



JASDAQ Ticker:8909

Business Overview

1Q FY2018.12

Shinoken Group Co., Ltd.
President Director and CEO
Hideaki Shinohara



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About our Group



Shinoken Group (Holding Company)

【Established】
Jun.5, 1990

【Capital】
1,091.85 Million
(As of end of March, 2018)

【Business Areas】
<Domestic>
 Tokyo, Fukuoka, Nagoya, Osaka,
 Sendai, Sapporo
<Overseas>
 Indonesia, Hong Kong, Shanghai, Singapore

26 companies

Shinoken Office Service

Listed Affiliated Companies

Properst (19.4%)
JASDAQ Ticker: 3236

Something HD(21.2%)
JASDAQ Ticker: 1408

Real Estate Sales Business

Apartment Sales / Condominium Sales

Shinoken Produce

Shinoken Harmony

Real Estate Management Related Business

Rental / Condominium Management
Guarantee of Rent etc.
Real Estate Fund Business
Small-amount Short-term insurance

Shinoken Facilities

Shinoken Amenity

Mansion Life

Shinoken Communications

Shinoken Asset Management

JICC SSI (50%)

General Contractor Business

Contracts for
Corporate, Individual and Government
related customers and Shinoken

Ogawa Construction

Ogawa Building

Energy Business

Retail of LP Gas / Electricity

SK Energy (Fukuoka)

SK Energy Nagoya

SK Energy Tokyo

SK Energy Sendai

SK Energy Osaka

Elderly Care Business

Possess & Run
Serviced Housing for the Elderly
Day Service / Group Home

Shinoken Wellness

Friend

Apple Care

Other Business

Overseas business

SKG INVEST ASIA (HONG KONG)

SHINOKEN REAL ESTATE
(SHANGHAI)

PT. Shinoken Development
(Indonesia)

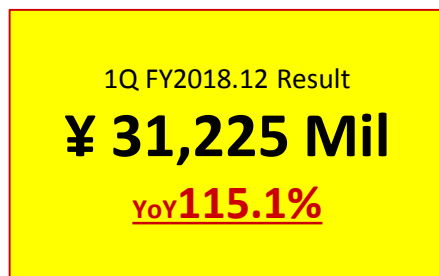
Shinoken & Hecks Pte. Ltd.
(Singapore)(34%)

OGAWA Construction Rep Office
(Indonesia)

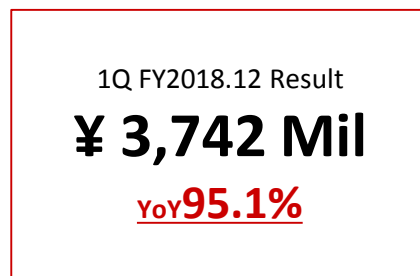
Consolidated Result Highlights

Set Record High for 1Q Net Sales. Profit Exceeded our Forecasts.

Net Sales



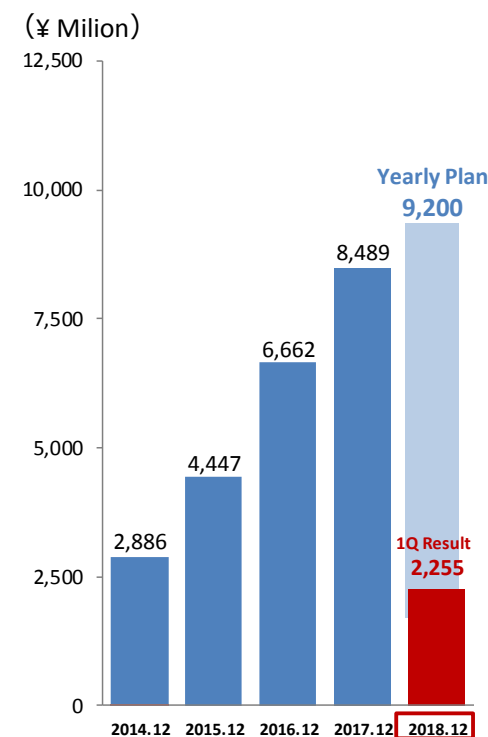
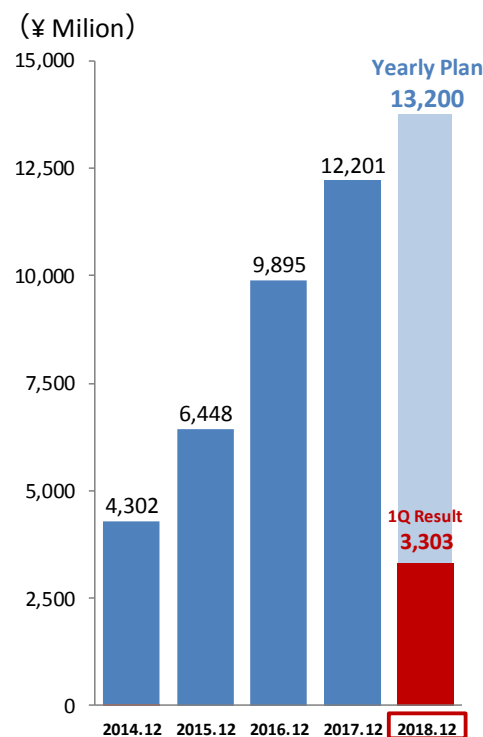
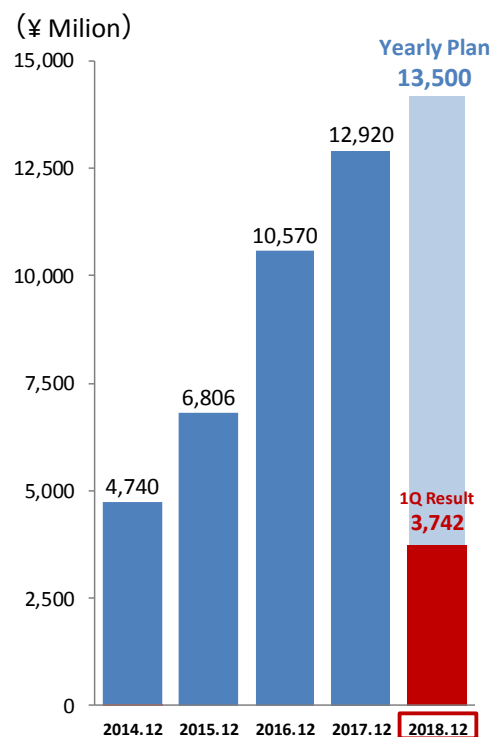
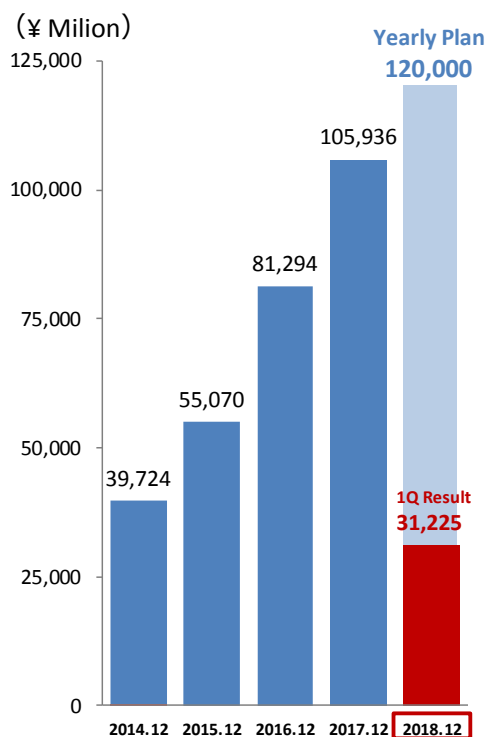
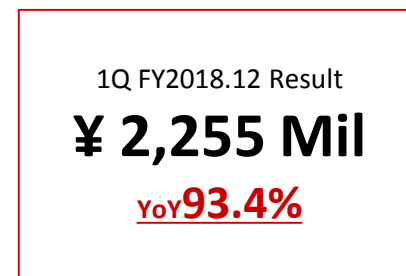
Operating Income



Ordinary Income



Profit Attributable To Owners of Parent



Balance Sheet Highlights

Cash and Deposits ¥ 29,301 Million (¥ 5,798 Million increase from end of Dec, 2017)
Capital adequacy Ratio 30.0% (1.0pt increase)

