



JASDAQ Ticker:8909

# Business Overview

## 3Q FY2018.12

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



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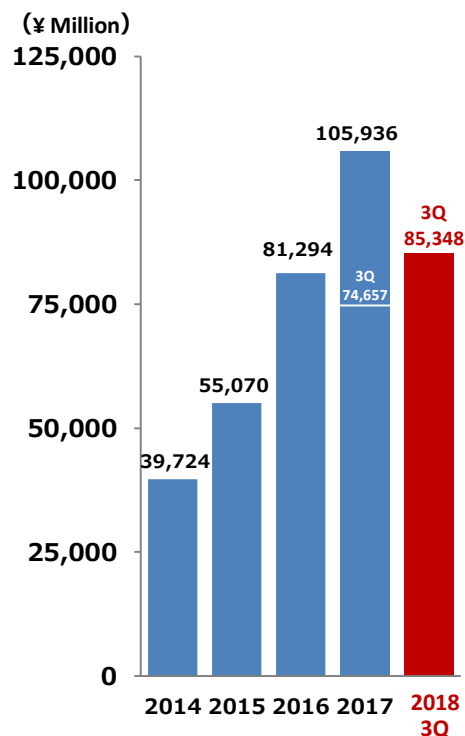
# **Results for 3Q FY2018.12**

# Consolidated Result Highlights

## 3Q Net Sales, Operating and Ordinary Income set Record High for 9 consecutive years

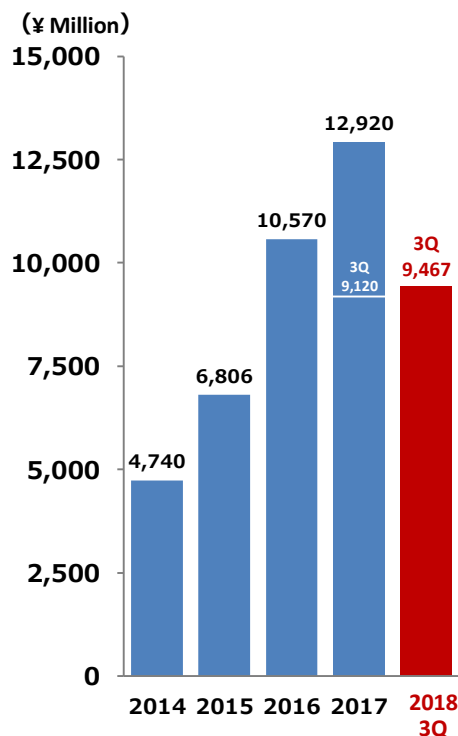
### Net Sales

**¥85,348Mil**  
YoY **114.3%**



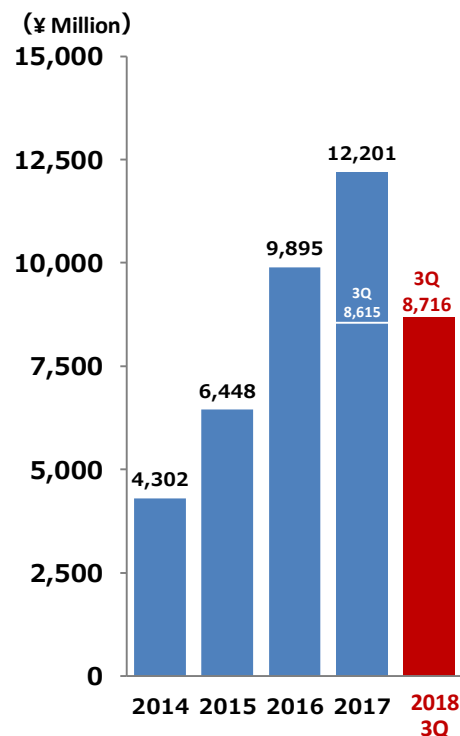
### Operating Income

**¥9,467Mil**  
YoY **103.8%**



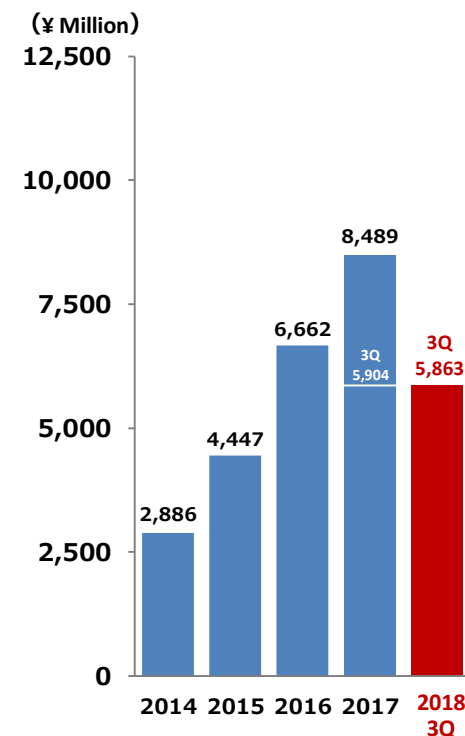
### Ordinary Income

**¥8,716Mil**  
YoY **101.1%**



### Profit Attributable To Owners of Parent

**¥5,863Mil**  
YoY **99.4%**



# Balance Sheet Highlights

Cash and Deposits ¥ 23,538 Million (¥ 36 Million increase from end of Dec, 2017)  
Capital adequacy Ratio 31.5% (2.5pt increase)

## ■ Assets

¥ Million	2016.12	2017.12	2018.12 3Q	Comparison with 2017.12
Cash and Deposits	13,524	23,502	23,538	36
Real Estate for Sale	26,624	28,631	37,096	8,465
Costs on Real Estate Business	15,336	19,285	16,603	▲ 2,681
Other Inventories	6	21	1	▲ 19
Property, Plant and Equipment	6,143	6,881	7,285	403
Other Assets	10,638	12,649	13,524	875
<b>Total Assets</b>	<b>72,273</b>	<b>90,972</b>	<b>98,050</b>	<b>7,078</b>

Purchase of new Lands for Apartments

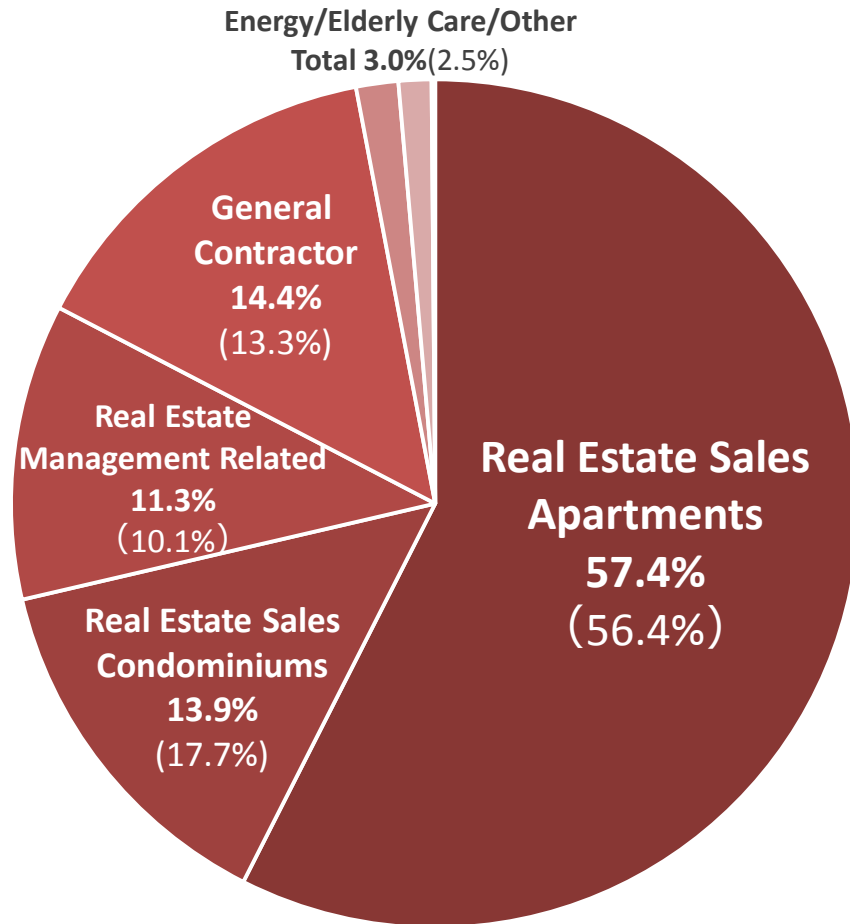
## ■ Liabilities and Net Assets

¥ Million	2016.12	2017.12	2018.12 3Q	Comparison with 2017.12
Current Portion of Bonds	434	925	822	▲ 103
Short-term Loans payable	15,908	23,611	25,956	2,345
Bonds	1,596	1,585	1,671	86
Long-term Loans Payable	20,024	22,400	22,805	405
<b>Total of Liabilities with interest</b>	<b>37,962</b>	<b>48,521</b>	<b>51,255</b>	<b>2,733</b>
Other Liabilities	15,761	16,060	15,673	▲ 387
<b>Total Liabilities</b>	<b>53,724</b>	<b>64,582</b>	<b>66,928</b>	<b>2,346</b>
<b>Total Net Assets</b>	<b>18,548</b>	<b>26,390</b>	<b>31,122</b>	<b>4,731</b>
<b>Total Liabilities and Net Assets</b>	<b>72,273</b>	<b>90,972</b>	<b>98,050</b>	<b>7,078</b>

