



Fiscal 2009 Earnings Presentation & New Medium-Term Management Plan

February 10, 2010

 **Shoei Co., Ltd.**

(Stock Code: 3003)

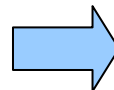
1. Financial Highlights of Fiscal 2009
2. Launch of Full-Scale Financial Restructuring in Fiscal 2009
3. Analysis of Fiscal 2009 Earnings
4. Medium-Term Plan 2012

Forecasts of business results and other projections in this presentation are based on information available to management at the present time and are subject to inherent risks and uncertainties. Consequently, these statements should not be construed as an assurance or guarantee of the Shoei Group's actual future performance or business activities, which are subject to changes in various factors. Please be aware that actual results may differ materially from these forecasts.

1. Fiscal 2009 Financial Highlights

(1) Financial Highlights

- **Large deficit of more than 7.0 billion yen**
 - Primary cause was impairment of Chiyoda Ward Yonbancho
 - Ordinary income was according to plan
- **Large year-on-year decline in revenue and income because of asset replacement**
 - No sale of real estate for sale in fiscal 2009 compared with fiscal 2008, when there was. **Effect: Decline of 10.0 billion yen net sales and decline of 4.1 billion yen for both operating income and ordinary income.**



- **Temporary deficit was designed to avoid future risks.**
- **Revenue level lowered as a result of no sale of real estate for sale.**

(¥ million)

	Fiscal 2008 (A)	Fiscal 2009 Forecast (B)	Fiscal 2009 (C)	Change in results (C) - (A)	Difference vs. Forecast (C) - (B)
Net sales	26,504	15,500	15,610	-10,894	110
Operating income	10,598	4,900	5,002	-5,596	102
Ordinary income	7,169	2,400	2,293	-4,876	-107
Extraordinary income and losses	-4,157	-	-14,597	-10,440	-14,597
Net income	1,938	1,700	-7,072	-9,010	-8,772

(August 6 forecast)

1. Fiscal 2009 Financial Highlights

(2) Earnings by Segment

Real Estate

**Big impact from impairment from Chiyoda Ward Yonbancho;
Large decline in revenues due to decrease in asset replacement**

Marketable Securities

**No longer affected by the large impairments following the Lehman crisis;
Decrease in dividends partially offset by investment gains**

Business Investment (Environment Business)

**Business is stable with a slight year-on-year increase;
Impairment occurred in operation of surplus that existed prior to business purchase**

(¥ million)

		Real Estate	Marketable Securities	Business Investment	Total including head office expenses
Operating income	FY 2008	9,452	1,828	323	10,598
	FY 2009	4,430	1,126	373	5,002
Ordinary income	FY 2008	5,561	2,473	347	7,169
	FY 2009	634	2,148	391	2,293
Extraordinary income and losses	FY 2008	37	-4,499	90	-4,157
	FY 2009	-13,762	-1,058	-201	-14,597
Pre-tax segment profit (Year-on-year change)	FY 2008	5,598	-2,025	438	3,012
	FY 2009	-13,127	1,090	190	-12,303

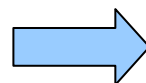
(3) Decision to Sell Chiyoda Ward Yonbancho

◆ Chiyoda Ward Yonbancho Redevelopment Project

- Location: 5 Yonbancho, Chiyoda Ward, Tokyo
(former head office building of TOA Corporation)
- Ownership format: TMK (wholly owned, full consolidation)

Conditions upon acquisition

- Acquisition date : Dec 20, 2007
- Seller: TOA Corporation
- Purchase price: ¥37.7 billion
- Content of assets:
 - Land 2,628.25 m²
 - Building 14,916.05 m²
- Acquired for purpose of joint development with adjoining land



Conditions upon sale

- Contract date: Dec 16, 2009
- Transferee: Nippon Television Network Corporation
- Book value: ¥37.0 billion
- Transfer price: ¥23.15 billion
 - Recognized at closing of FY 2009
 - Extraordinary loss: ¥14.4 billion
 - Ordinary loss: ¥0.2 billion
- Content of assets: Land 2,628.25 m²
(To be handed over as vacant lot)
- Scheduled handover date: Mar 31, 2010

