

**Shinoken Group Co., Ltd.**

**Business Overview**

**FY 12/2015**



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# **Business Environment**

## Business Environment

### Business Environment of Our Group

- ☐ Negative interest rates a tail wind for the real estate industry
- ☐ Heightened investment stance of investors due to QE
- ☐ Continuing construction demand
- ☐ Heightened demand for housing and services for the elderly



## Drives Business Expansion for Our Group

## Businesses of Our Group

### Flow Business

- Sales of Apartment
- Sales of Condominium
- General Contractor

### Stock Business

- Leasing / Property Management
- Finance and Guarantee
- Long-term Care
- LP Gas Supply

**Business Model whereby Accumulation in the Stock Business is Driven by the Flow Business**

## **2 Group Consolidated Results**

## Consolidated Results Highlights

Net Sales                      ¥55,070 million (+38.6% YoY)



Operating Income            ¥6,806 million (+43.5% YoY)



Ordinary Income            ¥6,448 million (+49.8% YoY)



Net Income                    ¥4,447 million (+54.0% YoY)



Net Income  
Per Share                      ¥270.02 (+52.4% YoY)



**Both Net Sales and All Profits Set Record Highs**

# Topics of Consolidated Business Results

▪ Net Sales

(Unit: JPY 100 Million)

Net Sales

▪ Ordinary Income

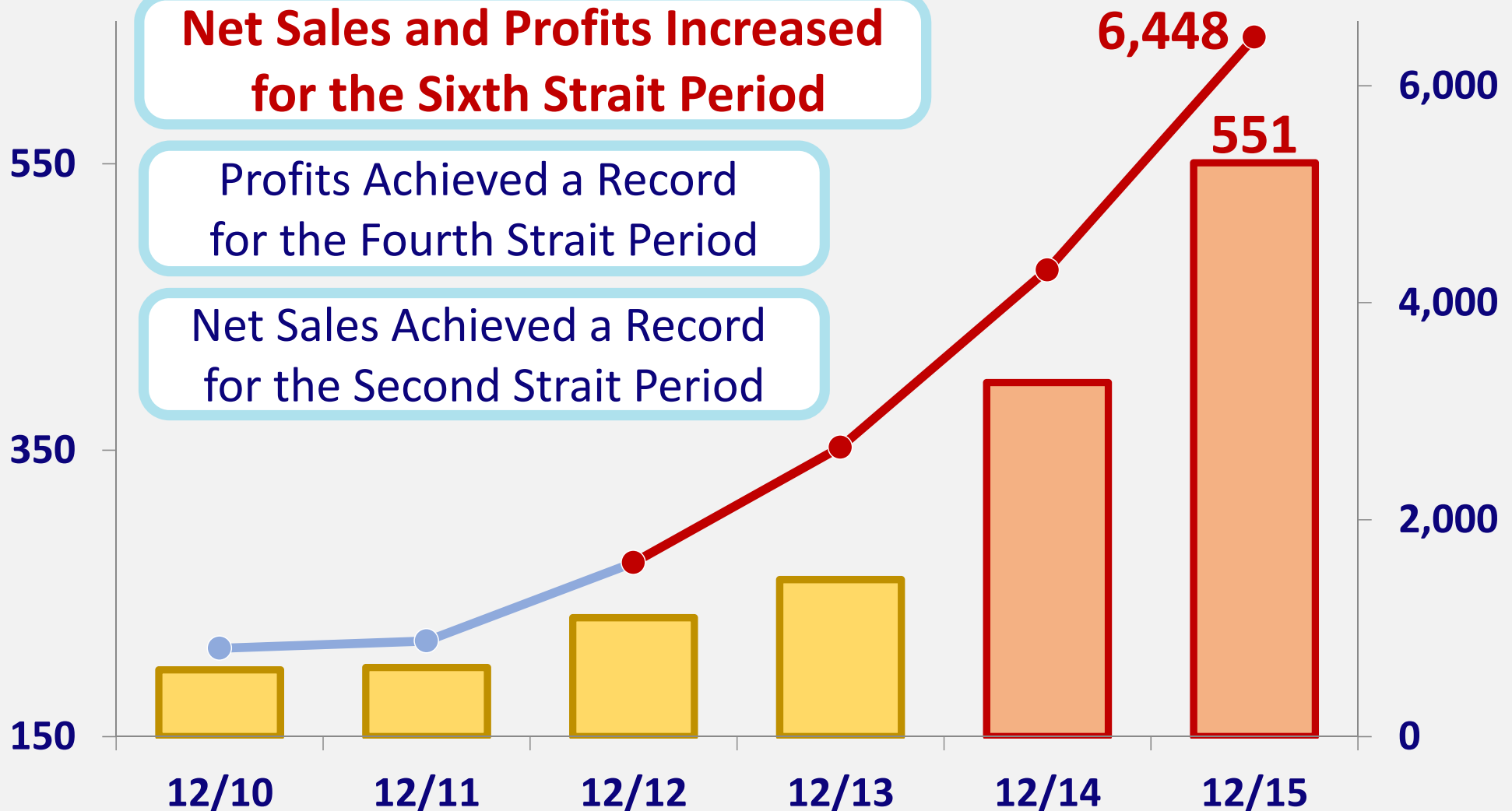
▪ Ordinary Income

(Unit: JPY Million)

