



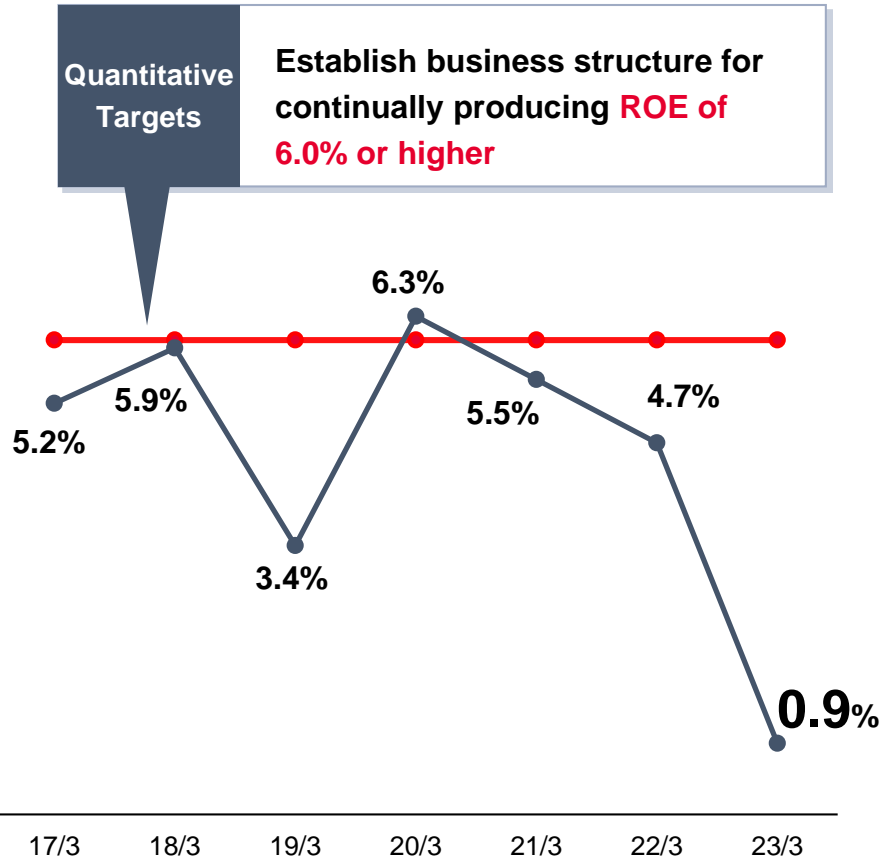
# 3rd Medium-Term Management Plan: Explanatory Document

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Securities Code: 8132 (Prime, Tokyo Stock Exchange)


# Issues with unmet quantitative targets, and improving capital efficiency, including making progress with execution of investments and reforming the organizational culture

## Changes in Quantitative Targets (Return on Equity)



## Qualitative Targets

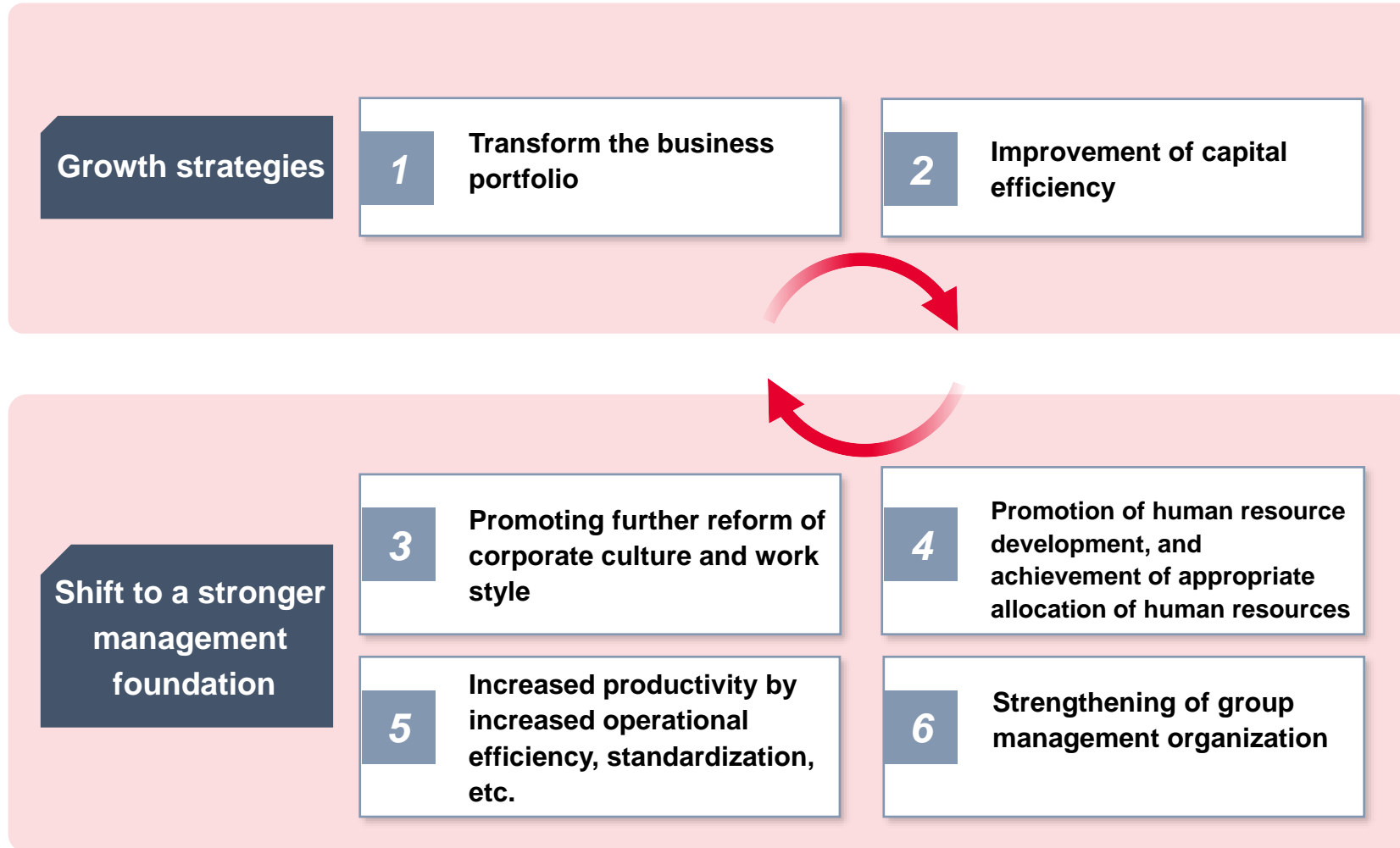
Qualitative Target	Issues
Improvement of capital efficiency ✕	<ul style="list-style-type: none"> <li>Increasing profitability by improving business management efficiency</li> <li>Continuing selection and concentration of existing businesses</li> </ul>
Execution of investments to realize sustainable growth △	<ul style="list-style-type: none"> <li>Maintaining and increasing client numbers</li> <li>Strengthening the organization for managing risks occurring before business start-up</li> <li>Continuing IT investments, including introduction of new core system for standardization and efficiency increase</li> </ul>
Reform of employee thinking, habits, and behavior patterns ○	<ul style="list-style-type: none"> <li>On the principle that corporate growth = individual growth, continued promotion of reform in employees' thinking, habits, and behavior patterns</li> <li>Reassessment of human resource education/training and further strengthening of human resource investment</li> </ul>



