

The Company's website



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Smile For Life

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Business Report for the 74th Term
(From April 1, 2007 to March 31, 2008)

Increase competitiveness and change business structure for further growth

Business environment and results in the 74th term

For increased cost competitiveness and strengthened service operation

During the term under review, the Japanese economy had been growing at a moderate pace, but the sub-prime loan troubles in the United States triggered a financial crisis, and, against a backdrop of a strong yen and falling stock prices, developing economies continued to grow and resources became generally more costly, lifting raw material prices.

These and other factors such as a delay in Japanese housing starts caused the Japanese economy to suddenly stagnate.

In the energy industry, the business environment became more challenging. The crude oil price exceeded \$100 per barrel in the second half, and has since continued to rise. As a result, domestic oil products also became successively more costly, and higher prices coupled with a trend in which consumers cut back out of consideration for the environment meant that there was no growth in consumption. Following the sharp rise in the crude oil price, the LGP CP (contract price notified by Saudi Arabia) also rose to an all-time high, and, as competition among different types of energy intensified, we faced a severe business environment where there was a rush to pass through higher costs to retail prices.

Amid this environment, in the wholesale business, the Group increased its competitiveness as the effect of cost reductions achieved through business integration initiated the previous year gradually began to appear.

In the Oil Products Division, the Group endeavored to win customers by building new kerosene outlets and constructing a kerosene delivery system in collaboration with home improvement stores.

The Group also opened new service stations and changed the existing service stations to self-service pumping facilities to expand sales volume and retain customers.

Hiroyuki Suzuki
President and CEO

In the LPG Division, the Group now deals with 220,000 consumers, and it reorganized its complicated sales regions to provide prompter service. The Group also launched the *Fureai Tenken* (contact and check) service to provide reassurance and ensure that gas apparatus can be used safely, and concentrated on building a relationship of trust with consumers. We also worked on the shared use of LPG filling stations and shared delivery to cut costs.

In the Housing Equipment Division, the Group introduced a purchase incentive scheme to promote high-efficiency equipment that is beneficial for the environment and the family budget. However, the going got tough when, amid competition with other energy sources, including electric power and city gas, the crude oil price and the soaring LPG CP far exceeded forecasts, and the Group was in a tough situation with the delay in passing through higher costs to selling prices.

As a result, consolidated results are as follows. Net sales rose 8.9% year on year, to ¥265,122 million, on rising product prices. However, operating income was down 4.6 from the previous year, to ¥2,514 million, and ordinary income also declined 6.3%, to ¥3,067 million, while net income rose 27.7% from the previous year, to ¥1,584 million.

Summary of mid-term management plan, Plan 236

Switch to profit-oriented policy in face of changing business environment

The term under review was the final year of the mid-term management plan, Plan 236. The Group regrets that it failed to attain its initial targets of kerosene sales volume of 2 million kl, 300,000 LPG consumers and ROE of 6%. During the five-year implementation period of the plan, the environment surrounding the oil industry changed dramatically, with overseas demand expanding, domestic demand stagnating, and product prices rising overseas and falling in Japan. Domestic inventories were tight as domestic oil refiners and distributors strengthened their ties with overseas companies and exported surplus products. Under such conditions, the Group believes it was right to switch from a sales volume-oriented policy to a profit-oriented policy.

Focusing business resources on retail business

The Group has also focused its business resources on the expansion of LPG retail business. Although we were unable to reach our target of 300,000 consumers, we gained 70,000 new consumers and we believe that our ties with 220,000 consumers in total will be of great help to the future growth of the Sinanen Group.

Our failure to attain ROE of 6% is largely attributable to

stagnating profits, which can in turn be explained by factors such as the crude oil price, the soaring CP, the warm winter, lackluster demand depressed by efforts to economize on energy, and the changing commercial distribution. The Group reorganized and strengthened its internal structure in response to the changing environment, but moving forward competition between different types of energy is expected to intensify, and we intend to implement reforms faster and more forcefully.

Future business expansion

Aspiring to be a comfortable lifestyle provider

In energy-related retail business, we will identify strategic priority areas to intensively allocate business resources to them, seek to increase the number of consumers, step up customer development and increase efficiency, and we will also conduct sales efforts directed at a broader range of fuel-related business areas to increase recognition of the *Himawari* (sunflower) Gas brand.

The Sinanen Group will strengthen retail bases by establishing and refurbishing service stations and opening new kerosene outlets, and will work to commercialize services for maintaining and checking gas, water, electricity and other utility infrastructure to further strengthen ties with consumers.

The Group has long been offering after-sales services for gas apparatus, oil appliances and other household products to build closer ties with consumers. We hope to turn this maintenance and inspection service into an integrated service business from energy supply for household use to home improvement, enabling us to serve as a comfortable lifestyle provider who helps eliminate inconvenience, uncertainty and dissatisfaction from households.

Increasing competitiveness

In the wholesale business, we will provide services similar to those provided in our retail business via distributors and build trust in the Sinanen Group. The wholesale business is starting to become selective amid competition. Since we need to strengthen our operation further, we will seek to reduce costs



through joint operations with local companies in different areas to boost our competitiveness.

