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

January 31, 2022

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: February 10, 2022
Scheduled date of start of dividend payment: —
Preparation of supplementary materials: Yes
Convening of a results meeting: No

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022
(April 1 - December 31, 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	%
3Q FY 2021	182,719	—	602	—	1,087	—	490	—
3Q FY 2020	138,969	-11.8	1,615	374.2	1,686	150.1	754	-1.7

(Note) Comprehensive income 3Q FY 2021 452 million yen (-%) 3Q FY 2020 1,176 million yen (-21.9%)

	Profit per share	Diluted profit per share
	yen	yen
3Q FY 2021	45.02	—
3Q FY 2020	69.40	—

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 nine 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	%
3Q FY 2021	109,334	52,274	47.2
FY 2020	96,834	51,905	52.9

(Reference) Shareholders' equity 3Q FY 2021 51,584 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 nine 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	137.73

(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)	3Q FY 2021	13,046,591 shares	FY 2020	13,046,591 shares
(b) Number of treasury shares	3Q FY 2021	2,139,834 shares	FY 2020	2,171,037 shares
(c) Average number of shares during the period	3Q FY 2021	10,891,221 shares	3Q FY 2020	10,875,961 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 nine months of the fiscal year under review does not include changes in amounts compared to the first nine months of the previous year or year-on-year change (percent).

(1) Explanation concerning operating results

During the first nine months of the fiscal year under review, the Japanese economy showed signs of a recovery in both social activities and consumer spending as the difficult circumstances created by COVID-19 gradually improved. However, the future remains unpredictable with another spike in COVID-19 cases occurring in Japan and abroad due to the emergence of a new variant.

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 approval of the 6th Basic Energy Plan for achieving carbon neutrality by 2050 by the Japanese cabinet in October 2021. In addition, the price of crude oil and propane contract prices, which had been on the rise since the beginning of the fiscal year, remained high as supply only expanded slightly despite a rapid recovery in global energy demand against the backdrop of resumed economic activity. 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. This year is the second year of the 2nd Medium-Term Management Plan. In addition to strategic investment in new businesses, we will promote IT-related investments for further digital transformation (DX) as part of executing investments to realize sustainable growth, which is one of the qualitative targets set forth in the plan. In this way, we will be working on establishing a foundation for making a further leap forward with the 3rd Medium-Term Management Plan. In December 2021, we were selected as a certified DX business operator by the Ministry of Economy, Trade and Industry in recognition of our initiatives such as development of a system for promoting DX and establishment of a strategy. In addition, 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, especially in early spring and late autumn, due to decreased demand in the mainstay area of LP gas and kerosene as average temperatures were higher than last year. On the other hand, unit selling prices were up owing to a sharp increase in the price of crude oil and propane contract prices. Profit has been steady as rising procurement costs have been reflected in selling prices and proper inventories have been maintained despite the impact of the application of the Accounting Standard on Revenue Recognition detailed below.

In the BtoB Business (Energy Solution Business), sales remained strong owing to a substantial increase in unit selling prices in our mainstay Petroleum Business as well as securing a higher sales volume than that of the same period of the previous year. On the other hand, profit was down overall due primarily to the impact of increased SG&A such as personnel and commission expenses on top of the increase in electric power procurement costs. In the new micro wind turbine-related business, we began field tests in Sapporo City, Hokkaido in December 2021 and are working on observing behavior in cold regions. Also, in South Korea, we continue to await timely permission for development in the large-scale wind power generation business.

In the Non-energy/Global Business, bicycle business operator SINANEN BIKE Co., Ltd. saw sluggish performance due to tightening of the supply and demand situation in conjunction with the supply shortage among parts manufacturers as well as a sharp rise in global transportation costs and raw material prices and depreciation of the yen.

Bike-sharing business operator SINANEN MOBILITY+ Co., Ltd. promoted development of DAICHARI stations, including by starting new partnerships with SAGAMI RAILWAY Co., Ltd. and YAOKO Co., Ltd. As of December 31, 2021, there are more than 2,100 stations and more than 8,200 bicycles. A record was set for the number of uses in November. In addition, while working on sales activities primarily in target areas where a high level of operations is expected through such efforts as development of land near stations, results have also manifested for efforts to increase the number of uses, such as review of the operational structure.

Environmental and recycling business operator SINANEN ECOWORK Co., Ltd. saw steady 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. struggled with sales due to the rising cost of sales on top of the letup in demand for antimicrobial products associated with the spread of COVID-19. 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. In addition, the company promoted sales activities centered on cleaning and disinfecting to secure stable revenue, and it has seen results, including the acquisition of new annual contracts.

As a result of the above, the financial results for the first nine months of the fiscal year under review were as follows: Net sales came in at 182.719 billion yen (138.969 billion yen in the previous year), operating profit was 602 million yen (1.615 billion yen in the previous year), ordinary profit was 1.087 billion yen (1.686 billion yen in the previous year), and profit attributable to owners of parent was 490 million yen (754 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 nine months of the fiscal year under review were down 7.812 billion yen, cost of sales was down 7.718 billion yen, and operating profit, ordinary profit, and profit before income taxes were each down 94 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 nine 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 December 2021 to the end of December 2021 is estimated and recorded on the quarterly consolidated statement of income and statement of comprehensive income for the first nine months of the fiscal year under review. In addition, the main factor behind the 94 million yen decrease in operating profit, ordinary profit, and profit before income taxes is the recording of estimated revenue from usage in the period from late December to December 31, 2021 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 third quarter were up 12.5 billion yen from the end of the previous year (March 31, 2021) to 109.334 billion yen, primarily as a result of a seasonal increase in trade receivables.

Profit attributable to owners of parent came to 490 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 41 million yen from the end of the previous year. As a result, net assets increased 369 million yen from the end of the previous year to 52.274 billion yen.

As a result of the above, the equity ratio decreased 5.7 percentage points year on year to 47.2%.

(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 nine 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.

In addition, the decrease in the number of new COVID-19 cases resulted in a gradual improvement in the difficult circumstances. However, the future remains unpredictable with another spike in COVID-19 cases occurring in Japan and abroad due to the emergence of a new variant. In the first nine 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). However, overall, the impact was minor as it was a profit-increasing factor in the household energy 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.