

# Business Overview

FY2020 1Q (Jan - Mar)



# 30<sup>th</sup> anniversary

Shinoken Group 1990-2020

30<sup>th</sup>  
anniversary



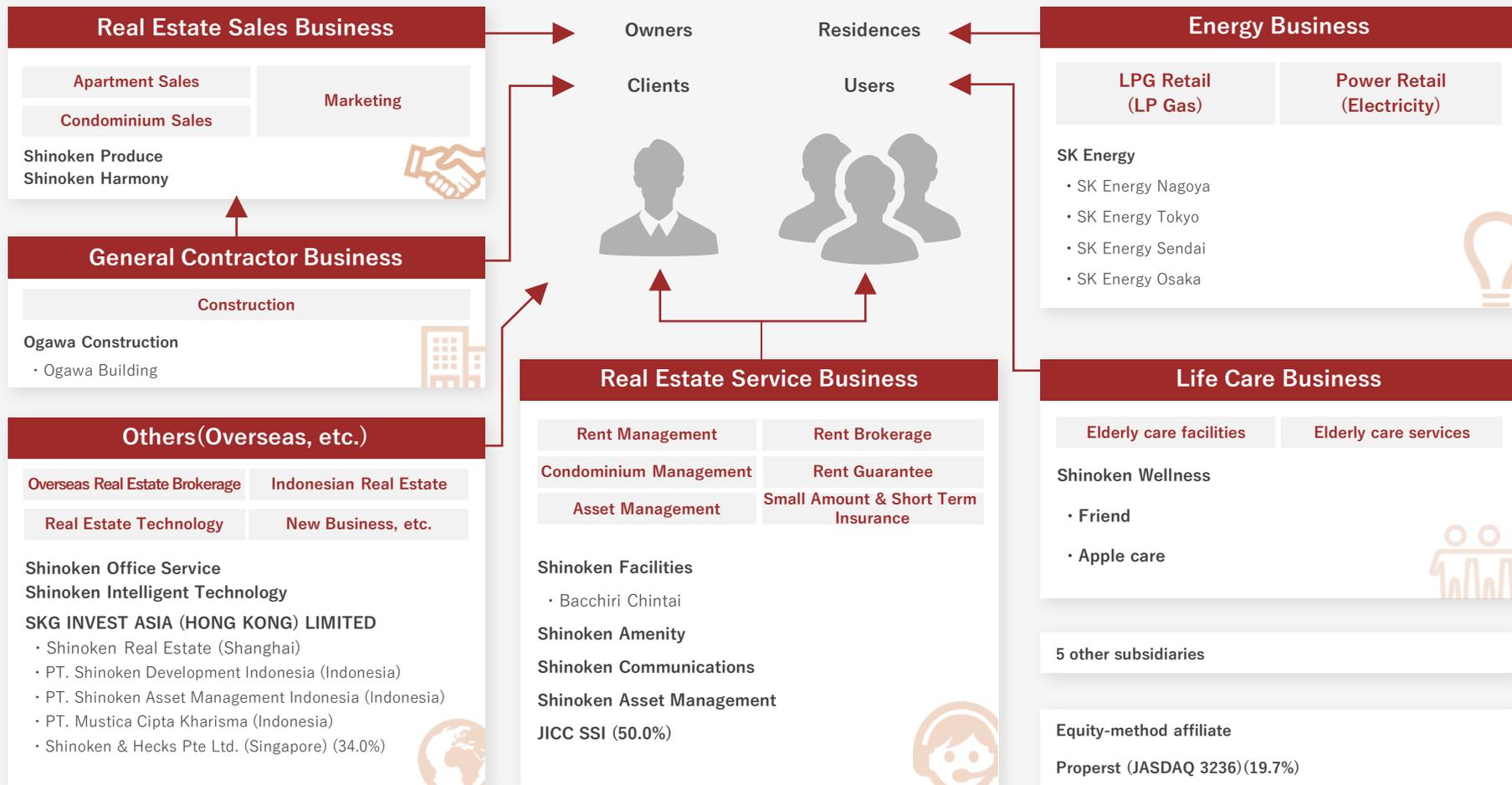
# Office History

# Our Business

