A decorative graphic consisting of three right-pointing triangles in dark green, medium green, and light green, followed by a vertical green line that intersects a horizontal light green bar.

Fiscal 2005 Presentation of Earnings and Revised Medium-term Management Plan

February 10, 2006

Shoei Co., Ltd.
(Stock Code: 3003)

Kenji Watanabe
President and CEO

1. Fiscal 2005 Financial Highlights

2. Fiscal 2005 Segment Information

3. Fiscal 2005 Infrastructure Enhancements

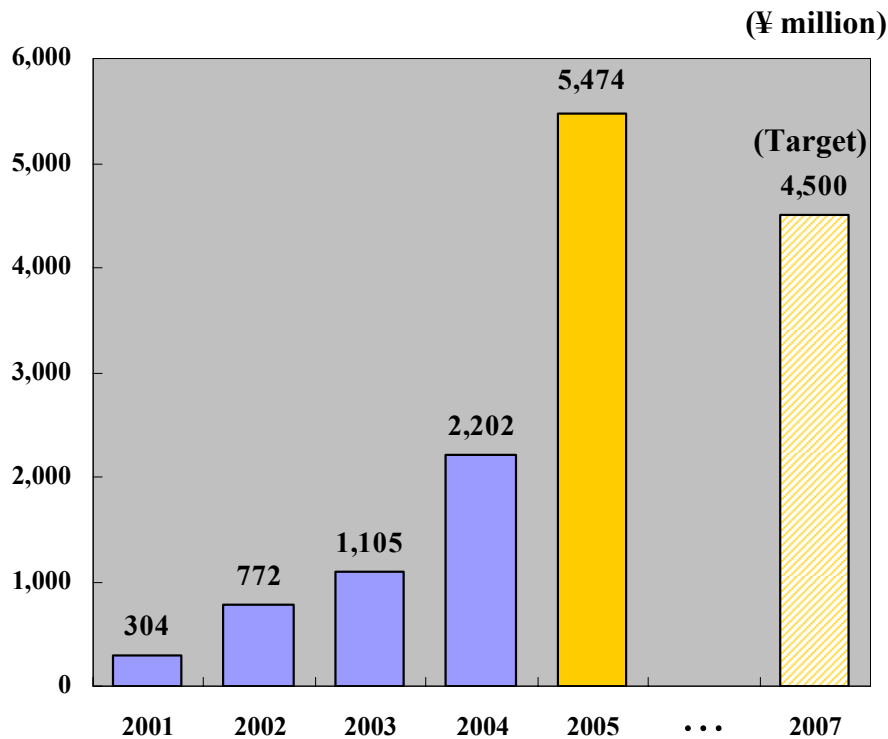
4. Revisions to the Medium-term Management Plan

