

*February 14, 2011*

**Notice Concerning Reduction of Capital, Capital Reserve and Earned Reserve and Appropriation of Surplus**

Shinoken Group Co., Ltd., at the board of directors meeting held on February 14, 2011, resolved to submit the following proposal concerning reduction of capital, capital reserve and earned reserve and appropriation of surplus to the 21<sup>st</sup> Annual Meeting of Shareholders scheduled for March 30, 2011.

1. Purpose of reduction of capital, capital reserve and earned reserve and appropriation of surplus

(1) Business recovery and improvement of financial base

Shinoken Group, affected by the financial crisis and worsening of the real estate market, posted hefty losses in the year ended March 2009. However, based on the “Management Improvement Plan”, which was resolved at Shinoken’s board of directors meeting on May 4, 2009, Shinoken concentrated its management resources mainly on its core real estate sales business, real estate rental management, finance business and LP gas sales business. In addition, for the year ended December 2009, Shinoken eliminated the notes concerning going-concern assumption by securing stable business funds, establishing a low cost structure, establishing order and purchase system and reinforcing management. As a result, consolidated operating income, consolidated ordinary income and consolidated net income turned profitable for the year ended December 2010.

Shinoken is strengthening its business structure to raise profitability while placing return of earnings to shareholders as an important management issue to work toward increasing the revenues of its core businesses. For the year ending December 2011 onward, Shinoken plans to remain in surplus by further reducing costs through stronger collaboration within the Shinoken Group, enhancing added value and strengthening the company’s products. Now that Shinoken Group’s business is heading for recovery, Shinoken decided to clear its losses carried forward from prior years and also reduce capital, capital reserve and earned reserve and appropriate surplus in order to improve flexibility and mobility of future capital policies.

Specifically, Shinoken will reduce capital pursuant to Article 447, Paragraph 1 of the Company Law and reduce capital reserve and earned reserve pursuant to Article 448, Paragraph 1 of the Company Law. The reduced capital and capital reserve will be transferred to “other capital surplus” and earned reserve will be transferred to “other retained earnings.” Moreover, Shinoken will appropriate part of the transferred “other capital surplus” and the entire amount of “other reserves” pursuant to Article 452 of the Company Law to offset loss in retained earnings brought forward.

This procedure will not only improve Shinoken’s financial structure but also improve its financial base.

(2) Assumed effects following the improvement of financial base

Shinoken will improve its financial base in order to further improve flexibility and mobility of capital policies. This will encourage the participation of shareholders in the stock market, ensure stock liquidity and will also stabilize management. Shinoken believes that these effects will contribute to the improvement of corporate value.

## 2. Summary of reduction of capital, capital reserve and earned reserve

The reduction of capital, capital reserve and earned reserve are subject to approval by the shareholders at the 21<sup>st</sup> Annual Shareholders Meeting scheduled for March 30, 2011.

### (1) Summary of reduction of capital (capital to be reduced)

Current capital of 2,222,159,792 yen will be reduced by 1,222,159,792 yen to 1,000,000,000 yen and the reduced capital will be transferred to “other capital surplus.”

### (2) Summary of reduction of capital reserve (capital reserve to be reduced)

Current capital reserve of 2,154,564,630 yen will be reduced to 0 yen and the reduced capital reserve will be transferred to “other capital surplus.”

### (3) Summary of reduction of earned reserve (earned reserve to be reduced)

Current earned reserve of 550,000 yen will be reduced to 0 yen and the reduced earned reserve will be transferred to “other retained earnings.”

## 3. Method of reduction of capital, capital reserve and earned reserve

Only the amount of capital, capital reserve and earned reserve will be reduced and in accordance with this, the amounts in the “net assets section” on the balance sheet will be transferred. Therefore, there will be no change in Shinoken’s net assets.

Moreover, the number of shares issued remains unchanged by the reduction of capital, capital reserve and earned reserve. Therefore, there will be no change in total net assets per share.

## 4. Summary of appropriation of surplus

After section 2 above becomes effective, Shinoken plans to eliminate the entire amount of loss carried forward as of December 31, 2010 by appropriating the surplus as follows. Following the elimination of the entire amount of loss carried forward, “other capital surplus” is expected to be 497,494,099 yen.

### (1) Surpluses to be reduced and the amounts

Other capital surplus	2,879,230,323 yen
Other reserves	600,000,000 yen

### (2) Surplus to be increased and its amount

Retained earnings brought forward	3,479,230,323 yen
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## 5. Timetable (scheduled)

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| (1) Resolution at the board of directors meeting | February 14, 2011 (Monday)  |
| (2) Public notice for objections of creditors    | February 15, 2011 (Tuesday) |
| (3) Final date of objections of creditors        | March 15, 2011 (Tuesday)    |
| (4) Resolution at the shareholders’ meeting      | March 30, 2011 (Wednesday)  |
| (5) Effective date                               | March 31, 2011 (Thursday)   |

## 6. Outlook

Due to the above matter, Shinoken’s losses carried forward will be cleared. Moreover, reduction of capital, capital reserve and earned reserve and appropriation of surplus are processes regarding the transfer of amounts in the “net assets section” on the balance sheet and there will be no change in Shinoken’s net assets. Therefore, the reduction of capital, capital reserve and earned reserve and appropriation of surplus will have no effect on the company’s operating results.

The above matter is subject to approval for the reduction of capital, capital reserve and earned reserve and appropriation of surplus at the 21<sup>st</sup> Annual Meeting of Shareholders scheduled for March 30, 2011.