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Consolidated Financial Summary for the First Quarter of the Fiscal Year Ending March 31, 2024

August 9, 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) Kango Saito Tel: +81-3-6478-7811
Scheduled date of filing of quarterly report: August 14, 2023
Scheduled date of start of dividend payment: –
Preparation of supplementary materials: Yes
Convening of a results meeting: No

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024 (April 1 - June 30, 2023)

(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 2023	71,393	0.3	(718)	–	(479)	–	(361)	–
1Q FY 2022	71,194	44.2	(50)	–	325	(43.8)	1,640	334.9

(Note) Comprehensive income 1Q FY 2023 -214 million yen (-%) 1Q FY 2022 2,038 million yen (-%)

	Profit per share	Diluted profit per share
	yen	yen
1Q FY 2023	(33.15)	–
1Q FY 2022	150.47	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
1Q FY 2023	88,424	52,596	59.5
FY 2022	101,350	53,631	52.9

(Reference) Shareholders' equity 1Q FY 2023 52,579 million yen FY 2022 53,616 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 2022	–	–	–	75.00	75.00
FY 2023	–				
FY 2023 (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, 2024 (April 1, 2023 - March 31, 2024)

(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	360,000	5.2	2,000	123.2	2,300	87.3	1,300	171.5	119.22

(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 (available in Japanese only).

(3) Changes in accounting policies, accounting estimates, and restatements

(a) Changes in accounting policies due to revision of accounting standards: None

(b) Changes in accounting policies other than those in (a): None

(c) Changes in accounting estimates: None

(d) Restatements: None

(4) Number of shares issued (common stock)

(a) Number of shares issued (including treasury shares)	1Q FY 2023	13,046,591 shares	FY 2022	13,046,591 shares
(b) Number of treasury shares	1Q FY 2023	2,172,097 shares	FY 2022	2,110,406 shares
(c) Average number of shares during the period	1Q FY 2023	10,904,334 shares	1Q FY 2022	10,904,365 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, the Japanese economy showed signs of recovery as socio-economic activities normalized due to factors such as the shift of COVID-19 to Class V. However, the future remains unpredictable due to the emergence of geopolitical risks such as the prolonged situation in Ukraine, as well as ongoing global inflation.

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, remained on a downward trend as demand declined due to slowing economic growth caused by monetary tightening in major developed countries and concerns over the economic recession in China. In the electricity market, wholesale market prices remained low due to a decline in demand combined with falling prices for LNG and other fuels used in power generation. From a long-term view, the business environment surrounding the Company is changing significantly with the adoption of the “necessity for immediate reduction of greenhouse effect gases in a rapid, sweeping fashion” in the Sixth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC) in March 2023.

In the midst of this environment, the Group launched its 3rd Medium-Term Management Plan in the first three months of the fiscal year under review toward the 100th anniversary of its founding in FY2027. To achieve our vision of “Evolution into a comprehensive energy life creation group that contributes to achieving a decarbonized society,” we are accelerating shift to a stronger management foundation and advancing our growth strategy. In business development, we are working to improve profitability by both expanding earnings from existing businesses and creating new businesses that contribute to the realization of a decarbonized society, and we have been pursuing new initiatives such as signing a basic agreement in June with WiTricity Corporation, which owns wireless charging technology for EVs (electric vehicles), for sales development in the Japanese market.

In the first three months of the fiscal year under review, sales volume of petroleum products and electricity increased. As a result, net sales were 71,393 million yen (up 0.3% year on year). On the profit side, however, mainly in the electricity business, we were forced to sell some power on the wholesale power market, where prices remained at a low level, due to a power surplus resulting from a reduction in demand for relative power sources procured in the previous fiscal year. In some dealings, a negative spread has emerged, where procurement prices are remaining higher than selling prices. As a result, gross profit has declined, and there was an operating loss of 718 million yen (compared to operating loss of 50 million yen in the same period of the previous year) and ordinary loss was 479 million yen (compared to ordinary profit of 325 million yen in the same period of the previous year). As for profit (loss) attributable to owners of parent was down due to absence of gain on sale of non-current assets from previous year. As a result, the loss attributable to owners of parent came to 361 million yen (compared to profit attributable to owners of parent of 1,640 million yen in the same period of the previous year).

Results by segment are as follows.

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

In terms of sales, while sales volume in mainstay area of LP gas and kerosene was on a par with the previous year, sales in the electricity business declined due to the departure of some customers as a result of a review of transaction terms. Profits increased mainly due to the contribution of price revisions implemented in the previous fiscal year in mainstay LP gas sales. In addition, as a new initiative to expand the number of customers as indicated in the 3rd Medium-Term Management Plan, a joint project among Group companies in the B to C business was launched in the first three months of the fiscal year under review.

