



Fiscal 2011 Second Quarter Earnings Presentation

August 5, 2011

 **Shoei Co., Ltd.**

(Stock Code: 3003)

1. Consolidated Results

Although both income and profit decreased mainly due to the sales of property and consolidated subsidiary in the previous period, both sales and profits exceeded the initial forecast.

■ Consolidated operating results

(¥ million)

	Fiscal 2010 First Half (A)	Fiscal 2011 Initial Forecast (B)	Fiscal 2011 First Half (C)	Change (C) - (A)	Difference vs. Forecast (C) - (B)	Fiscal 2011 Forecast
Net sales	7,503	5,800	5,871	-1,632	71	11,500
Operating income	2,917	2,500	2,741	-176	241	5,000
Ordinary income	1,897	1,300	1,656	-241	356	2,700
Extraordinary income and loss	51	-	(Note) -375	-426	-375	-
Net income	908	700	811	-97	111	1,600

(Note) Extraordinary income: 684 ··· Gain on sales of securities, Reversal of subscription rights to shares
 Extraordinary loss: -1,060 ··· Loss on valuation of securities, earthquake response costs, loss on retirement associated with the Nishi-Arai commercial facility renewal, etc.

2. Key Points of Operating Results

■ Operating results by segment

(¥ million)

	Fiscal 2010 First Half	Fiscal 2011 First Half	Change
Net sales	7,503	5,871	-1,632
Real estate	5,489	4,917	-572
Marketable securities	787	953	166
Others	1,226	-	-1,226
Operating income	2,917	2,741	-176
Real estate	2,431	2,237	-193
Marketable securities	771	932	160
Others	-284	-428	-143
Non-operating income	536	217	-318
Non-operating expenses	-1,556	-1,301	254
Ordinary income	1,897	1,656	-241

◆ Real estate

- Income/profit decrease due to the sales of property and lowering of rent income of existing property
- Cost reduction from the SPC merger effect, etc.
- Decrease in burden such as interest expenses (non-operating expenses)

◆ Marketable securities

- Increase of dividends income
- Investment profit decrease due to careful position management and selling stocks with paper loss (non-operating income)

◆ Others (Head office expenses/previous Environmental business)

- Income/profit decrease from the selling of a subsidiary in the Environmental business

3. Consolidated Financial Statements

(¥billion)

	End of Dec. 2010	End of Jun. 2011	Change		
Assets	Current assets	15.3	17.2	1.8	
	Cash and deposits	11.7	15.6	3.9	
	Noncurrent assets	206.3	204.2	-2.0	
	Property, plant and equipment	128.5	127.7	-0.8	①
	Investment securities	56.6	56.9	0.2	
	Real estate investment securities	17.7	16.4	-1.3	②
Total	221.7	221.5	-0.1		
Liabilities and Net Assets	Current liabilities	31.3	37.9	6.5	
	Short-term loans payable	22.1	30.6	8.4	③
	Current portion of bonds	3.7	3.7	-	
	Noncurrent liabilities	148.5	142.2	-6.2	
	Bonds	-	-	-	
	Long-term loans payable	107.3	103.9	-3.3	④
	Long-term deposits received	28.6	26.4	-2.2	
	Net assets	41.7	41.3	-0.4	
	Valuation difference on available-for-sale securities	9.5	8.6	-0.9	
	Total	221.7	221.5	-0.1	

◆ Main breakdown (¥billion)

① Capital investment	0.4
PASSAGGIO retirement	-0.2
Depreciation and amortization	-1.3
② Transfer of J-REIT investment to investment securities	-1.6
③ Repayment, etc.	-3.7
Transfer from long-term loans payable	12.1
④ New loans	8.3
Transfer to short-term loans payable	-12.1

4. Loans and Assets

◆ Loans

(¥ million)

	End of Dec. 2009	End of Dec. 2010	End of Jun. 2011
Loans	165,711	133,608	138,652
Net-interest bearing liabilities	147,506	121,869	122,985
Average debt repayment period	24.5 years	20.4 years	23.3 years

Loans increased due to the early procurement of CB redemption fund.

