

# **2nd Medium-Term Management Plan (FY 2020-FY 2022)**

**May 29, 2020**

Sinanen Holdings Co., Ltd.



**SINANEN HOLDINGS**

Slogan of 2nd Medium-Term Management Plan

With the following slogan, all employees will work as one to embrace the challenge of achieving our plan



Challenging New Worlds  
with Big Sky-thinking

“大胆な発想で新しい世界への挑戦”

- 1. Looking Back on the 1st Medium-Term Management Plan**
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- 5. Key Businesses (1) - (5)**
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## Looking Back on the 1st Medium-Term Management Plan (1)

Operating profit did not reach the initial plan (4.8 billion yen), but ROE landed at **6.3%** due to the recording of extraordinary profit through selection and concentration of businesses, and improvement of asset efficiency.

[Main factors]

- Front-loading of costs through new business development: Bicycle sharing business, renewable energy business in Japan and overseas, other
- Changes in the environment, etc.: Intensification of energy through liberalization, reduction of consumption due to warmer winters, other
- Project delays: Brazil biomass business, system business, other

	FY 2016 Results	Final year of Medium-Term Management Plan (FY 2019)		
		Initial plan	Revised plan* <sup>1</sup>	Results
Net sales	218.2 billion yen	274.7 billion yen	245.0 billion yen	237.0 billion yen
<b>Operating profit</b>	2.9 billion yen	4.8 billion yen	2.6 billion yen	2.4 billion yen
Profit attributable to owners of parent	2.5 billion yen	3.2 billion yen	2.2 billion yen	3.0 billion yen
<b>ROE</b>	5.2%	6.0%	4.6%	6.3%
Oil & gas business/ non-oil & gas business ratio	8:2	6:4	No change	7:3

\*1 TSE disclosure dated June 4, 2019

## Looking Back on the 1st Medium-Term Management Plan (2)

Priority Measures	Initiatives and Results	Future Issues
Reform of management policy	Delegation of authority to accelerate decision making Shift to management with emphasis on capital efficiency	<u>Employee awareness reform</u> , <u>culture reform</u> Development of employees with <u>entrepreneurial spirit</u>
Group revenue structural reform	Expansion of power, housing and living business New businesses such as bicycle sharing business	Expansion of electricity <u>as a Group</u> Development of new business and <u>early monetization</u>
Transformation into a corporate group with a low-cost structure	Partial integration of corporate divisions Reduction of group-wide expenses	<u>Improvement of efficiency</u> of corporate divisions <u>Sharing know-how</u> on reduction of expenses
Strengthening of group management functions and infrastructure	Promotion of automation and paperless operations Establishment of group-wide rules	<u>Timely provision of management information</u> Enhancement of <u>internal audit</u> functions
Transformation into business portfolio with high capital efficiency	Establishment of investment criteria emphasizing capital efficiency Execution of investments based on investment criteria	<u>Improvement of profitability</u> of existing businesses <u>Selection and concentration</u> of existing businesses
Cultivation of the next generation of management personnel	Commencement and enhancement of selective training Revision of personnel system (April 2020)	Active <u>promotion of personnel</u> <u>Assignment of group personnel</u> in appropriate locations

**The Group will work as one to “contribute to the comfortable lifestyles of customers in all regions”**

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**Contribute to realizing a comfortable life  
for all customers in their communities  
through energy and home & life services**