■ Assets

| ¥ Million | 2016.12 | 2017.12 | 2018.12 1Q | Comparison with 2017.12 |
|----------------------------------|---------|---------|---------------|----------------------------|
| Cash and Deposits | 13,524 | 23,502 | 29,301 | 5,798 |
| Real Estate for Sale | 26,624 | 28,631 | 29,224 | 592 |
| Costs on Real Estate Business | 15,336 | 19,285 | 15,816 | △3,469 |
| Other Inventories | 6 | 21 | 6 | △14 |
| Total Inventories | 41,967 | 47,938 | 45,046 | △2,891 |
| Property, Plant and Equipment | 6,143 | 6,881 | 7,068 | 186 |
| Other Assets | 10,638 | 12,649 | 12,221 | △428 |
| Total Assets | 72,273 | 90,972 | 93,637 | 2,665 |

Apartment Sales.....△¥3,542 Million
Condominium Sales.....+ 444 Million
Others(General Contractor, etc.).....+ 207 Million

■ Liabilities and Net Assets

| ¥ Million | 2016.12 | 2017.12 | 2018.12 1Q | Comparison with 2017.12 |
|---------------------------------------|---------|---------|---------------|----------------------------|
| Current Portion of Bonds | 434 | 925 | 942 | 17 |
| Short-term Loans payable | 15,908 | 23,611 | 24,103 | 491 |
| Bonds | 1,596 | 1,585 | 1,807 | 222 |
| Long-term Loans Payable | 20,024 | 22,400 | 23,876 | 1,476 |
| Total of Liabilities with interest | 37,962 | 48,521 | 50,728 | 2,207 |
| Other Liabilities | 15,761 | 16,060 | 14,677 | △1,383 |
| Total Liabilities | 53,724 | 64,582 | 65,406 | 824 |
| Total Net Assets | 18,548 | 26,390 | 28,231 | 1,841 |
| Total Liabilities and Net Assets | 72,273 | 90,972 | 93,637 | 2,665 |

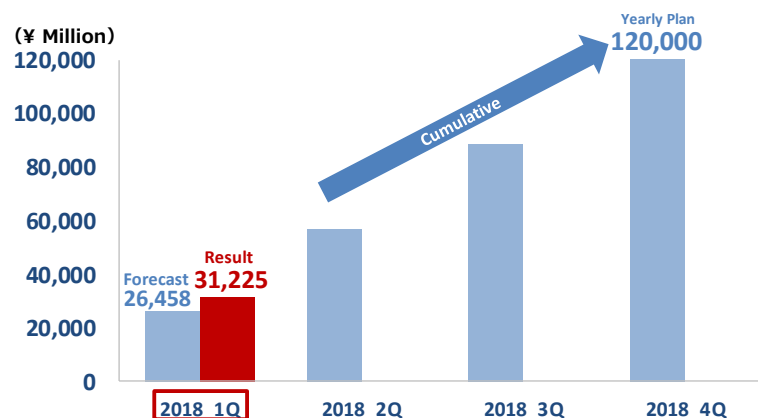
| | | | | |
|---------------------------|-------|-------|-------|---------|
| Capital adequacy Ratio | 25.6% | 29.0% | 30.0% | + 1.0pt |
|---------------------------|-------|-------|-------|---------|

Current Position and Forecasts

■ Current Position against Forecast

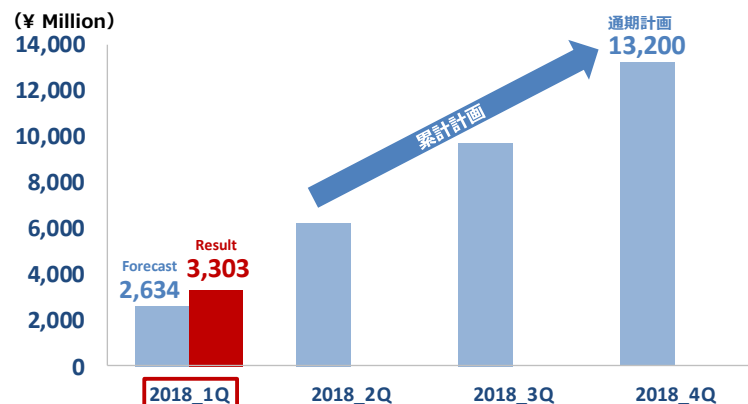
【Net Sales】

1Q Result ¥ 31,225 Million, 118.0% against Forecast (¥ 26,458 Million)

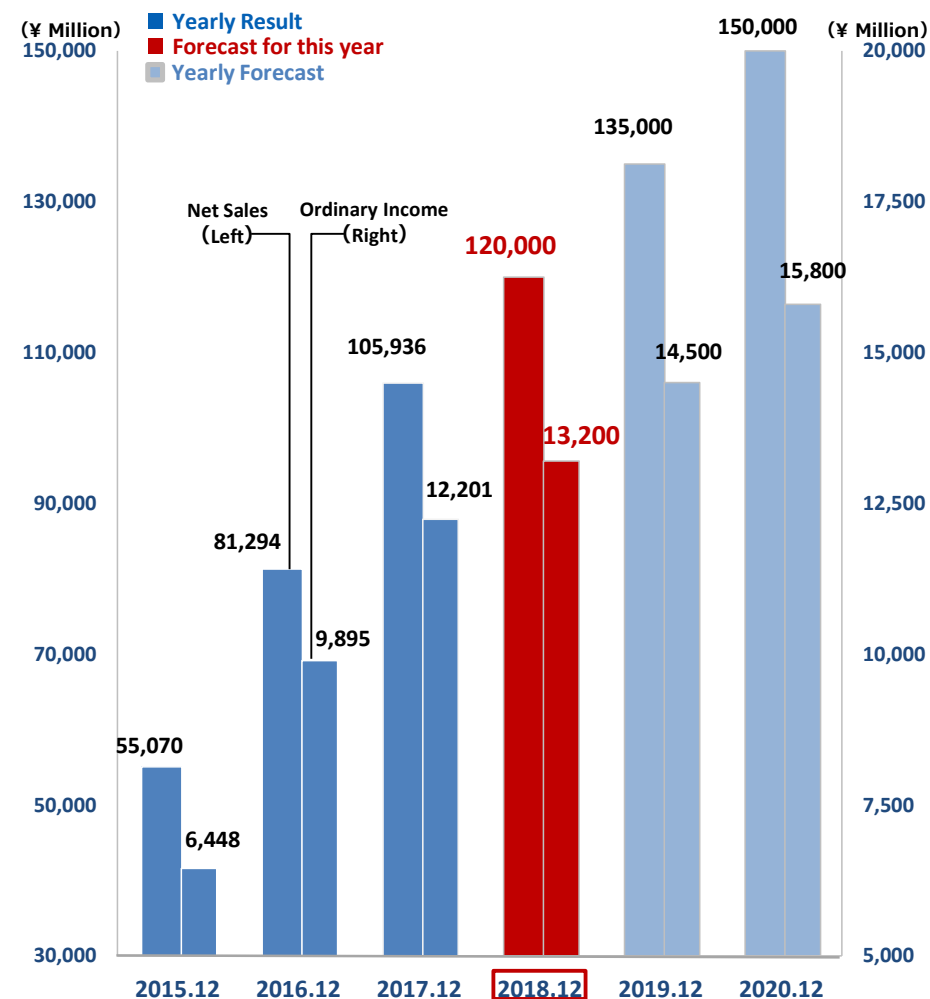


【Ordinary Income】

1Q Result ¥ 3,303 Million, 125.3% against Forecast (¥ 2,634 Million)



■ Three-year Forecast



Business Segment Result Highlights

Each segment Proceeded as planned. Will continue to strengthen the base for higher profits.

