

**Shinoken Group Co., Ltd.**

**Business Overview**

**1H FY 12/2016**



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# **1 About Our Group**

## 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

¥36,427 million (+26.31% YoY)



Operating Income

¥5,171 million (+32.57% YoY)



Ordinary Income

¥4,627 million (+19.63% YoY)

Profit Attributable to  
Owners of Parent

¥3,029 million (+15.32% YoY)

Net Income  
Per Share

¥182.12 (+13.24% YoY)



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

# Topics of Consolidated Business Results

▪ Net Sales

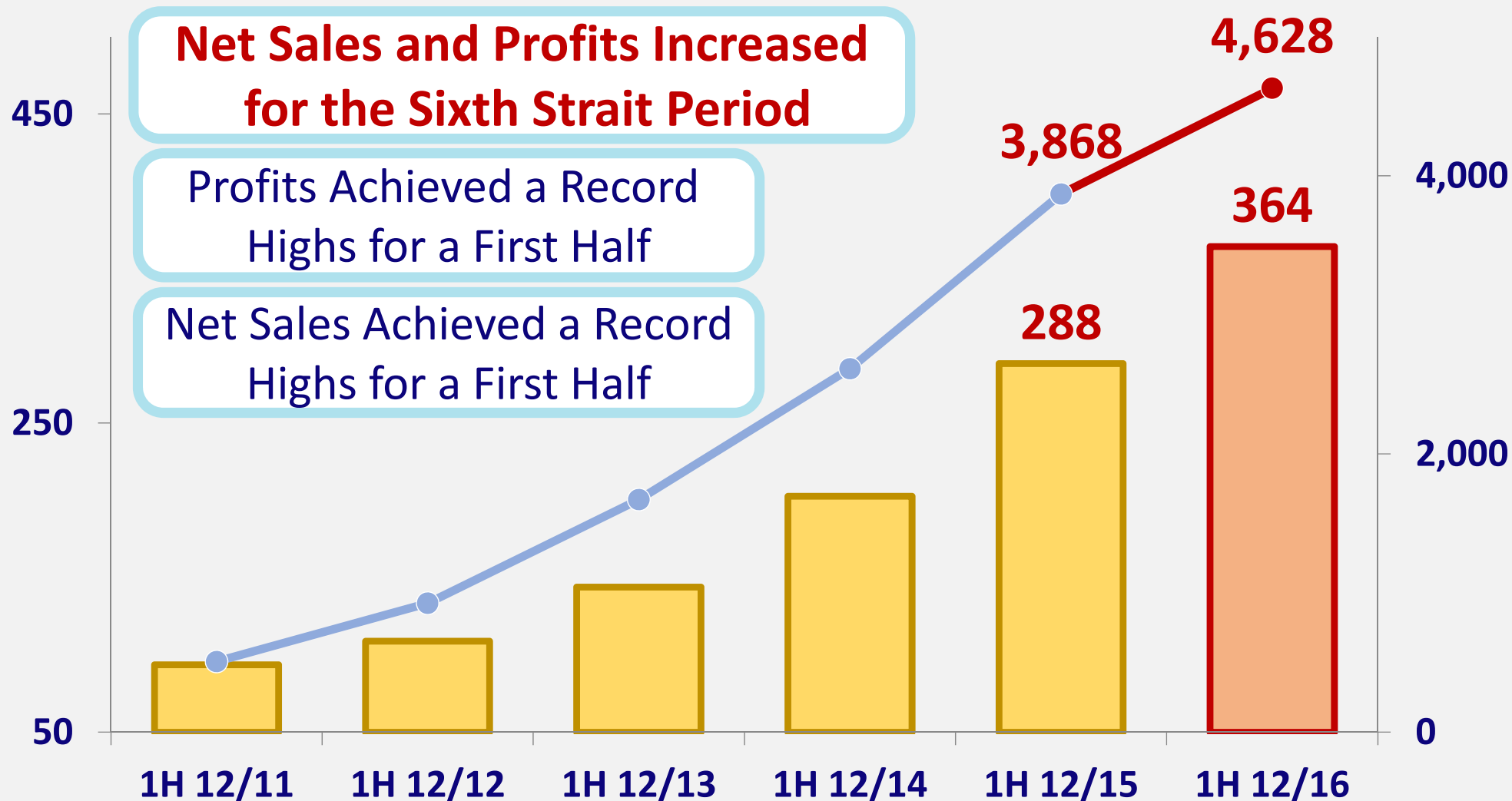
(Unit: JPY 100 Million)

