

Aug. 18th 2020

Briefing for Institutional investors / Analysts

Business Overview

FY2020 2Q (Jan - Jun)



30th anniversary

Shinoken Group 1990-2020
30th
 anniversary



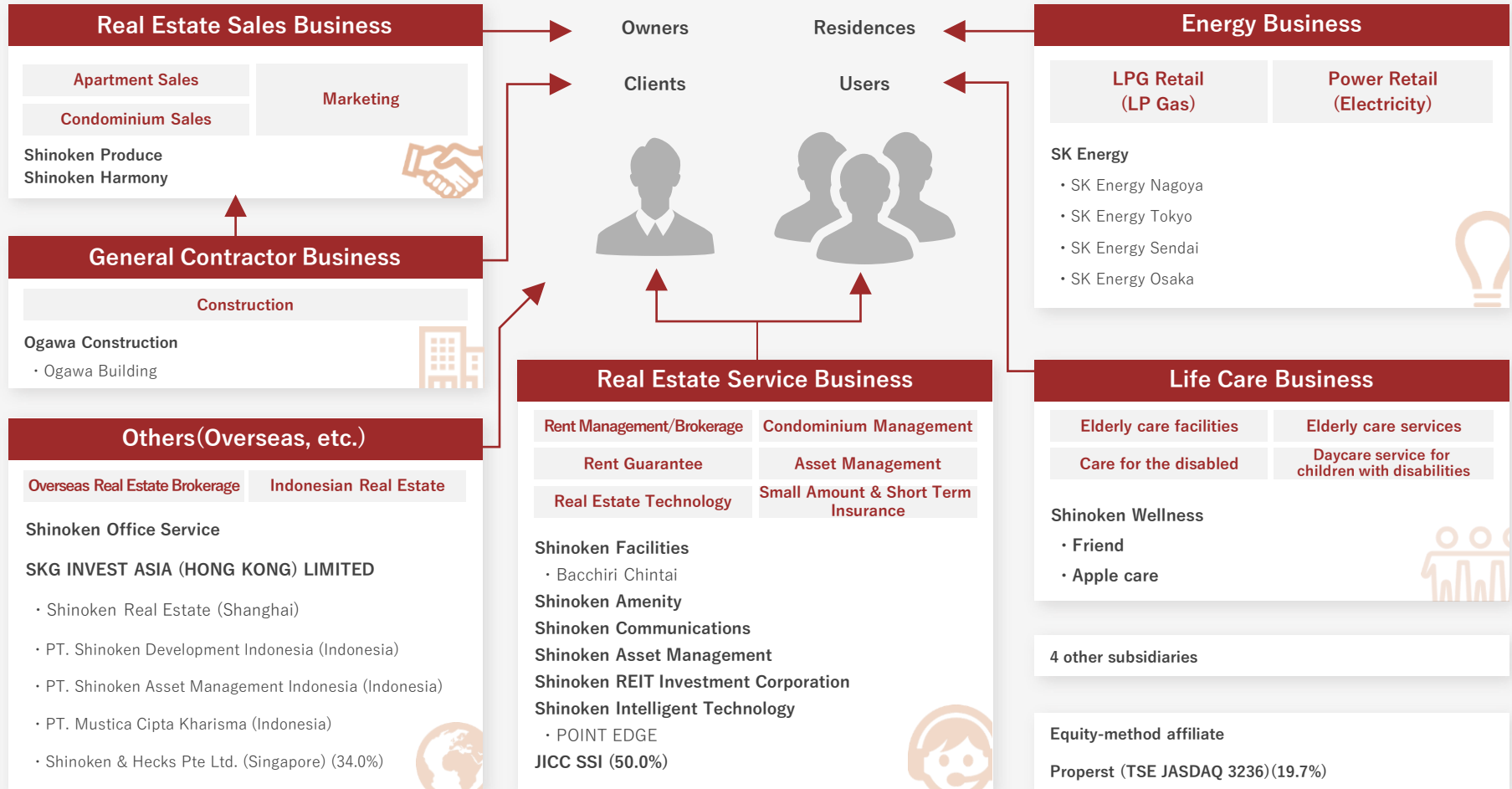
Office History

Our Business

Holding Company

Shinoken Group Co., Ltd.

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



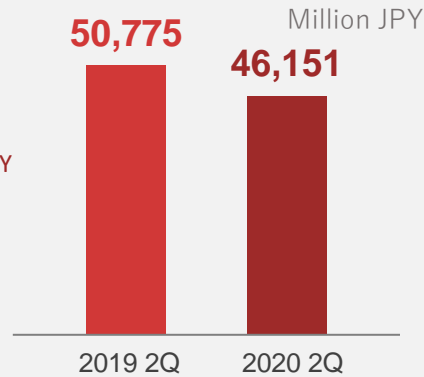
1 Executive Summary



Net Sales

46,151 Million JPY

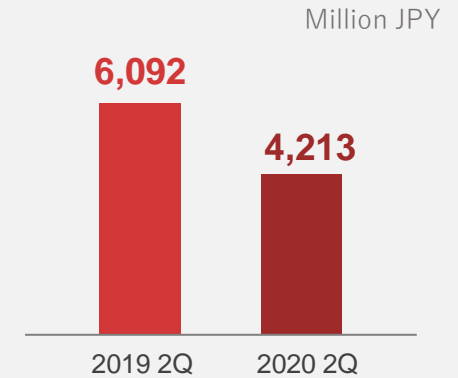
YoY ▲9.1 %



Operation Income

4,213 Million JPY

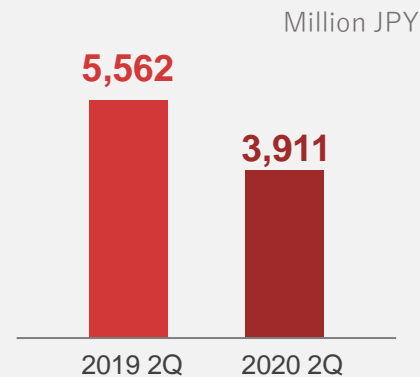
YoY ▲30.8 %



Ordinary Income

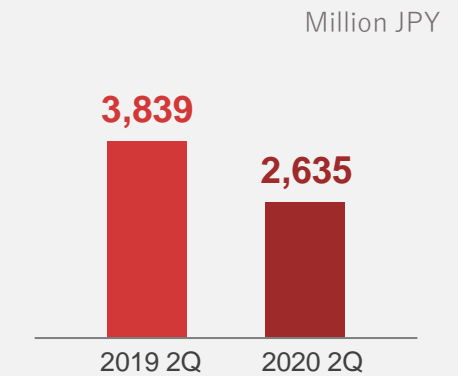
3,911 Million JPY

YoY ▲29.6 %

Profit Attributable
To Owners of Parent

2,635 Million JPY

YoY ▲31.3 %



ポイント

In addition to self-restraint in sales activity,
raising the private REIT, initially scheduled to take place in June(2Q), has moved back to July(3Q)