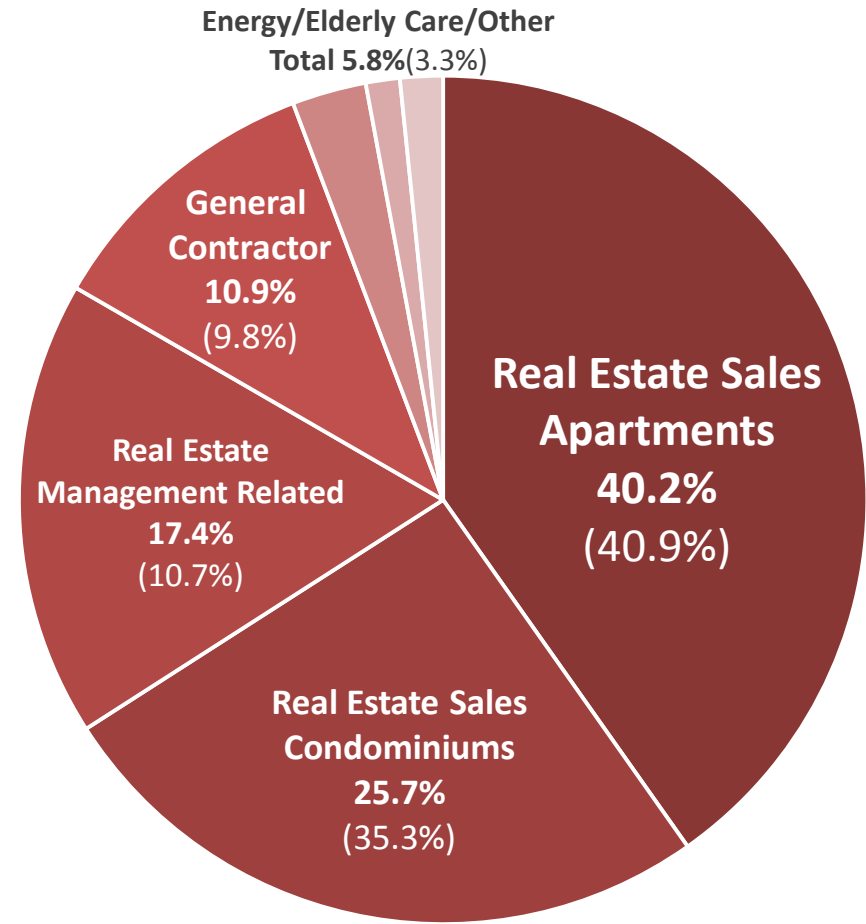
Capital adequacy Ratio	25.6%	29.0%	31.5%	+ 2.5pt
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# Ratio of each Segment in the Consolidated Result

## Net Sales ※External (Previous 3Q)



## Segment Profit ※Total (Previous 3Q)



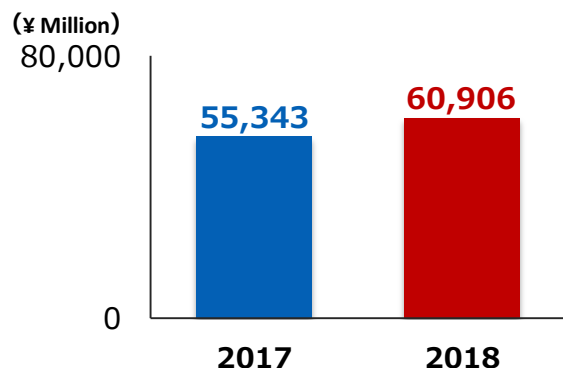
# Real Estate Sales Business

**Increase in Sales**  
**Decrease in Profit**

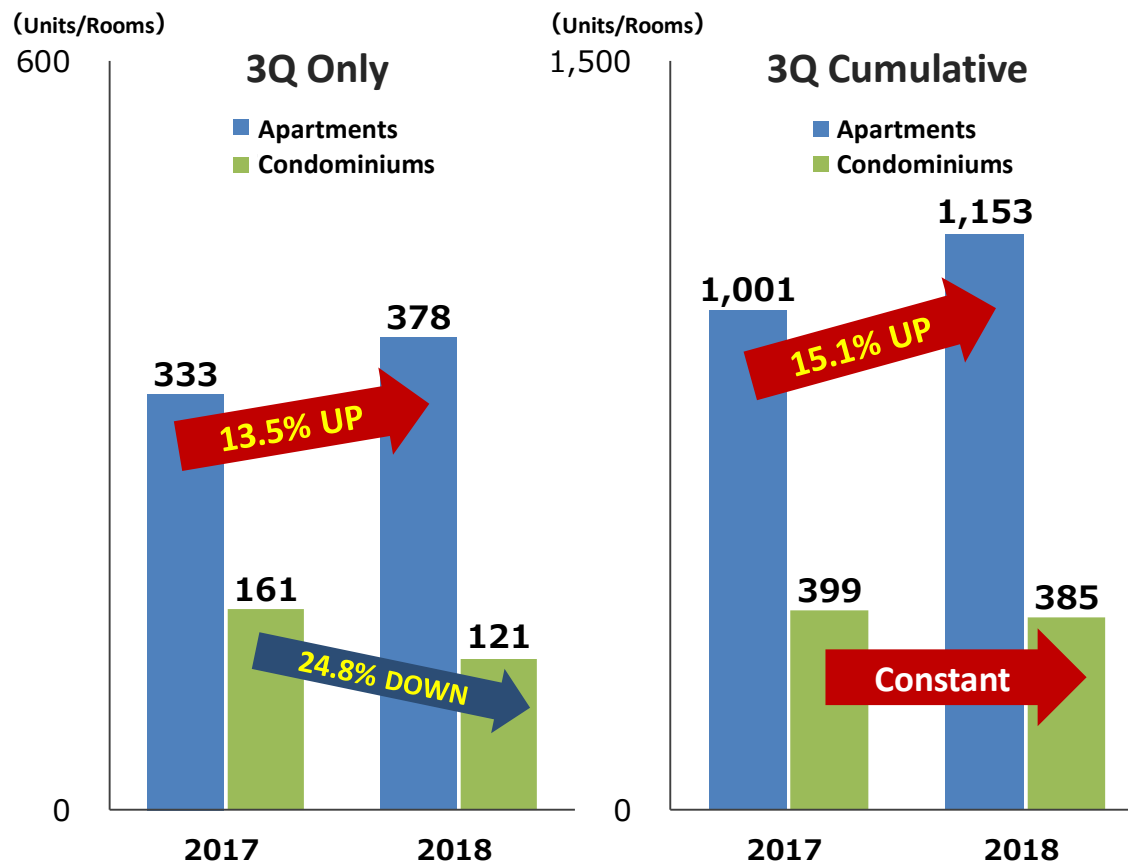
- Apartment Sales : **Set Record High for 3Q\_Cumulative**
- Condominium Sales : **Moved as planned**
- Orders for Apartments/Condominiums : **Steady growth in Apartment Orders**

**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

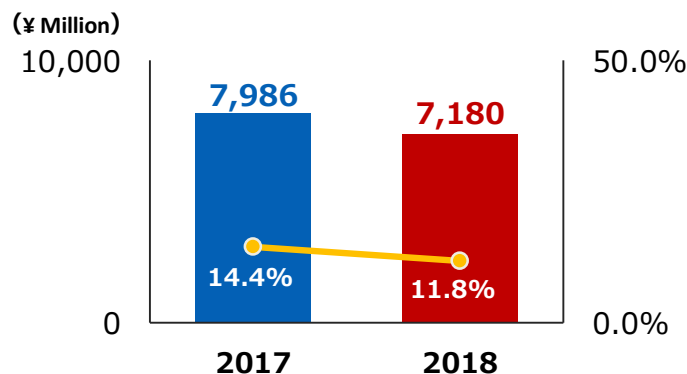
Net Sales (3Q\_Cumulative)



YoY of Apartments/Condominiums Order Results



Segment Profit / Ratio ( 3Q\_Cumulative )

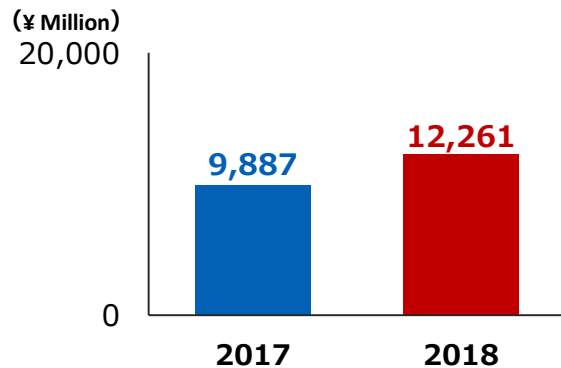


# General Contractor Business

**Increase in  
Both Sales & Profit**

- Creating synergy effect within the group,  
and strengthening an independent profitable structure
- 80.6% of sales are external customers (**YoY 5.0pt growth**)

