Consolidated Financial Summary for the Second Quarter of the Fiscal Year Ending March 31, 2022

October 29, 2021

Company name: SINANEN HOLDINGS CO., LTD. Shares listed: Tokyo Stock Exchange
Securities code: 8132 URL: https://sinanengroup.co.jp/
Representative: (Position) President and CEO (Name) Masaki Yamazaki
Contact: (Position) Finance and Accounting Manager (Name) Yutaka Hoshino Tel: +81-3-6478-7811
Scheduled date of filing of quarterly report: November 12, 2021
Scheduled date of start of dividend payment: —
Preparation of supplementary materials: Yes
Convening of a results meeting: Yes

(Note: Amounts are rounded to nearest million yen.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022
(April 1 - September 30, 2021)

(1) Consolidated operating results (cumulative totals) (Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
2Q FY 2021	100,518	—	-42	—	323	—	72	—
2Q FY 2020	79,789	-13.8	968	518.3	927	148.3	395	-46.8

(Note) Comprehensive income 2Q FY 2021 134 million yen (-%) 2Q FY 2020 539 million yen (-44.2%)

	Profit per share	Diluted profit per share
	yen	yen
2Q FY 2021	6.69	—
2Q FY 2020	36.39	—

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the year under review. Figures for the first six months of the year ending March 31, 2022 have been restated to reflect application of the standard, and year-on-year changes have been omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
2Q FY 2021	86,937	51,955	59.0
FY 2020	96,834	51,905	52.9

(Reference) Shareholders' equity 2Q FY 2021 51,250 million yen FY 2020 51,201 million yen

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the year under review. Figures for the first six months of the year ending March 31, 2022 have been restated to reflect application of the standard.

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	yen	yen	yen	yen	yen
FY 2020	—	—	—	75.00	75.00
FY 2021	—	—			
FY 2021 (forecast)			—	75.00	75.00

(Note) Revisions to most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	244,000	12.4	2,100	-28.5	1,700	-43.8	1,500	-44.8	137.82

(Note) Revisions to most recently announced results forecast: None

* Notice:

(1) Changes in main subsidiaries during the period (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

New: - company(ies) (Company name(s))   Excluded: - company(ies) (Company name(s))

(2) Application of accounting treatment specific to the preparation of the quarterly consolidated financial statements: Yes

Note: See “(3) Explanation concerning quarterly consolidated financial statements (Application of accounting treatment specific to the preparation of the quarterly consolidated financial statements)” under “2. Quarterly Consolidated Financial Statements and Main Notes” on page 7 of the attachment for details.

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

(a) Changes in accounting policies due to revision of accounting standards: Yes

(b) Changes in accounting policies other than those in (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

Note: See “(3) Explanation concerning quarterly consolidated financial statements (Changes in accounting policies)” under “2. Quarterly Consolidated Financial Statements and Main Notes” on page 8 of the attachment for details.

(4) Number of shares issued (common stock)

(a) Number of shares issued (including treasury shares)	2Q FY 2021	13,046,591 shares	FY 2020	13,046,591 shares
(b) Number of treasury shares	2Q FY 2021	2,139,814 shares	FY 2020	2,171,037 shares
(c) Average number of shares during the period	2Q FY 2021	10,883,410 shares	2Q FY 2020	10,876,059 shares

* Quarterly financial results summaries are not subject to quarterly review by certified public accountant or auditing firm.

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

The financial forecasts and other forward-looking statements contained herein are based on currently available information and assumptions considered by the Company to be reasonable and do not represent a commitment from the Company that they will be achieved. Actual results may differ materially due to various factors. See “(3) Explanation concerning forecasts for consolidated business results and other future projections” under “1. Qualitative Information Concerning the Consolidated Business Results” on page 3 of the attachment for the underlying assumptions of and precautions for using the forecasts.

1. Qualitative Information Concerning the Consolidated Business Results

Forward-looking statements within this document are based on our judgment as of the end of the first three months of the fiscal year under review.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied as of the first three months of the fiscal year under review.

For that reason, the explanation concerning operating results for the first six months of the fiscal year under review does not include changes in amounts compared to the first six months of the previous year or year-on-year change (percent).

(1) Explanation concerning operating results

During the first six months of the fiscal year under review, the situation in the Japanese economy remained bleak with a resurgence of COVID-19 infections leading to repeated declarations of a state of emergency, which resulted in a decline in social activities and consumer spending. Looking ahead, there are some positive signs such as a decrease in the number of COVID-19 cases associated with a rising rate of vaccination and economic recovery overseas. However, there are also many causes for concern, including breakthrough cases of COVID-19 and a resurgence of infection following relaxation of restrictions on activities, so the future of the economy remains unpredictable.