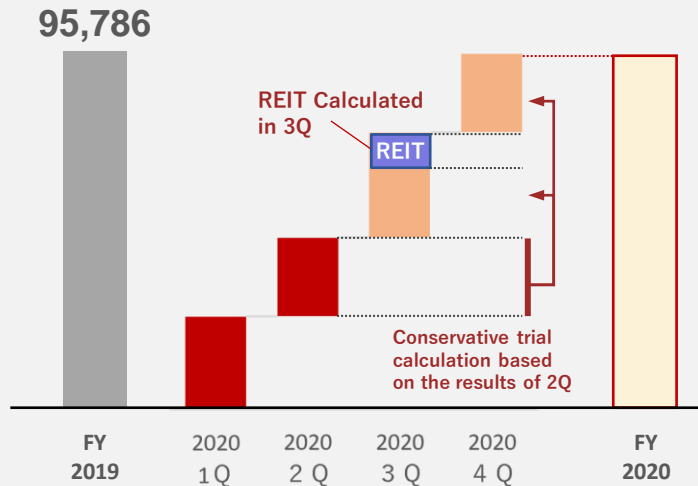
【SIMULATION of consolidated forecast of FY2020】

～If the COVID-19 crisis continues～

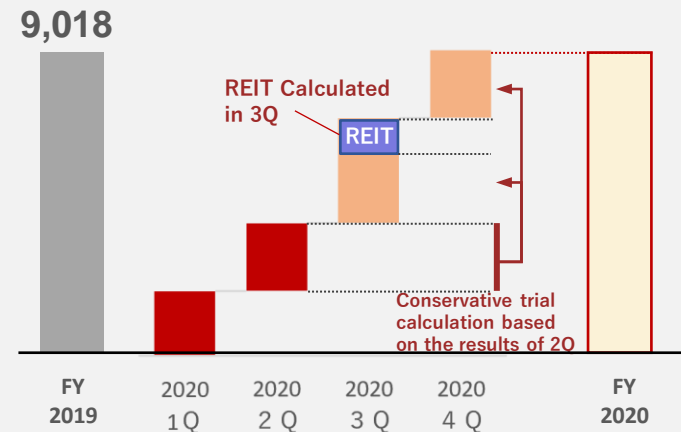
Conservative trial calculation based on the results of 2Q,
during which the state of emergency was declared and economic activities stopped

➡ **Generally similar YoY, letting us aim to meet initial forecasts**

Consolidated Net Sales (Million JPY)



Consolidated Ordinary Income (Million JPY)



1

Executive Summary – Consolidated BS –

Million JPY

	2019 End	2020 2Q End	Increase / Decrease	
Cash and Deposits	29,034	31,060	+2,026	→ Steady financing, increasing cash
Inventories	35,180	36,819	+1,639	→ Real Estate for Sale : +894 ⇒ Apartment land purchase → Cost on Real Estate Business : +749 ⇒ Condominium Construction
Tangible fixed assets	7,575	7,658	+83	
Other Assets	14,168	13,450	▲719	
Total Assets	85,957	88,987	+3,029	
Short-term Loans Payable	11,181	17,285	+6,103	→ For Apartment land purchase
Long-term Loans Payable	19,509	17,009	▲2,500	
Corporate Bonds	2,016	1,830	▲186	
Other Liabilities	15,840	13,867	▲1,973	
Total Liabilities	48,546	49,991	+1,445	
Net Assets (Capital Adequacy Ratio)	37,411 (43.4%)	38,995 (43.7%)	+1,584 (+0.3pt)	→ Increased Net Assets, rising CAR
Total Liabilities and Net Assets	85,957	88,987	+3,029	

Strengthening the financial basis,
and driving the business
even under the COVID-19 situation

→ **Steady financing, increasing cash**

→ Real Estate for Sale : +894
⇒ **Apartment land purchase**

→ Cost on Real Estate Business : +749
⇒ **Condominium Construction**

→ **For Apartment land purchase**

→ **Increased Net Assets, rising CAR**

【Mid-term forecast disclosed on Nov. 2016】

“On the third year of the Mid-term forecast, Fiscal Year ending in December 2019, we are looking at the Capital adequacy ratio to exceed 40%, and positive NET CASH” (Extracted and translated from the disclosed document)

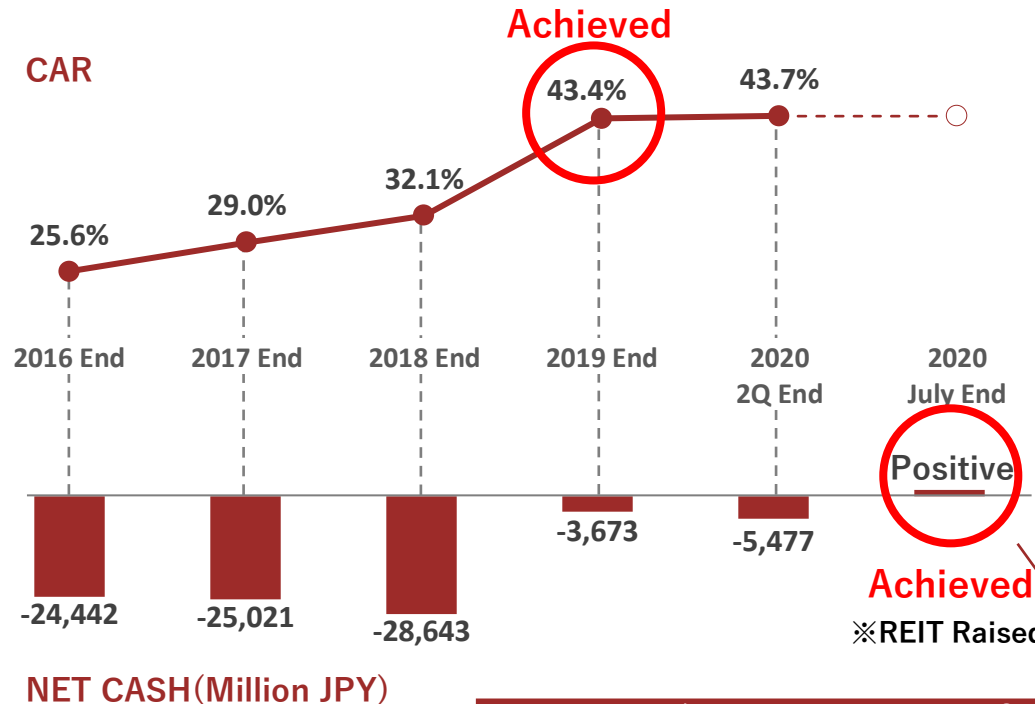
【Result】 CAR goal achieved in Dec. 2019, Positive NET CASH goal achieved in Jul. 2020 (six months late)

