



S m i l e F o r L i f e

Business Report for the 73rd Term

(from April 1, 2006 to March 31, 2007)



SINANEN

Stock Code: 8132

Broaden business horizons to implement strategic regional sales activities



Business environment and results in the 73rd term

For increased cost competitiveness and strengthened retail operation

During the term under review, the Japanese economy grew at a moderate pace after a rise in corporate capital investment. However, while the trend of rising oil and liquefied petroleum gas (LPG) prices continued, competition among different types of energy intensified and business circumstances remained difficult.

In the wholesale business, the Group executed the business integration of wholesale subsidiaries, formerly dispersed across the Kanto region, and set up a new company to unite physical distribution and increase its cost competitiveness. This effect will be exhibited in the following fiscal years. In the retail business, the Group used M&A in the LPG business to enter into direct transactions with 210,000 end users. In the oil business, the Group opened new service stations and increased the number of service stations with self-service pumping facilities. In the kerosene business, the Group increased the number of kerosene outlets, constructed a home delivery system in collaboration with major distributors and carried out a policy to boost sales in partnership with home improvement stores.



Hiroyuki Suzuki
President and CEO

Profits slashed in record-breaking warm winter

During the term, however, product sales faced a very challenging environment, with dramatic falls in kerosene sales from the levels of the previous term, as a result of the unprecedented warm winter.

As a result, consolidated results are as follows. Net sales rose 5.5% year on year, to ¥243,545 million, on rising product prices. However, operating income was down 38.3% from the previous year, to ¥2,636 million, and ordinary income also declined 37.7%, to ¥3,273 million. Given the decline in sales volume, the Group effectively registered a virtual fall in revenues and in profits.

Future business expansion based on the mid-term management plan

An ongoing change in the business structure

Since the mid-term management plan, Plan 236, was launched, the Group's business resources have been focused on bolstering the retail business. We believe that our ties with end users will be of great help to the future growth of the Sinanen Group. However, the population is now shrinking and the trend towards an aging society is gaining further momentum. Energy conservation efforts are required to prevent global warming. In the light of these social circumstances, it is difficult to expect household energy demand to grow.

Implementation of strategic regional sales activities

Given these circumstances, it is essential for us to boost our sales in order to ensure sustainable growth, with retail and wholesale as our twin business pillars. In the retail business, we will identify priority strategic areas to intensively allocate business resources to them. Conducting active sales efforts directed at a broader range of targets, we will endeavor to increase recognition of the *Himawari* (sunflower) Gas brand. The Sinanen Group has been strengthening retail bases by increasing kerosene shops and service stations and working to commercialize services for maintaining and checking gas, water and other utility infrastructure. The Group has long been offering after-sales services for gas apparatus and other household products to build closer ties with customers. We hope to turn this maintenance and

inspection service into an overall service business to be operated by a comfortable lifestyle provider covering different services ranging from household energy supply to refurbishment.

Joint operations suited to regional peculiarities

Meanwhile, to earn increased sales in the wholesale business, we have continued to streamline our operations to boost our competitiveness and launch joint operations with local companies and home improvement stores in different areas. Local businesses are familiar with local circumstances. When they work with our Group, a unique service system can be set up. The system for kerosene home delivery in Hokkaido is a pioneering example. To create service systems like this, it is essential that the Group's wholesale and retail sections make unified efforts to share information and conduct appropriate marketing activities. We believe that this process will serve the Group's growth.

Building an internal control system to increase corporate value

Construction of the internal control system

In recent years, the general public has become increasingly concerned about corporate scandals and social responsibility. The new Corporation Code stipulates that companies meeting certain conditions must have an internal control system.

In Sinanen, the Board of Directors adopted a resolution on the basic policy on building its internal control system in May 2006. This was followed by the launch of the Compliance Committee and the Risk Management Committee in October 2006. In April 2007, the Group instituted the Sinanen Group Charter of Corporate Behavior and the Compliance Regulations to upgrade its internal control system.

A charter for appropriate operations

The Sinanen Group Charter of Corporate Behavior is an upgraded form of our corporate philosophy: sincerity, a pioneering spirit and joy of working. This is available on our website. It reflects in our Group's unique manner our view that enterprises must not only seek profit by means of fair competition but also broadly serve society.

As it is the Group's charter of behavior, it is a code of conduct for all employees of the Group. The retail business has been of growing importance to the Group and there are increasing opportunities to contact customers. It is positioned as a charter for working in a fair and well-disciplined manner.

Re-launch of social contribution activities

To commemorate the 80th anniversary of our founding in 2007, we are set to organize an essay competition open to elementary schoolchildren across the country as part of our social contribution activities. The essay theme is *Itsumo Arigato* (Thank you). We sponsored an essay competition with the subject "My mother as Japan's number one" for five years from 1966. It has made an outstanding contribution to improving the corporate image of the then Shinagawa Fuel.

Hoping that the competition encourages children to express in their essays their gratitude and affection to their family members that they are hesitant to say openly in their daily life and thereby promotes their tenderness and healthy growth, we reinstated the competition. Since we will further focus on our retail business, we also hope that this annual competition will help improve the reputation of the Shinanen Group.

