February 10, 2009

Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2009 (Nine Months Ended December 31, 2008)

Company name: Shinoken Group Co., Ltd. Stock Exchange listing: JASDAQ
Stock code: 8909 URL: http://www.shinoken.co.jp
Representative: Hideaki Shinohara, Representative Director and President
Contact: Junichi Tsurukawa, Administration General Manager and Director
Telephone: +81-(92)-477-0063
Scheduled date of filing of Quarterly Report: February 13, 2009

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2009 (April 1, 2008 – December 31, 2008)

(1) Consolidated results of operations (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended Dec. 2008	11,010	-	(627)	-	(869)	-	(979)	-
Nine months ended Dec. 2007	15,902	46.4	105	(62.8)	(82)	-	(47)	-

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Nine months ended Dec. 2008	(24,664.16)	-
Nine months ended Dec. 2007	(1,203.87)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Dec. 31, 2008	21,705	4,195	19.3	105,606.58
As of Mar. 31, 2008	26,791	5,280	19.5	131,932.79

Reference: Shareholders' equity (Millions of Yen): Dec. 31, 2008: 4,194 Mar. 31, 2008: 5,240

2. Dividends

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Mar. 2008	-	0.00	-	1,875.00	1,875.00
FY ending Mar. 2009	-	0.00	-	-	-
FY ending Mar. 2009 (forecast)	-	-	-	2,000.00	2,000.00

Note: Revision of dividend forecast during the period: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (basic)
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	33,000	10.8	1,300	14.8	1,000	9.7	530	18.7	13,343.74

Note: Revision of consolidated forecast during the period: None

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of simplified accounting methods and special accounting methods in the preparation of consolidated quarterly financial statements: Yes

Note: Please refer to "Qualitative Information and Financial Statements, 4. Others" on page 5 for further information.

(3) Changes in accounting principles, procedures and presentation methods for preparation of consolidated quarterly financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to "Qualitative Information and Financial Statements, 4. Others" on page 5 for further information.

(4) Number of outstanding shares (common shares)

1) Shares outstanding at end of period (including treasury stock):

Dec. 31, 2008:	40,307 shares	Mar. 31, 2008:	40,307 shares

2) Treasury stock at end of period:

Dec. 31, 2008:	588 shares	Mar. 31, 2008:	588 shares

3) Average number of common shares outstanding:

Nine months ended Dec. 2008:	40,307 shares	Nine months ended Dec. 2007:	40,307 shares

<u>* Cautionary statement with respect to forward-looking statements</u>

Effective from the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Guidance on Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with "Regulations for Consolidated Quarterly Financial Statements".

The estimated values above have been prepared based on information available as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

During the first nine months of the current fiscal year (from April 1, 2008 to December 31, 2008) business sentiment of Japanese companies has sharply deteriorated as the Japanese economy was hard hit by the global recession as a result of the U.S. subprime-mortgage problem having destabilized the global financial system and, ultimately, harmed the real economy. In fact, a wave of substantial downward revisions to corporate earnings estimates together with the strengthening yen drove the benchmark Nikkei Stock Average down to a new post-bubble low in October last year. Furthermore, there are mounting concerns over job security amplified by a social problem that a sizable number of contingent workers have been losing their jobs during the contract period since the turn of last year. We are placed in a situation where the economy is getting worse day by day.

The real estate industry in which the Company operates is placed in an extraordinarily challenging market environment where a series of industry players have been driven into bankruptcy by cash shortages caused by various factors such as investors being discouraged to put their cash into real estate, financial markets facing credit crunch and financial institutions getting more cautious in extending credit, while at the same time the deteriorating economy and the anticipation of further price fall have made some companies and individuals less willing to buy properties.

Under these circumstances, the Group has strived to enhance the group-wide service and quality level throughout the business segments including the real estate sales (investment) business as our core segment as well as the real estate rental management, finance and LPG supply businesses.

Consequently, in the first nine months of the current fiscal year, the Group recorded net sales of 11,010 million yen, operating loss of 627 million yen, ordinary loss of 869 million yen and net loss of 979 million yen.

