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

January 31, 2023

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: February 14, 2023
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, 2023 (April 1 - December 31, 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	%
3Q FY 2022	235,397	28.8	(465)	—	(230)	—	(776)	—
3Q FY 2021	182,719	—	602	—	1,087	—	490	—

(Note) Comprehensive income 3Q FY 2022 -1,102 million yen (－%) 3Q FY 2021 452 million yen (－%)

	Profit per share	Diluted profit per share
	yen	yen
3Q FY 2022	(71.09)	—
3Q FY 2021	45.02	—

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 third quarter 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	%
3Q FY 2022	109,250	52,573	48.1
FY 2021	104,908	54,381	51.2

(Reference) Shareholders' equity 3Q FY 2022 52,556 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	370,000	27.9	0	(100.0)	100	(96.9)	0	(100.0)	0.00

Note: Revisions to most recently announced results forecast: Yes

(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)	3Q FY 2022	13,046,591 shares	FY 2021	13,046,591 shares
(b) Number of treasury shares	3Q FY 2022	2,110,466 shares	FY 2021	2,139,955 shares
(c) Average number of shares during the period	3Q FY 2022	10,923,456 shares	3Q FY 2021	10,891,221 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 nine months of the fiscal year under review.

(1) Explanation concerning operating results

During the first nine months of the fiscal year under review, the Japanese economy showed signs of recovery from COVID-19. However, the situation remains unpredictable due to factors including the manifestation of geopolitical risks such as the prolonged conflict in Ukraine, soaring material and resource prices worldwide, and rapid fluctuations in exchange rates. Going into the year-end, there is concern of an eighth wave of COVID-19 infections, which has made the future all the more uncertain.

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 electric power industry, the supply-demand situation remains tight, as the government issued another request to conserve power in December following the one in the summer. Moreover, the wholesale electricity market is marked by instability, and electric power procurement costs have remained high. This situation continues to pose risks 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 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 nine 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 235.397 billion yen (up 28.8% year on year).

While marginal gains were secured in petroleum, deteriorating gross profit in LP gas and electric power led to gross profit of 23.583 billion yen (down 0.5% year on year).

An operating loss of 465 million yen (compared to operating profit of 602 million yen in the previous year) resulted from a 949 million yen increase in selling, general and administrative expenses due to increased personnel expenses and commission expenses including IT-related investment.

An ordinary loss of 230 million yen (compared to ordinary profit of 1.087 billion yen in the previous year) resulted from recording a 246 million yen share of loss of entities accounted for using equity method.

As for profit (loss) attributable to owners of parent, while a 2.1 billion yen gain on sale of non-current assets in Shinagawa-ku, Tokyo was recorded as extraordinary income in the first three months of the fiscal year under review, the 2.004 billion yen book value of non-current assets held in relation to the large-scale onshore wind power generation business in South Korea minus the net selling price was recorded as an extraordinary loss in the first nine months of the fiscal year under review. As a result, the loss attributable to owners of parent came to 776 million yen (compared to profit attributable to owners of parent of 490 million yen in the previous year).

For details concerning the recording of extraordinary losses, refer to the “Notice of recording of extraordinary income/losses and revision to full-year financial results forecasts” published today.

Segment status is as follows.

[Retail/Wholesale Energy & Related Business (B to C Business)]

The sales volume was up owing to significantly higher unit selling prices in conjunction with soaring crude oil and propane contract prices in the mainstay area of LP gas and kerosene. Meanwhile, an operating loss was recorded for electric power and LP gas, despite an increase in sales of housing equipment, etc. As an effort to secure new revenue streams, we launched a real estate business involving buying, selling, and management of real estate in the Kanto area in the first nine months of the fiscal year under review.

[Energy Solution Business (B to B Business)]

In our mainstay petroleum business, like the B to C Business, the sales volume increased as unit selling prices went up substantially owing primarily to the sharp increase in crude oil prices. Despite substantial rises in procurement costs affecting the sales of electric power, we secured gains in the petroleum business 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 external 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. It also launched field tests together with new municipalities, and as of December 31, 2022, the scale of the business has grown to more than 3,000 stations and more than 10,000 bicycles. The business overall is performing strongly, supported by advances in operational efficiency based on usage data and price revisions made in April 2022.

Environmental and recycling business operator Sinanen Ecowork Co., Ltd. saw lower sales and profit due to a decrease in the volume of construction waste associated with sluggishness in new housing starts.

Antimicrobial business operator Sinanen Zeomic Co., Ltd. saw decreased profits 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 fiscal year under review, 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 fiscal year under review. Results show that we are on track to secure stable revenue for the next fiscal year and beyond, including a new contract to operate a municipal funeral hall. 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 2022.

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 were 109.250 billion yen, up 4.342 billion yen compared to the end of the previous year. The main factors were a 2.120 billion yen seasonal increase in trade receivables, a 1.038 billion yen increase in cash and deposits, and a 780 million yen increase in investment securities from revaluation.

Liabilities were 56.677 billion yen, up 6.150 billion yen compared to the end of the previous year. The main factor was a 6.557 billion yen seasonal increase in trade payables.

Net assets were 52.573 billion yen, down 1.807 billion compared to the end of the previous year. The main factor was a 1.594 billion yen decrease in retained earnings, including an 817 million yen payment of dividends.

As a result of the above, the equity ratio decreased by 3.1 percentage points compared to the end of the previous year to 48.1%.

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

The full-year forecasts for FY 2022 were revised today (January 31, 2023). For details, refer to the “Notice of recording of extraordinary income/losses and revision to full-year financial results forecasts” published today.

In accordance with the basic policy of maintaining stable dividends, no changes have been made to the previously announced dividend forecast.