**Evolving into a comprehensive energy service provider that helps build a carbon-free world and supports innovative living**

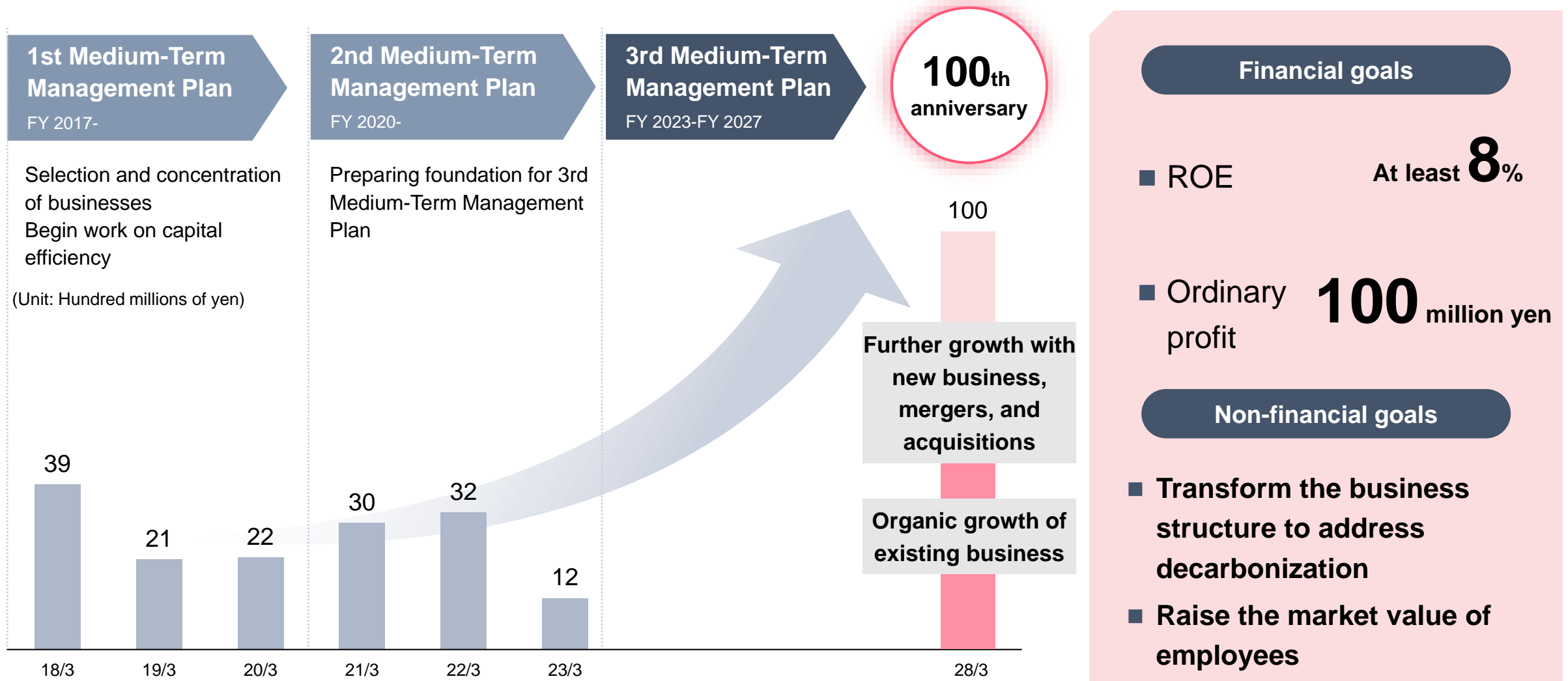


# Accelerate the shift to a stronger management foundation, implement growth strategies, and achieve our vision



**Comprehensive energy service provider that helps build a carbon-free world and supports innovative living**

Further advances and breakthroughs on approaching 100th anniversary of founding





## Carbon productivity targets for entire supply chains in FY 2027 (Scope 1 to 3) 6.0% increase compared to FY 2016

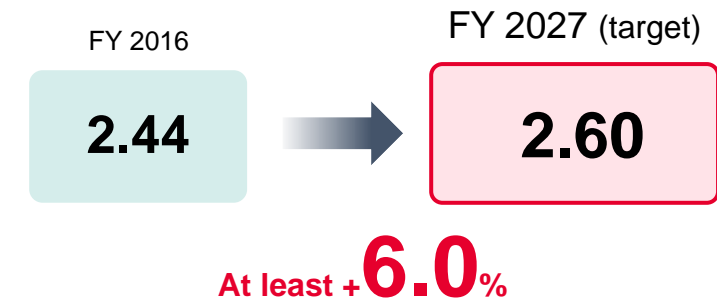
As an index of achieving not only financial expansion (sales, profits, etc.), but also decarbonization of the entire supply chain on the basis of cooperation with stakeholders, carbon productivity (i.e. measurement of productivity per ton of GHG emissions) will be adopted.



**Carbon productivity = gross profit / GHG emission. The aim is to convert to a business structure appropriate to a decarbonized society, i.e. with lower GHG emission and higher profit generated.**

### Specific approaches

- Increase in the gross profit margin in the entire business
- Decrease in GHG emission in the entire supply line
- Supply of fuels such as bioethanol and sustainable aviation fuel
- Sale of high-efficiency water-heaters
- Expansion of renewable energy business
- Increase in proportion of renewable energy source provision/supply



“Increase in employees’ market value” becomes “Increase in Company’s enterprise value”

✓ Engagement

✓ Challenge

✓ Meaningful work, things worth doing

✓ Feeling in line with company policy/mission

**Employees**

Individuals continuing to be selected:  
Employability

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Each person being able to improve  
his/her life

▲

Towards high-market-value human  
resources, transferable to any company

Relationship of  
mutual contribution  
to growth

**Company**

The company continuing to be selected:  
Employment ability