Given that up-to-the-minute information is vital, we will also put effort into services for distributors providing information from the Sinanen Group to their computers and mobile phones.

In other business, due to the heightened interest in environmental issues, there is strong demand for wood chips for fuel, and we plan to increase wood chip plants. We also plan to do into the business of turning scrap wood into fuel using our bonding technology.

Speed up refinement of business structure

During the current term the crude oil price and the CP will remain high, supported by global demand, and competition between different types of energy is expected to intensify. The environment surrounding the energy products business is changing at a dizzying speed. Although profits are expected to increase in 75th and 76th terms, the Sinanen Group also sees this as a strength-building phase, and intends to implement forward-looking measures such as investment in the future, further structural refinement and utilization of assets.

In the Oil Products Division, the Sinanen Group will reduce distribution costs, establish and refurbish service stations, open kerosene outlets at home improvement stores and improve delivery methods.

In the LPG Division, we will increase the scale and efficiency of our operations by taking over operations of business and undertaking commissioned business. We will also introduce a material cost adjustment system that reflects rises in the CP in retail prices, and also in the wholesale business we will adopt a clear rate structure. To increase recognition of the merits of LPG, we will hold events such as a *Kanshasai* (Thanksgiving Festival) and parent-and-child dietary education class, and we will provide information on safer, more efficient, user friendly products and sell them.

To our shareholders

Aiming for a stable and high payout ratio

We would like to express our appreciation to our shareholders, suppliers, consumers and employees for their continued support over the years. Following last year, we hold the essay competition, the *Itsumo Arigato* (Thank-You) Essay Competition open to elementary schoolchildren nationwide, hoping the healthy growth of children.

The Sinanen Group understands that it is a top priority management policy to distribute profits to shareholders and determined a year-end dividend of 15 yen per share. Moving forward, we will endeavor to achieve a stable and high payout ratio in consideration of investment activities for growth, the financial position and the profit level.

We would like to ask all of our shareholders for your continued support in the future.

Energy Products Business

Oil Products Division

The price of West Texas Intermediate (WTI) crude, which had been on an upward path, repeatedly hit new highs on an unstable situation in the Middle East, the race for resources intensified by economic development in the Asian region, and inflows of investment funds fleeing stock markets due to the worldwide decline in stock prices triggered by the sub-prime loan problem. As a result, oil refiners and distributors announced price hikes for oil products, but demand was sluggish reflecting purchasing restraint among consumers, causing sales competition among the oil refiners and distributors to intensify and making it difficult to generate earnings.

The Oil Products Division formed alliances with major distributors and established kerosene outlets. It also opened new service stations and changed existing stations to self-service pumping facilities in a bid to boost sales. It also launched a kerosene home delivery service provided by a group company and sought to strengthen retail business.

After these efforts, consolidated net sales climbed 8.6% from a year earlier to ¥202,594 million.

In the future, we will be quick to implement price policies compatible with sudden changes in product prices to improve earnings. We will also build closer ties with domestic oil refiners and distributors, share regional strategies, make joint use of oil depots, and increase the efficiency of kerosene centers to cut costs. As steps towards an earnings structure less susceptible to seasonal fluctuations, we will continue to open new service stations and increase those stations with self-service filling equipment in a bid to boost sales of gasoline and diesel fuel, which are in demand all through the year.



Service Akita



Kerosene center

LPG Division

Following the sharp rise in the crude oil price, the Saudi LPGA contract price (CP) also hit a fresh high in the second half. However, since competition with other energy sources, including electric power and utility gas, is intensifying in Japan, it remained difficult to pass on the CP increment to retail prices.

The LPG Division actively took over operations of LPG businesses to obtain nearly 12,000 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 aimed at increasing points of contact with consumers and ensuring safety.

Consequently, consolidated net sales during the term stood at ¥48,611 million, with a 11.9% year on year increase.

In the future we will introduce a material cost adjustment system that passes on increments in the Saudi LPGA contract price to the retail price, generate reasonable profits, and establish a rate structure that is easy for consumers to understand.

Also, through the *Fureai Tenken*, which increases contact with consumers, we will monitor the years of use of gas apparatus and life of gas meters and warning devices, and win trust as an LPG supplier. We will promote the fact that LPG produces less CO₂ and is more energy efficient than other types of energy as well.

We will also provide useful information and sales support tools promptly via our members information site *Business Himawari* launched in October last year for our customers and suppliers.



Delivery contest



Solid Fuel Division

Nationwide shipments of charcoal briquettes and pea coals were under the previous year (97.2%) because the number of households using solid fuels decreased due to the aging of society and an increase in airtight houses. The Group worked to expand sales of charcoal briquettes and pea coals to home improvement stores, and shipments of pea coals were virtually the same level as the previous year (99.9%) exceeding the national average. However, total shipments of charcoal briquettes and pea coals were down over the previous year (96.3%) and the Solid Fuel Division's consolidated sales fell 7.5% year on year to ¥778 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. Given that, following the price hikes to cover costs, solid fuels will no longer seem cheap in comparison with oil and gas, users of solid fuels will switch to other fuels, and consumption is expected to decline. In such an environment, the Group will put effort into expanding sales not only of domestic solid fuels but also commercial solid fuels such as carburizer used in steel making.

