

Business Overview

FY2020 2Q (Jan - Jun)



30th anniversary

Shinoken Group 1990-2020

30th anniversary



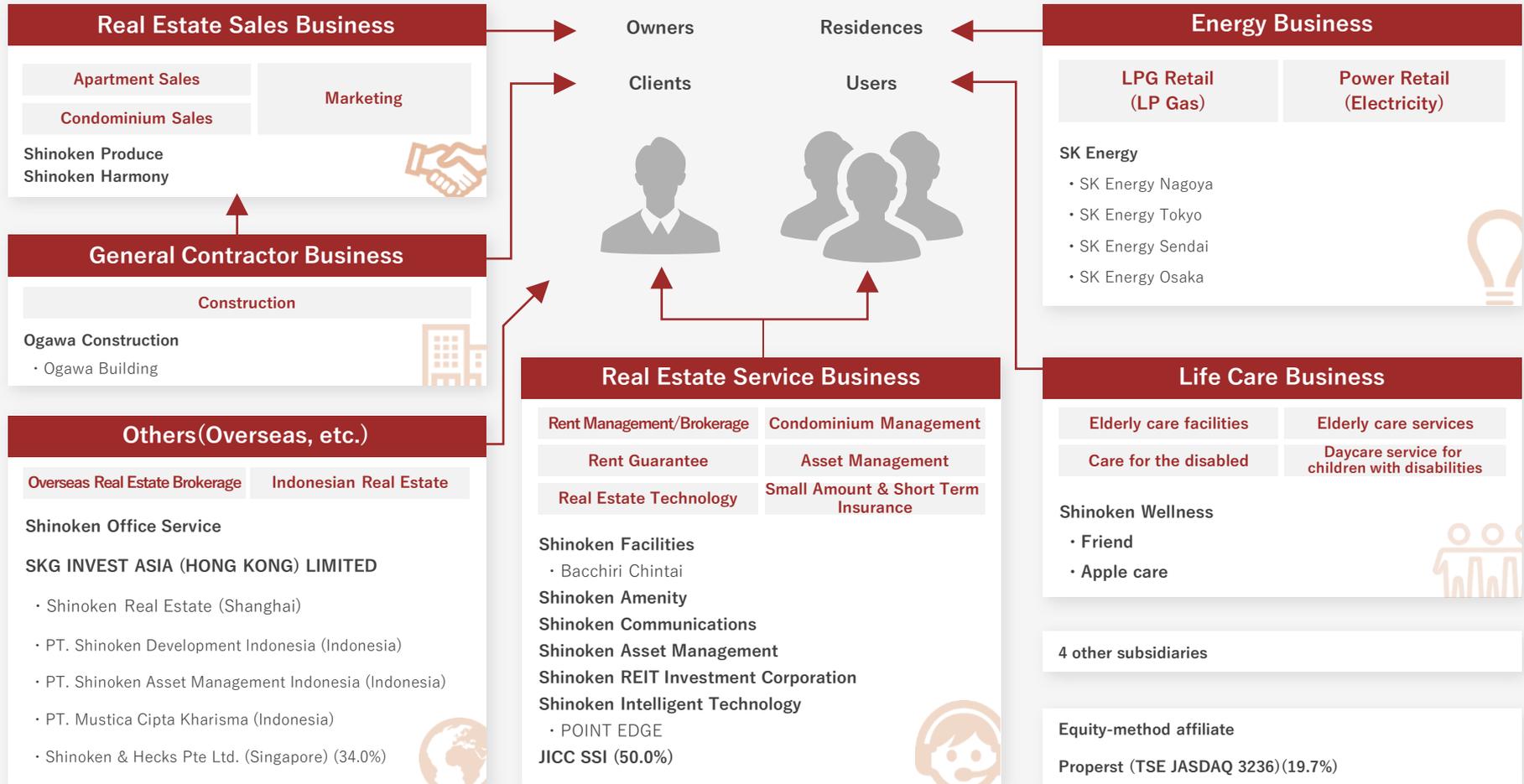
Office History

Our Business

Holding Company

