

Smile For Life



Business Report for the 75th Term

(From April 1, 2008 to March 31, 2009)



SINANEN

Stock Code: 8132

Contributing to society by providing comfort to peoples' lives



Hiroyuki Suzuki
President and CEO

Business environment

With the global recession, energy prices fluctuated wildly.

During the term under review, the upheaval of the financial markets originating from the subprime loan problems emerging in the United States spread to Europe and the rest of the world following the September 2009 collapse of Lehman Brothers, a major securities firm. The subsequent credit crunch resulted in a downturn in the real economy. As a result, the Japanese economy, which had been gradually expanding, suddenly faced a sharp economic slowdown, leading to severe deterioration in business results, particularly among export-oriented companies.

In the energy industry, in which the Sinanen Group operates, with strong global demand import prices of

crude oil and LPG remained at a high level, rising to record highs in July 2008. Yet within less than six months the business environment changed dramatically, with crude oil prices falling more than \$100 per barrel, reflecting the global recession.

Operating results in the 75th term

Secured earnings with prompt and flexible response

The Sinanen Group strove to promptly and flexibly respond to significant changes in the management environment to secure earnings by maintaining appropriate prices both in the Oil Products Division and LPG Division. Moreover, during the term under review, the first year of the mid-term management plan, "A·LIVE 2010," the Group focused on strengthening sales capabilities and efficiency, bolstering information transmission capacity and employing comprehensive inventory control in the wholesale business. In the retail business, the Group took steps to improve consumer services through the *Fureai Tenken* (contact and check) service, a safety inspection, and the transparency of the rate structure.

As a result, consolidated results are as follows. Net sales fell 5.2% year on year, to ¥251,225 million, given lower energy prices. However, operating income jumped 93.6%, almost doubled from the previous year, to ¥4,866 million, and ordinary income also climbed 62.1%, to ¥4,972 million, exceeding forecasts announced at the beginning of the term. This higher income was attributable to restructuring of wholesale and retail sales by function, streamlining of logistics and an increase in the number of LPG consumers. Net income rose 14.5% from the previous year, to ¥1,813 million, given valuation losses from securities held. Meanwhile, the Group determined a dividend of 15 yen per share for the term under review.

Providing an expanding ring of consumer services around the provision of energy

Outlook of the 76th term and beyond

Develop businesses that match society's needs.

The severe management environment is expected to continue in the 76th term, reflecting the global economic downturn. In addition, with a stronger awareness of the environment and initiatives taken by both the public and private sectors in their efforts to achieve a low-carbon society, thinking about energy is likely to change in the future. In such an environment, to contribute to society as a comfortable lifestyle provider, under the "A·LIVE 2010" mid-term management plan, the Sinanen Group will focus on strengthening the sales capabilities of its oil products, LPG and peripheral equipment, the Group's mainstay products. Specifically, in the energy products business segment, the Group will further streamline the wholesale business and aggressively strengthen sales capabilities, as well as strive to provide environmentally friendly products such as solar power generation and ENE-FARM.

In the retail business, the Group will conduct safety inspection activities to ensure that customers can confidently use LPG, and will develop a life support business by expanding businesses such as air conditioning, renovation, maintenance of water supply and drainage. In the non-energy products business segment, the Group will also expand recycle plants for biomass fuels and invest aggressively in the development of new products for the antimicrobial business, while at the same time it will develop new key businesses by efficiently using assets and improving the proposal system of new businesses.

Message to our shareholders

Maintaining close relationships with stakeholders as a basic management policy

The Sinanen Group's basic policies are to manage a business that pays close attention to stakeholders, which include shareholders, customers, the local society and employees, and to carry out comprehensive safety control and risk management as an operator engaged in lifeline operations. Under these policies, the Group will strive to make the overall Group aware of the importance of compliance and its contribution to the global environment.

The Sinanen Group understands profit distribution to shareholders as a top priority of its management policy, and strives to pay steady dividends targeting a consolidated payout ratio of at least 30% in consideration of investment activities for growth, the financial position and the profit level.

