Consolidated Financial Summary for the Fiscal Year Ended March 31, 2021

May 14, 2021

Company name: SINANEN HOLDINGS CO., LTD. Shares listed: Tokyo Stock Exchange
Securities code: 8132 URL: https://sinanengroup.co.jp/
Representative: (Position) President and CEO (Name) Masaki Yamazaki
Contact: (Position) Finance and Accounting Manager (Name) Yutaka Hoshino Tel: +81-3-6478-7811
Scheduled date of Ordinary General Meeting of Shareholders: June 22, 2021
Scheduled date of start of dividend payment: June 23, 2021
Scheduled date of filing of securities report: June 22, 2021
Preparation of supplementary materials: Yes
Convening of a results meeting: Yes

(Note: Amounts are rounded to nearest million yen.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(1) Consolidated operating results (Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2021	217,122	-8.4	2,935	19.6	3,023	37.2	2,717	-9.1
FY 2020	237,036	-3.1	2,454	38.5	2,203	2.1	2,989	88.2

(Note) Comprehensive income FY 2021 3,872 million yen (99.9%) FY 2020 1,936 million yen (94.4%)

	Profit per share	Diluted profit per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to sales
	yen	yen	%	%	%
FY 2021	249.83	―	5.5	3.2	1.4
FY 2020	274.84	―	6.3	2.4	1.0

(Reference) Gains and losses on equity-method investments FY 2021 -30 million yen FY 2020 -12 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY 2021	96,834	51,905	52.9	4,707.96
FY 2020	90,611	48,821	53.1	4,425.87

(Reference) Shareholders' equity FY 2021 51,201 million yen FY 2020 48,136 million yen

(3) Status of consolidated cash flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents Year-end balance
	million yen	million yen	million yen	million yen
FY 2021	7,947	36	-5,504	9,765
FY 2020	569	-1,094	-778	7,385

2. Dividends

	Dividend per share					Total dividend amount (total)	Dividend payout ratio (consolidated)	Net payout ratio (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY 2020	―	―	―	75.00	75.00	815	27.3	1.7
FY 2021	―	―	―	75.00	75.00	815	30.0	1.6
FY 2022 (forecast)	―	―	―	75.00	75.00		54.4	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	244,000	12.4	2,100	-28.5	1,700	-43.8	1,500	-44.8	137.92

* Notice:

(1) Changes in main subsidiaries during the period (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

New: - company(ies) (Company name(s)) Excluded: - company(ies) (Company name(s))

(2) Changes in accounting policies, accounting estimates, and restatements

(a) Changes in accounting policies due to revision of accounting standards: None
(b) Changes in accounting policies other than those in (a): None
(c) Changes in accounting estimates: None
(d) Restatements: None

(3) Number of shares issued (common stock)

(a) Number of shares issued (including treasury shares)	FY 2021	13,046,591 shares	FY 2020	13,046,591 shares
(b) Number of treasury shares	FY 2021	2,171,037 shares	FY 2020	2,170,465 shares
(c) Average number of shares during the period	FY 2021	10,875,880 shares	FY 2020	10,876,414 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(1) Non-consolidated operating results (Percentage figures represent year-on-year change)

	Net sales		Operating profit		Ordinary profit		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY 2021	2,958	5.8	312	-24.6	1,017	-31.1	1,811	-18.0
FY 2020	2,796	1.4	414	-31.4	1,477	50.0	2,209	203.3

	Profit per share	Diluted profit per share
	yen	yen
FY 2021	166.55	–
FY 2020	203.12	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY 2021	34,737	24,590	70.8	2,261.05
FY 2020	30,928	22,336	72.2	2,053.74

(Reference) Shareholders' equity FY 2021 24,590 million yen FY 2020 22,336 million yen

* Financial results summaries are not subject to audit by certified public accountant or auditing firm.

* Cautionary statement regarding business results forecasts and special notes

(Caution regarding forward-looking statements)

The financial forecasts and other forward-looking statements contained herein are based on currently available information and assumptions considered by the Company to be reasonable and do not represent a commitment from the Company that they will be achieved. Actual results may differ materially due to various factors. See “(4) Outlook” under “1. Overview of Operating Results” on page 5 of the attachment for the underlying assumptions of and precautions for using the forecasts.

1. Overview of Operating Results

(1) Overview of operating results in this fiscal year

During this fiscal year, the Japanese economy continued to be impacted by difficult circumstances created by COVID-19. Nevertheless, there were signs of a recovery in both consumer spending and corporate earnings owing to economic support measures implemented by the government. However, the future remains unpredictable as trends have shown weakness in consumer spending after a state of emergency was declared again due to another spike in COVID-19 cases.