We will reduce distribution costs and expand business tie-ups with other companies to ensure profitability.

The Group will continue to raise awareness among consumers by distributing fliers and posters informing people how to handle apparatus for charcoal briquettes and pea coal safely and affixing seals to them.

We will also use the Charcoal Briquette and Pea Coal Manual summarizing the features of charcoal briquettes and pea coals and their apparatus to prevent carbon monoxide poisoning.



Housing Equipment Division

Jointly with six other companies in the same industry, we waged the fifth *Yappari Gas Dane!* (Gas is Best!) promotional campaign, and focused on selling highly functional, environmentally friendly products such as the glass top cooker, *Eco-Will* and *Eco-Jozu*. We also promoted sales of *Eco-Jozu* by building on last year's efforts to provide the *Himawari Hojyokin* (sunflower subsidization) program. As a result, on a non-consolidated basis, *Eco-Jozu* sales volume increased 145.3% from last time.

The Housing Equipment Division also conducted the *HOT na Okurimono '07* (Hot Present '07) flyer campaign giving information about comfortable lifestyle products covering everything from the replacement of gas apparatus to home improvement. It also held a *Kanshasai* (Thanksgiving Festival) to give customers the opportunity to try out highly functional products such as the glass top cooker and the bathroom heater, and promoted the merits of LPG and the latest gas apparatus.

Despite these activities, consolidated net sales for the term stood at ¥7,798 million, down 6.0% from a year earlier.

In the future, the Housing Equipment Division will be quicker in providing customers with information on new products through the *Business Himawari* site and providing promotional fliers, to expand sales of highly functional products and environmentally friendly products. In the next *Yappari Gas Dane!* (Gas is Best!) promotional campaign, we will include home-improvement-related products and propose replacing existing system kitchen and bathroom units.



Kanshasai

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, hygienic material and automotive segments.

The Zeomighty antimicrobial agent for concrete, which obtained a "Certificate of examination as sewer technology" from Japan Institute of Wastewater Engineering Technology, has been well received, and we actively proposed sewerage infrastructure to local governments currently planning such infrastructure.

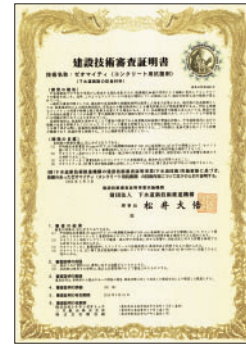
In the future, with consumer recognition of silver ion products such as deodorant spray, deodorizers and air fresheners increasing, domestic antimicrobial agent manufacturers are expected to aim to achieve greater market share.



Ag+color

Furthermore, the Society of Industrial Technology for Antimicrobial Articles (SIAA) has obtained ISO approval for its antimicrobial test method and, as a result, product expansion will positively proceed not only in the domestic market but in the European, U.S., Southeast Asian and other overseas markets.

In the future, the Antimicrobial Agent Division will actively promote the Zeomic agent with antimicrobial and deodorizing effects not only in Japan but also overseas. It will also develop applications for the organic-inorganic hybrid anti-mold agent ESSEN-GUARD and expand sales of Zeomighty.



(Public technology examination certificate)



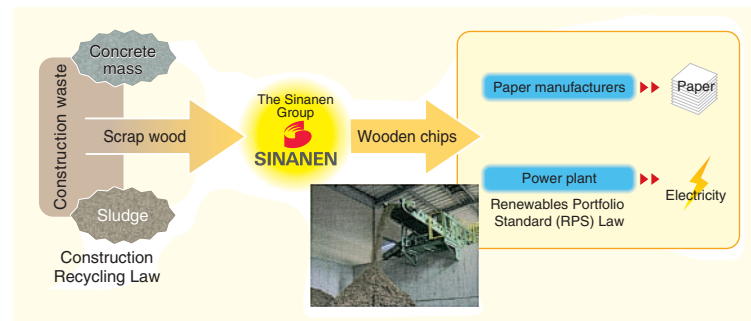
(Published in *Asahi Shimbun*, October 18)

Environment Division and Others

While demand for biomass fuels produced from scrap wood by a Group company is expanding, scrap wood is in short supply due to the slump in construction works. We made intensive efforts to collect scrap wood to boost biomass fuel sales. We also increased the ratio of scrap wood collected by the Group itself and conducted a review of the cost of transportation to customers to ensure profitability.

One of the big problems with biomass fuel is how to ensure the stable collection of scrap wood. We will continue to propose the biomass fuel recycling system to companies that produce good-quality scrap wood such as pallets in a bid to stabilize the collection of scrap wood. We will also continue to work actively on new energy business considering environmental issues.

In other businesses, consolidated net sales stood at ¥5,339 million with a 18.9% rise from the previous year.