We would like to take this opportunity to express our gratitude to shareholders for their understanding of the Group's activities, and to ask for your continued support in the future.



Energy Products Business

Oil Products Division

During the term under review, after hitting record highs in July, crude oil prices dropped significantly, reflecting the economic downturn and outflows of investment funds. Meanwhile, as environmental consciousness rose, demand remained stagnant given the deterioration in business sentiment, resulting in increased awareness of spending cutbacks.

Amid this environment, in the wholesale business of the division, sales of heavy oil for industry and vessels significantly rose in the first half of the term. We strove to promptly change prices in line with fluctuations in crude oil prices and the future markets through the term, and to secure profits by closely monitoring inventories when market prices were falling. We also expanded the use of kerosene centers by establishing alliances with other companies in the business. In the retail business, we renovated service stations directly managed by the Group and increased stations with self-service pumping facilities in a bid to boost sales of gasoline and diesel fuel.



Service Kusao



Kerosene depot

LPG Division

LPG import prices also fluctuated wildly in the same manner as prices of crude oil. Demand for LPG remained sluggish, reflecting an unusually warm winter, as well as increasing competition with other types of energy.

In this environment, in the wholesale business of the division, we strove to secure appropriate earnings by promptly responding to fluctuations in import prices. We also focused on the prompt provision of information by improving *Business Himawari*, our business support website for distributors. In the retail business, we expanded sales bases by focusing on taking over business operations. Moreover, to improve the transparency of the gas rates structure, we introduced a material cost adjustment system. We have also gained consumers' support by carrying out the *Fureai Tenken* (contact and check), safety inspection activities of gas apparatuses.



Fureai Tenken



LPG truck

Housing Equipment Division

In response to the severe operational environment, including declining housing starts and consumers' reluctance toward buying heaters, reflecting an unusually warm winter, we actively held events such as a *Kanshasai* (Thanksgiving festival) and cooking classes to increase contact with customers. We also promoted sales of highly functional and environmentally friendly products, including glass top cookers, *Eco-Will* and *Eco-Jozu*, by carrying out *Yappari Gas Dane!* (Gas is Best!) promotional campaign and the *HOT na Okurimono '08* (Hot Present '08) flyer campaign.

Moreover, we focused on sales of high-value-added products related to home improvement by using the Group's home-improvement design company.



HOT na Okurimono '08 (Hot Present '08) flyer campaign



Home improvement advice

Non-Energy Business

Antimicrobial Agent and Environment Divisions and Others

We took steps to expand sales of Zeomic, an antimicrobial agent in a wide range of segments, including the textile, hygienic material and automotive segments. In addition, we actively promoted anti-mold agent ESSEN-GUARD and deodorant agent DUSHLITE. We have also been actively promoting the Zeomighty antimicrobial agent for concrete in the sewerage segment. We successfully generated earnings from biomass fuels, given higher demand for the products, reflecting greater environmental awareness, and initiatives that focused on collection of scrap wood. In the import and sales business, with a boom in health and the environment, imports and sales of bicycles were strong. Moreover, to expand businesses in the Group's retail business, we included an air conditioning equipment company that possesses superior technologies and services in our affiliates in a bid to strengthen our construction technologies.



For antimicrobial and deodorant sprays, etc.



Chiba Recycle Center



Hydrogen station

Hoping for children's healthy growth Holding of *Itsumo Arigato* Essay Competition

The Sinanen Group is co-sponsoring the *Itsumo Arigato* (Thank-You) Essay Competition (sponsorship: *Asahi Shogakusei Shimbun* (Elementary School Students Newspaper); Supporters: Ministry of Education, Culture, Sports, Science and Technology and The Asahi Shimbun Company).

This competition encourages children to express their gratitude to their families in an essay. Children usually find it difficult to convey their gratitude in words, and doing so helps to promote their tenderness and healthy growth.