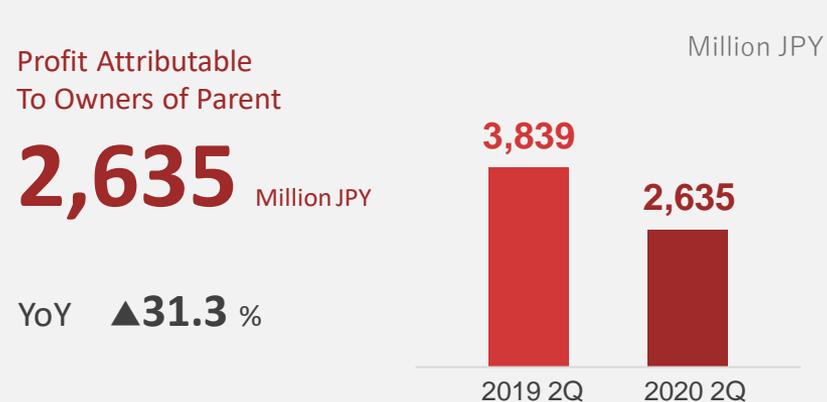
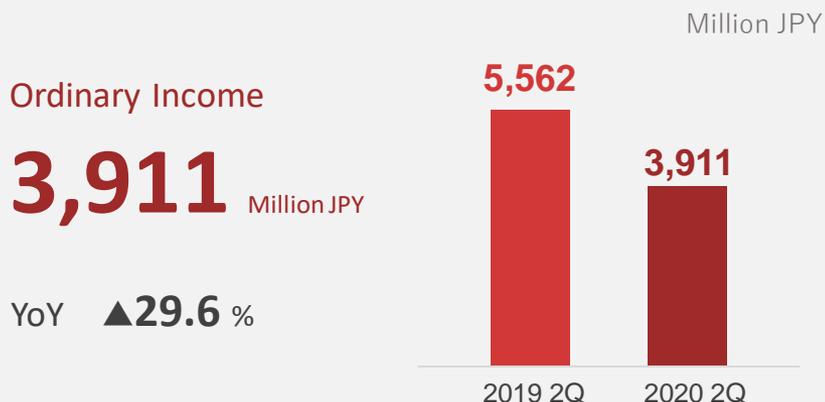
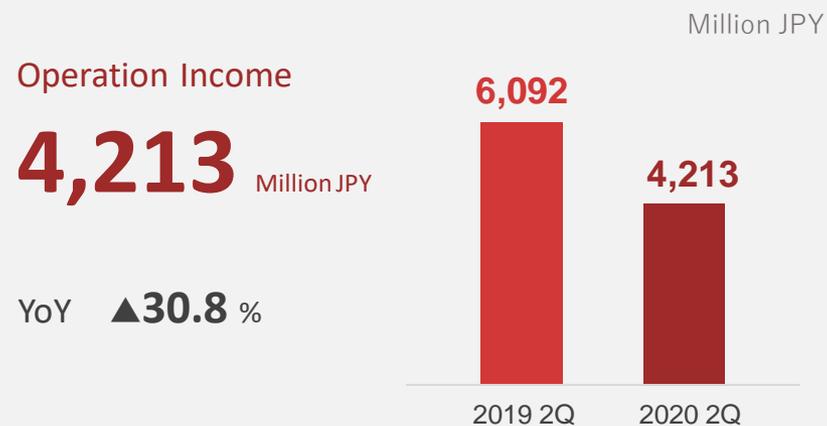
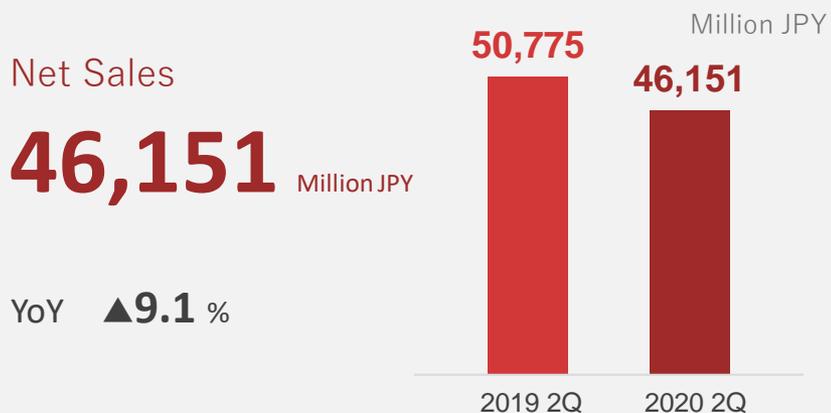
Shinoken Group Co., Ltd.

