

Business Overview

FY2020 1Q (Jan - Mar)



30th anniversary

Shinoken Group 1990-2020
30th
 anniversary



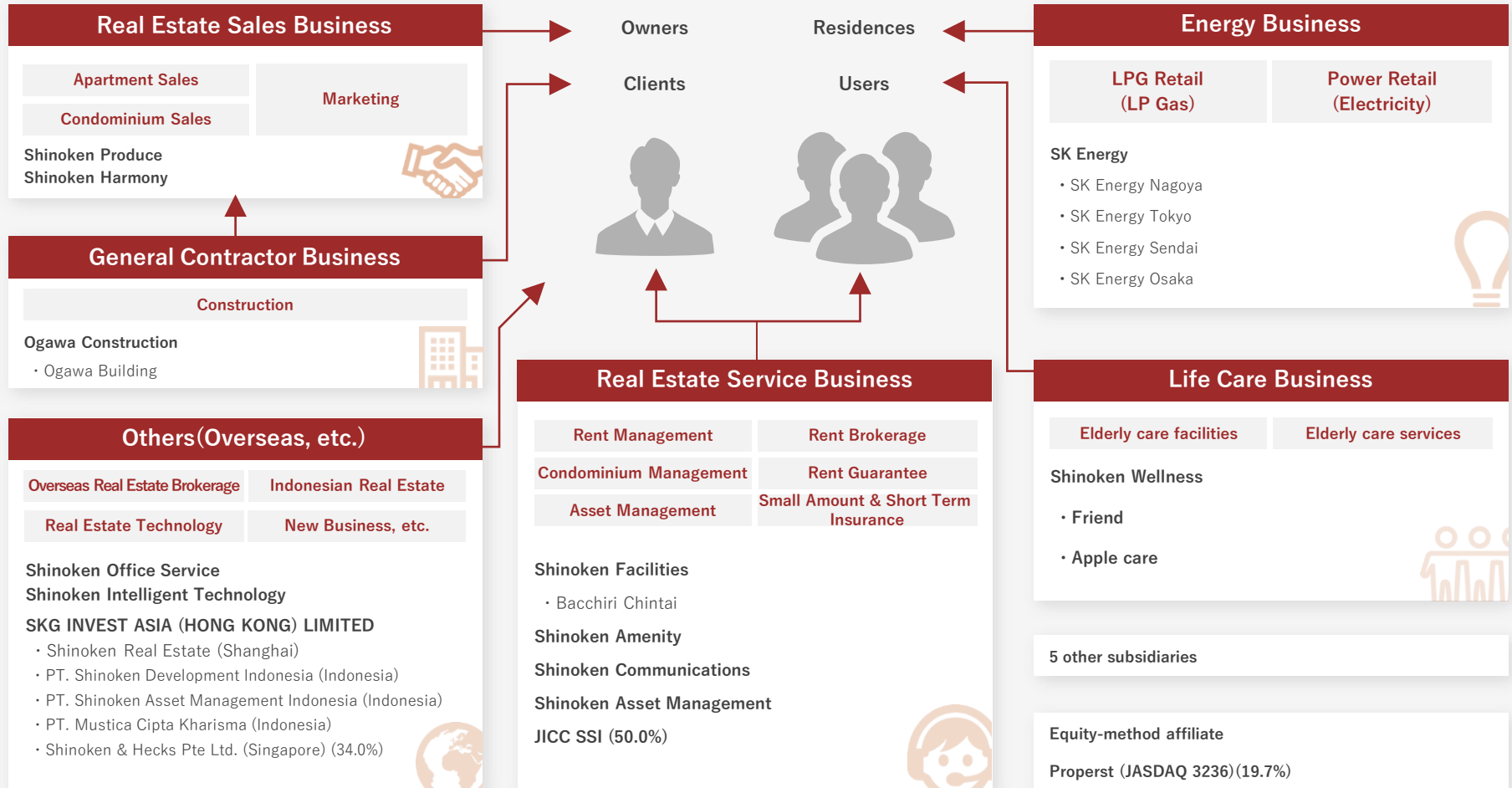
Office History

Our Business

Holding Company

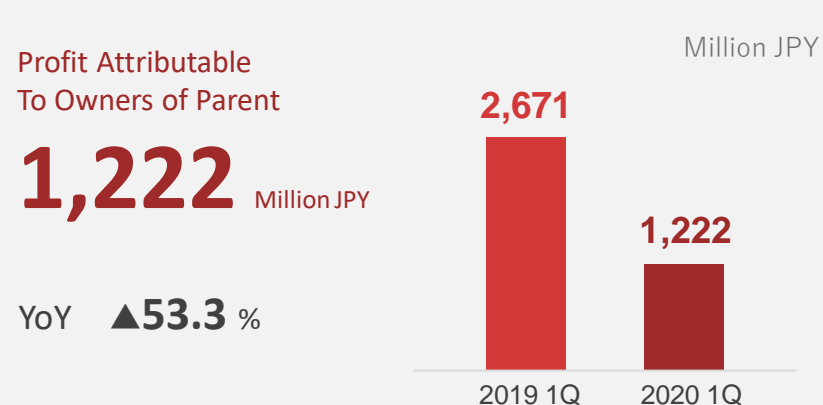
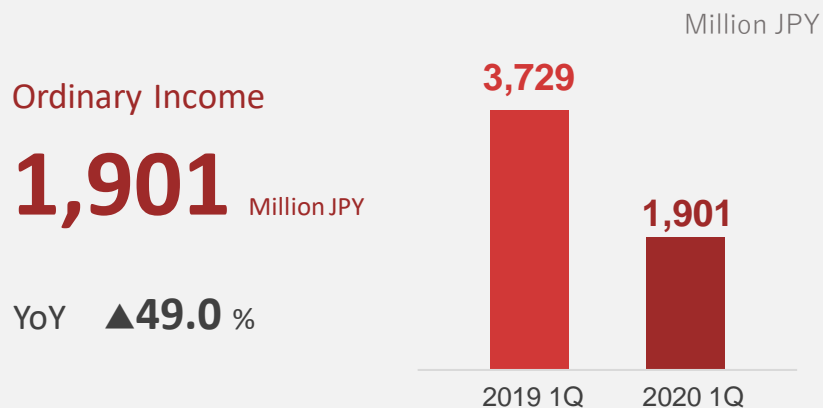
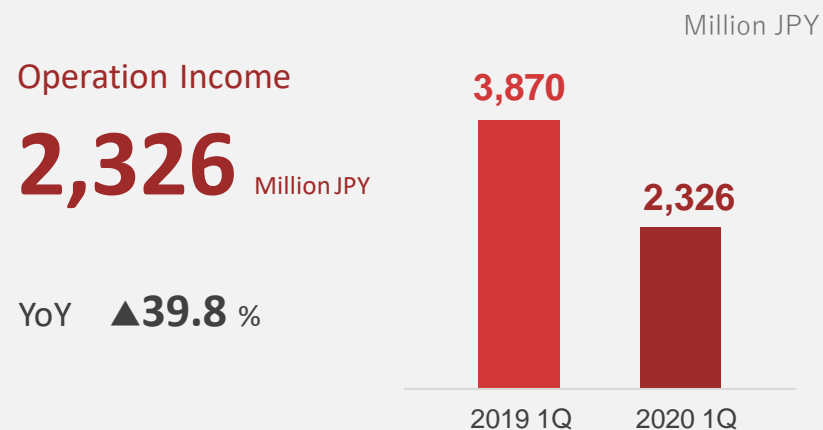
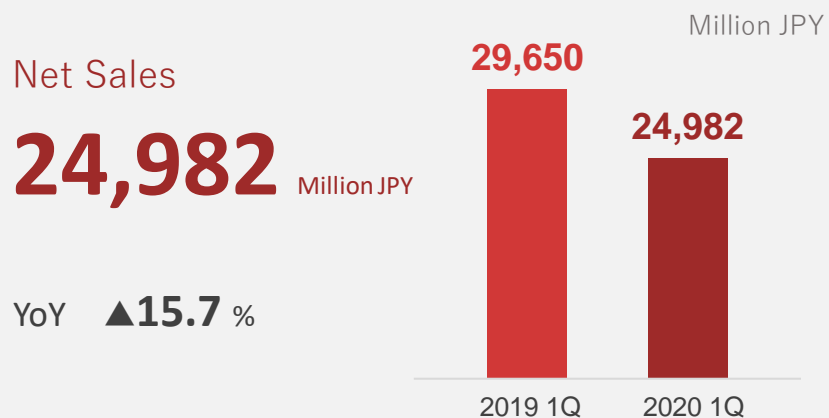
Shinoken Group Co., Ltd.

【Established】 Jun.5, 1990 【Capital】 JPY1,094.83 Million



1 Highlights of Results





Million JPY

| | 2019 End | 2020 1Q End | Increase/Decrease |
|--|-------------------|-------------------|-------------------|
| Current Assets | 74,404 | 74,029 | ▲375 |
| Cash and Deposits | 29,034 | 30,053 | +1,018 |
| Non-current Assets | 11,553 | 11,707 | +154 |
| Total Assets | 85,957 | 85,737 | ▲220 |
| Current Liabilities | 26,709 | 25,476 | ▲1,232 |
| Non-current Liabilities | 21,837 | 22,758 | +921 |
| Total Net Assets (Capital Adequacy Ratio) | 37,411 (43.4%) | 37,501 (43.6%) | +90 (+0.2pt) |
| Total Liabilities and Net Assets | 85,957 | 85,737 | ▲220 |

Main Increase/Decrease factors of Assets (Million JPY)

- Cash and Deposits +1,018
- Real Estate for sale*1 ▲1,358
- Costs on Real Estate Business*2 ▲201