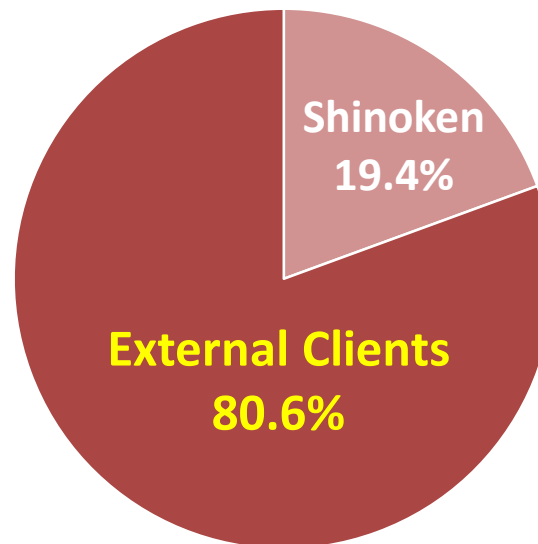
Net Sales (3Q\_Cumulative)



Clients of Construction Projects

※3Q Cumulative

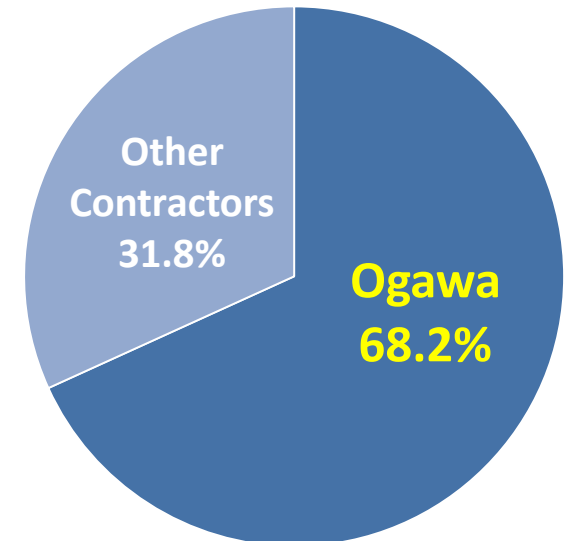
**Not dependent upon  
Internal Sales within the Group**



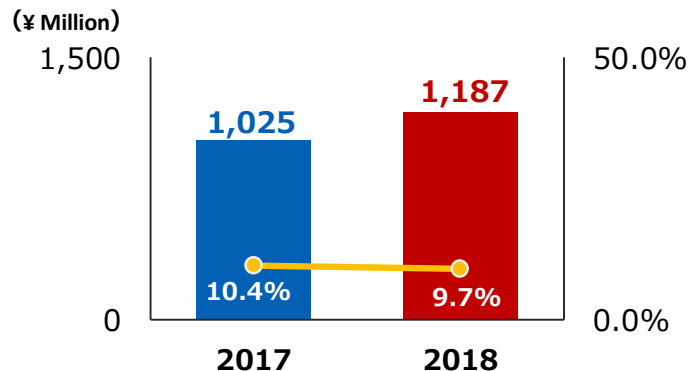
Shinoken's Condominiums

※Based on the price of projects finishing in 2018

**Maintaining the  
sense of competition**



Segment Profit / Ratio ( 3Q\_Cumulative )



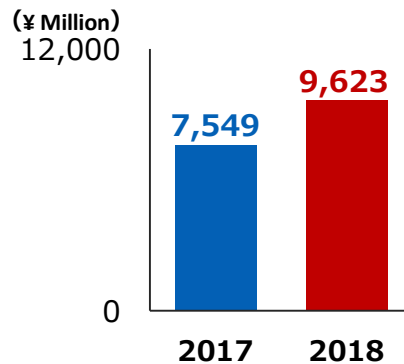
# Real Estate Management Related Business / Energy Business

**Increase in Both Sales & Profit**

- Stock Business, Steadily increasing in proportion to Sales
- Rooms that we manage..... **Occupancy 97.87%** ※Average of Jan. to Sep. 2018
- Guarantee of Rent etc..... **Payment Delay Ratio 0.4%**
- Electricity..... Steady increase since the kick off in 2017

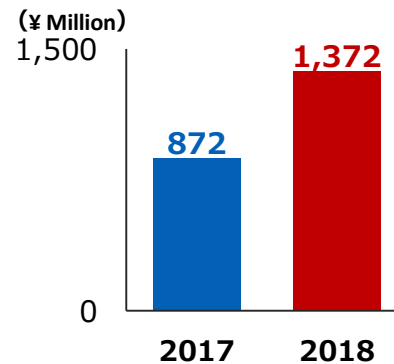
## Real Estate Management Related Business

### Net Sales (3Q\_Cumulative)

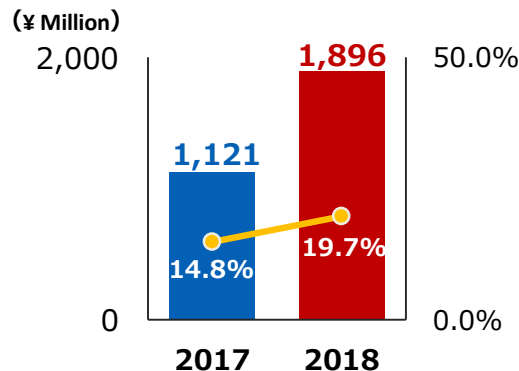


## Energy Business

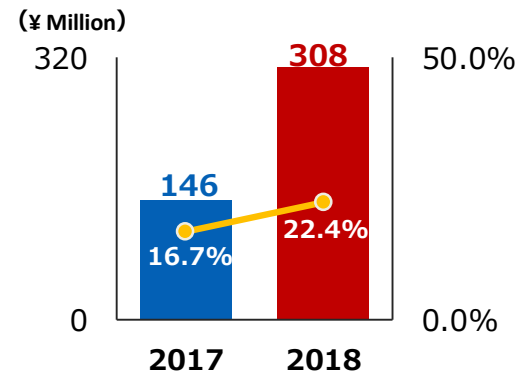
### Net Sales (3Q\_Cumulative)



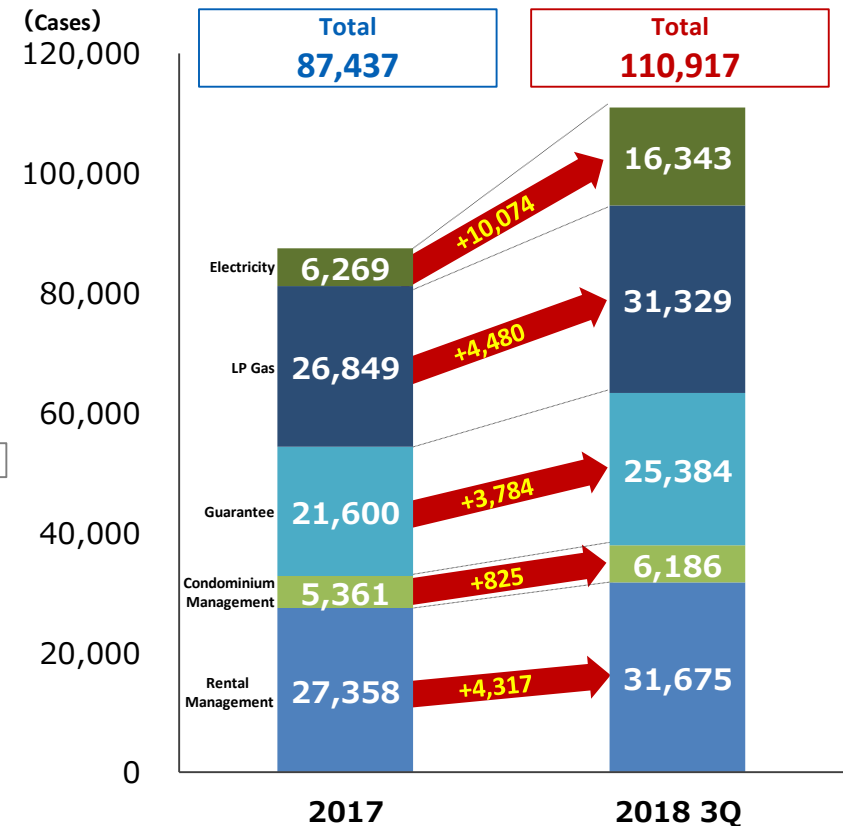
### Segment Profit / Ratio (3Q\_Cumulative)



### Segment Profit / Ratio (3Q\_Cumulative)



### Progress of Stock Business (End of 2017 vs End of 2018 3Q)



※「Rental Management」 includes Apartments and Condominiums. Shinoken Facilities is in charge  
 ※「Condominium Management」 is different from 「Rental Management」. Shinoken Amenity is in charge

