



Fiscal 2009

Second Quarter Earnings Presentation

August 7, 2009

 **Shoei Co., Ltd.**

(Stock Code: 3003)

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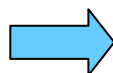
4. Fiscal 2009 Second-Half Plan

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) Key Points of Financial Results

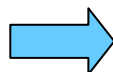
Revenue and earnings were down year on year



No property sales were conducted

The main factor behind lower revenue and earnings was the absence of the portion of the sales of two Yokohama properties in the same period of fiscal 2008 which contributed to ¥10.0 billion in net sales and ¥4.0 billion in operating income

Ordinary and net income were below initial forecast level



Marketable Securities Investment Business performed below the forecast level
The main factors behind this were a recording of an investment fund valuation loss and a partial sale of securities with unrealized losses

■ Consolidated Results

	Fiscal 2008 First Half	Fiscal 2009 First Half	YoY change	Change (%)	(¥ million)		
					Initial forecast	Change vs. Initial Forecast	(%)
Net Sales	18,151	7,950	-10,201	-56.2	7,800	150	101.9
Operating income	7,421	2,529	-4,892	-65.9	2,500	29	101.2
Ordinary income	6,454	1,027	-5,427	-84.1	1,800	-773	57.1
Extraordinary income	172	487	-	-	-	-	-
Extraordinary loss	-2,070	-201	-	-	-	-	-
Net income	2,854	820	-2,034	-71.3	1,000	-180	82.0

1. Fiscal 2009 Financial Highlights

(2) Earnings by Segment

Real Estate

Non-replacement of asset led to significantly lower revenue and earnings

Marketable Securities

Decrease in both dividend income and earnings from marketable securities

Business Investment

Almost flat year on year

◆ Pre-tax segment profit (loss)

(¥ million)

		Real Estate	Marketable Securities	Business Investment	Head Office and Other Expenses	Total
Operating income	Fiscal 2008 First Half	6,650	1,145	160	-535	7,421
	Fiscal 2009 First Half	2,317	525	176	-489	2,529
Other income (loss)	Fiscal 2008 First Half	-1,313	444	34	-132	-967
	Fiscal 2009 First Half	-1,874	351	6	14	-1,501
Ordinary income	Fiscal 2008 First Half	5,337	1,590	194	-667	6,454
	Fiscal 2009 First Half	442	876	182	-474	1,027

1. Fiscal 2009 Financial Highlights

(3) Consolidated Balance Sheets

(¥ billion)

		2008/12	2009/6	Change
Assets	Current assets	25.1	24.9	-0.2
	Cash and deposits	14.5	16.0	1.5
	Real estate Investment securities	0.7	3.6	2.9
	Real estate for sale	3.1	3.1	-0
	Non current assets	246.7	243.9	-2.7
	Property, plant and equipment	173.1	173.1	-0
	Investment securities	49.3	50.5	1.2
	Real estate investment securities	19.7	15.9	-3.8
	Total	271.8	268.9	-2.9
	Liabilities and Net Assets	Current liabilities	37.7	61.2
Short-term loans payable and Current portion of bonds		24.5	51.9	27.3
(Non-recourse loans)		5.7	5.6	-0
Noncurrent Liabilities		184.7	158.2	-26.4
Bonds and long-term loans payable		7.2	3.7	-3.5
Long-term deposits received		136.5	110.4	-26.0
Deferred tax liabilities		24.2	27.5	3.2
Net assets		49.4	49.3	-0
Valuation difference on available-for-sales securities		10.7	10.7	-0
Treasury stock		-3.0	-2.9	-0
Total	271.8	268.9	-29.0	

Because of the investment constraint policy there was no increase in assets and there was no significant change overall

	Stock price recovery (¥)	
	08/12	09/6
Nikkei average:	8,860	→ 9,958
Cannon	2,770	→ 3,160

Current portion of long-term loans payable: + 285

Purchase and redemption of convertible bonds: -35

1. Financial Highlights

(4) Summary of First Half (Six Months Ended June 30, 2009)