In last year's competition, we received as many as 29,942 entries from elementary schoolchildren across the country. Last November, in the presence of the judges, Atsuko Asano (writer), Masamitsu Morita (weather forecaster) and Soubei Amako (cartoonist), children who received the first prize, the *Asahi Shogakusei Shimbun Award* and the Sinanen Award, read their essays aloud. The hall was filled with children's warm and sincere feelings. The Sinanen Group will continue to encourage the tenderness and gentle hearts of children.

Third *Itsumo Arigato* Essay Competition—Now accepting entries



Second *Itsumo Arigato* Essay Competition—Award ceremony

For details, please refer to the website below: http://www.sinanen.com/sakubun_vol13/



First prize essay for second Essay Competition
"Ohoshisama ni Natta Mama"
(Mama became a star)
Miyu Mizuno
2nd grade, elementary school (at the time of receiving the award)

最優秀賞
「お星さまになったママ」
福岡県 飯塚市立平恒小学校 二年 水野美夢

私のママは年長るときになくなりました。ママは白くて長い髪の中にねわっていました。とてもきれいで、お花ばたけでねているみたいでした。

私はママがかえってくると思っていました。でもママはかえってきませんでした。私はママがお星さまになったのがわかりました。私はいつもママのおふとんの中でだかれてねるのが大好きでした。そしてママはいつもやさしかったです。

そんなママが、いつも私やいもうとにおしえたことがありません。それはおとしよりやこまっている人がいたらたすけてあげることです。ママは体のふじゆうな人をおふろに入れてあげるおしごとをしていました。私は一どおしごとのようすをビデオで見せてもらいました。とてもたいへんなおしごとだと思いました。

でもママはいつもよろこんでいました。なぜなら、おふろに入れてあげた人からおれいをいわれていたからです。

「ありがとう。」「おふるきもちよかったです。」と言われてうれいきぶんになったぞうです。

私は毎日、よる星空を見ます。そしてママにおはなしをします。学校の楽しいおはなしや、妹のことをおしえてあげます。

私には夢があります。それはママといっしょのおしごとをすることです。体のふじゆうな人やこまっている人を、いっぱいすけてあげたいです。

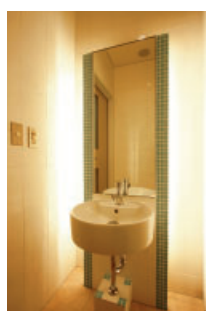
お星さまになったママ、私をうんでくれてありがとうね。そして、いつも私のそばにいてね。

Initiatives for making service stations clean and comfortable

Service Shinyokohama (Sinanen Oil Co., Ltd.; Sanmaicho, Kanagawa Ward, Yokohama), a service station managed by the Sinanen Group, reopened as a self-service station with pumping facilities in July 2008. It also extensively renovated its guest room to make it bright and welcoming so that our customers can feel as at home as possible while they wait for their cars to be serviced or washed. The new clean and sophisticated toilets are particularly popular among female drivers. The Group will continue to strive to develop clean and friendly service stations chosen by customers.



Service Shinyokohama

Designed by Plan Do Plus Co., Ltd.,
the Group's renovation company

Dietary education initiatives Holding cooking classes nationwide

Sinanen holds the *Himawari Oyako Ryori Kyoshitsu* (parent and children cooking class) as part of its social action programs. This event is designed to enhance children's awareness of food through their experiences in cooking using gas and understanding the convenience of fire, and to strengthen relationships with our customers. Last year, in collaboration with ABC Cooking Studio, parents and children participated in the events to experience cooking of simple and delicious dishes by using gas. Sinanen will continue to promote dietary education activities in the future by holding cooking classes for a variety of participants.