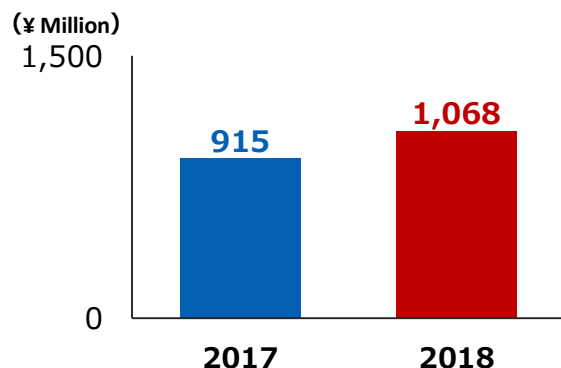


# Elderly Care Business

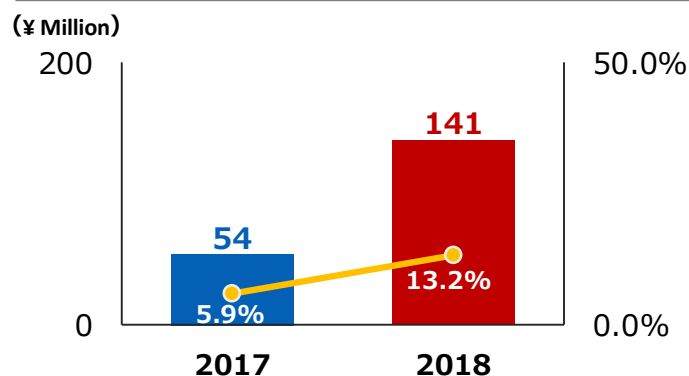
**Increase in  
Both Sales & Profit**

- High Occupancy in each facilities
  - In the previous term, preceding costs for the opening of a group home in Fukuoka
- Segment Profit for this 3Q stands at YoY 260.4%**

Net Sales (3Q\_Cumulative)



Segment Profit / Ratio (3Q\_Cumulative)



Facilities and Areas of Elderly Care Business

## 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 : 98.6%**  
(As of End of Sep, 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 Sep, 2018)

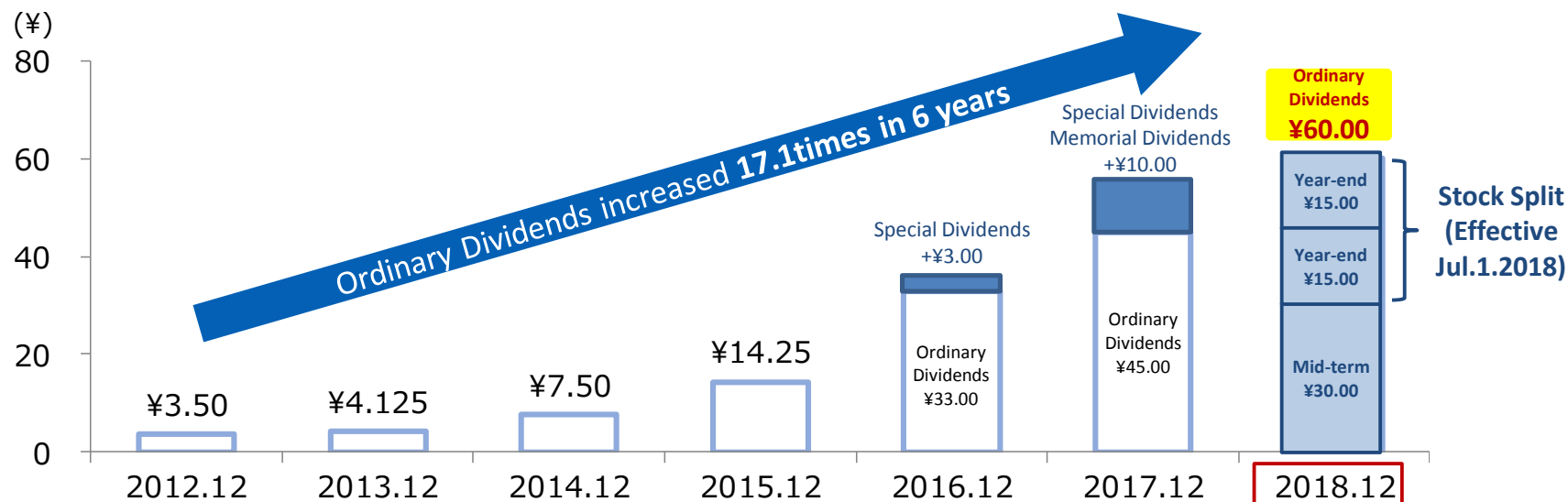
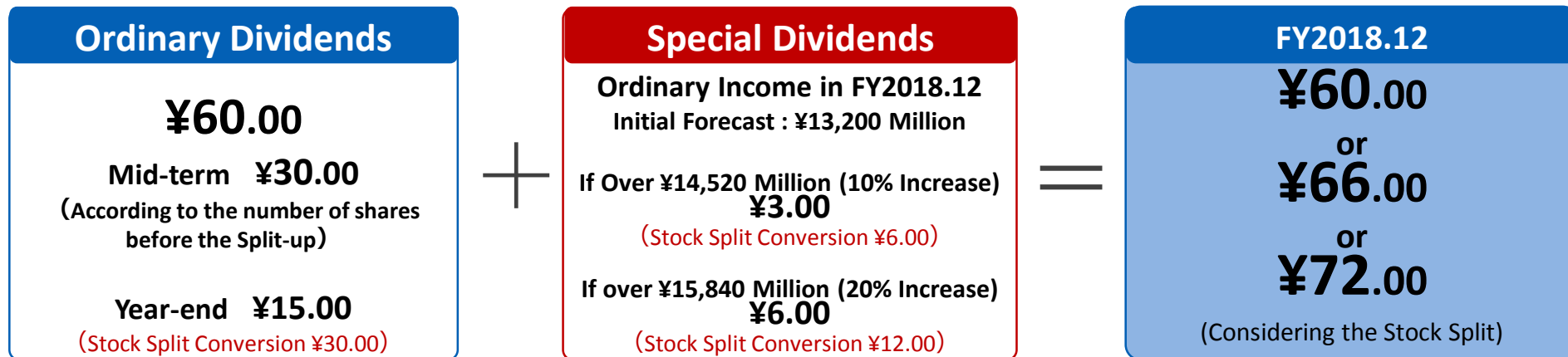
## Multifunctional Small Group Home