1. Fiscal 2009 Financial Highlights

(4) Consolidated Balance Sheets

(¥ billion)

		2008/12	2009/12	Change
Assets	Current assets	25.1	23.8	-1.2
	Cash and deposits	14.5	18.2	3.6
	Real estate investment securities	0.7	2.9	2.2
	Real estate for sale	3.1	-	-3.1
	Noncurrent assets	246.7	232.3	-14.3
	Property, plant and equipment	173.1	159.3	-13.8
	Investment securities	49.3	53.1	3.8
	Real estate investment securities	19.7	16.2	-3.4
	Total	271.8	256.2	-15.6
	Liabilities and Net Assets	Current liabilities	37.7	63.5
Short-term loans payable		24.5	55.8	31.2
Current portion of bonds		5.7	1.0	-4.7
Noncurrent liabilities		184.7	151.8	-32.8
Bonds payable		7.2	3.7	-3.5
Long-term loans payable		136.5	104.6	-31.8
Long-term deposits received		24.2	32.7	8.4
Net assets		49.4	40.8	-8.5
Gain on valuation of securities		10.7	10.4	-0.3
Treasury stock		-3.0	-2.9	0.0
Total	271.8	256.2	-15.6	

Factors of increase

- Completion of Toyoko-Inn Hiratsuka & Watami Kita Kamakura
- Transfer from current assets etc.

Factors of decrease

- Impairment from Chiyoda Ward Yonbancho site etc.
- Sale of Shonan Warehouse

Loans + bonds payable: -¥8.8 billion

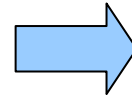
Conversion of loans and bonds payable to short-term: +¥28.9 billion
incl. Yonbancho TMK balance of ¥24.5 billion
(Repayment scheduled Mar 2010)

**Decrease due to posting loss:
-¥7.0 billion**

2. Launch of Full-Scale Financial Restructuring in Fiscal 2009

(1) Reason for Sale of Chiyoda Ward Yonbancho and Appropriateness of Valuation

Judgment was made that recovery in real estate market would take considerable time



- Limit the risks for the future
- Strengthen profitability and financial standing

◆ Reason for sale

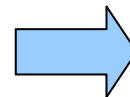
- Combined development with adjoining land would take a long time compared with Shoei's development schedule.
- Expected return from stand-alone development was far lower than initially expected.
- Shoei decided it would be in its better interest to sell and reduce financial expenses.
- Zero tax can not be achieved just by impairment.

◆ Appropriateness of valuation

Appraisal value
¥23,440 million



Transfer price
¥23,150 million



Shoei believes the valuation is appropriate because the recently obtained appraisal value is roughly the same level as the transfer price.

- Time of appraisal: November 2009
- Appraiser: Yoshimura Planning & Appraisal Co., Ltd.

2. Launch of Full-Scale Financial Restructuring in Fiscal 2009

(2) Constraint on Development Projects

◆ Aggressive investment during previous medium-term management plan (Including 2005-07, and 2008 on expense basis)

	(¥ billion)				
	2005	2006	2007	2008	2009
Development projects	0.0	4.4	26.2	42.0	3.1
Working properties	55.8	23.1	23.9	7.3	0.0
Total	55.8	27.5	50.1	49.3	3.1

- Sharp increase in development burden:
Combined investment for 2005-08:
¥72.6 billion

◆ Sudden change to external environment

2008 onwards

- Sharp economic deterioration
- More serious asset deflation

- Concerns about rent income
- Increased risk of impairment

Real estate market is expected to remain harsh in near future

◆ Sharp increase in financial risks

- Sharp increase in debt: increase of ¥104.4 billion between 2005-08
- Lengthening of average debt repayment period

	(¥ billion)				
	2005	2006	2007	2008	2009
Loans	70.1	112.9	137.1	174.5	165.7
Net interest-bearing liabilities	54.7	102.5	123.9	160.0	147.5
Average debt repayment period (years)	6.9	9.5	10.1	15.3	24.5

Financial restructuring

- Constraint on development projects
- Stop on new investment

Decision to sell Chiyoda Ward Yonbancho

2. Launch of Full-Scale Financial Restructuring in Fiscal 2009

(3) Low Risk Exposure

◆ Owned real estate

Secured unrealized gains of about ¥5.6 billion. Zero properties are subject to impairment.