(Note) The average debt repayment period is (interest-bearing liabilities minus cash and deposits) divided by (ordinary income plus depreciation and amortization)

Ordinary income and depreciation and amortization at the end of June 2011 is calculated using a full-year forecast.

◆ Assets

(¥ million)

	End of Dec. 2009	End of Dec. 2010	End of Jun. 2011
Total assets	256,251	221,748	221,557
Net assets	40,859	41,790	41,360
Equity ratio	15.9%	18.8%	18.6%

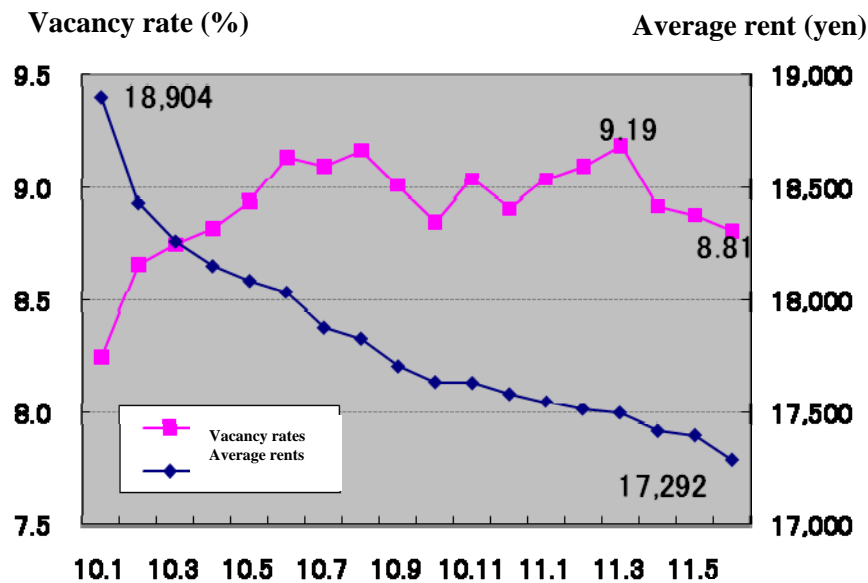
Without selling assets, the total assets remain at nearly the same level as the end of Dec. 2010

5. Vacancy Rates and Average Rents

Maintaining tenants by strengthening the leasing capability under the competitive market environment

- Avoidance of vacancy by having close contact with existing tenants
- Acquisition of new tenants by strengthening the information gathering ability
- Vacancy rates increase in some properties in order to halt leasing activity until the completion of earthquake-resistance construction

◆ Vacancy rates and average rents in the Tokyo office building market



Market: Office buildings in 5 wards of central Tokyo (Source: Miki Shoji Co., Ltd.)

▪ Vacancy rates for office buildings in Tokyo (%)

	Jun. 2010	Dec. 2010	Jun. 2011
Shoei	4.41	1.54	* 4.09
Market (average)	9.14	8.91	8.81
Market (current)	8.66	8.83	8.57

*Excluding buildings scheduled for earthquake-resistance construction: 1.99%

▪ Average rents for office buildings in Tokyo (yen)

	Jun. 2010	Dec. 2010	Jun. 2011
Shoei (including common service charge)	18,924	19,096	18,530
Market (average)	18,035	17,585	17,292
Market (current)	17,835	17,477	17,140

6. Effect of the Earthquake

◆ Damage and response to the Great East Japan Earthquake

	Tohoku region	Bay Area	Old earthquake resistant buildings
Property name	Fukushima Shopping Center (Fukushima City) CENTRAL WELLNESS CLUB MINAMIKOIZUMI-SHOP (Sendai City)	Kawasaki Ukishima Distribution Center (Kawasaki City)	Sakurashin-machi-Building (Setagaya ward)
Damage	Negligible, business restarted a few days after the earthquake	No effect on building frames although there were cracks in the hallways and slight sinking around some buildings.	There is damage but it is negligible.
Current status and response	Business as usual	Due to the effects of liquidization in other areas, the number of new tenant applicants increased, and utilization rates improved	Earthquake resistant construction scheduled soon