## **We will aim to achieve the Medium-term Management Plan starting with the company motto**

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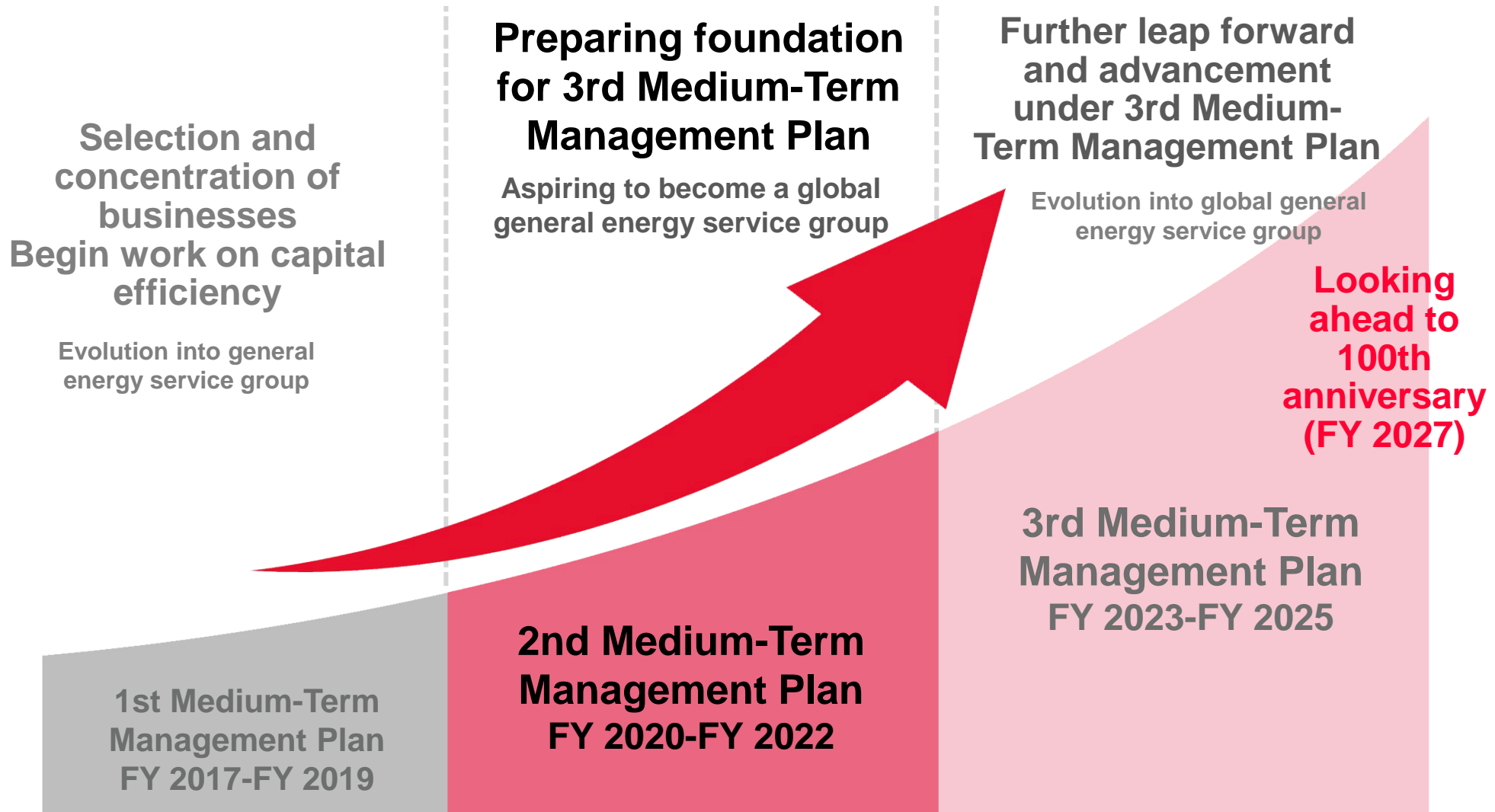
Three cornerstones  
“Shingi,” “Shinshu,” and “Rakugyo”  
(keeping our promises, making progress, and feeling joy in our work)

1. “Shingi” is the foundation of the company’s management. We will develop the future of our company by responding people’s trust, fulfilling our responsibilities, maintaining discipline, and joining forces together.
1. “Shinshu” is the practice of the company’s sales. We will increase our corporate earnings by constantly moving forward, being creative, learning the needs of our customers, increasing our integrity, developing products, and giving back to society.
1. “Rakugyo” is the phase of the company’s personnel. The foundation of our prosperity is to take pleasure in working for the company and create a wide network of friends, both inside and outside the company.