【Established】 Jun.5, 1990 【Capital】 JPY1,094 Million



1 Highlights of Results





	Million JPY		
	2019 End	2020 2Q End	Increase/Decrease
Current Assets	74,404	77,183	+2,779
Cash and Deposits	29,034	31,060	+2,026
Non-current Assets	11,553	11,804	+250
Total Assets	85,957	88,987	+3,029
Current Liabilities	26,709	30,679	+3,970
Non-current Liabilities	21,837	19,311	▲2,525
Total Net Assets (Capital Adequacy Ratio)	37,411 (43.4%)	38,995 (43.7%)	+1,584 (+0.3pt)
Total Liabilities and Net Assets	85,957	88,987	+3,029

Main Increase/Decrease factors of Assets (Million JPY)

• Cash and Deposits	+2,026
• Real Estate for sale*1	+894
• Costs on Real Estate Business*2	+749
• Others	▲719

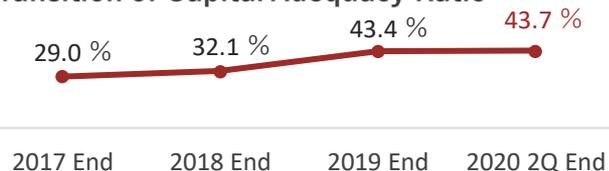
*1 Land for Apartments, etc.

*2 Condominium Land and Construction in progress, etc.

Main Increase/Decrease factors of Liabilities (Million JPY)

• Current portion of bonds	▲120
• Short-Term Loans Payable	+6,103
• Others(Current liabilities)	▲2,014
• Bonds	▲66
• Long-Term Loans Payable	▲2,500

Transition of Capital Adequacy Ratio



Real Estate Sales

Self-restraint in sales activity effected in April and May during the Emergency declaration, but back on track from June

Real Estate Service

Showing the strength of recurring business, Rooms managed, Rent Guarantee increased steadily

General Contractor

Construction projects proceeded and received orders steadily, taking the utmost care to prevent the disease on site

Energy

Usage in both LPG and Electricity increased due to spending more time at home from Teleworking

Life Care

Continued the business without stopping, taking the utmost care to prevent the disease

Others(Overseas, etc.)

Driving the development of “Sakura Terrace” projects No.2 to No.4, taking the utmost care to prevent the disease

Whole Group

- Raising the private REIT, initially scheduled to take place in June, has moved back to July, resulting in YoY decrease in Sales and Income
- Stronger financial position(Cash and Deposits exceeded 31 Billion JPY, 43.7% CAR)

Real Estate Sales



- Self-restraint in sales activity effected orders and hand-overs during April and May
- Back on track from June

Real Estate Service



- Managed Rooms increased, occupancy exceeded 99% (As of end of June, property planned and developed by Shinoken)
- Prior investment for investment management business and Real Estate technology, causing YoY 1.9% decrease in Income

General Contractor



- Construction proceeded steadily, resulting in YoY increase in Net Sales (by 14.8%) and Income (by 3.8%)
- Steadily received new orders without being effected by the Olympic delay

Energy



- LPG Retail (LP Gas) and Power Retail (Electricity, est.2017) both steadily added up. YoY increase in Net Sales (by 13.3%), and Income (by 30.1%)

Life Care
Others(Overseas, etc.)

- Maintaining the service quality, resulting in YoY increase in Net Sales (by 7.6%)
- In Indonesia, multiple “Sakura Terrace” projects are in progress

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

1

Highlights of Results

– Summary of Business Segment results –

Million JPY

	2019 2Q		2020 2Q		YoY
	Net Sales*1	Ordinary Income (Segment Income)	Net Sales*1	Ordinary Income (Segment Income)	
Real Estate Sales	31,471	3,924	23,359	1,907	DOWN · DOWN
Real Estate Service	8,222	1,851	9,433	1,815	UP · DOWN
General Contractor	11,364	942	13,052	979	UP · UP
Energy Business	1,372	325	1,555	424	UP · UP
Life Care Business	765	113	824	108	UP · DOWN
Others(Overseas, etc.)	78	▲17	105	26	UP · UP
Adjustments	▲2,497	▲1,048	▲2,178	▲1,047	-
P/L Figures	50,775	6,092	46,151	4,213	DOWN · DOWN