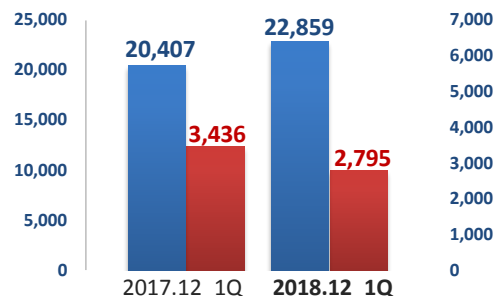
Net Sales (Left)

Segment Profit (Right)

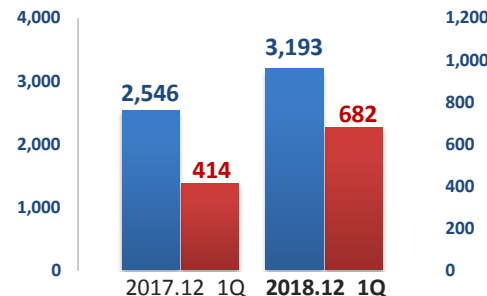
※Net Sales are for external clients

(¥ Million)

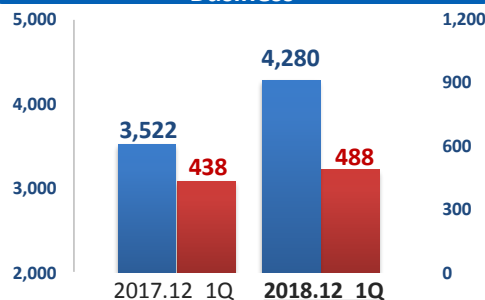
Real Estate Sales Business



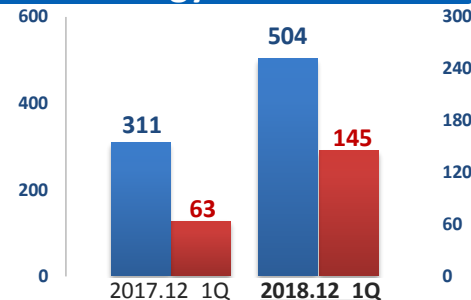
Real Estate Management Related Business



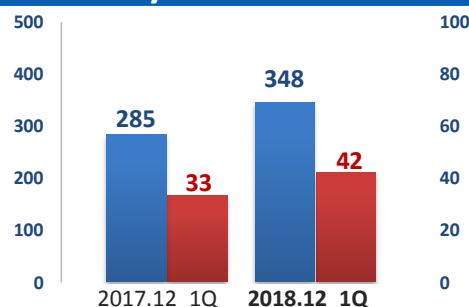
General Contractor Business



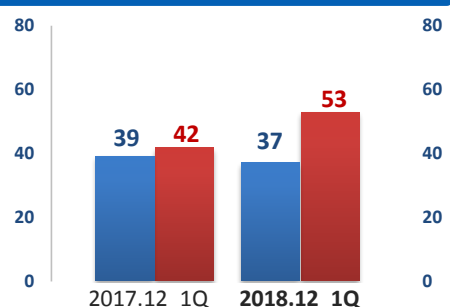
Energy Business



Elderly Care Business

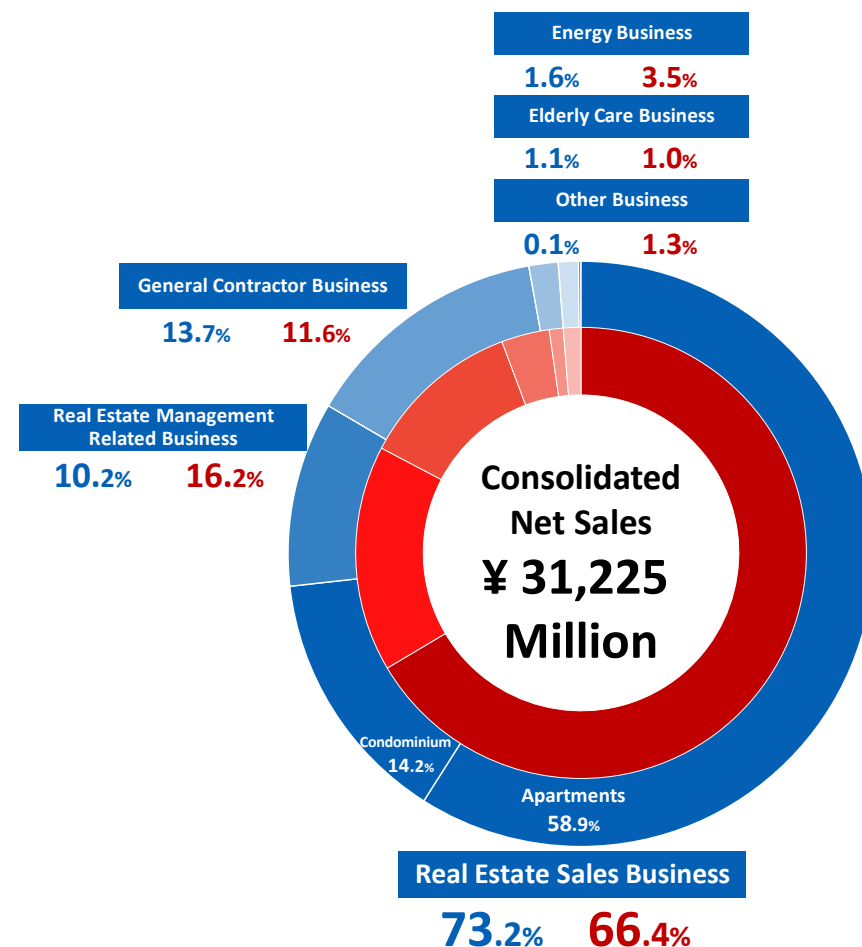


Other Business



Ratio of Net Sales / Segment Profit※

※ Adjusted amounts are not included



Real Estate Sales Business

YoY Growth in Sales, Decrease in Profit.

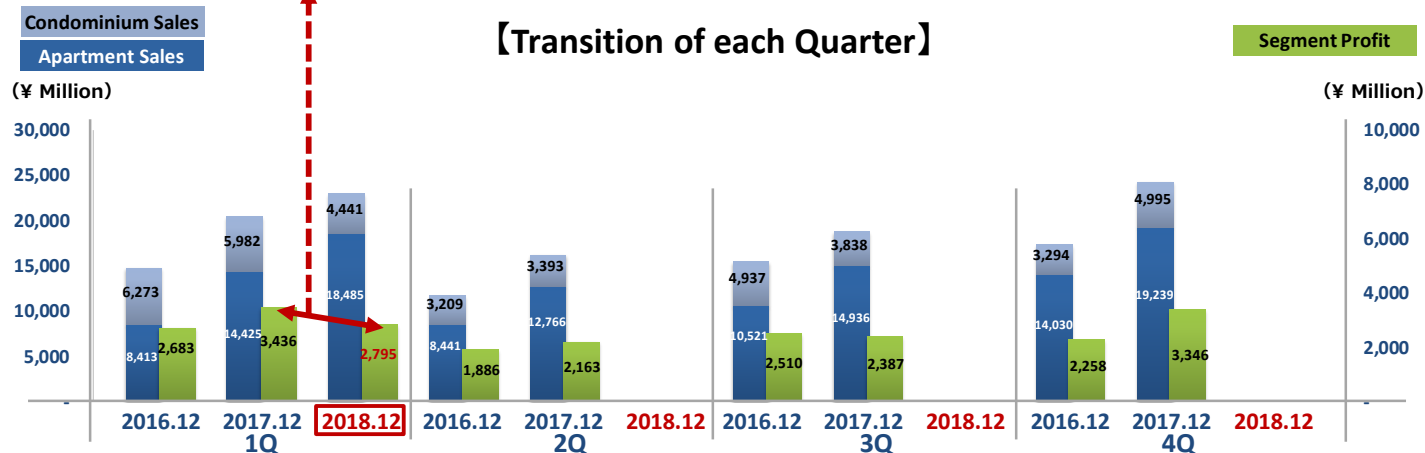
Apartment sales showed a steady growth mainly caused by the increase in the Tokyo area, under our policy to increase our sales.

Set Record High for quarterly sales, Order Backlog also set record high in both building units and value.