#### 4. Overview of 2nd Medium-Term Management Plan

The period of the Medium-Term Management Plan is three years from FY 2020 to FY 2022, and it is positioned as time of preparing foundation for further leap forward with 3rd Medium-Term Management Plan (FY 2023-FY 2025)





## Positioned as time for solidifying foundation for leap forward during 3rd Medium-Term Management Plan

**Solidifying foundation** for becoming an organization capable of **sustainable growth** (further leap forward under 3rd Medium-Term Management Plan)

### Qualitative targets

Improvement of capital efficiency

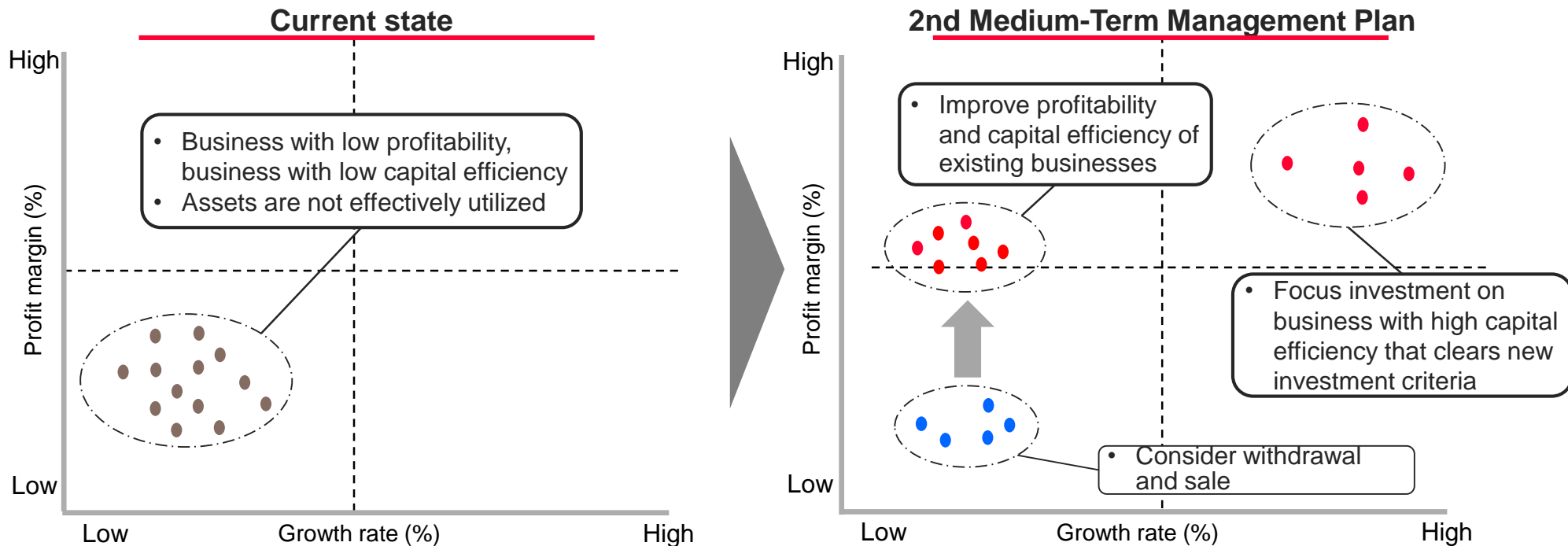
Execution of investments to realize sustainable growth

Reform of employee thinking, habits, and behavior patterns

## Improvement of capital efficiency

- |  |  |
|--|--|
| i. <b>Improve profitability of existing businesses</b>         | Proceed to increase the efficiency of existing businesses and improve profitability.                                       |
| ii. <b>Utilize/sell less efficient assets</b>                  | Effectively utilize idle and low-operating assets to obtain revenue. Consider sale.  |
| iii. <b>Selection and concentration of existing businesses</b> | Withdraw from and sell businesses with low capital efficiency, and concentrate on businesses with high capital efficiency. |

### A group of businesses and companies with high capital efficiency



## Investments for realization of sustainable growth

i. <b>Investment in expansion of existing businesses</b>	Execute M&A for strengthening revenue base of existing businesses, and M&A of building management and maintenance business.
ii. <b>Strategic investment in new businesses</b>	Execute active investment in bicycle sharing business, renewable energy business, and new businesses.
iii. <b>Establishment of core systems</b>	Realize the enhancement of core systems supporting changes in the environment such as diversification of business.