■ Net Sales

▪ Ordinary Income

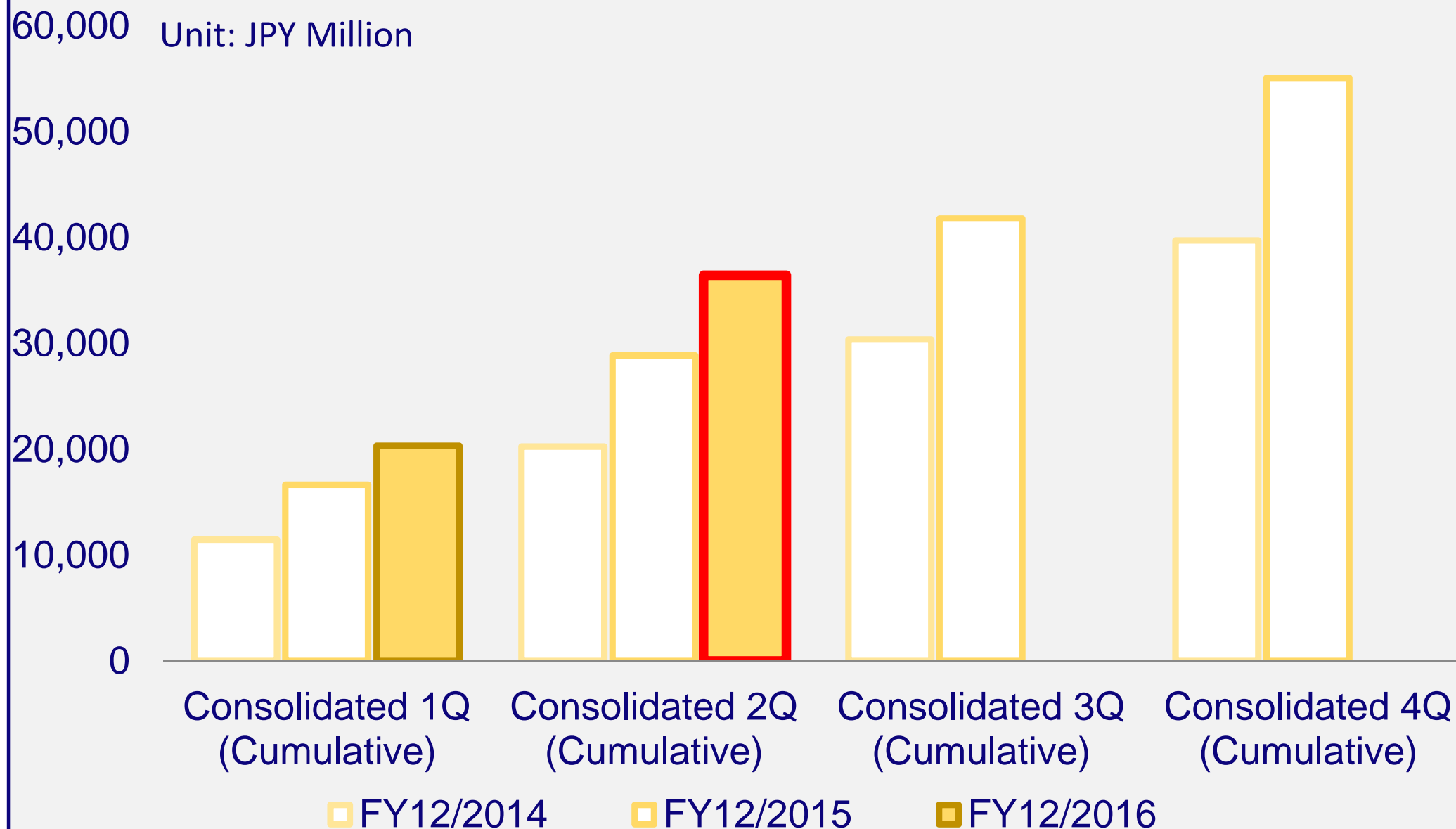
(Unit: JPY Million)

● Ordinary Income





## Quarterly Net Sales (Cumulative)



## Quarterly Operating Income (Cumulative)

7,000 Unit: JPY Million

6,000

5,000

4,000

3,000

2,000

1,000

0

Consolidated 1Q  
(Cumulative)