*1 Including Internal transactions

Net Sales

23,359 Million JPY YoY ▲**25.7** %

Operating Income (Segment Income)

1,907 Million JPY YoY ▲**51.3** %

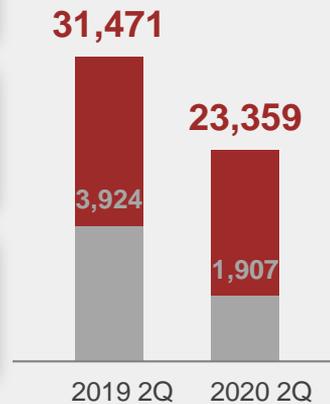
Self-restraint during April and May, re-start in June

Self-restraint in sales activity effected orders and hand-overs during April and May, but back on track in June

Partial closure of bank operations also caused a certain level of effect

Driving land purchase for both individual and REIT purposes

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



【BtoC】

Mortgages for individual customers by partner financial companies/banks still continuing

【BtoB】

Raising the private REIT, initially scheduled to take place in June, has moved back to July, thus resulting in YoY decrease in Sales and Income

Net Sales*1

9,433 Million JPY YoY **+14.7 %**

Operating Income (Segment Income)

1,815 Million JPY YoY **▲1.9 %**

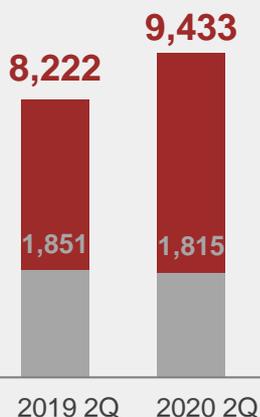
Steadily added up according to sales

Prior investment for investment management business and Real Estate technology, causing YoY decrease in income

Delay in the private REIT, resulted in not being able to appropriate asset management fee revenue within 2Q

Overdue Rate 0.15% in Rent guarantee cases (Nation average 2.1%*2)

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



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



Transition of cases



Investment Management (Shinoken Asset Management)



App, Face recognition, Security system



*1 Including Internal transactions

*2 Japan Property Management Association "Market sentiment research on rental homes"(Jun. 2020)

Net Sales*¹

13,052 Million JPY YoY **+14.8 %**
※1,650 Million JPY from Shinoken Projects

Operating Income (Segment Income)

979 Million JPY YoY **+3.8 %**

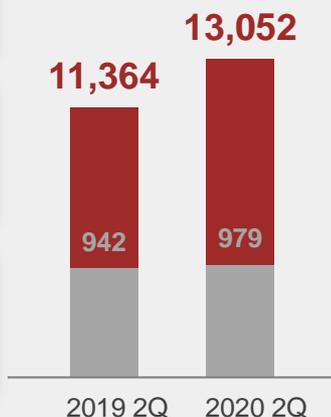
Construction and new orders steadily proceeded

Steadily received new orders without being effected by the Olympic delay

Over 87% of Net Sales come from external projects

Keeping the appropriate income level by cost management

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



Composition ratio of Net Sales

External Projects
 (11,402 Million JPY)

87.4%

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

Shinoken Projects
 (1,650 Million JPY)

12.6%

- Condominiums developed by Shinoken Harmony

*1 Including Internal transactions

Net Sales*¹

1,555 Million JPY YoY **+13.3 %**

Operating Income (Segment Income)

424 Million JPY YoY **+30.1 %**

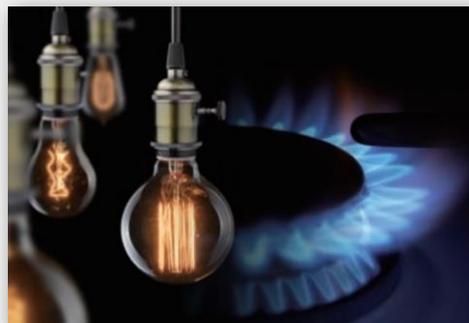
Both contracts and usage increased

LPG Retail (Gas) and Power Retail (Electricity) increased steadily

Usage in both LPG and Electricity increased due to spending more time at home from Teleworking