## Holding Company

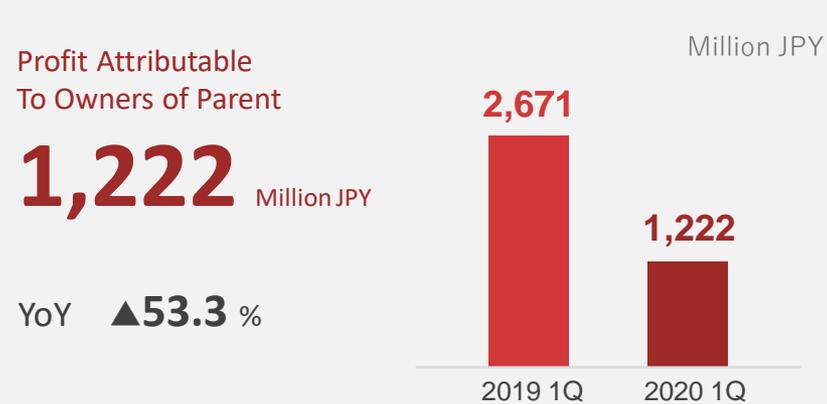
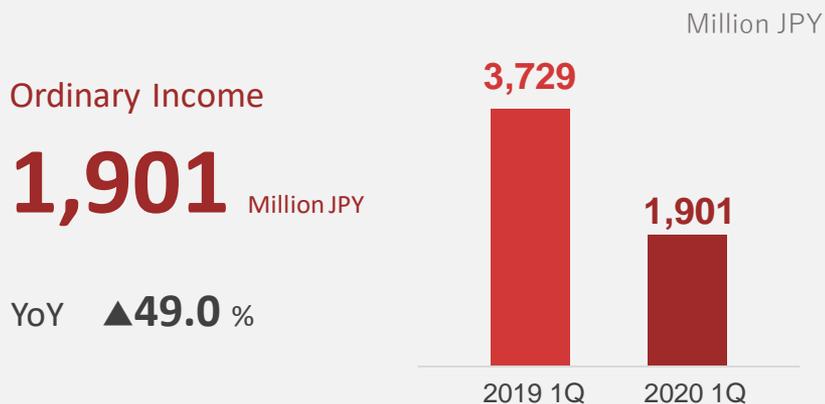
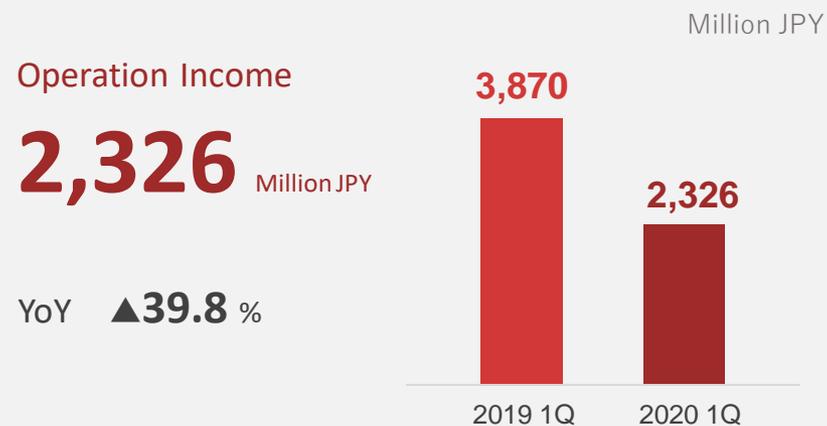
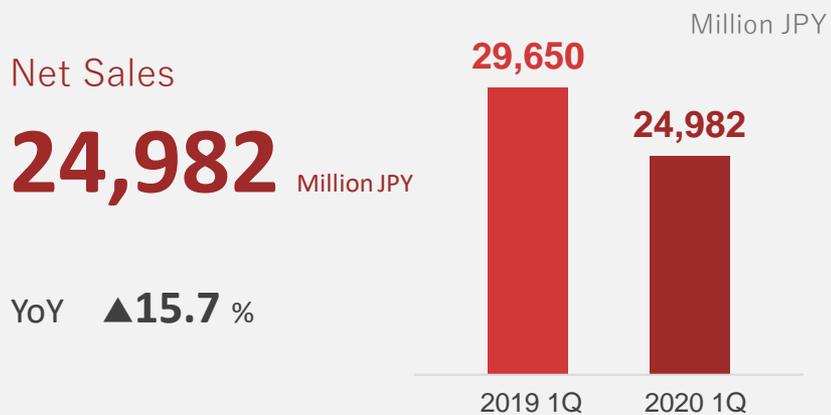
### Shinoken Group Co., Ltd.