*Himawari Oyako Ryori Kyoshitsu*

Please refer to this site for details:

<http://www.himawarigas.com/syokuiku/>

Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31	2009	2008	2009	As of March 31	2009	2008	2009
	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	¥17,636	¥19,267	\$179,538	Trade notes and accounts payable	¥14,489	¥23,823	\$147,501
Trade notes and accounts receivable	19,872	31,892	202,301	Short-term bank borrowings	1,701	6,153	17,317
Securities	100	1,000	1,018	Commercial papers	—	4,000	—
Inventories	—	4,563	—	Lease obligations	19	—	193
Merchandise and finished goods	2,547	—	25,929	Accounts payable—other	1,420	2,207	14,456
Work in process	10	—	102	Income taxes payable	939	835	9,559
Raw materials and supplies	88	—	896	Consumption taxes payable	464	76	4,724
Deferred tax assets	490	349	4,988	Reserve for bonuses	689	524	7,014
Other current assets	679	997	6,912	Other current liabilities	1,629	1,066	16,584
Allowance for doubtful accounts	(79)	(179)	(804)	Total current liabilities	21,354	38,686	217,388
Total current assets	41,347	57,890	420,920	Long-term liabilities			
Fixed assets				Long-term debt	917	870	9,335
Tangible fixed assets	18,567	17,407	189,016	Lease obligations	78	—	794
Buildings and structures	5,660	5,874	57,620	Deferred tax liabilities	502	696	5,110
Machinery, equipment and vehicles	2,785	2,608	28,352	Accrued retirement benefits	2,542	2,439	25,878
Land	9,698	8,710	98,727	Accrued retirement benefits for directors	117	94	1,191
Lease assets	97	—	987	Guarantee deposits received	740	592	7,533
Construction in progress	46	5	468	Other long-term liabilities	393	458	4,001
Other tangible fixed assets	277	208	2,820	Total long-term liabilities	5,292	5,151	53,874
Intangible fixed assets	2,447	1,107	24,911	Total liabilities	26,646	43,837	271,261
Consolidation goodwill	1,780	702	18,121	(Net assets)			
Other intangible fixed assets	667	405	6,790	Shareholders' equity	43,648	42,820	444,345
Investments and other assets	8,394	10,997	85,453	Common stock	15,630	15,630	159,116
Investments in securities	4,778	6,275	48,641	Capital surplus	11,770	11,773	119,821
Long-term loans	114	169	1,161	Retained earnings	22,025	21,192	224,219
Long-term prepaid expenses	2,530	3,492	25,756	Treasury stock	(5,777)	(5,775)	(58,811)
Deferred tax assets	149	289	1,517	Valuation and translation adjustments	422	705	4,296
Other investments and other assets	1,264	1,045	12,868	Unrealized gains on other securities	430	706	4,377
Allowance for doubtful accounts	(442)	(275)	(4,500)	Deferred hedge gains and losses	2	(4)	20
Total fixed assets	29,409	29,512	299,389	Translation adjustments	(10)	3	(102)
Total assets	¥70,756	¥87,403	\$720,309	Minority interest	38	38	387
				Total net assets	44,110	43,565	449,048
				Total liabilities and net assets	¥70,756	¥87,403	\$720,309

Consolidated Statements of Income

Years ended March 31	2009	2008	2009
	Millions of yen		Thousands of U.S.dollars
Net sales	¥251,225	¥265,122	\$2,557,518
Cost of sales	220,252	237,179	2,242,207
Gross profit	30,972	27,943	315,301
Selling, general and administrative expenses	26,106	25,428	265,764
Operating income	4,866	2,514	49,537
Non-operating income	774	959	7,879
Non-operating expenses	668	406	6,800
Ordinary income	4,972	3,067	50,616
Extraordinary income	8	201	81
Extraordinary expenses	1,615	346	16,441
Income before income taxes	3,364	2,922	34,246
Income taxes			
Corporate tax, inhabitant tax and enterprise tax	1,538	1,350	15,657
Income taxes—deferred	10	(10)	102
Minority interests in income	1	(1)	10
Net income	¥ 1,813	¥ 1,584	\$ 18,457

