

Shinoken Group Co., Ltd.

Business Overview

FY 12/2016



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Other Topic

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
- ☐ Growing real estate industry boosts demand for the construction
- ☐ 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 ¥81,294 million (+47.6% YoY)



Operating Income ¥10,570 million (+55.2% YoY)



Ordinary Income ¥9,895 million (+53.4% YoY)



Profit Attributable to
Owners of Parent ¥6,662 million (+49.8% YoY)



Net Income
Per Share ¥400.92

Both Net Sales and All Profits Set Record High

Topics of Consolidated Business Results

▪ Net Sales

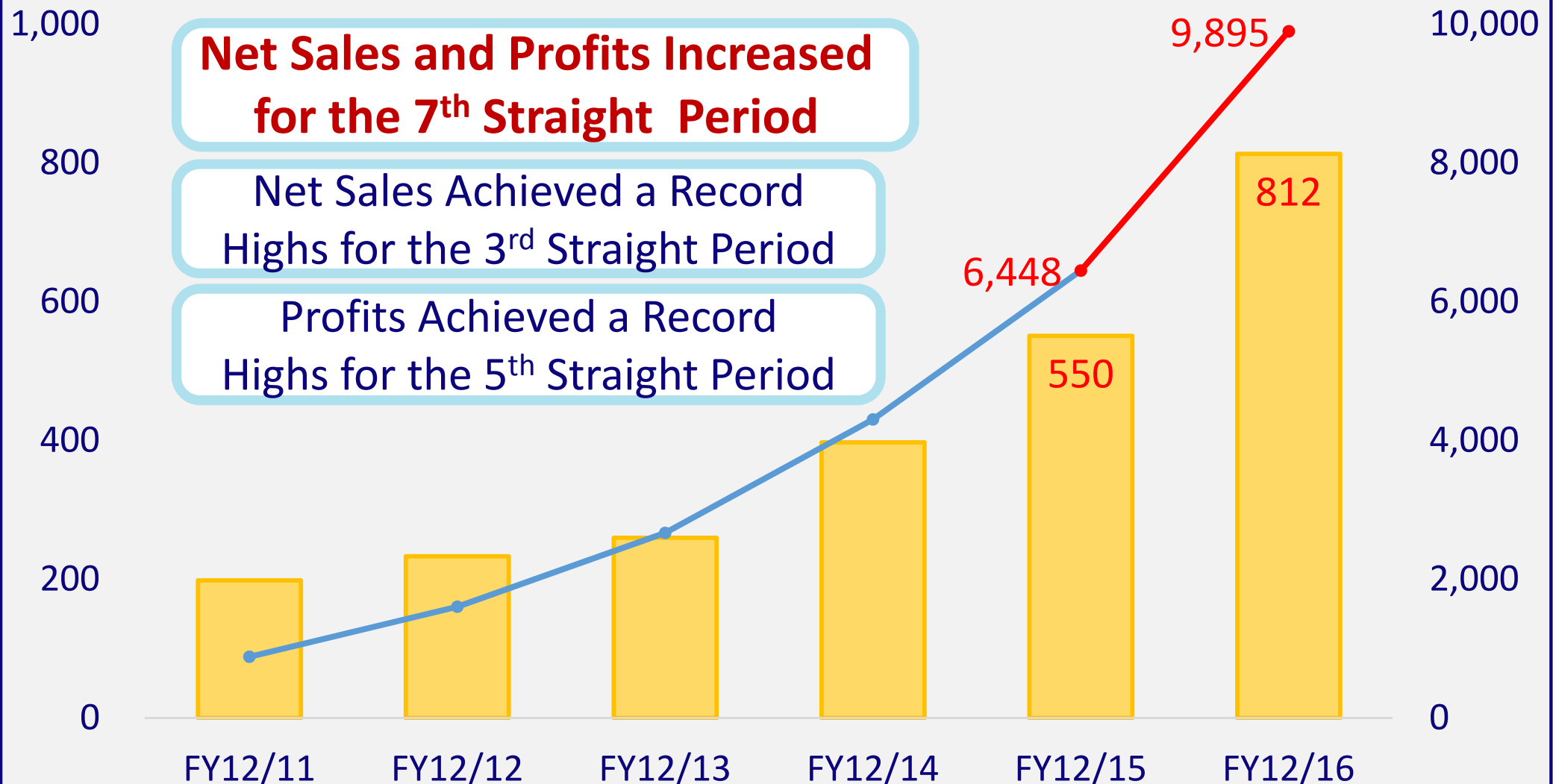
(Unit: JPY 100 Million)

■ Net Sales

● Ordinary Income

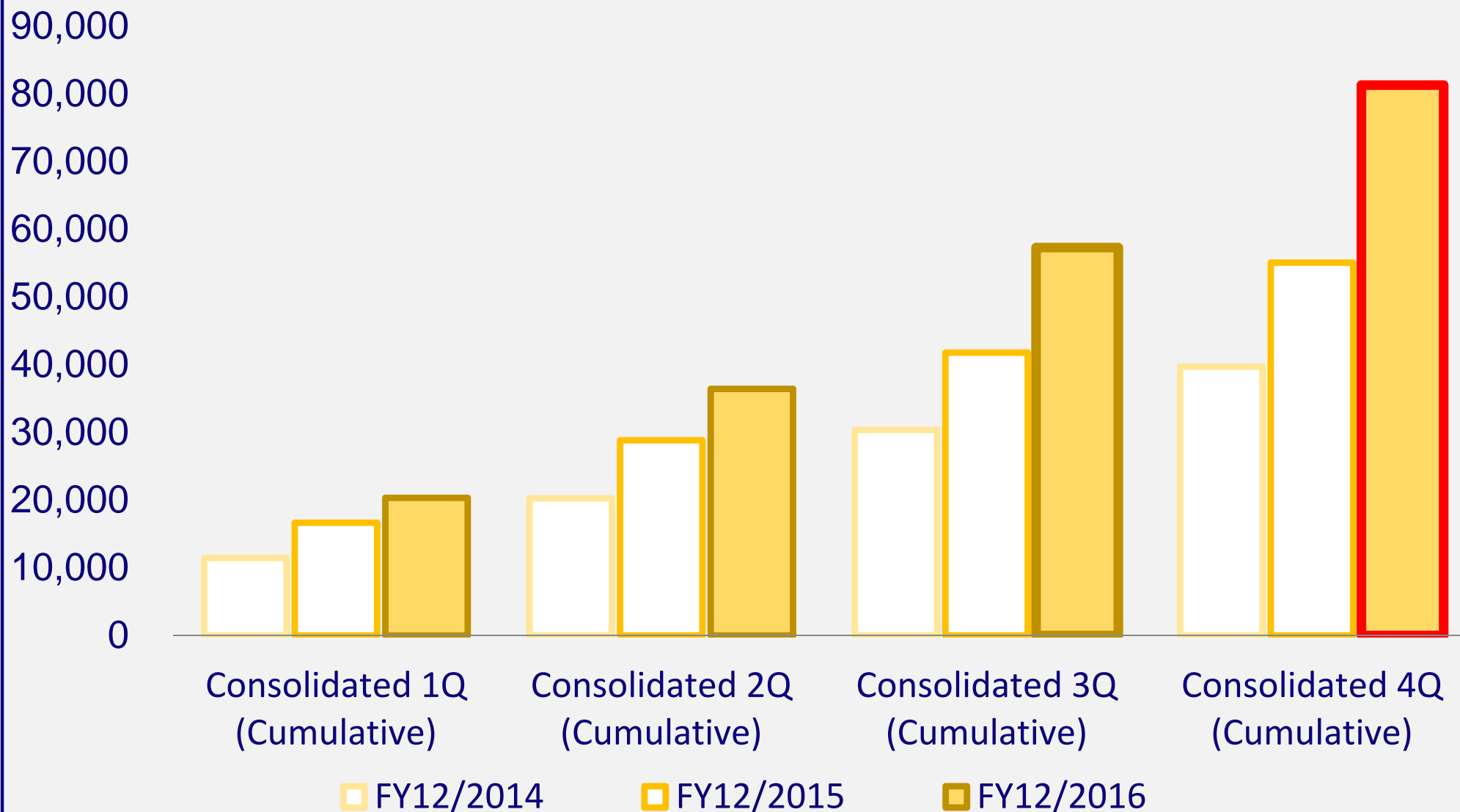
▪ Ordinary Income

(Unit: JPY Million)