[Scrap wood recycling business]

Topics

Co-sponsorship of the second *Itsumo Arigato* Essay Competition

The Sinanen Group is cosponsoring the second *Itsumo Arigato* (Thank-You) Essay Competition (Sponsorship: *Asahi Shogakusei Shimbun* (Elementary Schoolchildren Newspaper)). This competition encourages children to express in their essays their gratitude and affection to their family members and thereby promotes their tenderness and healthy growth. In last year's competition we received as many as 24,378 entries from elementary schoolchildren across the country. This year also, we are inviting essays from children describing their "gratitude to family members, which they usually find difficult to convey in words." (Examples of themes) "Thank you, Mother," "My Father" and "My dearest Grandfather," etc.



Environmentally friendly LPG

Today, global warming caused by greenhouse gases such as CO₂, air pollution and acid rain caused by gas emissions from cars and factories, ozone layer destruction by CFCs and other damage to the Earth's environment is becoming rapidly worse and has become a serious global issue.

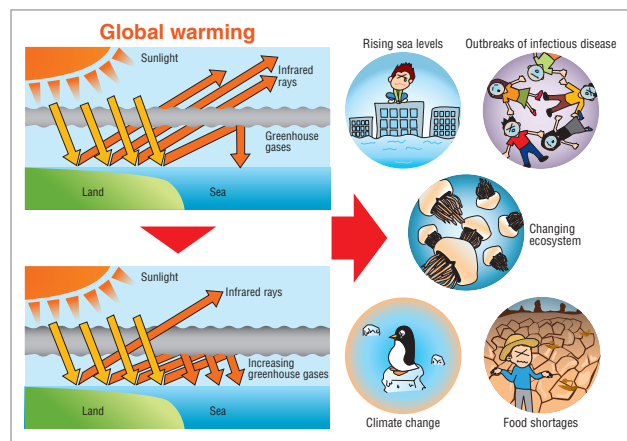
On the other hand, new environmentally-friendly forms of energy such as solar power generation and wind power generation have been slow to catch on and they still account for a small proportion of the total energy.

Among fossil fuels (LPG, natural gas, oil, coal, etc.), LPG produces little CO₂ and hardly any sulfur oxides (SOX), nitrogen oxides (NOX) and suspended particulate matter (SPM) that are damaging to the environment, and the Basic Energy Plan, approved by the Cabinet in October 2003, also stated that LPG has relatively little environmental impact and, together with natural gas, is considered as a clean gas for energy applications.

There are, therefore, high hopes of LPG as an environmentally friendly form of energy that will play a key role in the twenty-first century.