Financial Goals

Capital
Adequacy
Ratio
Over 40%

Positive
NET CASH

Result



As
Said

Temporary changes may occur in CAR and NET CASH due to increase of inventory (for REIT), Continuous control of financial balance

The milestone of the 30th anniversary, further growth strategies A well balanced structure of offence and defense

Offence

- ✓ Multiple Sales channels by securing an exit (REIT)
- ✓ Establishing Overseas Business
- ✓ A business model independent of Real Estate Sales

Revenue Basis

That does not slow down under COVID crisis

Defense

- ✓ Solid financial structure of CAR over 40% and positive NET CASH
- ✓ Expanding partnerships with more financial institutions
- ✓ Steady recurring revenue

Financial Basis

Suitable for the era of "CASH IS KING"

The next "As said" is…(Next page)

The next “As said” is...

Shareholder Values

- ✓ Dividend
- ✓ Share buyback Aug. 2020
Up to 300 Million JPY
- ✓ Shareholder benefits
- ✓ Strengthening IR

**Well balanced
Shareholder returns**

Driving SDGs

- ✓ Driving Carbon-neutral by wooden architecture and afforestation
- ✓ Expansion of business in the field of support for disabled people
- ✓ Wider support systems for students and employees

**Presence as an object of
ESG investment /
Branding and higher
employee satisfaction**

Overseas Business

- ✓ Exporting domestic success models
- ✓ Establishing the basis of Indonesian business
- ✓ Expanding our business to new markets with limitless possibilities

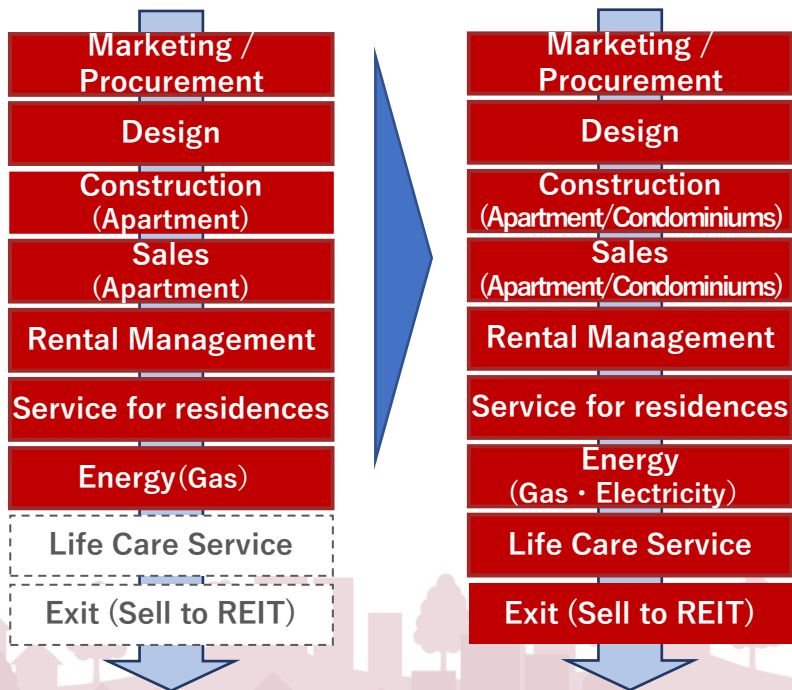
**Establishing
Overseas Business
segment**

Success model that started in Fukuoka, to Tokyo and nation wide Next, exporting the domestic model to overseas countries