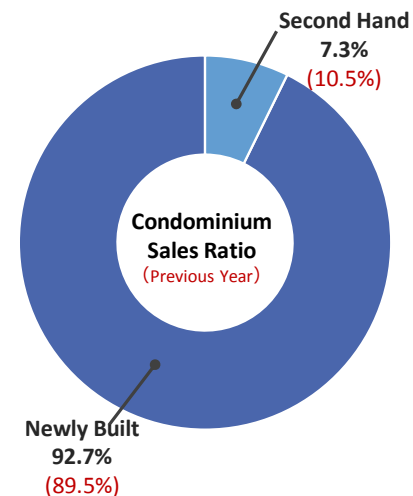
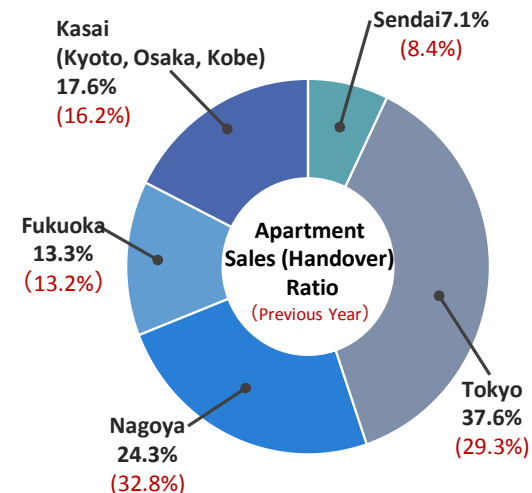
Condominium Sales proceeded as planned, under our policy to keep sales at a certain level.

| ¥ Million | 2016.12 1Q | 2017.12 1Q | 2018.12 1Q | YoY 2018 & 2017 |
|-------------------|------------|------------|------------|--------------------|
| Apartment_Sales | 8,413 | 14,425 | 18,418 | 127.6% |
| Condominium_Sales | 6,273 | 5,982 | 4,441 | 74.2% |
| Segment Profit | 2,683 | 3,436 | 2,795 | 81.3% |

Main Cause ① An irregular land sell off in the condominium business occurred in the previous 1Q, but not this year.
② By Re-structuring internal transaction within our Group, commission revenue was terminated from 2018.



Our 1Q plan was favorably achieved, in the course of shooting for our Yearly Plan

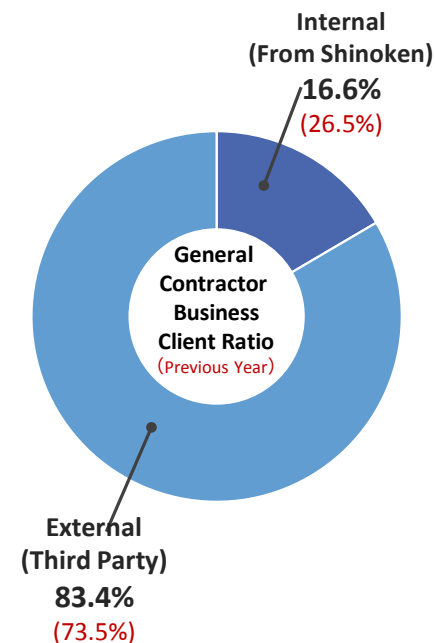
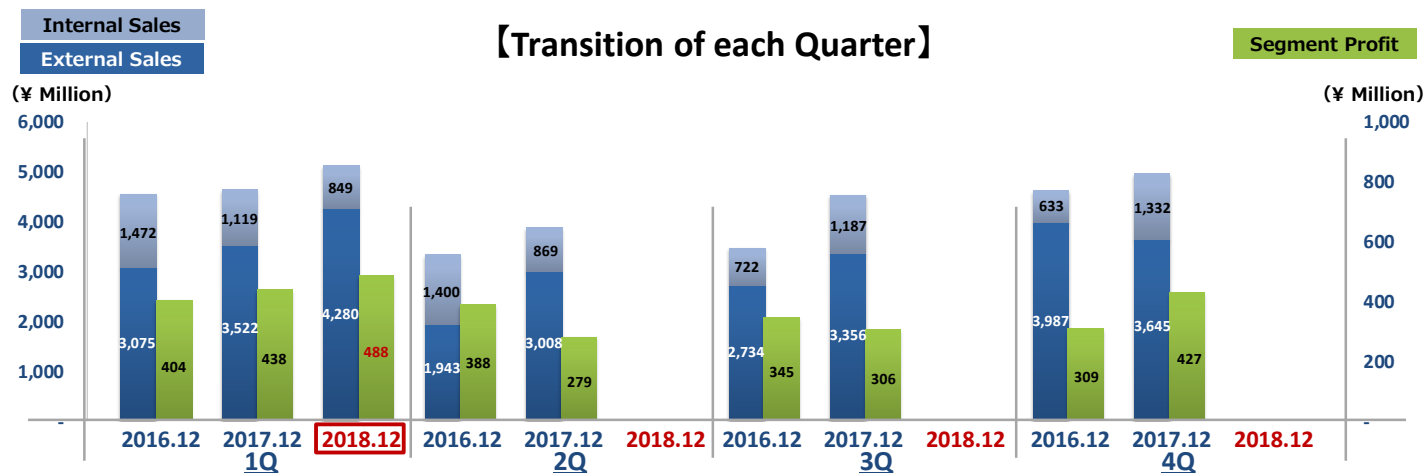


General Contractor Business

YoY Growth in both Sales and Profit.

Continuously making good progress in achieving construction orders from new customers,
Including corporate/individual/government agencies due to strengthening of sales activities.

| ¥ Million | 2016.12 1Q | 2017.12 1Q | 2018.12 1Q | YoY 2018 & 2017 |
|-----------------|------------|------------|------------|--------------------|
| Total Net Sales | 4,547 | 4,642 | 5,130 | 110.5% |
| Internal Sales | 1,472 | 1,119 | 849 | 75.8% |
| External Sales | 3,075 | 3,522 | 4,280 | 121.5% |
| Segment Profit | 404 | 438 | 488 | 111.4% |



Real Estate Management Related Business & Energy Business

Steadily increasing in proportion to Sales.

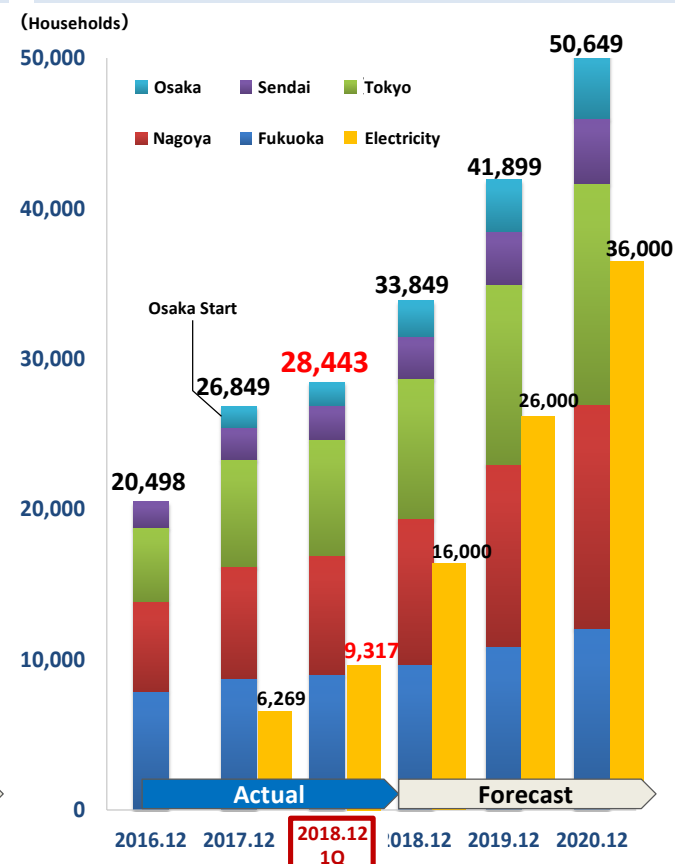
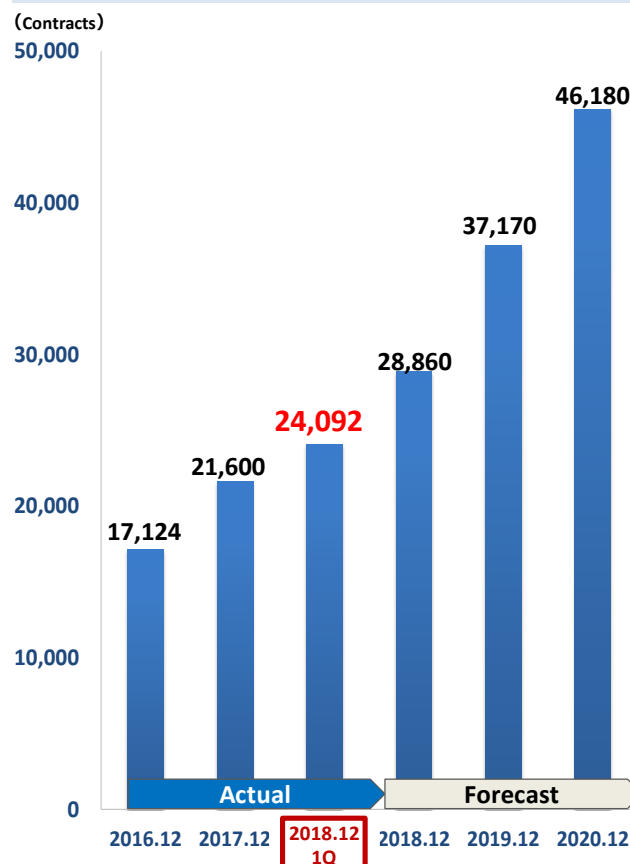
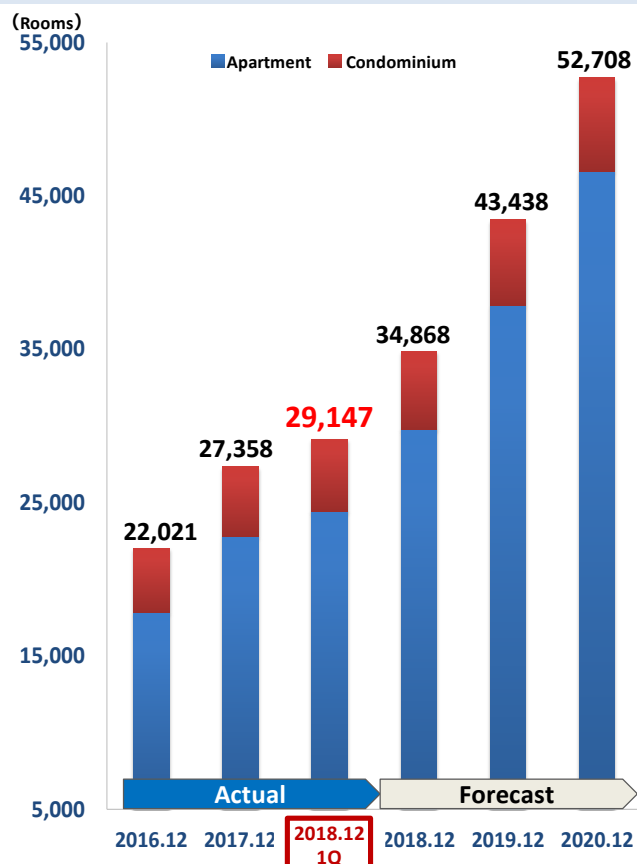
Mar. 2018 **Occupancy Rate for the rooms that we manage is over 99%**, including the rooms from our establishment.