**Investment bringing about revenue contributions to the Group is carried out, contributing to earnings**

### Business investment and growth investment

- Active M&A for strengthening revenue base in existing businesses such as the BtoC Business
- M&A of building management and maintenance business particularly in the Kanto area
- Investment in renewable energy business in Japan and other countries
- Investment and development of new businesses such as bicycle sharing business

### Investment in enhancement and investment in improvement of efficiency

- Enhancement of core systems required for businesses diversifying within the Group and for the swift acquisition of management information
- IT-related investment for digital transformation (DX)<sup>\*1</sup>
- Improvement of efficiency of operations utilizing IT such as LPWA<sup>\*2</sup> in the BtoC Business

<sup>\*1</sup> DX: In the Group, this refers to “Realizing improved efficiency and increasing productivity by fundamentally reviewing operations and performing advanced digitalization.”

<sup>\*2</sup> LPWA: An abbreviation of Low Power Wide Area, referring to a communication format realizing long-distance communication with limited power consumption.

### Reform of employee thinking, habits, and behavior patterns

i. <b>Cultural and structural improvements</b>	Review the common knowledge and common practices among individuals and the organization, and cultivate a mindset able to respond to the VUCA era* <sup>1</sup> .
ii. <b>Promoting work style reform</b>	Establish an environment enabling employees to enjoy their jobs and continue to work enthusiastically.
iii. <b>Development, promotion and transfer of personnel</b>	Realize the creation of systems for developing entrepreneurship* <sup>2</sup> and diverse human resources.

**Reforms of employee thinking, habits, and behavior patterns are taking place**

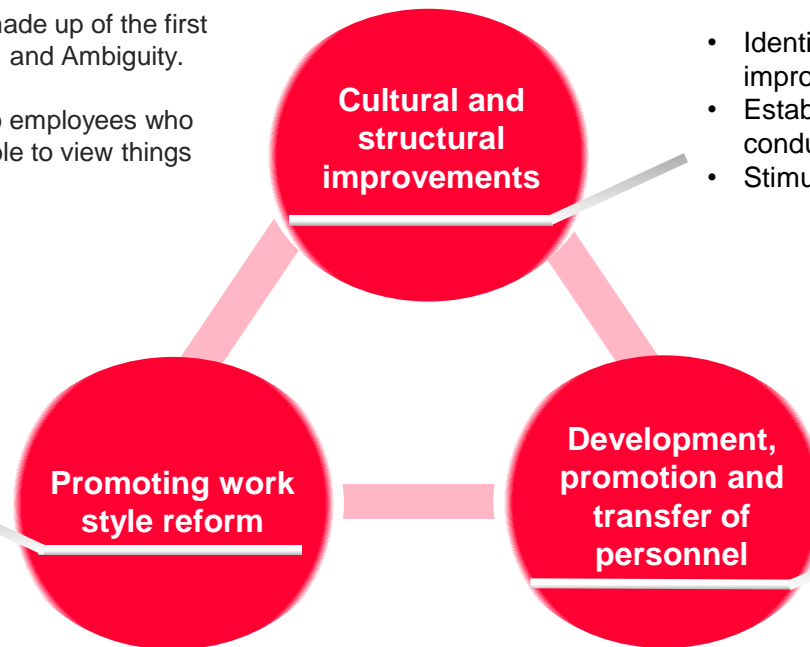
\*1

A term representing an unpredictable era made up of the first letters of Volatility, Uncertainty, Complexity, and Ambiguity.

