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For Immediate Release

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Notice of recording of extraordinary income/losses and revision to full-year financial results forecasts

The Company recorded extraordinary losses as described below in the third quarter of FY 2022. In addition, the financial results forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023) announced on May 13, 2022 were revised at the Board of Directors meeting held today as outlined below based on the most recent performance trends and the expected recording of extraordinary income.

The Company takes its earnings situation seriously, including the revision of the full-year earnings forecast, and will clarify management responsibility for it by reducing officer compensation and other means. The details will be announced as soon as they are finalized.

Details

1. Recording of extraordinary income/losses

The Group is promoting a large-scale onshore wind power generation business in Hwasun-gun, Jeollanam-do, Republic of Korea (“the Hwasun project”) through consolidated subsidiary DONG BOK ENERGY CO., LTD. There has been a substantial delay in obtaining the development permit due to the spread of COVID-19 and opposition from local residents as detailed in “(Change in disclosed matter) Notice of participation in large-scale onshore wind power generation business in South Korea” issued on October 8, 2021. In conjunction with this, we revalued the shares held in DONG BOK ENERGY CO., LTD. in the second quarter of FY 2022 and amortized the goodwill balance of 409 million yen.

The city planning ordinance for the proposed construction site was revised in December 2022, narrowing the scope of installation of onshore wind power generation facilities. The Company determined that the revised ordinance has made it significantly difficult to plan and develop the initially anticipated Hwasun project and looked carefully into the recoverable amount of the non-current assets. As a result, the Company impaired the 2,004 million yen book value of non-current assets held by DONG BOK ENERGY CO., LTD. minus the net selling price and recorded it as an extraordinary loss in the third quarter of the fiscal year under review.

The Company will continue to negotiate with all parties concerned, including the possibility of selling the business.

The Company also expects to record extraordinary income from the sale of investment securities, including cross-shareholdings, in the fourth quarter of the fiscal year under review.

2. Revision to full-year financial results forecasts

(1) Revisions to financial results forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previously announced forecasts (A)	million yen 310,000	million yen 2,500	million yen 2,800	million yen 2,900	yen 265.89
Revised forecasts (B)	370,000	0	100	0	0.0
Change (B-A)	60,000	(2,500)	(2,700)	(2,900)	(265.89)
Change (%)	19.4%	(100.0%)	(96.4%)	(100.0%)	(100.0%)
(Reference) Previous year (FY 2021)	289,340	2,480	3,272	2,487	228.33

(2) Reasons for revision

In the energy solution business, one of the main businesses of the Group, net sales are expected to exceed the initial forecast owing to a substantial increase in unit selling prices, especially in the petroleum business, in conjunction with soaring crude oil prices.

Operating profit is expected to exceed the initial forecast in the petroleum business as gains were secured, but no significant fluctuation is expected in that regard in the LP gas business or non-energy businesses. On the other hand, as procurement costs remain high, particularly in the electric power business, the Company procured power at relatively higher prices in anticipation of a further sharp rise in the winter, but due to unexpected fluctuations, procurement prices remain higher than selling prices. As a result, operating profit is expected to fall short of the initial forecast.

As with the Hwasun project described in 1 above, the Company recorded a share of loss of entities accounted for using equity method for Goheung Wind Power Co., Ltd., which was planning to promote its business in Goheung-gun, Jeollanam-do, Republic of Korea. As a result, ordinary profit is expected to fall short of the initial forecast.

Despite the expected recording of a gain on sale of investment securities in the fourth quarter, profit attributable to owners of parent is expected to fall short of the initial forecast due primarily to the recording of an extraordinary loss in relation to the large-scale onshore wind power generation business in South Korea as detailed in 1 above.

3. Dividend forecast

The Company considers returning profit to shareholders the most important management policy. Our basic policy is to provide stable dividends with a consolidated payout ratio of 30% or more.

Although the financial results forecasts have been revised downward, in accordance with the basic policy of maintaining stable dividends, no revisions have been made to the year-end dividend forecast for the fiscal year ending March 31, 2023.

Note: The forecasts above have been prepared based on information currently available to us. Actual results may vary due to various factors.

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