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The company being able to improve  
employees’ lives

▲

Towards Sinanen Holdings Group  
enabling the feeling that “I want to grow  
here; I want to make a lot of effort here.”

✓ Appropriate evaluation and remuneration

✓ Job rotation: Putting the right people in the right places

✓ Investment in  
education and training

✓ Corporate policy/message

✓ Improvement of working environment

✓ Diversity and  
inclusion



## Setting targets for items given particular importance

### Engagement indices

- Giving an attractive message about the significance of the Company's existence, and its contributions to society, mission, vision, etc.
- Developing and standardizing a career format providing educational opportunities to employees who want to learn, and establishing an environment enabling the activities of various types of employee

FY 2022

**3.3**



FY 2027 (target)

**At least 4.0**

- Satisfaction indices in organizational culture survey (full score: 5)
- Targets: The entire Group, except for four companies involved in building management and maintenance

### Education/training time (years) per employee (excluding on-the-job training)

- Toward improvement of engagement indices, and corporate support for individuals' growth by means of a system
- Plenty of educational opportunities, to support individuals who wish to grow

FY 2022

**16.4 hours**



FY 2027 (target)

**25.0 hours**

### Proportion of female managers

- Promoting diversity, and creating new value
- Enthusiastic appointment of female employees, and reflecting diverse viewpoints in management activities

FY 2022

**5.1%**



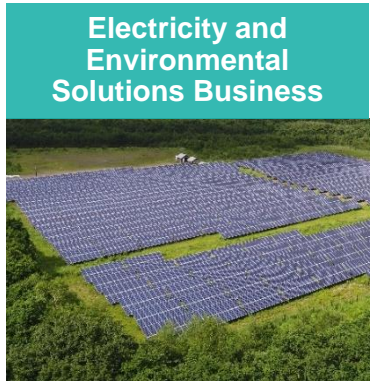
FY 2027 (target)

**20.0%**

# Promoting development of sustainable business portfolio

## Change in business segments (expected during 3rd Medium-Term Management Plan)

- B to C Business (Retail/Wholesale Energy & Related Business)
- B to B Business (Energy Solution Business)
- Non-energy Business



Electrical business, biomass fuel business, new business areas (renewable energy, waste recycling), etc.