Domestic : Full in-house model evolving to Life time value producing model

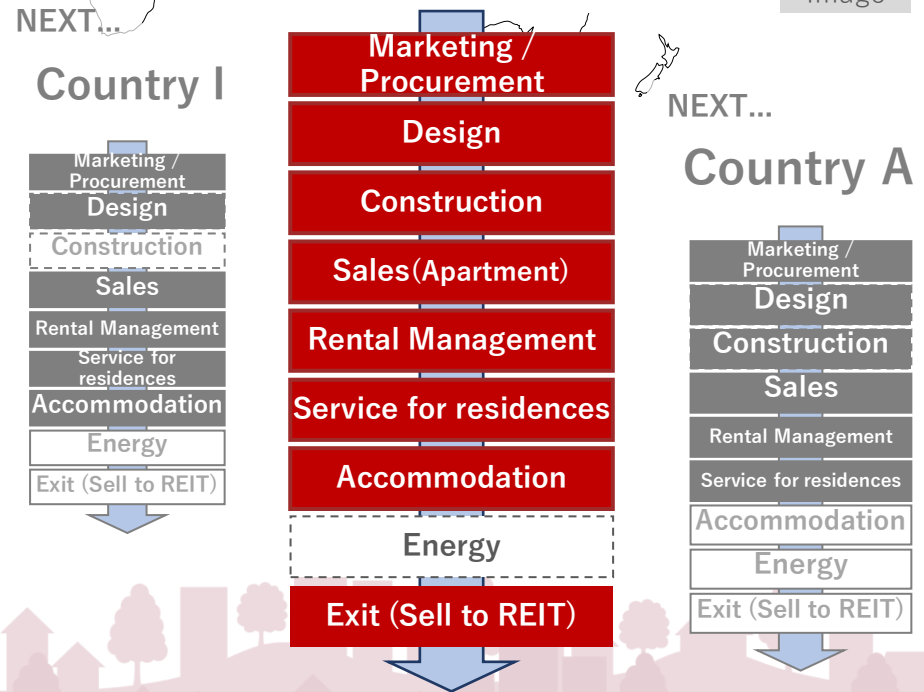
Fukuoka

Tokyo



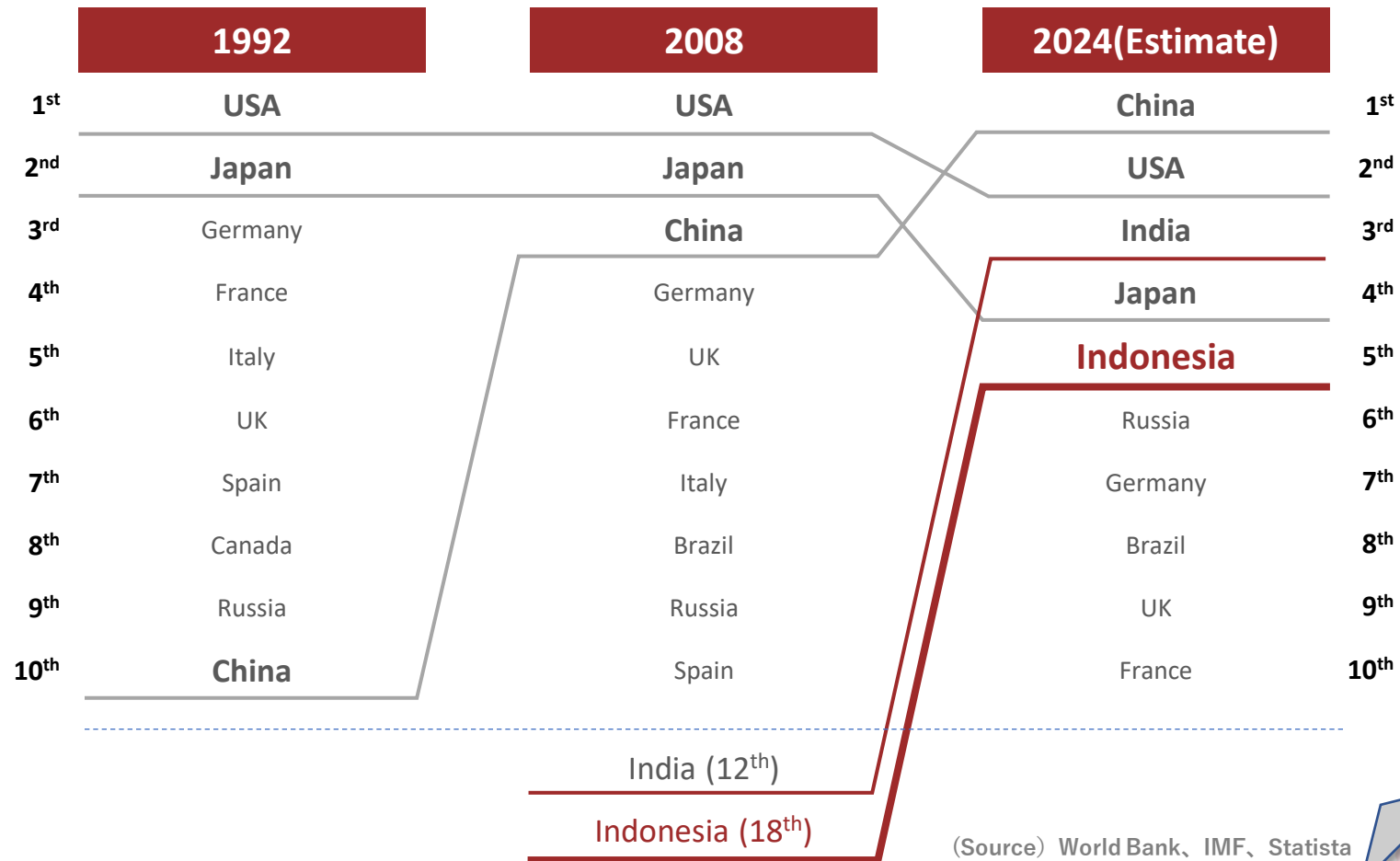
Overseas : Establish competitive in-house model

Indonesia



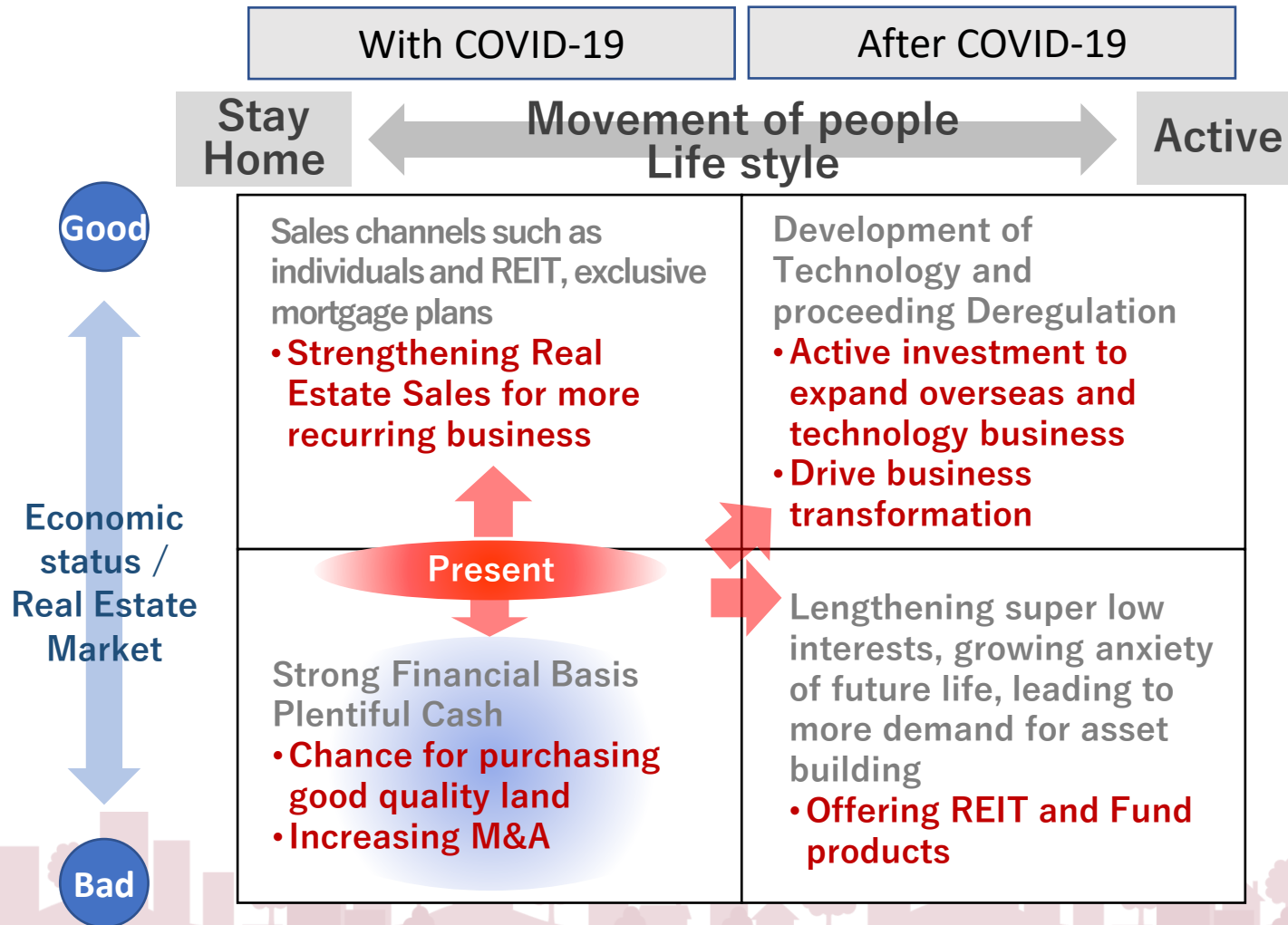
According to the calculations of World Bank and the IMF
GDP of Indonesia will be the 5th largest in the world