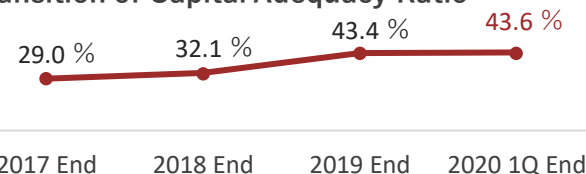
*1 Land for Apartments, etc.

*2 Condominium Construction in progress, etc.

Main Increase/Decrease factors of Liabilities (Million JPY)

- Current portion of bonds ▲130
- Short-Term Loans Payable +814
- Others(Current liabilities) ▲1,447
- Bonds ▲136
- Long-Term Loans Payable +1,071

Transition of Capital Adequacy Ratio



Real Estate Sales

Adapting to the changes in the minds of investors, adjusted land purchase and advertising. As for sales, dealt accordingly to the government's requests.

Real Estate Service

Showing the strength of recurring business, Rooms managed, Rent Guarantee both unaffected and steadily increased.

General Contractor

Construction projects proceeded steadily, with the utmost care and attention to prevent contamination on site.

Energy

Use of Gas and Electricity increased relatively, due to the residents spending more time at home.

Life Care

Continued the business with the utmost care and attention regarding the safety and sanitation of both users and staff.

Others(Overseas, etc.)

Continuing new business and M&A
Overseas business proceeding while dealing with the local situation.