Consolidated 2Q  
(Cumulative)

Consolidated 3Q  
(Cumulative)

Consolidated 4Q  
(Cumulative)

□ FY12/2014

□ FY12/2015

■ FY12/2016

## Segment Outline

### 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**                      **¥16,845** million (+37.86% YoY)



**Segment Profit**            **¥1,656** million (+6.83% YoY)



- ☐ Orders of Apartments  
1H FY 12/16   373 Buildings
- ☐ Deliveries of Apartments  
1H FY 12/16   230 Buildings
- ☐ Order Backlog of Apartments  
End of 1H FY 12/16   532 Buildings

230 Buildings Delivered in  
1H FY 12/2016  
⇒ Set Record High for  
Deliveries in a 1H

## Segment Outline

### 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**                      **¥9,482** million    (+18.23% YoY) 

**Segment Profit**           **¥2,863** million    (+48.00% YoY) 

- ☐ Contracts of Condominiums  
1H FY 12/16    316 Units
- ☐ Deliveries of Condominiums  
1H FY 12/16    347 Units
- ☐ Contract Backlog of Condominiums  
End of 1H FY 12/16    130 Units

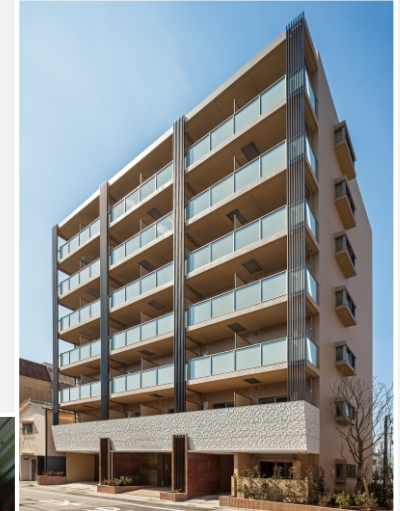
347 Units Delivered in 1H  
FY 12/2016  
⇒ Set Record High for  
Deliveries in a 1H



## Segment Outline

### 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 condominiums and homes, but educational facilities, medical / welfare facilities, offices / stores and factories



## Segment Results

### General Contractor Business

**Net Sales**                      **¥5,018** million (+9.79% YoY)



**Segment Profit**              **¥793** million (+49.48% YoY)



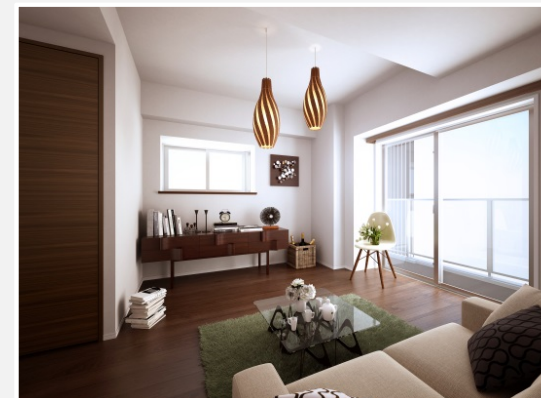
- About 70% of Condominiums Sold by the Group are Constructed by the General Contractor Business
- About 70% of Ogawa Construction's Sales are from Individual Construction Work from Other Companies



## Segment Outline

### 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**                      **¥3,728 million** (+18.82% YoY) 

**Segment Profit**              **¥460 million** (+58.66% YoY) 

- ☐ Leasing / property management  
End of 1H FY 12/16   20,070 Units
- ☐ Condominium management  
End of 1H FY 12/16   4,457 Units

Managed Properties  
Achieve Steady  
Accumulation on Stable  
Growth Business Model

## Segment Outline

### 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** **¥361** million (+22.32% YoY) 

**Segment Profit** **¥135** million (+11.03% YoY) 

- Number of Guarantees  
End of 1H FY 12/16 15,684
- Amount of Guarantees  
End of 1H FY 12/16 ¥910 million

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

## Segment Outline

### Long-term Care Business

- ❑ Provide “Raku-Raku Plan” for elderly moving into Shinoken Group managed rental properties
- ❑ 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** **¥495** million (+202.79% YoY) 