**Net Sales and Profits Increased for the Sixth Strait Period**

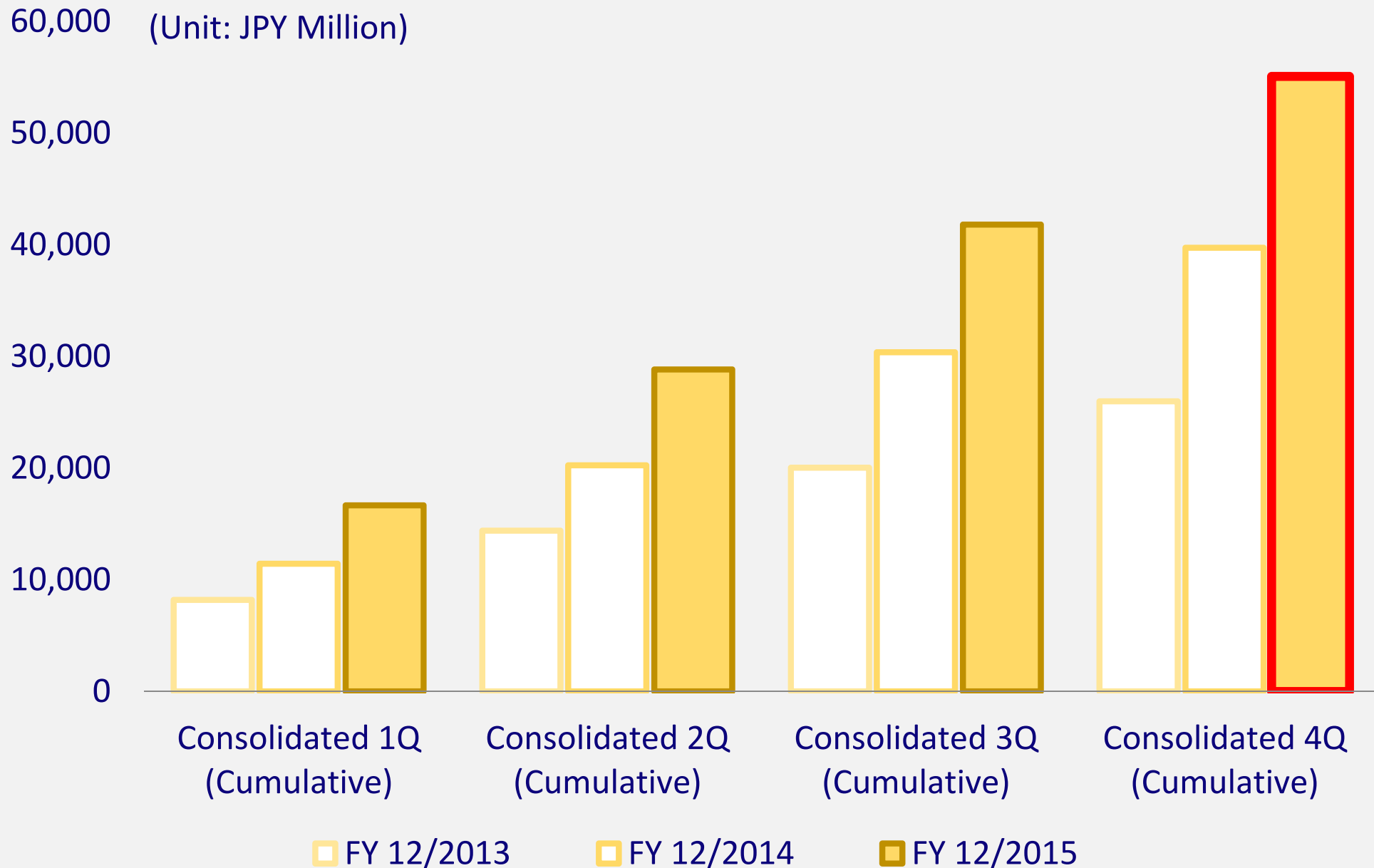
Profits Achieved a Record for the Fourth Strait Period