As a result of the above, net sales in the Retail/Wholesale Energy & Related Business (B to C business) for the first three months of the fiscal year under review were 15,217 million yen (down 4.7% year on year), and operating profit was 316 million yen (compared to operating loss of 137 million yen in the same period of the previous year).

[Energy Solution Business (B to B Business)]

In terms of sales, while unit sales prices in the mainstay petroleum business declined due to the drop in crude oil prices, sales increased due to the acquisition of large customers in the electricity business.

On the profit side, gross profit from the petroleum business, which was strong in the previous fiscal year, settled at the same level as in a normal year, and as mentioned above, the electricity business suffered a decline in gross profit. As a result, a loss was recorded.

In addition to the basic agreement with WiTricity Corporation mentioned above, we have also agreed to supply renewable energy power through an off-site corporate PPA, and we aim to “shift our portfolio to comprehensive energy services including electricity and renewable energy,” as outlined in the 3rd Medium-Term Management Plan.

As a result of the above, net sales in the Energy Solutions Business (B to B business), for the first three months of the fiscal year under review were 50,947 million yen (up 0.9% year on year), and operating loss was 1,176 million yen (compared to operating profit of 93 million yen in the same period of the previous year).

[Non-energy Business]

Overall for Non-energy Businesses, both sales and profits were up, mainly due to strong performance in the bicycle business and the building management and maintenance business.

The circumstances of each business are outlined below.

The bicycle business (Sinanen Bike Co., Ltd.) posted increases in both sales and profits thanks to the contribution of price revisions implemented from the second half of the previous fiscal year, as well as the promotion of developing new corporations and container sales to major corporate customers.

Bicycle sharing business operator Sinanen Mobility Plus Co., Ltd. promoted development of bicycle sharing service DAICHARI locations and started field tests together with new municipalities such as Warabi City, Saitama Prefecture. While the scale of the business has grown to more than 3,200 stations and more than 10,000 bicycles as of the end of June 2023, sales increased and profits decreased due to the absence of one-time earnings recorded in the previous fiscal year.

For the environmental and recycling business operator Sinanen Ecowork Co., Ltd., while the sales remained positive in mainstay recycling of wood waste compared to the same period of the previous year, overall sales remained flat year-on-year due to efforts to develop new environment-related businesses.

Antimicrobial business operator Sinanen Zeomic Co., Ltd. posted declines in both sales and profits, mainly due to the impact of lower demand stemming from the economic slowdown in China. On the other hand, efforts are underway to develop new sales channels in Europe.

Systems business operator Minos Co., Ltd. posted increases in both sales and profits, mainly due to steady demand for its flagship LP gas backbone operation system. In addition, the company continues to develop next-generation systems targeting a release during the fiscal year ending March 31, 2028.

Core building management and maintenance business operator Takara Building Maintenance Co., Ltd. posted increases in both sales and profits due to the expansion of its area of building maintenance operations for multi-family housing and strong performance in the facility operation business, including funeral halls and hospitals. In addition, the company is preparing to open a new office for further expansion of areas of operations as indicated in the 3rd Medium-Term Management Plan. In addition, the four group companies engaged in the building management and maintenance business are working toward integration by October 2023 in order to expand service development as a comprehensive building maintenance company.

As a result of the above, net sales in Non-energy Businesses for the first three months of the fiscal year under review were 5,172 million yen (up 10.9% year on year), and operating profit was 270 million yen (up 121.4% year on year).

(2) Explanation concerning financial status

Total assets at the end of the first quarter amounted to 88,424 million yen, down 12,925 million yen from the end of the previous fiscal year (March 31, 2023), primarily as a result of a seasonal decrease in trade receivables.

Net assets amounted to 52,596 million yen, down 1,035 million yen from the end of the previous fiscal year, mainly due to a 361 million yen loss attributable to owners of parent and distribution of 820 million yen in retained earnings.

As a result of the above, the equity ratio increased 6.6 percentage points compared to the end of the previous fiscal year to 59.5%.

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

As stated in the Consolidated Financial Summary for the Fiscal Year Ended March 31, 2023 released on May 12, 2023, in the first half of the current fiscal year, difficult conditions are expected to continue, due largely to a decline in gross profit in the electricity business. In contrast, for the second half of the current fiscal year, we expect a recovery due to the effects of price revisions that have been underway since the first three months of the fiscal year under review, and we have not changed our full-year consolidated financial results forecast for the fiscal year ending March 31, 2024, which was announced on May 12, 2023.

If a revision of earnings forecasts is necessary in the future in light of developments in the situation or the progress of the business, we will promptly disclose it.