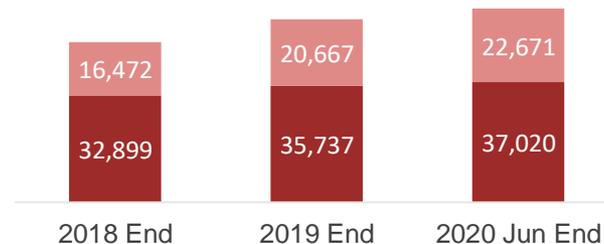
Higher income ratio due to appropriate management of Purchase and operation costs

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



Transition of cases

■ Power Retail
■ LPG Retail



*1 Including Internal transactions

Net Sales*¹

824 Million JPY

YoY **+7.6 %**

Operating Income (Segment Income)

108 Million JPY

YoY **▲4.1 %**

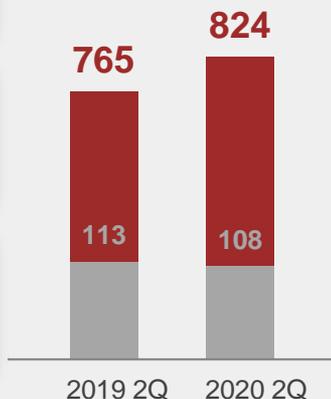
Facilities kept high occupancy. Entered a new field

Wide range of facilities and services. Entering the field of care for children with disabilities

Prior investment for the opening of “Kids Life” (See also P.17) resulted in YoY decrease in Income

Focusing on training and securing personnel for business expansion

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



Usage and Occupancy As of end of March 2020

Safety housing for elderly
124 Rooms



Housing with Services
3 Facilities
302 Rooms

97.6%

Group Homes
7 Facilities
144 Rooms

99.3%



*1 Including Internal transactions

Net Sales*¹

105 Million JPY

YoY **+34.0** %

Ordinary Income(Segment Income)

26 Million JPY

YoY **-** %

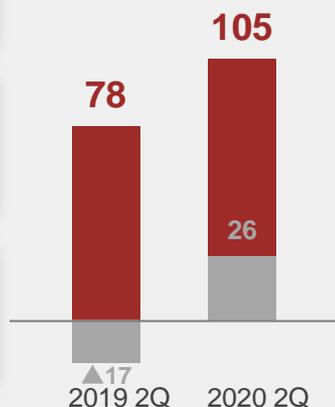
Development and REIT preparation proceeded

Construction on “Sakura Terrace No.2” started, and REIT preparation proceeded

Making it possible to choose between obtaining income gain (operation), and capital gain (sell to REIT) + Asset management fee

Currently in the process of selecting external large scale property that can be added to the REIT

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



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



Construction kick-offs in No.2 and beyond (See also P.20)



*1 Including Internal transactions

2 Topics



Opening of “Kids Life”, a daycare service for children with disabilities

Expanding our Life Care Business by entering a new field of care



**KIDS
LIFE**

【The logo of Kids Life】

Green symbolizes safety and harmony.
The red character D shows the image of an Apple
and the Door of “Kids Life”



“Kids Life Higashi-Fukuoka”, in the second floor of the same building as “App Life Higashi-Fukuoka”, where Apple Care currently provides daycare services for the elderly. (“Higashi” means East).



Supporting children with disabilities, and their parents,
regardless of the nature of their disability

A premium series that provides Next generation Apartment UX (User Experience)

The first case is a 3 building development project in Tokyo(Suginami ward)