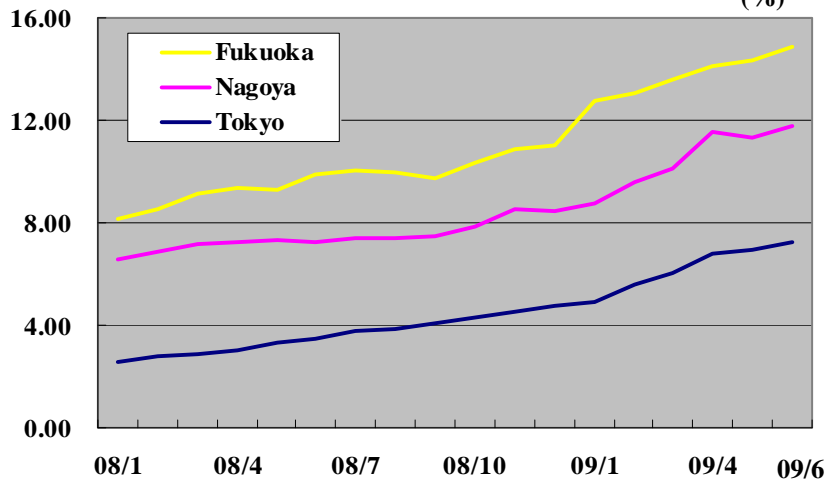
【 Policy 】

Establish a rigorous defensive posture

【Environment】

Leasing market maintained a trend of deterioration

Vacancy rates of office buildings in major cities (%)

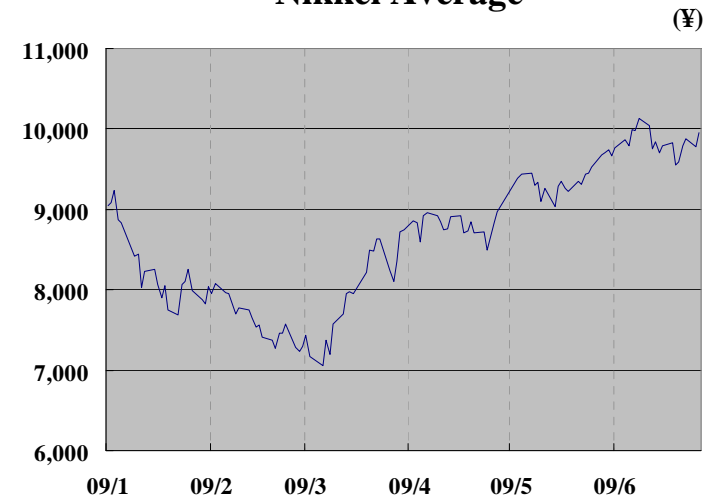


【Result】

Constrained rise in vacancy rates and secured rent revenues

Although the stock market temporarily lifted, a mood of underlying uncertainty continued

Nikkei Average (¥)



