

Financial Statements for the First Half of the Fiscal Year Ending March 31, 2009 (Six Months Ended September 30, 2008)

Company name: Shinoken Group Co., Ltd.

Stock Exchange listing: JASDAQ

Stock code: 8909

URL: <http://www.shinoken.co.jp>

Representative: Hideaki Shinohara, Representative Director and President

Contact: Junichi Tsurukawa, Administration General Manager and Director

Telephone: +81-(92)-477-0063

Scheduled date of filing of Quarterly Report: November 14, 2008

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2009

(April 1, 2008 – September 30, 2008)

(1) Consolidated results of operations

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended Sep. 2008	7,541	-	(297)	-	(458)	-	(272)	-
Six months ended Sep. 2007	10,754	26.4	202	(33.3)	75	(55.0)	41	(71.5)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Six months ended Sep. 2008	(6,862.29)	-
Six months ended Sep. 2007	1,033.37	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Sep. 30, 2008	22,484	4,884	21.7	122,971.11
As of Mar. 31, 2008	26,791	5,280	19.5	131,932.79

Reference: Shareholders' equity (Millions of Yen): Sep. 30, 2008: 4,884 Mar. 31, 2008: 5,240

2. Dividends

	Dividend per share				
(Record date)	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended Mar. 2008	-	0.00	-	1,875.00	1,875.00
FY ending Mar. 2009	-	0.00	-	-	-
FY ending Mar. 2009 (forecast)	-	-	-	2,000.00	2,000.00

Note: Revision of dividend forecast during the period: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (basic)
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	33,000	10.8	1,300	14.8	1,000	9.7	530	18.7	13,343.74

Note: Revision of consolidated forecast during the period: None

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of simplified accounting methods and special accounting methods in the preparation of consolidated quarterly financial statements: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 5 for further information.

(3) Changes in accounting principles, procedures and presentation methods for preparation of consolidated quarterly financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 5 for further information.

(4) Number of outstanding shares (common shares)

1) Shares outstanding at end of period (including treasury stock):

Sep. 30, 2008:	40,307 shares	Mar. 31, 2008:	40,307 shares
----------------	---------------	----------------	---------------

2) Treasury stock at end of period:

Sep. 30, 2008:	588 shares	Mar. 31, 2008:	588 shares
----------------	------------	----------------	------------

3) Average number of common shares outstanding:

Six months ended Sep. 2008:	40,307 shares	Six months ended Sep. 2007:	40,307 shares
-----------------------------	---------------	-----------------------------	---------------

* Cautionary statement with respect to forward-looking statements

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with “Regulations for Consolidated Quarterly Financial Statements”.

The estimated values above have been prepared based on information available as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

The Japanese economy for the first half of the current fiscal year (from April 1, 2008 to September 30, 2008) was deeply affected by the U.S. subprime mortgage problem that is getting even worse. The collapse of Lehman Brothers, a major U.S. investment bank, in early September triggered the global financial crisis in which we saw a series of bankruptcy and bailouts of financial institutions in the U.S. and Europe. After the U.S. House of Representatives rejected the Emergency Economic Stabilization Act of 2008 on September 29, 2008, we witnessed the record-setting fall of the Dow Jones Industrial Average, leading to the simultaneous downturn in the global stock markets. Thus, this period ended with the deepening concerns about possible recession caused by the instability of financial systems.

The real estate industry in which the Company operates is suffering from unprecedentedly challenging market conditions where the cash flow problem as a result of more rigorous credit check by financial institutions has caused a number of the listed companies to go bankrupt. Regarding the land prices, there is a clear sign of downward pressure caused by the financial institutions that significantly reduced financing real estate related projects due to the U.S. subprime mortgage problem and by the corporate and individual land buyers, who are less encouraged to acquire lands under such a sluggish business environment. In fact, the national average of fiscal 2008 standard land prices for all land applications (as of July 1) has seen a 1.2% year-over-year decrease and this margin of decline is widened as compared to that in the previous fiscal year. When looking at the average land price of the three largest metropolitan regions, namely Tokyo, Osaka and Nagoya, the margin of increase has narrowed. Even the land prices in some areas of central Tokyo, which experienced a substantial increase last year, declined this year.