The business environment surrounding the Company in the domestic energy industry is changing significantly, including intensification of competition between providers as full-scale liberalization of electricity retail progresses in the electric power and gas market and the Japanese government’s announcement of a national policy of achieving a post-carbon society by 2050. The price of crude oil and propane contact prices, which had dropped in April, increased substantially in response to increased demand associated with economic recovery, primarily in the United States and Europe where the vaccine roll-out started earlier, in addition to the tightening of the supply associated with the coordinated production cuts by OPEC-plus. On the other hand, domestic demand for oil and gas continues to fall overall due to the progression of birthrate decline and population aging, the spread of energy-saving devices, lifestyle changes, and other such factors.

In the midst of this environment, the Group launched its second three-year medium-term management plan under the slogan, “Challenging New Worlds with Big Sky-thinking” in the previous fiscal year. Costs have arisen this year as it is the second year of the second medium-term management plan. In particular, the Group is actively working on investment activities to realize sustainable growth, including anticipatory investment in new businesses that will serve as the management foundation of the future and IT-related investments for promoting digital transformation (DX). To further enhance synergy as a group and pursue profit growth and operational efficiency, the Group Coordination Promotion Office, which was established in April 2021, is promoting efforts such as sharing of management resources, business know-how, and networks across group companies.

In the BtoC Business (Retail/Wholesale Energy & Related Business), the sales volume was down due to decreased demand in the mainstay area of LP gas and kerosene as average temperatures from early spring to summer were higher than usual. On the other hand, unit selling prices were up owing to a sharp increase in the price of crude oil and propane contract prices. On the profit side, while there was a recovery in the housing business on top of securing our profit margin on LP gas, the application of the Accounting Standard for Revenue Recognition mentioned below had a significant impact, causing weak profit growth.

In the BtoB Business (Energy Solution Business), we ensured a slightly higher sales volume compared to the previous year in our mainstay Petroleum Business, while unit selling prices went up substantially as in the BtoC Business owing primarily to the sharp increase in crude oil prices. On the profit side, while light oil sales were favorable, overall, profit was down due primarily to such factors as increased procurement costs for electric power and an increase in SG&A. There has been a delay in obtaining the development permit for the new large-scale wind power generation business in South Korea due to the spread of COVID-19 and opposition from local residents as detailed in the Notification Concerning Participation in Large-Scale Wind Power Generation Business in South Korea (Change in Disclosure Item) issued on October 8, 2021. As such, the timing of the launch of commercial operations has been changed to “to be determined.” Additionally, in the new micro wind turbine-related business, we plan to conduct field tests under various environmental conditions, such as in Sapporo City, Hokkaido, having completed field tests in Saitama City, Saitama.

In the Non-energy/Global Business, bicycle business operator SINANEN BIKE Co., Ltd. saw lower sales as demand, which had increased the previous year owing to the government providing a special stimulus, dropped back down.

Bike-sharing business operator SINANEN MOBILITY+ Co., Ltd. promoted development of DAICHARI stations, including by launching field tests with new local authorities such as Fujimi City, Saitama. As of September 30, 2021, there are more than 2,000 stations and more than 8,200 bicycles as the business continues to expand favorably. In addition, while promoting station development primarily in target areas where a high level of operations is expected through expansion of collaboration with Odakyu Electric Railway Co., Ltd. and a new partnership with JR East Urban Development Corporation, results have also begun to manifest for efforts to improve profitability, such as review of the operational structure.

Environmental and recycling business operator SINANEN ECOWORK Co., Ltd. saw a recovery in transaction volume owing to the positive effect of fluctuating supply and demand for wood chips as the decrease in construction waste due to the spread of COVID-19 continues to impact the business. Other businesses such as metal recycling also performed well, contributing to profits.

Antimicrobial business operator Sinanen Zeomic Co., Ltd. maintained favorable sales in Japan and overseas against a backdrop of increased demand for antimicrobial products due to the spread of COVID-19. Meanwhile, profit was on par with the previous year due to the rise in its cost of sales. The company continues to cultivate new customers, including the launch of trial production of samples with a leading manufacturer.

Systems business operator Minos Co., Ltd. saw steady demand for its flagship LP gas backbone operation system. Power CIS, its customer information system supporting liberalization of electricity retail sales, also grew substantially and performed well.