Net Sales Achieved a Record for the Second Strait Period

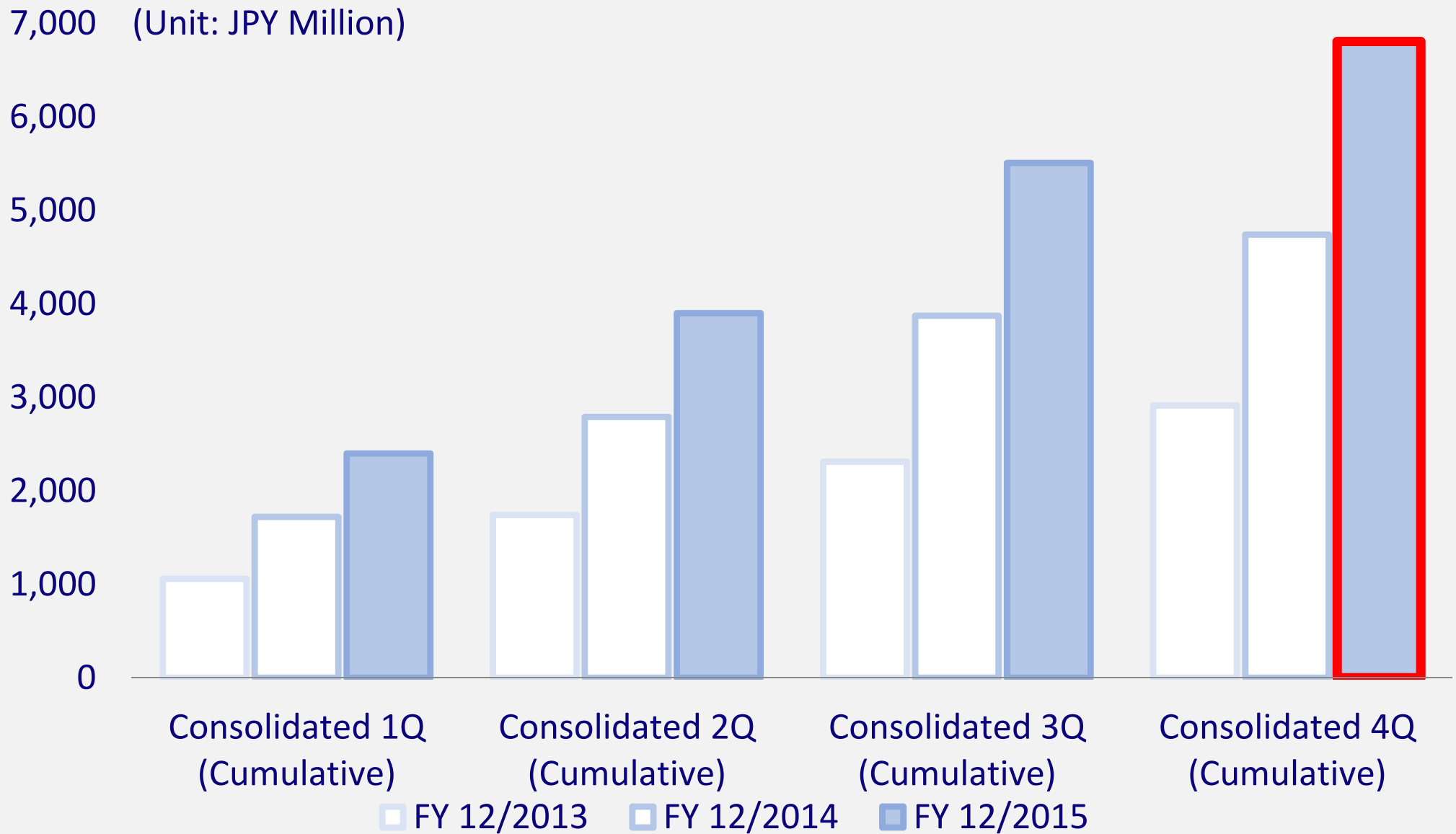




## Quarterly Net Sales (Cumulative)



## Quarterly Operating Income (Cumulative)



## Segment Results

### Sales of Apartment Business

- ❑ Established business model “Apartment Management is Possible with No Land and No Down Payment”
- ❑ Shinoken offers apartment management to office workers and public servants
- ❑ Business is conducted in five areas where there are a lot of singles (Tokyo, Fukuoka, Nagoya, Osaka and Sendai)



## Segment Results

### Sales of Apartment Business

**Net Sales**                      **¥23,759** million (+119.2% YoY) 

**Segment Profit**            **¥2,688** million (+167.0% YoY) 

- ☐ Deliveries of Apartments  
FY 12/15   320 Buildings
- ☐ Backlog of Apartments  
End of FY 12/15   389 Buildings

Plan to Post Backlog of  
Apartments of 389  
Buildings as Results in FY  
12/16

## Segment Results

### Sales of Condominium Business

- ❑ Plan / Develop designer condominiums for singles in the Tokyo Metropolitan area / inner city area
- ❑ Offer condominiums for investment to individual investors
- ❑ Secure superior sites for condominiums in metropolitan area



## Segment Results

### Sales of Condominium Business

**Net Sales**                      **¥13,664 million**    (+2.8% YoY)



**Segment Profit**            **¥3,233 million**    (+2.7% YoY)



- ☐ Deliveries of Condominiums  
FY 12/15    532 Units
- ☐ Backlog of Condominiums  
End of FY 12/15    161 Units