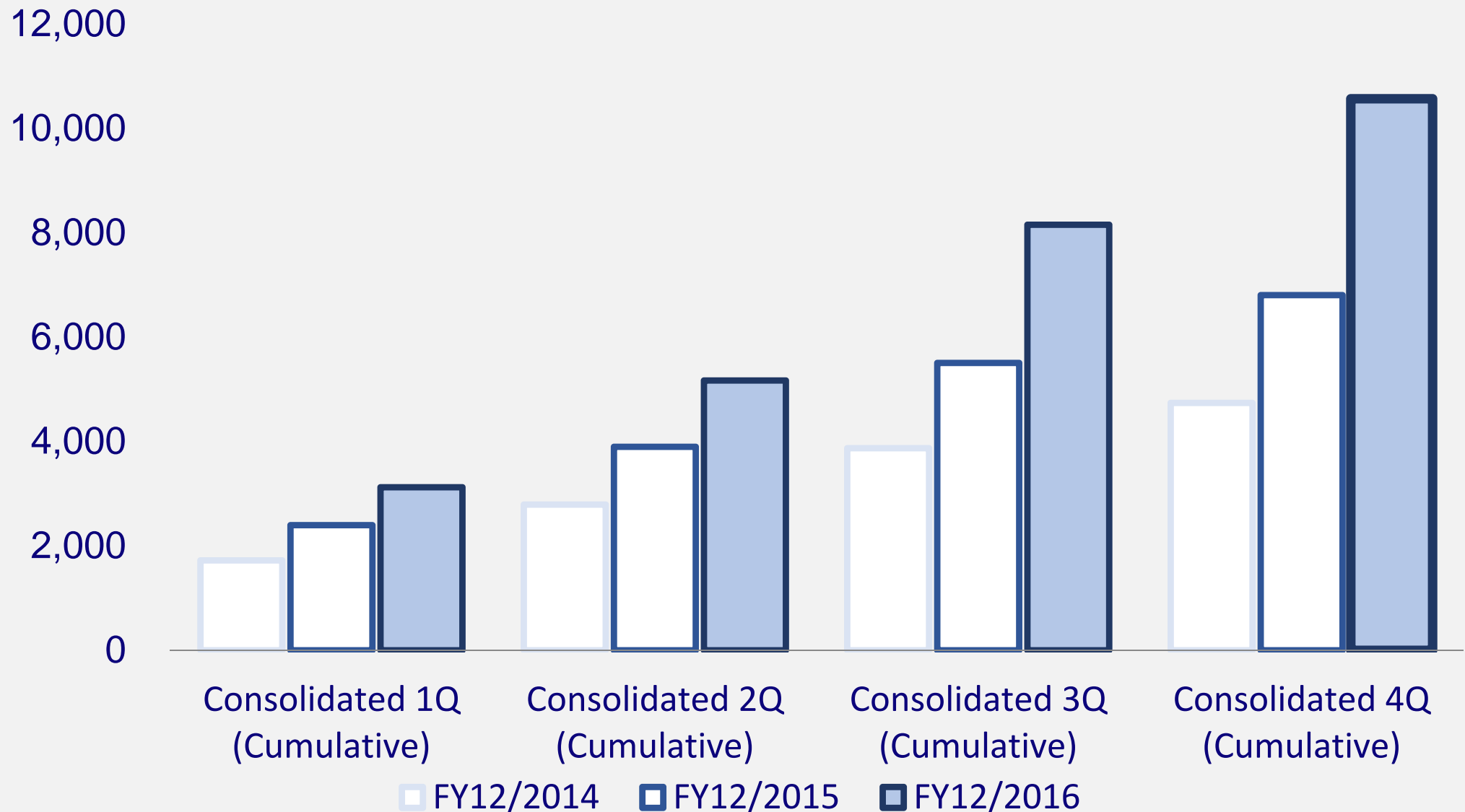
Quarterly Net Sales(Cumulative)

(Unit: JPY Million)



Quarterly Operating Income(Cumulative)

(Unit: JPY Million)



Segment Outline

Real Estate Sales

Sales of Apartment Business

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

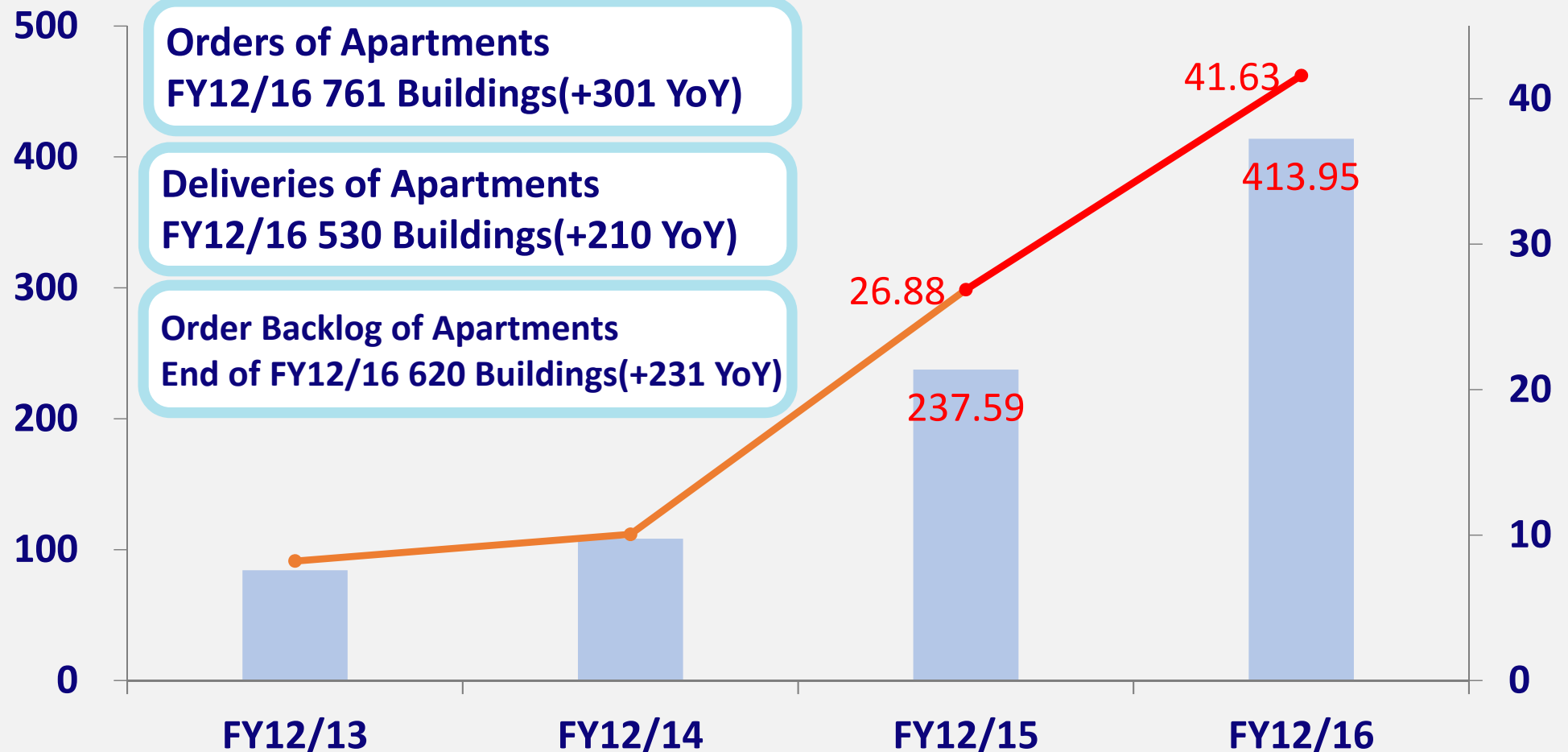


Segment Results

Real Estate Sales

Sales of Apartment Business

■ Net Sales — Segment Income

▪ Net Sales
(Unit: JPY 100 Mill.)▪ Segment Income
(Unit: JPY 100 Mill.)