Changes of the Top 10 GDP countries



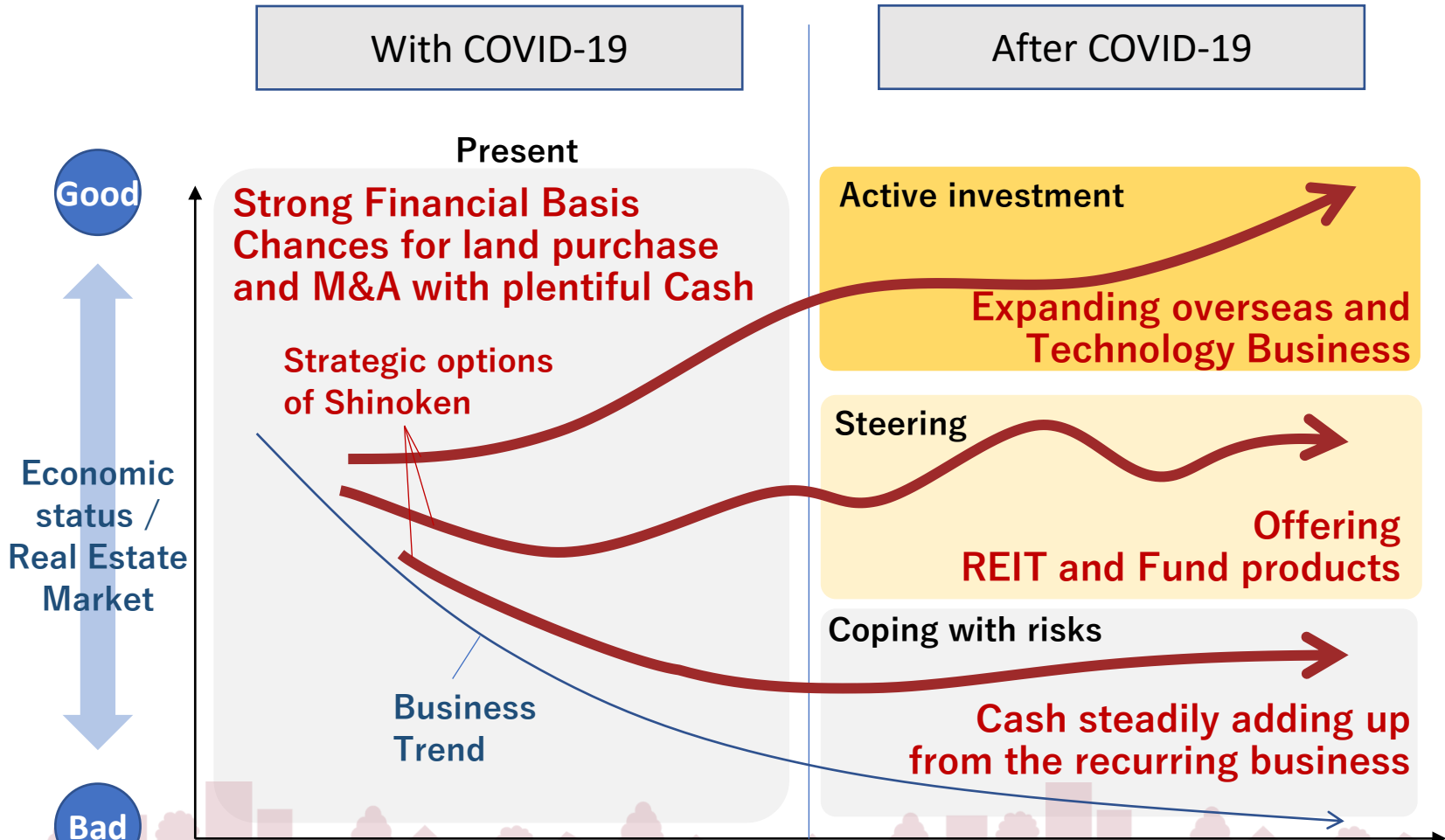
Competitiveness in With / After COVID-19