To increase corporate value

We believe that establishment of the internal control system and the charter of corporate behavior ensures the soundness of the business and that social contribution activities are a positive path to smooth business operation. We are convinced that these efforts will help increase our corporate value.

To redistribute our profits to shareholders, we will endeavor to achieve a stable and high payout ratio in consideration of the top priority managerial policy and its position, investment activities for growth, the financial standing and the profit level.

We would like to ask all of our shareholders for your understanding with regard to the Group's business activities and for your continued support in the future.



Energy Products Business

Oil Products Division

The crude oil price peaked in the summer of 2006 on an unstable situation in the Middle East, the race for resources intensified by economic development in the Asian region and uncertainties inside and outside Japan. Subsequently, it gradually fell, but remained at a high level. Temperatures during the most recent winter in Japan were at record highs for the season. We saw a dramatic decline in kerosene consumption, a sharp slowdown in the wholesale market and harsh sales competition.

The Oil Products Division worked to launch new service stations and increase those stations with self-service filling equipment in a bid to boost the sales on gasoline and diesel fuel, which are in demand all through the year. In addition to that, it expanded kerosene shops for selling kerosene for household use and developed a new sales channel in collaboration with major distributors for direct delivery of kerosene to consumers. After these efforts, consolidated net sales climbed 6.0% from a year earlier to ¥186,488 million.

In the next and future years, we will build closer ties with oil refiners and distributors, share regional strategies, make joint use of oil depots and increase the efficiency of kerosene centers to earn higher sales on kerosene for household use. Placing a focus on the service station business, we will step up the efforts to increase service stations with self-service filling systems and to offer upgraded services.



Service Kusao Service Station in Osaka Prefecture



LPG Division

Following the rise in the crude oil price, the Saudi LPGA contract price (CP) remained high. However, with competition with other energy sources, including electric power and utility gas, intensifying in Japan, it remained difficult to pass on the CP increment to consumers. To respond to growing consumer interest in safety, security, energy conservation and other environmental considerations, an association mainly consisting of gas energy operators formed a collaborative framework to proposal further enhancements in living environments.

The LPG Division actively took over operations of LPG businesses to obtain nearly 18,000 new consumers. In a bid to promote installation of the environmentally friendly *Eco-Jozu* latent heat collection type gas-powered hot water supplier, it launched the Group's unique *Himawari Hojyokin* (sunflower subsidization) program. Moreover, it offered the *Fureai Tenken* (contact and check) service, in which our representatives visit consumers' residences to inspect gas apparatus to ensure the safe use of gas. Consequently, consolidated net sales during the term stood at ¥43,427 million, with a 3.8% year on year increase.

Future efforts include a continued transfer of LPG operation goodwill, encouragement of widespread use of high-safety products and promotion of statutory compliance relating to LPG sales. In addition, we will strengthen communications with consumers and win their trust through the *Fureai Tenken*.



Solid Fuel Division

Due to the warm winter, nationwide shipments of charcoal briquettes and pea coals were lower than the level of the previous year. The Solid Fuel Division sought to bolster sales to home improvement and other types of stores to secure a sales volume and increase market share, but its consolidated net sales tumbled 10.5% year on year to ¥841 million.

In view of rising prices of raw material coals and auxiliary materials, we will have no choice but to raise prices of charcoal briquettes and pea coal to cover the soaring costs. Demand for charcoal briquettes and pea coal will continue to shrink. Taking into account the potential expansion of business tie-ups with other companies, we will work to slash distribution costs and ensure profitability.

The Group has prepared an internal manual detailing the characteristics of charcoal briquettes and pea coal and apparatus for these fuels so that the staff can provide consumers with clear information. In the future, we will make use of our website and other means to ensure further consumer safety.



Housing Equipment Division

During the term, nationwide shipments of gas apparatuses also failed to match the figures of the previous year.

Jointly with Itochu Enex Co., Ltd. and Nissho Petroleum Gas Corporation, we waged the fourth *Yappari Gas Dane!* (Gas is Best!) promotional campaign during the term. Another promotional event entitled *Kanshasai* (Thanksgiving Festival) was held to give consumers direct experience with the glass top cooker, the bathroom heater and other highly functional products. Despite these activities, consolidated net sales for the term stood at ¥8,299 million, down 1.9% from a year earlier.

In the future, the Housing Equipment Division will promote proposals for those products that respond to consistently growing consumers' environmental awareness,

such as the *Eco-Jozu*, the *Eco-Will* and the *Eco-Feel* latent heat collection type oil-powered hot water supplier. It will also focus on home refurbishment, including installation of gas-related apparatuses, household equipment and plumbing, to provide customers with their separate desired lifestyles.

In the next *Yappari Gas Dane!* campaign, we will strongly push the *Eco-Will* and propose comfortable lifestyles supported by gas with floor heating, a bathroom dryer and heater, mist sauna and other terminal equipment using hot water. In so doing, we will carry out activities to help consumers realize the advantages of gas.