Segment Outline

Real Estate Sales

Sales of Condominium Business

- ❑ Shinoken offers condominium management to individuals for asset building
- ❑ Plan / Develop designer condominiums for singles in the Tokyo Metropolitan area / center city of Tokyo
- ❑ Secure superior sites for Condominiums in metropolitan area



Segment Results

Real Estate Sales

Sales of Condominium Business

■ Net Sales — Segment Income

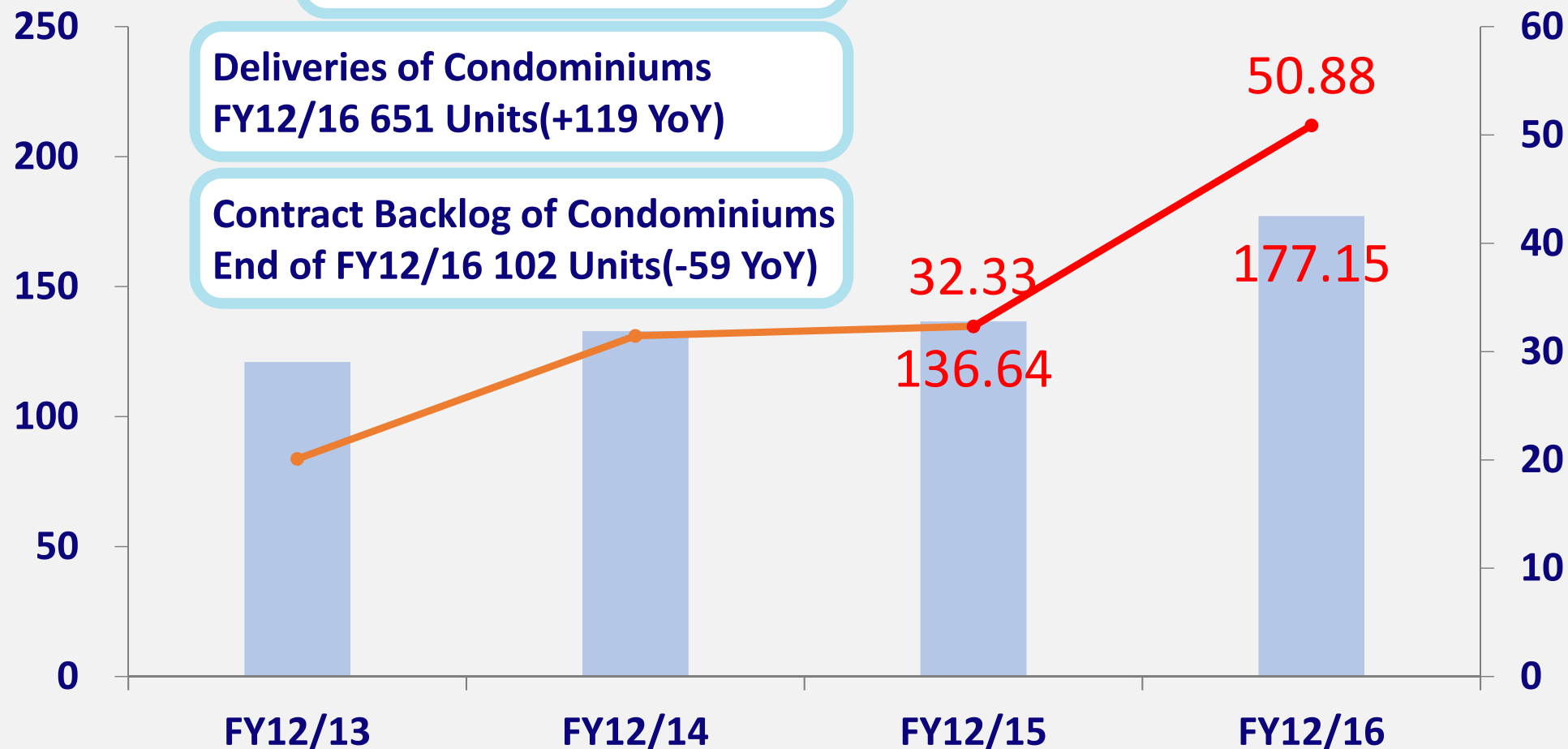
▪ Net Sales
(Unit: JPY 100 Mill.)

Contracts of Condominiums
FY12/16 592 Units(+33 YoY)

▪ Segment Income
(Unit: JPY 100 Mill.)

Deliveries of Condominiums
FY12/16 651 Units(+119 YoY)

Contract Backlog of Condominiums
End of FY12/16 102 Units(-59 YoY)



Segment Outline

General Contractor

General Contractor Business

- ❑ Time-honored general contractor established in 1909 offering both technical capabilities and reliability
- ❑ Business environment is with a tail wind of continuing construction demand
- ❑ Large range of construction capability not only condominiums and town houses but also educational buildings, medical / welfare buildings, offices / stores and factories



Segment Results

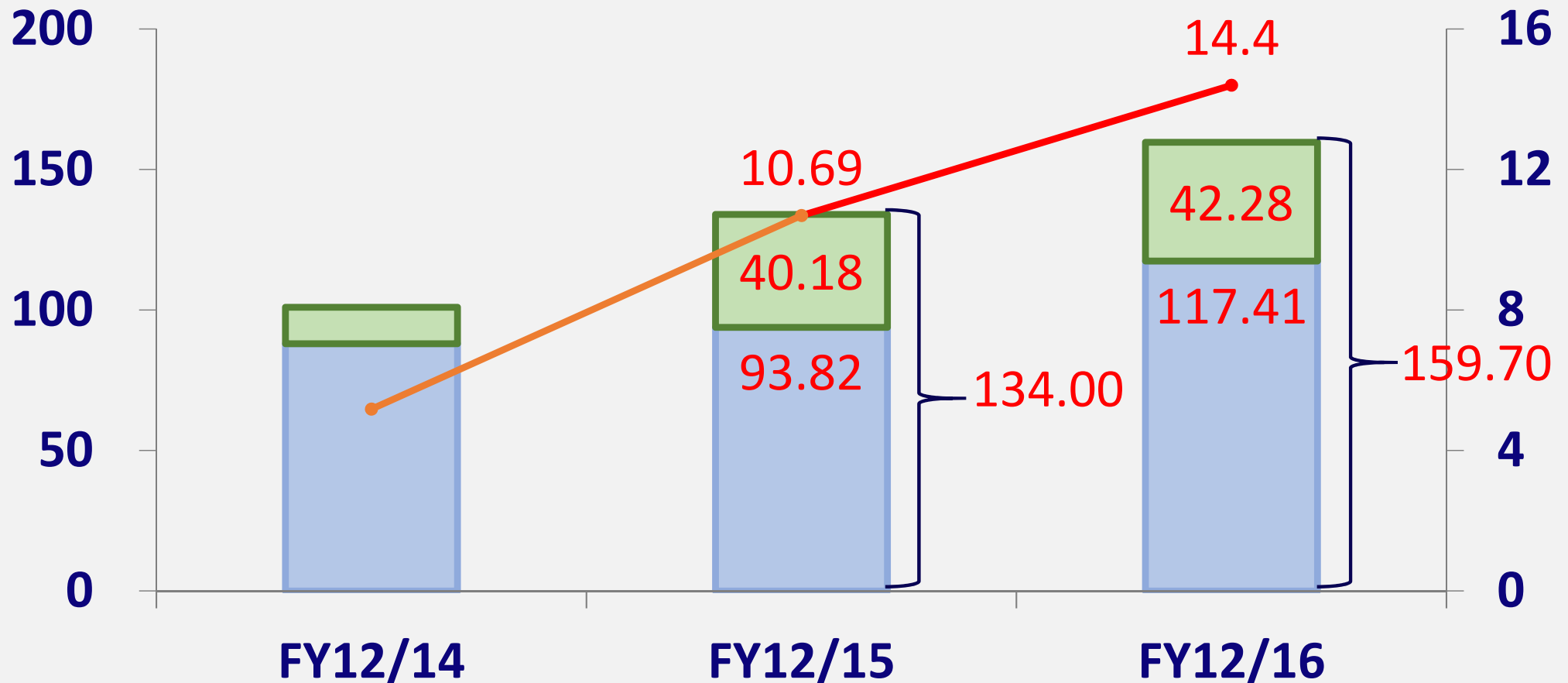
General Contractor

General Contractor Business

• Sales (Unit: JPY 100 Mill.)

