

Qualitative Information for the Second Quarter Ended June 30, 2015

August 7, 2015

Company Shinoken Group Co., Ltd. Listed on the TSE
Stock Code 8909 URL: <http://www.shinoken.co.jp>
Representative Hideaki Shinohara, President and CEO
Contact Junichi Tsurukawa, Managing Director TEL: +81-92-714-0040
Expected date of filing of quarterly report: August 11, 2015
Preparation of quarterly supplementary financial document: None
Quarterly results briefing: None

1. Qualitative Information Regarding the Settlement of Accounts for the Second Quarter

(1) Explanation on Business Performance

For the second quarter of the fiscal year ending December 2015, the Japan's economy generally performed well since the higher stock prices and the yen depreciation continued due mainly to the government's economic policy and the Bank of Japan's monetary policy, and improving corporate results also contributed to the performance. However, due to stagnation of growth and political uncertainties in emerging countries, prospects for the Japanese economy remain uncertainties.

In the real estate industry as well, the market direction was one of recovery, driven by heightened investment and a comeback in construction demand in the rental housing sector, but there are concerns about soaring personnel and materials expenses.

In this environment the Company's Group as a whole has worked to strengthen the quality of its sales capabilities, technical capabilities and services, as well as improvement in corporate value, by means of linkages between its flow businesses (apartment sales, condominium sales and general contracting) and its stock businesses (real estate leasing and management, financing and guarantees, long-term care and LP gas supply and sales).

As a result of the foregoing, the Group's business results for the second quarter of the consolidated fiscal year ending December 2015, posted sales of ¥28,839 million (up by 42.3% from the same period of the previous fiscal year), operating income of ¥3,900 million (up by 39.6%), ordinary income of ¥3,868 million (up by 48.0%) and net income of ¥2,627 million (up by 59.1%).

In the Group's sales the normal business configuration shows a strong tendency for dealings with customers to be concentrated in the spring, and for seasonal variations by quarter.

The performance within each segment is as follows.

① Sales of apartment business

The Sales of apartment business has made proposals for apartment management mainly to salaried worker and civil servants. The Group worked for planned transfers of apartments and to secure land for new apartments.

Segment sales were ¥12,218 million (up by 156.2% from the same period of the previous fiscal year), with profit of ¥1,550 million (up by 245.5%).

② Sales of condominium business

Strong trends were seen in sales of properties obtained in the previous consolidated fiscal year.

Segment sales were ¥8,020 million (down by 2.6%), with profit of ¥1,935 million (down by 6.3%).

③ General contractor business

The General contractor business has made good progress in construction subcontracting on orders from corporations, individuals and government agencies.

Segment sales were ¥4,571 million (up by 16.6%), with profit of ¥530 million (up by 68.7%).

The figures to compare are results of five months from February through June 2014 in the previous consolidated fiscal year.

④ Property management business

With a view to maintaining and improving managed property occupancy rates, the Group worked to promote occupancy by advertising and reinforcement of leasing capabilities.

Starting in 1Q, Amenity Service Co., Ltd. and Mansion Life Co., Ltd, both engaged in the condominium management business are included in the scope of consolidation.

Segment sales were ¥3,137 million (up by 19.7%), with profit of ¥290 million (up by 3.2%).

⑤ Finance and guarantee business

With a view to augmenting guarantee plans to increase the number of home lease arrears guarantees and to increase the number of new customers, the Group worked to improve the collection rate and acquire new customers of small amounts and short term insurance.

Segment sales were ¥295 million (up by 31.2%), with profit of ¥122 million (up by 37.3%).

⑥ Long-term care business

Owns and operates three buildings which provide nursing care and two facilities which provide day service. The Group is striving to maintain and improve the occupancy rate of these three buildings and enrich the long-term care service.

Segment sales were ¥163 million (up by 83.7%), with profit of ¥55 million (operating loss for the segment of ¥32 million in the same period of the previous fiscal year) was posted.

⑦ Other businesses

At the end of the second quarter of the current consolidated fiscal year, the number of households being supplied with LP gas was 14,163, and profit trended well.

Segment sales were ¥431 million (up by 10.3%), with profit of ¥90 million (up by 43.7%).

(2) Qualitative Information on Consolidated Financial Position

Cash and equivalents (hereinafter "cash") increased by ¥2,437 million from the end of the previous fiscal year to ¥8,464 million. Following are the factors that affected cash flows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥3,594 million (¥1,714 million was provided in the previous fiscal year). The principal sources of cash were pretax quarterly net profit of ¥3,971 million, a ¥631 million increase in accounts receivable. The principal use of cash was a ¥1,076 million yen of income taxes paid and a ¥819 million decrease in accounts payable.

(Cash flows from investing activities)

Net cash used by investing activities was ¥1,178 million (¥910 million was used in the previous fiscal year). The principal source of cash was gain on sales of stocks of subsidiaries and affiliates of ¥920 million. The principal uses of cash were ¥1,070 million for payments of loans receivable from subsidiaries and affiliates and ¥806 million for purchase of stocks of subsidiaries and affiliates.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥12 million (¥3,604 million was provided in the previous fiscal year). The principal source of cash was income of ¥4,204 million from long term borrowings. The principal uses of cash were expenditures of ¥4,127 million for repayment of long term borrowings.

(3) Explanation regarding information on consolidated business forecasts etc.

*Forecasts regarding future performance in this material are based on information available at the time this report was prepared. Actual results may differ from the forecasts due to various factors.

2. Summary information (notes)

(1) Important Change of Scope of Consolidation During the Period

None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements

None

(3) Changes in accounting policies, accounting estimates and restatement

None

Disclaimer: This document was originally prepared and published by the Company in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English translation is for your convenience only. To the extent there is any discrepancy between this English translation and original Japanese version, please refer to the Japanese version.