Non-Energy Business

Antimicrobial Agent Division

The Antimicrobial Agent Division took steps to expand sales of the Zeomic agent with antimicrobial and deodorizing effects in the textile, spray product and hygienic material segments. It also proposed the product to the water treatment sector. The Zeomighty antimicrobial agent for concrete was actively promoted in the sewerage segment. For overseas expansion, it conducted sales and proposal activities in countries in Europe and the U.S., as well as in South Korea, China, and Southeast Asian countries such as Thailand through AgION Technologies, Inc.

In this industry, with consumer recognition of silver ion products are growing, non-organic antimicrobial agent manufacturers are expected to aim to achieve greater market share. Product expansion will positively proceed not only in the domestic market but in the European, U.S., Southeast Asian and other overseas markets.



[URL] <http://www.agion-tech.com>

In the Japanese market, the Antimicrobial Agent Division will further promote the Zeomic agent with antimicrobial and deodorizing effects in the water treatment and deodorization segments. Outside Japan, we will continue to expand sales in the European and U.S. markets with the help of AgION Technologies, Inc. and we will conduct active marketing in Southeast Asian countries.



(Public technology examination certificate)



(The causes and mechanisms behind concrete corrosion)

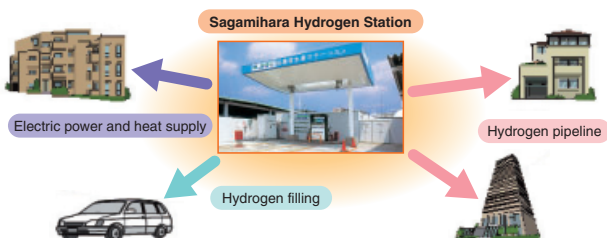
Environment Division and Others

As more and more companies use biomass fuels produced from scrap wood by a Group company, such biomass fuels are in short supply. We made intensive efforts to collect scrap wood for boosting biomass fuel sales.

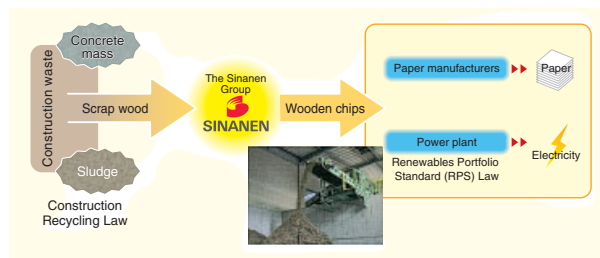
With respect to hydrogen stations, the survey outsourced by the New Energy and Industrial Technology Development Organization (NEDO) on effective use of hydrogen energy centered on Sagamihara Hydrogen Station came to an end. We studied the feasibility of effective use of digestion gas emitted from sewage treatment plants and the commercialization of sludge emitted from the same plants in the form of carbonized fuel.

In the future, we will work actively on new energy business sectors. The operation ratio of the plant manufacturing biomass fuel will be boosted to expand our environmental recycling business. And we will also continue to commercialize carbonized fuel produced from sludge emitted from sewage treatment plants.

In other businesses, consolidated net sales stood at ¥4,489 million with a 24.1% rise from the previous year.



[Schematic of the hydrogen community centered on Sagamihara Hydrogen Station]

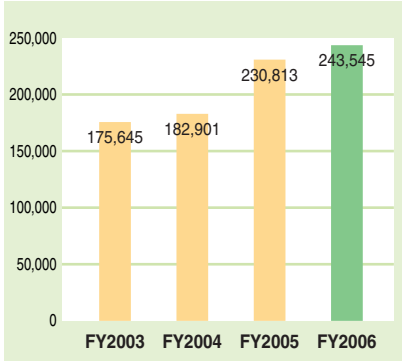


[Scrap wood recycling business]

Consolidated Financial Highlights

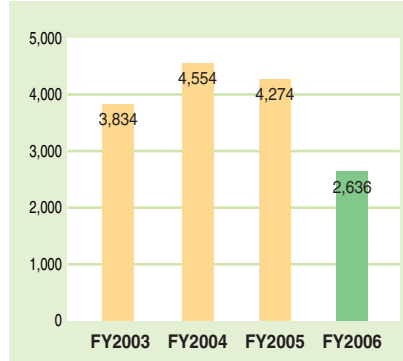
Net sales

(Millions of yen)



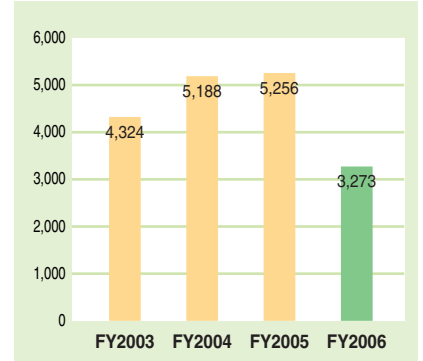
Operating income

(Millions of yen)



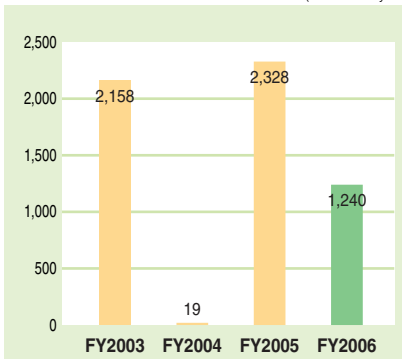
Ordinary income

(Millions of yen)