**Segment Profit** **¥67** million (+22.53% 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<Plan>)

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

## Segment Outline

### 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** **¥495** million (+14.76% YoY) 

**Segment Profit** **¥144** million (+60.48% YoY) 

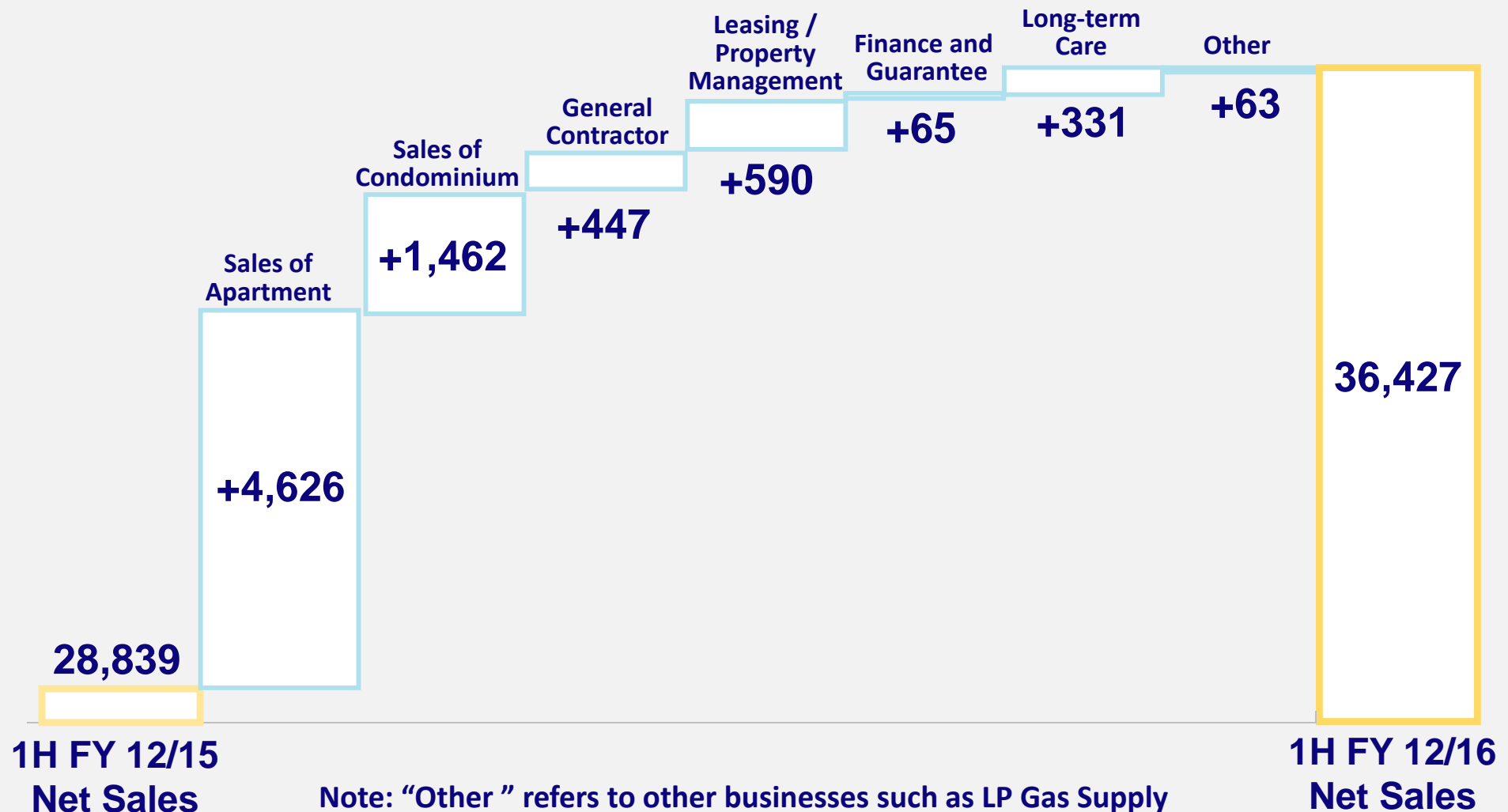
- ☐ LP Gas Supply Contracts  
End of 1H FY 12/16 16,908