\*2

Also called entrepreneurial spirit, it refers to employees who are up for a challenge, independent, and able to view things in terms of overall optimization.

- Establishment of promotion structure
- Response to work style reform
- Improvement of operational processes



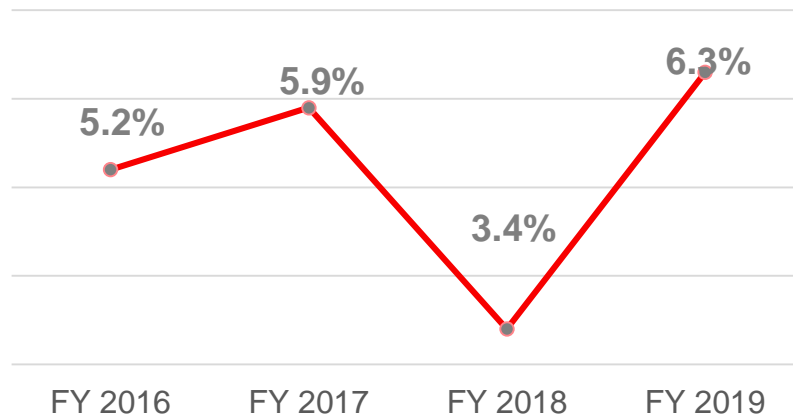
- Identification of current issues and promotion of improvement activities
- Establishment and spread of Group code of conduct
- Stimulation of communication

- Improvement of training for the development of management personnel
- Review of the operation and evaluation processes of the new personnel system
- Transfer of appropriate personnel to appropriate positions, external promotion, and promotion transcending gender

## Establishment of targets emphasizing capital efficiency

Establish business structure  
for continually producing  
**ROE of 6.0% or higher**

Trend in ROE



- Improve profitability of existing businesses
- Utilize/sell less efficient assets
- Invest in high-growth/high-profit-making businesses
- Improve operational efficiency

## Strengthening of management base through M&A (expansion of share) and new products (customer development)

### Strategy 1: Oil & gas business

- Expansion and strengthening of customer base through acquisition of business rights and M&A of gas operators
- In-house development of direct-sales customers utilizing multiple routes
- Thorough streamlining through logistics integration utilizing IoT\*<sup>1</sup> (LPWA, etc.)

### Strategy 2: Electric power business

- Promotion of packaged sales of gas, oil, and electricity
- Expansion of sales of MELIFE DENKI utilizing registered store and agency format, etc.
- Expansion through referral sales from partners

### Strategy 3: Housing and lifestyle, other new businesses

- Expansion and development of customer segments through the expansion of stores specializing in plumbing renovation
- Creation of effective sales systems utilizing customer management systems
- Establishment of a one-stop service for oil, gas, electricity, and housing
- Expansion of real estate-related services such as vacant property management services

\*1 IoT: An abbreviation of “Internet of Things,” referring to a system in which a variety of things exchange information with each other through a network

#### 4. Segment Strategy (2) - BtoB Business (Energy Solution Business)

**In addition to stable growth of existing businesses, we will aim for higher earnings through new business development**

##### **Strategy 1: Oil business**

- Improvement of profit margin by strengthening home delivery business partnering with home centers
- Expansion and development of BtoB Business by strengthening logistics functions
- Development and establishment of locations in coordination with Group companies

##### **Strategy 2: Electric power, PV, and facility business**

- Promotion of joining balancing groups in electric power wholesale
- Operation of environmentally friendly pricing plans such as low-CO<sub>2</sub> electric power
- Expansion of product lineup through entry into manufacturing sector

##### **Strategy 3: New businesses**

- Investment in renewable energy business such as overseas wind power and hydro power
- Development, manufacture, and sale of products utilizing new micro wind turbines



## We will draw up a growth strategy responding to individual business environments and characteristics

### Bicycle business

- Improvement of profit margin by reviewing flagship store launches and the store operation format in the retail business
- Strengthening of proposal capability and development of new customers through development of private brand bicycles
- Promotion of sales of BtoB services and products aimed at functionality