Whole Group

- Proceeded roughly as planned, without much influence from COVID-19
- Stronger financial position(Cash and Deposits exceeded 30 Billion JPY, 43.6% CAR)

Real Estate Sales



Apartment Sales

- Sales proceeded as planned
- Mortgages for individual customers by partner financial companies/banks still continuing

Condominium Sales

- Though sales and income decreased YoY (irregular B2B sales in 2019), roughly proceeded as planned

Real Estate Service



- Steadily increased according to sales
- Occupancy rate exceeded 99%(Property Developed by Shinoken), As of end of March 2020

General Contractor



- Orders widely increased in both private and government projects, besides Shinoken-related
- Construction ending in 2020, and orders for those of 2021 and beyond proceeding favorably

Energy



- LPG Retail(LP Gas) and Power Retail (Electricity, est.2017) both steady added up

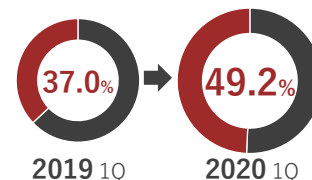
Life Care
Others(Overseas, etc.)

- Occupancy rate of facilities for the elderly kept 98% level
- Developed smartphone app for owners, IoT, new business

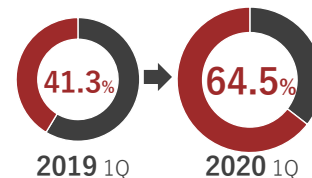
Besides Real Estate Sales Business

Recurring business especially functioned as a large base of income, showing resilience to the changes of the external environment

Net Sales*¹
※Against the simple sum



Ordinary Income
(Segment Income)
※Against the simple sum



*1 Including Internal transactions

Million JPY

| | 2019 1Q | | 2020 1Q | | YoY |
|------------------------|---------------|-------------------------------------|---------------|-------------------------------------|--------------------|
| | Net Sales*1 | Ordinary Income (Segment Income) | Net Sales*1 | Ordinary Income (Segment Income) | |
| Real Estate Sales | 19,569 | 2,638 | 13,280 | 1,018 | DOWN • DOWN |
| Real Estate Service | 4,182 | 1,043 | 4,786 | 1,012 | UP • DOWN |
| General Contractor | 6,181 | 586 | 6,849 | 578 | UP • DOWN |
| Energy Business | 694 | 160 | 816 | 223 | UP • UP |
| Life Care Business | 380 | 62 | 408 | 44 | UP • DOWN |
| Others(Overseas, etc.) | 58 | 7 | 41 | ▲7 | DOWN • DOWN |
| Adjustments | ▲1,417 | ▲629 | ▲1,200 | ▲543 | - |
| P/L Figures | 29,650 | 3,870 | 24,982 | 2,326 | DOWN • DOWN |

*1 Including Internal transactions

Net Sales

13,280 Million JPY YoY ▲**32.1** %

Operating Income (Segment Income)

1,018 Million JPY YoY ▲**61.3** %

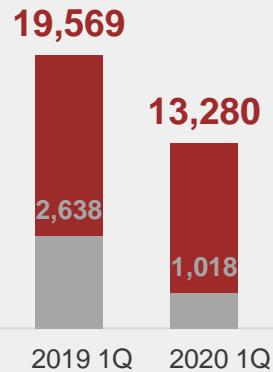
While there are concerns of COVID-19 influence

Sales generally proceeded as planned

Swiftly secured construction materials for all projects planned this year

Adjusting land purchase while keeping a close watch on the market

■ Net Sales(Million JPY)
■ Segment Income(Million JPY)



Apartment Sales

2019 1Q
Exceeded the plan
(Due to carry over from 2018 4Q)

2020 1Q
As planned



Condominium Sales

2019 1Q
Exceeded the plan
(Due to irregular B2B sales)

2020 1Q
As planned, similar to 2018 1Q

Net Sales^{*1}**4,786**

Million JPY

YoY **+14.4 %**

Operating Income (Segment Income)

1,012

Million JPY

YoY **▲3.0 %**

Steadily added up according to sales

Occupancy rate
exceeding 99%
(As of end of March 2020)

Overdue Rate 0.15% in
Rent guarantee cases
(Nation average 2.1%^{*1})

Prior investment in personnel
for the kick-off of investment
management business

■ Net Sales(Million JPY)
■ Segment Income(Million JPY)

4,182**4,786**

1,043

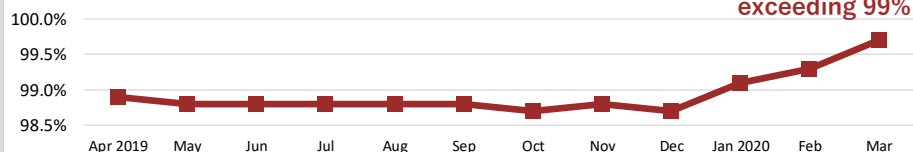
1,012

2019 1Q

2020 1Q

Occupancy rate of recent 12 months
(Property Developed by Shinoken)

As of end of March 2020
exceeding 99%



Transition of cases

■ Rent guarantee

■ Condominium Management

■ Rent Management

26,699

6,302

33,197

2018 End

29,882

6,840

36,924

2019 End

31,140

6,947

37,590

2020 Mar End

Investment Management (Shinoken Asset Management)



Inhouse Rent Brokerage(Bacchiri)



*1 Including Internal transactions

*2 Japan Property Management Association "Market sentiment research on rental homes"(Dec. 2019)

Net Sales*¹

6,849 Million JPY
 ※959 Million JPY from Shinoken Projects

YoY **+10.8 %**

Operating Income (Segment Income)

578 Million JPY

YoY **▲1.4 %**

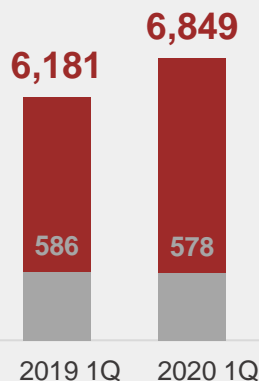
Construction and future orders steadily proceeding

Over 85% of Net Sales come from external projects

Keeping the appropriate income level by cost management

Orders for 2021 and beyond steadily increasing

■ Net Sales(Million JPY)
 ■ Segment Income(Million JPY)



