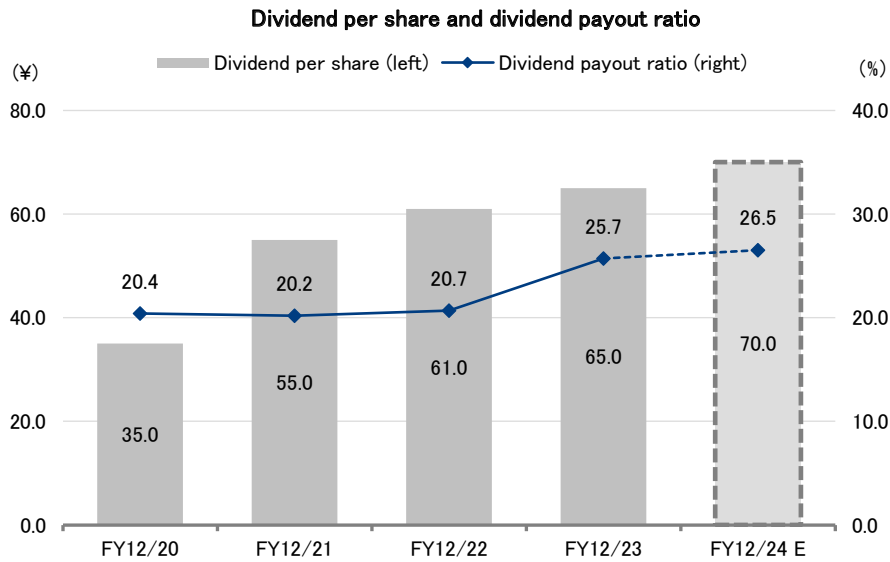
| \* Residency period of up to five years in total |



## Shareholder return policy

### Plans to pay FY12/24 dividend of ¥70.0 per share, up ¥5.0 from FY12/23

The Company's basic policy for shareholder returns is to maintain continuous dividends and increase the level of dividends in line with operating results. For FY12/24, it plans to raise the dividend by ¥5.0 YoY to ¥70.0 per share (dividend payout ratio of 26.5%), which would mark the seventh consecutive year of increase. It intends to continue raising the dividend on a stable basis, targeting a dividend payout ratio of around 30%.



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

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