Home and lifestyle businesses (home renovation, water-heaters, etc.), bicycle businesses, bicycle-sharing businesses, antibacterial businesses, system businesses, building management and maintenance business, etc.



Oil and gas business

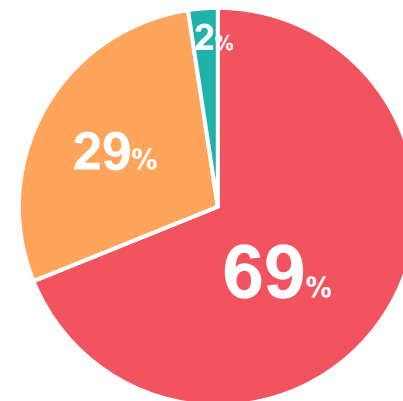
## Transform the business portfolio

- Specification of growth areas centered on electricity and environmental solutions business and lifestyle solutions business, and concentrated investment of management resources
- Withdrawal from low-growth and low-profitability businesses, and promotion of sales, etc.
- Creation of new businesses during 3rd Medium-Term Management Plan, and achievement of profitability

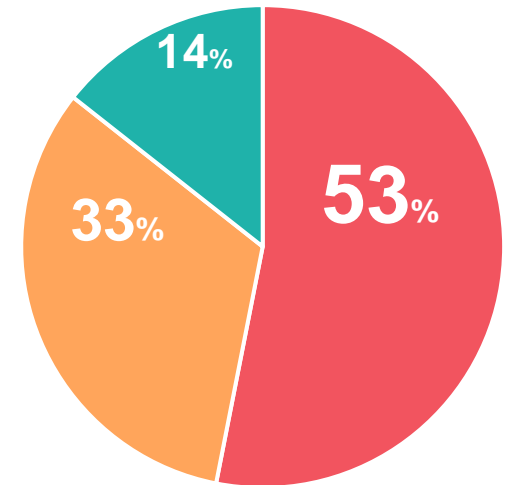
### Charts showing gross profit

- Oil & Gas Business
- Lifestyle Solutions Business
- Electricity and Environmental Solutions Business

\*The circle size indicates the gross profit



FY 2022



FY 2027

# Wide assessment of various options, and careful selection of investment targets from among them

FY 2023

FY 2027

## Investment target category

Screening

### Renewable energy: ¥30 billion

- Power plants and electricity storage stations for CPPA, etc.
- Overseas renewable energy business
- Biofuels (biocarbon)
- Solar sharing

### Recycling business: ¥5 billion

- Establishment of factories using woody biomass
- Recycling biomass waste
- Environmental analysis businesses
- Development of products with reduced GHG emission

### Other

- Establishment of adsorbent agent factories
- Development of cloud-based total energy management service
- Next mobility
- Low-power wide-area network establishment

### M&A\*

- LPG business: Acquisition of commercial rights
- Building management and maintenance business: Kanto region

Screening

## 1. Social value

- Contribution to resolving social problems
- Contribution to carbon neutrality
- Market growth