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



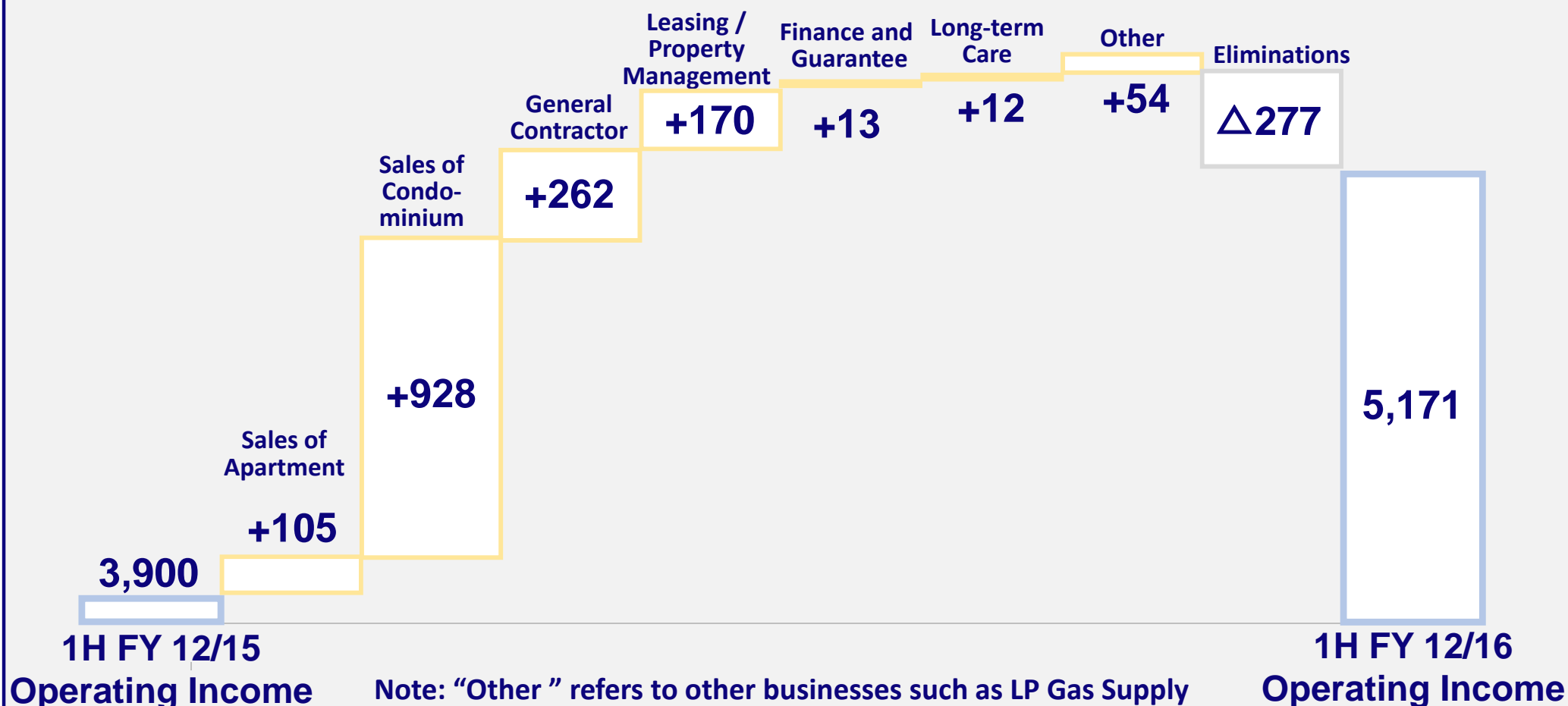
## Analysis of Increase / Decrease in Net Sales

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



## Analysis of Increase / Decrease in Operating Income

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



# **3 Consolidated Balance Sheet**

## Consolidated Balance Sheet

<p>Current Assets</p> <p>¥49,501 million</p> <p>Breakdown</p> <p>Cash and Deposits    ¥10,584 mil.</p> <p>Real Estate for Sale    ¥22,337 mil.</p> <p>Cost on Real Estate Business    ¥12,718 mil.</p>	<p>Current Liabilities</p> <p>¥24,193 million</p>
<p>Fixed Assets</p> <p>¥9,968 million</p>	<p>Fixed Liabilities</p> <p>¥20,028 million</p>
	<p>Net Assets</p> <p>¥15,248 million</p>

▷ Total Assets

¥59,470 million

## Consolidated Balance Sheet

Current Assets ¥49,501 million	Current Liabilities ¥24,193 million
Fixed Assets ¥9,968 million	Fixed Liabilities ¥20,028 million
	Net Assets ¥15,248 million