Composition ratio of Net Sales

External Projects
 (5,890 Million JPY)

85.9%

- Factories of manufacturers
- Condominiums
- Civil Engineering (Private/Government)
- Elderly/welfare facilities

Shinoken Projects
 (959 Million JPY)

14.1%

- Condominiums developed by Shinoken Harmony

*1 Including Internal transactions

Net Sales*¹**816** Million JPYYoY **+17.5 %**

Operating Income (Segment Income)

223 Million JPYYoY **+39.1 %**

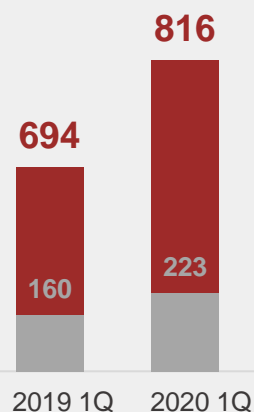
Bothe contracts and usage increased

LPG Retail (Gas) increased steadily

Power Retail (Electricity) steadily increased due to set sales with newly built property

Higher income ratio due to appropriate management of Purchase and operation costs

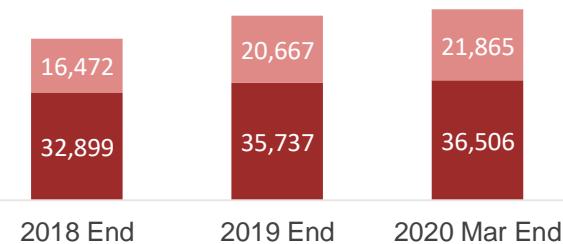
■ Net Sales(Million JPY)
■ Segment Income(Million JPY)



Transition of cases

■ Power Retail

■ LPG Retail



*1 Including Internal transactions

Net Sales*1

408 Million JPYYoY **+7.2 %**

Operating Income (Segment Income)

44 Million JPYYoY **▲28.3 %**

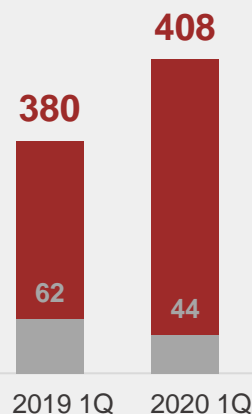
Inhouse elderly care facilities keeping high occupancy

Range of facilities and services meeting the requirements of various care levels

Focusing on training and securing personnel for business expansion

Expanding business to education for people with disabilities(Capital and Business alliance with YUTAKA COLLEGE)

■ Net Sales(Million JPY)
■ Segment Income(Million JPY)



Usage and Occupancy As of end of March 2020

Safety 
housing for elderly
117Rooms

Housing with Services
3 Facilities
302 Rooms
98.0%

Group Homes
7 Facilities
144 Rooms
97.9%



*1 Including Internal transactions

Net Sales^{*1}**41** Million JPYYoY **▲29.6 %**

Ordinary Income(Segment Income) (▲=loss)

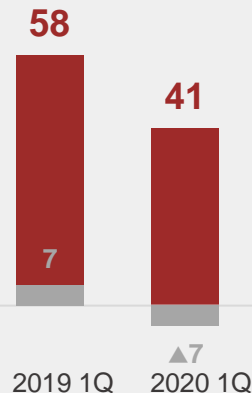
▲7 Million JPYYoY **- %**Investment stage of company establishment,
new business kick off

- Preparation stage of the raising of Indonesian REIT

- Once the REIT is raised, expecting revenue from selling “Sakura Terrace”

- Tech subsidiary begins development of smartphone app, and providing IoT

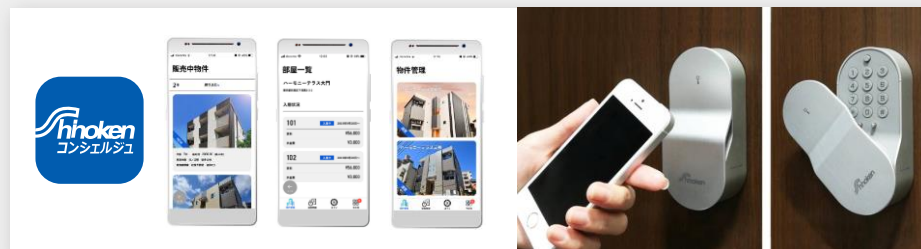
■ Net Sales(Million JPY)
■ Segment Income(Million JPY)



“Sakura Terrace” No.1 operating as a Service Apartment(Built in Mar 2019, 58 Rooms)