■ Net Sales ■ Internal Sales — Segment Income

• Segment Income (Unit: JPY 100 Mill.)



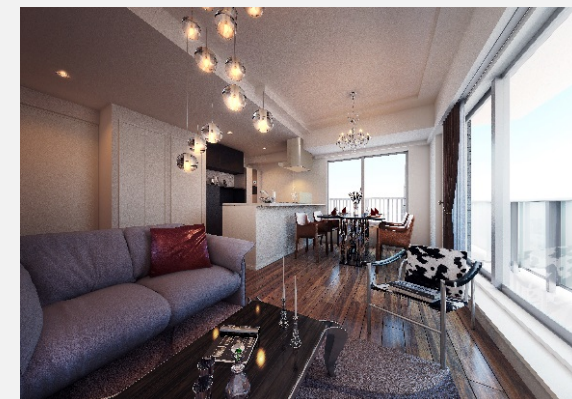
Note: Internal Sales are sales from the transaction in our company's group

Segment Outline

Real Estate Management

Leasing / Property Management Business

- ❑ The number of managed properties increased steadily 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

Real Estate Management

Leasing / Property Management Business

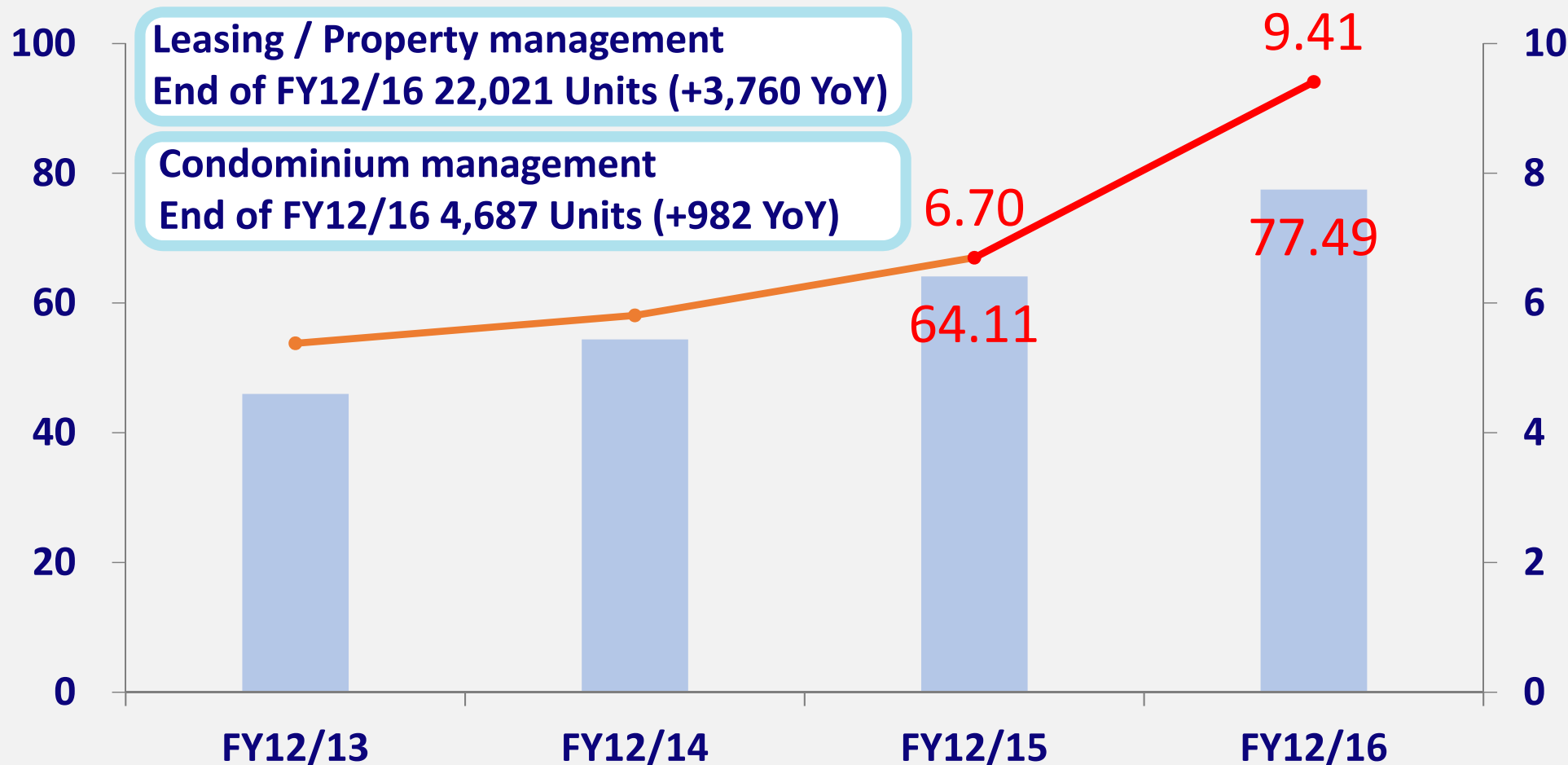
■ Net Sales — Segment Income

▪ Net Sales

(Unit: JPY 100 Mill.)

▪ Segment Income

(Unit: JPY 100 Mill.)



Segment Outline

Real Estate Management

Finance and Guarantee Business

□ Guarantees

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

□ Small-amount / Short-term Insurance

- ▶ Provide the insurance
“Comprehensive living insurance” to residents
- ▶ Develop a new product “Rental Management support insurance” to reduce the risk of the owners’ rental management