Consolidated Statements of Cash Flows

Years ended March 31	2009	2008	2009
	Millions of yen		Thousands of U.S.dollars
Net cash provided by operating activities	¥11,273	¥ 2,789	\$114,761
Net cash used in investing activities	(3,525)	(2,317)	(35,885)
Net cash provided by (used in) financing activities	(10,322)	961	(105,080)
Effect of exchange rate changes on cash and cash equivalents	(112)	(139)	(1,140)
Net increase (decrease) in cash and cash equivalents	(2,687)	1,293	(27,354)
Cash and cash equivalents at beginning of year	20,213	18,919	205,772
Cash and cash equivalents at end of year	¥17,525	¥20,213	\$178,408

Consolidated Statements of Change in Shareholders' Equity

(Consolidated fiscal year: from April 1, 2008 to March 31, 2009)

(Millions of yen)

	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, 2008	¥15,630	¥11,773	¥21,192	¥(5,775)	¥42,820	¥706	¥(4)	¥ 3	¥705	¥38	¥43,565
Changes during the consolidated fiscal year											
Distribution of surplus			(980)		(980)						(980)
Net income			1,813		1,813						1,813
Disposal of treasury stock		(3)		14	11						11
Acquisition of treasury stock				(16)	(16)						(16)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)						(275)	7	(14)	(282)	0	(282)
Total changes during the consolidated fiscal year	—	(3)	833	(2)	827	(275)	7	(14)	(282)	0	544
Balance as of March 31, 2009	¥15,630	¥11,770	¥22,025	¥(5,777)	¥43,648	¥430	¥2	¥(10)	¥422	¥38	¥44,110

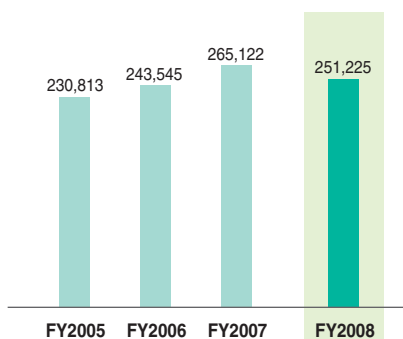
(Thousands of U.S. dollars)

	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, 2008	\$159,116	\$119,851	\$215,739	\$(58,791)	\$435,916	\$7,187	\$(41)	\$31	\$7,177	\$387	\$443,500
Changes during the consolidated fiscal year											
Distribution of surplus			(9,977)		(9,977)						(9,977)
Net income			18,457		18,457						18,457
Disposal of treasury stock		(31)		143	112						112
Acquisition of treasury stock				(163)	(163)						(163)
Changes in account items other than those under shareholders' equity during the consolidated fiscal year (net amount)						(2,800)	71	(143)	(2,871)	0	(2,871)
Total changes during the consolidated fiscal year	—	(31)	8,480	(20)	8,419	(2,800)	71	(143)	(2,871)	0	5,538
Balance as of March 31, 2009	\$159,116	\$119,821	\$224,219	\$(58,811)	\$444,345	\$4,377	\$ 20	\$(102)	\$4,296	\$387	\$449,048

Consolidated Financial Highlights

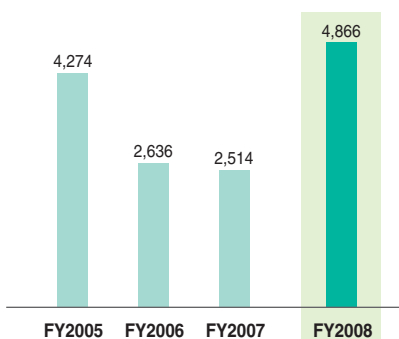
Net sales

(Millions of yen)



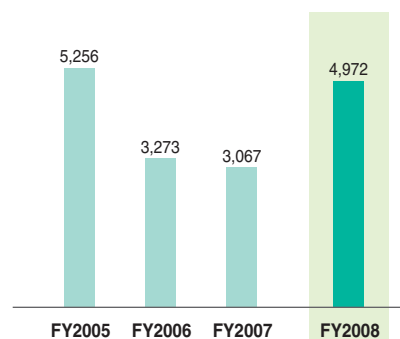
Operating income

(Millions of yen)