### Bicycle sharing business

- Limit the area of station\*1 (ST) installation, and promote efficient operation
- ST deployment partnered with local governments, convenience stores, real estate companies, railway companies, etc.
- Data-based ST installation, improvement of operational efficiency using systems

### Environment and recycling business

- Securing stable revenue through stable operation and streamlining of wood chip (biomass fuel) plants
- Development of new products in the waste and recycling business (development of trade business)
- Development, promotion, and expansion of new biomass fuel business

\*1 Station: Parking space for bicycle sharing

## We will draw up a growth strategy responding to individual business environments and characteristics

### Systems business

- Strengthening quality management system of existing businesses, and enhancing customer satisfaction (maintaining stable revenue)
- Provision of stable IT platform through expansion of business services
- Creation of new businesses through practical implementation of LPWA services and mobile products

### Antimicrobial business

- Transformation into a formulator\*<sup>1</sup> in the antimicrobial and air freshener business, etc. (provision of comprehensive solutions for antimicrobial measures, air freshener measures, water treatment, etc.)
- Promotion of development of new businesses such as lead absorbent agents

### Building management and maintenance business

- Expansion of business area to the area around Kanto (in-house development, M&A, etc.)
- Expansion of business domain to construction and maintenance sector
- Promotion of one-stop service for collective housing maintenance in the Tokyo metropolitan area
- Streamlining of operations through utilization of IT (promotion of work style reform)

\*1 Formulator: An entity that not only supplies materials, but also provides technical information aimed at product development

## Plumbing renovation business

### Business overview

- We launched a pilot shop specializing in plumbing to **expand the renovation business** as part of strengthening revenue of non-energy divisions. Staff specializing in renovation provide customers with comfortable homes and lives.

### Current state

- The **Sagamihara Chuo Store** was opened in May 2018 as the first pilot shop and the **Koshigaya Store** (top photo) as the second in October 2019. We plan to open **three shops** in FY 2020.

### Future outlook

- In future, we aim for 4 billion yen in sales in non-energy divisions through 20 stores **combining** stores specializing in renovation and energy stores , to grow them into “partner shops” that support customers’ housing and lives. Furthermore, we are considering gradual **implementation of franchises** for distributors.



(Exterior)



(Interior)

## Renewable energy business in South Korea (wind power generation business)

### Business overview

- A renewable energy business that conducts **wind power generation business** in South Korea, and sells electric power and environmental value to large-scale power generation companies at long-term fixed prices.

### Current state

- There are plans to construct wind power generation facilities with an output **equivalent to 90 MW** spanning all of South Korea.
- Construction is planned to start in mid-2020, and development is underway with the target of **commencing commercial operation in November 2021**.
- Sinanen has a 65.3% stake (as of May 29, 2020) in Bellsion Power Co., Ltd., which is the parent company owning 100% of this power generation business.

### Future outlook

- Sinanen views the renewable energy business overseas to be a priority area, and plans to use this project as a foothold to accumulate know-how and proceed with active investment to participate in **multiple projects** throughout the period of the 2nd Medium-Term Management Plan.



(Sample)



(Sample)

## New micro wind turbine-related business

### Business overview

- A **new micro wind turbine development and manufacturing business** adopting innovative technology with excellent power generation efficiency, quiet performance and safety.
- We will respond to expectations in environmentally friendly renewable energy that is a global trend, and also **BCP measures of governments and companies** that are becoming increasingly important.

### Current state

- Sinagy Revo Co., Ltd. was established in February 2020, and the company will conduct the new micro wind turbine development, design, manufacturing, sale, upkeep, and maintenance business.
- **Pole-type power source device** equipped with surveillance camera, LED lighting and communication facilities such as Wi-Fi (top photo) and a **multi-tier power source device** assuming rooftop installation (bottom photo) are currently in development.
- At present, we are in the final phase of development aimed at the announcement of products scheduled for the second half of FY 2020, and making preparations for proposals to target local government and private sector companies with the aim of **full-scale sales in FY 2021**.