Core building management and maintenance business operator Takara Building Maintenance Co., Ltd. saw favorable results overall owing to an increase of new orders for cleaning and disinfecting medical facilities and an increase in the number of maintenance contracts at housing complexes, which bounced back from the previous year. This was on top of the steady contribution of regular management operations at housing complexes such as condominiums.

As a result of the above, the financial results for the first six months of the fiscal year under review were as follows: Net sales came in at 100.518 billion yen (79.789 billion yen in the previous year), there was an operating loss 42 million yen (compared to operating profit of 968 million yen in the previous year), ordinary profit was 323 million yen (927 million yen in the previous year), and profit attributable to owners of parent was 72 million yen (395 million yen in the previous year).

The Accounting Standard for Revenue Recognition (ASBJ No. 29, March 31, 2020) has been applied as of the beginning of the fiscal year under review. As such, net sales for the first six months of the fiscal year under review were down 5.879 billion yen, cost of sales was down 5.493 billion yen, and operating profit, ordinary profit, and profit before income taxes were each down 385 million yen. This was primarily due to the change in the standard for recognizing revenue of LP gas sales from the recording of revenue based on customer usage on the meter reading date to recording an estimate of revenue generated through the settlement date in conjunction with the application of the Accounting Standard for Revenue Recognition. With this change, during the first six months of the fiscal year under review, revenue from the day after the March 2021 meter reading date to the end of March 2021, which previously would have been recorded as revenue for April 2021 is added not to the quarterly consolidated statement of income and statement of comprehensive income but to retained earnings, and the revenue from the day after the meter reading date in September 2021 to the end of September 2021 is estimated and recorded on the quarterly consolidated statement of income and statement of comprehensive income for the first six months of the fiscal year under review. In addition, the main factor behind the 385 million yen decrease in operating profit, ordinary profit, and profit before income taxes is the recording of estimated revenue from late September to September 30, 2021 when usage was lower compared to the period from late March to March 31, 2021. See "(3) Explanation concerning quarterly consolidated financial statements (Changes in accounting policies)" under "2. Quarterly Consolidated Financial Statements and Main Notes" for details.

(2) Explanation concerning financial status

Total assets as of the end of the second quarter were down 9.897 billion yen from the end of the previous year (March 31, 2021) to 86.937 billion yen, primarily as a result of a seasonal decrease in trade receivables.

Profit attributable to owners of parent came to 72 million yen, and due to application of the Accounting Standard for Revenue Recognition, the balance of retained earnings was up 639 million yen. Meanwhile, there was a distribution of 815 million yen in retained earnings, and the valuation difference on other securities decreased 20 million yen from the end of the previous year. As a result, net assets increased 50 million yen from the end of the previous year to 51.955 billion yen.

As a result of the above, the equity ratio increased 6.1 percentage points year on year to 59.0%.

(3) Explanation concerning forecasts for consolidated business results and other future projections

No changes have been made to the figures from the full-year forecasts for the fiscal year ending March 31, 2022 announced on May 14, 2021. The impact of application of the Accounting Standard for Revenue Recognition on the first six months of the year under review is as detailed in "(1) Explanation concerning operating results." For the full year, revenue from the day after the March 2021 meter reading date to the end of March 2021, which previously would have been recorded as revenue for April 2021, is added not to the full-year consolidated statement of income and statement of comprehensive income but to retained earnings, and the revenue from the day after the meter reading date in March 2022 to the end of March 2022 will be estimated and recorded on the full-year consolidated statement of income and statement of comprehensive income, so the impact on full-year consolidated financial results in the fiscal year ending March 31, 2022 is expected to be minor.

As for COVID-19, the decrease in cases associated with the increased rate of vaccination has led to a nationwide lifting of the state of emergency. However, there are also many causes for concern, including breakthrough cases of COVID-19 and a resurgence of infection following relaxation of restrictions on activities, so the future remains unpredictable. In the first six months of the year under review, the pandemic was a profit-decreasing factor in the commercial energy business of the BtoC Business (Retail/Wholesale Energy & Related Business) and the environmental and recycling business. However, overall, the impact was minor as it was a profit-increasing factor in the household energy and antimicrobial business of the BtoC Business (Retail/Wholesale Energy & Related Business).

As stated above, we do not expect COVID-19 to cause significant changes in our business results, but in the event that we determine it is necessary to revise our forecasts due to a resurgence of COVID-19 or significant changes in the business environment, we will disclose those revisions without delay.