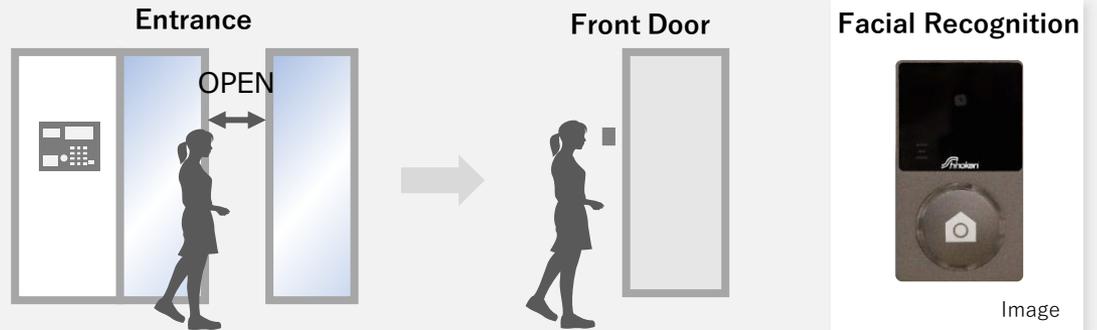


Akatsuki Terrace Exterior Image



Image

Standard equipment of Facial Recognition System to each room



Smart Security Cameras

High-level security

Shinoken Comfort Style

Improvement of Sound proof by re considering the structure

Location and Nearest station	Izumi, Suginami-ku, Tokyo 10 min on foot from Daitabashi station, Keio Line
Land Size	266sqm (2,863 sq ft)
Buildings (Rooms)	3 buildings, No.1 to No.3 (6 Rooms Each, Total 18 Rooms)
Type	AVAND
Sales Start	October 2020 (Planned)
Completion	Around Spring of 2021 (Planned)

Operation of JPY 10 Billion private REIT begins. Estimated yield 5.0~5.5%

REIT is added to the Sales channel for Shinoken's rental property for investment, which was mainly for Individual customers
The REIT consists of prime-location (mainly Minato, Shinagawa, Setagaya wards), recently built condominiums

1



Name	Harmony Residence Mita
Location	Mita, Minato-ku, Tokyo
Rooms	36
Completion	June 2014

2



Name	Harmony Residence Tamachi #002
Location	Shibaura, Minato-ku, Tokyo
Rooms	49
Completion	March 2016

3



Name	Harmony Residence Hamamatsucho
Location	Hamamatsu-cho, Minato-ku, Tokyo
Rooms	39
Completion	September 2017

4



Name	Harmony Residence Nishi-Azabu
Location	Nishi-Azabu, Minato-ku, Tokyo
Rooms	38
Completion	May 2017

5



Name	PRATIQUE Setagaya Daita
Location	Daita, Setagaya-ku, Tokyo
Rooms	15
Completion	December 2018

6



Name	COMPOSITE Shinagawa Nakanobu
Location	Nishi-Nakanobu, Shinagawa-ku, Tokyo
Rooms	19
Completion	April 2019



7



Name	Harmony Residence Tokyo East Garden
Location	Kameido, Koto-ku, Tokyo
Rooms	33
Completion	November 2018

8



Name	Harmony Residence #095
Location	Kumano-cho, Itabashi-ku, Tokyo
Rooms	44
Completion	November 2019

9



Name	COMPOSITE Itabashi Ohyama
Location	Nakamaru cho, Itabashi-ku, Tokyo
Rooms	22
Completion	March 2019

10



Name	COMPOSITE Motosumiyoshi
Location	Kizuki, Nakahara-ku, Kawasaki, Kanagawa
Rooms	19
Completion	September 2019

With our full-inhouse process, we aim to launch projects No.2 to 4 at the same time

Options “Owning and managing the property while achieving recurring revenue”, and “selling the property to the REIT” can be taken

Project No.2



Land Size	Plan	Structure	Completion (Planned)
512sqm	Total : 60 single room residences, 17 parking spaces	Reinforced Concrete 1 basement floor, 4 floors above ground level	Around Fall of 2021
Transportation LRT (Monorail) Station (under construction), 10 minutes on foot		Contractor PT. Mustica Cipta Kharisma (Subsidiary of Shinoken)	