### Future outlook

- We are promoting the introduction of the products as **items essential for BCP** in evacuation sites numbering approximately 70,000 throughout Japan, and aim to establish an independent power supply business.
- We aim to develop new renewable energy markets by utilizing rooftop wind power generation devices using multi-tier micro wind turbines.
- There is high demand for the utilization of renewable energy overseas, and we aim to **conduct global business** as an innovative independent power supply business.



(Sample)





## Bicycle sharing business

### Business overview

- We operate bicycle sharing for power-assisted bicycles under our own **DAICHARI** brand using a system called HELLO CYCLING provided by the Softbank Group.
- Bicycles can be rented and returned anywhere there is a dedicated parking space called a station. We conduct station development along with the maintenance and management of bicycles to prepare an easily usable environment.

### Current state

- This business is **one of the largest of its type in Japan**, operating approximately 1,200 stations and more than 6,000 power-assisted bicycles mainly in four prefectures including Tokyo as of March 31, 2020.
- Stations are installed at real estate companies and the three major convenience store chains through agreements with local governments and in partnership with private sector companies. We will also make proposals to individual property owners to develop stations.

### Future outlook

- We will resolve issues in local transportation by maintaining high operational quality as **Japan's largest** bicycle sharing operator (with 2,700 stations and over 9,000 bicycles as of the end of FY 2022).
- We aim to expand service in coordination with smart cities and other mobility operators as a short-distance mobility transportation operator in **MaaS (Mobility as a Service)**.



\*1: MaaS: A new concept of seamlessly linked “mobility” viewing mobility using all forms of transportation other than personal cars as a service

## Shared office business

### Business overview

- **seesaw shared office** was launched with the aim of creating new business able to resolve social issues.
- We will support start-ups through seesaw and also embrace the challenge of creating new businesses ourselves.

### Current state

- seesaw is scheduled to go into full operation from June 2020 utilizing Sinanen's former head office building (head office moved in January 2019).
- The "seesaw" brand name is based on the desire to use the principle of leverage like a seesaw to enable colleagues who gather together to create things that move society.

### Future outlook

- Moving forward, we will conduct appropriate facility operation and create comfortable office environments to enable seesaw to become a place where many new businesses are created.
- In addition, it involves implementing a variety of steps such as holding events including new business contests and business matching at seesaw in the future.

see/  
saw



(8th floor)



(9th floor)



# The Sinanen Holdings Group will contribute to the creation of a sustainable society

## Environment

Provide customers with comfortable homes and lives by shifting to the supply of environmentally friendly energy



Examples of projects in the Group contributing to the global environment

## Society

**Itsumo Arigato (Thank You) Essay Competition** to support the healthy growth of children



Poster

## Governance

**Introduction of Nomination Committee (June 2017)**

- Establishment of Nomination Committee nominating candidates for the Group's Directors and members of the Audit/Supervisory Committee
- It is made of the President of Sinanen Holdings Co., Ltd. and three Outside Directors who are members of the Audit/Supervisory Committee.

**Enhancement of internal audit functions (from April 2019)**

- We are consolidating the Group's internal audit functions, and proceeding to improve the quality and efficiency of internal audits.
- We will proceed to newly promote external personnel as internal audit members to enhance internal auditing.

