

## Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2009 (Three Months Ended June 30, 2008)

Company name: Shinoken Group Co., Ltd. Stock Exchange listing: JASDAQ  
 Stock code: 8909 URL: <http://www.shinoken.co.jp>  
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(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2009 (April 1, 2008 – June 30, 2008)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
1Q ended Jun. 2008	4,929	-	(163)	-	(232)	-	(126)	-
1Q ended Jun. 2007	3,944	67.6	(51)	-	(102)	-	(109)	-

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
1Q ended Jun. 2008	(3,196.91)	-
1Q ended Jun. 2007	(2,748.00)	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
1Q ended Jun. 2008	22,914	5,037	22.0	126,823.19
FY ended Mar. 2008	26,791	5,280	19.5	131,932.79

Reference: Shareholders' equity (Millions of Yen): Jun. 2008: 5,037 Mar. 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	-	-	-	1,875.00	1,875.00
FY ending Mar. 2009	-	-	-	-	-
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-on-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
First half	8,000	(25.6)	(200)	-	(400)	-	(250)	-	(6,294.22)
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 4 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):

Jun. 2008:	40,307 shares	Mar. 2008:	40,307 shares
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2) Treasury stock at end of period:

Jun. 2008:	588 shares	Mar. 2008:	588 shares
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3) Average number of common shares outstanding

1Q ended Jun. 2008:	40,307 shares	1Q ended Jun. 2007:	40,307 shares
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\* 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

There were growing fears of simultaneous progress of economic deterioration and inflation in the Japanese economy for the first quarter of the fiscal year under review, following revived concerns about financial system driven by the US subprime mortgage crisis, surge in prices of crude oil, grain and other raw materials fueled by speculative funds due to dollar weakness, and inflation risks that were on the rise in midst of the growing concerns over a global economic slowdown.

In the real estate industry in which the Company operates, the impact caused by enforcement of the amended Building Standard Law is fading while land prices in major cities have continued to rise as evidenced by a two-consecutive-year increase in official land prices and those in local districts are showing a sign of recovery given a slowdown of the rate of decline. However, adverse factors including the influence of economic standstill and rising construction costs due to the surge in raw materials prices make any optimistic outlook for the future seem implausible.

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 quarter of the fiscal year under review, the Group recorded net sales of 4,929 million yen, operating loss of 163 million yen, ordinary loss of 232 million yen and net loss of 126 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 consequently 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 and expand sales channels.

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 4,124 million yen and operating loss of 114 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 10,790 units at the first quarter of the fiscal year under review, reflecting the steady growth of the real estate sales (investment) business. 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 604 million yen, and operating income 52 million yen.

#### 3) Finance business

In the finance business, the balance of operating loans receivable at the end of the first quarter of the fiscal year totaled 2,337 million yen owing to an increase in the number of new customers in the real estate sales (investment) business. 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 44 million yen, and operating income 18 million yen.

#### 4) Other businesses

As for the other businesses, the number of family units to which LPG was supplied and sold by SK Energy Co., Ltd. totaled 5,139 at the end of the first quarter under review.

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

Net sales in other businesses totaled 155 million yen, and operating income 41 million yen.

## 2. Qualitative Information Regarding Consolidated Financial Position

Cash and cash equivalents (hereinafter 'net cash') at the end of the first quarter were 828 million yen, a decrease of 985 million yen from the previous fiscal year ended March 31, 2008.

The status of cash flows by activity was as follows:

### Operating activities

Net cash used in operating activities totaled 624 million yen. Positive factor was a 2,233 million yen decrease in notes and accounts receivable-trade, while negative factor was a 2,777 million yen decrease in notes and accounts payable-trade.

### Investment activities

Net cash used in investment activities was 45 million yen. Negative factors were 25 million yen in outlays for purchase of tangible fixed assets and 24 million yen in outlays for purchase of investment securities.

### Financing activities

Net cash used in financing activities was 313 million yen. Positive factor was a 1,466 million yen increase in long-term loans payable, while negative factors were 1,252 million yen in repayment of long-term loans payable and 200 million yen in redemption of bonds.

## 3. Qualitative Information Regarding Consolidated Earnings Forecasts

We maintain the forecasts for the fiscal year ending March 31, 2009 we previously announced on May 16, 2008.

## 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 period under review 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 under review 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 period under review, 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.