Business basis and All-direction strategy options that can meet any situation



Competitiveness in With / After COVID-19

Business basis and All-direction strategy options that can meet any situation




2 Topics




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



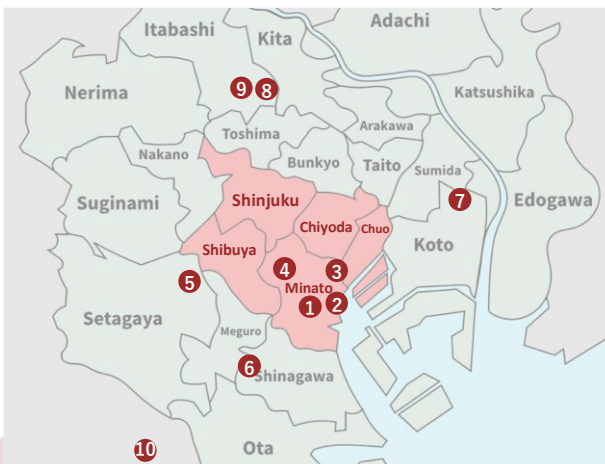

4	Name	Harmony Residence Nishi-Azabu
	Location	Nishi-Azabu, Minato-ku, Tokyo
	Rooms	38
	Completion	May 2017




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



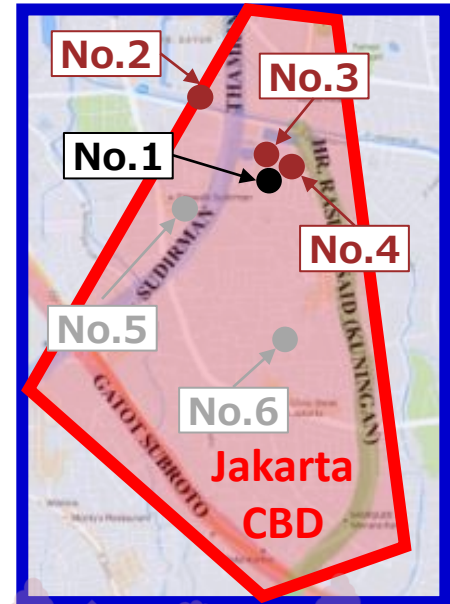
Land Size	Plan	Structure	Completion (Planned)
512sqm	Total : 60 single room residences, 17 parking spaces	Reinforced Concrete 1 basement floor, 4 floors above ground level	Around Fall of 2021
Transportation LRT (Monorail) Station (under construction), 10 minutes on foot		Contractor PT. Mustica Cipta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



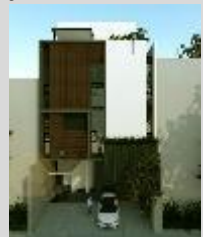
Project No.3



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)	