Guarantee contracts and LP Gas, Electricity Supply also shows steady growth.

| Rooms that we manage | |
|---|---------------------|
| End of 1Q FY2018.12 | 29,147 Rooms |
| Pure Gain During FY2018 | 1,789 Rooms |
| Occupancy ※March, 2018. Rooms developed by Shinoken. | 99% |

| Guarantee of Rent etc. | |
|----------------------------|-------------------------|
| End of 1Q FY2018.12 | 24,092 Contracts |
| Pure Gain During FY2018 | 2,492 Contracts |
| Payment Delay Ratio | 0.4% |

| LP Gas and Electricity Provided | |
|---------------------------------|---------------------|
| LP Gas Provided | 28,443 Rooms |
| Pure Gain During FY2018 | 1,594 Rooms |
| Electricity | 9,317 Rooms |



Shareholder Returns ~Stock Split~

In order to improve the liquidity of our stocks and further expand the range of investors,
a Stock Split at the ratio of 2 shares per ordinary share will be initiated.
Subject shares are those entered and recorded in the last shareholder registry as of Jun.30, 2018.

Ordinary Dividends

¥60.00

Mid-term **¥30.00**
(According to the number of
shares before the Split-up)

Year-end **¥15.00**
(Stock Split Conversion ¥30.00)

Special Dividends

Ordinary Income in FY2018.12
Initial Forecast : ¥13,200 Million

If Over ¥14,520 Million (10% Increase)
¥3.00
(Stock Split Conversion ¥6.00)

If over ¥15,840 Million (20% Increase)
¥6.00
(Stock Split Conversion ¥12.00)

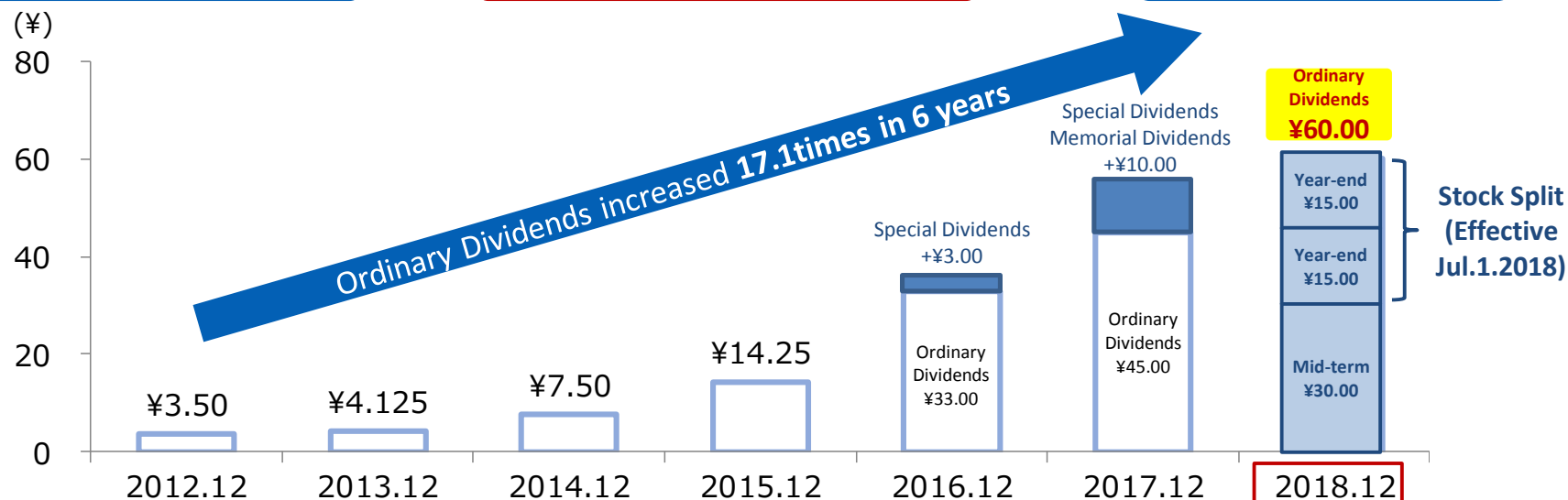
FY2018.12

¥60.00

or
¥66.00

or
¥72.00

(Considering the Stock Split)



Existing Business

■ Apartment Sales

- Continuously obtaining new inquiries (customers)
- Accelerating the purchase of prime Apartment land
 - ⇒ Large business opportunity in the Central Tokyo Area, that has many train stations

■ Stock Business

Add up according to Apartment Sales

- Rental Management
- Rent guarantee contracts, guarantee value
- Number of 「LP Gas」 「Electricity」 supply

■ Fund Business

- Adding to our 『HTT-1 Fund』 (page. 15), we plan to launch new Funds every year, that are ¥3,000 to 5,000 Million in scale with various high demand concepts
- Widening our sales range from our current individual investors to Institutional Investors both domestic and overseas
- We Aim to establish a business model that can obtain profits through Asset Management Fee income

Overseas Business

■ General Contractor Business in Indonesia

- Latest action; Subsidiarizing local General Contractor
- Along with the current Large-Scale Infrastructure construction projects, we aim to establish and strengthen the same business model as in Japan, including Real Estate Management, in addition to the Development and Construction of “Sakura Terrace” in Central Jakarta