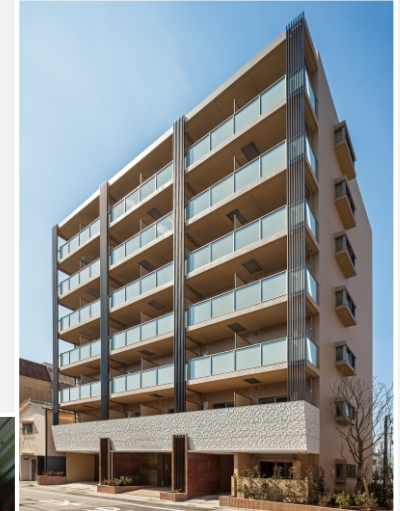
Achieved Sales of 532  
Units, Exceeding Full  
Year Plan of 518 Units



## Segment Results

### General Contractor Business

- ❑ Time-honored general contractor established in 1909 offering both technical capabilities and reliability
- ❑ Business environment with a tail wind of continuing construction demand
- ❑ Ogawa construction can produce not only housing like apartments, condominiums, and homes, but educational facilities, medical / welfare facilities, offices / stores and factories



## Segment Results

### General Contractor Business

Net Sales                      ¥9,382 million (+6.6% YoY)



Segment Profit              ¥1,069 million (+106.2% YoY)



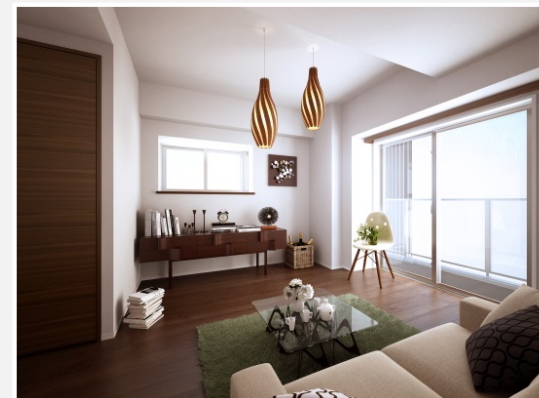
- Profitability improved by strengthening of individual project (construction) management
- About 50% of studio-type condominiums sold are constructed by general contractor segment with strengthened in-house capabilities



## Segment Results

### Leasing / Property Management Business

- The number of managed properties increases stably after apartment and condominium sales
- Leasing / property management is conducted in 6 areas (Sapporo, Sendai, Tokyo, Nagoya, Osaka and Fukuoka)
- Condominium management is conducted in 2 areas (Tokyo and Nagoya)



## Segment Results

### Leasing / Property Management Business

Net Sales

¥6,411 million (+17.8% YoY)



Segment Profit

¥670 million (+15.3% YoY)



- ☐ Leasing / property management  
End of FY 12/15 18,261 Units
- ☐ Condominium management  
End of FY 12/15 3,705 Units

Managed Properties  
Achieve Steady  
Accumulation on Stable  
Growth Business Model

## Segment Results

### Finance and Guarantee Business

#### □ Guarantees

- ▶ Provide guarantee services to tenants
- ▶ Number of guarantees increased due to enhancement of guarantees and acquiring new customers

#### □ Small-amount / Short-term Insurance

- ▶ Developed new products and acquired new customers
- ▶ Developed solitary death insurance and stalker expense insurance



## Segment Results

### Finance and Guarantee Business

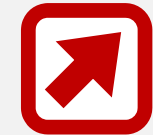
Net Sales

¥539 million (+28.5% YoY)



Segment Profit

¥209 million (+35.1% YoY)



□ Number of Guarantees

End of FY 12/15 13,955

□ Amount of Guarantees

End of FY 12/15 ¥813 million

The Number of Rent  
Guarantees Steadily  
Increases with Increases  
in the Number of  
Managed Properties

## Segment Results

### Long-term Care Business

- ❑ Promote efforts with goal of “Lifestyle Creation with Peace of Mind” to deal with the extreme aging society
- ❑ The “Raku-Raku Plan” for properties managed by our Group received the Good Design Award
- ❑ Own and operate facilities such as housing with services for elderly, group homes, day services and multifunctional group homes
- ❑ By making Apple Care Co., Ltd. into subsidiary, expand service areas with entering into home care and visiting care markets





## Segment Results

### Long-term Care Business

Net Sales

¥520 million (+121.4% YoY)



Segment Profit

¥104 million (+411.3% YoY)



- ☐ Housing with Services for Elderly  
3 Areas (Tokyo and Fukuoka)
- ☐ Day Services  
2 Areas (Tokyo and Fukuoka)
- ☐ Group Homes  
7 Areas (Tokyo, Osaka and Fukuoka)

Established Framework  
Making Possible the  
Provision of Services  
from Independence to  
Heavy Long-term Care