In the domestic energy industry, the price of crude oil and propane contract prices, which had dropped significantly at the beginning of the year, were on the rise with expectations for development of COVID-19 vaccines and coordinated production cuts by OPEC-plus supporting market prices. Following the earlier recovery of propane contract prices, crude oil prices also recovered to pre-COVID-19 levels by the end of the year. While a cold wave contributed to strong performance in domestic demand in the second half, overall demand continues to fall due to the progression of birthrate decline and population aging, the spread of energy-saving devices, lifestyle changes, and other such factors.

In the midst of this environment, the Group has launched our second mid-term management plan from this fiscal year and proceeded with initiatives to achieve the quantitative target of at least 6.0% for ROE and the three qualitative targets ((1) improving capital efficiency, (2) realizing sustainable growth through investments, and (3) transforming the thinking, habits, and behavior of our employees.)

Specifically, the Company sold its fixed assets in Shinagawa-ku, Tokyo and sales hub in Niihama City, Ehime operated by MELIFE-WEST Co., Ltd. in order to improve capital efficiency. As an investment to realize sustainable growth, the Company made continuous investments into new businesses, such as the new micro wind turbine-related business and bike-sharing business. Furthermore, the Company began the cultural reform project in earnest and newly established the Group Reform Promotion Office led directly by the President and CEO in November 2020 with an aim to reform the way of thinking, customs, and behavior of employees.

As a result, in the fiscal year ended March 31, 2021, net sales were 217.122 billion yen (down 8.4% year on year), operating profit was 2.935 billion yen (up 19.6% year on year), and ordinary profit was 3.023 billion yen (up 37.2% year on year). Furthermore, profit attributable to owners of parent was 2.717 billion yen (down 9.1% year on year). This decline was largely due to the Company booking gains on the sale of investment securities as extraordinary profit in the previous year. Further, ROE for this fiscal year was 5.5%. The Company is taking efforts to improve capital efficiency in order to establish a business structure that continuously generates ROE of 6.0% or more, a target in the second mid-term management plan.

The circumstances and results of each business field are as follows.

In the BtoC Business (Retail/Wholesale Energy & Related Business), the Company strove to strengthen and expand the revenue base, primarily through the acquisition of business rights and other M&A deals, in its mainstay area of LP gas and kerosene sales. However, acquisitions were lower than expectations. In addition to unit selling prices falling as crude oil and propane contract prices declined, sales fell due to lower sales volume as average summer temperatures were higher compared to the average year. On the other hand, profit increased significantly compared to the previous year due to improvements in margins, primarily in cold regions.

Additionally, since the beginning of the current fiscal year, we promoted efforts to secure new revenue streams, including the launch of a electric power sales business for households in the West Japan area and opening of two new plumbing renovation specialty stores in the Kanto area.
As a result of the above, the sales in the Retail/Wholesale Energy & Related Business for this fiscal year were 62.994 billion yen (down 12.8% year on year) and operating profit was 963 million yen (up 25.7% year on year).

In the BtoB Business (Energy Solution Business), we secured a higher sales volume year on year. Although demand for industrial energy was sluggish in the mainstay Petroleum Business due to COVID-19, it bounced back due to lower temperatures in early spring and a cold wave around the end and start of the year. On the other hand, selling prices declined due to lower crude oil and propane contract prices. As a result, the Company unavoidably booked lower sales. In terms of profit, the purchasing measures implemented to address the changes in the crude oil market captured marginal profits, leading to higher profit year on year.

Moreover, the usage rate at existing petroleum sales facility Oil Square improved following the increase in crude oil shipping capacity, and we focused on light oil sales in addition to our core kerosene sales. In the Electricity Business, which is primarily focused on sales to corporations, we increased contract demand and worked on lowering costs by optimizing the power supply configuration. In the new micro wind turbine-related business, which the Company has promoted as a new business, we concentrated on initiatives to fully launch sales, including starting field tests in Saitama City, Saitama from March 2021. Also, in South Korea, we are awaiting development permission for the large-scale wind power generation business we have participated in.
As a result of the above, the sales in the Energy Solution Business for this fiscal year were 135.998 billion yen (down 8.8% year on year) and operating profit was 892 million yen (up 8.8% year on year).

In the Non-energy/Global Business, bicycle business operator SINANEN BIKE Co., Ltd. saw favorable sales due to demand from new school enrollees getting pushed back into the first quarter caused by the spread of COVID-19 and worked to improve profitability, including by closing unprofitable stores and expanding sales of its private brand bicycles.

Bike-sharing business operator SINANEN MOBILITY+ Co., Ltd. promoted development of DAICHARI locations, primarily in the Tokyo Metropolitan Area, through expanded partnerships with new entities, such as major home centers and supermarkets, and field tests conducted with local authorities. Further, in collaboration with the Odakyu Group, field tests were launched in October 2020 for introducing MaaS (see Note) around stations in the Setagaya area. As of March 31, 2021, there are more than 1,800 stations and more than 8,200 bicycles, making us one of the top bike-sharing business operators in Japan.