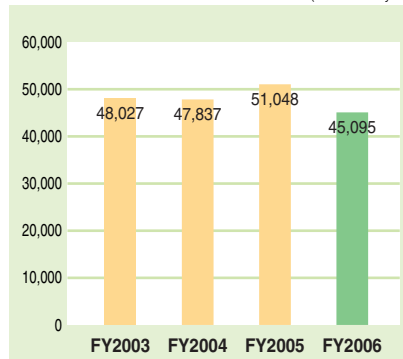
Net income

(Millions of yen)



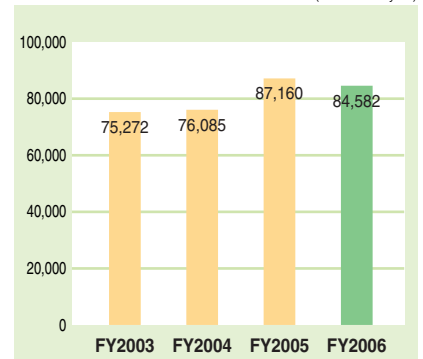
Net assets

(Millions of yen)



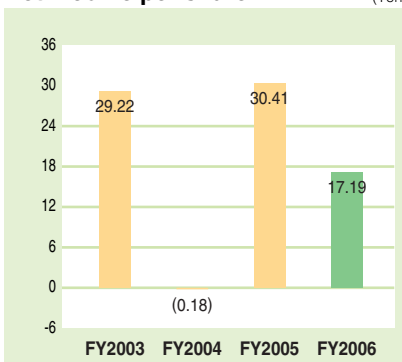
Total assets

(Millions of yen)



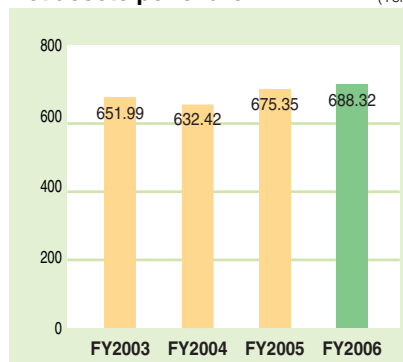
Net income per share

(Yen)



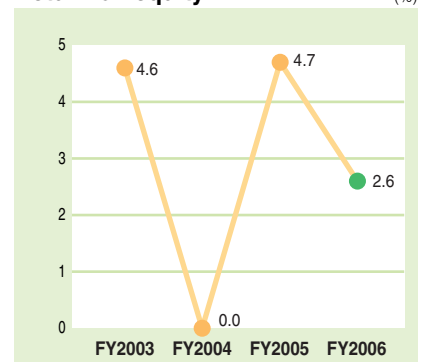
Net assets per share

(Yen)



Return on equity

(%)



Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31	2007	2006	2007	As of March 31	2007	2006	2007
	Millions of yen		Thousands of U.S.dollars		Millions of yen		Thousands of U.S.dollars
(Assets)				(Liabilities)			
Current assets				Current liabilities			
Cash and deposits	¥18,935	¥17,849	\$160,398	Trade notes and accounts payable	¥20,401	¥22,933	\$172,817
Trade notes and accounts receivable	28,181	30,046	238,721	Short-term bank borrowings	5,602	125	47,454
Marketable securities	—	800	—	Bonds with stock subscription rights due within one year	2,500	—	21,177
Inventories	3,644	3,372	30,868	Accounts payable - other	2,636	2,395	22,330
Deferred tax assets	339	681	2,872	Income taxes payable	528	1,392	4,473
Other current assets	993	920	8,412	Consumption taxes payable	103	131	873
Allowance for doubtful accounts	(137)	(227)	(1,161)	Reserve for bonuses	516	582	4,371
Total current assets	51,957	53,442	440,127	Other current liabilities	1,039	1,000	8,801
Fixed assets				Total current liabilities	33,329	28,560	282,330
Tangible fixed assets	16,487	16,569	139,661	Long-term liabilities			
Buildings and structures	4,960	5,364	42,016	Long-term debt	631	1,131	5,345
Machinery, equipment and vehicles	2,540	2,617	21,516	Deferred tax liabilities	1,851	2,291	15,680
Land	8,462	8,455	71,681	Accrued retirement benefits	2,565	2,766	21,728
Construction in progress	363	0	3,075	Accrued retirement benefits for directors	—	173	—
Other tangible fixed assets	159	130	1,347	Long-term deposits	658	865	5,574
Intangible assets	1,038	609	8,793	Other long-term liabilities	450	284	3,812
Consolidation goodwill	—	195	—	Total long-term liabilities	6,157	7,512	52,156
Goodwill	674	—	5,709	Total liabilities	39,487	36,072	334,494
Other intangible assets	363	414	3,075	(Minority interests in consolidated subsidiaries)			
Investments and other assets	15,100	16,538	127,912	Minority interests	—	39	—
Investments in securities	9,280	10,196	78,611	(Shareholders' equity)			
Long-term loans	212	249	1,796	Common stock	—	15,630	—
Long-term prepaid expenses	4,418	4,854	37,425	Capital surplus	—	11,773	—
Deferred tax assets	305	301	2,584	Retained earnings	—	20,610	—
Other investments and other assets	1,171	1,212	9,920	Unrealized gains on other securities	—	3,145	—
Allowance for doubtful accounts	(288)	(276)	(2,440)	Treasury stock, at cost	—	(111)	—
Total fixed assets	32,625	33,717	276,366	Total shareholders' equity	—	51,048	—
Total assets	¥84,582	¥87,160	\$716,493	Total liabilities, minority interests and shareholders' equity	—	87,160	—
				(Net assets)			
				Shareholders' equity	42,580	—	360,695
				Common stock	15,630	—	132,402
				Capital surplus	11,774	—	99,737
				Retained earnings	20,916	—	177,179
				Treasury stock	(5,740)	—	(48,623)
				Valuation and translation adjustments	2,475	—	20,966
				Unrealized gains on other securities	2,475	—	20,966
				Deferred hedge gains and losses	0	—	0
				Minority interest	38	—	322
				Total net assets	45,095	—	381,999
				Total liabilities and net assets	¥84,582	¥ —	\$716,493