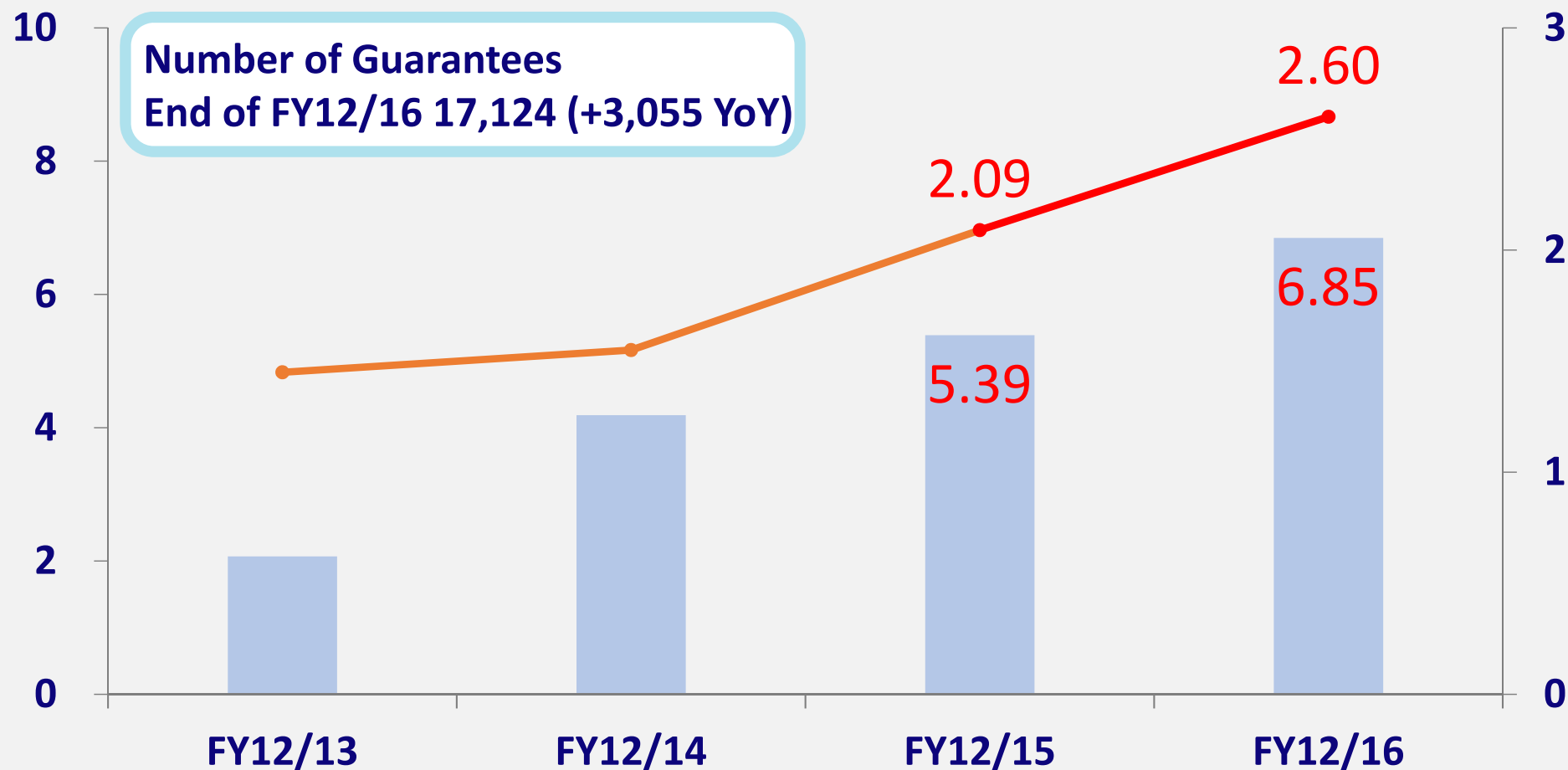
Segment Results

Real Estate Management

Finance and Guarantee Business

• Net Sales
(Unit: JPY 100 Mill.)

■ Net Sales — Segment Income

• Segment Income
(Unit: JPY 100 Mill.)

Segment Outline

Long-term Care

Long-term Care Business

- ❑ Provide “Jyu-Life Plan” which is service for elderly living in properties managed by Shinoken Group
- ❑ 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 entering into home care and visiting care markets



Segment Results Long-term Care

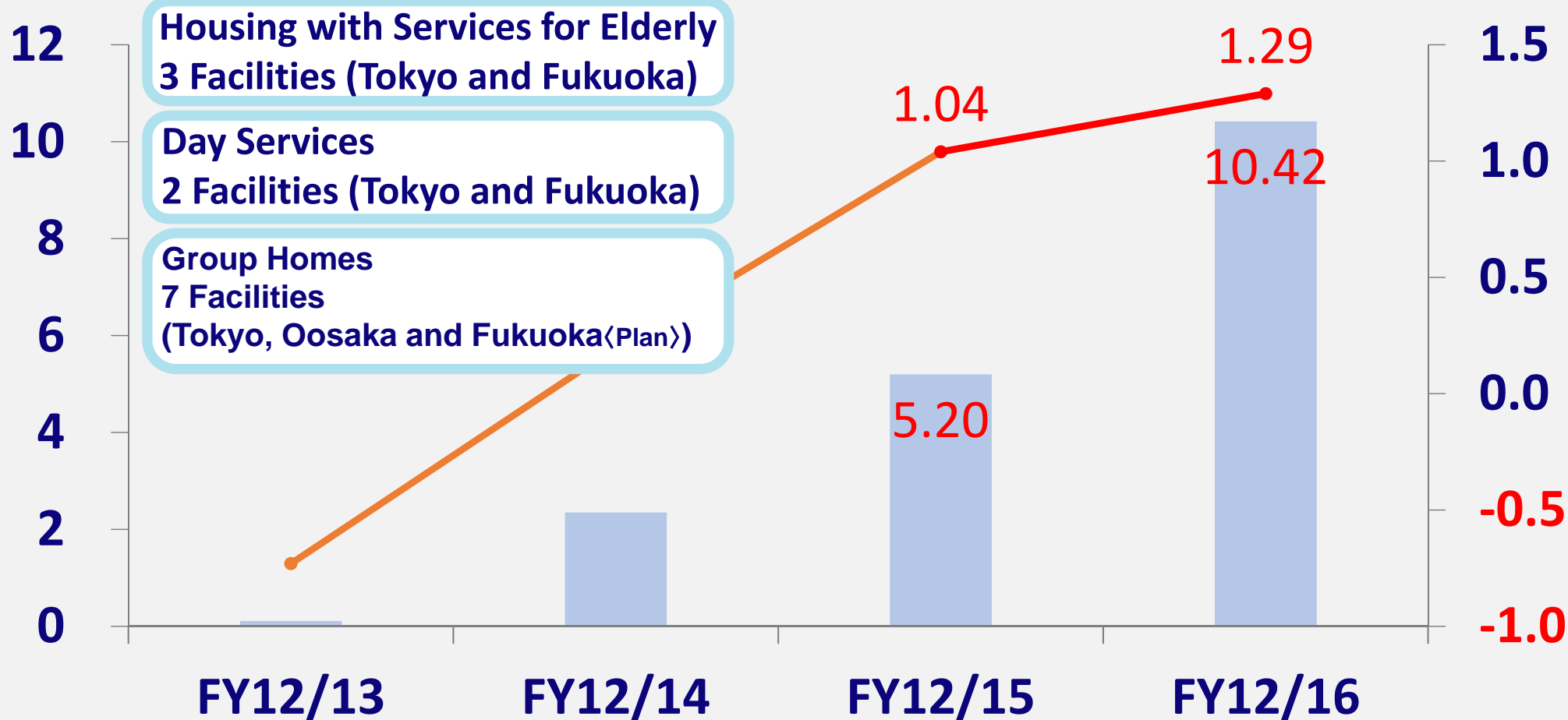
Long-term Care Business

▪ Net Sales

(Unit: JPY 100 Mill.)

▪ Segment Income

(Unit: JPY 100 Mill.)



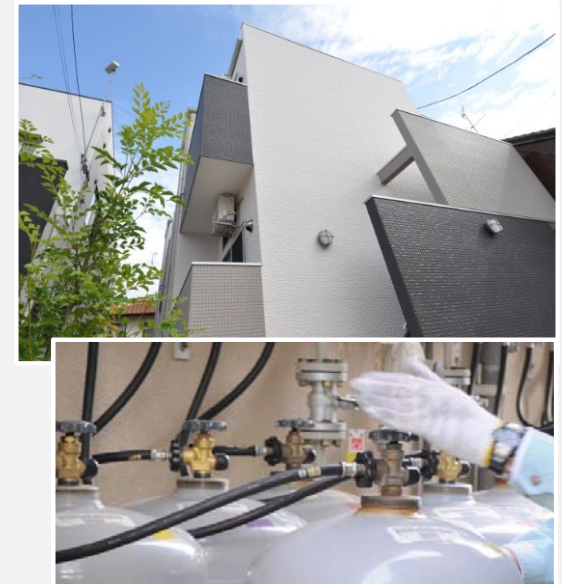
Segment Outline

Energy

Other Businesses

□ Energy Business

- ▶ Supplying LP gas to properties that our Group sold that contributes to enhancement of stock Business steadily
- ▶ Conducted in 4 areas (Fukuoka, Tokyo, Nagoya and Sendai)
- ▶ Plans to enter into retail electricity business in 2017