◆ Other old earthquake resistant buildings

Building name	Response
Uchikanda Fukushima Building (Chiyoda Ward)	Earthquake resistance reinforcement + renewal scheduled
Shoei Surugadai Building (Chiyoda Ward)	Reconstruction is under examination.
Shoei Nishikicho Building #2 (Chiyoda Ward)	Reconstruction is scheduled. (Plan was underway prior to the earthquake)
Shoei Gotokuji Apartment (Setagaya Ward)	
Prime Kamiyacho (Hiroshima City)	Earthquake resistance construction scheduled
Carney Place Hakata (Fukuoka City)	Since the "Is" value that indicates earthquake resistancy exceeds the standard level, use the building as is.

7. Status of Development Projects

◆ Nakano Station Front Development Project (Nakano Station Front Development TMK)

- “Nakano Central Park” was decided as the name.
- Towards completion scheduled for spring 2012, leasing activity currently underway
- Shoei investment: 6.53 billion yen (as of June 30, 2011)
- Large-scale development with convenience (Nakano station front), safety (earthquake-resistant/disaster prevention function), and the environment (green space park)



**Considering the current economic circumstances,
further efforts must be made in order to attract tenants**

◆ Kanda Surugadai 4-6 Plan (Surugadai Development TMK)

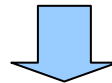
- Construction started in October 2010, completion scheduled for March 2013
- Shoei investment: 5.5 billion yen
- Conveniently located in front of JR Ochanomizu Station
- State-of-the-art building outfitted with excellent environmentally friendly performance such as solar energy generation and seismic/disaster response equipment



8. Status of Nishiarai “PASSAGGIO”

Current status

Due to factors that could not be foreseen at the project planning stage such as the consumer recession following the Lehman Shock and significantly sluggish consumption after the Great East Japan Earthquake, both sales and profits fell below the initial projection.



Strengthening efforts for improvement

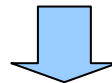
- **Replacement of the B1 floor tenants**

Multiple tenants providing “Food” . . . Closed at the end of June

One retailer who incorporates local needs is scheduled to open this autumn.

- **Improvement of the facility**

Improvement of the convenience for customers such as more escalators, etc.



Further expand community-based products/service
Revaluation of properties must be done on a timely basis from the viewpoint of financial soundness

Environmental recognition

■ Office building market trends

- Signs of recovery delay due to the earthquake
- The number of office workers is decreasing and the severe market conditions continue
- Tenant needs after the earthquake tend to emphasize safety instead of rent
- Some large-scale new buildings will be built in 2012 and differences of buildings tend to expand depending on the region/age/performance.

■ Personal consumption

- The fall is coming to a stop since the decline after the earthquake, however, deflation is continuing.

Shoei's issues

■ Responding to changes in the market , Shoei must strengthen its earning power and improve its financial footing

1. Earning power improvement of the Nishiarai commercial facility "PASSAGGIO"
2. Strengthening of tenant leasing in existing buildings
3. Success of development projects
4. Risk control of the Marketable Securities Investment business
5. Strengthening of the financial footing

10. Concrete Measures

1. Earning power improvement of the Nishiarai commercial facility "PASSAGGIO"

Review concepts taking the opportunity of its first anniversary since opening, replace B1 tenants, and convert it into a community-based store.

Make the utmost efforts to secure profit such as increasing medical related tenants and proactive use of pathways on the first floor.

2. Strengthening of tenant leasing in existing buildings

Improve the value of old earthquake resistant properties with earthquake resistance renewal and reconstruction

Maintain the high utilization rates by continuously having close contact with existing tenants and understand tenant needs.

3. Success of development projects

High grade buildings outfitted with earthquake resistance/environmental response, etc. Promotion of activities to attract tenants

4. Risk control of the Marketable Securities Investment business

Carry out careful management while controlling the outstanding amount reserved

5. Strengthening of the financial footing

Strive to ensure stable funds, fully observing financial regulations

For inquiries concerning this presentation, please contact:

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