## Segment Results

### Other Businesses

- ❑ Conducting LP gas supply to properties that our Group sold contributes to a steadily increasing stock business
- ❑ Until now, conducted in 3 areas (Fukuoka, Tokyo and Nagoya)
- ❑ Established a LP gas sales subsidiary in Sendai on April 2016, with expectations of increase order of apartments



## Segment Results

### Other Businesses

Net Sales

¥792 million (+12.3% YoY)



Segment Profit

¥138 million (+53.9% YoY)



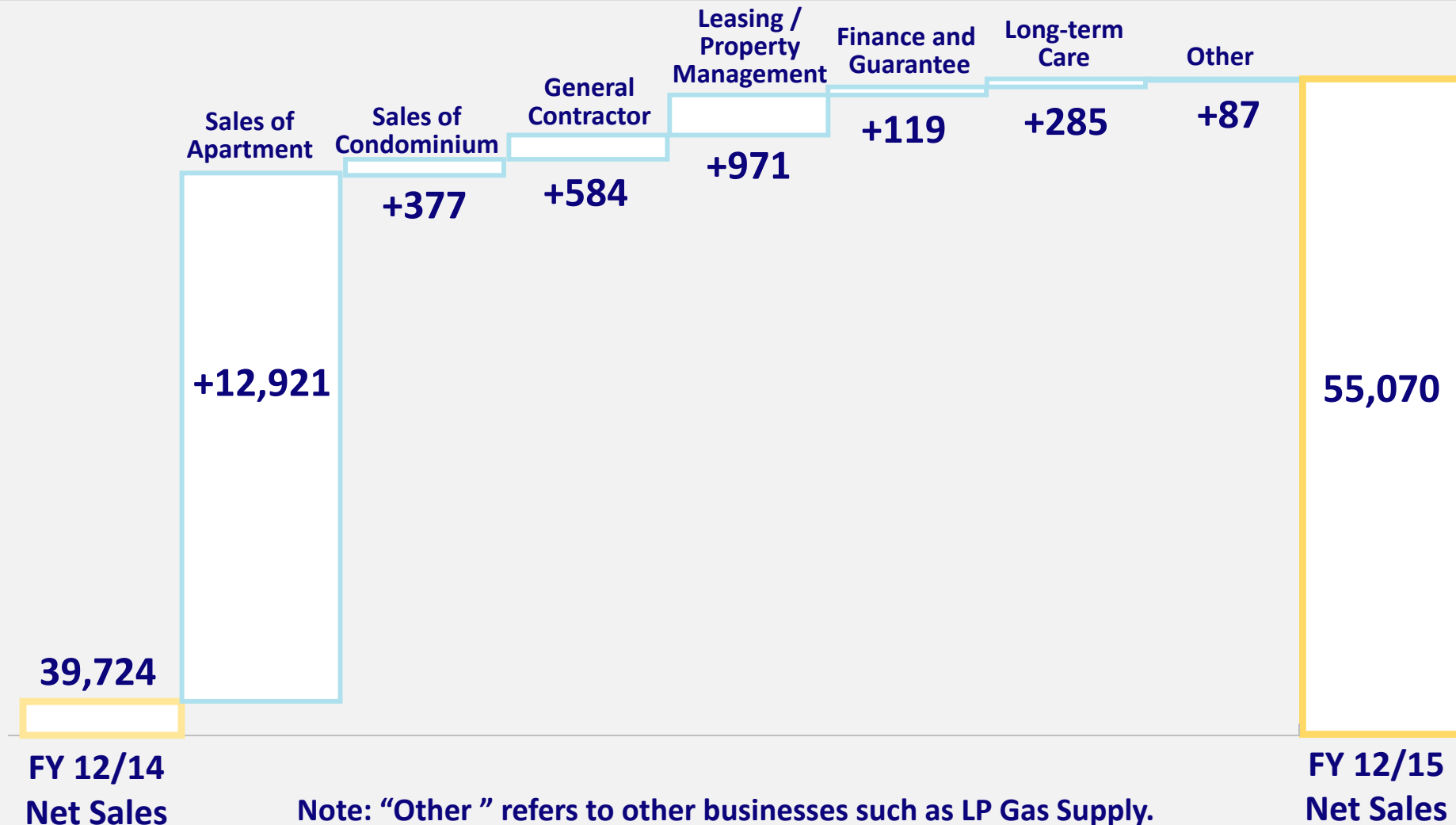
- LP Gas Supply Contracts  
End of FY 12/15 15,569

With Favorable Sales of  
Apartments and  
Condominiums, New  
Supply Contracts are also  
Increasing Steadily