Consolidated Statements of Income

Years ended March 31	2007	2006	2007
	Millions of yen		Thousands of U.S.dollars
Net sales	¥243,545	¥230,813	\$2,063,066
Cost of sales	215,669	201,537	1,826,929
Gross profit	27,876	29,275	236,137
Selling, general and administrative expenses	25,239	25,001	213,799
Operating income	2,636	4,274	22,330
Non-operating income	857	1,112	7,260
Non-operating expenses	220	131	1,864
Ordinary income	3,273	5,256	27,726
Extraordinary income	464	283	3,931
Extraordinary expenses	983	1,224	8,327
Income before income taxes	2,754	4,314	23,329
Income taxes			
Current	1,173	1,540	9,936
Deferred	341	444	2,889
Minority interests	—	1	—
Loss on minority interests	0	—	4
Net income	¥ 1,240	¥ 2,328	\$ 10,504

Consolidated Statements of Cash Flows

Years ended March 31	2007	2006	2007
	Millions of yen		Thousands of U.S.dollars
Net cash provided by operating activities	¥ 948	¥ 3,624	\$ 8,030
Net cash used in investing activities	(1,604)	(720)	(13,587)
Net cash provided by (used in) financing activities	916	(1,489)	7,759
Effect of exchange rate changes on cash and cash equivalents	14	14	119
Net increase in cash and cash equivalents	274	1,427	2,321
Cash and cash equivalents at beginning of year	18,644	17,217	157,933
Cash and cash equivalents at end of year	¥18,919	¥18,644	\$160,263

Consolidated Statements of Change in Shareholders' Equity

(Millions of yen)

Year ended March 31, 2007	Shareholders' equity					Valuation and translation adjustments			Minority interest	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on other securities	Deferred hedge gains and losses	Total valuation and translation adjustments		
Balance as of March 31, 2006	¥15,630	¥11,773	¥20,610	¥ (111)	¥47,902	¥3,145	¥—	¥3,145	¥39	¥51,087
Changes during the consolidated fiscal year										
Distribution of surplus*			(906)		(906)					(906)
Directors' bonus*			(27)		(27)					(27)
Net income			1,240		1,240					1,240
Disposal of treasury stock		1		11	13					13
Acquisition of treasury stock				(5,641)	(5,641)					(5,641)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)					—	(669)	0	(669)	(0)	(670)
Total changes during the consolidated fiscal year	—	1	306	(5,629)	(5,321)	(669)	0	(669)	(0)	(5,992)
Balance as of March 31, 2007	¥15,630	¥11,774	¥20,916	¥(5,740)	¥42,580	¥2,475	¥ 0	¥2,475	¥38	¥45,095

(Thousands of U.S. dollars)

Year ended March 31, 2007	Shareholders' equity					Valuation and translation adjustments			Minority interest	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on other securities	Deferred hedge gains and losses	Total valuation and translation adjustments		
Balance as of March 31, 2006	\$132,402	\$99,729	\$174,587	\$ (940)	\$405,777	\$26,641	\$—	\$26,641	\$330	\$432,757
Changes during the consolidated fiscal year										
Distribution of surplus*			(7,675)		(7,675)					(7,675)
Directors' bonus*			(229)		(229)					(229)
Net income			10,504		10,504					10,504
Disposal of treasury stock		8		93	110					110
Acquisition of treasury stock				(47,785)	(47,785)					(47,785)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)					—	(5,667)	0	(5,667)	(0)	(5,676)
Total changes during the consolidated fiscal year	—	8	2,592	(47,683)	(45,074)	(5,667)	0	(5,667)	(0)	(50,758)
Balance as of March 31, 2007	\$132,402	\$99,737	\$177,179	\$(48,623)	\$360,695	\$20,966	\$ 0	\$20,966	\$322	\$381,999