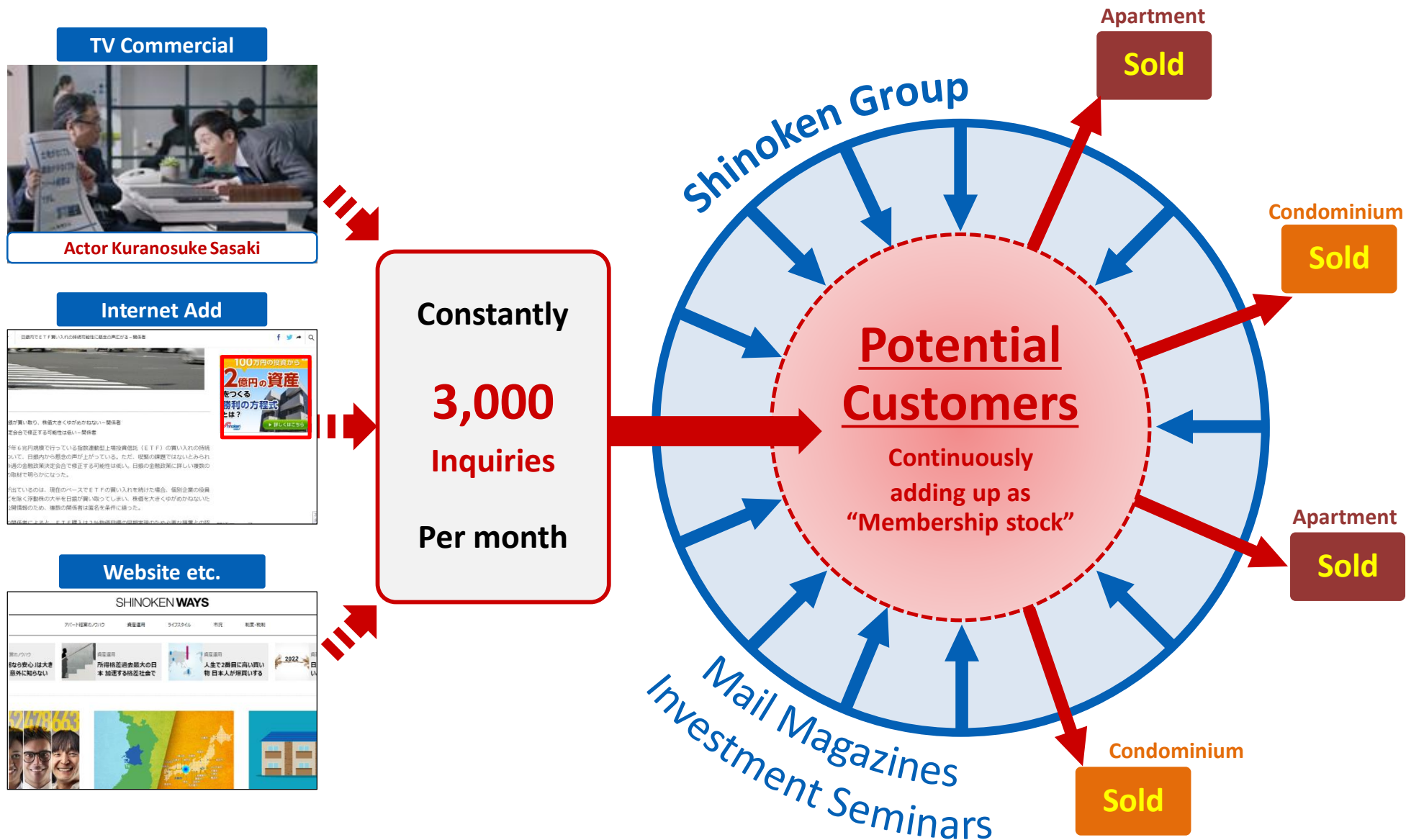
M&A, New Business

■ Strengthening and Expanding our Business field

- Proactive M&A, capital and business tie-up with companies that run business models that have potential synergy effect with us
- Creating new business based on our existing business

【Reference Materials】

【Reference Materials】Sales style of Shinoken



【Reference Materials】Apartments that Shinoken Provides①

Basic Philosophy : For office workers to achieve land through usage of rent income

Areas that can achieve
Continuous High Occupancy
=Steady Rent Income

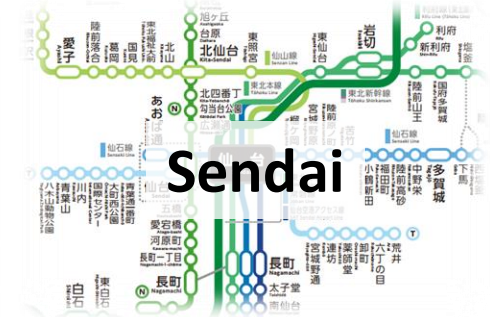
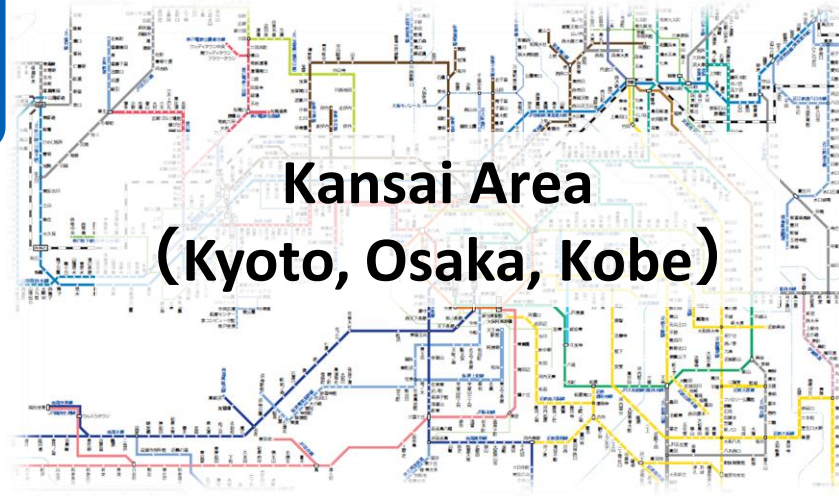


**Within 10 minutes walking
distance from a train station**

Single household population
shows a growth trend
Still more land that can be
cultivated



Purchase and hold prime
condition land, and sell
together with the
Apartment building



【Reference Materials】 Apartment Fund

HTT-1 Fund : 21 Apartment building units located in central Tokyo area,
total ¥3,000 Million in scale.



Previously, Apartment Sales
was for Individual Investors

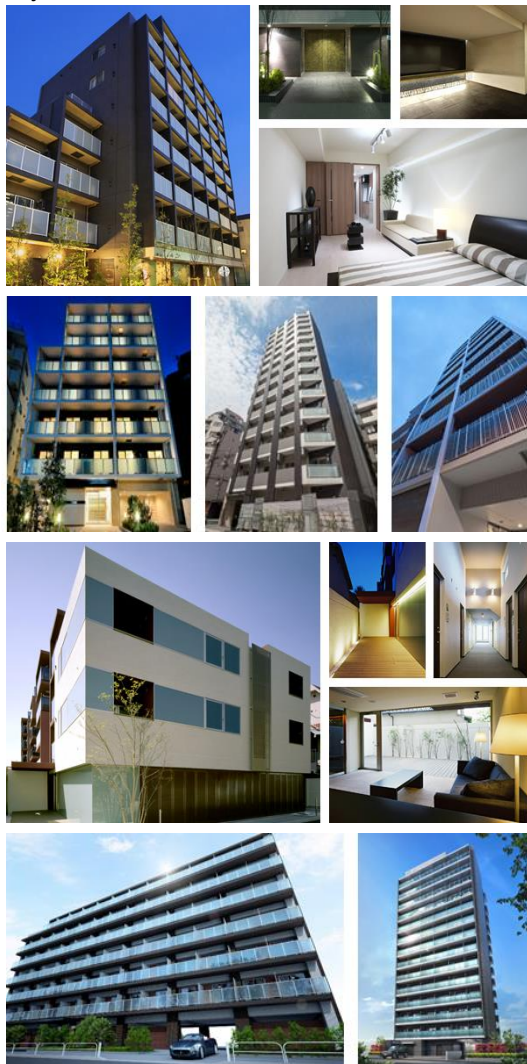
Widening our sales range to
Institutional Investors
both domestic and overseas

Planning funds with various concepts.
Ex) Investment by Crowd Funding.