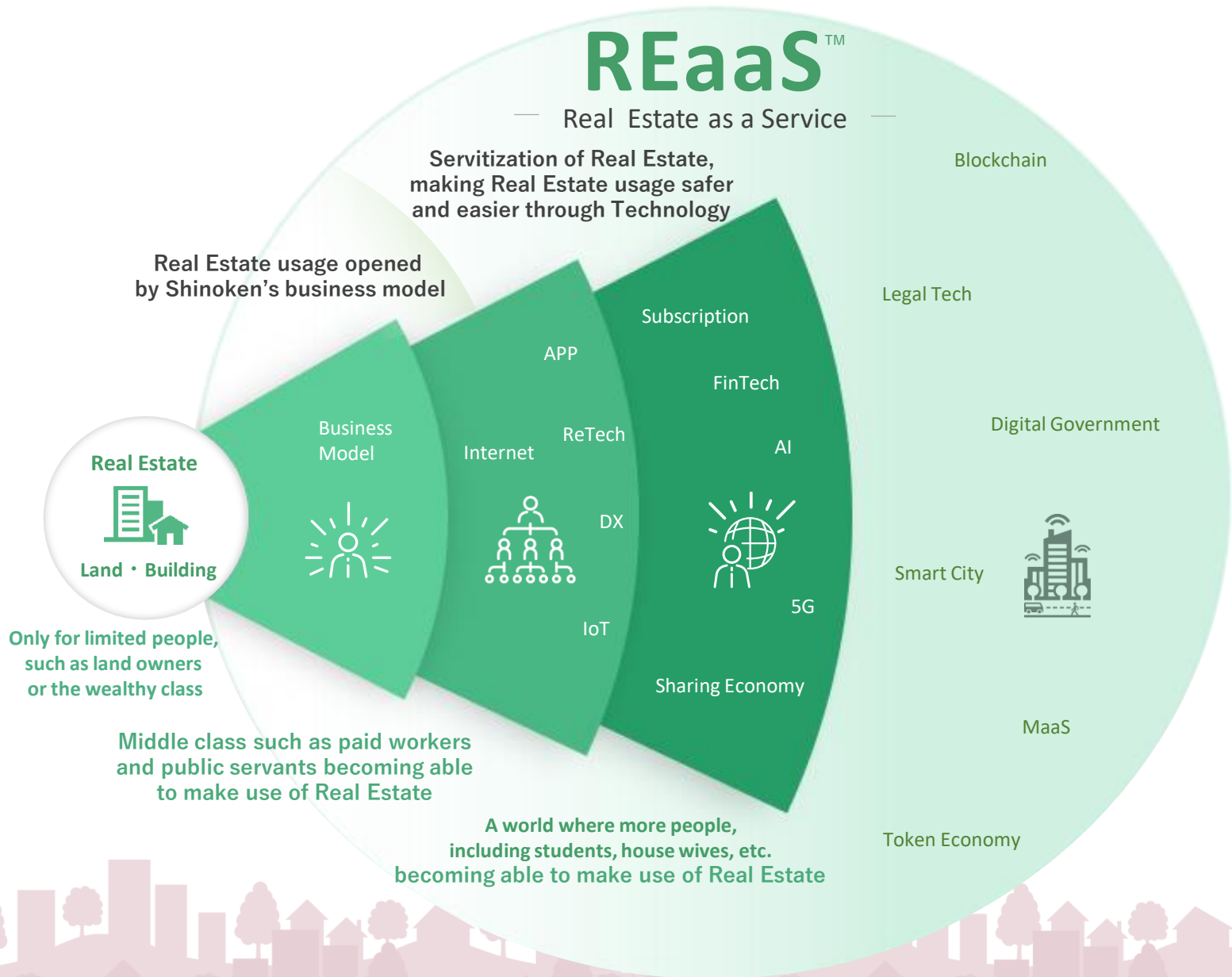


Planning and development of smartphone app, investment to Intelligent settings

^{*1} Including Internal transactions

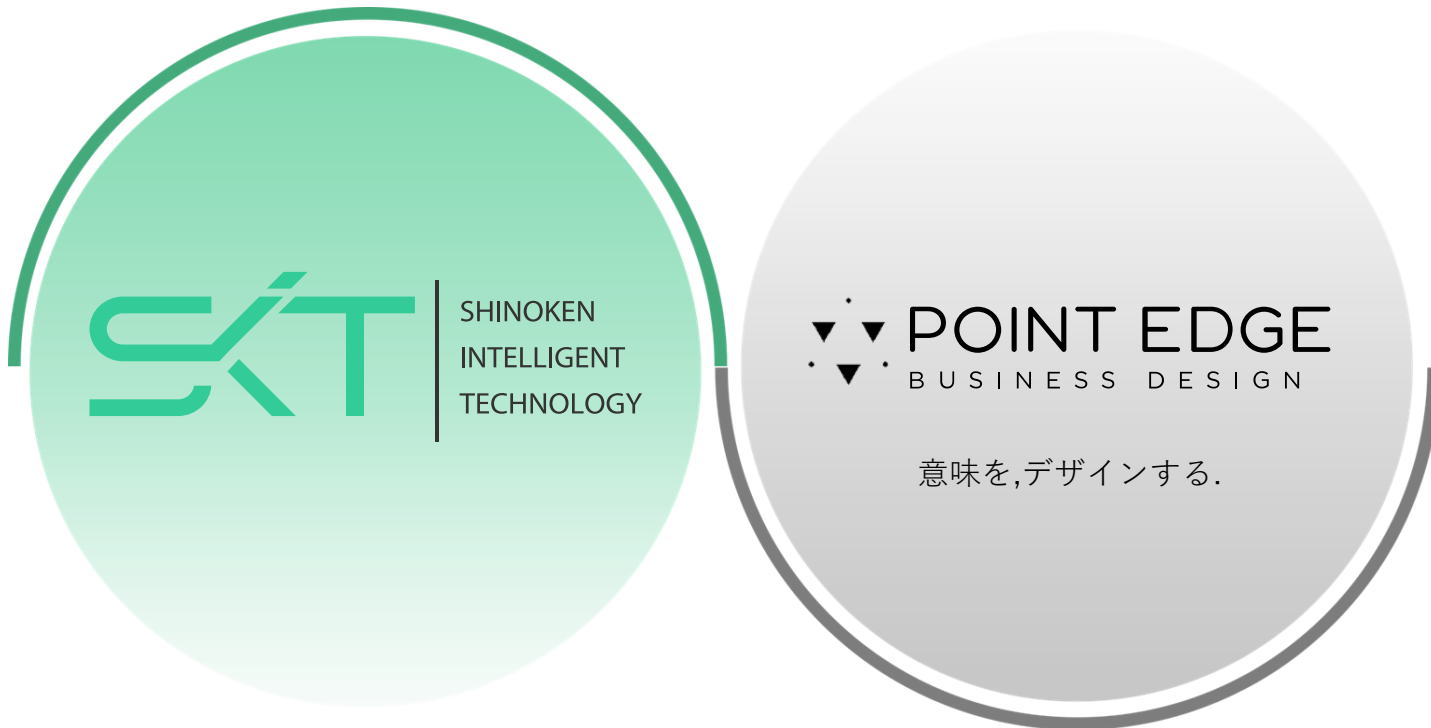
2 Topics





Strengthening the organization to drive REaaS™

SKiT will take charge in planning and development of products and services using Real Estate Technology,
POINT EDGE will take charge in developing applications and software through UX design, Branding and community management