【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
<b>Cash and Deposits</b>	<b>29,034</b>	<b>30,053</b>	<b>+1,018</b>
Non-current Assets	11,553	11,707	+154
<b>Total Assets</b>	<b>85,957</b>	<b>85,737</b>	<b>▲220</b>
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)
<b>Total Liabilities and Net Assets</b>	<b>85,957</b>	<b>85,737</b>	<b>▲220</b>

### 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

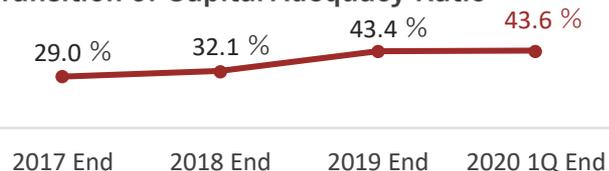
\*1 Land for Apartments, etc.

\*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.)**

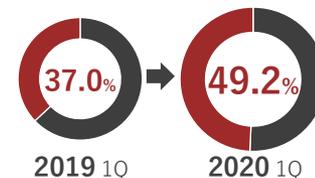
Continuing new business and M&A  
Overseas business proceeding while dealing with the local situation.

<b>Whole Group</b>	<ul style="list-style-type: none"> <li>• Proceeded roughly as planned, without much influence from COVID-19</li> <li>• Stronger financial position(Cash and Deposits exceeded 30 Billion JPY, 43.6% CAR)</li> </ul>
<b>Real Estate Sales</b> 	<b>Apartment Sales</b> <ul style="list-style-type: none"> <li>• Sales proceeded as planned</li> <li>• Mortgages for individual customers by partner financial companies/banks still continuing</li> </ul> <b>Condominium Sales</b> <ul style="list-style-type: none"> <li>• Though sales and income decreased YoY (irregular B2B sales in 2019), roughly proceeded as planned</li> </ul>
<b>Real Estate Service</b> 	<ul style="list-style-type: none"> <li>• Steadily increased according to sales</li> <li>• Occupancy rate exceeded 99%(Property Developed by Shinoken), As of end of March 2020</li> </ul>
<b>General Contractor</b> 	<ul style="list-style-type: none"> <li>• Orders widely increased in both private and government projects, besides Shinoken-related</li> <li>• Construction ending in 2020, and orders for those of 2021 and beyond proceeding favorably</li> </ul>
<b>Energy</b> 	<ul style="list-style-type: none"> <li>• LPG Retail(LP Gas) and Power Retail (Electricity, est.2017) both steady added up</li> </ul>
<b>Life Care Others(Overseas, etc.)</b> 	<ul style="list-style-type: none"> <li>• Occupancy rate of facilities for the elderly kept 98% level</li> <li>• Developed smartphone app for owners, IoT, new business</li> </ul>

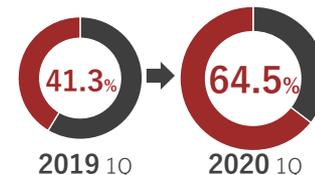
### Besides Real Estate Sales Business

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

**Net Sales\*<sup>1</sup>**  
※Against the simple sum



**Ordinary Income**  
(Segment Income)  
※Against the simple sum



\*1 Including Internal transactions

## 1

# Highlights of Results – Summary of Business Segment results –

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	-
<b>P/L Figures</b>	<b>29,650</b>	<b>3,870</b>	<b>24,982</b>	<b>2,326</b>	<b>DOWN · DOWN</b>

\*1 Including Internal transactions

### Net Sales

**13,280** Million JPY YoY ▲**32.1** %

### Operating Income (Segment Income)

**1,018** Million JPY YoY ▲**61.3** %

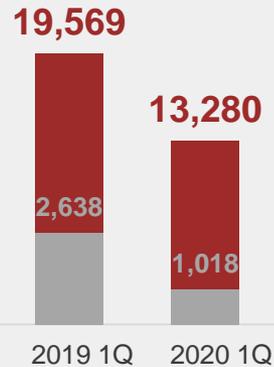
### While there are concerns of COVID-19 influence