▷ **Total Liabilities**

**¥44,222 million**

## Consolidated Balance Sheet

Current Assets ¥49,501 million	Current Liabilities ¥24,193 million
Fixed Assets ¥9,968 million	Fixed Liabilities ¥20,028 million
	Net Assets ¥15,248 million

▷ Shareholders' Equity Ratio 25.60%

# 4

# 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

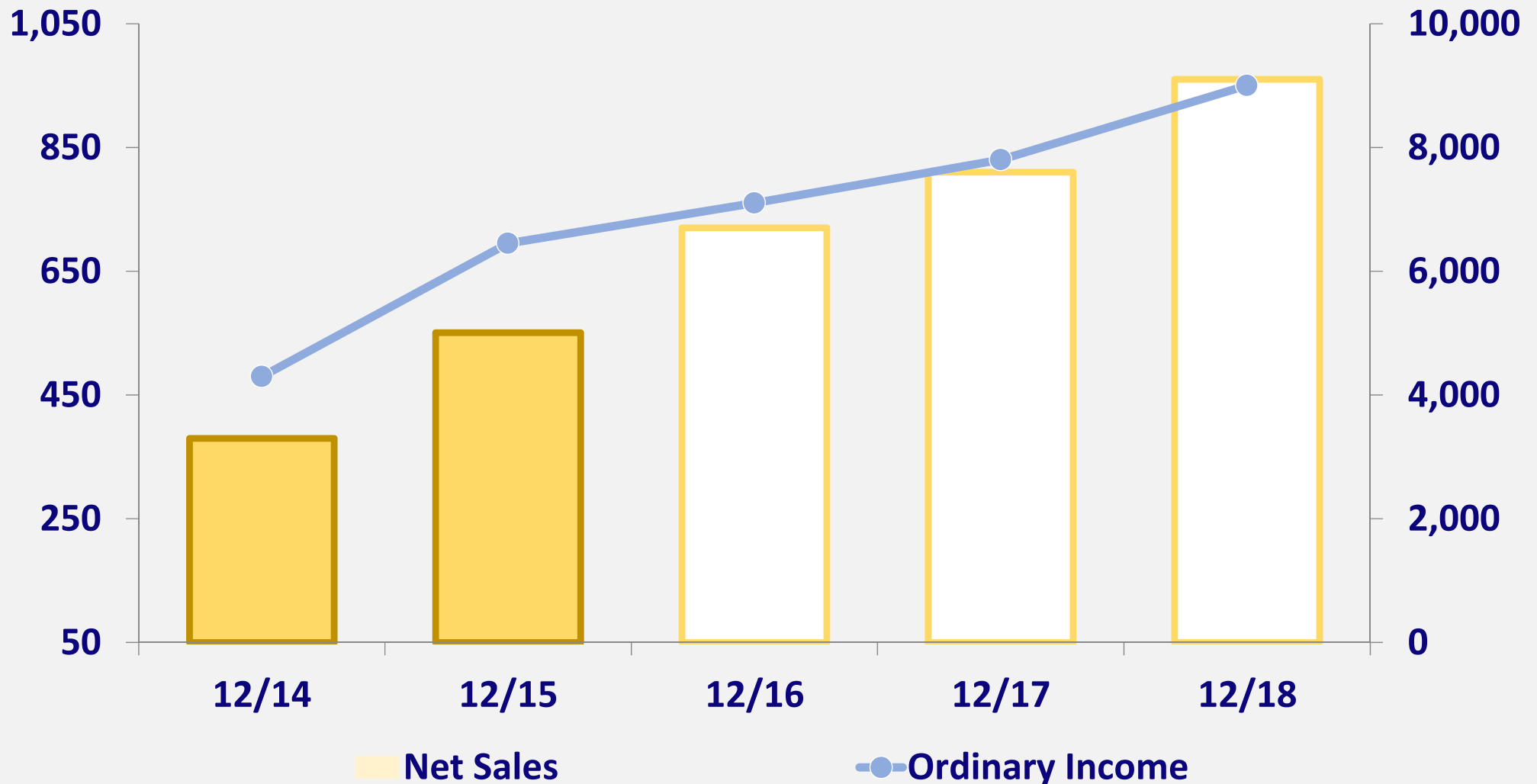


**Upwardly Revised Planned  
Figures in November 2015**

## Mid-term Plan (Charts)

▪ Net Sales  
(Unit: JPY 100 Million)