## 2. Investment efficiency

- Investment decision assuming that ROE target value for FY 2027 is 8%

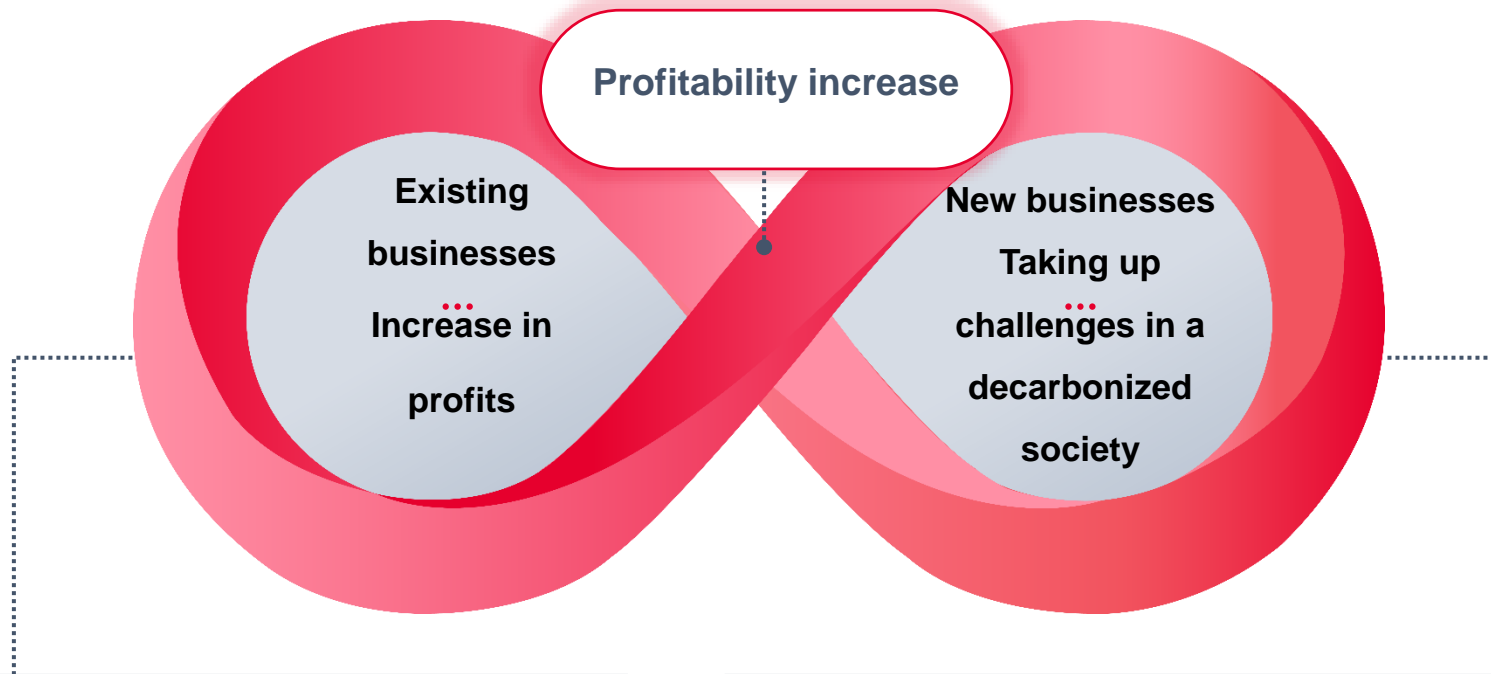
Careful selection for investment

By FY 2027, investment in transforming the business portfolio of

**¥50 billion**

\*Major mergers and acquisitions planned in a separate frame

Increasing profitability by increasing profits of existing businesses, and creating new businesses using management resources



### ■ Increase in profits by each business

- Business to consumer: Increasing number of clients, expanding services menu
- Business to business: Expansion of electricity and renewable energy services
- Non-energy business: Growth with focus on building management and maintenance business, and bicycle-sharing business

### ■ Development of new businesses

- Renewable energy
- Waste recycling
- New fuels with low environmental burden
- Decarbonization of homes and buildings

### ■ Systems for promoting decarbonization

- Promotion by departments specialized in new business areas
- Making use of decarbonized communities, using shared offices
- Promoting education about decarbonization to responsible personnel

## Promotion of search for and achievement of new business areas contributing to decarbonized society

### Renewable energy

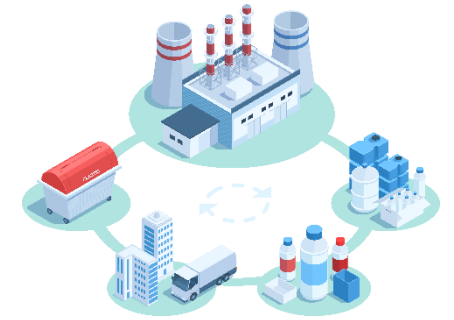
EPC contracts\*<sup>1</sup>, operation, maintenance, inspection, fuel supply, etc. for power plants generating electricity from renewable sources



\*<sup>1</sup> Engineering, procurement and construction: The contract is for undertaking design, obtaining of materials, construction, and trial operation as a single job.

### Recycling of waste

Handling of industrial and general waste; adoption of technologies for recycling waste as fuel, raw materials, fertilizer, and animal feed; and participation in validation studies and projects



### Manufacture and supply of new fuels with low environmental burdens

Manufacture and supply of biofuels, with lower environmental burdens than fossil fuels, such as bioethanol and SAF\*<sup>2</sup>



\*<sup>2</sup> Sustainable aviation fuel

### Decarbonization of homes and buildings

Provision of products and services, and participation in projects, linked to decarbonization of existing homes and other buildings





**Achieving high profits by increasing number of customers, and expansion of high-value-added services**

**Energy business**

- **Increasing number of customers, with focus on direct-sales customers**
  - Strengthening sales force by hiring more personnel, and improving education and training
  - Promotion of M&As from and outsourcing of operations to marketing companies
  - Operationalization of safety work, contributing to increase in the number of customers
  - Acquiring new customers by selling carbon-neutral LPG
  - Increasing the number of electricity customers by supplying stable power sources

**Home and lifestyle business**

- **Expansion of high-value-added services, including home repair, renovation, etc.**
  - Acquiring new customers by means of proposal-based sales
  - Sale of high-efficiency devices, contributing to decarbonization
  - Promotion of low-energy repair work

**Other new business**

- **Expansion of business area by new business-creation projects**

## Portfolio transformation from oil-centered to integrated energy services, including electricity, renewable energy, etc.

### Electricity and renewable energy business

- **Growth until this becomes one of the main business areas, ranking alongside oil business**
  - Achieving differentiated sales with high added value, taking the environmental value into consideration, with obtaining of highly competitive power sources in the background
  - Entering into a CPPA\* and expanding to 50 MW, and starting electricity storage business
  - Nationwide expansion of testing of domestic renewable energy devices