**2 facilities** in Osaka and Fukuoka



⇒ See also P.27

# Shareholder Returns



# **Our Business Model**

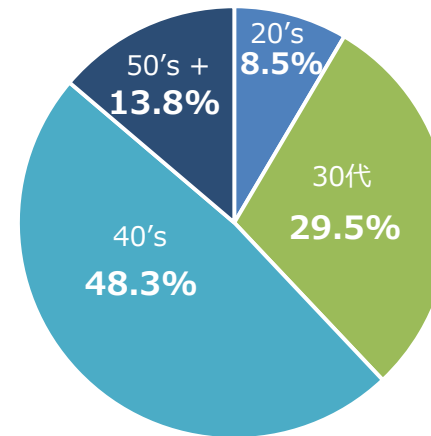
# Shinoken's Sales Style and Customers

## Shinoken's traditional **Pull-Style Sales**

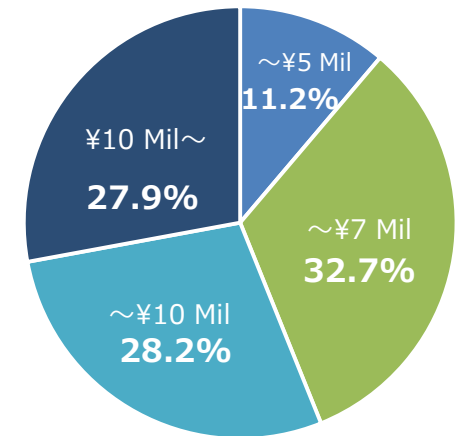


## **99%** are office workers that don't own land

**85%** are  
under 50 years old



**72%** has an income  
below JPY 10 mil



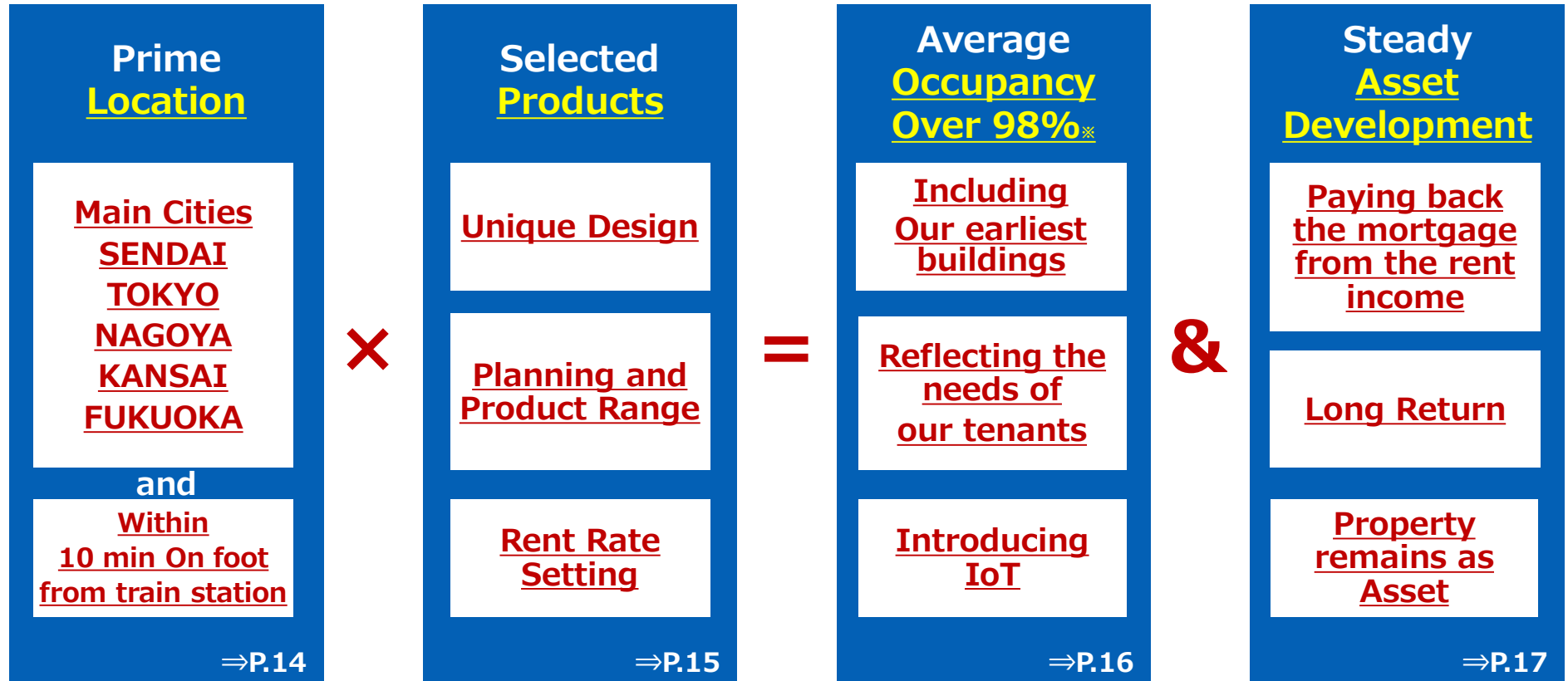
※Based on contracts from Jan to Sep 2018  
※Cancels not included

## **90%** uses exquisite mortgage

Exquisite mortgage plans are possible based on the track record of 28 years of knowledge since our establishment, and the high average occupancy of over 98% including our earliest buildings

**Mortgage approval rate ≒ 70%**

We have established a system where  
Office Workers can Develop their Future Assets through Real Estate Investment



※Property developed by Shinoken

# 厳選された立地

We focus on Locations that Enable High Occupancy and Steady Rent Income, which are Essential

■ Main Cities and ■ Within 10 minutes on foot from train Station



※image

Normal Apartment Companies also develop properties outside the main city areas or areas far away from a Station



# Selected Products

Compact but spacy

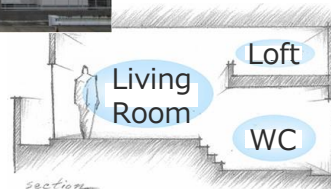
Unique Design

 **GOOD DESIGN AWARD**

「New Standard "BRICK" / "PLATFORM"」  
Achieving 2 Good Design Awards

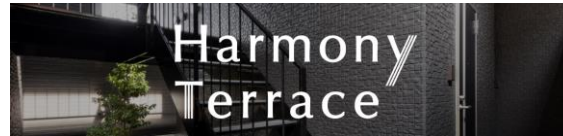


Loft



Adjusted to the area and the shape of land

Planning and Product Range



Enabling Stable Rent Management

Rent Rate Setting

**10 min from Station  
Designers Apartment**

It may be possible to set a high  
Rent Rate (Especially while the  
building is new)

**Shinoken sets the rent  
rate according to the  
market**



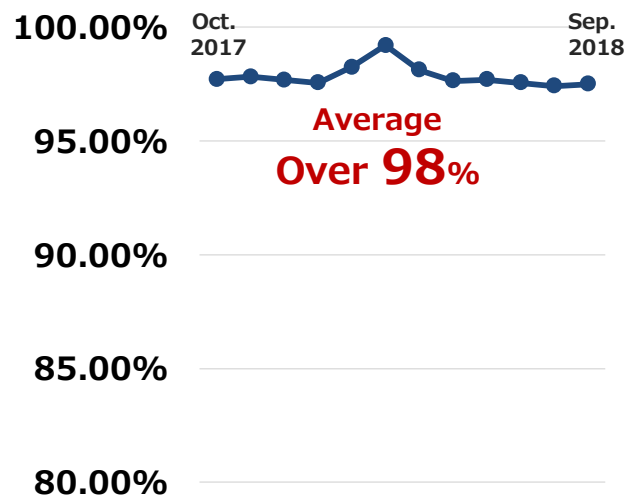
**To enable  
long term steady management,  
not temporary high yield**

# High Occupancy

Including rooms that exist  
from our establishment in 1990

Location  
×  
Design Ability  
×  
Continuous R&D  
↓  
**Long Term  
High Occupancy**

Occupancy of the past 12 months



※Property developed by Shinoken

To provide property that  
Will be more selected

**Reflecting the needs  
of our customers**

Initiating a survey  
Towards more than 30,000 of our  
residences

Understanding their needs,  
Immediately reflecting them  
to our products



Intercom with color display



Independent sink



Staircase with Storage

「Shinoken Smart Apartment」  
Introducing IoT

**IoT Device  
『Shinoken Smart Kit』  
Available from 1 room**

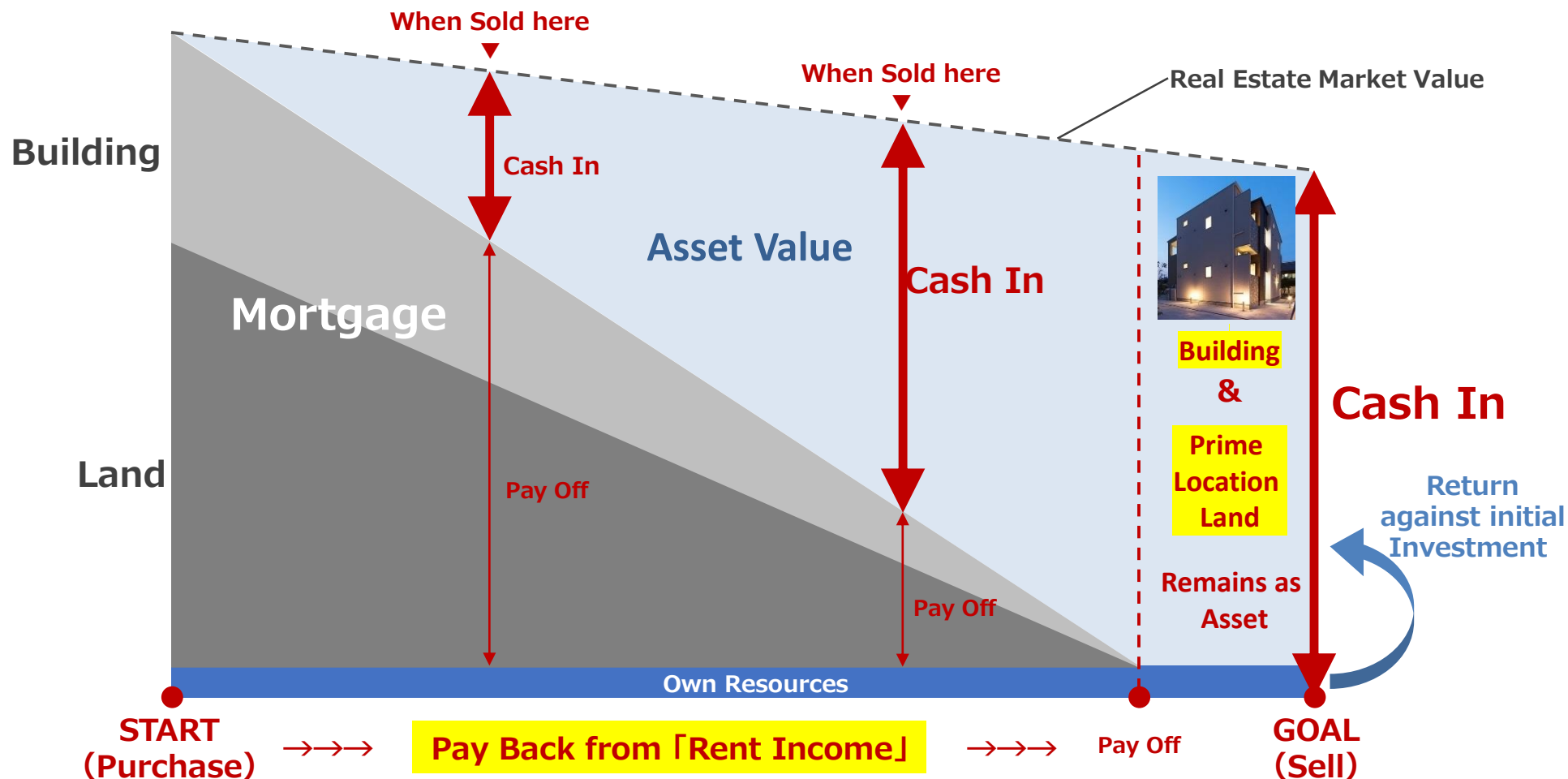
No Running Cost Needed  
Higher security, convenience,  
and more safe and comfortable  
stylish lifestyle through IoT  
Through one Smartphone