Project No.3



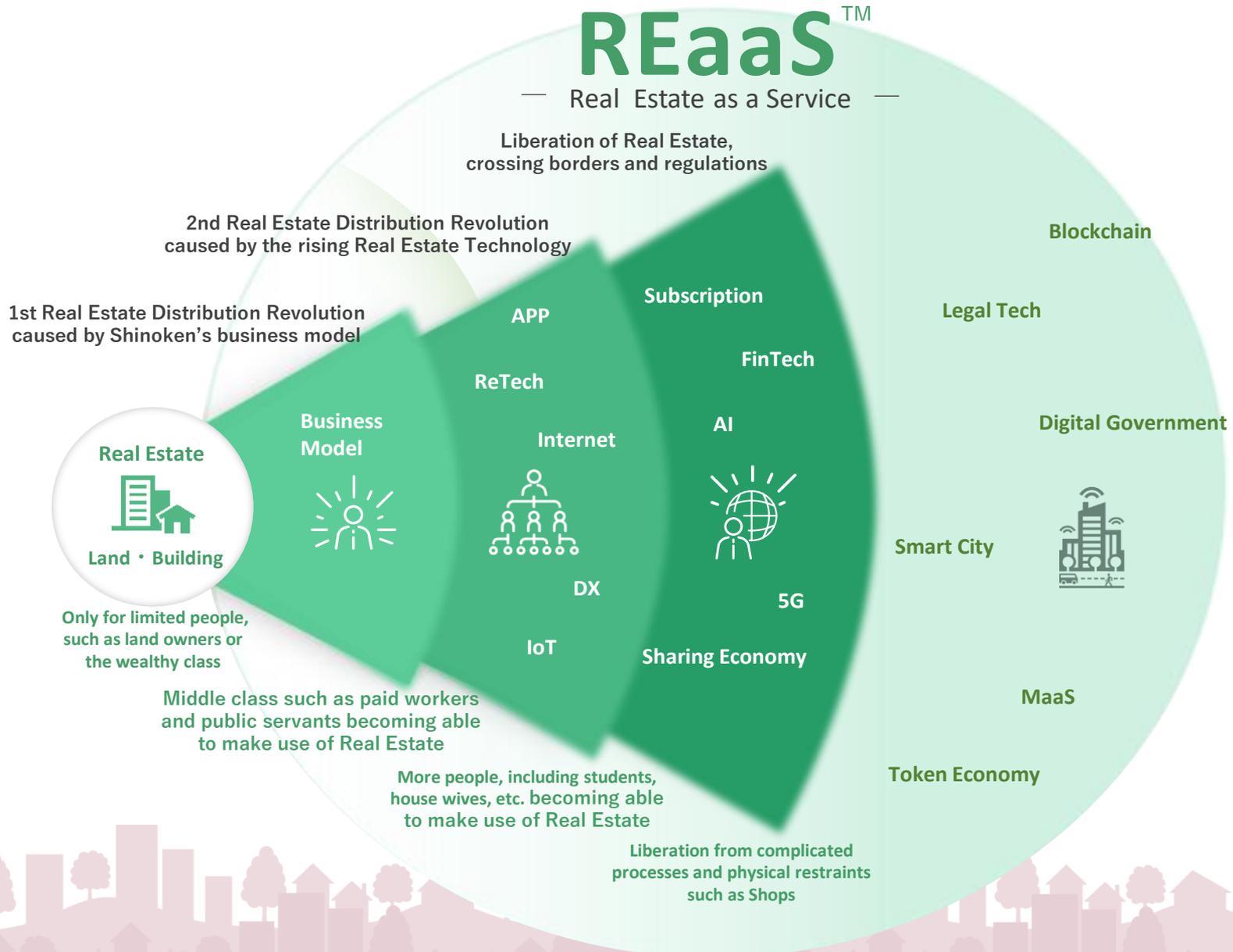
Land Size	Plan	Structure	Completion (Planned)
352sqm	Total : 38 single room residences	Reinforced Concrete 4 floors above ground level	Around Spring of 2022
Transportation MRT (Subway) Setiabudi Astra Station, 8 minutes on foot		Contractor PT. Mustica Cipta Kharisma (Subsidiary of Shinoken)	



Project No.4



Land Size	Plan	Structure	Completion (Planned)
218sqm	Total : 33 single room residences	Reinforced Concrete 4 floors above ground level	Around Spring of 2022
Transportation MRT (Subway) Setiabudi Astra Station, 8 minutes on foot		Contractor PT. Mustica Cipta Kharisma (Subsidiary of Shinoken)	



3 Actions regarding SDGs

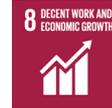




Shinoken will contribute to achieving SDGs in our entire business

Production (Construction)

- CO2 off-set (research stage) by afforesting the same amount as material used
- Electric vehicles for company owned vehicles
- Wooden architecture Reducing CO2 Emission through shorter construction periods
- Pro active use of recycled aggregate
- Technical interns from overseas
- CO2 storage effect of wooden architecture and carbon-neutral disposal



Sales / Service

- Rent rooms for elderly with low income / foreigners
- Patent for original technology
- Solar Panel and Biomass power generation and electricity sales
- Supporting people with disabilities in getting jobs / becoming independent
- Day care service for children with disabilities
- No smoking of all employees
- Train and produce care personnel to improve the shortage of workforce
- Aiming for all employees to obtain qualifications
- Employment support