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 %**

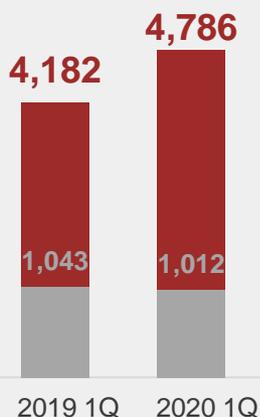
### Steadily added up according to sales

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)



### 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



### 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      YoY **+10.8 %**  
※959 Million JPY from Shinoken Projects

### Operating Income (Segment Income)

**578** Million JPY      YoY **▲1.4 %**

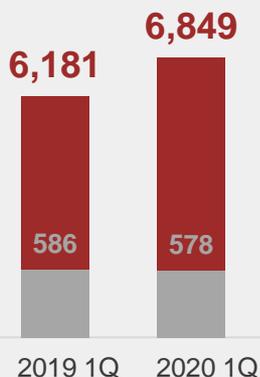
### Construction and future orders steadily proceeding

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\*<sup>1</sup>

**816** Million JPY

YoY **+17.5 %**

Operating Income (Segment Income)

**223** Million JPY

YoY **+39.1 %**

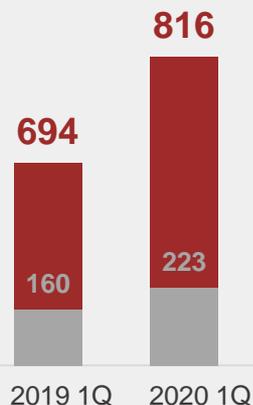
### Bothe contracts and usage increased

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\*<sup>1</sup>

**408** Million JPY

YoY **+7.2 %**

Operating Income (Segment Income)

**44** Million JPY

YoY **▲28.3 %**

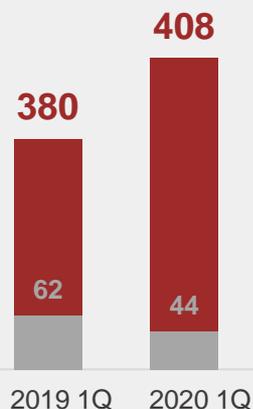
### Inhouse elderly care facilities keeping high occupancy

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**  
**117 Rooms**



**Housing with Services**  
3 Facilities  
302 Rooms

**98.0%**

**Group Homes**  
7 Facilities  
144 Rooms

**97.9%**



\*1 Including Internal transactions

# 1

## Highlights of Results – Others(Overseas, etc.) –

Net Sales\*<sup>1</sup>

**41** Million JPY

YoY **▲29.6 %**

Ordinary Income(Segment Income) (▲=loss)

**▲7** Million JPY

YoY **- %**

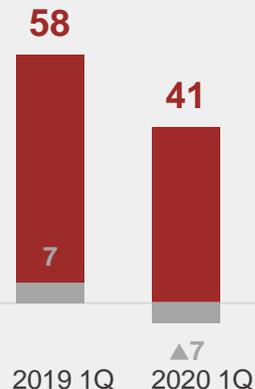
### Investment stage of company establishment, new business kick off

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)