# Contributing to a sustainable society through ongoing initiatives and enhancements

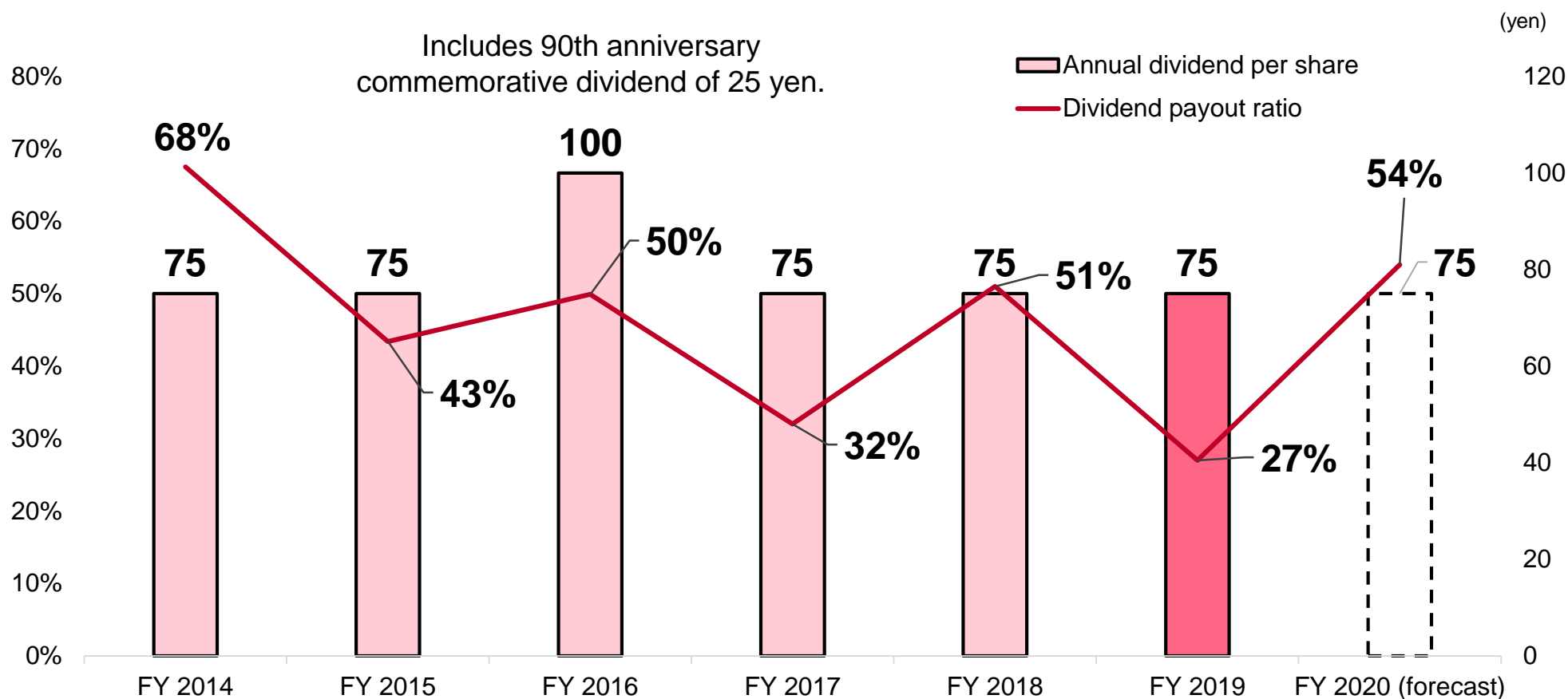
# The Sinanen Holdings Group supports sustainable development goals (SDGs)

- Becoming a corporate group that aims to provide customers with comfortable homes and lives by supplying environmentally friendly energy
- Megawatt-level solar power plant operations, sale of low-carbon power, and manufacture and sale of biomass fuels
- Development of **renewable energy**, including wind and hydraulic, in Asia, and new micro wind turbine-related business
- Providing safe and delicious water with **antimicrobial and absorbent agents**
- Promoting our **bike-sharing business** and developing healthy, environmentally friendly means of transportation
- Expanding our **building management and maintenance business** to provide safe and secure facility maintenance and operations
- Itsumo Arigato (Thank You) Essay Competition** to support the healthy growth of children
- Promoting a trifecta of cultural reform, work style reform, and human resources development



## 7. Shareholder Return/Dividend Policy

**Our basic policy is to provide shareholder returns, and we will stably provide dividends aiming for a payout ratio of 30% or higher**



Note: On October 1, 2016, the Company carried out reverse share split on ordinary shares at a one for five ratio. Figures prior to that have been restated to reflect the post-reverse share split.

## Disclaimer

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.

Therefore, 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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