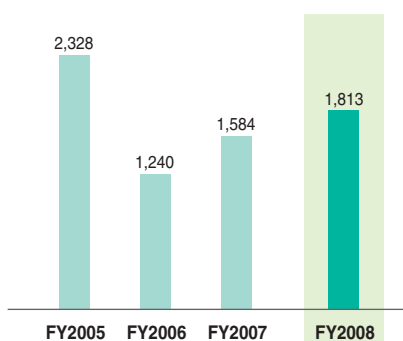
Ordinary income

(Millions of yen)



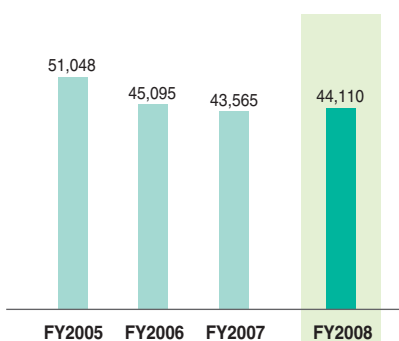
Net income

(Millions of yen)



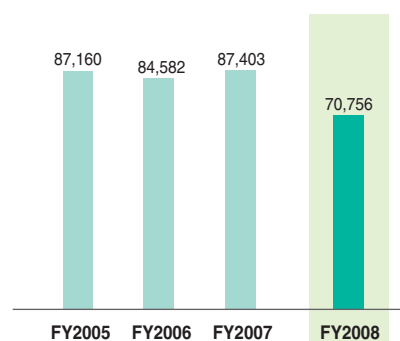
Net assets

(Millions of yen)



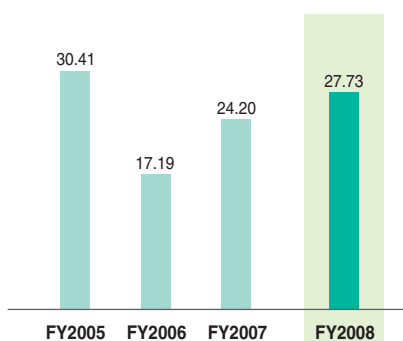
Total assets

(Millions of yen)



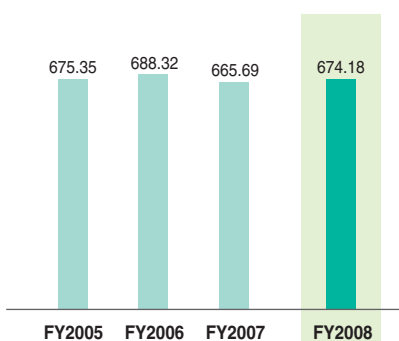
Net income per share

(Yen)



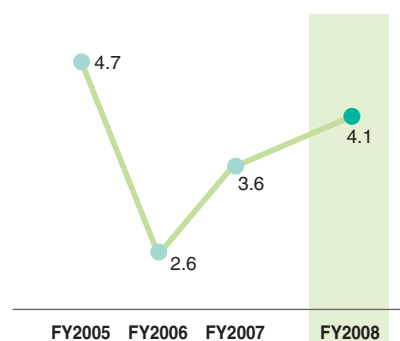
Net assets per share

(Yen)



Return on equity

(%)



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: 400

Directors, Corporate Auditors and Executive Officers (As of June 23, 2009)

President and Chief Executive Officer	Hiroyuki Suzuki
Vice President	Junji Taniuchi
Senior Managing Director	Takao Nishiuchi
Managing Director	Kiyoshi Kanno
Director	Sachio Kanazaki
Director	Taizo Taniyama
Director	Tadashi Sakimura
Director	Eitoku Shinji
Director	Tetsuhiko Masuda
Director	Yasunaga Ohiri
Standing Corporate Auditor	Kazumi Tanikoshi
Standing Corporate Auditor	Hidemitsu Takanaga
Corporate Auditor	Tsutomu Shiozu
Corporate Auditor	Masaharu Saito
Executive Officer	Suguru Igarashi
Executive Officer	Toshimi Saeki
Executive Officer	Ken Tanaka
Executive Officer	Hideo Yokoo
Executive Officer	Fumio Nishimura