Note: “Other” refers to other businesses including Energy business and Overseas business

Segment Outline

Overseas

Other Businesses

- ❑ Overseas Business
 - ▶ Conducted in China, Singapore and Indonesia
 - ▶ Provide real estate sales/rental brokerage in China and Singapore
 - ▶ Engaged in construction business and enter into real estate development business in Indonesia



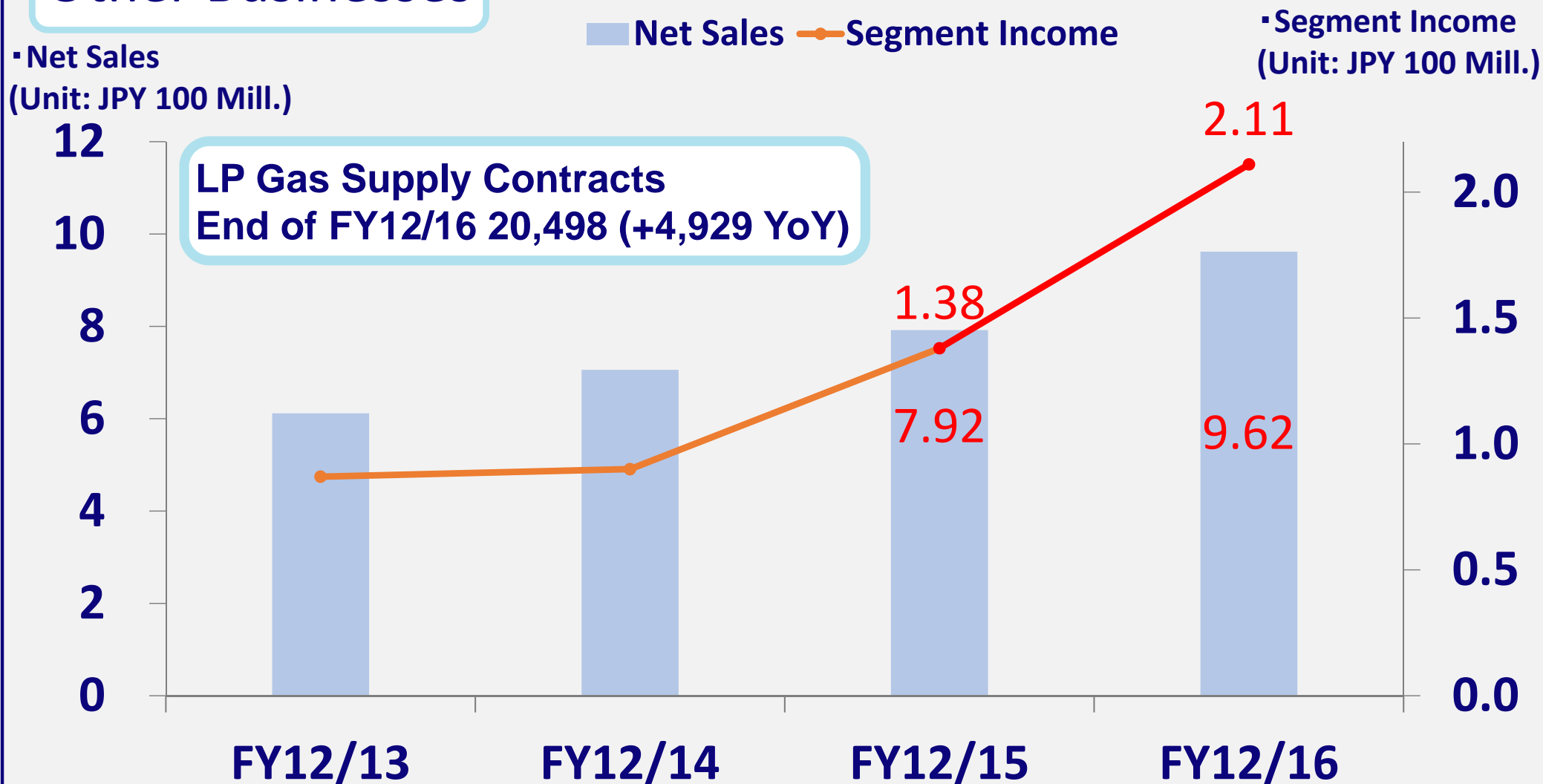
Note: “Other” refers to other businesses including Energy business and Overseas business

Segment Results

Energy

Overseas

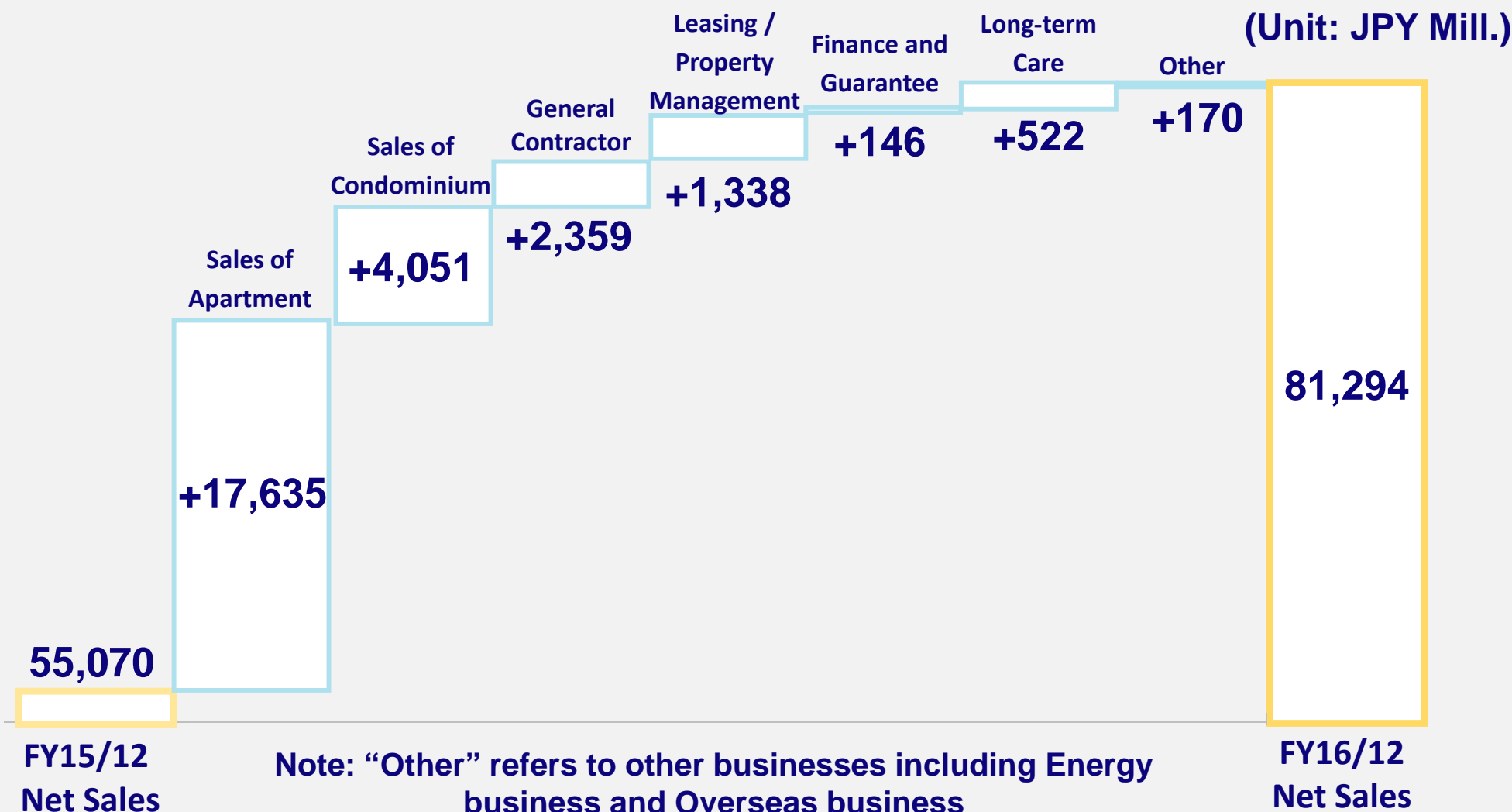
Other Businesses



Note: "Other" refers to other businesses including Energy business and Overseas business