Unable to achieve satisfactory results due to the difficult economic environment

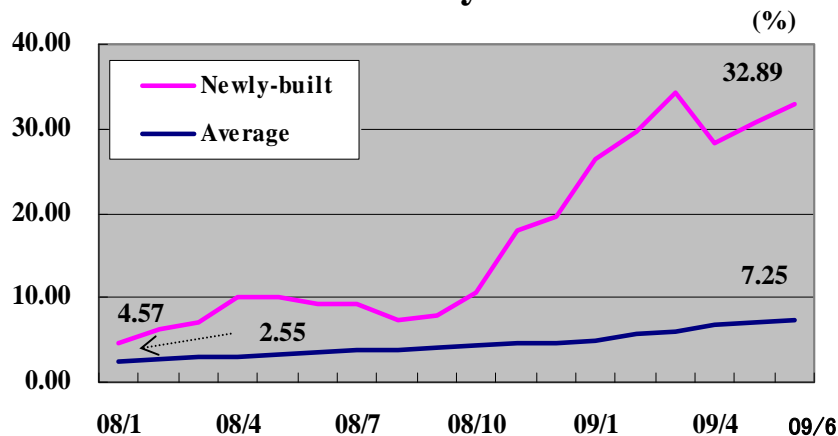
2. Segment Information

(1) Environment Surrounding Real Estate

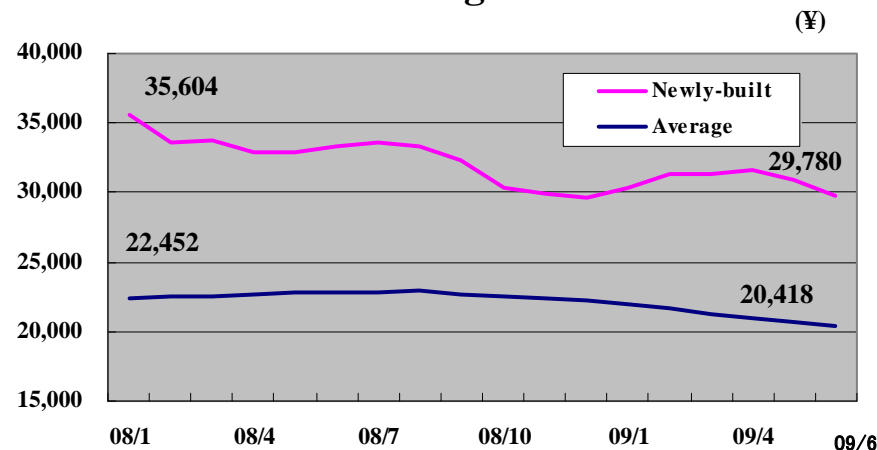
◆ Vacancy rates and average rents for office buildings in central Tokyo

(Source: Miki Shoji Co., Ltd.)

Vacancy rates



Average rents



Worsening business conditions causing contraction of office space and increased moves to buildings with lower rents

The average vacancy rate has continued to rise for 17 consecutive months and exceeded 7% in June 2009. However, the trend of increase is flattening.

The vacancy rates and average rents of newly-built buildings are deteriorating.



With concerns of further deterioration in the employment situation, improvement in the market is expected to take some time.

2. Segment Information

(2) Overview of Real Estate Business

The absence of the portion of the sales of two Yokohama properties in the same period of fiscal 2008 was a major factor behind lower revenue and earnings

■ Consolidated Results

(¥ million)

		Fiscal 2008 First Half	Fiscal 2009 First Half	YoY change
Net Sales	Leasing	5,688	5,857	168
	Condominium sales	17	-	-17
	Fund redemption /asset replacement	10,000	-	-10,000
	Total	15,706	5,857	-9,848
Operating income	Leasing	2,491	2,317	-174
	Condominium sales	17	-	-17
	Fund redemption /asset replacement	4,141	-	-4,141
	Total	6,650	2,317	-4,333

Rent contribution of properties acquired in 2008 and 2009 covered the rent loss from the properties sold

There was no contribution to earnings from the above properties that contributed to increased revenues because of initial costs and depreciation expenses

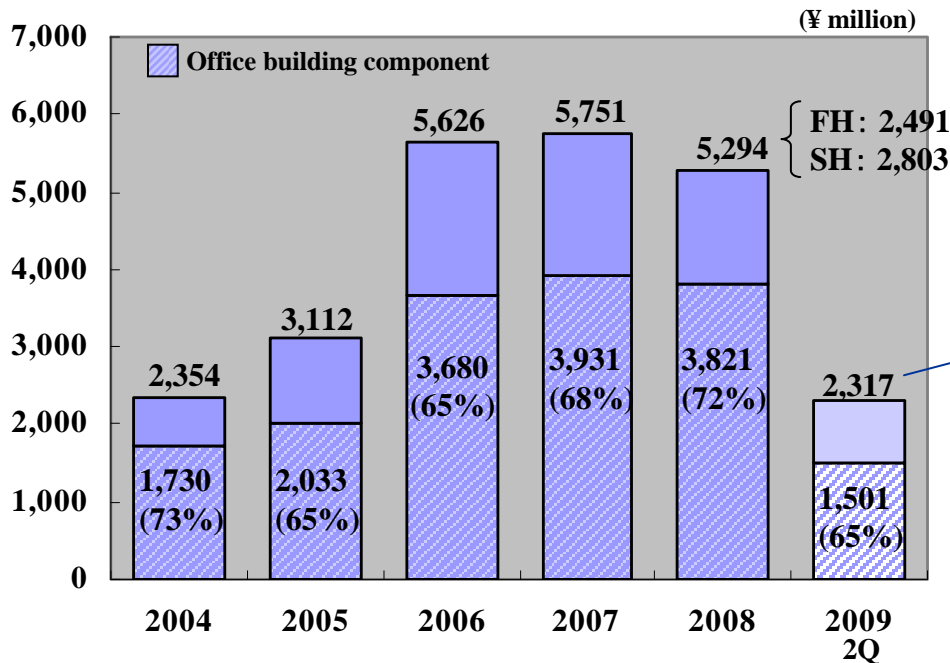
2. Segment Information

(3) Change in Leasing Operating Income

There is some volatility in real estate fund dividends but they are comparatively stable