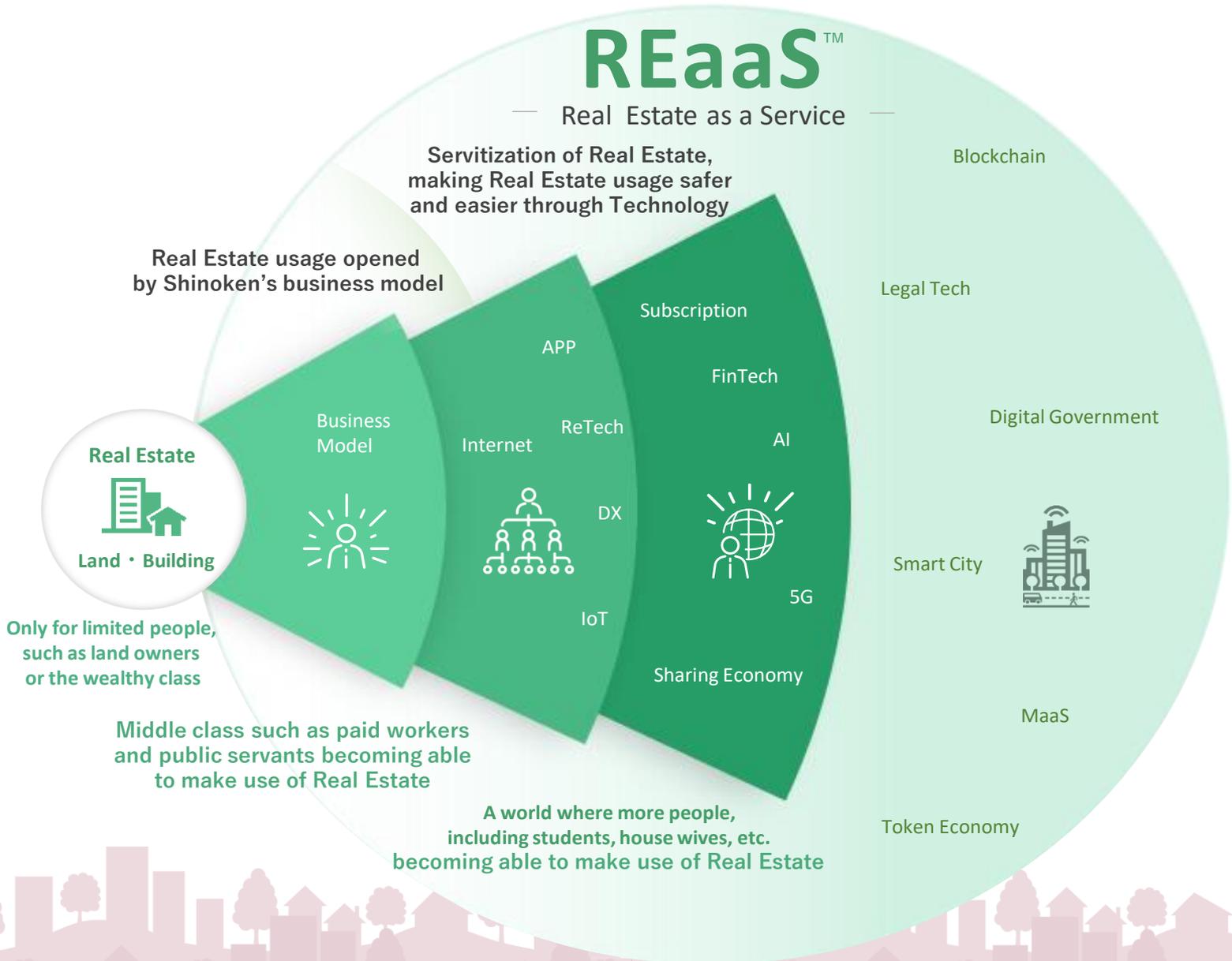
Planning and development of smartphone app, investment to Intelligent settings