Planning to compose ¥ 3,000~5,000 Million scale fund Every year in our existing Business Areas

【Reference Materials】 Condominiums

Projects (Partial)

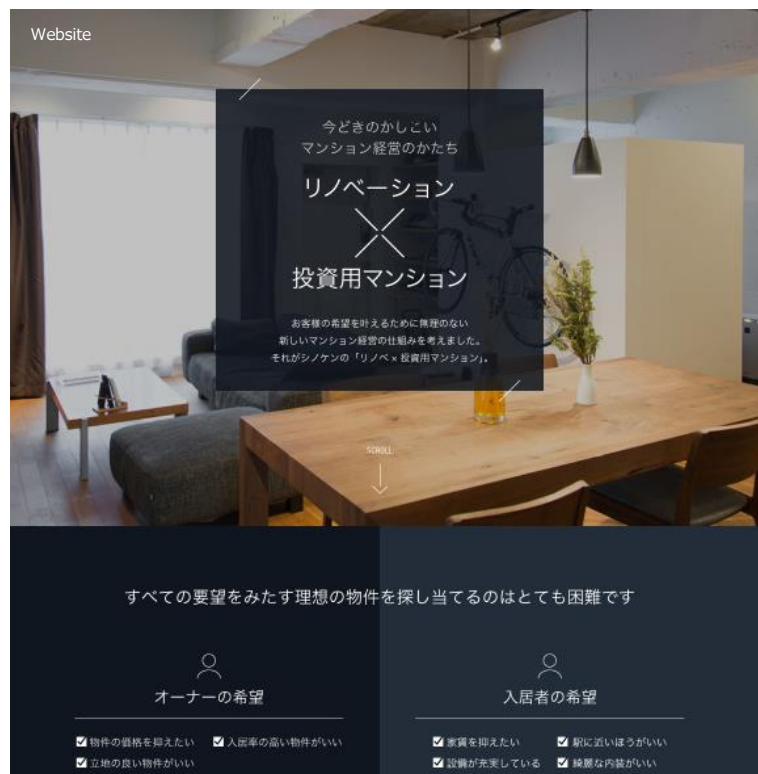


Purchasing decent land within the Capital area,
Planning and Developing Condominiums for single households

Since Condominiums are relatively lower price than Apartments,
they work as introductory products for the investors.

【Renovation × Condominium】

Our new strategy in Minato, Chiyoda, Chuo wards, etc.



For Lower Prices

Carefully selecting High-Quality
establishments that are old but high
demand for renting out

Not a mere “Repair”

Full-Renovation
Initiated by Shinoken

Meets both demands of
Owner and Tenant

Ideal as a property for Investment
Good Location and
High Revenue Potential

【Reference Materials】 Elderly-Care Facilities of Shinoken

Housing with Services for the Elderly

201 Rooms



Fukuoka City (Higashi-ku)
Ju-Life Aqua-Villa Kashiikama
Largest scale in Kyushu

Ju-Life Plan

- Practical usage of vacant rooms
- Homes possible to be provided with safety and low price
- Coordinating with caretaking/medical/catering vendors etc.

Housing with Services for the Elderly

3 facilities with a total of 302 rooms in Tokyo and Fukuoka
Occupancy : 97.6% (As of End of March, 2018)

Day Service and Home Help, Care Management

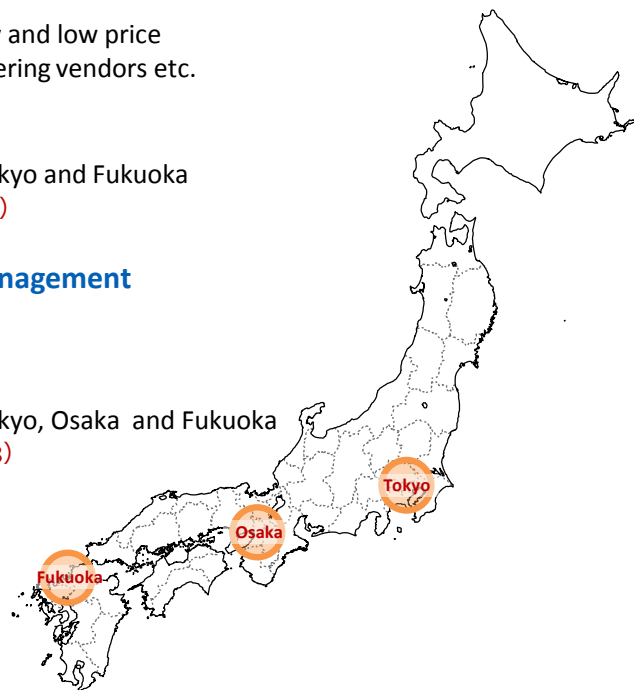
2 facilities in Tokyo and Fukuoka

Group Home

7 facilities with a total of 144 rooms in Tokyo, Osaka and Fukuoka
Occupancy : 97.9% (As of End of March, 2018)

Multifunctional Small Group Home

2 facilities in Osaka and Fukuoka



Housing with Services for the Elderly

55 Rooms



Tokyo (Itabashi-ku)
Ju-Life Tokiwadai

Housing with Services for the Elderly

Day Service
Home Help, Care Management

46 Rooms



Tokyo (Itabashi-ku)
Ju-Life Takashimadaira
Applife Takashimadaira

Day Service
Home Help, Care Management



Fukuoka Prefecture
(Kasuya-gun)
Applife Higashi Fukuoka

Group Home

Multifunctional Small
Group Home

18 Rooms



Fukuoka City
Friend Kasumigaoka

Group Home

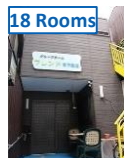
18 Rooms



Higashiosaka City
Friend Higashiosaka

Group Home

18 Rooms



Osaka City
(Nishinari-ku)
Friend Tengachaya

Group Home

18 Rooms



Osaka City
(Tennoji-ku)
Friend Tennoji

Group Home

27 Rooms



Osaka City
(Tennoji-ku)
Friend Fudegasaki

Group Home

Multifunctional Small
Group Home

27 Rooms



Osaka City
(Chuo-ku)
Friend Osaka Chuo

Group Home

18 Rooms



Tokyo (Itabashi-ku)
Friend Takashimadaira

【Reference Materials】 Overseas Business

China and Singapore : Real Estate / Rental Brokerage

Indonesia: Construction and Real Estate Development

Singapore

Real Estate / Rental Brokerage

Shinoken & Hecks

- Real Estate / Rental Brokerage
- Rental brokerage for Japanese expats
- Real Estate sales for local wealthy consumers



China

Real Estate / Rental Brokerage

SHINOKEN REAL ESTATE (SHANGHAI)

- Rental brokerage for Japanese expats
- Real Estate sales for local wealthy consumers



Indonesia

Construction

OGAWA Construction Rep Office
PT Mustica Cipita Kharisma

- Advisory to Local General Contractors
- JO for Government/Private projects

Real Estate Development, Planning, Sales

PT. Shinoken Development Indonesia

- Apartment Development



【Reference Materials】Overseas Business_Indonesia①

桜 SAKURA TERRACE

Localizing Shinoken's apartment brand "Harmony Terrace" to Indonesia

Project #1 Conceptual drawing



Project #2 Conceptual drawing



Project #3 Conceptual drawing



Project #4 Land



Project #1 Construction Site



Project #5 Land



Accelerating our Indonesian Business by acquiring Mustika

**Developing an Integrated system
from Development to Construction
within the central Jakarta Area**

**Formulating the same
Stock Business Structure
as in Japan**

Purchasing Land



Construction



Completion / Handover



**Management
Leasing
Follow-up**

**Developing a primary source of revenue in the highly growing
Indonesian Market**

【Reference Materials】Tokyo Head Office and office transfer

**Changing our “Tokyo Office ” to “Tokyo Head Office”,
Initiating double Head Office system and Office transfer to
“Nippon Life Hamamatsucho Crea Tower” 20th floor**

Purpose

Further business expansion in the capital area

Strengthening the force of Sales, Gathering/Dispatching
information, IR activities

Obtaining a wide range of employees



Conceptual drawing (Outer North-West Corner)



Capital and business tie-up with 「BeaconSTAY」. We anticipate large synergy effect in the growing Vacation Rental market, that is entering a new stage with the recent legislation



Background

Beacon STAY has a wide knowledge on vacation rental, and has a potential of high growth

Within the **30,000 rooms managed by Shinoken**, we provide the rooms to BeaconSTAY for Vacation Rental usage, once approved by each owners

By widening the use of the rooms from housing to Vacation Rental, **effective usage of vacant rooms and higher rent can be generated**, thus make the property more profitable

Shinoken can develop and strengthen products that are for Vacation Rental, in addition to the current products that are for residential rent

By combining Shinoken's knowledge of space design, and BeaconSTAY's knowledge of Vacation Rental Management, and also Shinoken's Vacation Rental-Related Services (Insurance, etc.), we aim to develop low-risk and high profit investment products related to Vacation Rental

【Reference Materials】 Small-amount Short-term Insurance

For Residents to “Live in their Rooms without worries”

Developed Original products (First in Japan) for the Residents and started selling them in Jul. 2014.