### Oil business

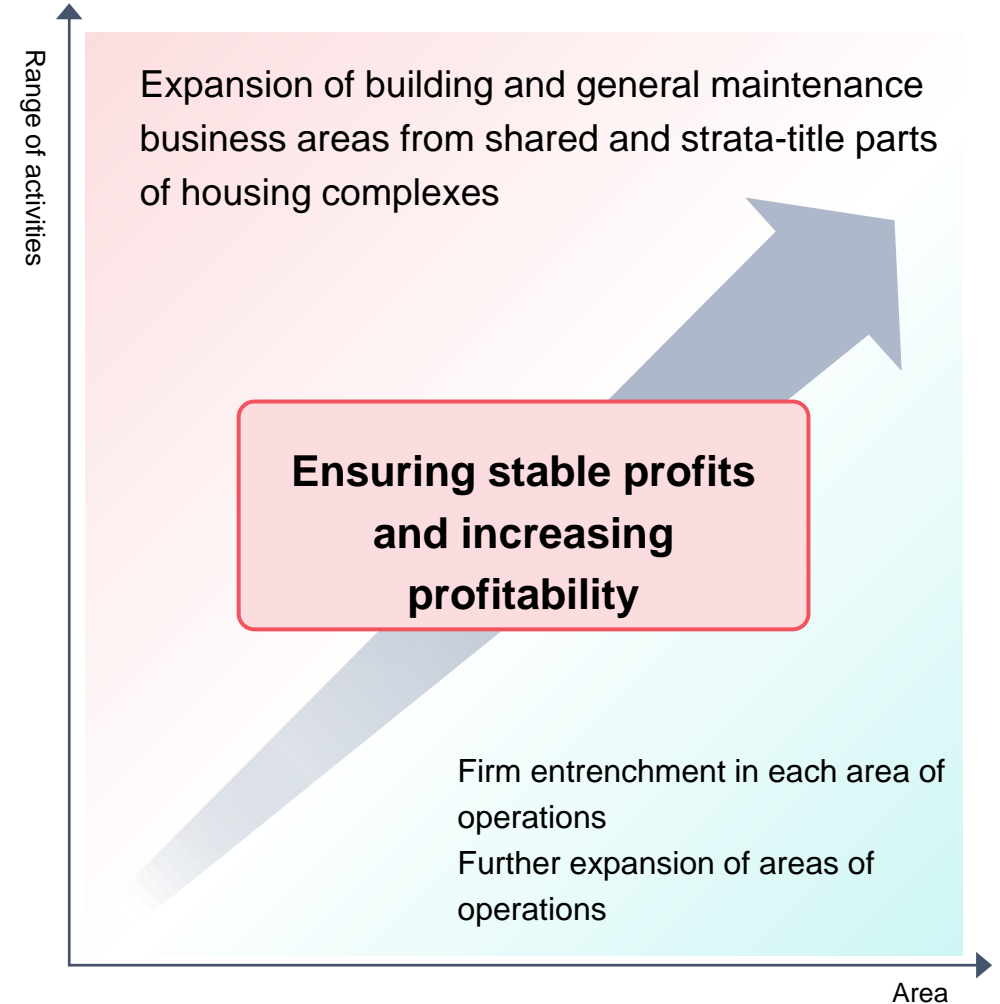
- **Maximization of income**
  - By expanding sales by M&A of fuel-supply facilities, and using large tanks, etc., increase the kerosene and diesel market shares
  - Expanding the market by reinforcing and making full use of the logistics function in Hokkaido

### Other

- **Extension of the housing products business area to the new-build-housing market**
- **Development of the marketing business for biomass fuels, hydrogen, ammonia, etc., and the electric vehicle storage battery business**
- **Overseas expansion of the renewable energy business**

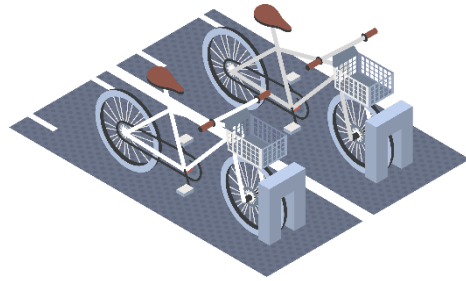
\*Corporate power purchase agreement, i.e. a contract for long-term purchase of electricity from a power-generation company by a corporation, local government body, etc.