Indirect Operations

- Scholarship (Benefit) / Repayment Support program
- Issuance of SDGs related private placement bonds
- Promoting Female managers
- Promoting employment of people with disabilities
- Compliance training
- Creating jobs through partner company organization



Shinoken's wooden Apartments are contributing to suppressing CO2 emission

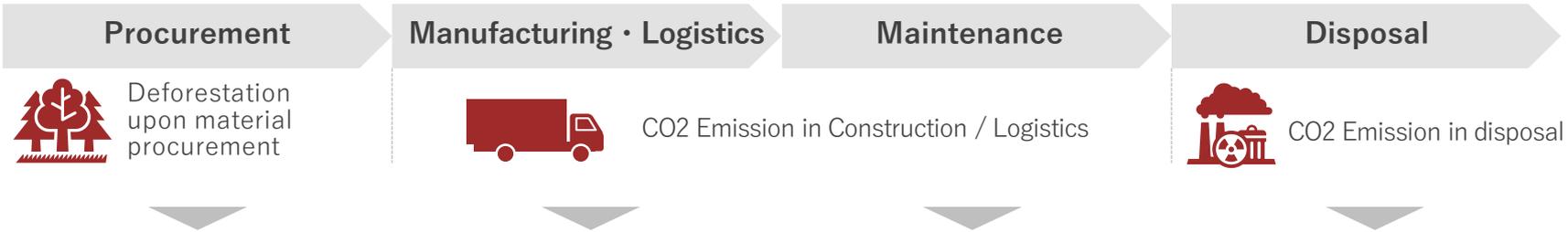
13 CLIMATE ACTION

 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



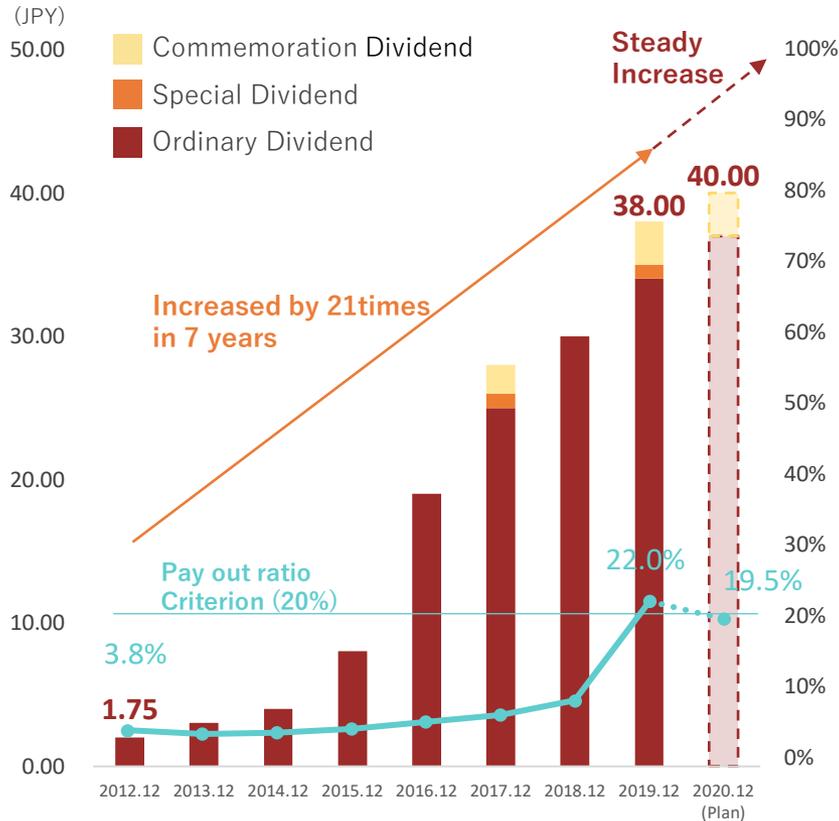
4 Shareholder Returns



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(Finished)
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 Jun 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

▶ **Limit of Payment** 1 Million JPY

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 August 12th, 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.

Group PR & IR Office

TEL: +81 3 5777 0089

WEB: <https://www.shinoken.co.jp/>