Planning and development
of products and services

UX design, Branding
Application and Software development

Shinoken Intelligent Apartment

UX1

Safety & Security

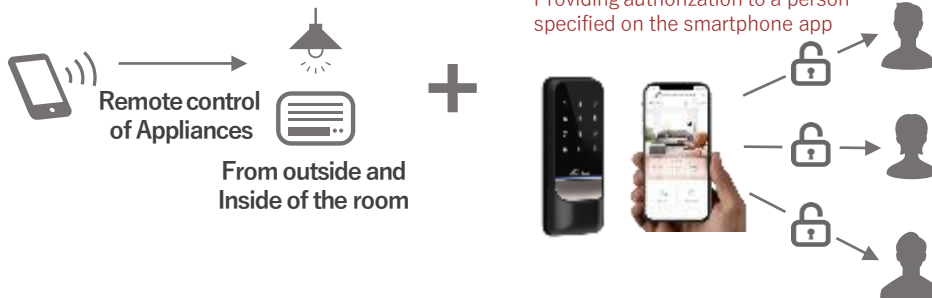


UX2

Comfort & Convenient

Unlock-authorization control

Providing authorization to a person specified on the smartphone app



UX3

Stylish

Award-winning design quality



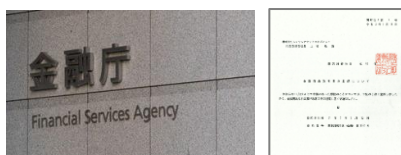
May.7 2020 News Release (Establishment of Investment Corporation)

2019.10.18 Complete

Entrustment-Based Agency Services for Transactions, etc.
(Approved by the Minister of MLIT)

**2020.01.17 Complete**

Investment Management Business
(Registered to the Kanto Local Finance Bureau)

**2020.05**

Establishment of **Shinoken REIT Investment Corporation**



Registration of Investment Corporation
(Kanto Local Finance Bureau)

**2020 summer (Estimated)**

Planning on raising a 10 Billion JPY private REIT

Mainly consists of Real Estate for rent
located within the Tokyo 23 wards

Property prepared for the private REIT



**YUTAKA COLLEGE is a
“Welfare college” where young
people with intellectual disabilities
can learn and grow skills to play an
active part in society**



**For Shioken,
Strengthening ESG management
by commercializing business
fields that have social demands**

Shinoken's Life Care Business will expand to fields that are socially required, not only for the elderly, but also adding this education support business, along with personnel development business that compensates for the lack of workforce.