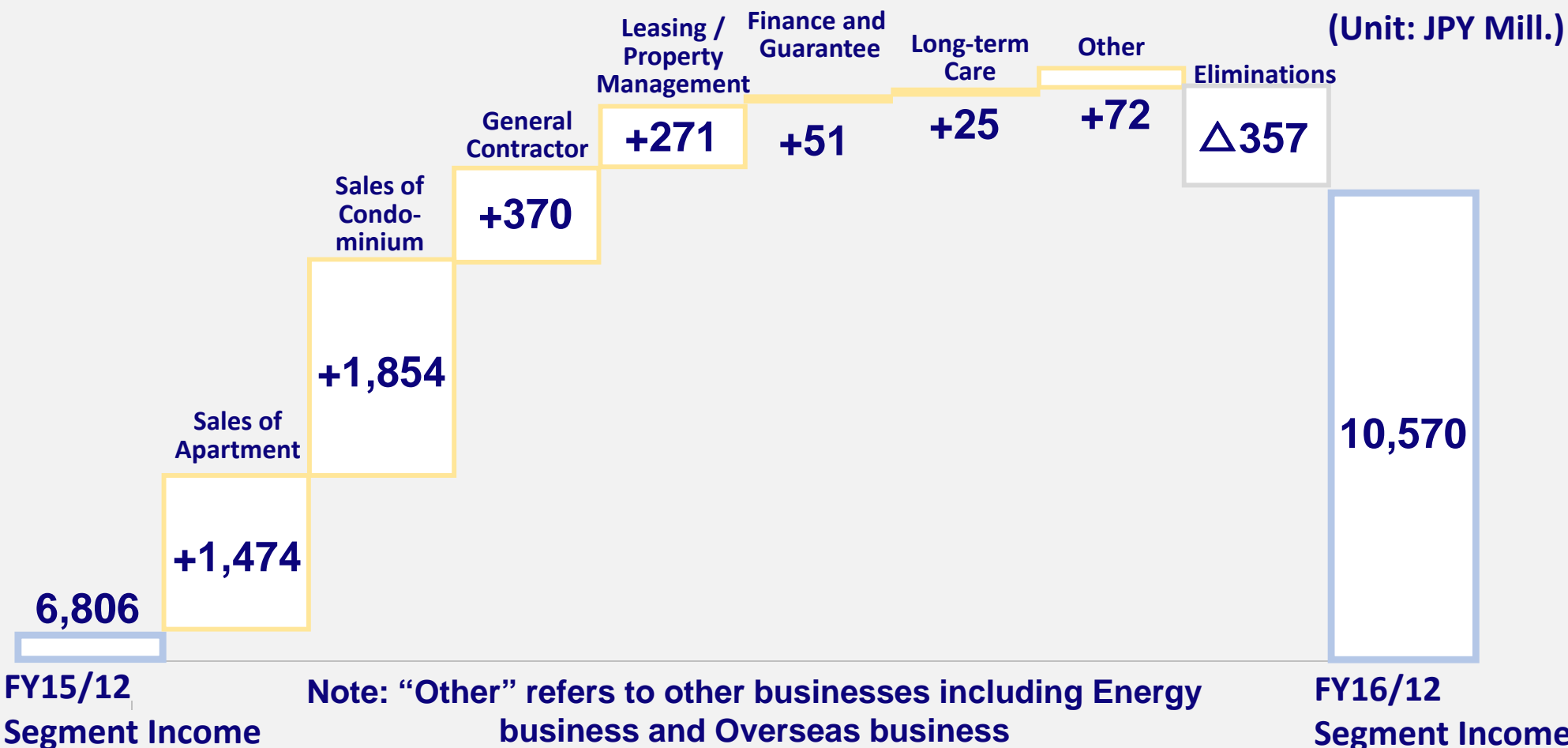
Analysis of Increase / Decrease in Net Sales

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



Analysis of Increase / Decrease in Operating Income

Increase of Number of Apartment / Condominium Sales and profitability of General Contractor Business and Leasing / Property Management Contributed Greatly to Increase in Operating Income



3 Consolidated Balance Sheet

Consolidated Balance Sheet

Current Assets
¥61,499 million

Breakdown

Cash and Deposits	¥13,524 mil.
Real Estate for Sale	¥26,624 mil.
Cost on Real Estate Business	¥15,336 mil.

Fixed Assets
¥10,773 million

Current Liabilities
¥31,393 million

Fixed Liabilities
¥22,331 million

Net Assets
¥18,548 million

▷ Total Assets

¥72,273 million

Consolidated Balance Sheet

Current Assets ¥61,499 million	Current Liabilities ¥31,393 million
	Fixed Liabilities ¥22,331 million
Fixed Assets ¥10,773 million	Net Assets ¥18,548 million

▷ Total Liabilities

¥53,724 million

Consolidated Balance Sheet

Current Assets ¥61,499 million	Current Liabilities ¥31,393 million
Fixed Assets ¥10,773 million	Fixed Liabilities ¥22,331 million
	Net Assets ¥18,548 million

▷ Shareholders' Equity Ratio 25.6%



Growth Strategy

Business Policy

**To strengthen a management
base that can respond
flexibly to any economic
environment changes**

Growth Strategy

Growth Strategy - 1

Strengthening of the Existing Business

- Strengthen the domestic real estate sales 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
- M&A

Growth Strategy

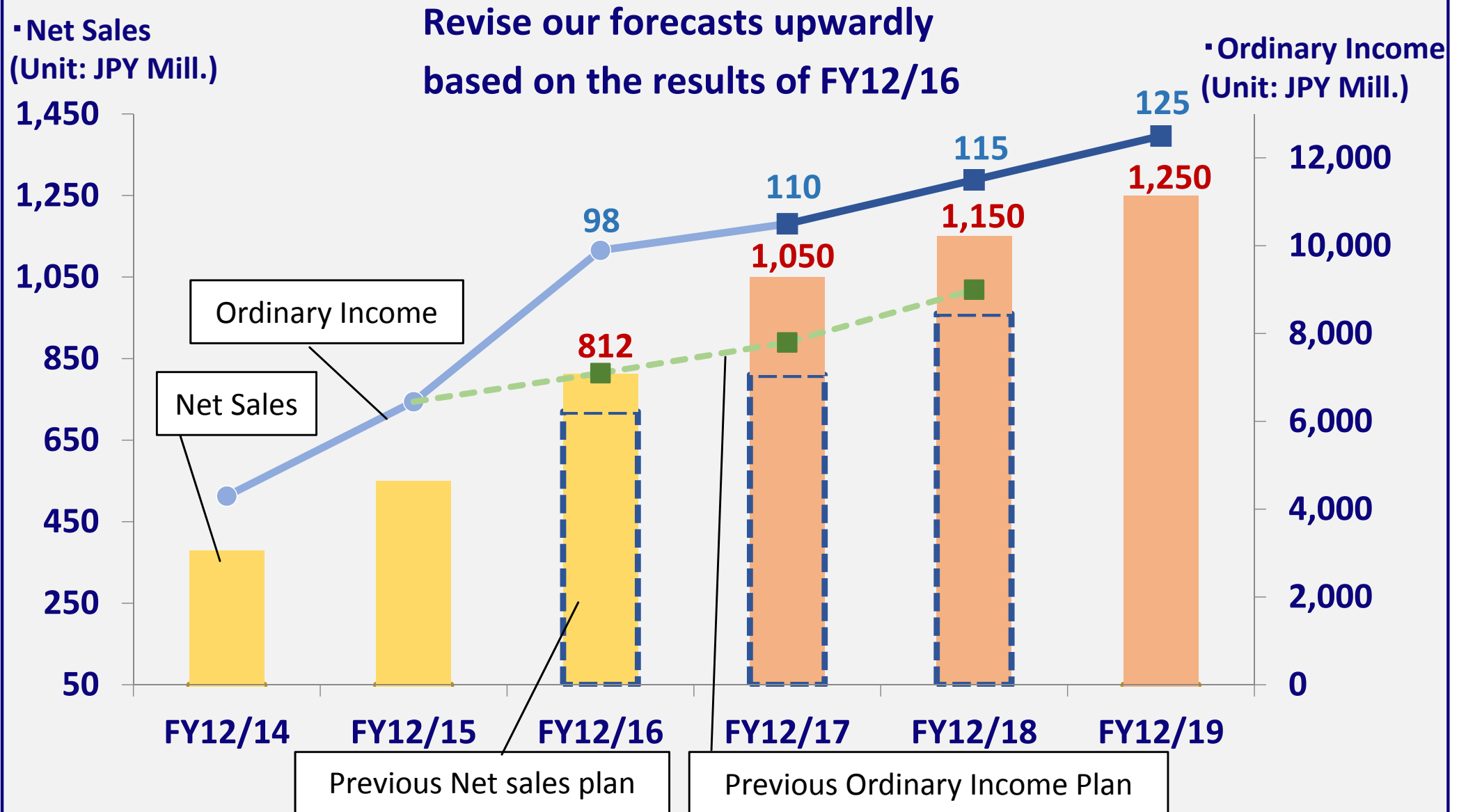
**Further Strengthen the
Business Base**