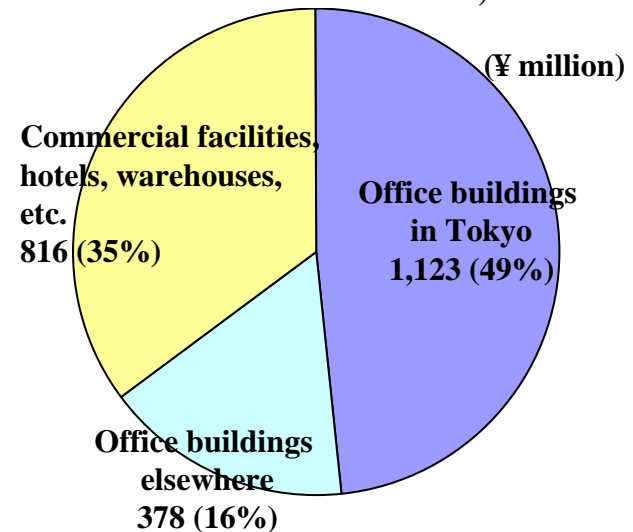
Amidst dropping rent levels, risk was partially absorbed by holding properties with fixed rent systems

◆ Change in leasing operating income



◆ Leasing operating income— portfolio breakdown by use category

The second quarter ended June 30, 2009:
 ¥2,317 million

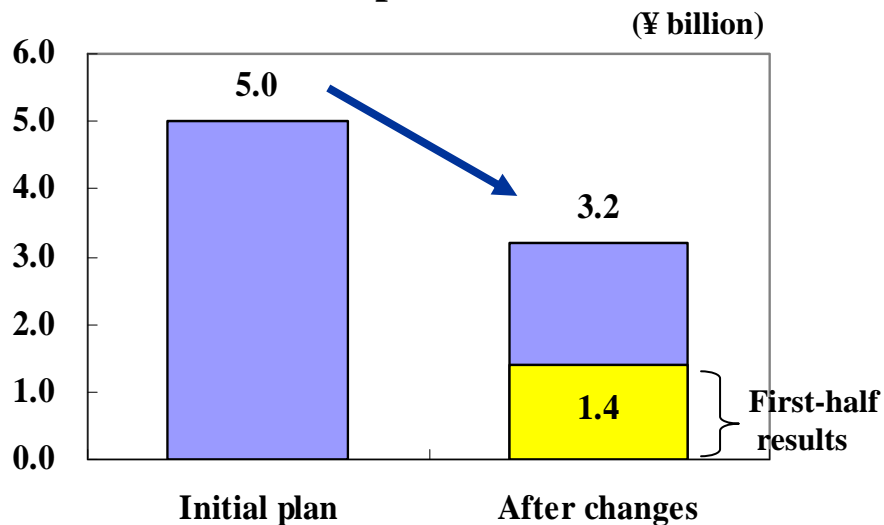


2. Segment Information

(4) Status of Investments

No new investments. Limit on payments accompanying work in progress for projects under development. Reassessment of investment plan based on policy to constrain investments.

◆ 2009 investment plan



There will also be a reassessment of plans for projects in the development plan to find ways to constrain investment amounts.

2009 first-half investment results: ¥1.4 billion

◆ Completed properties

- Restvilla Kita Kamakura (completed in February)
- Toyoko-Inn Hiratsuka Station North Exit 1 (completed in March)

◆ Projects under development

- Development of Nishi Arai Station West-side Area A (to be completed in March 2010)
- Development of Toranomom 1-chome (to be completed in August 2010)

Uncommenced projects (detailed plan under formulation)

- Development of Yonbancho, Chiyoda Ward
- Development of Nakano 4-chome

2. Segment Information

(5) Areas of Key Focus

By strengthening tenant leasing, rises in vacancy rates are being better contained than the overall market.

◆Tokyo office buildings owned by Shoei

Vacancy rates (%)

	08/6	08/12	09/6
Shoei	0.00	3.48	2.42
Market rate	3.49	4.72	7.25

Average rents (¥)

	08/6	08/12	09/6
Shoei	20,566	20,777	20,649
Market rate	22,868	22,186	20,418

(Source of market rate: Miki Shoji Co., Ltd.; data of central Tokyo)