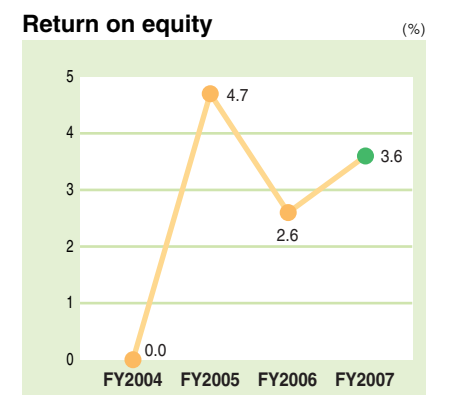
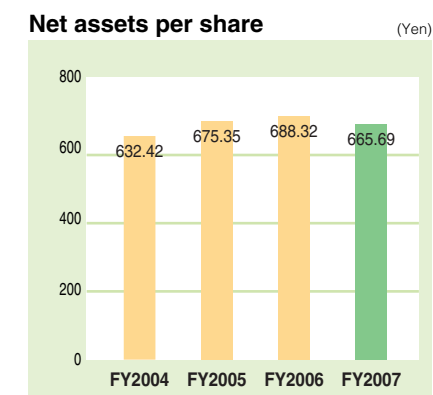
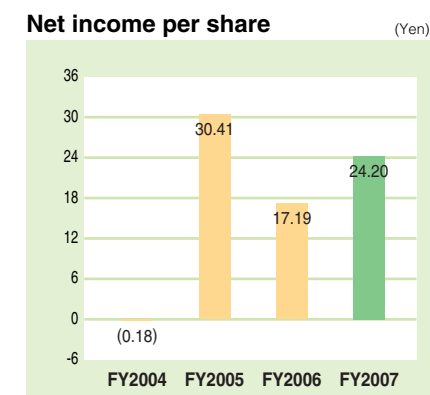
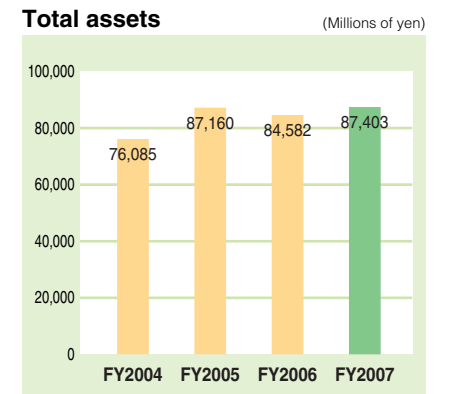
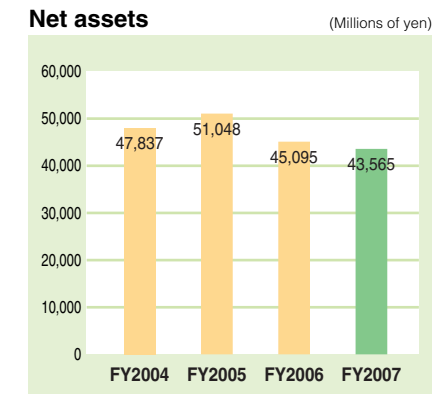
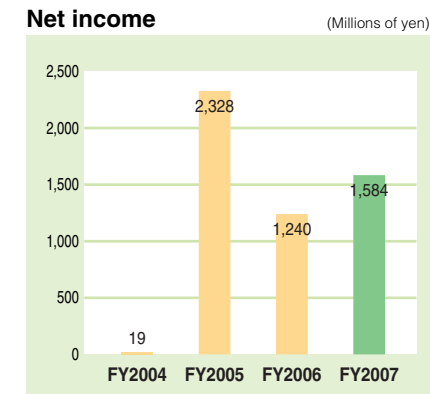
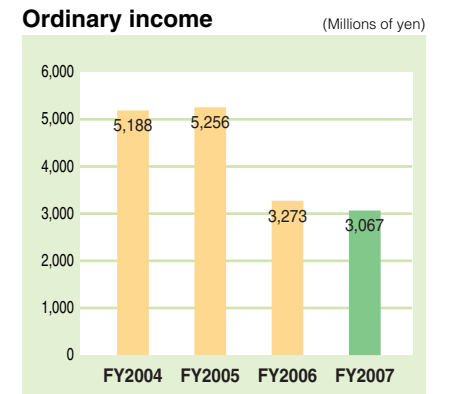
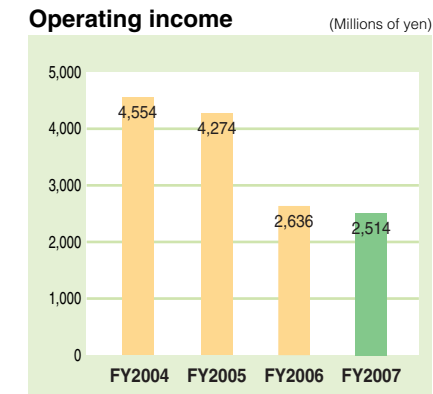
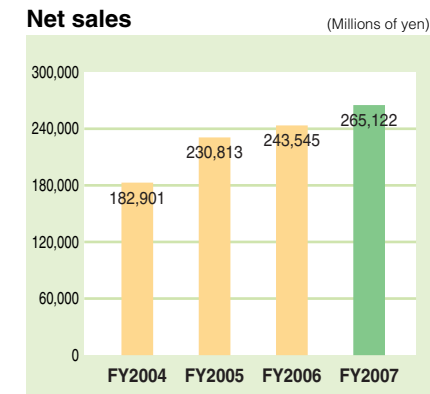
Also, LPG has a very high calorific value per volume, with propane having 2.5 times and butane 3.3 times the calorific value per volume of natural gas, making LPG an efficient, high quality form of energy, in addition to being environmentally-friendly.

The Sinanen Group hopes to be able to contribute to a safe environment for the children of the future by providing its customers with LPG as a safe, clean alternative energy source.



LPG: A clean form of energy with a low environmental impact

Consolidated Financial Highlights



Consolidated Balance Sheets

As of March 31	2008	2007	2008	As of March 31	2008	2007	2008
	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	¥19,267	¥18,935	\$192,305	Trade notes and accounts payable	¥23,823	¥20,401	\$237,778
Trade notes and accounts receivable	31,892	28,181	318,315	Short-term bank borrowings	6,153	5,602	61,413
Marketable securities	1,000	—	9,981	Bonds with stock subscription rights due within one year	4,000	2,500	39,924
Inventories	4,563	3,644	45,543	Accounts payable - other	2,207	2,636	22,028
Deferred tax assets	349	339	3,483	Income taxes payable	835	528	8,334
Other current assets	997	993	9,951	Consumption taxes payable	76	103	759
Allowance for doubtful accounts	(179)	(137)	(1,787)	Reserve for bonuses	524	516	5,230
				Other current liabilities	1,066	1,039	10,640
Total current assets	57,890	51,957	577,802	Total current liabilities	38,686	33,329	386,126
Fixed assets				Long-term liabilities			
Tangible fixed assets	17,407	16,487	173,740	Long-term debt	870	631	8,684
Buildings and structures	5,874	4,960	58,629	Deferred tax liabilities	696	1,851	6,947
Machinery, equipment and vehicles	2,608	2,540	26,031	Accrued retirement benefits	2,439	2,565	24,344
Land	8,710	8,462	86,935	Accrued retirement benefits for directors	94	—	938
Construction in progress	5	363	50	Long-term deposits	592	658	5,909
Other tangible fixed assets	208	159	2,076	Other long-term liabilities	458	450	4,571
Intangible assets	1,107	1,038	11,049	Total long-term liabilities	5,151	6,157	51,412
Consolidation goodwill	702	674	7,007	Total liabilities	43,837	39,487	437,539
Other intangible assets	405	363	4,042	(Net assets)			
Investments and other assets	10,997	15,100	109,761	Shareholders' equity	42,820	42,580	427,388
Investments in securities	6,275	9,280	62,631	Common stock	15,630	15,630	156,004
Long-term loans	169	212	1,687	Capital surplus	11,773	11,774	117,507
Long-term prepaid expenses	3,492	4,418	34,854	Retained earnings	21,192	20,916	211,518
Deferred tax assets	289	305	2,885	Treasury stock	(5,775)	(5,740)	(57,640)
Other investments and other assets	1,045	1,171	10,430	Valuation and translation adjustments	705	2,475	7,037
Allowance for doubtful accounts	(275)	(288)	(2,745)	Unrealized gains on other securities	706	2,475	7,047
				Deferred hedge gains and losses	(4)	0	(40)
				Translation adjustments	3	—	30
Total fixed assets	29,512	32,625	294,560	Minority interest	38	38	379
				Total net assets	43,565	45,095	434,824
Total assets	¥87,403	¥84,582	\$872,372	Total liabilities and net assets	¥87,403	¥84,582	\$872,372