Under these circumstances, the Group has strived to enhance the group-wide service and quality level throughout the business segments including the real estate sales (investment) business as our core segment as well as the real estate rental management, finance and LPG supply businesses.

Consequently, in the first half of the current fiscal year, the Group recorded net sales of 7,541 million yen, operating loss of 297 million yen, ordinary loss of 458 million yen and net loss of 272 million yen.

The outline of results by business segment is as follows:

1) Real estate sales (investment) business

In the PI (personal investment) business, all of our offices proactively developed and executed proposal-based marketing on apartment management for personal investors by targeting prospective customers working in corporate and government sectors. This marketing campaign proved quite successful as the proposition was well received by property owners of all ages and the number of new orders steadily increased. Also in the CI (corporate investment) business, our domestic offices have strived to acquire quality land plots for future developments.

As a result of aggressive advertising activities to stimulate the demand in anticipation of weakening consumer confidence with signs of economic slowdown, the Group recorded net sales of 5,966 million yen and operating loss of 231 million yen.

It is also noted that, in the industry in which the Group operates, the proportion of the number of constructions that are completed in the fourth quarter is larger than in the other quarters and therefore net sales in the real estate sales (investment) business tend to concentrate in the fourth quarter.

2) Real estate rental management business

In the real estate rental management business, the number of property units under our management totaled 10,818 units at the end of the second quarter of the current fiscal year. At the same time promotional activities to recruit tenants of the rental apartments under our management have been made to enhance the level of services offered to tenants and to increase the occupancy ratio of these rental apartments.

Net sales in the real estate rental management business totaled 1,192 million yen, and operating income 125 million yen.

3) Finance business

In the finance business, the balance of operating loans receivable at the end of the second quarter of the current fiscal year totaled 2,296 million yen. We have attempted to gain new customers through vigorously promoting our financial services such as rent default guarantee service and free loan for individuals.

Net sales in the finance business totaled 89 million yen, and operating income 30 million yen.

4) Other businesses

As for the other businesses, we ensured more stable revenue source as SK Energy Nagoya Co., Ltd. started its operations in the second quarter of the current fiscal year and the number of family units to which LPG was supplied and sold by SK Energy Nagoya Co., Ltd. and SK Energy Co., Ltd. reached 6,093 at the end of the second quarter.

Performance of the two franchise restaurants that we operate remained firm as well through well-planned promotional activities.

Net sales in other businesses totaled 292 million yen, and operating income 52 million yen.

2. Qualitative Information Regarding Consolidated Financial Position

Regarding the financial position at the end of the second quarter of the current fiscal year, total assets decreased 4,307 million yen from the end of the previous fiscal year to 22,484 million yen due mainly to the 2,689 million yen decrease in accounts receivable-real estate business and the 2,785 million yen decrease in accounts payable-real estate business.

The status of cash flows by activity was as follows.

Cash and cash equivalents (hereinafter 'net cash') at the end of the second quarter were 323 million yen, a decrease of 1,490 million yen from the end of the previous fiscal year.

Operating activities

Net cash used in operating activities totaled 759 million yen. Positive factor was a 2,681 million yen decrease in notes and accounts receivable-trade, while negative factor was a 2,785 million yen decrease in notes and accounts payable-trade.

Investment activities

Net cash used in investment activities was 102 million yen. Negative factor was the outlays for purchase of property, plant and equipment of 126 million yen.

Financing activities

Net cash used in financing activities was 626 million yen. Positive factor was a 2,120 million yen proceeds from long-term loans payable, while negative factors were 1,423 million yen in repayment of long-term loans payable and a net decrease of 1,088 million yen in short-term loans payable.

3. Qualitative Information Regarding Consolidated Earnings Forecasts

The Japanese economy for the first half of the current fiscal year was deeply affected by the U.S. subprime mortgage problem that is getting even more serious. Since September in particular, there has been a rapidly growing prospect of a global economic slowdown with concerns over the impact on the real economy of the instable financial systems resulting from collapse of the major U.S. investment bank.

The real estate industry in which the Group operates is suffering from unprecedentedly challenging business environment, characterized by more rigorous credit check by financial institutions and weakened consumer confidence stemming from concerns over economic prospects.