◆Major initiatives

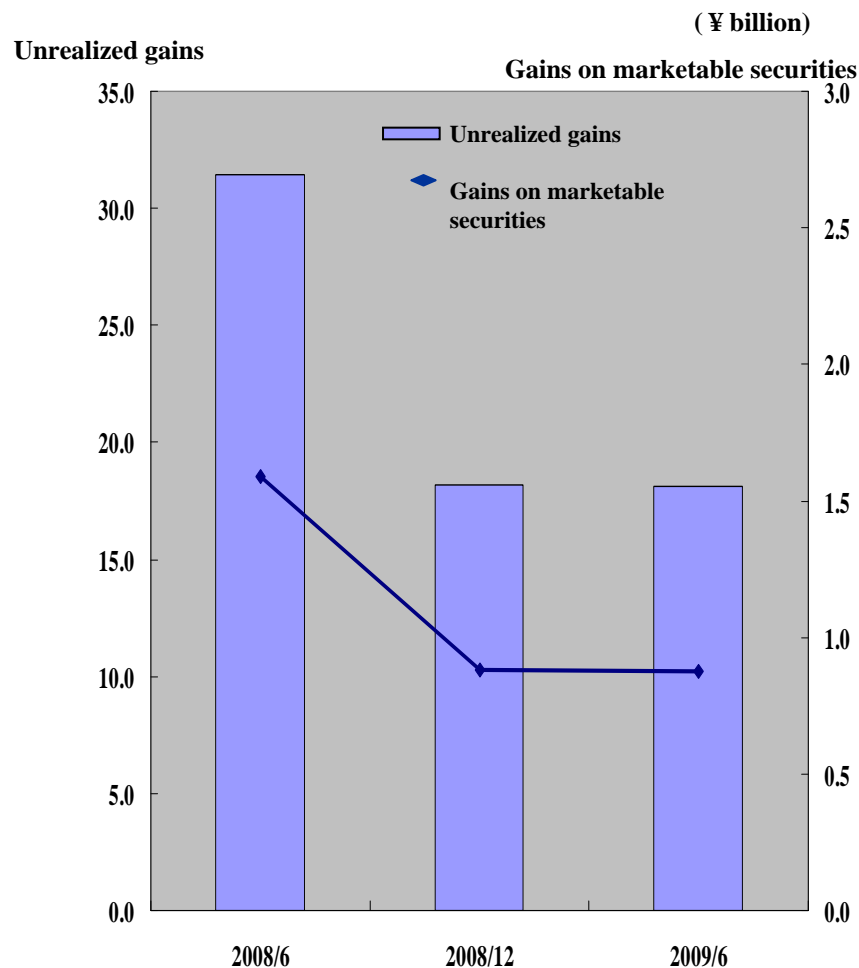
• In response to a rapidly changing market, the staff size of the leasing division was increased. (4 extra employees compared with the end of previous year)
Ties with intermediary companies were strengthened and new inquiries were painstakingly followed up.

• Visits to existing tenants were strengthened and tenant departures were avoided by accurately responding to tenant needs.

2. Segment Information

(6) Overview of Marketable Securities Investment Business

◆ Unrealized gains and gains on marketable securities



(¥ million)

	2008/6	2008/12	2009/6
Fair value (incl. non-listed shares)	82,775	48,649	49,864
Unrealized gains	31,451	18,174	18,115
Dividends + gains on marketable securities	1,590	883	876
Gains on marketable securities	444	201	351
Return on fair value	3.87%	2.70%	3.94%

※Fair value and unrealized gains are values based on the 6-month-end and year-end. Return on fair value is calculated by the average balance over the period.

(¥)

	2008/6	2008/12	2009/6
Nikkei Average	13,481	8,860	9,958
Cannon	5,460	2,770	3,160

2. Segment Information

(7) Trend of Marketable Securities Portfolio

◆ Portfolio strategy

	Available for sale	Not for sale
Option available	A	B
No option	C	D

◆ Execution plan

A + C Sale of securities with impairment processing in previous year Partial sale of securities with unrealized loss	} →	Reduce balance Reduce unrealized loss
B + D Raise hedging ratio when share price drops		Slightly reduce unrealized gains

◆ Portfolio balance and unrealized gains (listed stock only)

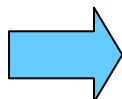
(¥ million)

		As of June 30, 2008	As of December 31, 2008	As of June 30, 2009
A+C	Fair value	24,035	16,924	12,074
	Unrealized gains	-4,899	-1,648	-711
B+D	Fair value	56,665	29,651	35,493
	Unrealized gains	36,350	19,822	18,825
Total	Fair value	80,700	46,574	47,567
	Unrealized gains	31,451	18,174	18,115

2. Segment Information

(8) Overview of Environmental Business

**Revenues down,
earnings up**



Because of drops in markets for steel, aluminum and others, sales amounts of collected valuable substances were down resulting in decreased revenues, but earnings increased on account of business efficiency improvements.