* Appropriation of retained earnings resolved at the Ordinary General Meeting of Shareholders held in June 2006.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

As of March 31	2007	2006	2007
	Millions of yen		Thousands of U.S.dollars
(Assets)			
Current assets	¥48,882	¥47,510	\$414,079
Fixed assets	31,459	30,138	266,489
Total assets	80,341	77,648	680,568
(Liabilities)			
Current liabilities	32,407	25,926	274,519
Long-term liabilities	5,147	5,909	43,600
Total liabilities	37,554	31,835	318,119
(Shareholders' equity)			
Common stock	—	15,630	—
Capital surplus	—	11,774	—
Retained earnings	—	15,399	—
Unrealized gains on other securities	—	3,119	—
Treasury stock, at cost	—	(111)	—
Total shareholders' equity	—	45,812	—
Total liabilities and shareholders' equity	—	77,648	—
(Net assets)			
Shareholders' equity	40,309	—	341,457
Valuation and translation adjustments	2,477	—	20,983
Total net assets	42,787	—	362,448
Total liabilities and net assets	¥80,341	¥ —	\$680,568

Non-Consolidated Statements of Income

Years ended March 31	2007	2006	2007
	Millions of yen		Thousands of U.S.dollars
Net sales	¥230,478	¥206,218	\$1,952,376
Cost of sales	211,720	189,108	1,793,477
Gross profit	18,758	17,109	158,899
Selling, general and administrative expenses	16,938	13,931	143,482
Operating income	1,819	3,177	15,409
Non-operating income	981	1,148	8,310
Non-operating expenses	226	103	1,914
Ordinary income	2,573	4,222	21,796
Extraordinary income	3,543	282	30,013
Extraordinary expenses	952	436	8,064
Income before income taxes	5,165	4,068	43,753
Income taxes			
Current	856	1,025	7,251
Deferred	134	700	1,135
Net income	4,175	2,342	35,366
Retained earnings brought forward from previous year	—	963	—
Reversal of provision for retirement benefits	—	17	—
Unappropriated retained earnings at end of the year	¥ —	¥ 3,323	\$ —

Non-Consolidated Statements of Change in Shareholders' Equity

(Millions of yen)

Year ended March 31, 2007	Shareholders' equity									Valuation and translation adjustments				Total net assets	
	Common stock	Capital surplus			Retained earnings					Treasury stock	Total shareholders' equity	Unrealized gains on other securities	Deferred hedge gains and losses		Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings				Total retained earnings						
					Retirement benefits	Reserve for advanced depreciation of replaced assets	Special reserve	Earned surplus brought forward							
Balance as of March 31, 2006	¥15,630	¥3,907	¥7,866	¥11,774	¥68	¥1,648	¥10,359	¥3,323	¥15,399	¥ (111)	¥42,693	¥3,119	¥—	¥3,119	¥45,812
Changes during the non-consolidated fiscal year															
Distribution of surplus*								(906)	(906)		(906)				(906)
Directors' bonus*								(24)	(24)		(24)				(24)
Reversal of provision for retirement benefits*					(68)			68	—		—				—
Reversal of reserve for advanced depreciation of replaced assets*						(187)		187	—		—				—
Reversal of reserve for advanced depreciation of replaced assets						(68)		68	—		—				—
Reserve for advanced depreciation of replaced assets						405		(405)	—		—				—
Special reserve*							1,700	(1,700)	—		—				—
Net income								4,175	4,175		4,175				4,175
Disposal of treasury stock				1	1						11	13			13
Acquisition of treasury stock										(5,641)	(5,641)				(5,641)
Changes in account items other than those under shareholders' equity during the non-consolidated fiscal year (net amount)												(642)	0	(642)	(642)
Total changes during the non-consolidated fiscal year	—	—	1	1	(68)	149	1,700	1,464	3,244	(5,629)	(2,383)	(642)	0	(642)	(3,025)
Balance as of March 31, 2007	¥15,630	¥3,907	¥7,867	¥11,775	¥—	¥1,797	¥12,059	¥4,788	¥18,644	¥(5,740)	¥40,309	¥2,477	¥ 0	¥2,477	¥42,787

(Thousands of U.S. dollars)