<https://yutaka-college.com/>

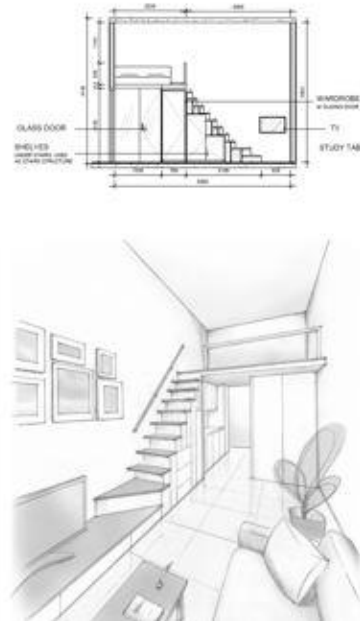


Apr.13 2020 News Release

The authentic originator of “Rental Rooms with Lofts” in Indonesia

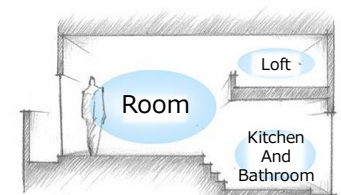


Certificate



Drafts and Drawings

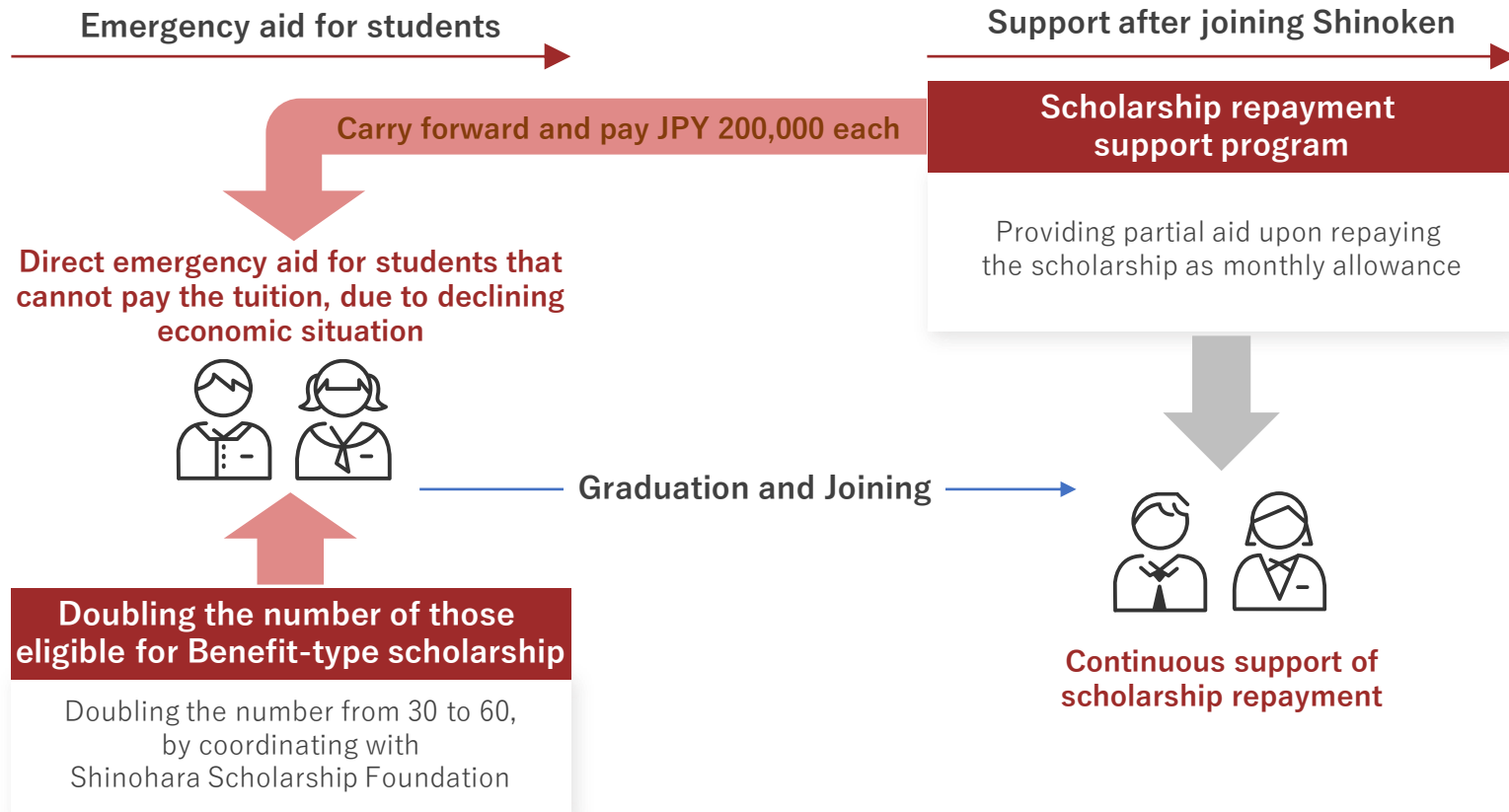
“Harmony Terrace” of Japan



“Sakura Terrace” of Indonesia



Emergency aid for students having financial problems due to COVID-19



3 Actions regarding SDGs



3 Actions regarding SDGs – Our contribution to achieving SDGs –



Shinoken will contribute to achieving SDGs in our entire business

Production (Construction)

CO2 off-set
(survey) by
afforesting the
same amount as
material used



Wooden
architecture
Reducing CO2
Emission
through shorter
construction
periods



CO2 storage
effect and
carbon-neutral
disposal



Sales / Service

Rent rooms for
elderly with low
income /
foreigners

Employment
support



Supporting people
with disabilities in
getting jobs /
becoming
independent

Custody support
for children with
disabilities



Train and
produce care
personnel to
Eliminate the
shortage of
workforce



Indirect Operations



Scholarship (Benefit) /
Repayment
Support program



Promoting employment
of people with disabilities



Promoting Female
managers



Shinoken's wooden Apartments are contributing to suppressing Co2 emission

13

CLIMATE ACTION



Take urgent action to combat climate change and its impacts

15

LIFE ON LAND



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Non-wooden apartments

Procurement



Deforestation upon material procurement

Manufacturing • Logistics



CO2 Emission

Maintenance

Disposal



CO2 Emission



Shinoken's wooden Apartments

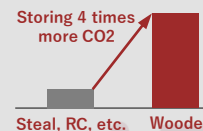
Planning afforestation (Rain forests near Jakarta, Indonesia)
Realizing Carbon-offset



Reducing CO2 Emission through shorter construction periods



CO2 absorption and storage effect of wooden architecture



Actions for recycling scrap wood
Realizing Carbon-neutral



By backing up the expansion and growth of "YUTAKA COLLEGE" through Capital and Business alliance, Shinoken will contribute to providing more education opportunities for people with intellectual disabilities

4 QUALITY EDUCATION



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

8 DECENT WORK AND ECONOMIC GROWTH



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

What YUTAKA COLLEGE does



ゆたかカレッジ

Realizing "Campus Life"

Liberal arts course(2 years)

Specialized course(2 years)

Graduation from
Highschool /
Special-needs school



Basic Studies /
Common knowledge



Help developing communication skills,
through various events, such as sports, and interactions with students of other colleges

Job Training /
Internship, etc.



Start working



Want to learn more!
Spend quality time while still young!
Fruitful Campus Life !