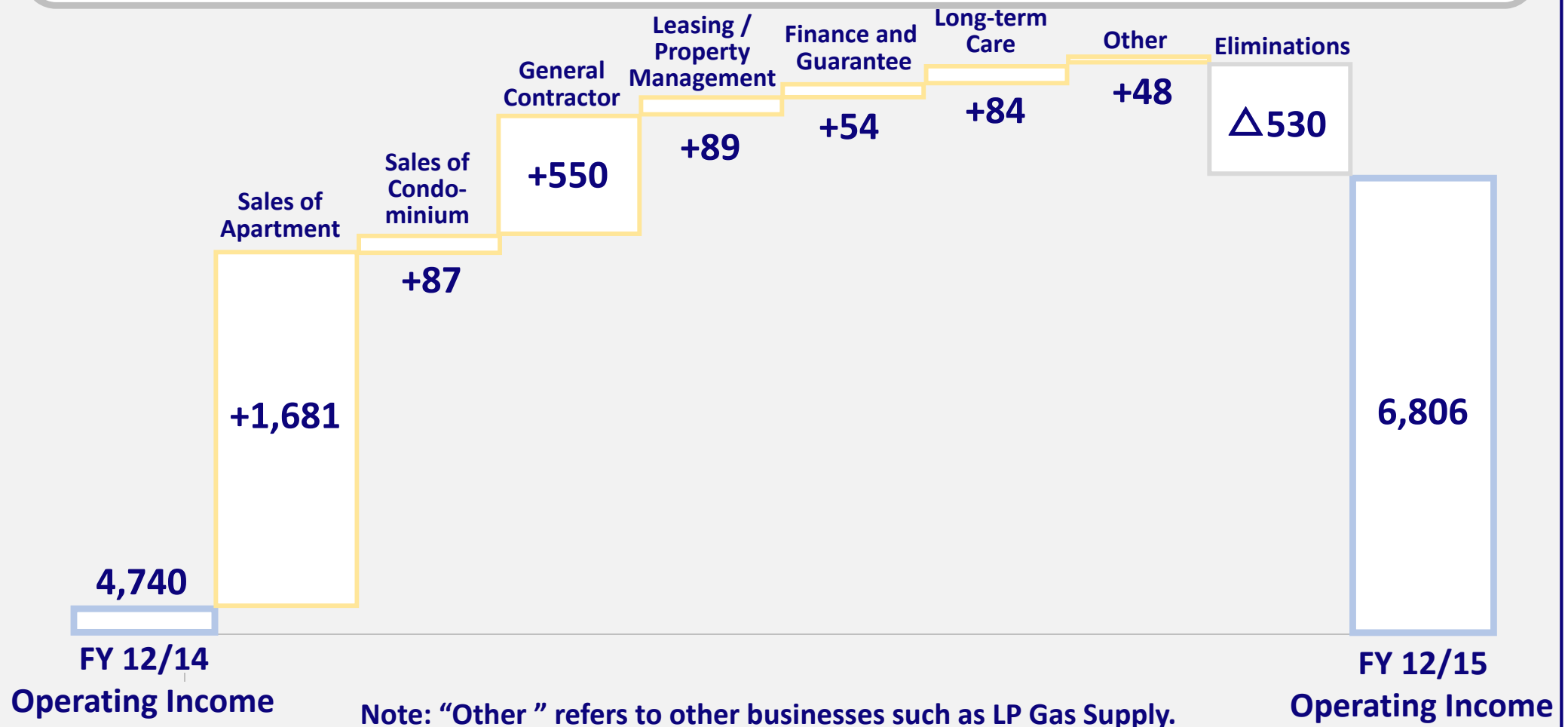
## Analysis of Increase / Decrease in Net Sales

Increase in Number of Apartment Sales Contributed Greatly to Increase in Net Sales



## Analysis of Increase / Decrease in Operating Income

Increase in Number of Apartment Sales and Improved Profitability of General Contractor Business Contributed Greatly to Increase in Operating Income



# **3 Consolidated Balance Sheet**

## Consolidated Balance Sheet

Current Assets  
¥42,281 million

Breakdown

Cash and Deposits      ¥7,679 mil.  
Real Estate for Sale    ¥18,527 mil.  
Cost on Real Estate  
Business      ¥10,705 mil.

Fixed Assets  
¥10,175 million

Current Liabilities  
¥21,966 million

Fixed Liabilities  
¥18,144 million

Net Assets  
¥12,345 million

▷ Total Assets

¥52,457 million

## Consolidated Balance Sheet

|                                   |  |
|-----------------------------------|--|
| Current Assets<br>¥42,281 million | Current Liabilities<br>¥21,966 million |
| Fixed Assets<br>¥10,175 million   | Fixed Liabilities<br>¥18,144 million   |
|                                   | Net Assets<br>¥12,345 million          |

▷ Total Liabilities

¥40,111 million

## Consolidated Balance Sheet

|                                   |  |
|-----------------------------------|--|
| Current Assets<br>¥42,281 million | Current Liabilities<br>¥21,966 million |
| Fixed Assets<br>¥10,175 million   | Fixed Liabilities<br>¥18,144 million   |
|                                   | Net Assets<br>¥12,345 million          |

▷ Shareholders' Equity Ratio 23.5%



# Growth Strategy

## Business Policy

**Aim to Create a Management  
Platform that Can Respond  
Flexibly to Any Economic  
Environment Changes**



## Growth Strategy

### Growth Strategy - 1

#### Strengthening of the Existing Business

- Strengthen the domestic real estate business
- Strengthen the stock business through acceleration of sales

