

Consolidated Financial Summary for the First Three Quarters of the Fiscal Year Ending March 31, 2020 SINANEN HOLDINGS CO., LTD.

January 31, 2020

Securities code: 8132 URL: <http://www.sinanengroup.co.jp/> Shares listed: Tokyo Stock Exchange
 Representative: Masaki Yamazaki, President and CEO
 Contact: Yutaka Hoshino, Finance and Accounting Manager Tel: +81-3-6478-7811
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 Scheduled date of start of dividend payment: -

Consolidated Financial Highlights

(As of and for the first three quarters ended December 31, 2018 and 2019)

1. Consolidated Performance

First three quarters ended December 31	2018	2019	2019/2018	2019
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>	<i>(Thousands of U.S. dollars)</i>
(1) Consolidated financial results:				
Net sales	¥167,960	¥157,483	-6.2%	\$1,431,664
Operating profit	1,108	340	-69.3	3,091
Ordinary profit	1,278	674	-47.3	6,127
Profit attributable to owners of parent	818	767	-6.3	6,973
Profit per share <i>(yen)</i>	75.30	70.56		
Profit per share <i>(diluted) (yen)</i>	—	—		

(Note) Comprehensive income

First three quarters ended December 31, 2019: ¥1507 million (—)

First three quarters ended December 31, 2018: ¥-241 million (—)

As of	Mar. 31, 2019	Dec 31, 2019	Dec 31, 2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
(2) Consolidated financial condition:			
Total assets	¥91,112	¥100,036	\$909,418
Net assets	47,388	48,393	439,936
Equity ratio	51.6%	47.7%	

(Reference) Shareholders' equity

As of December 31, 2019: ¥47,750 million As of March 31, 2019: ¥47,025 million

2. Dividends

	Dividends per Share				
	1Q end	2Q end	3Q end	Year end	Total
	<i>(Yen)</i>				
FY3/2019	—	—	—	¥75.00	¥75.00
FY3/2020	—	—	—		
FY3/2020 (Forecast)				¥75.00	¥75.00

Note: Change in the forecast of dividend from the latest announcement: None

3. Consolidated Results Forecast for Fiscal Year Ending March 31, 2020

	2020	2020
	Full year	Full year
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net sales	¥245,000	\$2,227,273
Operating profit	2,600	23,636
Ordinary profit	2,900	26,364
Profit attributable to owners of parent	2,200	20,000
Profit per share <i>(yen)</i>	¥202.27	

Note: Change in the forecast from the latest announcement: None

Note: U.S. dollar amounts are translated from Japanese yen, for readers' convenience only, at the exchange rate of 110 yen per U.S. dollar, the approximate exchange rate of TTM of The MUFG Bank, Ltd. on December 30, 2019.

4. Other

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: Yes
Note: Please see "Note to the quarterly consolidated financial statements" on page 7 for more details.
- (3) Changes in accounting policies and accounting estimates and retrospective restatement
 - (i) Changes in accounting policies resulting from revision of accounting standards, etc.: No
 - (ii) Changes in accounting policies other than (i): Yes
 - (iii) Change in accounting estimates: No
 - (iv) Retrospective restatements: No
 Note: Please see "Note to the quarterly consolidated financial statements" on page 7 for more details.
- (4) Number of shares issued (common stock)
 - (i) Number of shares issued (including treasury shares)

As of December 31, 2019:	13,046,591 shares
As of March 31, 2019:	13,046,591 shares
 - (ii) Number of shares of treasury shares

As of December 31, 2019:	2,170,254 shares
As of March 31, 2019:	2,169,941 shares
 - (iii) Average number of shares

First three quarters ended December 31, 2019	10,876,462 shares
First three quarters ended December 31, 2018	10,876,943 shares

* The auditing procedure by certified public accountants or audit firms does not apply to these Financial Results

* Explanations about the appropriate use of the consolidated results forecast and other noteworthy points:

The earnings forecasts contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

Consolidated Balance Sheets

(As of March 31, 2019 and December 31, 2019)

	March 30, 2019	Dec. 31, 2019	Dec. 31, 2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Assets			
Current assets			
Cash and deposits	¥9,073	¥7,976	\$72,509
Notes and accounts receivable-trade	25,180	29,065	264,227
Merchandise and finished goods	6,206	5,988	54,436
Work in process	1,081	4,006	36,418
Raw materials and supplies	34	61	555
Other	4,430	5,195	47,227
Allowance for doubtful accounts	(708)	(722)	(6,564)
Total current assets	45,300	51,571	468,827
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	8,221	8,164	74,218
Land	10,488	10,894	99,036
Construction in progress	233	1,236	11,236
Other, net	9,692	9,453	85,936
Total property, plant and equipment	28,635	29,749	270,445
Intangible assets			
Goodwill	3,797	3,587	32,609
Other	1,297	1,200	10,909
Total intangible assets	5,095	4,788	43,527
Investments and other assets			
Investment securities	7,676	9,296	84,509
Long-term prepaid expenses	1,477	1,342	12,200
Other	3,050	3,578	32,527
Allowance for doubtful accounts	(122)	(291)	(2,645)
Total investments and other assets	12,081	13,926	126,600
Total non-current assets	45,812	48,464	440,582
Total assets	¥91,112	¥100,036	\$909,418