**Ensuring stable income and increasing profitability by achieving an integrated, one-stop service**



## Further increasing profitability and creating new income streams, centered on opening of new stations

### Further increasing profitability



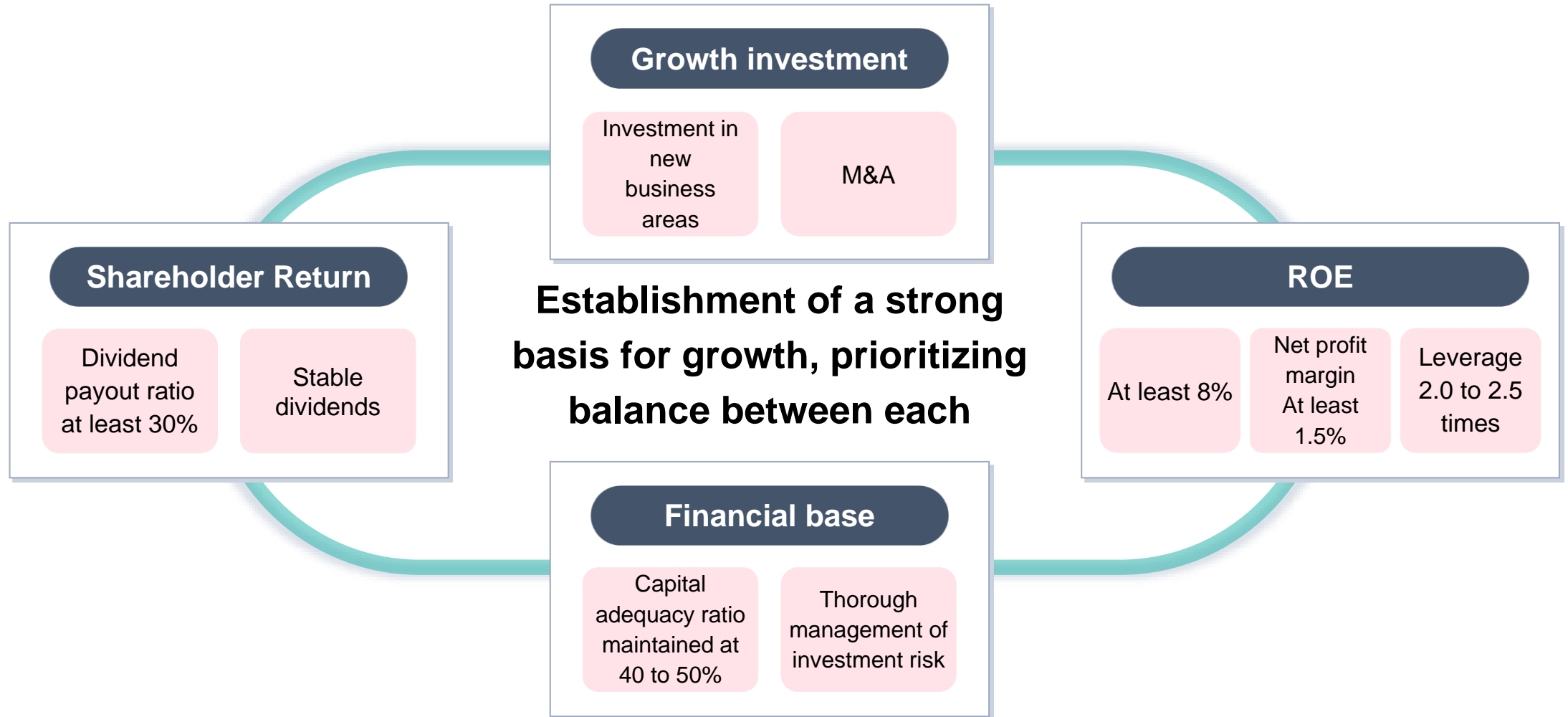
- Opening new stations in high-profit areas
- Increasing data-analysis strength, operational strength, and operational cost-effectiveness
- Increasing frequency of use by energetic expansion of the campaign

### Creating new income streams



- Expansion of maintenance services
- Establishment of bicycle-sharing business with restrictions on users
- Development of next mobility, and miscellaneous service businesses

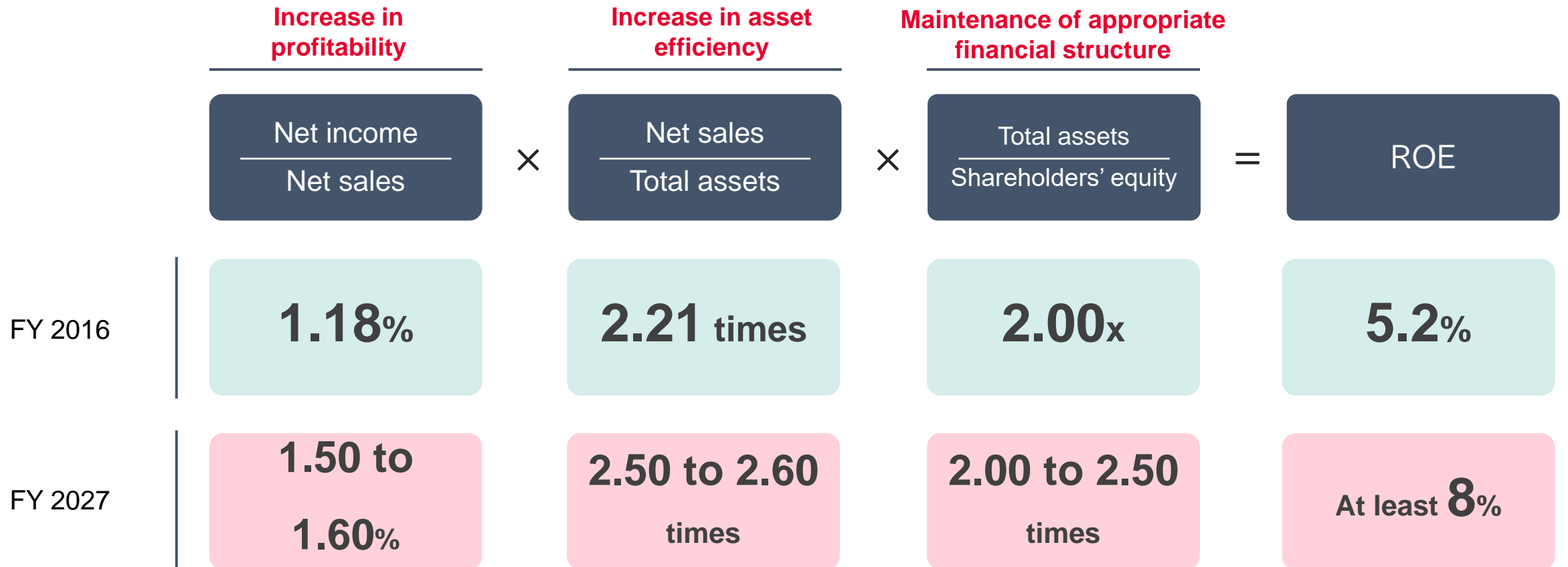
- Maintenance and full use of a sound financial base, and flexible and dynamic response to growth investment opportunities
- Promotion of growth investment for long-term increase in corporate value, and maintenance of stable shareholder return