Unrealized gains from owned real estate as of Dec. 31, 2009

(excluding development projects)

(¥ billion)

	No. of properties	Book value	Fair value	Unrealized gains
Appraisal value (note 1)	25	98.8	104.4	5.6
Simple appraisal (note 2)	25	26.5	26.5	0.0
Total	50	125.3	130.9	5.6

(Note 1)

Properties valued at ¥3.0 billion or more on Dec 31, 2008 as well as primary properties underwent appraisal in second half of 2009. Covers 79% of total book value and 80% of total fair value.

(Note 2)

Properties not included above underwent simple appraisal in Dec 2009.

◆ Owned marketable securities

Slump in real estate market is expected to last for considerable time and unrealized gains shall be retained for later.

Dec 31, 2009 unrealized gains and hedging ratios

(¥ billion)

	Book value balance	Fair value balance	Unrealized loss/gain	Hedging ratio
A+C	9.1	8.4	-0.6	13.4%
B+D	23.4	41.7	18.3	85.2%
Total	32.5	50.2	17.6	73.1%

Portfolio Category

	Available for sale	Not available for sale
Options	A	B
No options	C	D

If impairment of real estate occurs in future

Unrealized gains of marketable securities shall be appropriated

2. Launch of Full-Scale Financial Restructuring in Fiscal 2009

(4) Market Valuation

◆ Comment by JCR (excerpt from Dec 16, 2009 release)

BBB+/Stable (unchanged)

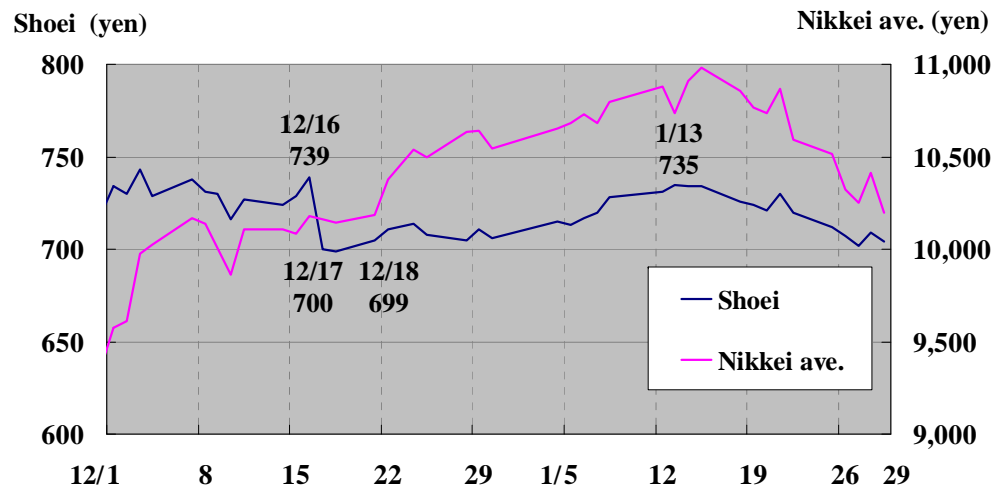
As Shoei will post a net loss for fiscal 2009 (ending Dec 31, 2009) its equity capital will be damaged and its financial structure will be deteriorated.

On the other hand, this result will lead to a reduction in interest-bearing debts and less future development risks.

JCR believes that this net loss will be temporary and that the deterioration of Shoei's financial structure will not continue.

(Source: JCR; translation by Shoei of Japanese)

◆ Stock Price Trends



Shoei's share price dropped after the announcement of the earnings forecast revision, but since the beginning of 2010, it has almost recovered to the pre-announcement level.

