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

November 13, 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: November 14, 2023
Scheduled date of start of dividend payment: –
Preparation of supplementary materials: Yes
Convening of a results meeting: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1 - September 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	%
Six Months Ended September 30, 2023	141,213	1.1	(2,150)	–	(1,765)	–	(2,074)	–
Six Months Ended September 30, 2022	139,740	39.0	(820)	–	(425)	–	852	–

(Note) Comprehensive income Six Months Ended September 30, 2023 -1,613 million yen (-%)
Six Months Ended September 30, 2022 1,090 million yen (711.7%)

	Profit per share	Diluted profit per share
	yen	yen
Six Months Ended September 30, 2023	(190.48)	–
Six Months Ended September 30, 2022	78.05	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2023	94,116	51,207	54.4
As of March 31, 2023	101,350	53,631	52.9

(Reference) Shareholders' equity As of September 30, 2023 51,239 million yen As of March 31, 2023 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	380,000	11.0	(800)	–	(200)	–	(700)	–	(64.28)

Note: Revisions to most recently announced results forecast: Yes

* 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

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)	As of September 30, 2023	13,046,591 shares	As of March 31, 2023	13,046,591 shares
(b) Number of treasury shares	As of September 30, 2023	2,169,514 shares	As of March 31, 2023	2,110,406 shares
(c) Average number of shares during the period	2Q FY 2023	10,890,284 shares	2Q FY 2022	10,917,077 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 period under review.

(1) Explanation concerning operating results

During the first six months of the fiscal year under review, 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 high due to supply concerns over coordinated production cuts in major oil-producing countries. Nonetheless, they were at their lowest level in two years due to a perceived slackening of supply and demand compared to the previous fiscal year. In the electricity market, wholesale market prices remained low due to a decline in demand, as peak electricity usage in the Tokyo metropolitan area declined for the first time in four years despite a record-breaking heat wave.

In the midst of this environment, the Group launched its 3rd Medium-Term Management Plan in the first quarter of the fiscal year under review toward the 100th anniversary of its founding in FY 2027. 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 six months of the fiscal year under review, sales volume of petroleum products and electricity increased, despite a decline in unit sales prices in line with the drop in crude oil prices. As a result, net sales were 141,213 million yen (up 1.1% year on year).

Meanwhile, in terms of profits, the deterioration of gross profit mainly in the electricity business had a significant impact on results. During the previous fiscal year, the Group had secured relative energy source in preparation for the risk of higher purchase prices in the current fiscal year. However, contrary to assumptions, prices in the wholesale electricity market remained low in the current fiscal year, making procurement power supply prices relatively high. Under these circumstances, a surplus of procured power supplies was generated due to losing some customers and other factors, and we were forced to sell such surplus power supplies at a negative spread, which were affected by prices in the wholesale electricity market. In addition, the power surplus generated due to lower-than-expected demand during the summer months had to be sold at a negative spread, resulting in a deterioration of gross profit. Sales volume is increasing, mainly due to the acquisition of new large customers for market-linked plans, and earnings are improving steadily by raising retail sales unit prices through price revisions, which have been underway since the beginning of the fiscal year. However, this was not enough to offset the deterioration in gross profit, resulting in operating loss of 2,150 million yen (compared to operating loss of 820 million yen in the same period of the previous year) and ordinary loss of 1,765 million yen (compared to ordinary loss of 425 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 the previous fiscal year. As a result, the loss attributable to owners of parent came to 2,074 million yen (compared to profit attributable to owners of parent of 852 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)]

The sales volume was down as the mainstay area of LP gas and kerosene was impacted by average temperatures that were higher than usual, and as a result, sales were down.

In terms of profits, the loss was reduced mainly due to the price revisions carried out in mainstay LP gas sales in the previous fiscal year despite the deterioration of gross profit in the electricity business.

In addition, as a new initiative to expand the number of customers as indicated in the 3rd Medium-Term Management Plan, we began sales of Melife carbon neutral LP gas, which emits virtually zero CO_2 emissions, in the second quarter of the fiscal year under review.

As a result of the above, in the Retail/Wholesale Energy & Related Business (B to C business) for the first six months of the fiscal year under review, net sales were 27,666 million yen (down 9.0% year on year), and operating loss was 688 million yen (compared to operating loss of 836 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 in the electricity market due to factors including the acquisition of new large customers for market-linked plans and raising sales unit prices through price revisions.

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 of this significant impact, a larger 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, in the Energy Solutions Business (B to B Business) for the first six months of the fiscal year under review, net sales were 103,317 million yen (up 3.4% year on year), and operating loss was 1,790 million yen (compared to operating loss of 169 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.

The circumstances of each business are outlined below.

The bicycle business operator 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. As of September 30, 2023, the scale of the business has grown to more than 3,300 stations and more than 11,000 bicycles, and both sales and profits were up as a result. In addition, we have established a system to take charge of maintenance for other companies and are improving the overall operational quality of HELLO CYCLING. In addition, as part of creating new income streams indicated in the 3rd Medium-Term Management Plan, a new plan for short-term installation during events, etc., was launched in September.

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 and an increase in selling, general and administrative expenses associated with the development of new environment-related businesses.

Antimicrobial business operator Sinanen Zeomic Co., Ltd. experienced lower demand stemming from the economic slowdown in China, while sales to North America exceeded expectations, leading to overall results on a par with the same period of the previous year. In addition, we are pursuing new initiatives, such as signing an exclusive distributorship agreement for a natural antimicrobial agent from Finland.

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, new developments are underway as needed for the customer information system (Power CIS), including the establishment of a market-linked function that adjusts prices and services in response to market fluctuations.

The four group companies engaged in the building maintenance and management business have been integrated as Sinanen Axia Co., Ltd. since October 2023, making a fresh start as a comprehensive building maintenance company. During the first six months of the fiscal year under review, although there was an increases in sales 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, profits decreased due to an increase in selling, general and administrative expenses associated with the integration. In addition, the company is preparing to open a new office in the Saitama area for further expansion of areas of operations as indicated in the 3rd Medium-Term Management Plan.

As a result of the above, in Non-energy Businesses for the first six months of the fiscal year under review, net sales were 10,115 million yen (up 8.7% year on year), and operating profit was 507 million yen (up 48.2% year on year).

(2) Explanation concerning financial status

Total assets at the end of the second quarter amounted to 94,116 million yen, down 7,233 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 51,207 million yen, down 2,424 million yen from the end of the previous fiscal year, mainly due to a 2,074 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 1.5 percentage points compared to the end of the previous fiscal year to 54.4%.

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

The full-year forecasts for FY 2023 released on May 12, 2023 were revised. For details, refer to the “Notice of 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.