SINANEN's Network

Head Office

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 Tel: +81-6-6794-4711

Chubu Branch Office

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Southern Metropolitan Tokyo Area Branch Office

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Northern Metropolitan Tokyo Area Branch Office

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 Tel: +81-480-92-7511

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Hokkaido Branch Office

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 Tel: +81-11-611-3261

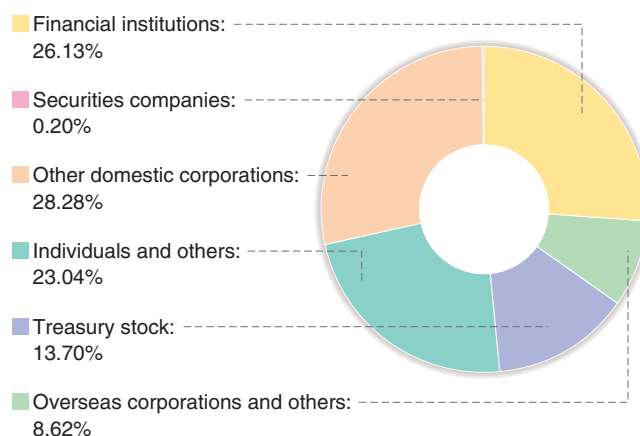
Stock Information

Number of shares authorized	237,603,000
Number of shares issued	75,752,958
Number of shareholders	5,883

Major shareholders

Name	Number of shares held (thousands)	Ownership ratio (%)
ITOCHU ENEX CO., LTD.	10,520	13.89
SINANEN Co., LTD.	10,383	13.71
Meiji Yasuda Life Insurance Company	4,200	5.54
COSMO OIL CO., LTD.	3,945	5.21
Japan Trustee Services Bank, Ltd.	3,566	4.71
The Sumitomo Trust & Banking Co., Ltd.	2,627	3.47
Idemitsu Kosan Co., Ltd.	2,369	3.13
STATE STREET BANK AND TRUST COMPANY	2,266	2.99
Sinanen Customer Stock Ownership Plan	1,914	2.53
Mizuho Trust & Banking Co., Ltd.	1,500	1.98

Stock distribution by type of shareholders



Information for Shareholders

Business Year: From April 1 of each year to March 31 of the following year
Record Date for Distribution of Surplus: March 31
Date of Annual Shareholders' Meeting: Latter half of June each year
Number of Shares Constituting One Unit: 1,000
Agent to Manage Shareholders' Registry: Mizuho Trust & Banking Co., Ltd.
 1-2-1, Yaesu, Chuo-ku, Tokyo

	When holding an account with a securities company	When holding a special account
Mail addresses		2-8-4 Izumi, Suginami-ku, Tokyo 168-8507
Telephone inquiries		0120-288-324 (Toll free number)
Contact offices and branches	Relevant securities company with which the account is held	Mizuho Trust & Banking Co., Ltd: Head office and any branch in Japan; Mizuho Investors Securities Co., Ltd: Head office and any branch in Japan
Notes	For inquiries about payments of unpaid dividends or the issuance of payments details, please contact parties presented in the column, "When holding a special account" at their mail address, by telephone or at their contact offices or branches.	No share transactions may be carried out except for those related to the purchase or selling of odd-lot shares. Any shareholders who fail to transfer the name on share certificates before the dematerialization of stocks, and still hold the share certificates registered under other nominees, are requested to immediately contact the above offices or branches.

Public Notice

Sinanen releases public notices electronically at the following site:

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

However, if the Company is unable to give an electronic public notice for unavoidable reasons, such notices may be given in the *Nihon Keizai Shimbun*.

Sinanen website

Sinanen provides content on its website to enable full understanding of the outline of its operations, in addition to information such as IR and press releases. It also sends the latest IR information directly to shareholders and investors via e-mail.

Please register your details to access the above services.



Register
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URL: <http://www.sinanen.com>

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