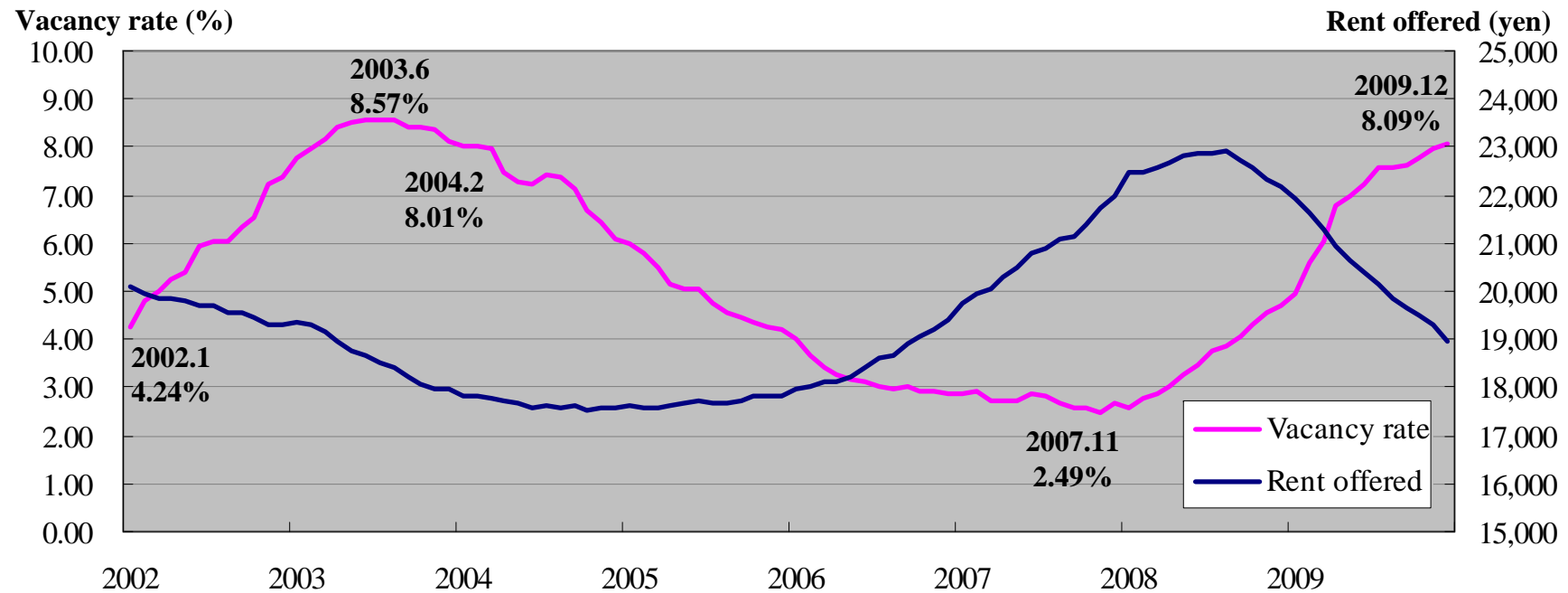
3. Analysis of Fiscal 2009 Earnings

(1) Real Estate Business Environment

◆ Sentiment of economic stagnation is strengthening

- Leasing market: Average vacancy rates exceeded 8% for first time in 5 years, 10 months and the market rate for rents continued to follow a trend of decline.
- Investment market: Although there were signs at the end of the year of J-REITs recommencing property acquisitions, the market continued to be weak.

◆ Vacancy rates and average rents for office buildings in 5 wards of central Tokyo

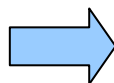


(Source: Miki Shoji Co., Ltd.)

3. Analysis of Fiscal 2009 Earnings

(2) Overview of Real Estate Business

Lower revenue
and earnings



The absence of sales of real estate for sale caused significantly lower revenue and earnings

In the leasing business, a primary cause of the decline was the whittling-down of dividends income due to fund's sale of properties in previous year

Consolidated Results

(¥ million)

		Fiscal 2008	Fiscal 2009	YoY Change
Net Sales	Leasing	12,129	11,707	-422
	Condominium sales	17	-	-17
	Fund redemption/ asset replacement	10,000	-	-10,000
	Total	22,146	11,707	-10,439
Operating Income	Leasing	5,294	4,430	-864
	Condominium sales	16	-	-16
	Fund redemption/ asset replacement	4,141	-	-4,141
	Total	9,452	4,430	-5,022

Causes of the lower revenue and earnings in leasing business

- Rent declined due to sale of real estate for sale
- Decline in rent income caused by a decline in dividends income from funds