\*1 Including Internal transactions

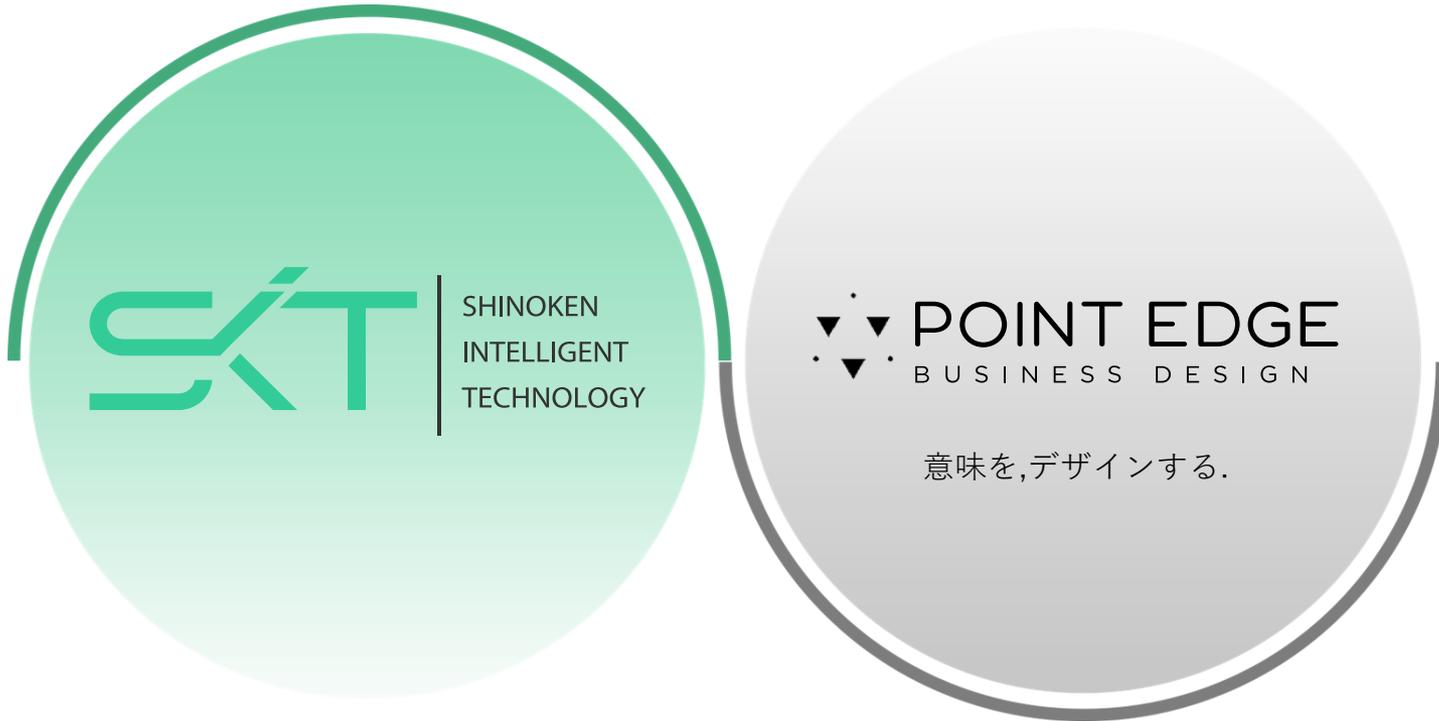
## 2 Topics





## 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

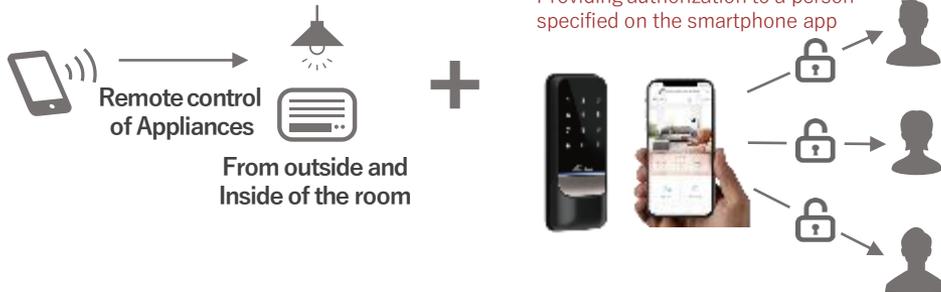


#### UX2

#### Comfort & Convenient

#### Unlock-authorization control

Providing authorization to a person specified on the smartphone app



#### UX3

#### Stylish

Award-winning design quality



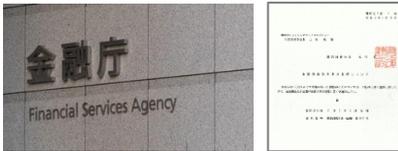
May.7 2020 News Release (Establishment of Investment Corporation)