▪ Ordinary Income  
(Unit: JPY Million)

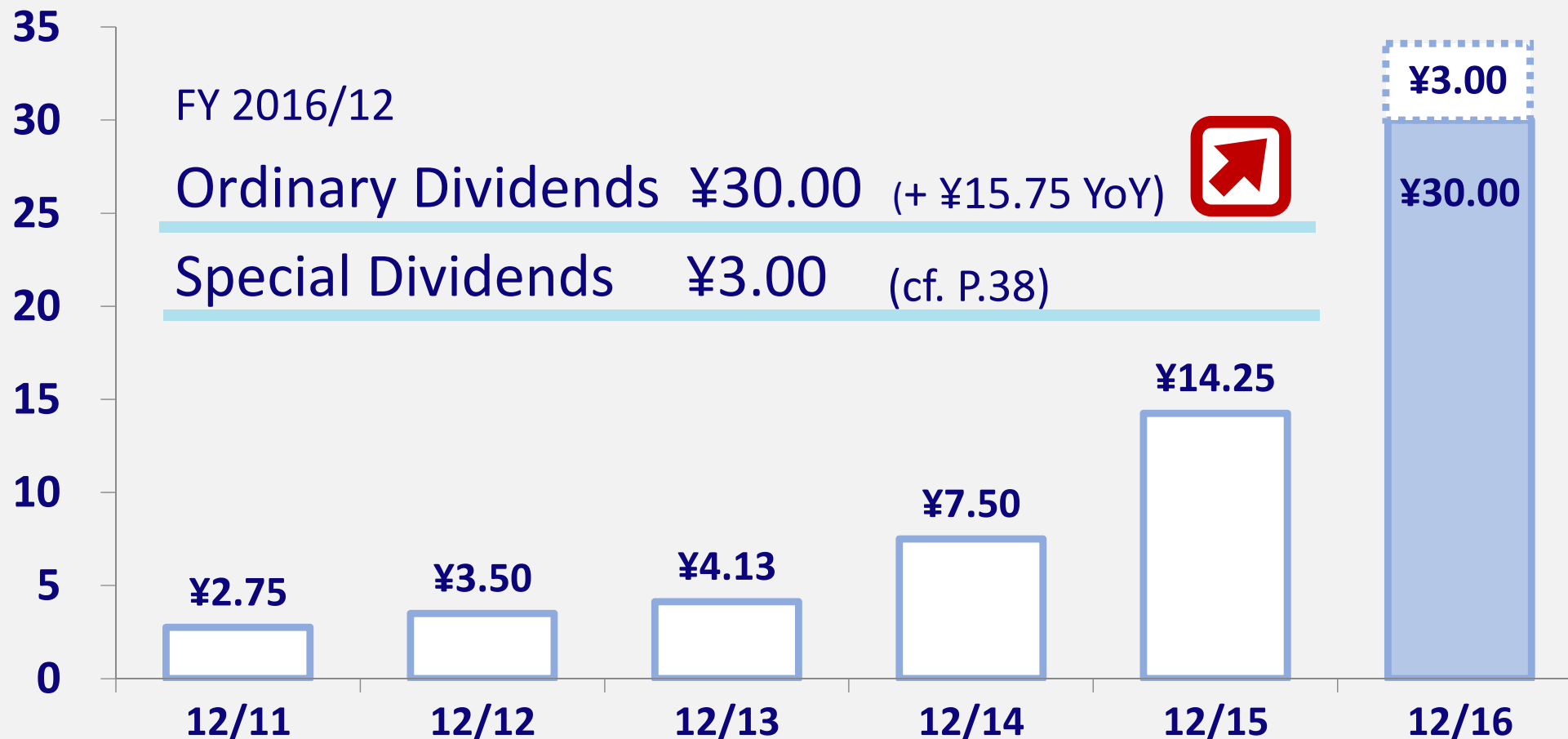




# Shareholder Returns

## 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 beyond ¥7,810 million, which represents a 10% increase from the initial forecast of ¥7,100 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**

## **DISCLAIMER**

This document includes estimations that are based on presumptions, forecasts and plans concerning the future of Shinoken business using August 27, 2016 as the date of reference. Thus, actual business results may greatly differ from any estimations contained herein due to a variety of unforeseen reasons and circumstances such as economic trends and the changing states of business environments.

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