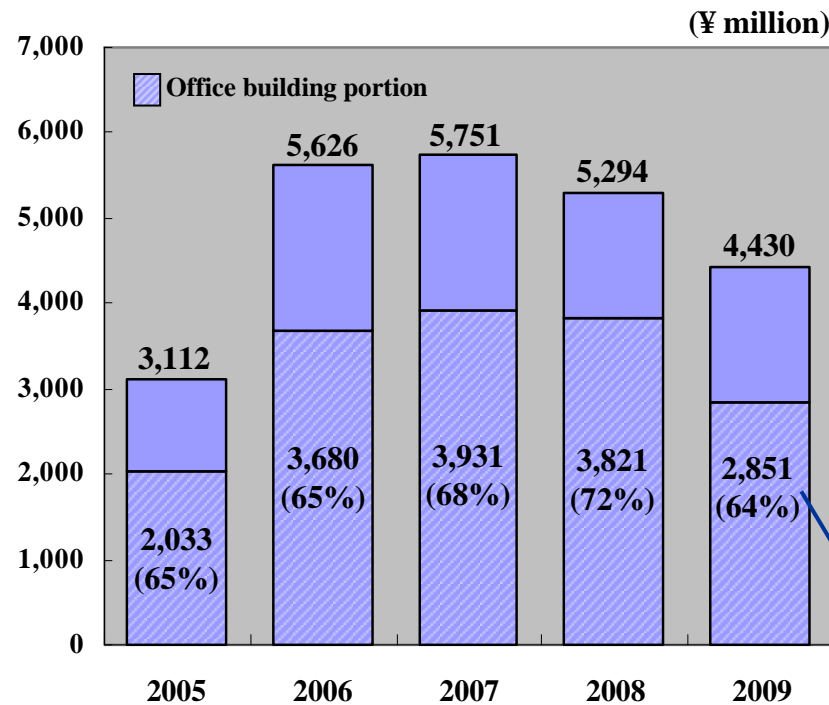
Out of the year-on-year decline of ¥864 million, ¥761 million was a decline in fund dividends (Decline was dividend portion from properties sold in previous year)

3. Analysis of Fiscal 2009 Earnings

(3) Change in Leasing Operating Income

The portion of the earnings decrease from the previous year's sale of properties was covered by the full-year operation of acquired property to secure stable revenue. Made strong efforts to secure rent income in difficult environment of rising vacancy rates and falling rent prices.

◆ Change in leasing operating income



◆ Shoei-owned office buildings in Tokyo

	08/12	09/6	09/12
Shoei	3.48	2.42	2.43
Market (current)	4.42	6.72	7.78

	08/12	09/6	09/12
Shoei	20,777	20,649	20,078
Market (current)	21,927	20,188	18,817

(Market data source: Miki Shoji Co., Ltd., 5 wards of central Tokyo data)

Of all 24 office buildings, 20 buildings are in Tokyo

3. Analysis of Fiscal 2009 Earnings

(4) Status of Development Projects

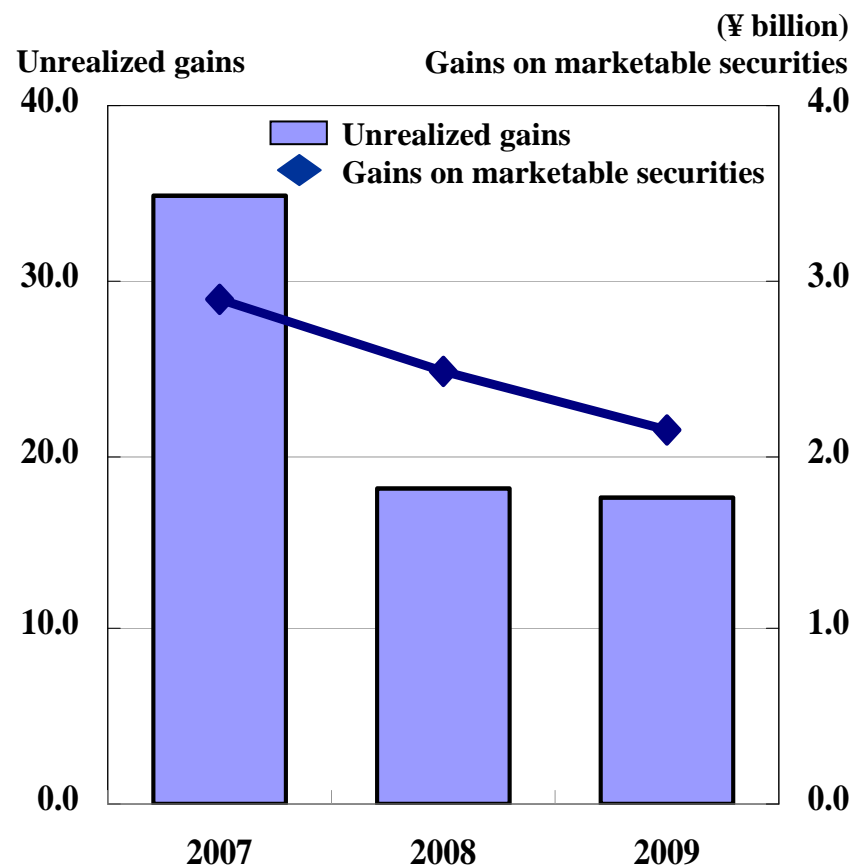
- Working to quickly put into operation the projects that can be put into operation
- Carefully examining those projects that take time before operation can start