Year ended March 31, 2007	Shareholders' equity									Valuation and translation adjustments				Total net assets	
	Common stock	Capital surplus			Retained earnings					Treasury stock	Total shareholders' equity	Unrealized gains on other securities	Deferred hedge gains and losses		Total valuation and translation adjustments
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings				Total retained earnings						
					Retirement benefits	Reserve for advanced depreciation of replaced assets	Special reserve	Earned surplus brought forward							
Balance as of March 31, 2006	\$132,402	\$33,096	\$66,633	\$99,737	\$576	\$13,960	\$ 87,751	\$28,149	\$130,445	\$ (940)	\$361,652	\$26,421	\$—	\$26,421	\$388,073
Changes during the non-consolidated fiscal year															
Distribution of surplus*								(7,675)	(7,675)		(7,675)				(7,675)
Directors' bonus*								(203)	(203)		(203)				(203)
Reversal of provision for retirement benefits*					(576)			576	—		—				—
Reversal of reserve for advanced depreciation of replaced assets*						(1,584)		1,584	—		—				—
Reversal of reserve for advanced depreciation of replaced assets						(576)		576	—		—				—
Reserve for advanced depreciation of replaced assets						3,431		(3,431)	—		—				—
Special reserve*							14,401	(14,401)	—		—				—
Net income								35,366	35,366		35,366				35,366
Disposal of treasury stock				8	8						93	110			110
Acquisition of treasury stock										(47,785)	(47,785)				(47,785)
Changes in account items other than those under shareholders' equity during the non-consolidated fiscal year (net amount)												(5,438)	0	(5,438)	(5,438)
Total changes during the non-consolidated fiscal year	—	—	8	8	(576)	1,262	14,401	12,402	27,480	(47,683)	(20,186)	(5,438)	0	(5,438)	(25,625)
Balance as of March 31, 2007	\$132,402	\$33,096	\$66,641	\$99,746	\$ —	\$15,222	\$102,152	\$40,559	\$157,933	\$(48,623)	\$341,457	\$20,983	\$ 0	\$20,983	\$362,448

* Appropriation of retained earnings resolved at the Ordinary General Meeting of Shareholders held in June 2006.

Thank for your cooperation in our online questionnaire conducted since the Interim Business Report for the 72nd Term. This Business Report answers some comments and questions that we have received from many respondents in the survey and other occasions.

Q What is Sinanen's policy for future dividend payments?

A We understand that it is a top priority management policy to distribute profits to shareholders. We will work to ensure stable dividend payments in consideration of our financial standing, profit level and payout ratio, to strengthen our revenue base in response to the changing managerial circumstances and to improve our financial position for future performance improvements. Internal reserves will be used to finance expansion of the retail business as well as capital investment in the expansion of sales bases.

Q What is Sinanen's commitment to investor relations (IR) activities?

A We regard information disclosure to shareholders as one of the Group's key IR activities. We hold briefings on financial results, produce business reports and sends questionnaires to shareholders. The Group's news releases and IR-related tools are available and can be downloaded from our website. We are stepping up fair and quick information disclosure.

And in the future, we will actively consider and carry out activities to ensure better understanding of the Group.

Sign up for our email magazine at:

<http://www.sinanen.com>



Click on this icon on the home page to proceed to a simple signup process for distribution of the email magazine that brings IR information in a timely manner.

Establishment of the Sinanen Group Charter of Corporate Behavior

In April 2007, the Sinanen Group Charter of Corporate Behavior was established as a set of behavioral guidelines for the Sinanen Group.

Itsumo Arigato (Thank-You) Essay Competition

The Sinanen Group announced that it would be organizing an essay competition open to elementary schoolchildren nationwide.

シナネングループ企業行動憲章

この企業行動憲章は、シナネンが長く尊重してきた社是「信義」「進取」「楽業」を進化・発展させたものです。シナネングループで働く私たちは、次の3つのテーマから成り立つ行動基準を遵守し、実行します。

「信義」

社会的責任の実践

約束を守って人の信頼に応え、責任を重んじて自らの務めを果たすということが「信義」の考えであり、私たちシナネングループの経営の根幹です。

1. 私たちは、信頼と責任を重んじ公正取引を行います。そして、経営の透明性を保つために企業情報を適宜適切に開示します。
2. 私たちは、安全をはじめとする安全性の確保を最優先し、個人情報・顧客情報の保護についても十分配慮します。さらに、地球環境の重要性を認識し、積極的に環境問題へ取り組めます。
3. 私たちは、法令を遵守して企業活動を進めます。また、社会の秩序や安全に脅威を与える反社会的勢力に対して、経済的な利益を喪失させません。

「進取」

新たな価値の創造

あらゆる困難を越えて前進し、シナネングループの存在価値を高めていくということが「進取」の考えであり、私たちシナネングループの事業に対する基本的な精神です。

1. 私たちは、社会や経営環境の変化に機敏に対応し、新たな課題に挑戦します。
2. 私たちは、様々な情報を積極的に収集し、社会に役立つ高品質な商品、サービスを提供し、お客様の信頼と満足度を高めます。
3. 私たちは、グループ発展のために、広い視野を持ち、自らの仕事を常に改善・改革します。

「楽業」

こころ豊かな行動

働く喜びを感じ、仕事の中に楽しさを見出し、様々な方々と幅広い交流を図りながら、自らの人格を高めていくということが「楽業」の考えであり、私たちシナネングループの社員像をあらわしています。

1. 私たちは、社員相互の人間性を尊重するとともに、仕事に楽しさを見出し、働く喜びを感じ、豊かさを実現します。
2. 私たちは、広く内外に友を求め、社会とのコミュニケーションを積極的に行います。
3. 私たちは、国内外の企業活動において、その地域の文化や慣習を尊重し、地域社会の発展に貢献します。

