

Qualitative Information for the Third Quarter Ended September 30, 2015

November 9, 2015

Company Shinoken Group Co., Ltd. Listed on the TSE  
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Preparation of quarterly supplementary financial document: None  
Quarterly results briefing: None

1. Qualitative Information Regarding the Settlement of Accounts for the Third Quarter

(1) Explanation on Business Performance

For the third quarter of the fiscal year ending December 2015, the Japan's corporate performance and employment situation have been generally recovered mainly because of the government's economic policy and the Bank of Japan's monetary policy. However, due to higher risk of economic downturn in China and Asian emerging countries, prospects for the Japanese economy remain uncertainties.

In the real estate industry as well, the market direction was one of recovery, driven by heightened investment and a comeback in construction demand in the rental housing sector, but there are concerns about soaring personnel and materials expenses.

In this environment the Company's Group as a whole has worked to strengthen the quality of its sales capabilities, technical capabilities and services, as well as improvement in corporate value, by means of linkages between its flow businesses (apartment sales, condominium sales and general contracting) and its stock businesses (real estate leasing and management, financing and guarantees, long-term care and LP gas supply and sales).

As a result of the foregoing, the Group's business results for the third quarter of the consolidated fiscal year ending December 2015, posted sales of ¥41,785 million (up by 37.5% from the same period of the previous fiscal year), operating income of ¥5,507 million (up by 42.2%), ordinary income of ¥5,375 million (up by 45.9%) and net income of ¥3,553 million (up by 50.6%).

In the Group's sales the normal business configuration shows a strong tendency for dealings with customers to be concentrated in the spring, and for seasonal variations by quarter.

The performance within each segment is as follows.

① Sales of apartment business

The Sales of apartment business has made proposals for apartment management mainly to salaried worker and civil servants. The Group worked for planned transfers of apartments and to secure land for new apartments.

Segment sales were ¥17,701 million (up by 134.9% from the same period of the previous fiscal year), with profit of ¥2,158 million (up by 201.4%).

② Sales of condominium business

Strong trends were seen in sales of properties obtained in the previous consolidated fiscal year. Segment sales were ¥11,327 million (down by 3.5%), with profit of ¥2,744 million (down by 0.8%).

### ③ General contractor business

The General contractor business has made good progress in construction subcontracting on orders from corporations, individuals and government agencies.

Segment sales were ¥6,697 million (up by 10.2%), with profit of ¥758 million (up by 107.5%).

The figures to compare are results of eight months from February through September 2014 in the previous consolidated fiscal year.

### ④ Property management business

With a view to maintaining and improving managed property occupancy rates, the Group worked to promote occupancy by advertising and reinforcement of leasing capabilities.

Starting in 1Q, Amenity Service Co., Ltd. and Mansion Life Co., Ltd, both engaged in the condominium management business are included in the scope of consolidation.

Segment sales were ¥4,736 million (up by 18.7%), with profit of ¥466 million (up by 6.8%).

### ⑤ Finance and guarantee business

With a view to increasing the number of home lease arrears guarantees, the Group worked to augment guarantee plans, acquire new customers and improve the collection rate.

Segment sales were ¥410 million (up by 29.6%), with profit of ¥160 million (up by 38.8%).

### ⑥ Long-term care business

Owens and operates three buildings which provide nursing care and two facilities which provide day service. Starting in 3Q, Friend Co., Ltd. and Best Co., Ltd, which own and operate six group homes and one multi-functional residential facility, are included in the scope of consolidation.

The Groups is striving to maintain and improve the occupancy rate of these buildings and enrich the long-term care service.

Segment sales were ¥317 million (up by 102.4%), with profit of ¥86 million (operating loss for the segment of ¥12 million in the same period of the previous fiscal year) was posted.

### ⑦ Other businesses

At the end of the third quarter of the current consolidated fiscal year, the number of households being supplied with LP gas was 14,812, and profit trended well.

Segment sales were ¥593 million (up by 8.3%), with profit of ¥108 million (up by 31.9%).

## (2) Qualitative Information on Consolidated Financial Position

Total assets at the end of the third quarter of the current consolidated fiscal year rose by ¥6,065 million over the previous fiscal yearend level, to ¥44,691 million. The main reasons for the increase were the increase in cash and deposits by ¥3,168 million and in real estate for sale by ¥2,438 million.

Over the same period, liabilities rose by ¥2,651 million to ¥33,275 million. The main reasons for the increase were the increase in the long term borrowings by ¥1,492 million and in the corporate bonds by ¥500 million and in the income taxes payable by ¥478 million.

Over the same period, net assets increased by ¥3,414 million from the end of the previous fiscal year to ¥11,415 million. The main reasons for the increase were the increase in the retained earnings by ¥3,368 million due mainly to the posting of net income.

(3) Explanation regarding information on consolidated business forecasts etc.

The company has revised its full-year forecasts for the fiscal year ending December 2015, that were announced on June 8, 2015. For the details, please refer to the “Notice of Revisions to Business Forecasts” announced today.

\*Forecasts regarding future performance in this material are based on information available at the time this report was prepared. Actual results may differ from the forecasts due to various factors.

## 2. Summary information (notes)

### (1) Important Change of Scope of Consolidation During the Period

None

### (2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements

None

### (3) Changes in accounting policies, accounting estimates and restatement

None

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