Project name	Ownership	Book value (Dec 31, 2009)	Function	Scheduled completion	Project outline
Nishi Arai Station West-side Area A Development Project	Shoei sole owner	¥7.5 billion (land)	Commercial building	April 2010 (Opens)	<ul style="list-style-type: none"> ▪ Commercial facilities 1-min walk from Nishi-Arai Station West Exit. ▪ Four above-ground stories, one basement story. Planned to hold about 70 stores. It will include competitive and popular tenants (stores catering to individual tastes and stores for kids)
Toranomon 1-chome Project	Co-ownership	¥1.5 billion (land)	Office building	August 2010	<ul style="list-style-type: none"> ▪ Development project at site of former Fuji Bank Toranomon branch. One-min walk from Toranomon Station (close to Toranomon crossing). Office building is high spec and high grade with environmental functions and earthquake resistance. ▪ Joint venture with close-knit group of real estate companies led by HULIC Co., Ltd.
Nakano 4-chome Project (TMK: Nakano Ekimae Development)	Co-ownership	¥6.2 billion (Real estate investment securities)	Office building	During 2012	<ul style="list-style-type: none"> ▪ Redevelopment project at site of former National Police Academy at North Exit of Nakano Station. The planned development will mainly be office buildings. ▪ TMK led by Tokyo Tatemono Co., Ltd. won bid for sale of state land in 2007.
Surugadai Project (TMK: Surugadai Development)	Co-ownership	¥5.5 billion (Real estate investment securities)	Office building	During 2012	<ul style="list-style-type: none"> ▪ Development in front of JR Ochanomizu Station (at site of former head office of Hitachi, Ltd.). Area is close to the Awajicho Redevelopment Area and is expected to become an office building cluster area. ▪ Project led by HULIC Co., Ltd. and Taisei Corporation.

3. Analysis of Fiscal 2009 Earnings

(5) Overview of Marketable Securities Investment Business

◆ Unrealized Gains and Gains on Marketable Securities



(¥ million)

	2007/12	2008/12	2009/12
Fair value (incl. non-listed shares)	83,579	48,649	52,513
Unrealized gains	34,908	18,174	17,668
Dividends + gains on marketable securities	2,895	2,473	2,148
(excl. dividends)	1,417	645	1,022
Return on fair value	2.87%	3.38%	4.45%
Hedging ratio	47.1%	52.1%	73.1%

Note: Return on fair value is calculated by the average balance during the year.