**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.



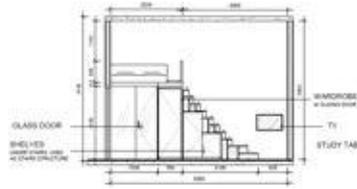
<https://yutaka-college.com/>



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

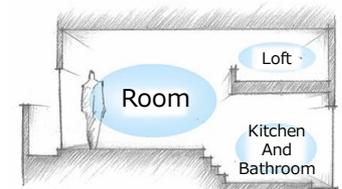


Certificate



Drafts and Drawings

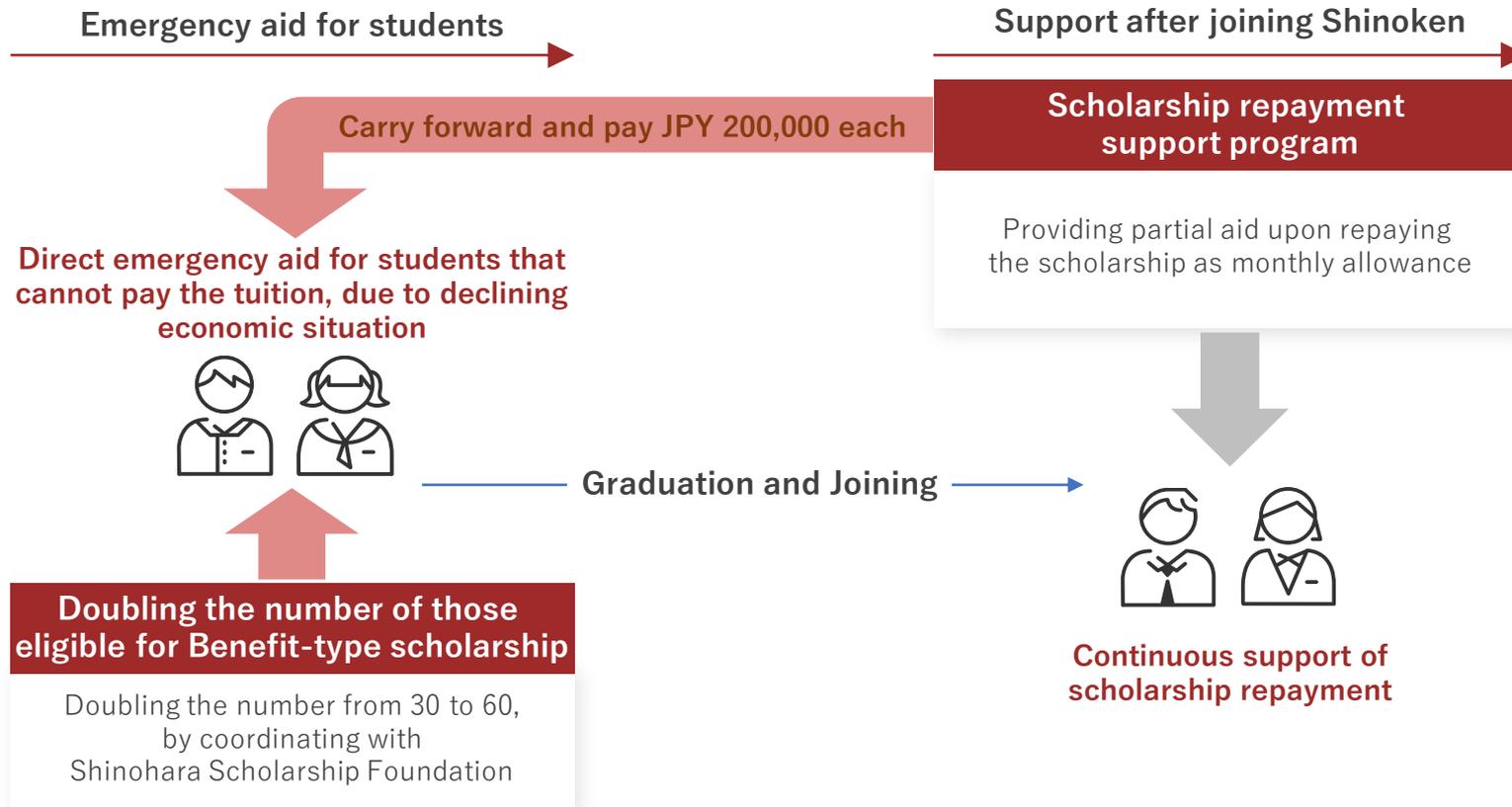
## “Harmony Terrace” of Japan



## “Sakura Terrace” of Indonesia



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



# 3 Actions regarding SDGs





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

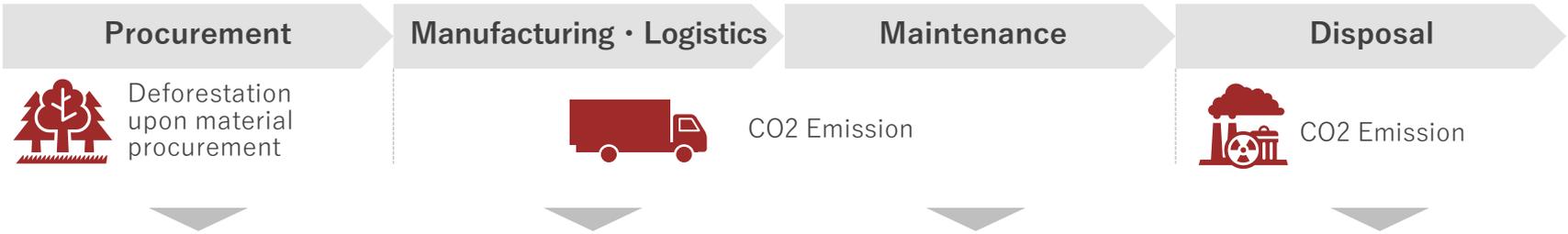


**13 CLIMATE ACTION**  
Take urgent action to combat climate change and its impacts



**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



#### Shinoken's wooden Apartments

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