### Growth Strategy - 2

#### Construction of the Overseas Business and M&A (Domestic / Overseas)

- Establish the overseas business model
- Implement M&A

## Growth Strategy

**Further Strengthen the  
Business Platform**

## Mid-term Plan

| Item             | Actual     |            | Plan       |            |            |
|------------------|------------|------------|------------|------------|------------|
|                  | FY 12/2014 | FY 12/2015 | FY 12/2016 | FY 12/2017 | FY 12/2018 |
|                  | Actual     | Actual     | Plan       | Plan       | Plan       |
| Net Sales        | 39,724     | 55,070     | 72,000     | 81,000     | 96,000     |
| Operating Income | 4,740      | 6,806      | 7,500      | 8,200      | 9,400      |
| Ordinary Income  | 4,302      | 6,448      | 7,100      | 7,800      | 9,000      |
| Net Income       | 2,886      | 4,447      | 4,800      | 5,300      | 6,200      |
| Net Assets       | 8,001      | 12,345     | 17,145     | 22,445     | 28,645     |
| EPS              | ¥177.23    | ¥270.02    | ¥288.63    | ¥318.70    | ¥372.81    |

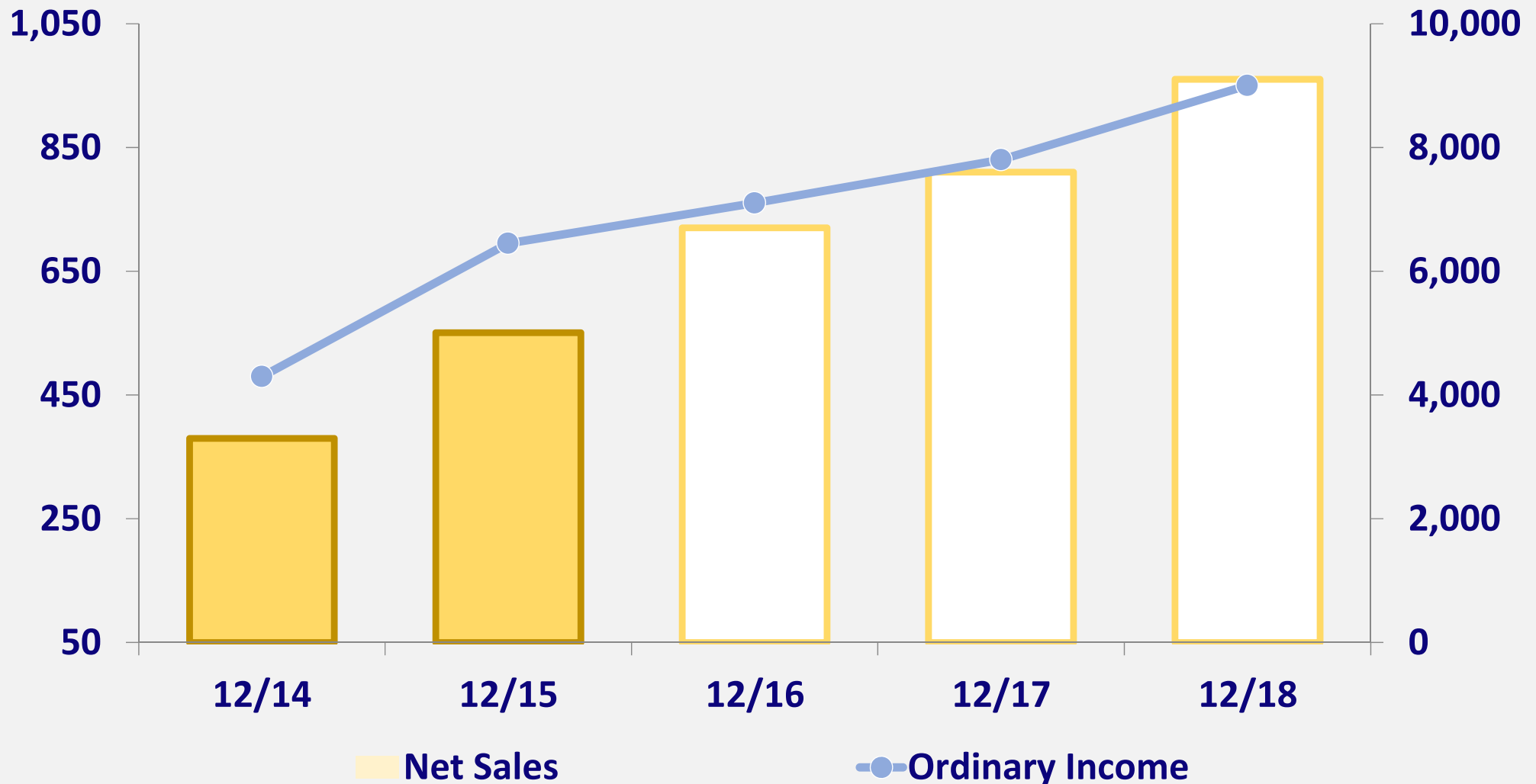
(Unit: JPY Million)