Consolidated Statements of Income

Years ended March 31	2008	2007	2008
	Millions of yen		Thousands of U.S.dollars
Net sales	¥265,122	¥243,545	\$2,646,192
Cost of sales	237,179	215,669	2,367,292
Gross profit	27,943	27,876	278,900
Selling, general and administrative expenses	25,428	25,239	253,798
Operating income	2,514	2,636	25,092
Non-operating income	959	857	9,572
Non-operating expenses	406	220	4,052
Ordinary income	3,067	3,273	30,612
Extraordinary income	201	464	2,006
Extraordinary expenses	346	983	3,453
Income before income taxes	2,922	2,754	29,165
Income taxes			
Current	1,350	1,173	13,474
Deferred	(10)	341	(100)
Loss on minority interests	1	0	10
Net income	¥ 1,584	¥ 1,240	\$ 15,810

Consolidated Statements of Cash Flows

Years ended March 31	2008	2007	2008
	Millions of yen		Thousands of U.S.dollars
Net cash provided by operating activities	¥ 2,789	¥ 948	\$ 27,837
Net cash used in investing activities	(2,317)	(1,604)	(23,126)
Net cash provided by financing activities	961	916	9,592
Effect of exchange rate changes on cash and cash equivalents	(139)	14	(1,387)
Net increase in cash and cash equivalents	1,293	274	12,905
Cash and cash equivalents at beginning of year	18,919	18,644	188,831
Cash and cash equivalents at end of year	¥20,213	¥18,919	\$201,747

Consolidated Statements of Change in Shareholders' Equity

(Consolidated fiscal year: from April 1, 2007 to March 31, 2008)

(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	Translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	¥15,630	¥11,774	¥20,916	¥(5,740)	¥42,580	¥2,475	¥ 0	¥—	¥2,475	¥38	¥45,095
Changes during the consolidated fiscal year											
Distribution of surplus (Note)			(1,309)		(1,309)						(1,309)
Net income			1,584		1,584						1,584
Disposal of treasury stock		(0)		10	9						9
Acquisition of treasury stock				(44)	(44)						(44)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)						(1,768)	(4)	3	(1,770)	(0)	(1,769)
Total changes during the consolidated fiscal year	—	(0)	275	(34)	240	(1,768)	(4)	3	(1,770)	(0)	(1,529)
Balance as of March 31, 2008	¥15,630	¥11,773	¥21,192	¥(5,775)	¥42,820	¥ 706	¥(4)	¥ 3	¥ 705	¥38	¥43,565

(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	Translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	\$156,004	\$117,517	\$208,763	\$(57,291)	\$424,993	\$24,703	\$ 0	\$—	\$24,703	\$379	\$450,095
Changes during the consolidated fiscal year											
Distribution of surplus (Note)			(13,065)		(13,065)						(13,065)
Net income			15,810		15,810						15,810
Disposal of treasury stock		(0)		100	90						90
Acquisition of treasury stock				(439)	(439)						(439)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)						(17,646)	(40)	30	(17,666)	(0)	(17,656)
Total changes during the consolidated fiscal year	—	(0)	2,745	(339)	2,395	(17,646)	(40)	30	(17,666)	(0)	(15,261)
Balance as of March 31, 2008	\$156,004	\$117,507	\$211,518	\$(57,640)	\$427,388	\$ 7,047	\$(40)	\$30	\$ 7,037	\$379	\$434,824

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

As of March 31	2008	2007	2008
	Millions of yen		Thousands of U.S.dollars
(Assets)			
Current assets	¥54,350	¥48,882	\$542,469
Fixed assets	28,478	31,459	284,240
Total assets	82,828	80,341	826,709
(Liabilities)			
Current liabilities	37,853	32,407	377,812
Fixed liabilities	3,892	5,147	38,846
Total liabilities	41,746	37,554	416,668
(Net assets)			
Shareholders' equity	40,377	40,309	403,004
Valuation and translation adjustments	703	2,477	7,017
Total net assets	41,081	42,787	410,031
Total liabilities and net assets	¥82,828	¥80,341	\$826,709