**Reducing CO2 Emission through shorter construction periods**  
CO2 DOWN

**CO2 absorption and storage effect of wooden architecture**  
Storing 4 times more CO2  
Steel, RC, etc. vs. Wooden

**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 !

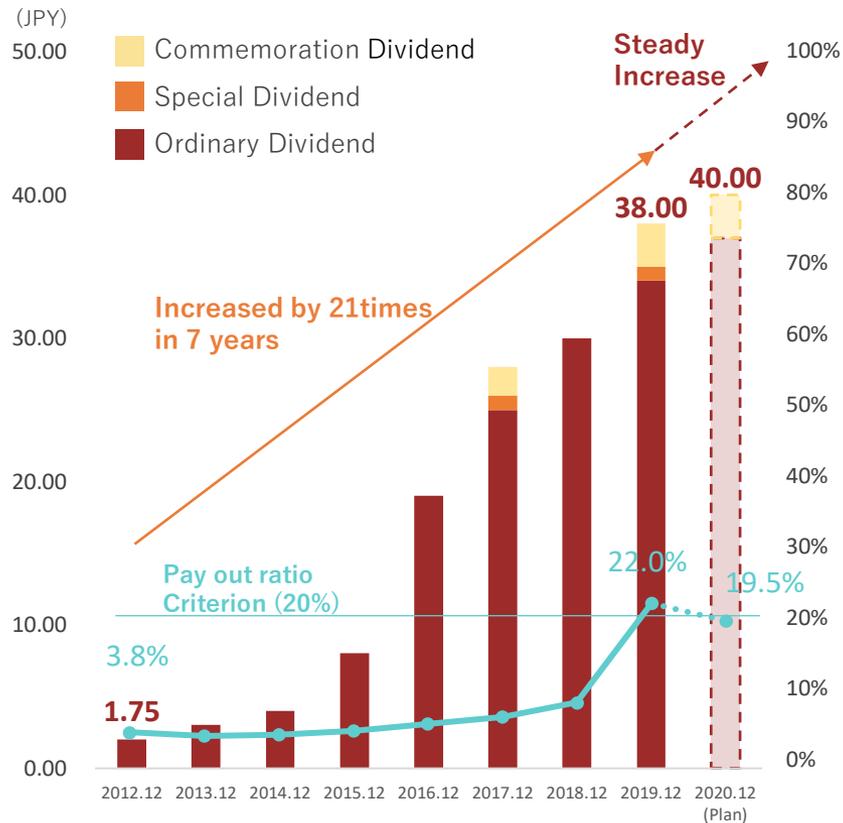
## 4 Shareholder Returns



## 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



## 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

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This document includes statements that are based on presumptions, forecasts and plans as of May 13<sup>th</sup>, 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.

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