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

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



**KID'S
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



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

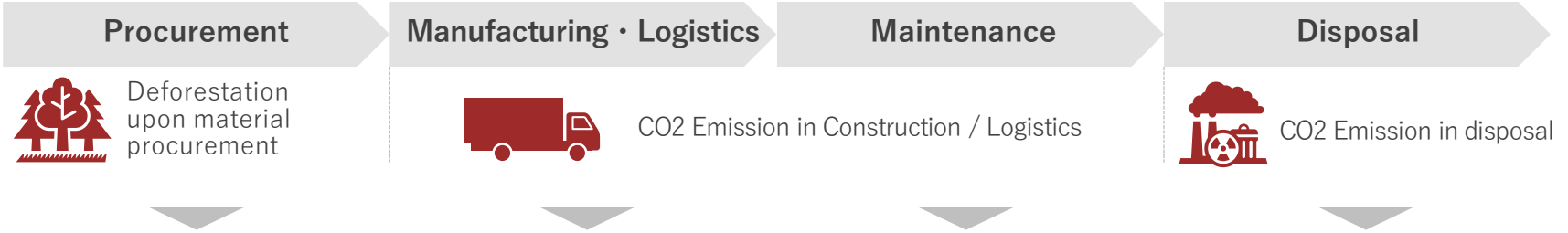


13 CLIMATE ACTION
Take urgent action to combat climate change and its impacts

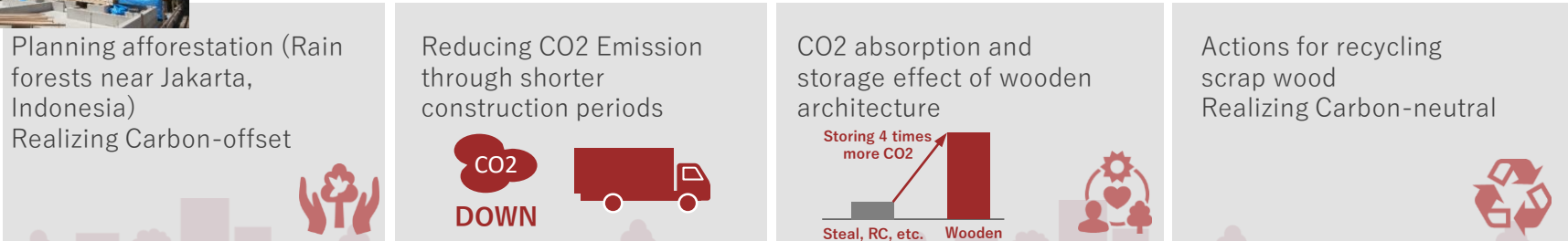


15 LIFE ON LAND
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Non-wooden apartments



Shinoken's wooden Apartments



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

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

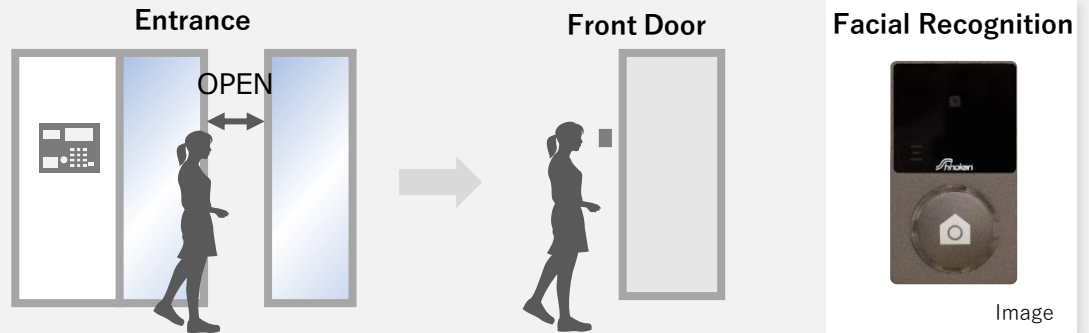


Akatsuki Terrace Exterior Image



Image

Standard equipment of Facial Recognition System to each room



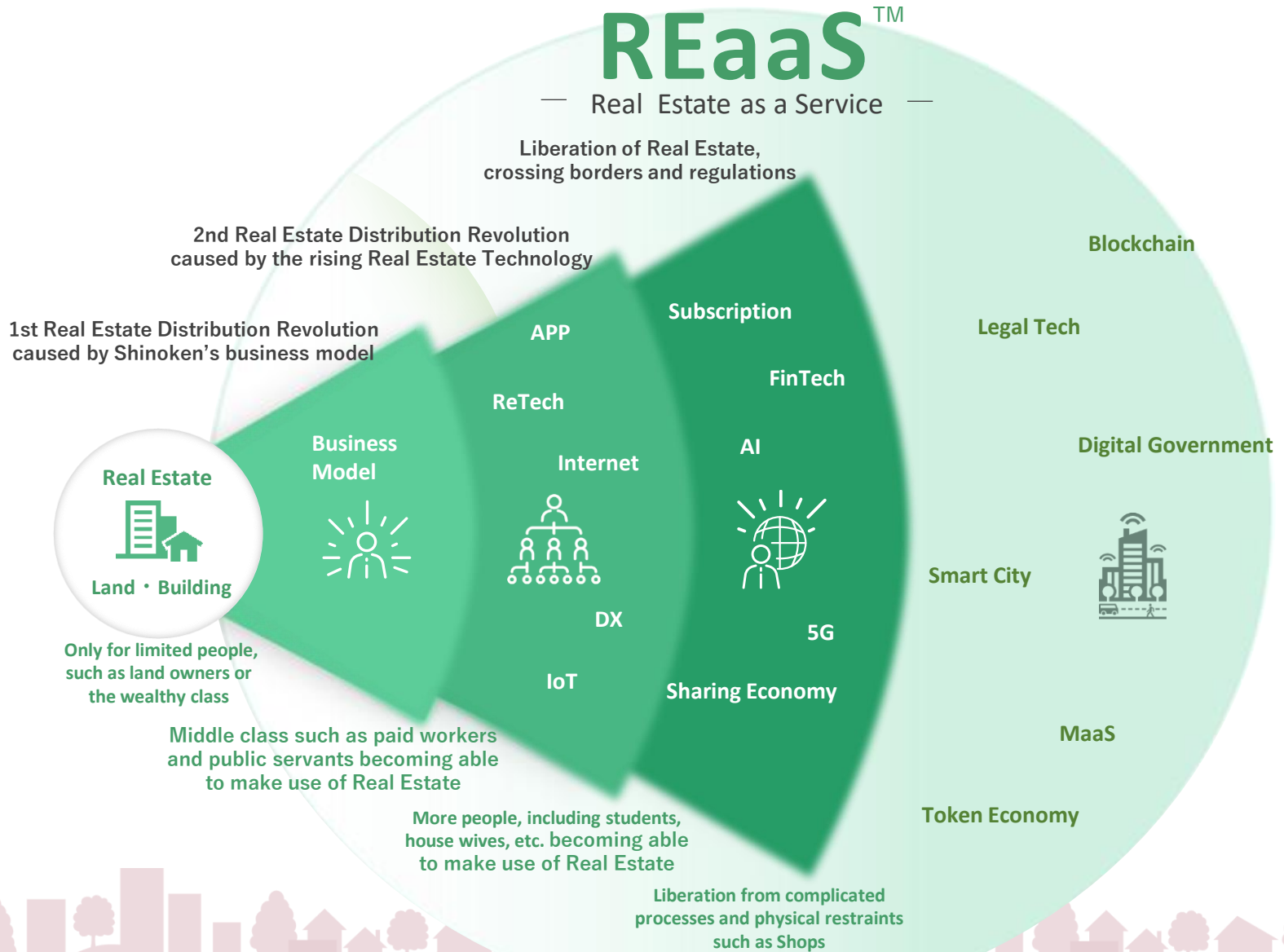
Smart Security Cameras

High-level security

Shinoken Comfort Style

Improvement of Sound proof
by re considering the structure

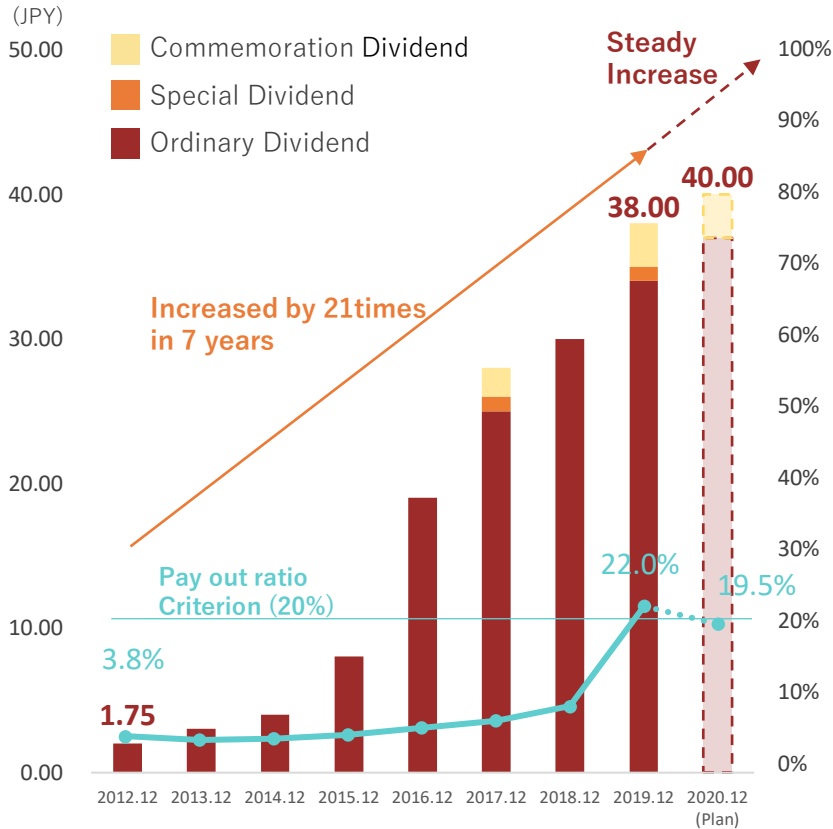
Location and Nearest station	Izumi, Suginami-ku, Tokyo 10 min on foot from Daitabashi station, Keio Line
Land Size	266sqm (2,863 sq ft)
Buildings (Rooms)	3 buildings, No.1 to No.3 (6 Rooms Each, Total 18 Rooms)
Type	AVAND
Sales Start	October 2020 (Planned)
Completion	Around Spring of 2021 (Planned)



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.