Non-Consolidated Statements of Income

Years ended March 31	2008	2007	2008
	Millions of yen		Thousands of U.S.dollars
Net sales	¥250,256	¥230,478	\$2,497,814
Cost of sales	231,864	211,720	2,314,243
Gross profit	18,391	18,758	183,561
Selling, general and administrative expenses	16,494	16,938	164,627
Operating income	1,896	1,819	18,924
Non-operating income	1,067	981	●●●
Non-operating expenses	422	226	4,212
Ordinary income	2,542	2,573	●●●
Extraordinary income	156	3,543	1,557
Extraordinary expenses	234	952	2,336
Income before income taxes	2,464	5,165	●●●
Income taxes	1,086	856	10,839
Deferred	(32)	134	(319)
Net income	¥ 1,410	¥ 4,175	\$ 14,073

Non-Consolidated Statements of Change in Shareholders' Equity

(Non-Consolidated fiscal year: from April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity										Valuation and translation adjustments			Total net assets
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total share-holders' 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	Reserve for advanced depreciation of replaced asset	Special reserve	Earned surplus brought forward	Total retained earnings						
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
Changes during the consolidated fiscal year														
Distribution of surplus (Note)							(1,309)	(1,309)		(1,309)				(1,309)
Reversal of reserve for advanced depreciation of replaced assets					(32)	32	—	—		—				—
Reserve for advanced depreciation of replaced assets					5	(5)	—	—		—				—
Special reserve						1,500	(1,500)	—		—				—
Net income						1,410	1,410			1,410				1,410
Disposal of treasury stock			(0)	(0)					10	9				9
Acquisition of treasury stock									(43)	(43)				(43)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)											(1,768)	(4)	(1,773)	(1,773)
Total changes during the consolidated fiscal year	—	—	(0)	(0)	(26)	1,500	(1,371)	101	(32)	68	(1,768)	(4)	(1,773)	(1,705)
Balance as of March 31, 2008	¥15,630	¥3,907	¥7,867	¥11,774	¥1,770	¥13,559	¥3,416	¥18,746	¥(5,773)	¥40,377	¥ 708	¥(4)	¥ 703	¥41,081

(Thousands of U.S. dollars)

	Shareholders' equity										Valuation and translation adjustments			Total net assets
	Common stock	Capital surplus			Retained earnings				Treasury stock	Total share-holders' 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	Reserve for advanced depreciation of replaced asset	Special reserve	Earned surplus brought forward	Total retained earnings						
Balance as of March 31, 2007	\$156,004	\$38,996	\$78,521	\$117,527	\$17,936	\$120,361	\$47,789	\$186,086	\$(57,291)	\$402,326	\$24,723	\$ 0	\$24,723	\$427,059
Changes during the consolidated fiscal year														
Distribution of surplus (Note)							(13,065)	(13,065)		(13,065)				(13,065)
Reversal of reserve for advanced depreciation of replaced assets					(319)	319	—	—		—				—
Reserve for advanced depreciation of replaced assets					50	(50)	—	—		—				—
Special reserve						14,972	(14,972)	—		—				—
Net income						14,073	14,073			14,073				14,073
Disposal of treasury stock			(0)	(0)					100	90				90
Acquisition of treasury stock									(429)	(429)				(429)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)											●●●	(40)	●●●	●●●
Total changes during the consolidated fiscal year	—	—	(0)	(0)	(260)	14,972	(13,684)	1,008	(319)	679	●●●	(40)	●●●	●●●
Balance as of March 31, 2008	\$156,004	\$38,996	\$78,521	\$117,527	\$17,666	\$135,333	\$34,095	\$187,105	\$(57,621)	\$403,004	\$ 7,067	\$(40)	\$ 7,017	\$410,031

Corporate Data

Corporate Data

Corporate Name: Sinanen Co., Ltd.

Head Office: 1-4-22, Kaigan, Minato-ku, Tokyo

Established: April 11, 1927

Incorporated: April 25, 1934

Common Stock: 15,630,132,192 yen

Number of Employees: 433 (as of March 31, 2008)

Directors, Corporate Auditors and Executive Officers (as of June 24, 2008)

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 Kanezaki**

Director **Shiro Yamamoto**

Director **Shiro Kurokawa**

Director **Taizo Taniyama**

Director **Tadashi Sakimura**

Standing Corporate Auditor **Toshio Nakamura**

Standing Corporate Auditor **Kazumi Tanikoshi**

Corporate Auditor **Tsutomu Shiozu**

Corporate Auditor **Masaharu Saito**

Executive Officer **Tetsuhiko Masuda**

Executive Officer **Yasunaga Oiri**

Executive Officer **Eitoku Shinji**

Executive Officer **Suguru Igarashi**

Stock Information

Stock Information (as of March 31, 2008)