・シナネングループの経営者は、この企業行動憲章の精神を実現することが自らの役割であることを認識し、率先垂範の上、関係者に周知徹底します。
 ・シナネングループの経営者は、本憲章に反するような事象が発生したときには、経営トップを先頭にして会社を挙げて問題解決に当たる姿勢を内外に表明し、原因究明、再発防止に努めます。また、社会への迅速かつ的確な情報の開示と説明責任を遂行し、信頼と責任を明確にした上、経営トップを含め関係社員を厳正に処分します。



制定日 平成19年4月1日

SINANEN's Network



Corporate Data

Corporate Name: Sinanen Co., Ltd.
 Head Office: 1-4-22, Kaigan, Minato-ku, Tokyo
 Headquarters Office: New Pier Takeshiba North Tower 9F, 1-11-1, Kaigan, Minato-ku, Tokyo 105-8525
 Established: April 11, 1927
 Incorporated: April 25, 1934
 Common Stock: 15,630,132,192 yen
 Number of Employees: 497

Directors, Corporate Auditors and Executive Officers (as of June 22, 2007)

President and Chief Executive Officer	Hiroyuki Suzuki
Vice President	Junji Taniuchi
Senior Managing Director	Takao Nishiuchi
Managing Director	Isao Akizuki
Managing Director	Kiyoshi Kanno
Director	Sachio Kanazaki
Director	Shiro Yamamoto
Director	Shiro Kurokawa
Director	Taizo Taniyama
Standing Corporate Auditor	Toshio Nakamura
Standing Corporate Auditor	Tadashi Maeda
Corporate Auditor	Tsutomu Shiozu
Corporate Auditor	Masaharu Saito
Executive Officer	Masatoshi Iwamoto
Executive Officer	Tadashi Sakimura
Executive Officer	Tetsuhiko Masuda
Executive Officer	Yasunaga Oiri

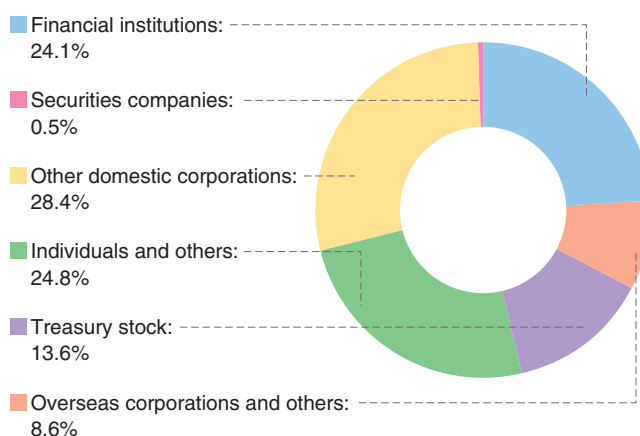
Stock Information

Number of shares authorized	237,603,000
Number of shares issued	75,752,958
Number of shareholders	6,753

Major shareholders

Name	Number of shares held (thousands)	Ownership ratio (%)
Itochu Enex Co., Ltd.	10,520	13.89
Sinanen Co., Ltd.	10,294	13.59
Meiji Yasuda Life Insurance Company	4,200	5.54
COSMO OIL Co., Ltd.	3,945	5.21
The Sumitomo Trust & Banking Co., Ltd.	2,780	3.67
State Street Bank and Trust Company	2,375	3.14
Idemitsu Kosan Co., Ltd.	2,369	3.13
SOMPO JAPAN INSURANCE INC.	1,999	2.64
Customers' Stockholding	1,855	2.45
Mizuho Trust & Banking Co., Ltd.	1,704	2.25

Stock distribution by type of shareholders



Information for Shareholders

Business Year	From April 1 of each year to March 31 of the following year
Date of Annual Shareholders' Meeting	June of each year
Record Date	Annual Shareholders' Meeting: March 31 of each year Year-end dividends: March 31 of each year When necessary, other record dates may be established after public notice thereof has been made.
Agent to Manage Shareholders' Registry	Mizuho Trust & Banking Co., Ltd. 1-2-1, Yaesu, Chuo-ku, Tokyo
Administrative Office for the Above	Head Office Securities Agent Dept., Mizuho Trust & Banking Co., Ltd. 1-2-1, Yaesu, Chuo-ku, Tokyo
For Inquiries	Securities Agent Dept., Mizuho Trust & Banking Co., Ltd. 1-17-7, Saga, Koto-ku, Tokyo 135-8722 Tel: 0120-288-324 (Toll free number)
Agent Offices	Any branch in Japan of Mizuho Trust & Banking Co., Ltd. Head office and any branch in Japan of Mizuho Investors Securities Co., Ltd.
Public Notice	The Company makes public notices electronically. However, if the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notices may be given in the Nihon Keizai Shimbun. Website http://www.sinanen.com/ir/koukoku.html

Expiration of Dividend Rights

In accordance with its Articles of Incorporation, Sinanen Co., Ltd. will be relieved of the obligation to pay a dividend to those shareholders who make no claim for the dividend within three full years from the date of commencement of payment.

From October 1, 2007 onwards, Sinanen Co., Ltd. will abide by this provision. Shareholders are advised to promptly make their dividend claims.

The Company's website



<http://www.sinanen.com>



<http://www.sinanen.com/ir/index.html>

SINANEN CO., LTD.

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