(yen)

	2007/12	2008/12	2009/12
Nikkei average	15,308	8,860	10,546
Canon share price	5,200	2,770	3,910

3. Analysis of Fiscal 2009 Earnings

(6) Results in Marketable Securities Investment Business

◆ Implementation

<ul style="list-style-type: none"> •A+C Sold those shares for which impairment was recognized in previous year Sold shares while price was rising •B+D Lifted hedging ratio on concern of “double-dip” risk ⇒ Unrealized gains were slightly decreased 	<p>Reduced unrealized loss and secured gain on sales</p>
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◆ Portfolio Categories

	Available for sale	Not available for sale
Options	A	B
No options	C	D

◆ Unrealized Gains and Hedging Ratios

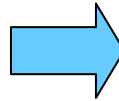
(¥ million)

		Dec 31, 2007	Dec 31, 2008	Dec 31, 2009
A+C	Unrealized gains	-3,169	-1,473	-664
	Hedging ratio	0.0%	14.7%	13.4%
B+D	Unrealized gains	38,077	19,647	18,332
	Hedging ratio	66.8%	69.1%	85.2%
Total	Unrealized gains	34,908	18,174	17,667
	Hedging ratio	47.1%	52.1%	73.1%

3. Analysis of Fiscal 2009 Earnings

(7) Overview of Environmental Business

Lower revenues
and higher earnings



Due to slump in steel and aluminum market, sales amount of collected valuable substances fell and revenues were lower, but earnings rose thanks to efforts to make the business more efficient

■ Results

(¥ million)

	07/10-08/9	08/10-09/9	YoY Change
Net sales	2,508	2,447	-61
Operating income	323	373	50

Reasons for higher earnings

- Business efficiency efforts and marketing efforts
- Penetration of price revisions in the waste collection and transportation business
- Fall in fuel costs due to the drop in light oil prices

**Reform of management structure for the new medium-term plan
Aiming for greater business efficiency and low-cost management**

◆ **Replacement of CEO**

A move towards the new structure with changeover occurring Mar 25

◆ **Reduction of Business Expenses**

Implementation of cost-cutting campaign

◆ **Slimmer Board of Directors**

The number of Directors will be reduced

	Directors (number who are Outside Directors)
Current	9 people (5 people)
New system	5 people (3 people)

◆ **Stock Options**

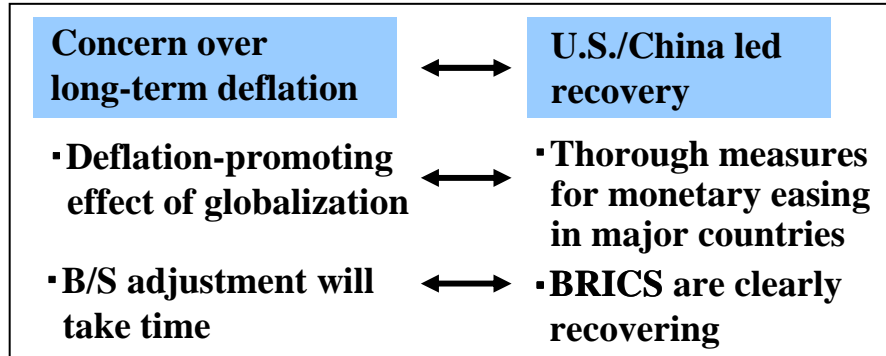
Incentive-based stock options for fiscal 2010 will not be implemented

4. Medium-Term Plan 2012

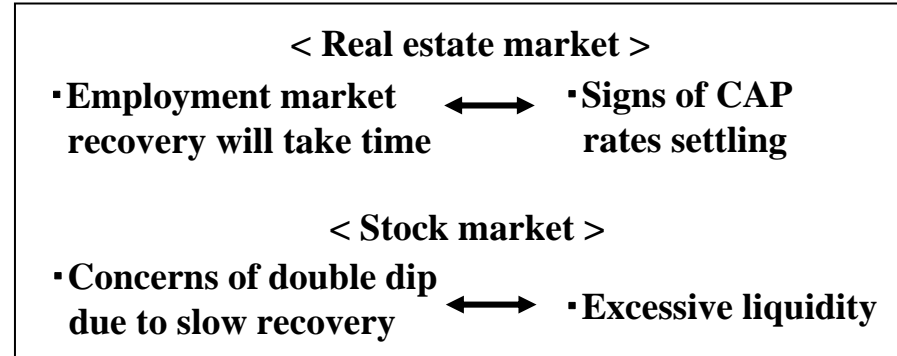
(1) Current Position of Shoei and Future Challenges