Solitary Death Insurance

Covers expenses for:
Repairs and cleaning of stains/soiled interiors in order to return the room to its original state

Pet Expense Insurance

Covers expenses for:
Expenses for Pet hotels or other expenses related to the death or injury and damage of/caused by a pet

Stalker Expense Insurance

Covers expenses for:
Necessary costs upon dealing with stalkers; such as Cameras (to provide proof) or lawyer fees etc.

Home Helper Expense Insurance

Covers expenses for:
Expenses for home helpers to temporarily come and assist with house work when necessary

For Owners to “Rent out their Rooms without worries”

Developed Original product “Rent management support insurance” and started selling it from Sep. 2015

Insurance for Restoration

Covers expenses for:
Restoring the state of the Room to its original condition
• Cleaning / deodorizing,
• Maintenance
• Cleaning up of mementos of the deceased after “Becoming a property that experienced an accident”

Limit of the amount to be paid:
6 Months worth of rent

Loss Insurance for Rental Income, etc.

Covers expenses for:
• Loss of rental income
• Costs for taking care of soiled parts that occur from “Becoming a property that experienced an accident”

Limit of the amount to be paid:
30% of 3 years (36 months) worth of rent
※Actual compensation : 10.8 months worth of rent

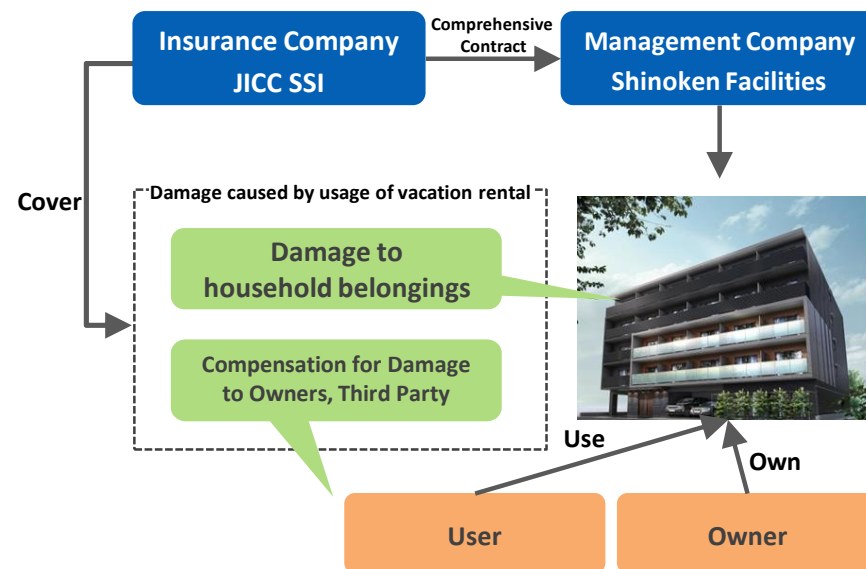
For generating new values

Started the sales of 「Special Contract regarding Comprehensive Contract」 from May. 2017

First for SSI : **Applicable to Vacation Rental**

If the Management Company enters a Comprehensive insurance contract, the insured (Owner and Users of the Vacation Rental) do not have to go through any insurance procedures.

- Damage to household belongings **Limit: ¥1 Million**
- Also covers damage caused to owners or third party, through the usage of vacation rental by the users (travelers). **Limit: ¥5 Million**



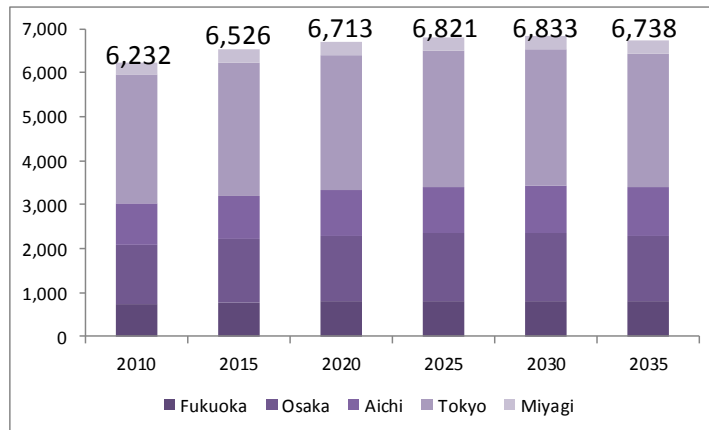
【Reference Materials】 Business Environment

【Real Estate Sales Business】

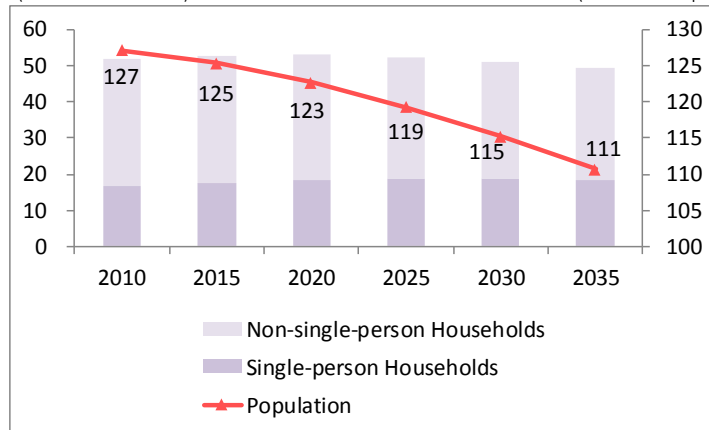
Expecting continuous 「Stable Occupancy」 「Investment Demands」

Numbers of single households show an upward trend in the 5 areas where Shinoken operates. ⇒ **Positive factor upon making decisions for Real Estate Investments**

Trends in Single-person Households (The Main Target of Shinoken)
(Unit: 1,000 Households)



Trends in Population and Single-person Households (National Total)
(Unit: Million Households) (Unit: Million People)



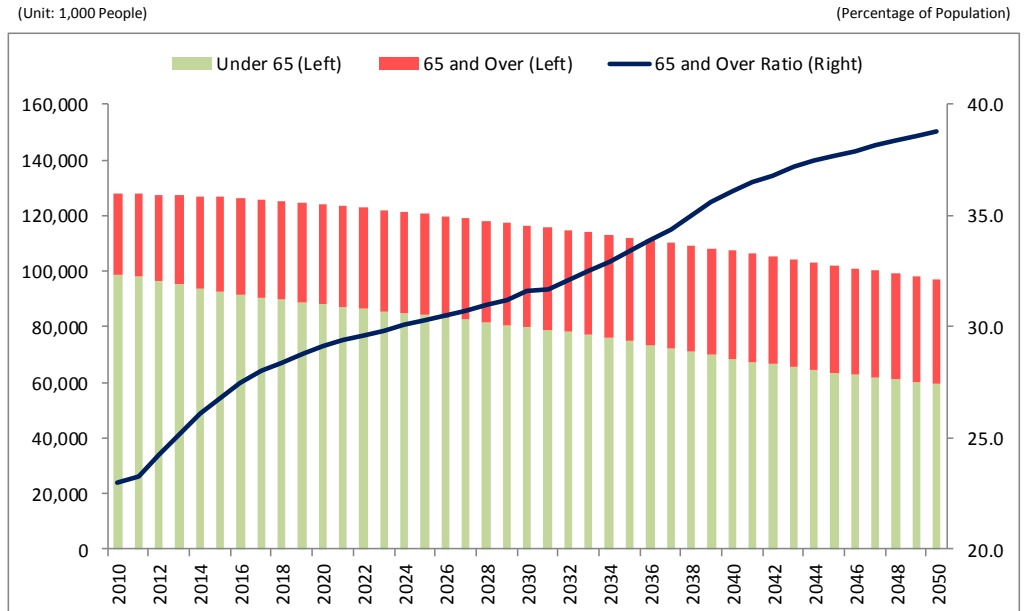
【Elderly Care Business】

Long-Term demand expected until the middle of this century and beyond

Population of Elderlies over age 65 is forecasted to increase until it reaches 38.782 Million in 2042, and decrease from then on

Ratio of Elderlies is forecasted to increase every year until 2050, reaching 38.8% in 2050

Projections for Trends in the Population Ratio of the Elderly (65 and Over) in Japan



DISCLAIMER

This document includes estimations that are based on presumptions, forecasts and plans concerning the future of Shinoken business using May 9, 2018 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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