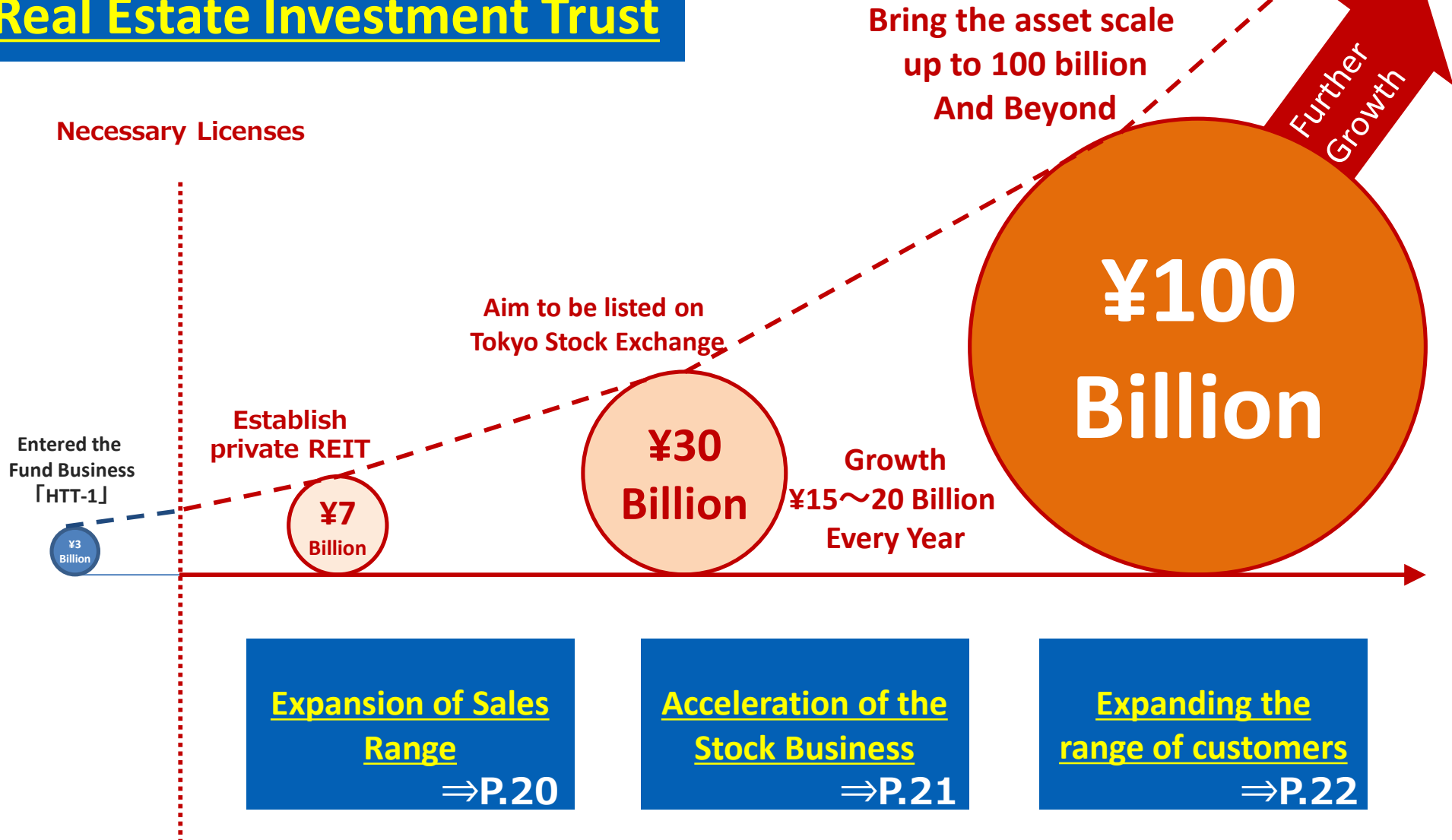
# Our Model Of Asset Development

## Long Term Asset Development by paying back the mortgage from the rent income



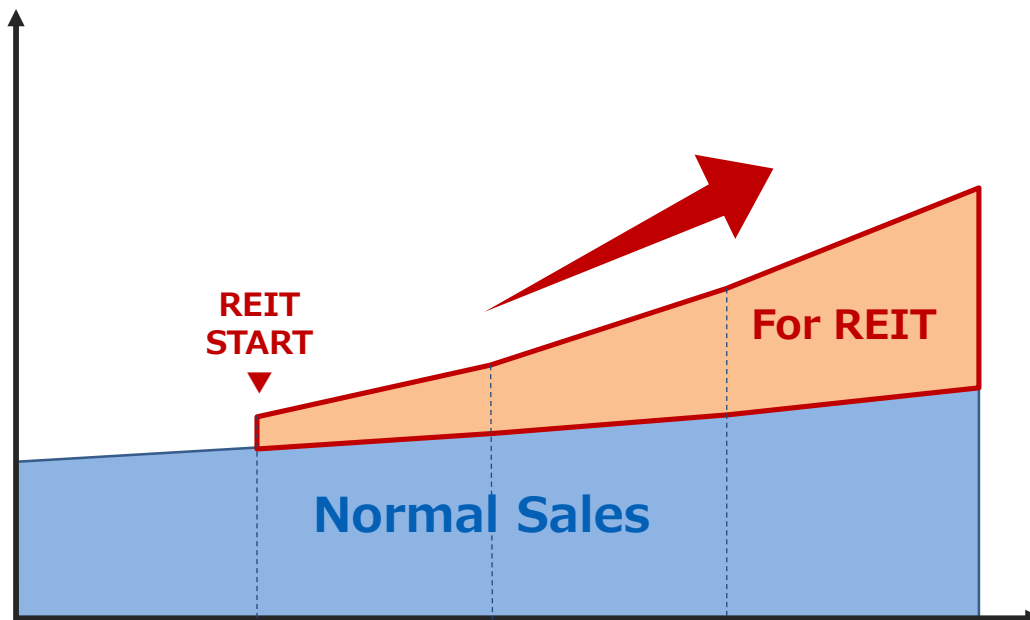
# **Our Strategy for Future Growth**

## Real Estate Investment Trust

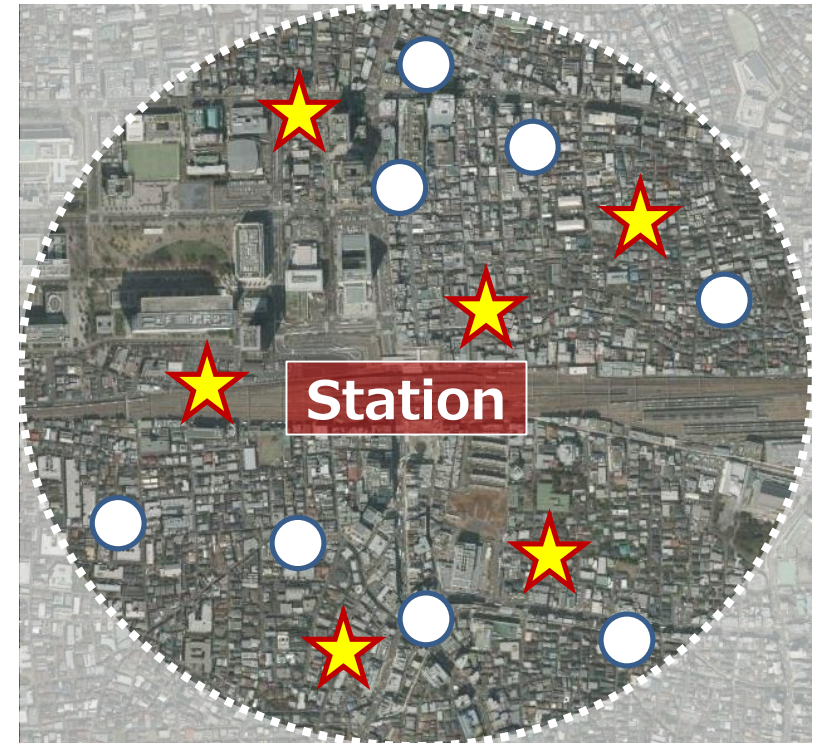


## Further Revenue Increase through Expansion of Sales Range

	Normal Sales For individual Investors	For REIT
Tokyo 23 Wards	Around ¥100 Million	Price Range Exceeding Normal Sales
Other Tokyo		
Kansai Fukuoka Nagoya Sendai	Continue Sales	Future



## A new range of Land Purchase Within 10 min on foot from stations in Central Tokyo (23 Wards)



※image

○ : Current Land Purchase Range

★ : New Land Purchase Range

## Acceleration of the Stock Business According to Sales

### Flow Business

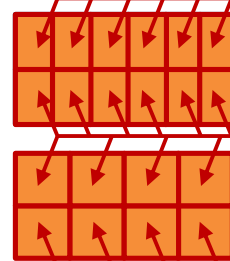
#### Real Estate Sales Business

Apartment Sales (By building)