The outline of results by business segment is as follows:

1) Real estate sales (investment) business

In the PI (personal investment) business, we have responded to the economic slowdown by luring highly prospective customers, or specifically by providing salaried workers both in corporate and government sectors, with proposals on apartment management business for personal investors. Also in the CI (corporate investment) business, our main focus was to ensure the quality of lands acquired for future developments so that we can provide high quality rental apartments.

The Group recorded net sales of 8,669 million yen and operating loss of 535 million yen.

It is also noted that, in the industry in which the Group operates, the proportion of the number of constructions that are completed in the fourth quarter is larger than in the other quarters and therefore net sales in the real estate sales (investment) business tend to concentrate in the fourth quarter.

2) Real estate rental management business

In the real estate rental management business, the number of property units under our management totaled 10,955 units at the end of the third quarter of the current fiscal year. At the same time promotional activities to recruit tenants of the rental apartments under our management have been made to enhance the level of services offered to tenants and to increase the occupancy ratio of these rental apartments.

Net sales in the real estate rental management business totaled 1,764 million yen, and operating income 163 million yen.

3) Finance business

In the finance business, the balance of operating loans receivable at the end of the third quarter of the current fiscal year totaled 2,284 million yen. We have attempted to gain new customers through vigorously promoting our rent default guarantee service.

Net sales in the finance business totaled 133 million yen, and operating income 41 million yen.

4) Other businesses

As for the other businesses, we ensured more stable revenue source as SK Energy Nagoya Co., Ltd. started its operations in the second quarter of the current fiscal year and the number of family units to which LPG was supplied and sold by SK Energy Nagoya Co., Ltd. and SK Energy Co., Ltd. reached 6,156 at the end of the third quarter.

Performance of the two franchise restaurants that we operate remained firm as well through well-planned promotional activities.

Net sales in other businesses totaled 442 million yen, and operating income 76 million yen.

2. Qualitative Information Regarding Consolidated Financial Position

Regarding the financial position at the end of the third quarter of the current fiscal year, total assets decreased 5,086 million yen from the end of the previous fiscal year to 21,705 million yen due mainly to the 3,112 million yen decrease in accounts receivable-real estate business and the 2,115 million yen decrease in accounts payable-real estate business.

The status of cash flows by activity was as follows.

Cash and cash equivalents (hereinafter ‘net cash’) at the end of the third quarter were 537 million yen, a decrease of 1,276 million yen from the end of the previous fiscal year.

Operating activities

Net cash provided by operating activities totaled 869 million yen. Positive factor was a 3,103 million yen decrease in notes and accounts receivable-trade, while negative factor was a 2,115 million yen decrease in notes and accounts payable-trade.

Investment activities

Net cash used in investment activities was 147 million yen. Negative factor was the outlays for purchase of property, plant and equipment of 165 million yen.

Financing activities

Net cash used in financing activities was 1,997 million yen. Positive factor was a 2,486 million yen proceeds from long-term loans payable, while negative factors were 1,622 million yen in repayment of long-term loans payable and a net decrease of 2,529 million yen in short-term loans payable.

3. Qualitative Information Regarding Consolidated Earnings Forecasts

In the wake of the global recessionary trend in which the business environment surrounding the Group is expected to remain challenging, the consolidated earnings forecast has yet to be revised since its announcement on May 16, 2008.

It is a normal characteristic for our business operations, or particularly for our real estate sales (investment) business that net sales tend to concentrate in the fourth quarter due to the proportion of the number of construction projects completed being higher in the fourth quarter than in the other quarters. Therefore, we intend to disclose any revision of the consolidated earnings forecast without delay whenever deemed necessary, depending on the construction and sales progress in the fourth quarter.

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

No reportable information.

(2) Application of simplified accounting methods and special accounting methods in the preparation of consolidated quarterly financial statements

1) Method for estimating the uncollectible amount of general receivables

The uncollectible amount of general receivables was estimated using the historical write-off ratio at the end of the previous fiscal year as the ratio at the end of the third quarter of the current fiscal year was found not to be significantly different from the ratio at the end of the previous fiscal year.