Against this backdrop, operating results for the first half of the current fiscal year mostly reflected our business plan. However, the actual sales fell below the initial forecast due mainly to the factor that the delivery of some apartment building projects in the real estate sales (investment) business moved down to the second half of the current fiscal year, while operating income, ordinary income, and net income also fell below the initial forecast, which was caused by the decrease in profit margin from less-than-expected sales.

We do not intend in this report to revise the consolidated forecast for the fiscal year ending March 31, 2009 because operating results so far mostly reflected our business plan except for the factor that the delivery of some apartment building projects in the real estate sales (investment) business moved down to the second half of the current fiscal year, and because it is a normal characteristic of our business operations that the proportion of sales for the fourth quarter is significantly larger than the sales for each of the other quarters.

4. Others

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation)

No reportable information.

(2) Application of simplified accounting methods and special accounting methods in the preparation of consolidated quarterly financial statements

1) Method for estimating the uncollectible amount of general receivables

The uncollectible amount of general receivables was estimated using the historical write-off ratio at the end of the previous fiscal year as the ratio at the end of the second quarter of the current fiscal year was found not to be significantly different from the ratio at the end of the previous fiscal year.

2) Calculation of depreciation expense for fixed assets

For assets subject to the declining-balance method, depreciation expense for the period is calculated pro rata from the full-year amount of depreciation expense for the fiscal year.

(3) Changes in accounting principles, procedures and presentation methods for preparation of consolidated quarterly financial statements

1) Application of “Accounting Standards for Quarterly Financial Statements”

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with “Regulations for Consolidated Quarterly Financial Statements”.

2) Changes in valuation criteria and methods for principal assets

Inventories

In prior years, inventory for regular sales purposes was computed primarily by the specific identification cost method. With the adoption of “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: July 5, 2006) from the first quarter of the current fiscal year, inventory is computed primarily by the specific identification cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

As a result of this change, loss before income taxes and minority interests increased by 54,317 thousand yen in the first half of the current fiscal year.

5. Consolidated Quarterly Financial Statements**(1) Consolidated Quarterly Balance Sheets**

	(Thousands of Yen)	
	1H FY3/09 (As of Sep. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Assets		
Current assets		
Cash and deposits	413,601	1,885,085
Accounts receivable-real estate business	1,527,567	4,216,923
Operating loans	2,296,146	2,350,541
Real estate for sale	3,529,397	5,170,541
Costs on real estate business	10,561,860	9,833,179
Other inventories	73,551	52,504
Other	674,680	462,419
Allowance for doubtful accounts	(21,275)	(41,999)
Total current assets	19,055,530	23,929,196
Noncurrent assets		
Property, plant and equipment	2,718,973	2,067,525
Intangible assets	104,898	108,574
Investments and other assets	605,017	686,638
Total noncurrent assets	3,428,889	2,862,737
Total assets	22,484,419	26,791,934
Liabilities		
Current liabilities		
Accounts payable-real estate business	527,369	3,313,313
Short-term loans payable	11,017,571	10,322,920
Income taxes payable	70,743	372,448
Other	830,372	1,415,326
Total current liabilities	12,446,057	15,424,008
Noncurrent liabilities		
Bonds payable	200,000	-
Long-term loans payable	4,729,677	5,815,895
Other	223,931	271,222
Total noncurrent liabilities	5,153,608	6,087,117
Total liabilities	17,599,666	21,511,126
Net assets		
Shareholders' equity		
Capital stock	1,922,159	1,922,159
Capital surplus	1,854,564	1,854,564
Retained earnings	1,272,464	1,624,997
Treasury stock	(142,347)	(142,347)
Total shareholders' equity	4,906,841	5,259,373
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(21,259)	(16,175)
Foreign currency translation adjustment	(1,292)	(2,959)
Total valuation and translation adjustments	(22,552)	(19,135)
Subscription rights to shares	464	40,569
Total net assets	4,884,753	5,280,807
Total liabilities and net assets	22,484,419	26,791,934

(2) Consolidated Quarterly Statements of Income
(For the Six-month Period)

