

August 8, 2018

Company: Shinoken Group Co., Ltd.

Listed on TSE JASDAQ

Stock Code: 8909

URL: <http://www.shinoken.co.jp>

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Notice Concerning the Start of Preparations for the Establishment of Shinoken REIT Investment Corporation

Shinoken Group Co., Ltd. (Hereafter referred to as “Shinoken”, including group subsidiaries) starts the preparation for the establishment of Shinoken REIT Investment Corporation (Tentative name, hereafter referred to as “REIT”), which focuses on Investments to Apartments developed by Shinoken and to be listed on the Tokyo Stock Exchange after the initial period of operating as a private REIT.

Shinoken Asset Management Co., Ltd. (President-director: Hiroshi Uesaka, Head Office: Minato-ku, Tokyo. Hereafter referred to as “SAM”) has started the preparation for obtaining the necessary official licenses to establish the REIT, along with preparing for the setup of the organization and operation.

1. Summary

Shinoken established the first apartment fund “HTT-1 Fund” for institutional investors in March, 2018 and entered the real estate fund business.

Succeeding the “HTT-1 fund”, which has enjoyed favorable reputation, Shinoken has started the preparation for obtaining the necessary official licenses to establish a private REIT. After obtaining the licenses, Shinoken REIT Investment Corporation (Tentative name) will immediately establish the REIT, and aim to raise a private REIT in around March 2019 with a scale of approximately 7 billion yen. We will continue the acquisition of land and will aim to be listed on the Tokyo Stock Exchange with an asset scale of approximately 30 billion yen. After that, we plan external growth of the REIT by continuous supply of 15 to 20-billion-yen worth of assets each term and plan to bring the asset scale up to 100 billion in the near future.

2. Reason for the Decision

Since the founding of our business in 1990, we have aimed to support the asset development of our customers, by creating attractive establishments with the competitiveness in the location of within 10-minute walk from railroad stations in the center of domestic major cities where high lease demand is anticipated, and making a reliable, stable real estate investment product. We have sold more than 5,000 apartment units and manage over 30,000 units now, and the occupancy rate is maintaining a high level of over 98%. Our Apartments, are mostly located in residential areas, and the development scale for each project is similar, making the price stable and

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thus enables the rent rate to be steadily reasonable. This makes it possible for us to offer our rooms to a wide range of customers to rent. And combined with the convenient location of within 10-minute walk from railroad stations in the central area, we can achieve long-term high-occupancy.

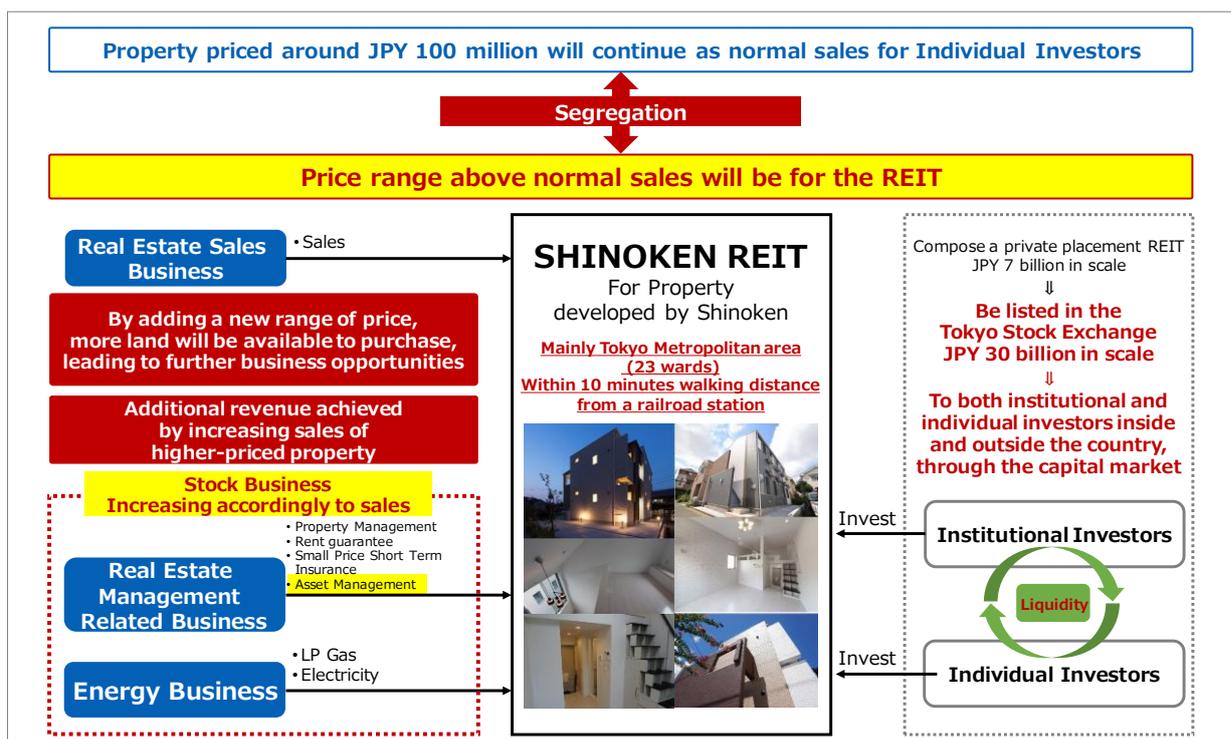
By establishment and listing the REIT after the initial period of operating as a private REIT, through gathering our knowledge of property development and property management which we have accumulated over the years since our foundation, we aim to widely offer the service that we have offered to individual investors to both institutional and individual investors inside and outside the country, through the capital market.

3. Impact to the financial performance

The impact to the consolidated financial performance from this REIT is currently under close examination and calculation, and any necessary revision will be disclosed.

4. Future Outlook

As a sponsor of the REIT, Shinoken will provide the REIT with preferential negotiating rights regarding the sales for the properties. In detail, properties priced around JPY 100 million that are currently provided to individual investors will continue as normal sales for individual investors, and for the properties priced higher than the normal sales price range, preferential negotiating rights will be provided to the REIT, to support the external growth. By offering the appropriate property according to the character of the investor, we intend to maximize the profits of both individual investors and REIT. By providing full-back up from each subsidiary company, such as sales and management, Shinoken as a whole aims to obtain further revenue and profit growth.



5. Reference

Outline of SAM

Name	Shinoken Asset Management Co., Ltd.
Head Office	2-5-5, Shibadaimon, Minato-ku, Tokyo
Representative	President-director: Hiroshi Uesaka
Shareholder	Shinoken Group Co., Ltd. (100%)
Capital	JPY 10 Million (As of Jun 30, 2018)
Business	Investment management business as defined in the Financial Instruments and Exchange Act, business such as disciplinary proxy acting as defined in the housing land building trading business law, etc.
Established	October 6, 2016