Mid-term Plan

Item	FY 12/2014 Actual	FY 12/2015 Actual	Actual ← → Plan		(Unit: JPY Million)	
			FY 12/2016 Actual	FY 12/2017 Plan	FY 12/2018 Plan	FY 12/2019 Plan
Net Sales	39,724	55,070	81,294	105,000	115,000	125,000
Operating Income	4,740	6,806	10,570	11,700	12,000	13,000
Ordinary Income	4,302	6,448	9,895	11,000	11,500	12,500
Net Income	2,886	4,447	6,662	7,800	8,200	9,100
Net Assets	8,001	12,345	18,548	26,348	34,548	43,648
EPS	¥177.23	¥270.02	¥400.92	¥469.35	¥493.42	¥547.58

Upwardly Revised Planned
Figures in November 2016

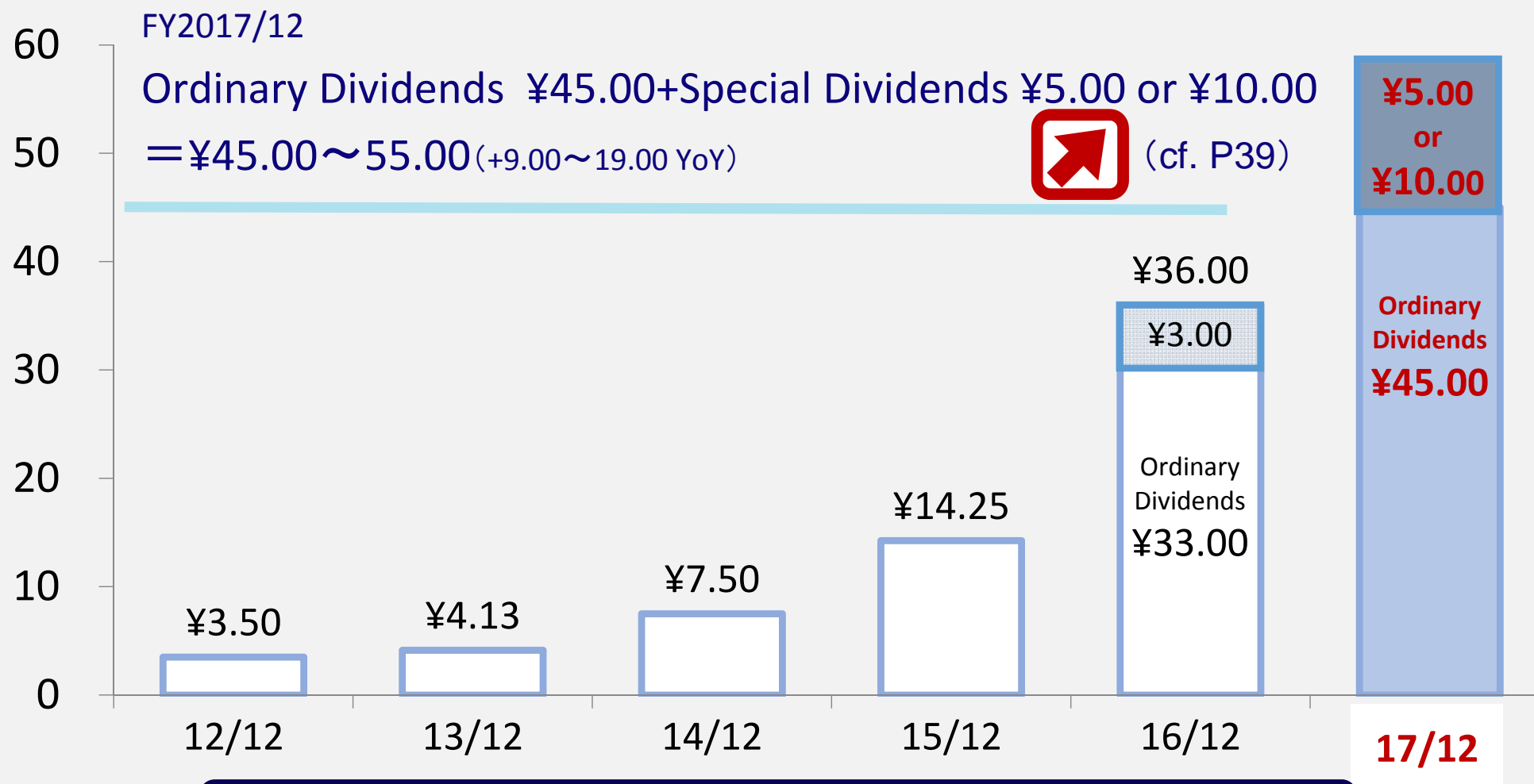
Mid-term Plan (Charts)



5 Shareholder Returns

Dividends

Dividend Amount



Dividend Amount Increased 12.8x in 5 Years

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

Special Dividends

Ordinary Dividends

Mid-term ¥22.50

Term-end ¥22.50

Total ¥45.00



Special Dividends

Special Dividends

¥5.00 or ¥10.00

If **ordinary income** in FY 12/2017 is forecasted to increase beyond ¥12,100 million, which represents a **10%** increase from the initial forecast, then **¥5**, beyond ¥13,200 million, which represents a **20%** increase, then **¥10** are planned as a special dividend



FY 12/2017 Total

¥45.00-¥55.00

Dividend to Increase Dramatically in the FY 12/2017

**Further Strengthen
Shareholder Returns**

Appendix. Other Topic

Appendix. Other Topic

Selected as the index component of “JPX-Nikkei Mid and Small Cap Index”

**Shares of our company has been selected as
the index component of
“JPX-Nikkei Mid and Small Cap Index”**

In addition to “J-Stock Index” as which our company’s share has
been selected since 2013, it has been selected as the index
component of “JPX-Nikkei Mid and Small Cap Index”

What is “JPX-Nikkei Mid and Small Cap Index”?

200 companies which has healthy financial condition and strong management are selected based on the various indicators including market value, trading value, ROE and operating income among approximately 3,500 listed company in TSE (1st selection, 2nd selection, Mothers and JASDAQ) excluding the large cap stock, and TSE represents the stock index of these selected companies.

DISCLAIMER

This document includes estimations that are based on presumptions, forecasts and plans concerning the future of Shinoken business using March 4, 2017 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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