Condominium Sales (By Room)

Normal Sales Apartments  
Have 4~8 Rooms

REIT Apartments  
Plan to Have up to 20 Rooms



### Stock Business

#### Real Estate Management Related Business

Property Management

Rent guarantee

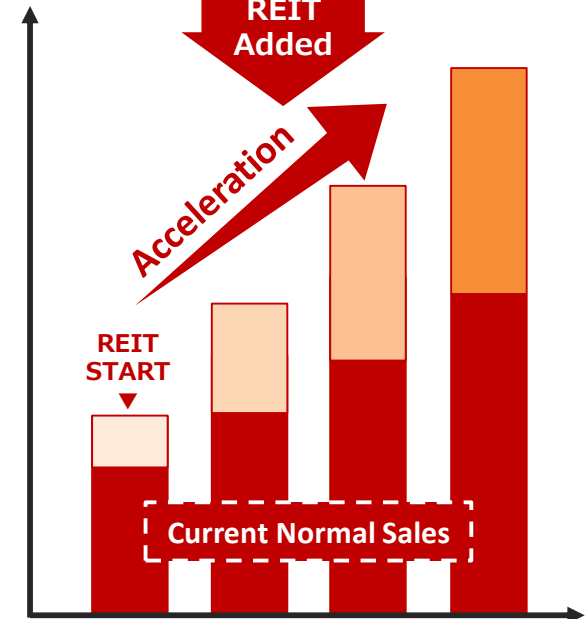
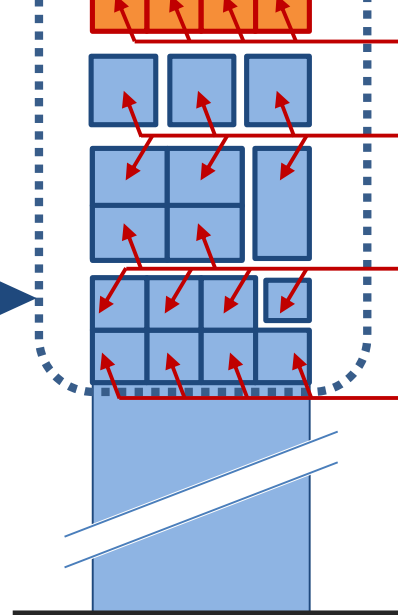
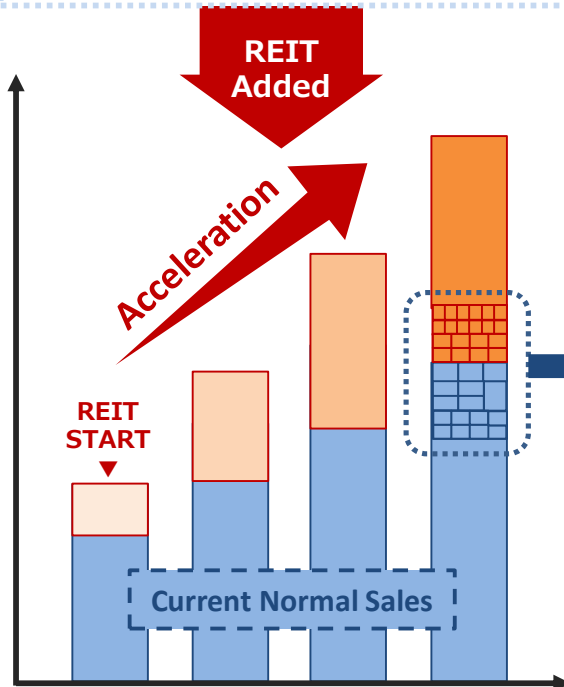
Small Price Short Term  
Insurance

Asset Management Fee ←New

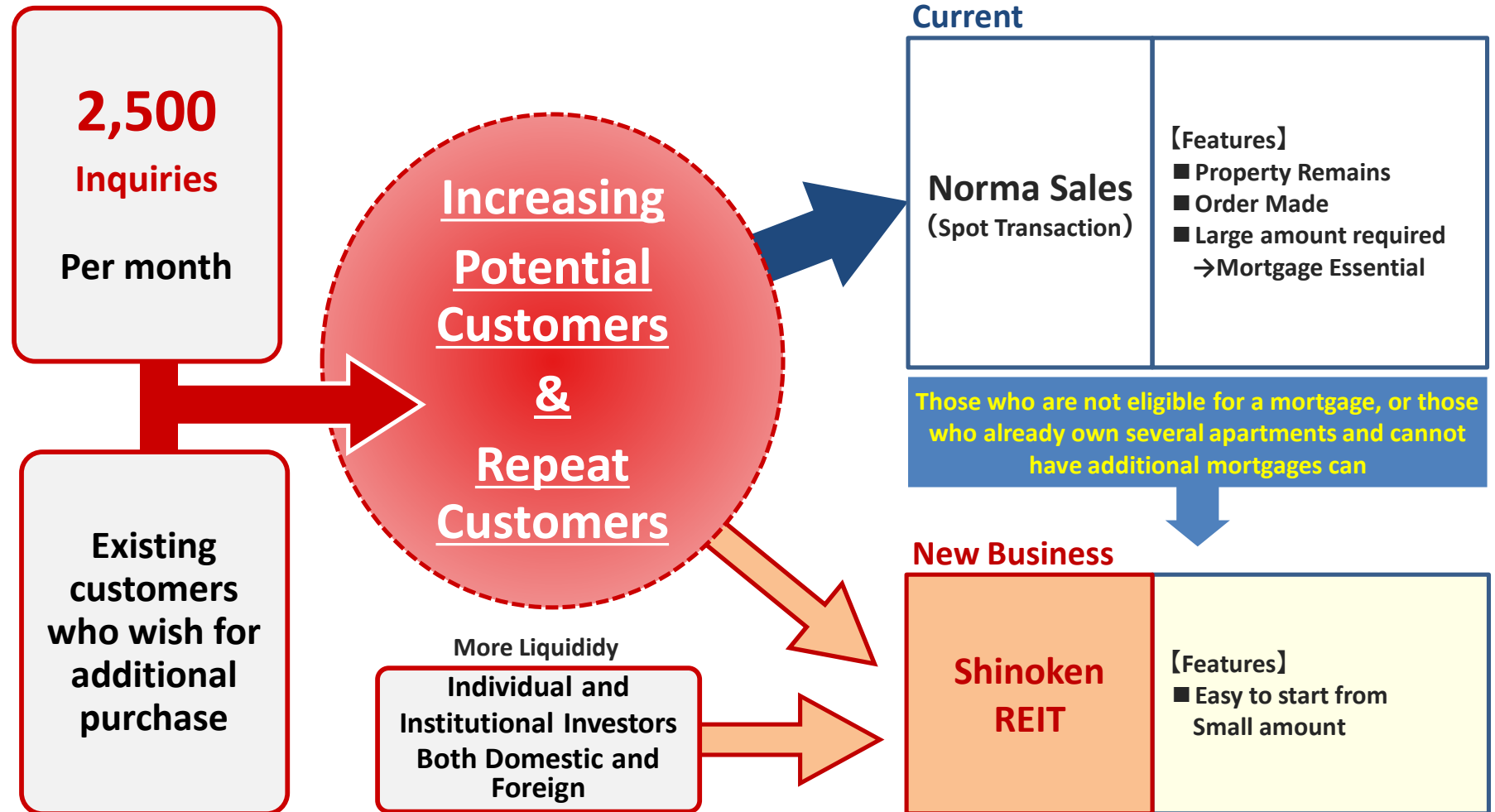
#### Energy Business

LP Gas

Electricity



## Expanding the range of customers



# REIT Outline

Property priced around JPY 100 million will continue as normal sales for Individual Investors

Segregation

Price range above normal sales will be for the REIT

Real Estate Sales  
Business

• Sales

By adding a new range of price,  
more land will be available to purchase,  
leading to further business opportunities

Additional revenue achieved  
by increasing sales of  
higher-priced property

Stock Business  
Increasing accordingly to sales

Real Estate  
Management  
Related Business

• Property Management  
• Rent guarantee  
• Small Price Short Term  
Insurance  
• Asset Management

Energy Business

• LP Gas  
• Electricity

## SHINOKEN REIT

For Property  
developed by Shinoken

Mainly Tokyo Metropolitan area  
(23 wards)

Within 10 minutes walking distance  
from a railroad station



Compose a private placement REIT  
JPY 7 billion in scale



**Be listed in the  
Tokyo Stock Exchange  
JPY 30 billion in scale**



**To both institutional and  
individual investors inside  
and outside the country,  
through the capital market**

Invest

Institutional Investors

Liquidity

Invest

Individual Investors

# 【Reference Materials】



# About our Group



## Shinoken Group (Holding Company)

**【Established】**  
Jun.5, 1990

**【Capital】**  
1,094.83 Million  
(As of end of Sep, 2018)

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

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

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

Apple Care

Friend

## Other Business

Overseas business

SKG INVEST ASIA (HONG KONG)

PT. Shinoken Development  
(Indonesia)

PT. MUSTIKA CIPTA KHARISMA  
(Indonesia)