◆ Economic Environment

Overall Economy



Shoei's Markets



◆ Current Position of Shoei

Strengths

▪ Properties owned long-term are strongly competitive

Vacancy rates of existing office buildings in Tokyo

	2008 Ave.	2009 Ave.
Shoei	0.41%	2.46%
Market	3.43%	6.61%

(Source of market data: Miki Shoji Co., Ltd.; ave. value for existing buildings)

▪ Low-book-value marketable securities are providing significant unrealized gains

Marketable security unrealized gains (as of Dec 31, 2009): ¥17.6 billion

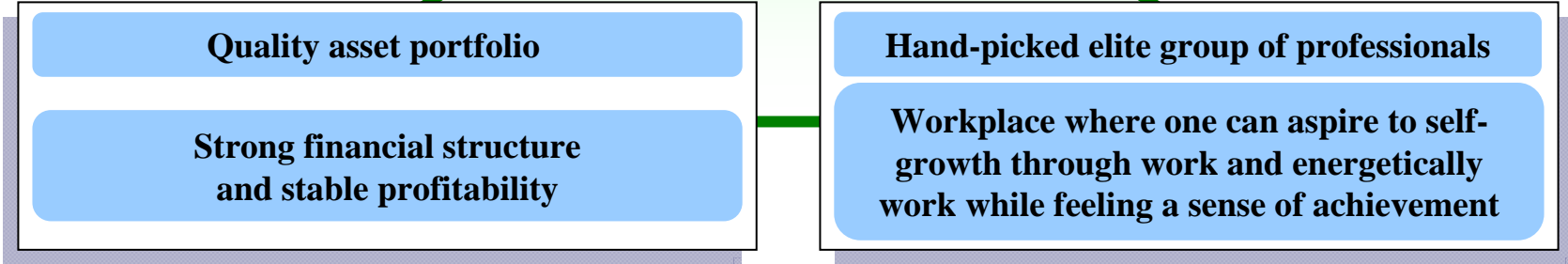
Weaknesses

Shoei accelerated real estate investment during period of economic recovery, but real estate market deteriorated beyond expectations

- Net interest-bearing debt increased
- Some of the newly acquired projects have expected yields that have fallen below initial projections

Corporate Vision

- Shoei shall contribute to the development of society by providing its customers with secure and comfortable offices and living environments.
- Shoei shall deepen its relationship of trust with the shareholders and other stakeholders by constantly striving to transform itself and by acting with sincerity and earnestness.



[Action Policy]

1. Fully understand the link between customer satisfaction and Shoei's prosperity and in all activities consider what should be done for the sake of customer satisfaction.
2. Act with sincerity and earnestness in dealings with the various stakeholders who support us.
3. Abide by the rules such as laws and regulations, and internal regulations, and carry out actions based on morality and ethics.
4. Learn the advanced skills and the operational abilities required as a professional.

**Strengthening a foundation
for future sustainable growth**

1) Strengthening profitability

- Strive to improve vacancy rates and rent by strengthening the Shoei's leasing power.
- Over the next three year period, aim for **operating income of ¥5.0 billion or more each year.**

2) Further strengthening the financial base

- Aim to reduce outstanding debt so that the **average debt repayment period* is within 20 years.**

*The average debt repayment period is (interest-bearing debt minus cash and deposits)

divided by (ordinary income plus depreciation and amortization)

3) Improving the quality of owned real estate

- Implement renewal works of various facilities including measures to address environmental issues.
- Consider replacing owned real estate with better quality real estate when opportunities arise.

4) Raising the capability of personnel

- Introduce personnel evaluation systems that encourage education and training and support the improvement of employee knowledge in order to form a hand-picked elite professional group.

◆ Management Policy for 2010

- Not expecting gains from sale of assets, Shoei has set steadfast goals centered on rent income.
- Excluding projects to which Shoei is already committed, Shoei has set a general rule not to make new investments.
- Shoei shall reduce debts as much as possible.

■ Consolidated Results

(¥ million)

	2009 Results	2010 Forecasts	Change
Net sales	15,610	15,000	-610
Operating income	5,002	5,000	-2
Ordinary income	2,293	3,000	707
Net income (loss)	-7,072	1,900	8,972



Shoei's website

<http://www.shoei.co.jp/>

For inquiries concerning this presentation, please contact:

PR/IR Group

Shoei Co., Ltd.

Tel: 03-3292-4626