2) Calculation of depreciation expense for fixed assets

For assets subject to the declining-balance method, depreciation expense for the period is calculated pro rata from the full-year amount of depreciation expense for the fiscal year.

(3) Changes in accounting principles, procedures and presentation methods for preparation of consolidated quarterly financial statements

1) Application of "Accounting Standards for Quarterly Financial Statements"

Effective from the current fiscal year, the Company has adopted "Accounting Standards for Quarterly Financial Statements" (ASBJ Statement No. 12) and "Guidance on Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with "Regulations for Consolidated Quarterly Financial Statements".

2) Changes in valuation criteria and methods for principal assets

Inventories

In prior years, inventory for regular sales purposes was computed primarily by the specific identification cost method. With the adoption of "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9: July 5, 2006) from the first quarter of the current fiscal year, inventory is computed primarily by the specific identification cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

As a result of this change, operating loss and ordinary loss increased by 90,356 thousand yen each, and loss before income taxes and minority interests increased 144,674 thousand yen in the first nine months of the current fiscal year.

5. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Thousands of Yen)

	Third quarter of FY3/09 (As of Dec. 31, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Assets		
Current assets		
Cash and deposits	629,463	1,885,085
Accounts receivable-real estate business	1,104,274	4,216,923
Operating loans	2,284,737	2,350,541
Real estate for sale	2,768,564	5,170,541
Costs on real estate business	10,841,414	9,833,179
Other inventories	54,405	52,504
Other	617,126	462,419
Allowance for doubtful accounts	(12,974)	(41,999)
Total current assets	18,287,012	23,929,196
Noncurrent assets		
Property, plant and equipment	2,737,166	2,067,525
Intangible assets	103,060	108,574
Investments and other assets	578,340	686,638
Total noncurrent assets	3,418,567	2,862,737
Total assets	21,705,579	26,791,934
Liabilities		
Current liabilities		
Accounts payable-real estate business	1,197,765	3,313,313
Short-term loans payable	10,465,727	10,322,920
Income taxes payable	48,267	372,448
Other	1,371,148	1,415,326
Total current liabilities	13,082,909	15,424,008
Noncurrent liabilities		
Bonds payable	200,000	-
Long-term loans payable	4,006,843	5,815,895
Other	219,937	271,222
Total noncurrent liabilities	4,426,781	6,087,117
Total liabilities	17,509,690	21,511,126
Net assets		
Shareholders' equity		
Capital stock	1,922,159	1,922,159
Capital surplus	1,854,564	1,854,564
Retained earnings	565,266	1,624,997
Treasury stock	(142,221)	(142,347)
Total shareholders' equity	4,199,769	5,259,373
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(75)	(16,175)
Foreign currency translation adjustment	(5,105)	(2,959)
Total valuation and translation adjustments	(5,181)	(19,135)
Subscription rights to shares	1,301	40,569
Total net assets	4,195,889	5,280,807
Total liabilities and net assets	21,705,579	26,791,934

(2) Consolidated Quarterly Statements of Income

(For the Nine-month Period)

(Thousands of Yen)

	First nine months of FY3/09 (Apr. 1, 2008 – Dec. 31, 2008)
Net sales	11,010,308
Cost of sales	9,563,485
Gross profit	1,446,822
Selling, general and administrative expenses	2,074,033
Operating loss	(627,211)
Non-operating income	
Annual fee income	2,707
Interest on refund	2,707
Compensation for damage	26,485
Insurance premiums refunded cancellation	21,677
Other	15,347
Total non-operating income	68,926
Non-operating expenses	
Interest expenses	198,022
Other	112,879
Total non-operating expenses	310,902
Ordinary loss	(869,187)
Extraordinary income	
Gain on reversal of subscription rights to shares	40,569
Reversal of allowance for doubtful accounts	17,881
Total extraordinary income	58,450
Extraordinary loss	
Loss on valuation of inventories	54,317
Loss on valuation of investment securities	34,545
Compensation for eviction	59,871
Environmental expenses	53,782
Loss on prior period adjustment	52,121
Total extraordinary losses	254,638
Loss before income taxes	(1,065,375)
Income taxes-current	50,371
Income taxes-deferred	(136,111)
Total income taxes	(85,739)
Net loss	(979,635)