■ Results

(¥ million)

	07/10-08/3	08/10-09/3	YoY change
Net sales	1,287	1,251	-35
Operating income	160	176	16

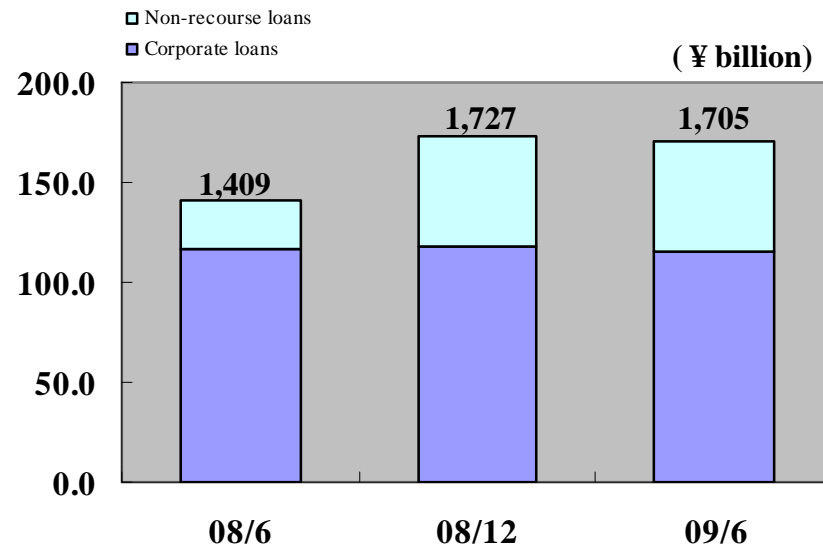
Factors behind increased earnings

- Business efficiency improvements and strong sales efforts
- Penetration of price revisions in waste collection and transportation business
- Reduced fuel costs due to drop in light oil prices

3. Infrastructure Enhancement and Funding Procurement

(1) Fund Procurement and Collateral Use

- ◆ Basic approach to raising funds is to pledge properties as collateral for loans
→ Repay loans with cash flow from properties
- ◆ Large share of Shoei's funding procured with collateral of CB and shares
- ◆ Shoei has ample reserve collateral



◆ Financial benchmarks

	Benchmark	08/12	09/6
Equity ratio	20.0%	18.1%	18.3%
D-E ratio	-	3.24	3.17
Average debt repayment period (years)	15	15.3	25.6

Almost flat

Considerable deterioration due to fall in ordinary income

D-E ratio = net interest-bearing debt / shareholders' equity

Average debt repayment period = net interest-bearing debt / (full year forecasted ordinary income + full year forecasted depreciation)

3. Infrastructure Enhancement and Funding Procurement

(2) Challenges and Course of Action

Current status and challenges

In a difficult environment for asset replacements, ordinary income was considerably lower year on year

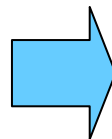
Planned target for Marketable Securities Investment Business was not achieved partly due to temporary negative factors



Protraction of average debt repayment period



While securing liquidity on hand, steadily execute measures to recover ordinary income



Course of action

Securing of liquidity on hand

- Increase balance of cash and deposits

(¥ billion)

	08/12/31	09/6/30
Cash and deposits	14.5	16.0

- Activation of funds by merging consolidated SPCs

Recovery of ordinary income

Aim to maintain high operating ratio and start receiving revenues from development projects as soon as possible



Respond with agility to real estate price trends to replace assets, sell properties and reduce debt etc.

3. Infrastructure Enhancement and Funding Procurement

(3) Current Ratings

Ratings have been maintained despite the difficult environment

◆JCR outlook (Announced June 2009)

- Revenue base is strengthening by a weighting up in central Tokyo office building leasing
- Percentage of marketable securities in total assets is dropping
- Relationships are maintained with financial institutions, particularly the main banks to ensure stable fund procurement
- Interest-bearing debt is increasing by an expansion in investment, particularly for development projects, which is deteriorating the financial composition

◆Soundness comparison with peer companies

	Item	Shoei (FY Dec. 08) BBB+ → BBB+	Company X (FY Mar. 09) A- → BBB+	Company Y (FY Mar. 09) A → A
Size	Net assets	49,408	70,598	50,873
Stability	Interest-bearing debt ratio	77.9%	74.9%	66.0%
	Net D/E ratio	3.2	2.8	1.8
Profitability	Return on invested capital	3.0%	2.4%	0.8%
Repayment ability	Debt repayment period in years	15.3	15.9	22.2
	Operating cash flow	10,472	11,844	4,217