Environmental and recycling business operator SINANEN ECOWORK Co., Ltd. saw success in its measures to secure earnings, including controlling costs, in the midst of a drop in the generation of construction waste as construction sites shut down due to COVID-19.

Antimicrobial business operator Sinanen Zeomic Co., Ltd. continued to enjoy favorable performance, including a substantial increase in orders for antimicrobial agents for masks and surgery gowns from North America in conjunction with the global spread of COVID-19. Going into the second half, North American demand tapered off. However, the company worked to establish a system for increased production to handle the sharp rise in the number of inquiries from home and abroad. In addition, it worked to strengthen its marketing activities, including by opening stores in exhibitions, in order to increase name recognition and to cultivate and expand sales channels.

Systems business operator Minos Co., Ltd. saw steady demand for its flagship LP gas sales management system. The number of users of Power CIS, its customer management system supporting liberalization of electricity retail sales, also increased significantly as it performed well. Further, the company continues to work on controlling costs, including by increasing the percentage of development carried out in-house, and is implementing efforts to improve productivity.

Core building management and maintenance business operator Takara Building Maintenance Co., Ltd. was able to secure sales on par with the previous year’s level overall owing to an increase in orders for disinfecting from hospitals and other facilities despite managed facilities suspending operations due to the spread of COVID-19. At the same time, the company worked on improving the working environment as an effort to secure personnel.

In the biomass business in Brazil, we are conducting sales of coal for consumer use made from CAPIM, perennial plants, but the business remained sluggish due to the continued spread of COVID-19 in the country. As part of efforts to select and concentrate on businesses to promote in the second mid-term management plan, we conducted an assessment of the future business forecasts of this business and determined that we could not expect earnings that would exceed our investment standards. Therefore, we decided to exit this business in FY 2021 by a share transfer.

As a result of the above, the sales in the Non-energy/Global Business for this fiscal year were 17.781 billion yen (up 15.4% year on year) and operating profit was 243 million yen (operating loss of 50 million yen in the previous fiscal year).

(Note) MaaS stands for Mobility as a Service. It refers to services aimed at solving social issues related to mobility by optimizing supply and demand via the utilization of data on vehicles and human mobility.

(2) Overview of financial status for this fiscal year

(Assets)

Current assets as of the end of this fiscal year for the Company and its group companies were 49.625 billion yen, an increase of 5.301 billion yen compared to the previous year. The main reason for this increase was booking cash and deposits of 2.310 billion yen due to sales of fixed assets held by the Company in Shinagawa-ku, Tokyo, as well as a 2.753 billion yen increase in trade receivables as notes and accounts receivable due to higher selling prices at the end of the fiscal year.

Fixed assets as of the end of the fiscal year were 47.209 billion yen, an increase of 921 million yen compared to the previous year. The main reason for this increase was a 1.333 billion yen increase in construction in progress, such as new company offices under construction in Shinagawa-ku, Tokyo.

As a result, total assets were 96.834 billion yen, up 6.223 billion yen compared to the previous year.

(Net assets)

While there was a distribution of 815 million yen in earnings retained, valuation difference on other securities increased 1.266 billion yen compared to the end of the previous fiscal year and profit attributable to owners of parent was 2.717 billion yen. As a result, net assets as of the end of the fiscal year were up 3.083 billion yen year on year to 51.905 billion yen.

As a result of the above, the equity ratio decreased 0.2 percentage points year on year to 52.9%.

(3) Overview of cash flow in this fiscal year

Cash and cash equivalents on a consolidated basis for this fiscal year were 9.765 billion yen (up 32.2% year on year). Status of cash flows and their major reasons are as follows.

(Cash flow from operating activities)

During this fiscal year, capital gained as a result of operating activities was 7.947 billion yen (inflow of 569 million yen in the previous year). The main reason for this was 4.725 billion yen in net income before taxes, 2.858 billion yen in depreciation expenses, 2.166 billion yen in gains on the sale of fixed assets, a 2.755 billion yen increase in trade receivables, and a 6.171 billion yen increase in accounts payable.

(Cash flow from investing activities)

During this fiscal year, capital gained as a result of investing activities was 36 million yen (outflow of 1.094 billion yen in the previous year). The main reason for this was 2.187 billion yen in income from the sale of fixed assets, 2.665 billion yen in expenditures from the acquisition of fixed assets, 206 million yen in income from the collection of long-term loans receivable, and 315 million yen in income from business transfers.