(3) Consolidated Quarterly Statements of Cash Flows

(Thousands of Yen)

	First nine months of FY3/09 (Apr. 1, 2008 – Dec. 31, 2008)
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(1,065,375)
Depreciation and amortization	69,226
Increase (decrease) in allowance for doubtful accounts	(26,377)
Interest expenses	198,022
Gain on reversal of subscription rights to shares	(40,569)
Loss (gain) on valuation of investment securities	34,545
Decrease (increase) in notes and accounts receivable-trade	3,103,976
Decrease (increase) in inventories	830,740
Increase (decrease) in notes and accounts payable-trade	(2,115,547)
Decrease (increase) in operating loans	65,221
Other, net	179,851
Subtotal	1,233,715
Income taxes paid	(364,339)
Net cash provided by (used in) operating activities	869,375
Net cash provided by (used in) investment activities	
Payments into time deposits	(20,500)
Proceeds from withdrawal of time deposits	6,000
Purchase of investment securities	(25,840)
Purchase of property, plant and equipment	(165,369)
Other, net	57,827
Net cash provided by (used in) investment activities	(147,882)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(2,529,826)
Proceeds from long-term loans payable	2,486,100
Repayment of long-term loans payable	(1,622,517)
Proceeds from issuance of bonds	195,362
Redemption of bonds	(210,000)
Cash dividends paid	(74,473)
Interest expenses paid	(186,197)
Other, net	(56,098)
Net cash provided by (used in) financing activities	(1,997,651)
Effect of exchange rate change on cash and cash equivalents	(304)
Net increase (decrease) in cash and cash equivalents	(1,276,463)
Cash and cash equivalents at beginning of period	1,807,509
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	6,340
Cash and cash equivalents at end of period	537,387

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with “Regulations for Consolidated Quarterly Financial Statements”.

(4) Going Concern Assumption

No reportable information.

(5) Segment Information

Operating segment information

First nine months of FY3/09 (Apr. 1, 2008 – Dec. 31, 2008)

(Thousands of Yen)

	Real estate sales (investment) business	Real estate rental management business	Finance business	Other businesses	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	8,669,791	1,764,223	133,997	442,295	11,010,308	-	11,010,308
(2) Inter-segment sales and transfers	-	21,065	13,643	-	34,709	(34,709)	-
Total	8,669,791	1,785,289	147,641	442,295	11,045,017	(34,709)	11,010,308
Operating income (loss)	(535,294)	163,835	41,854	76,510	(253,093)	(374,118)	(627,211)

Notes: 1. Method of segmentation

The operating segment information is presented on the basis of the type of business and similarity of activities.

2. Summary of operating segments

(1) Real estate sales (investment) business: Rental apartment building planning and sales

(2) Real estate rental management business: Rental apartment building management and brokerage services

(3) Finance business: Financing rental apartment building purchases, rent default guarantee service mainly for tenants, free loan mainly for individuals

(4) Other businesses: LPG supply and sales, restaurant (Japanese style pubs (izakaya)) management; subcontracting of renovation and extension construction work, maintenance work and non-life insurance agencies

Geographical segment information

First nine months of FY3/09 (Apr. 1, 2008 – Dec. 31, 2008)

Geographical segment information is not presented since domestic sales exceeded 90% of consolidated net sales.

Overseas sales

First nine months of FY3/09 (Apr. 1, 2008 – Dec. 31, 2008)

Overseas sales information is not presented since overseas sales represented less than 10% of consolidated net sales.

(6) Significant Changes in Shareholders’ Equity

No reportable information.