	(Thousands of Yen)
	1H FY3/09
	(Apr. 1, 2008 – Sep. 30, 2008)
Net sales	7,541,455
Cost of sales	6,425,579
Gross profit	1,115,875
Selling, general and administrative expenses	1,413,527
Operating loss	(297,651)
Non-operating income	
Annual fee income	5,725
Interest on refund	2,707
Compensation for damage	26,485
Other	10,418
Total non-operating income	45,337
Non-operating expenses	
Interest expenses	129,663
Other	76,983
Total non-operating expenses	206,647
Ordinary loss	(458,960)
Extraordinary income	
Gain on reversal of subscription rights to shares	40,569
Reversal of allowance for doubtful accounts	13,248
Total extraordinary income	53,817
Extraordinary loss	
Loss on valuation of inventories	54,317
Total extraordinary losses	54,317
Loss before income taxes	(459,460)
Income taxes-current	51,789
Income taxes-deferred	(238,687)
Total income taxes	(186,897)
Net loss	(272,563)

(3) Consolidated Quarterly Statements of Cash Flows

	(Thousands of Yen)
	1H FY3/09
	(Apr. 1, 2008 – Sep. 30, 2008)
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(459,460)
Depreciation and amortization	44,559
Increase (decrease) in allowance for doubtful accounts	(16,899)
Interest expenses	129,663
Gain on reversal of subscription rights to shares	(40,569)
Decrease (increase) in notes and accounts receivable-trade	2,681,900
Decrease (increase) in inventories	323,344
Increase (decrease) in notes and accounts payable-trade	(2,785,943)
Decrease (increase) in operating loans	54,394
Other, net	(344,195)
Subtotal	(413,206)
Income taxes paid	(346,558)
Net cash provided by (used in) operating activities	(759,764)
Net cash provided by (used in) investment activities	
Payments into time deposits	(13,000)
Purchase of investment securities	(25,809)
Purchase of property, plant and equipment	(126,501)
Other, net	62,836
Net cash provided by (used in) investment activities	(102,474)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(1,088,400)
Proceeds from long-term loans payable	2,120,100
Repayment of long-term loans payable	(1,423,266)
Proceeds from issuance of bonds	195,362
Redemption of bonds	(210,000)
Cash dividends paid	(74,473)
Interest expenses paid	(112,474)
Other, net	(33,789)
Net cash provided by (used in) financing activities	(626,941)
Effect of exchange rate change on cash and cash equivalents	(1,644)
Net increase (decrease) in cash and cash equivalents	(1,490,825)
Cash and cash equivalents at beginning of period	1,807,509
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	6,340
Cash and cash equivalents at end of period	323,025

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the consolidated quarterly financial statements are prepared in accordance with “Regulations for Consolidated Quarterly Financial Statements”.

(4) Going Concern Assumption

No reportable information.

(5) Segment Information

Operating segment information

1H FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)

(Thousands of Yen)

	Real estate sales (investment) business	Real estate rental management business	Finance business	Other businesses	Total	Elimination or corporate	Consolidated
Net sales							
(1) External sales	5,966,891	1,192,735	89,779	292,049	7,541,455	-	7,541,455
(2) Inter-segment sales and transfers	-	14,072	11,209	-	25,281	(25,281)	-
Total	5,966,891	1,206,807	100,988	292,049	7,566,737	(25,281)	7,541,455
Operating income (loss)	(231,662)	125,651	30,566	52,406	(23,037)	(274,613)	(297,651)

Notes: 1. Method of segmentation

The operating segment information is presented on the basis of the type of business and similarity of activities.

2. Summary of operating segments

- | | |
|--|---|
| (1) Real estate sales (investment) business: | Rental apartment building planning and sales |
| (2) Real estate rental management business: | Rental apartment building management and brokerage services |
| (3) Finance business: | Financing rental apartment building purchases, rent default guarantee service mainly for tenants, free loan mainly for individuals |
| (4) Other businesses: | LPG supply and sales, restaurant (Japanese style pubs (izakaya)) management; subcontracting of renovation and extension construction work, maintenance work and non-life insurance agencies |

Geographical segment information

1H FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)

Geographical segment information is not presented since domestic sales exceeded 90% of consolidated net sales.

Overseas sales

1H FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)

Overseas sales information is not presented since overseas sales represented less than 10% of consolidated net sales.

(6) Significant Changes in Shareholders' Equity

No reportable information.

