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Consolidated Financial Summary for the First Quarter of the Fiscal Year Ending March 31, 2023

July 29, 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: August 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 First Quarter of the Fiscal Year Ending March 31, 2023 (April 1 - June 30, 2022)

(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	%
1Q FY 2022	71,194	44.2	(50)	―	325	(43.8)	1,640	334.9
1Q FY 2021	49,359	―	417	―	578	―	377	―

(Note) Comprehensive income 1Q FY 2022 2,038 million yen (-%) 1Q FY 2021 139 million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
1Q FY 2022	150.47	―
1Q FY 2021	34.69	―

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the previous fiscal year. Figures for the first three months of the year ended 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	%
1Q FY 2022	92,783	55,601	59.2
FY 2021	104,908	54,381	51.2

(Reference) Shareholders' equity 1Q FY 2022 54,890 million yen FY 2021 53,687 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	yen	yen	yen	yen	yen
FY 2021	―	―	―	75.00	75.00
FY 2022	―				
FY 2022 (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, 2023 (April 1, 2022 - March 31, 2023)

(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	310,000	7.1	2,500	0.8	2,800	(14.4)	2,900	16.6	265.95

(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 7 of the attachment for details.

(4) Number of shares issued (common stock)

(a) Number of shares issued (including treasury shares)	1Q FY 2022	13,046,591 shares	FY 2021	13,046,591 shares
(b) Number of treasury shares	1Q FY 2022	2,142,603 shares	FY 2021	2,139,955 shares
(c) Average number of shares during the period	1Q FY 2022	10,904,365 shares	1Q FY 2021	10,875,414 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.

(1) Explanation concerning operating results

During the first three months of the fiscal year under review, although the Japanese economy continued to be impacted by COVID-19, it showed signs of recovery due to the normalization of socio-economic activity partly as a result of the relaxation of restrictions on activities. However, the future remains unpredictable due to soaring raw material and resource prices, a rapidly depreciating yen, and other factors on top of geopolitical risk, including the prolonged situation in Ukraine.

The business environment surrounding the Company in the domestic energy industry is changing significantly, including approval of the 6th Basic Energy Plan for achieving carbon neutrality by 2050 by the Japanese cabinet in October 2021. Crude oil prices and propane contract prices, which affect the purchasing prices in our mainstay area of petroleum and LP gas, have been persistently high since 2014. They are also experiencing strong fluctuations, with drops due to China’s protracted zero-COVID policy, and rises due to the manifestation of geopolitical risk. In the electricity market as well, we faced challenges as a company aiming to expand our power business. Record-high temperatures in June of this year triggered a tight energy supply and demand environment, with wholesale electricity market prices rapidly soaring to reach a temporary high of 200 yen/kWh.

In the midst of this environment, the Group's second three-year medium-term management plan under the slogan, “Challenging New Worlds with Big Sky-thinking” has now reached its final year. Under this plan, we have focused on selection and concentration among existing businesses and improving capital efficiency through utilizing and selling off low-efficiency assets. In addition, we have made strategic investments in new business such as the bicycle sharing business and the renewable energy business, working to develop a foundation for advancement under the third medium-term management plan. As in the previous fiscal year, we are also continuing to accelerate human resources investment and IT-related investment to promote digital transformation (DX). To strengthen our initiatives for improving the growth of the entire group and our initiatives for realizing a decarbonized society, in June of this year, we formulated our Basic Policy on Sustainability and established the Sustainability Promotion Committee chaired by the President and CEO.

In the first three months of the fiscal year under review, unit selling prices increased significantly owing to a sharp rise in the price of crude oil and propane contract prices. As a result, net sales were 71.194 billion yen (up 44.2% year on year). While gross profit deteriorated for LP gas and electric power, petroleum secured marginal profits, leading to gross profit of 8.05 billion yen (up 1.1% year on year). On the other hand, there was a 557 million yen increase in SG&A due to increased personnel expenses and commission expenses including IT-related investment. This resulted in an operating loss of 50 million yen (compared to operating profit of 417 million yen in the previous year) and ordinary profit of 325 million yen (down 43.8% year on year). Profit attributable to owners of parent was 1.640 billion yen (up 334.9% year on year).This was largely due to the Company recording 2.1 billion yen in gains on the sale of fixed assets as an extraordinary gain, details of which are in the release entitled,“(Progress on disclosed matter) Notice of transfer of fixed assets and recording of extraordinary gain,” which was published on October 29, 2021.