**Upwardly Revised Planned  
Figures in November 2015**

## Mid-term Plan (Charts)

▪ Net Sales  
(Unit: JPY 100 Million)

▪ Ordinary Income  
(Unit: JPY Million)

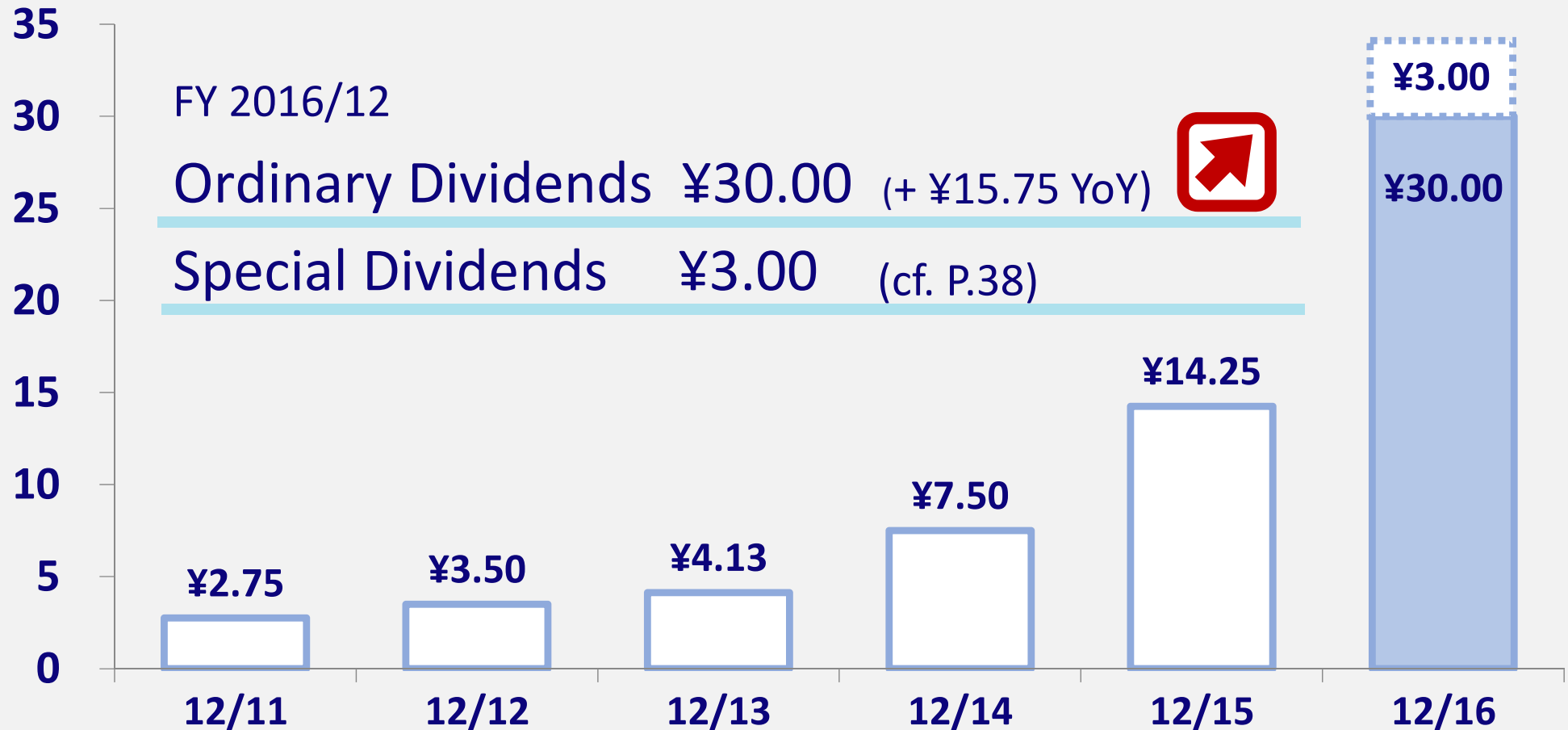




# Shareholder Returns

## Dividends

### Dividend Amount



Dividend Amount Increased 11x in 5 Years

Note: Dividend figures for each period take into account stock split

## Special Dividends

### Ordinary Dividends

Mid-term    ¥15.00

Term-end    ¥15.00

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Total        ¥30.00



### Special Dividends

If FY 12/2016 ordinary income is forecast to increase 10% above the initial forecast of ¥7,810 million, then a dividend increase of another ¥ 3.00 is planned in addition to the annual dividend of ¥30.00

## Dividend Policy in FY 12/2016

**Further Strengthen  
Shareholder Returns**