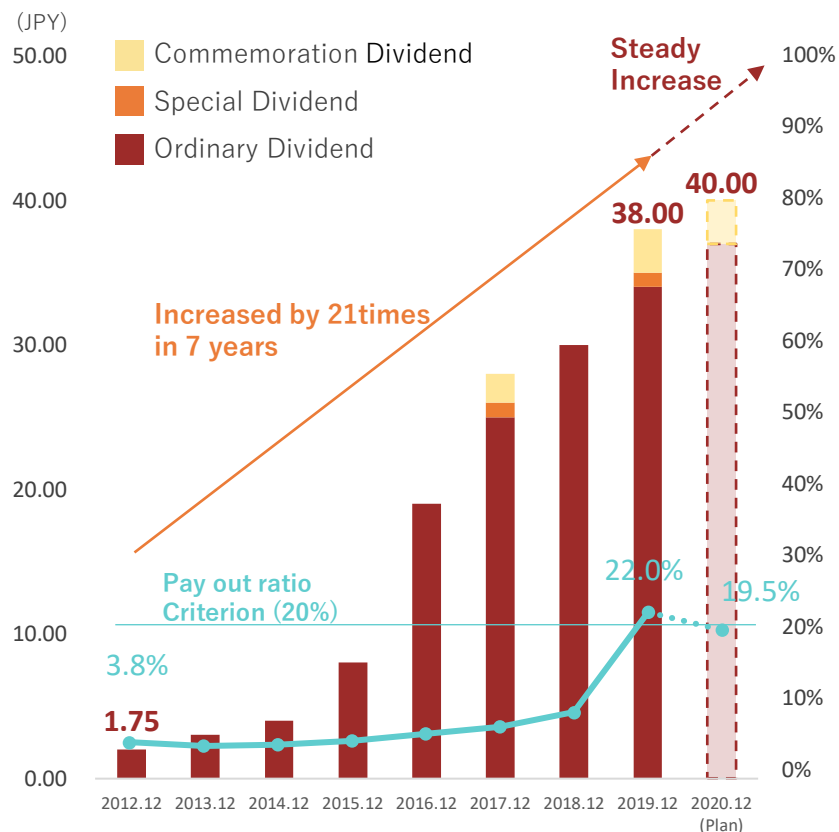
4 Shareholder Returns



Steady increase of Dividend Payout ratio 20%

Dividend*1 and Payout Ratio

(Left/Bar graph: Ordinary Dividend, Right/Line graph: Pay out ratio)



*1: Including all three kinds of Dividends

The Graph above reflects the Stock split as of Jan.1 2013, Jan.1 2015 and Jul.1 2018



Special Shareholder benefits

| | Record Dates Dec 31 2019(Finished) and Dec 31 2020 | Continuously held for more than 10 years Record Date Jun 30 2020 |
|----------------------------|---|--|
| 100 Shares or more | QUO Card 1,000 JPY (Usually None) | 3,000 JPY |
| 500 Shares or more | 2,000 JPY (Usually JPY1,000) | 5,000 JPY |
| 1,000 Shares or more | Continuously held Less than 3 years 3,000 JPY (Usually JPY 2,000) 3 years or more 6,000 JPY (Usually JPY 5,000) 10 years or more 10,000 JPY | 10,000 JPY |

- To confirm the retention period of 3 years or more, subjected shareholders are those who had been recorded in the shareholder list 7 or more times consecutively with the same registration number and more than 1,000 shares held on both Dec 31 and Jun 30 every year.
- To confirm the retention period of 10 years or more, subjected shareholders are those who had been recorded in the shareholder list for more than 10 consecutive years with more than 100 shares held on each record dates every year.

5 Appendix



Designing, Planning and Leasing abilities that realizes stable Rent income and Yield

Occupancy, the essential aspect of Rent Management exceeding 99%
(Property developed by Shinoken, including the earliest ones : As of end of Mar 2020)



Compact but spacy
Space design



Adjusted to
the area and land Shape
Product range



To be chosen more
**Reflecting the needs
of the residences /
Intelligent setting**



To succeed
in the Long run
**Appropriate
Rent pricing**

 **GOOD DESIGN AWARD**



Reflecting the Residences needs



Intercom with color display

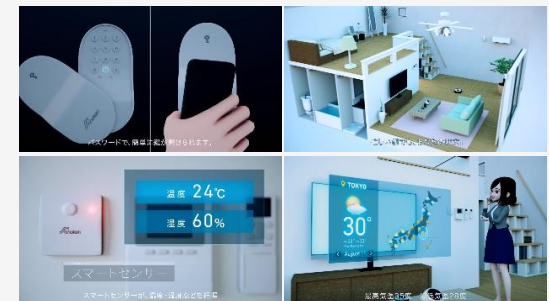


Independent sink



Staircase with Storage

Shinoken Intelligent Apartment



**Introduction Video
(Japanese)**



Apartment mortgages with Cancer GCLI

Group credit life insurance(Normal GCLI)

If the debtor of the mortgage dies or enters a severe disability state during the repaying period and becomes unable to pay, the insurance covers the remaining debt. Shinoken also adapts this for Real Estate investment mortgages

Cancer GCLI ※Optional

In addition to the coverage of Normal GCLI (Death / Severe Disability), when the debtor is diagnosed as Cancer (certain malignant neoplasms), the remaining debt is covered and no further repayment is necessary

| | Normal GCLI | Cancer GCLI |
|--|------------------------|------------------------|
| Death | Remaining debt Covered | Remaining debt Covered |
| Severe Disability | Remaining debt Covered | Remaining debt Covered |
| Diagnosed as Cancer | Not covered | Remaining debt Covered |
| Stroke (In hospital for over 180 consecutive days) | Not covered | Remaining debt Covered |
| Myocardial infarction (In hospital for over 180 consecutive days) | Not covered | Remaining debt Covered |

Not only does the remaining debt disappear,

but also rent revenue continues to come in after the cancer is cured,

which is a major advantage compared to Normal GCLI

Small Amount and Short Term Insurance

For Residences

First in Japan

Original product “Solitary Death Insurance” for residences

First as SSI

Selling “Stalker Expense Insurance”, etc.

Solitary Death Insurance

Repairs and cleaning of stains/soiled interiors to return the room to its original state

Stalker Expense Insurance

Necessary costs such as Cameras (to provide proof) or lawyer fees etc.

Pet Expense Insurance

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

Home Helper Expense Insurance

Home helpers to temporarily come and assist with house work when necessary

For Owners

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

Insurance for Restoration

Covers the expenses of Restoring the state of the Room to its original condition

- Cleaning / deodorizing,
- Maintenance
- Cleaning up of mementos after becoming an “Accident Property”

► Limit of Payment

6 months rent

Loss Insurance for Rental Income, etc.

Covers the Loss of rental income that occur from becoming an “Accident Property”

► Limit of Payment

30% of 3 years (36 months) of rent
※Equivalent of 10.8 months

DISCLAIMER

This document includes statements that are based on presumptions, forecasts and plans as of May 13th, 2020. Actual 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.

Shinoken Group Co., Ltd.

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