Segment status is as follows.

In the Retail/Wholesale Energy & Related Business (BtoC Business), the sales volume was down as the mainstay area of LP gas and kerosene was impacted by average temperatures that were higher than usual. On the other hand, unit selling prices were up owing to the sharp increase in the price of crude oil and propane contract prices. Profit was down as gross profit deteriorated for LP gas and electric power, despite an increase in sales of housing equipment, etc. We also commenced initiatives that harness group synergies to secure new revenue streams, which included the launch of building management and maintenance business for housing complexes.

In the Energy Solutions Business (BtoB Business), unit selling prices went up substantially in our mainstay petroleum business same as BtoC Business owing to the sharp increase in crude oil prices. The sales volume was also up from the previous year and overall performance was favorable due to strong petroleum sales primarily through Oil Square, which has improved light oil sales capacity. Despite rises in procurement costs affecting the sales of electric power, profit was up as we secured gains in the petroleum business through purchase measures addressing fluctuations in the crude oil market. In the new micro wind turbine-related business, we are working on commercialization based on data obtained from field tests and wind tunnel tests, while also engaging in marketing activities such as cultivating potential customers.

In the Non-energy Businesses, bicycle business operator Sinanen Bike Co., Ltd. revised prices to address the sharp rise in global transportation costs and raw material prices. Despite these efforts, it was impacted by manufacturing delays due to lockdowns in Shanghai, China, leading to a decrease in profit.

Bicycle sharing business operator Sinanen Mobility Plus Co., Ltd. promoted development of bicycle sharing service DAICHARI locations, primarily in highly profitable target areas. This included the commencement of an initiative with Yokohama City, Kanagawa Prefecture. As of June 30, 2022, there were over 2,600 stations and 10,000 bicycles, and a record was set for the number of uses (more than 670,000) in the same month. We also introduced services that meet the needs of different regions, launching a user-only bicycle sharing service in Iwate Prefecture. The business overall is performing strongly, supported by advances in operational efficiency based on usage data and price revisions made in April of this year.

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-related waste due to the spread of COVID-19 continues to impact the business.

Antimicrobial business operator Sinanen Zeomic Co., Ltd. struggled with sales compared to the previous fiscal year due do a lull in demand for antimicrobial products associated with the spread of COVID-19. As a new growth strategy, we are also working to expand our absorbent agents business and our position in the Chinese market.

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 and performed well. In this first quarter period, we also commenced the development of a next-generation system.

Core building management and maintenance business operator Takara Building Maintenance Co., Ltd. saw steady contributions from regular management operations at sites including condominiums and funeral halls, while efforts to expand the area of its management operations for housing complexes also proceeded smoothly. In addition, our cleaning business for condominium common areas performed well, seeing an increase in sales. Profit was down, however, owing to a temporary increase in costs coinciding with the commencement of contracts this year for large properties. We are also currently working to integrate our four group companies in the building management and maintenance business, aiming to leverage group synergies and the advantage of scale.

As of the first three months of the fiscal year under review, the Non-energy/Global Business has been renamed as the Non-energy Business. This change is in name only and does not affect segment information.

(2) Explanation concerning financial status

Total assets as of the end of the first quarter were down 12.125 billion yen from the end of the previous year (March 31, 2022) to 92.783 billion yen, primarily as a result of a seasonal decrease in trade receivables.

Net assets were up 1.22 billion yen year on year to 55.601 billion yen primarily as a result of distribution of 817 million yen in retained earnings, profit attributable to owners of parent of 1.64 billion yen, and an increase in valuation difference on other securities of 240 million yen.
As a result of the above, the equity ratio increased 8.0 percentage points year on year to 59.2%.

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

No changes have been made to the figures from the forecasts announced on May 13, 2022.

The COVID-19 pandemic has not been resolved as of this point, leading to a continuing unclear situation. When formulating the earnings forecast, we reflected the degree of impact that would be expected if these factors were to continue to March 31, 2023 in the final earnings forecasts. However, overall, the forecasted impact is limited. If the impact of the COVID-19 pandemic were to impact each business significantly more than expected, it is possible

that it would further impact performance. However, at this time, the realized impact is minimal.
In the event that we determine that it is necessary to revise our forecasts due to the spread of COVID-19, significant changes in the business environment or other such factors, we will disclose those revisions without delay.