※Calculated by net interest-bearing debt

3. Infrastructure Enhancement and Funding Procurement

(4) Achieving both Cost Restraints and Infrastructure Enhancement

**Constrain costs by reducing
business expenses etc.**

◆ Personnel cost related

- Reduction of remuneration and conditions in line with operating performance (Higher ranking positions are more strongly linked to performance)

◆ Property cost related

- Measures to reduce business costs
- Better efficiency by switching telephone contracts and printers

**Moving forward with
infrastructure enhancement**

◆ Strengthen business strategy group

Targeting:

- Quick response to extreme environmental change
- Strengthen ties with Mizuho Group

◆ Improved efficiency in Real Estate Business

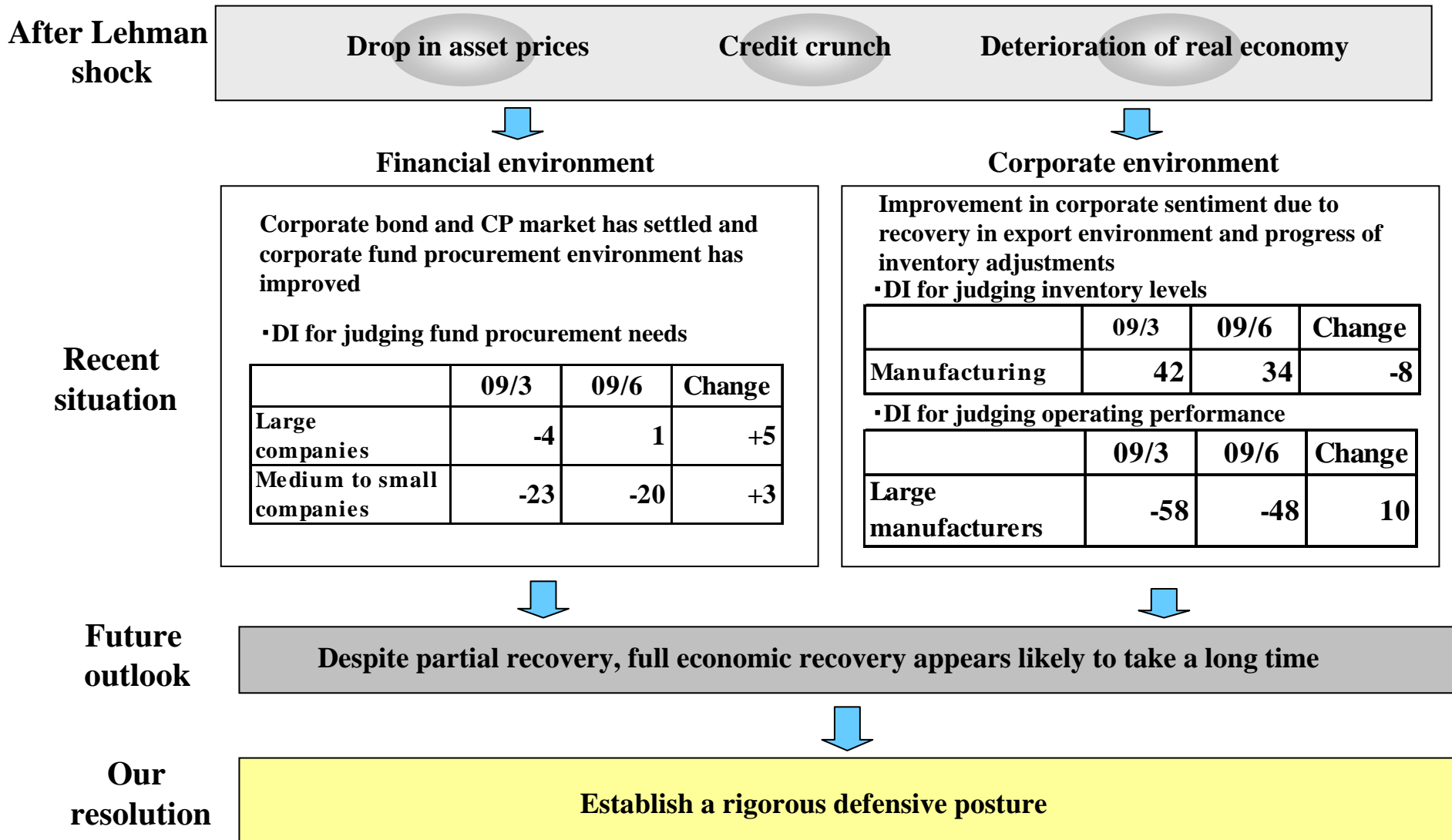
- Full-scale implementation of property ledger management system
- Formulate standard specifications for management