Reference Material**Financial Statements of the Same Period Previous Fiscal Year****(1) Interim Consolidated Statements of Income**

(Thousands of Yen)

Items	1H FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)		
	Amount		%
I Revenues		10,754,381	100.0
II Cost of revenues		9,326,973	86.7
Gross profit		1,427,407	13.3
III SG&A expenses		1,224,816	11.4
Operating income		202,590	1.9
IV Non-operating income			
1. Fee income	8,439		
2. Additional tax refund	4,129		
3. Others	6,882	19,450	0.2
V Non-operating expenses			
1. Interest expenses	94,461		
2. Fee and commissions	39,069		
3. Investment loss under equity method	4,171		
4. Others	8,972	146,674	1.4
Ordinary income		75,366	0.7
VI Extraordinary gains			
Gain on reversal from allowance for doubtful accounts	17,666	17,666	0.2
Net income before income taxes		93,032	0.9
Current income taxes	7,131		
Deferred income taxes	44,856	51,988	0.5
Net income		41,044	0.4

(2) Interim Consolidated Statements of Cash Flows

(Thousands of Yen)

	1H FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)
Items	Amount
I Cash flows from operating activities	
1. Net income before income taxes	93,032
2. Depreciation	39,399
3. Increase (decrease) in allowance for doubtful accounts	(23,128)
4. Interest expenses	94,461
5. Decrease (increase) in accounts receivable	1,730,451
6. Decrease (increase) in inventories	(2,918,751)
7. Increase (decrease) in accounts payable	261,176
8. Decrease (increase) in operating loans receivable	(172,318)
9. Increase (decrease) in real estate operation advances payable	44,640
10. Others	(245,093)
Subtotal	(1,096,134)
11. Income taxes paid	(27,149)
12. Income taxes refund	6,126
Net cash used in operating activities	(1,117,158)
II Cash flows from investing activities	
1. Payment for time deposits	(3,000)
2. Payment for acquisition of tangible fixed assets	(33,476)
3. Payment for acquisition of investment in securities	(107,765)
4. Others	10,401
Net cash used in investing activities	(133,840)
III Cash flows from financing activities	
1. Net increase (decrease) in short-term borrowings	2,579,215
2. Proceeds from long-term borrowings	2,925,500
3. Repayment of long-term borrowings	(3,513,264)
4. Payment for redemption of corporate bonds	(590,000)
5. Dividends paid	(69,508)
6. Interests paid	(97,497)
7. Others	(32,663)
Net cash provided by financing activities	1,201,781
IV Effect of exchange rate changes on cash and cash equivalents	96
V Increase (decrease) in cash and cash equivalents	(49,121)
VI Cash and cash equivalents at the beginning of period	1,513,969
VII Cash and cash equivalents at the end of period	1,464,847

(3) Segment Information**Operating segment information**

1H FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

(Thousands of Yen)

	Real estate sales (investment) business	Real estate rental management business	Finance business	Other businesses	Total	Elimination or corporate	Consolidated
Revenues							
(1) External sales	9,374,143	1,012,365	74,726	293,146	10,754,381	-	10,754,381
(2) Inter-segment sales and transfers	-	2,097	-	-	2,097	(2,097)	-
Total	9,374,143	1,014,462	74,726	293,146	10,756,478	(2,097)	10,754,381
Operating expenses	9,159,845	845,125	62,007	223,440	10,290,419	261,371	10,551,790
Operating income	214,298	169,336	12,719	69,705	466,059	(263,469)	202,590

Notes: 1. Method of segmentation

The operating segment information is presented on the basis of the type of business and similarity of activities.

2. Summary of operating segments

- | | |
|--|---|
| (1) Real estate sales (investment) business: | Rental apartment building planning and sales |
| (2) Real estate rental management business: | Rental apartment building management and brokerage services |
| (3) Finance business: | Financing rental apartment building purchases, rent default guarantee service mainly for tenants, free loan mainly for individuals |
| (4) Other businesses: | LPG supply and sales, restaurant (Japanese style pubs (izakaya)) management; subcontracting of renovation and extension construction work, maintenance work and non-life insurance agencies |

Geographical segment information

1H FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

Geographical segment information is not presented since domestic revenue exceeded 90% of consolidated revenue.

Overseas sales

1H FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)

Overseas sales information is not presented since we had no overseas sales.

** This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*