	March 30, 2019	Dec. 31, 2019	Dec. 31, 2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥20,866	¥30,302	\$275,473
Short-term loans payable	4,879	3,193	29,027
Income taxes payable	919	574	5,218
Provision for bonuses	803	512	4,655
Other	5,758	6,420	58,364
Total current liabilities	33,228	41,004	372,764
Non-current liabilities			
Long-term loans payable	4,461	4,317	39,245
Provision for directors' retirement benefits	21	22	200
Net defined benefit liability	461	450	4,091
Asset retirement obligations	513	497	4,518
Other	5,037	5,350	48,636
Total non-current liabilities	10,495	10,638	96,709
Total liabilities	43,724	51,642	469,473
Net assets			
Shareholders' equity			
Capital stock	15,630	15,630	142,091
Capital surplus	7,714	7,708	70,073
Retained earnings	28,015	27,967	254,245
Treasury shares	(5,632)	(5,633)	(51,209)
Total shareholders' equity	45,727	45,672	415,200
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,597	2,526	22,964
Deferred gains or losses on hedges	(35)	(23)	(209)
Foreign currency translation adjustment	(263)	(425)	(3,864)
Remeasurements of defined benefit plans	0	(0)	(0)
Total accumulated other comprehensive income	1,297	2,078	18,891
Non-controlling interests	363	643	5,845
Total net assets	47,388	48,393	439,936
Total liabilities and net assets	¥91,112	¥100,036	\$909,418

**Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income**
(For the First three quarters ended December 31, 2018 and 2019)

	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net sales	¥167,960	¥157,483	\$1,431,664
Cost of sales	146,303	135,000	1,227,273
Gross profit	21,656	22,483	204,391
Selling, general and administrative expenses	20,547	22,142	201,291
Operating profit	1,108	340	3,091
Non-operating income			
Interest income	41	44	400
Dividend income	127	153	1,391
Gain on derivatives	—	10	91
Other	266	356	3,236
Total non-operating income	434	565	5,136
Non-operating expenses			
Interest expenses	89	85	773
Loss on derivatives	62	—	—
Share of loss of entities accounted for using equity method	5	11	100
Other	107	135	1,227
Total non-operating expenses	265	231	2,100
Ordinary profit	1,278	674	6,127
Extraordinary income			
Gain on sales of non-current assets	52	8	73
Insurance claim income	176	—	—
Gain on sale of businesses	—	450	4,091
Gain on step acquisitions	38	477	4,336
Gain on sales of goods	255	—	—
Other	0	4	36
Total extraordinary income	523	941	8,555
Extraordinary losses			0
Loss on sales of non-current assets	0	105	955
Loss on retirement of non-current assets	169	93	845
Impairment loss	12	0	0
Loss on compensation for damage	88	—	—
Other	23	15	136
Total extraordinary losses	294	214	1,945
Profit before income taxes	1,507	1,400	12,727
Income taxes	686	643	5,845
Profit	820	757	6,882
(Profit attributable to)			
Profit attributable to owners of parent	818	767	6,973
Profit attributable to non-controlling interests	¥1	(¥9)	(\$82)

	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Other comprehensive income			
Valuation difference on available-for-sale securities	(¥899)	¥929	\$8,445
Deferred gains or losses on hedges	(29)	12	109
Foreign currency translation adjustment	(131)	(192)	(1,745)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)	(0)
Total other comprehensive income	(1,061)	749	6,809
Comprehensive income	(241)	1,507	13,700
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of parent	(242)	1,547	14,064
Comprehensive income attributable to non-controlling interests	¥1	(¥40)	(\$364)

Note to the quarterly consolidated financial statements

(Notes to ongoing concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Application of accounting methods specifically for consolidated quarterly financial statements)

(Calculation of tax expense)

Tax expenses are calculated by multiplying profit before income taxes by a reasonable estimate of the effective tax rate, after the application of tax effect accounting, for estimated profit before income taxes for the current fiscal year.

(Change in accounting policies)

(Change in accounting policy for diesel oil delivery tax subsidy and inventory shortage subsidy income for diesel oil sales)

In previous fiscal years, subsidies associated with declarations and payments for diesel oil delivery taxes, which are activities associated with diesel oil sales, and inventory shortage subsidy income for diesel oil sales were recorded when the notifications of the receipt of these payments were received. Starting with the first quarter of the current fiscal year, these payments are instead recognized when the corresponding diesel oil is sold.

This change was made following a reexamination of the accounting methods used for diesel oil delivery tax subsidies and inventory shortage subsidies because of the outlook for more growth in the volume of wholesale diesel oil sales beginning in the current fiscal year.

As the change in this accounting method has only a negligible effect on the consolidated financial statements of Sinanen Holdings, prior year quarterly consolidated financial statements have not been retroactively revised to reflect this change.

The amounts of diesel oil delivery tax subsidies and inventory shortage subsidies for diesel oil sales are proportional to the sales volume of diesel oil. As a result, starting with the first quarter of the current fiscal year, these subsidies are included in the cost of sales in order to more accurately reflect the actual characteristics of diesel oil sales transactions.

Due to these changes, income of 64 million yen presented as "diesel oil delivery tax subsidies" in non-operating income and 22 million yen of inventory shortage subsidy income for diesel oil sales that was classified as "other" in non-operating income in the consolidated statement of income and consolidated statement of comprehensive income for the First three quarters of the previous fiscal year have been restated in the "cost of sales."