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

	(Thousands of Yen)	
	1Q FY3/09 (As of Jun. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Assets		
Current assets		
Cash and deposits	911,271	1,885,085
Accounts receivable-real estate business	1,980,642	4,216,923
Operating loans	2,337,588	2,350,541
Real estate for sale	3,874,726	5,170,541
Costs on real estate business	10,514,057	9,833,179
Other inventories	53,260	52,504
Other	432,478	462,419
Allowance for doubtful accounts	(23,542)	(41,999)
Total current assets	20,080,482	23,929,196
Noncurrent assets		
Property, plant and equipment	2,061,608	2,067,525
Intangible assets	106,736	108,574
Investments and other assets	666,078	686,638
Total noncurrent assets	2,834,423	2,862,737
Total assets	22,914,906	26,791,934
Liabilities		
Current liabilities		
Accounts payable-real estate business	536,303	3,313,313
Short-term loans payable	10,440,138	10,322,920
Income taxes payable	18,806	372,448
Other	895,036	1,415,326
Total current liabilities	11,890,284	15,424,008
Noncurrent liabilities		
Long-term loans payable	5,753,920	5,815,895
Other	233,411	271,222
Total noncurrent liabilities	5,987,331	6,087,117
Total liabilities	17,877,616	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	1,418,287	1,624,997
Treasury stock	(142,347)	(142,347)
Total shareholders' equity	5,052,664	5,259,373
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(14,433)	(16,175)
Foreign currency translation adjustment	(939)	(2,959)
Total valuation and translation adjustments	(15,373)	(19,135)
Subscription rights to shares	-	40,569
Total net assets	5,037,290	5,280,807
Total liabilities and net assets	22,914,906	26,791,934

**(2) Consolidated Quarterly Statements of Income**

	(Thousands of Yen)
	1Q FY3/09
	(Apr. 1, 2008 – Jun. 30, 2008)
Net sales	4,929,548
Cost of sales	4,357,295
Gross profit	572,253
Selling, general and administrative expenses	735,384
Operating loss	(163,131)
Non-operating income	
Annual fee income	3,352
Interest on refund	2,707
Other	6,616
Total non-operating income	12,676
Non-operating expenses	
Interest expenses	61,059
Other	20,616
Total non-operating expenses	81,675
Ordinary loss	(232,130)
Extraordinary income	
Gain on reversal of subscription rights to shares	40,569
Reversal of allowance for doubtful accounts	17,343
Total extraordinary income	57,913
Extraordinary loss	
Loss on valuation of inventories	54,317
Total extraordinary losses	54,317
Loss before income taxes and minority interests	(228,535)
Income taxes-current	4,289
Income taxes-deferred	(105,846)
Total income taxes	(101,557)
Net loss	(126,978)

**(3) Consolidated Quarterly Statements of Cash Flows**

	(Thousands of Yen)
	1Q FY3/09
	(Apr. 1, 2008 – Jun. 30, 2008)
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(228,535)
Depreciation and amortization	18,927
Increase (decrease) in allowance for doubtful accounts	(17,441)
Interest expenses	61,059
Gain on reversal of subscription rights to shares	(40,569)
Decrease (increase) in notes and accounts receivable-trade	2,233,073
Decrease (increase) in inventories	614,182
Increase (decrease) in notes and accounts payable-trade	(2,777,009)
Decrease (increase) in operating loans	12,952
Other, net	(154,049)
Subtotal	(277,410)
Income taxes paid	(346,965)
Net cash provided by (used in) operating activities	(624,375)
Net cash provided by (used in) investment activities	
Payments into time deposits	(5,500)
Purchase of investment securities	(24,030)
Purchase of property, plant and equipment	(25,978)
Other, net	9,555
Net cash provided by (used in) investment activities	(45,953)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(158,281)
Proceeds from long-term loans payable	1,466,000
Repayment of long-term loans payable	(1,252,475)
Redemption of bonds	(200,000)
Cash dividends paid	(74,473)
Interest expenses paid	(77,436)
Other, net	(16,893)
Net cash provided by (used in) financing activities	(313,559)
Effect of exchange rate change on cash and cash equivalents	(1,765)
Net increase (decrease) in cash and cash equivalents	(985,654)
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	828,195

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

##### a. Operating segment information

1Q FY3/09 (Apr. 1, 2008 – Jun. 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	4,124,033	604,783	44,838	155,892	4,929,548	-	4,929,548
(2) Inter-segment sales and transfers	-	7,036	9,690	-	16,726	(16,726)	-
Total	4,124,033	611,819	54,528	155,892	4,946,274	(16,726)	4,929,548
Operating income (loss)	(114,421)	52,005	18,880	41,023	(2,512)	(160,619)	(163,131)

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 |

##### b. Geographical segment information

1Q FY3/09 (Apr. 1, 2008 – Jun. 30, 2008)

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

##### c. Overseas sales

1Q FY3/09 (Apr. 1, 2008 – Jun. 30, 2008)

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

#### (6) Significant Changes in Shareholders' Equity

No reportable information.

**Reference Material****Financial Statements, etc. of the Same Period Previous Fiscal Year****(1) Consolidated Statements of Income (Summary)**

(Thousands of Yen)

Items	1Q FY3/08 (Apr. 1, 2007 – Jun. 30, 2007)
	Amount
I Revenues	3,944,326
II Cost of revenues	3,355,609
Gross profit	588,717
III SG&A expenses	640,554
Operating loss	(51,837)
IV Non-operating income	4,243
V Non-operating expenses	55,046
Ordinary loss	(102,639)
VI Extraordinary gains	-
VII Extraordinary losses	-
Net loss before income taxes	(102,639)
Income taxes	6,507
Net loss	(109,147)

*\* 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.*