Reference Material

Financial Statements of the Same Period Previous Fiscal Year

(1) Consolidated Statements of Income (summary)

(Thousands of Yen)

Items	First nine months of FY3/08 (Apr. 1, 2007 – Dec. 31, 2007) Amount
I Revenues	15,902,566
II Cost of revenues	13,864,975
Gross profit	2,037,590
III SG&A expenses	1,932,564
Operating income	105,026
IV Non-operating income	36,488
V Non-operating expenses	223,540
Ordinary loss	(82,026)
VI Extraordinary gains	37,791
VII Extraordinary loss	-
Net loss before income taxes	(44,234)
Income taxes	3,582
Net loss	(47,816)

(2) Consolidated Statements of Cash Flows (summary)

(Thousands of Yen)

	First nine months of FY3/08 (Apr. 1, 2007 – Dec. 31, 2007)
Items	Amount
I Cash flows from operating activities	
1. Net loss before income taxes	(44,235)
2. Depreciation	59,549
3. Increase (decrease) in allowance for doubtful accounts	(18,513)
4. Interest expenses	154,919
5. Gains on sale of fixed assets	(24,293)
6. Decrease (increase) in accounts receivable	1,874,016
7. Decrease (increase) in inventories	(4,087,901)
8. Increase (decrease) in accounts payable	(571,162)
9. Decrease (increase) in operating loans receivable	(183,969)
10. Increase (decrease) in real estate operation advances payable	53,340
11. Increase (decrease) in consumption taxes payable (receivable)	(29,190)
12. Others	(96,487)
Subtotal	(2,913,929)
13. Income taxes paid	(42,905)
14. Income taxes refund	6,126
Net cash used in operating activities	(2,950,708)
II Cash flows from investing activities	
1. Payment for time deposits	(9,500)
2. Proceeds from withdrawal of time deposits	26,000
3. Payment for acquisition of tangible fixed assets	(58,679)
4. Proceeds from sale of tangible fixed assets	28,461
5. Payment for acquisition of investment in securities	(188,273)
6. Others	(45,729)
Net cash used in investing activities	(247,721)
III Cash flows from financing activities	
1. Net increase (decrease) in short-term borrowings	5,355,915
2. Proceeds from long-term borrowings	3,907,500
3. Repayment of long-term borrowings	(6,043,249)
4. Payment for redemption of corporate bonds	(690,000)
5. Dividends paid	(69,508)
6. Interests paid	(163,529)
7. Others	(26,609)
Net cash provided by financing activities	2,270,518
IV Effect of exchange rate changes on cash and cash equivalents	96
V Increase (decrease) in cash and cash equivalents	(927,815)
VI Cash and cash equivalents at the beginning of period	1,513,969
VII Cash and cash equivalents at the end of period	586,153

(3) Segment Information

Operating segment information

First nine months of FY3/08 (Apr. 1, 2007 – Dec. 31, 2007)

(Thousands of Yen)

	Real estate sales (investment) business	Real estate rental management business	Finance business	Other businesses	Total	Elimination or corporate	Consolidated
Revenues							
(1) External sales	13,861,540	1,500,531	116,704	423,790	15,902,566	-	15,902,566
(2) Inter-segment sales and transfers	-	12,076	-	-	12,076	(12,076)	-
Total	13,861,540	1,512,608	116,704	423,790	15,914,643	(12,076)	15,902,566
Operating expenses	13,624,718	1,297,062	93,527	339,256	15,354,565	442,974	15,797,540
Operating income	236,821	215,545	23,176	84,533	560,077	(455,051)	105,026

Notes: 1. Method of segmentation

The operating segment information is presented on the basis of the type of business and similarity of activities.

2. Summary of operating segments

(1) Real estate sales (investment) business: Rental apartment building planning and sales

(2) Real estate rental management business: Rental apartment building management and brokerage services

(3) Finance business: Financing rental apartment building purchases, rent default guarantee service mainly for tenants, free loan mainly for individuals

(4) Other businesses: LPG supply and sales, restaurant (Japanese style pubs (izakaya)) management; subcontracting of renovation and extension construction work, maintenance work and non-life insurance agencies

Geographical segment information

First nine months of FY3/08 (Apr. 1, 2007 – Dec. 31, 2007)

Geographical segment information is not presented since domestic revenue exceeded 90% of consolidated revenue.

Overseas sales

First nine months of FY3/08 (Apr. 1, 2007 – Dec. 31, 2007)

Overseas sales information is not presented since we had no overseas sales.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*