3 Results of Segments



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%)

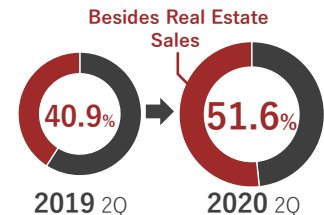
Life Care
Others(Overseas, etc.)

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

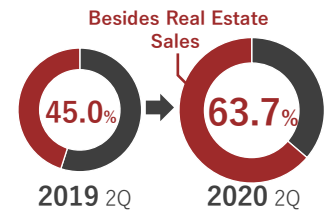
Besides Real Estate Sales Business

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

3

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** %

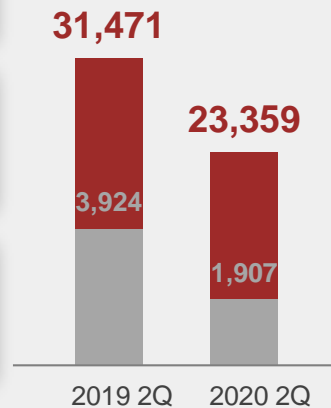
Self-restraint during April and May, re-start in June

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 %**

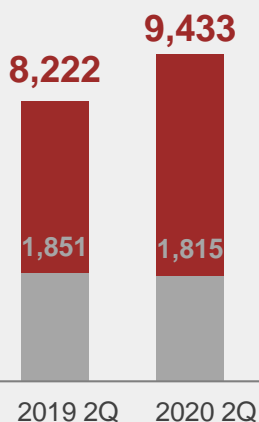
Steadily added up according to sales

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

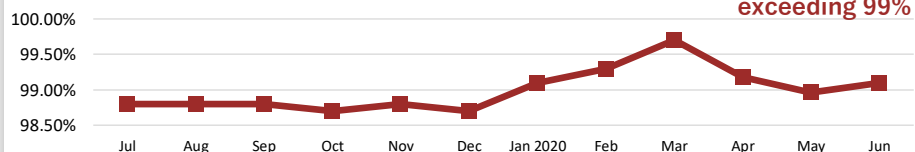
Delay in the private REIT, resulted in not being able to appropriate asset management fee revenue within 2Q

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

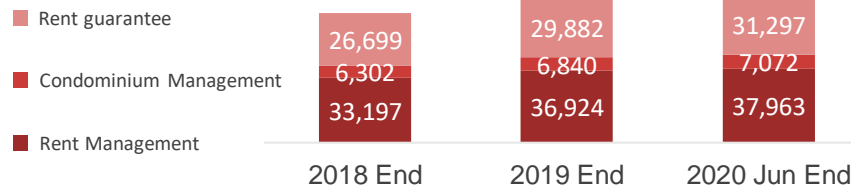
■ Net Sales(Million JPY)
■ Segment Income(Million JPY)



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



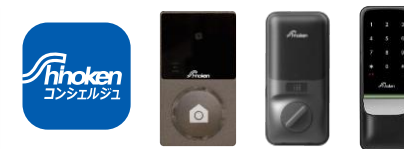
Transition of cases



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 %**

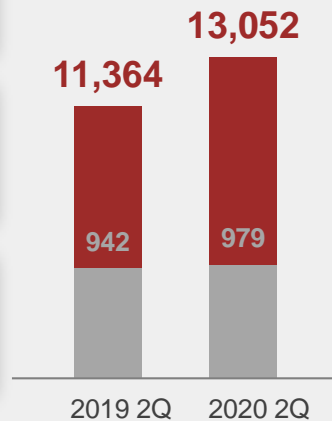
Construction and new orders steadily proceeded

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 %**

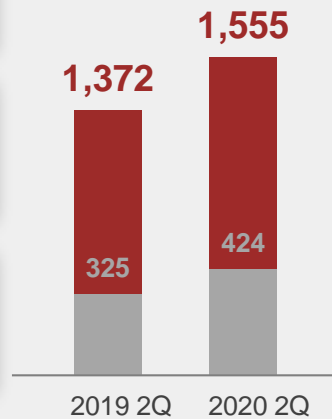
Both contracts and usage increased

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

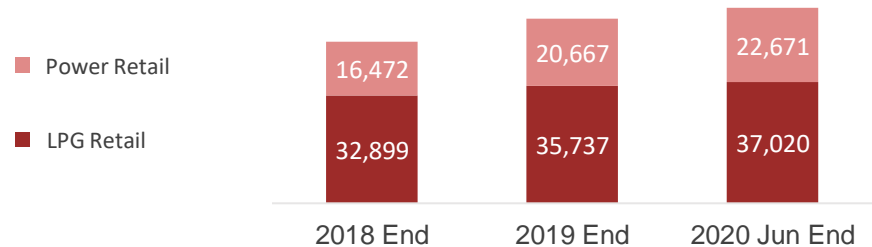
Usage in both LPG and Electricity increased due to spending more time at home from Teleworking

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

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



Transition of cases



*1 Including Internal transactions

Net Sales*¹

824 Million JPY

YoY **+7.6 %**

Operating Income (Segment Income)

108 Million JPY

YoY **▲4.1 %**

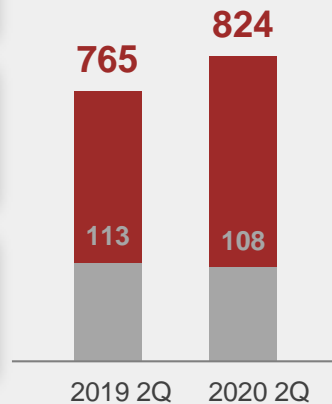
Facilities kept high occupancy. Entered a new field

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.18) 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 **-** %

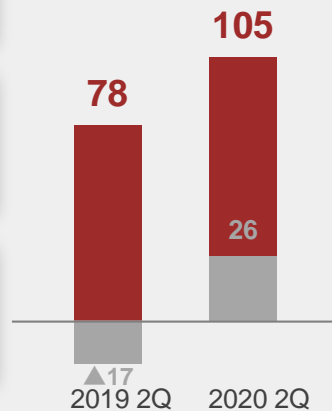
Development and REIT preparation proceeded

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.17)



*1 Including Internal transactions

4 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

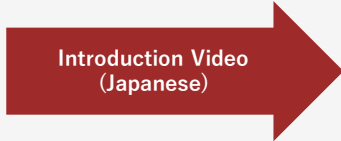


Independent sink



Staircase with Storage

Shinoken Intelligent Apartment



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 18th, 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/>