PT. Shinoken Asset Management  
Indonesia (Indonesia)

SHINOKEN REAL ESTATE  
(SHANGHAI)

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

# 【Reference Materials】 Condominiums

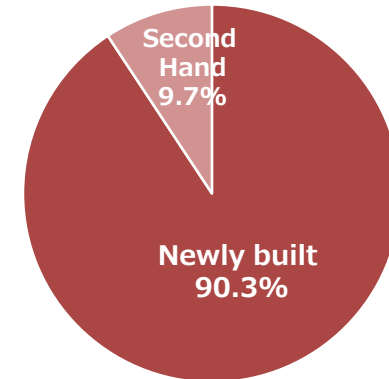
Purchase decent land within the Capital area, Plan and Develop Condominiums for single households

Condominiums are relatively lower price than Apartments, therefore work as introductory products

## 【Newly built】



(抜粋)



## 【Renovation X Condominium】

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

Second hand Condominiums 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  
[Ju-Life Aqua-Villa Kashiikama](#)  
Largest scale in Kyushu

## Day Service Home Help, Care Management



Fukuoka Prefecture (Kasuya-gun)  
[Applife Higashi Fukuoka](#)

## 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 : 98.6% (As of End of Sep, 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 Sep, 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](#)

## Group Home

### Multifunctional Small Group Home

18 Rooms



Fukuoka City  
[Friend Kasumigaoka](#)

## Group Home

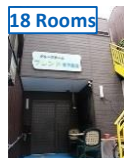
18 Rooms



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

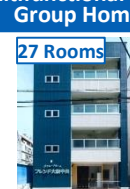


Osaka City (Tennoji-ku)  
[Friend Fudegasaki](#)

## 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, Finance**

PT. Shinoken Development Indonesia

PT. Shinoken Asset Management Indonesia





# 【Reference Materials】 Overseas Business\_Indonesia

桜 SAKURA TERRACE

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

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

Project #1



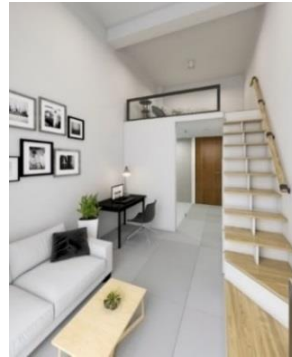
Project #2



Accelerating our Indonesian Business by acquiring Mustika

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

Project #3 Conceptual drawing



Purchasing Land



Construction



Completion / Handover



Project #4 Land



Project #5 Land



Formulating the same **Stock Business Structure**  
as in Japan, including  
Management, Leasing, and Follow-up

# 【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” 20<sup>th</sup> 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

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

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

# 【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

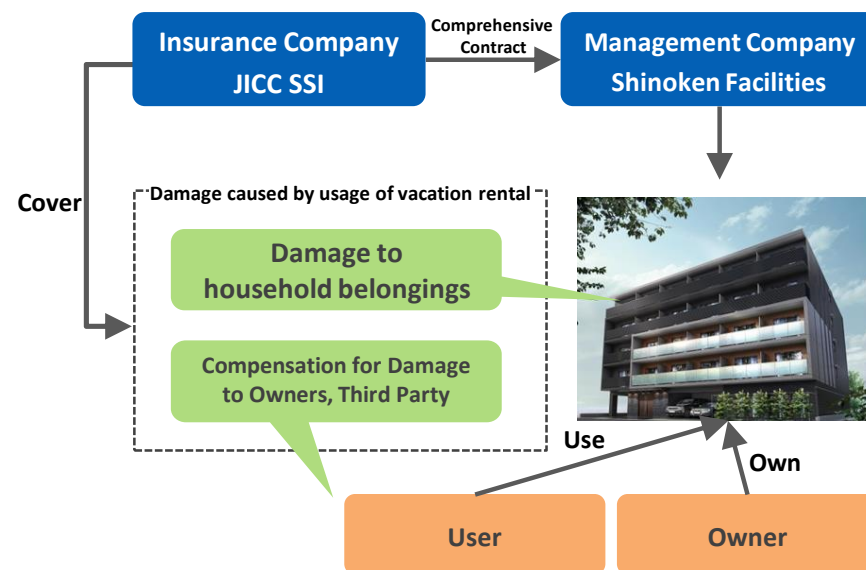
## For generating new values

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**





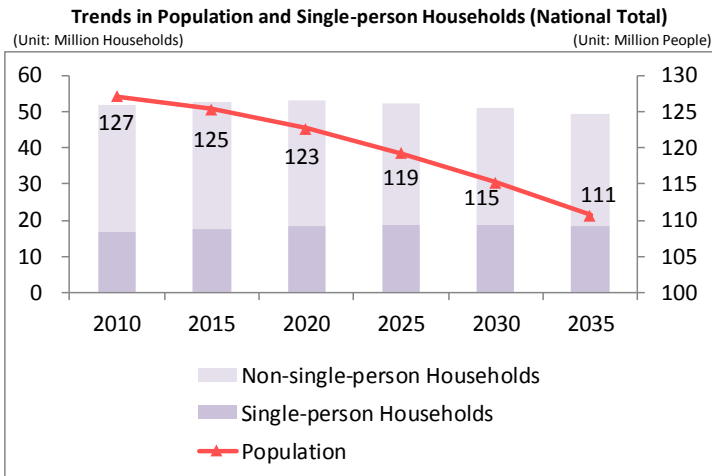
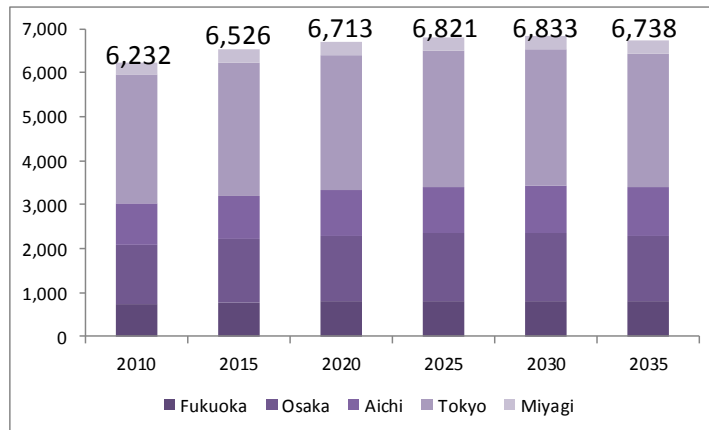
# 【Reference Materials】 Business Environment

## 【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)



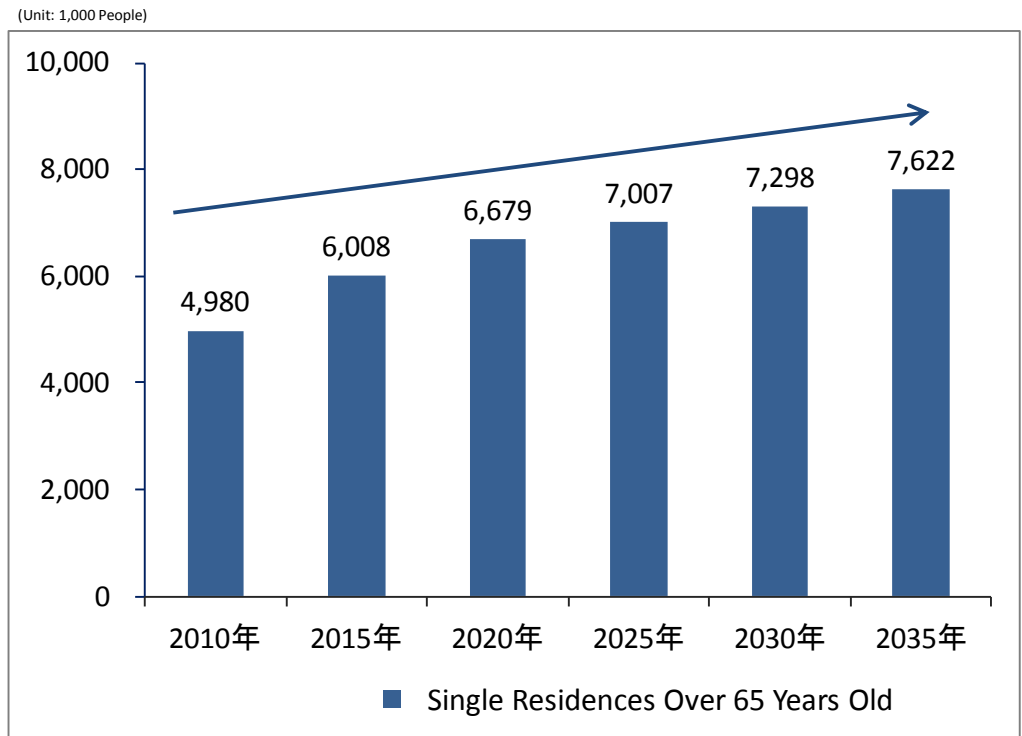
## 【Elderly Care Business】

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 Single Residences Over 65 Years Old



# DISCLAIMER

This document includes estimations that are based on presumptions, forecasts and plans concerning the future of Shinoken business using November 7th, 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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