Number of shares authorized 237,603,000

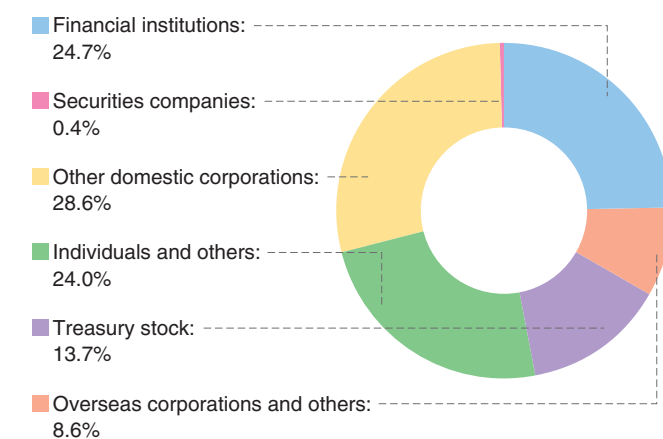
Number of shares issued 75,752,958

Number of shareholders 6,269

Major shareholders

Name	Number of shares held (thousands)	Ownership ratio (%)
Itochu Enex Co., Ltd.	10,520	13.89
Sinanen Co., Ltd.	10,366	13.68
Meiji Yasuda Life Insurance Company	4,200	5.54
COSMO OIL Co., Ltd.	3,945	5.21
The Sumitomo Trust & Banking Co., Ltd.	2,801	3.70
Idemitsu Kosan Co., Ltd.	2,369	3.13
State Street Bank and Trust Company	2,102	2.78
SOMPO JAPAN INSURANCE INC.	1,999	2.64
Customers' Stockholding	1,881	2.48
Mizuho Trust & Banking Co., Ltd.	1,727	2.28

Stock distribution by type of shareholders



The Sinanen Group adopted the unit share system, whereby the number of shares constituting one unit is set at 1000, and, as a result, amounts of stock of less than 1,000 shares (odd-lot shares) may not be traded on the stock exchange.

To eliminate the inconvenience of this system, we have adopted purchase and selling systems for odd-lot shares.

– The term “odd-lot shares” refers to amounts of stock that do not constitute the minimum trading unit determined for each security. In our case it refers to amounts of stock between 1 and 999 shares. Amounts of stock in multiples of 1,000 are referred to as units.

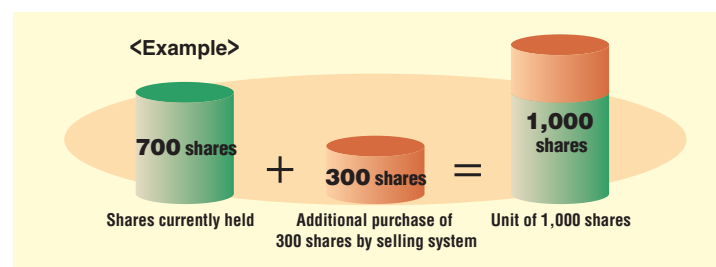
– **Purchase** of odd-lot shares refers to the Group's purchase of odd-lot shares from shareholders. The head office or any branch in Japan of Mizuho Trust & Banking Co., Ltd., which is the agent to manage shareholders' registry for the Group, or Mizuho Investors Securities Co., Ltd. will deal with purchases of odd-lot shares (for details see the enclosed Guide to Purchase of Odd-Lot Shares). Please ask your securities company if you wish to use the system for deposit & transfer of securities.

– **Selling** of odd-lot shares is where a shareholder that holds odd-lot shares in his or her name additionally purchases the number of shares needed to create a whole unit (1,000 shares) from the Group. Like purchases, the head office or any branch in Japan of Mizuho Trust & Banking Co., Ltd or Mizuho Investors Securities Co., Ltd. will deal with additional purchases of odd-lot shares (for details see the enclosed Guide to Selling of Odd-Lot Shares.) Please ask your securities company if you wish to use the system for deposit & transfer of securities.

If you hold shares constituting one unit (1,000 shares):

- you are entitled to vote at the general meeting of shareholders; and
- you will be able to trade your shares on the market.

[Example] A shareholder who holds 700 shares of the Group's stock can constitute one unit (1,000 shares) by using the selling system to additionally purchase 300 shares.



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>

Method for Claiming Accrued Dividends

Q1. The dividend payment period is over. Can I still receive dividends?

A1. Even if the dividend payment period specified in the dividend warrant is over, we will still pay dividends provided you make a claim for the dividends within three full years from the date of commencement of payment. Affix your registered seal in the space marked “Registered Seal” on the front of the dividend warrant and specify “Remittance Method” on the back before submitting the dividend warrant to the head office or any branch in Japan of Mizuho Trust & Banking Co., Ltd. or Mizuho Investors Securities Co., Ltd. Be sure to carry out the procedure promptly as if we do not receive a claim within three full years from the date of commencement of payment, we will be unable to pay dividends.

Q2. I have lost my dividend warrant. Can I still receive dividends?

A2. Please contact [the head office or any branch in Japan of Mizuho Trust & Banking Co., Ltd.](#), as even if you do not have the dividend warrant, we will still pay dividends provided you make a claim within three full years from the date of commencement of payment.
Mizuho Trust & Banking Co., Ltd. will send you a Guide and the documentation necessary to receive dividends.