(Cash flow from financing activities)

During this fiscal year, capital used as a result of financing activities was 5.504 billion yen (outflow of 778 million yen in the previous year). The main reason for this was a 3.232 billion yen decrease in short-term borrowings, 1.491 billion yen in expenditures from the repayment of long-term borrowings, and 816 million yen paid as dividends.

(Reference) Trends in cash flow-related indices

	FY 2018	FY 2019	FY 2020	FY 2021
Equity ratio (%)	50.3	51.6	53.1	52.9
Equity ratio (%) on market capitalization basis	30.3	25.1	31.4	34.2
Debt-to-cash flow ratio (years)	2.0	1.8	18.2	0.7
Interest coverage ratio (multiples)	43.5	44.6	5.1	65.4

Equity ratio: Shareholders' equity/total assets

Equity ratio (%) on market value basis: Share market capitalization/total assets

Debt-to-cash flow ratio: Interest-bearing liabilities/operating cash flow

Interest coverage ratio: Operating cash flow/interest payments

a. Indices are calculated based on financial figures on consolidated basis.

b. Share market capitalization is calculated by multiplying closing share price at the end of fiscal year by the total number of issued shares at the end of the fiscal year (excluding treasury shares).

c. Operating cash flow uses cash flow from operating activities on the consolidated cash flow statement. Interest payments use the amount of interest paid on the same statement. Interesting-bearing liabilities are the total amount of loans, corporate bonds, and commercial paper booked on the consolidated balance sheet.

(4) Outlook

The environment surrounding the oil and gas businesses, which are the mainstay businesses of the Group, is expected to continue to face harsh circumstances as energy demand continues to decline in the face of birthrate decline and population aging, as well as changes to lifestyles. Furthermore, as consciousness about global decarbonization and SDGs grows, demand will rise for us to take responsibility as a general energy service group in responding to climate change.

In order to respond to these changes in the business environment and the trend of the times, we will continue to promote improvements to capital efficiency by selecting and concentrating on existing businesses, and utilizing and selling off low-efficiency assets in this following year (fiscal year ending March 31, 2022), the second year of the second mid-term management plan, which started from this year. We will also make strategic investments into new businesses based on mid-to-long term trends, such as renewable energy businesses and the provision of electricity that takes the environment into consideration. As we head toward building a business structure that can maintain sustainable growth into the future, we are proceeding with constructing the foundational infrastructure to move ahead with the third mid-term management plan.

For the consolidated financial results outlook for the next fiscal year, the Company forecasts sales of 244 billion yen (up 12.4% year on year), taking into consideration recent increases in crude oil and propane contract prices. On the other hand, we forecast operating profit of 2.1 billion yen (down 28.5% year on year), ordinary profit of 1.7 billion yen (down 43.8% year on year), and profit attributable to owners of parent of 1.5 billion yen (down 44.8% year on year) due to anticipatory investments related to new businesses and the construction of business foundation infrastructure, such as IT-related investments.

The main reason we forecast lower operating profit year on year is due to anticipatory investments related to new businesses that will become the business foundation in the future (renewable energy business in and outside Japan, bike-sharing business, etc.) and the IT-related investments for the promotion of DX (digital transformation). The main reason we forecast lower ordinary profit year on year is due to lower operating profit as stated above and increased interest paid related to overseas renewable energy business investments.

The impact of selection and concentration of existing businesses as well as utilization and sale of low-efficiency assets on gains and losses cannot be forecasted at this point. Therefore, they are not reflected in the above earnings forecast.

The COVID-19 pandemic has not been resolved as of this point, leading to a continuing unclear situation. In the Group, we expect that this pandemic will be a profit-decreasing factor in the commercial energy business of the BtoC Business (Retail/Wholesale Energy & Related Business), and the industrial energy, environmental and recycling business, and building management and maintenance business of the BtoB Business (Energy Solution Business). However, we expect that it will be a profit-increasing factor in the household energy, antimicrobial business, and bike-sharing business of the BtoC Business (Retail/Wholesale Energy & Related Business). Based on these circumstances, when formulating the earnings forecast for the next fiscal year, we reflected the degree of impact that would be expected if these factors were to continue to March 31, 2022 in the final earnings forecasts. However, overall, the forecasted impact is limited. If the impact of the COVID-19 pandemic were to impact each business significantly more than expected, it is possible that it would further impact performance. However, at this time, the realized impact is limited. If a revision of earnings forecasts is necessary in the future, we will promptly disclose it.

(5) Basic policy regarding distribution of profits and dividend for this year and following year

The Company considers returning profit to shareholders the most important management policy. Our basic policy is to provide stable dividends with a consolidated payout ratio of 30% or more. Further, we plan to allocate internal reserves to expanding our business domains and capital expenditures to strengthen our business foundation.

We also plan to provide a dividend of 75 yen per share this fiscal year. We plan to provide a dividend of 75 yen per share for the following fiscal year as well.