◆ Response to J-SOX

Draw on existing systems and manual development to provide a low-cost response to actual settlement

4. Future Outlook and Plans for the Second-Half (Six Months Ended March 31, 2010)

(1) Awareness of the Environment



4. Future Outlook and Plans for the Second-Half (Six Months Ended March 31, 2010)

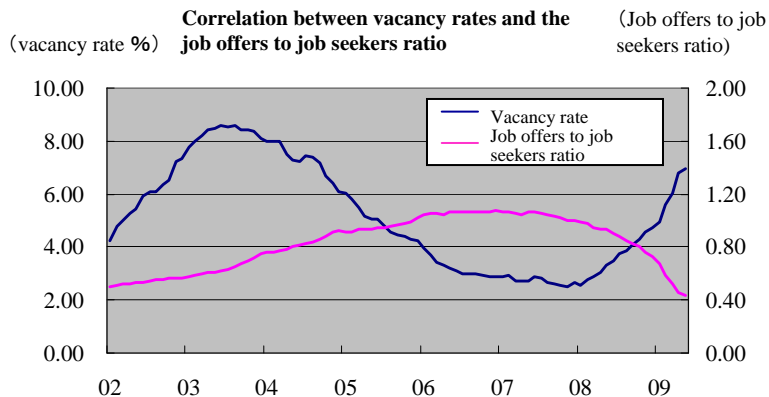
(2) Implications for Shoei

Real estate

Continuation of slump in leasing market



Continuation of deterioration in real economy such as in the employment environment



As financial measures such as REIT support proceed, refinancing problems are also easing



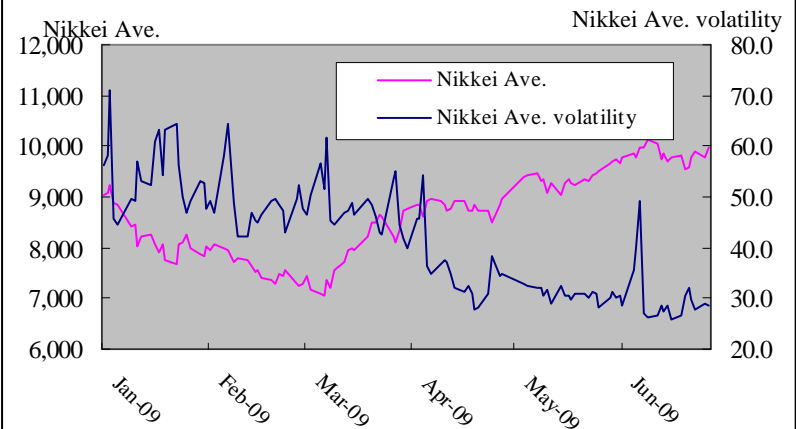
Are we close to hitting the bottom of the investment market?

Stock market

Continuation of difficult investment market



- Period of chaotic wave has ended and volatility has eased.
- Signs of excessive liquidity market



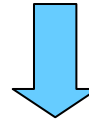
A full-scale rebound will follow after a recovery in corporate earnings

4. Future Outlook and Plans for the Second-Half (Six Months Ended March 31, 2010)

(3) Plans for the Second-Half

Survival Plan for the Next Jump

Establish a rigorous defensive posture



Investment plan

Continue to hold back
on new investment

Maintain steady pace for
development projects in
progress

Strengthen revenue base

Strengthen leasing and
constrain administration
costs

Strengthen risk
management

Financial plan

Secure funds on hand

Aim for financial
soundness

4. Future Outlook and Plans for the Second-Half (Six Months Ended March 31, 2010)

(4) Business Forecast

Amidst the severe environment, ordinary income and net income have been revised down from the initial forecasts

■ Consolidated business forecast (¥ million)

	Initial forecasts	Current forecasts	Change
Net sales	15,500	15,500	0
Operating income	5,700	4,900	-800
Ordinary income	3,600	2,400	-1,200
Net income	2,000	1,700	-300

Amendment toward conservative forecasts due to the impact of the leasing market slump



- No revenues from property sales expected
- Revenues from marketable securities expected to be better compared with the first-half



Shoei's website

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

For inquiries concerning this presentation, please contact:

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