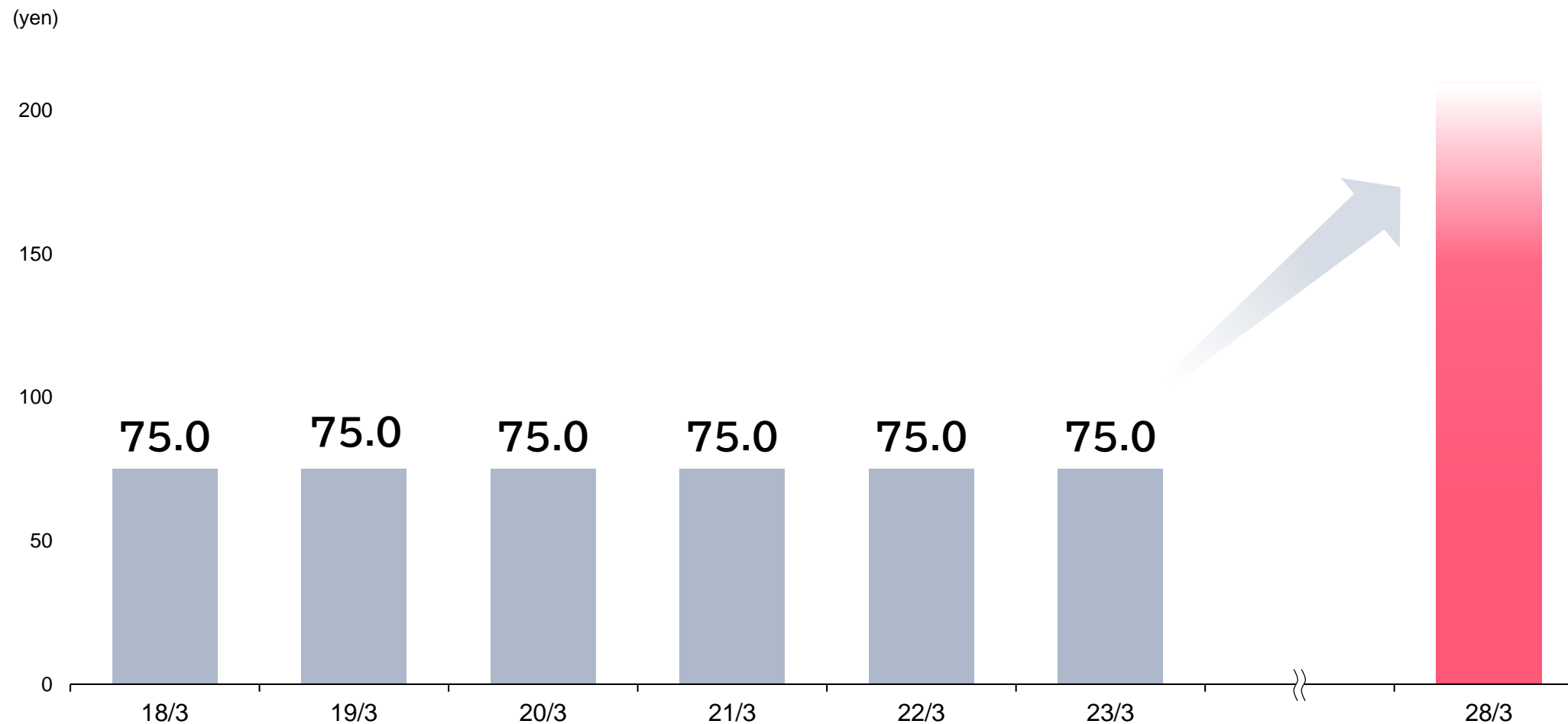


## Stable generation of ROE at above cost of shareholders' equity

- Stable generation of ROE at 8% or higher, above the cost of shareholders' equity (approx. 3%)
- By increasing profitability and turnover, the aim is to achieve ROE at 8%, and a price book-value ratio exceeding 1.0 times



Maintenance of stable dividends, with a target dividend ratio of 30% (¥75 per share as the lower limit), reaching 40% in the medium term



- This document contains forward-looking statements on the plans, policies, management strategies, etc. of Sinanen Holdings Co., Ltd. (the Company). The basis for these statements includes forecasts and plans that are based on information currently available to the Company, and there are many uncertainties involved. As such, actual results may differ significantly from the statements in this document due to various risks and factors that cause fluctuation.
- Investors who plan to make actual investments are advised to refrain from relying solely on the information in this document and to use their own judgment when making decisions. The Company accepts no responsibility for any losses arising in relation to investments.

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