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

October 31, 2022

Company name: Sinanen Holdings Co., Ltd.

Shares listed: Tokyo Stock Exchange

Securities code: 8132 URL: <https://sinanengroup.co.jp/en/>

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 14, 2022

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, 2023

(April 1 - September 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	%
2Q FY 2022	139,740	39.0	(820)	—	(425)	—	852	—
2Q FY 2021	100,518	—	(42)	—	323	—	72	—

(Note) Comprehensive income 2Q FY 2022 1,090 million yen (711.7%) 2Q FY 2021 134 million yen (-%)

	Profit per share		Diluted profit per share	
	yen		yen	
2Q FY 2022	78.05		—	
2Q FY 2021	6.69		—	

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 half 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		%	
2Q FY 2022	92,529		54,764		58.6	
FY 2021	104,908		54,381		51.2	

(Reference) Shareholders' equity 2Q FY 2022 54,231 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	265.64

(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 (Japanese only).

(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 (Japanese only).

(4) Number of shares issued (common stock)

(a) Number of shares issued (including treasury shares)

2Q FY 2022	13,046,591 shares	FY 2021	13,046,591 shares
2Q FY 2022	2,110,414 shares	FY 2021	2,139,955 shares
2Q FY 2022	10,917,077 shares	2Q FY 2021	10,883,410 shares

(b) Number of treasury shares

(c) Average number of shares during the period

* 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 half of the fiscal year under review.

(1) Explanation concerning operating results

During the first half of the fiscal year under review, although there were signs of economic recovery in Japan, 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.

In the domestic energy industry, crude oil prices and propane contract prices, which affect the purchasing prices in our mainstay area of petroleum and LP gas, have dropped in response to concerns of a recession in major developed countries due to monetary tightening. However, there is still a strong sense of uncertainty over the supply of Russian crude oil, which combined with the rapid depreciation of the yen, has kept these prices at a high level. In the electricity market as well, wholesale electricity market prices continued to soar in conjunction with the tight energy supply and demand environment, including a government warning of power shortages in June and a request to conserve power in July. This poses a risk for us as a company aiming to expand our power business. From a long-term view as well, the business environment surrounding the Company is changing significantly, including approval of the 6th Strategic Energy Plan for achieving carbon neutrality by 2050 by the Japanese cabinet in October 2021.

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).

In the first half 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 139.740 billion yen (up 39.0% year on year).

While gross profit deteriorated for LP gas and electric power, petroleum secured marginal profits, leading to gross profit of 15.011 billion yen (up 0.5% year on year). On the other hand, there was an 855 million yen increase in selling, general and administrative expenses due to increased personnel expenses and commission expenses including IT-related investment. This resulted in an operating loss of 820 million yen (compared to 42 million yen in the previous year) and an ordinary loss of 425 million yen (compared to ordinary profit of 323 million yen in the previous year).

As for profit attributable to owners of parent, a 2.1 billion yen gain on sale of non-current assets in Shinagawa-ku, Tokyo was recorded as an extraordinary income in the first three months of the fiscal year under review. In addition, during the first half of the fiscal year under review, we revalued shares related to the large-scale onshore wind power generation business in South Korea. As a result, the 426 million balance of goodwill pertaining to the business was written off as a one-time amortization and recorded as an extraordinary loss. Due to this and other factors, profit attributable to owners of parent came to 852 million yen (72 million yen in the previous year).

Segment status is as follows.

[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. As a result, sales were up.

The operating loss increased as gross profit deteriorated for LP gas and electric power, despite an increase in sales of housing equipment, etc.

As an effort to secure new revenue streams by harnessing group synergy, we launched a business related to building maintenance and management for housing complexes in the Tohoku area in the first quarter of the fiscal year under review.

[Energy Solution Business (BtoB Business)]

In our mainstay Petroleum Business, like the BtoC Business, unit selling prices went up substantially owing primarily to the sharp increase in crude oil prices. The sales volume was also up from the previous year, resulting in higher sales due to strong petroleum sales primarily through Oil Square, which has improved light oil sales capacity.

Electric power sales have been affected by a substantial rise in procurement costs, but we are working on price revisions in anticipation of a future recovery in market conditions. In addition, in the Petroleum Business, we secured gains through purchase measures addressing fluctuations in the crude oil market. On top of this, with demand in East Asia in the marine fuel sector being concentrated in Japan, we succeeded in securing long-term contracts, which resulted in overall profit being up year on year.

[Non-energy Business]

Overall, both sales and profits were up, mainly due to strong performance in the bicycle sharing business, despite a lull in demand in the antimicrobial business and the delay of a large project in the building maintenance and management business.

The circumstances of each business are outlined below.

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 changes in the environment to a greater degree than anticipated, 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 launch of full-scale operations in Kawasaki City, Kanagawa Prefecture. As of September 30, 2022, the scale of the business has grown to more than 2,900 stations and more than 10,000 bicycles. We also introduced services that meet the needs of different regions, including launching a user-only bicycle sharing service in Iwate Prefecture in the first quarter of the fiscal year under review. 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 mostly steady transaction volume owing to the positive effect of fluctuating supply and demand for wood chips amid the continued impact of decreased construction waste arising from the so-called "Wood Shock." Other businesses such as metal scrap trade also performed well, contributing to profits.

Antimicrobial business operator Sinanen Zeomic Co., Ltd. saw decreased profits compared to the previous fiscal year due to 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 grow sales 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. During the first half, we also commenced the development of a next-generation system targeting a FY 2027 release.

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 the recording of costs ahead of the commencement of contracts for large properties in the first half. 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 for next year and commenced full-scale operations of the Integration Promotion Office in October of this year.

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 half were down 12.378 billion yen from the end of the previous year (March 31, 2022) to 92.529 billion yen, primarily as a result of a seasonal decrease in trade receivables.

Net assets were up 382 million yen year on year to 54.764 billion yen primarily as a result of distribution of 817 million yen in retained earnings, profit attributable to owners of parent of 852 million yen, and an increase in valuation

difference on available-for-sale securities of 183 million yen.

As a result of the above, the equity ratio increased 7.4 percentage points year on year to 58.6%.

(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.