(1) Achieved the Targets of the Medium-term Management Plan

Both net income and market capitalization surpass targets of the plan

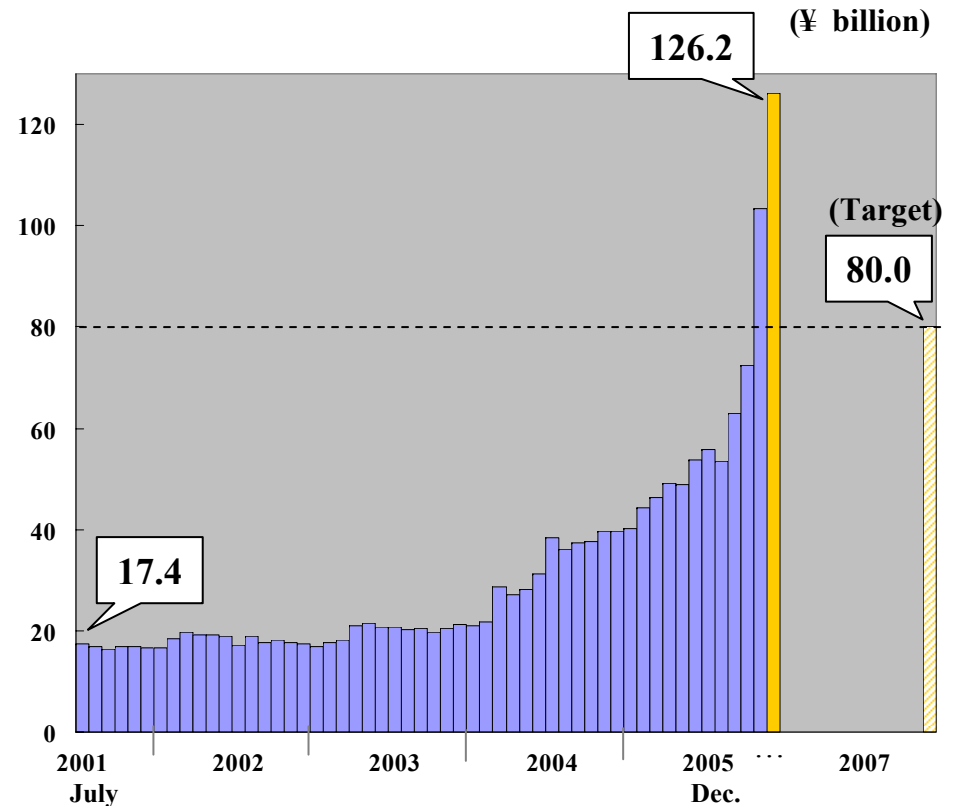
◆ Net income

Target: ¥4.5 billion → Result: ¥5.4 billion

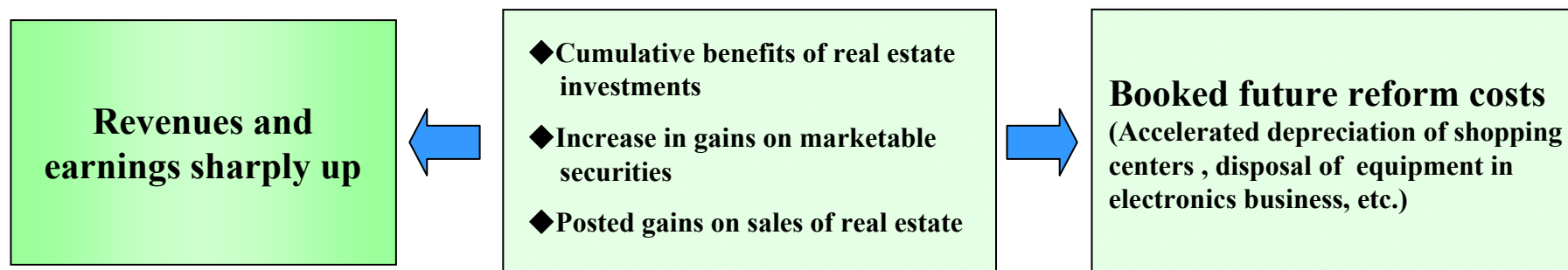


◆ Market capitalization

Target: ¥80.0 billion → Result: ¥126.2 billion



(2) Overview of Results



■ Consolidated Results

(¥ million)

	2004/12	2005/12	Year-on-year change	%
Operating revenues	13,014	16,664	3,650	28.0
Operating income	2,153	2,912	759	35.2
Recurring profit	3,801	4,740	939	24.7
Extraordinary gains	441	5,731	5,290	-
Extraordinary losses	-459	-1,155	-696	-
Net income	2,202	5,474	3,272	148.5

(3) Segment Earnings

*Gains and losses other than those related to asset replacements are included in Head Office expenses (¥ million)

	Operating income		Other income		Recurring profit		Extraordinary gains and losses * (asset replacements)		Pre-tax segment profit		
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	Change
Real Estate	2,242	3,241	0	0	2,242	3,241	279	5,637	2,521	8,878	6,357
Marketable Securities	582	715	2,482	3,063	3,065	3,778	-49	-3	3,016	3,775	759
Manufacturing business	81	14	-27	-30	53	-16	0	0	54	-16	-70
Head Office and other expenses	-752	-1,058	-806	-1,205	-1,559	-2,263	-248	-1,057	-1,808	-3,320	-1,512
Total	2,153	2,912	1,649	1,828	3,801	4,740	-18	4,577	3,783	9,317	5,534

Accumulated returns on real estate investments
+999

Increase in investment gains
+581

Sharp rise owing to sale of shopping center
+5,358

Future reform costs
-809

(4) Consolidated Balance Sheets

(¥ billion)

		2004/12	2005/12	Change	
Assets	Current assets	10.0	21.8	11.8	
	Inventories	5.9	4.6	-1.3	
	Fixed assets	118.7	172.8	54.1	
	Property, plant and equipment	42.8	51.4	8.6	
	Investment securities	61.4	90.5	29.1	
	Investments in capital	12.9	29.0	16.1	
	Total	128.7	194.6	65.9	
Liabilities and shareholders' equity	Current liabilities	11.2	21.0	9.8	
	Short-term borrowings	6.4	12.0	5.6	
	Long-term liabilities	78.1	111.4	33.3	
	Bonds and long-term debt	49.3	56.7	7.4	
	Long-term deposits	6.6	24.3	17.7	
	Deferred tax liabilities	17.1	24.1	7.0	
	Shareholders' equity	39.3	62.1	22.8	
	Net unrealized gain on available-for-sale securities	23.4	32.2	8.8	
	Treasury stock	-0.3	-1.0	-0.7	
	Total	128.7	194.6	65.9	

• Invested in 10 properties (of which 3 are financed by SPC)

• Acquisition of medium- to long-term growth stocks
• Higher stock prices
Canon: ¥5,530 → ¥6,900
Mizuho FG: ¥516,000 → ¥936,000

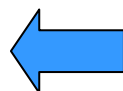
• Increase in debt in line with investments

Increase in long-term deposits due to hedge transactions

Increase in equity due to conversion of convertible bonds: ¥10.0 billion

(1) Real Estate Business

Higher revenues
and earnings



- ◆ Implemented substantial investments ahead of schedule
- ◆ Full-fledged asset replacements

■ Results

(¥ million)

		2004/12	2005/12	Change	
Operating revenues	Leasing	5,420	8,538	3,118	
	Condominium sales	3,086	4,666	1,580	
	Total	8,507	13,204	4,697	
Pre-tax segment profit	Operating income	Leasing	2,354	3,112	758
		Condominium sales	-112	127	239
		Total	2,242	3,240	998
	Asset replacements	280	5,530	5,250	
	Total	2,522	8,770	6,248	

■ Actions

◆ Aggressive Investments

- Logi-partners Shounan Distribution Center (March)
- Tonami Transportation YK Logistics Kansai Delivery Center (July)
- Fukuoka and Nagoya office buildings (SPC) (June)
- Tornare Nihonbashi Hamacho (segmental ownership) (November)
- Additional acquisition of Landic Fujii (December)

◆ Asset Replacements

- Sale of Ueda and Suwa shopping centers
→ Purchase of Leaf minatomirai (SPC) (November)

◆ Real Estate Fund Begins Operations

- Formation of Shoei Fund No.1 (June)

◆ Condominium Sales

- Completed sale of Ochanomizu condominium building (September)
- Rendre Shinyurigaoka fully sold (November)
- Concluded sales agreements for all units of Brillia Tower Tokyo (construction to be completed in 2006)

(2) Substantial Increase in Real Estate Investments

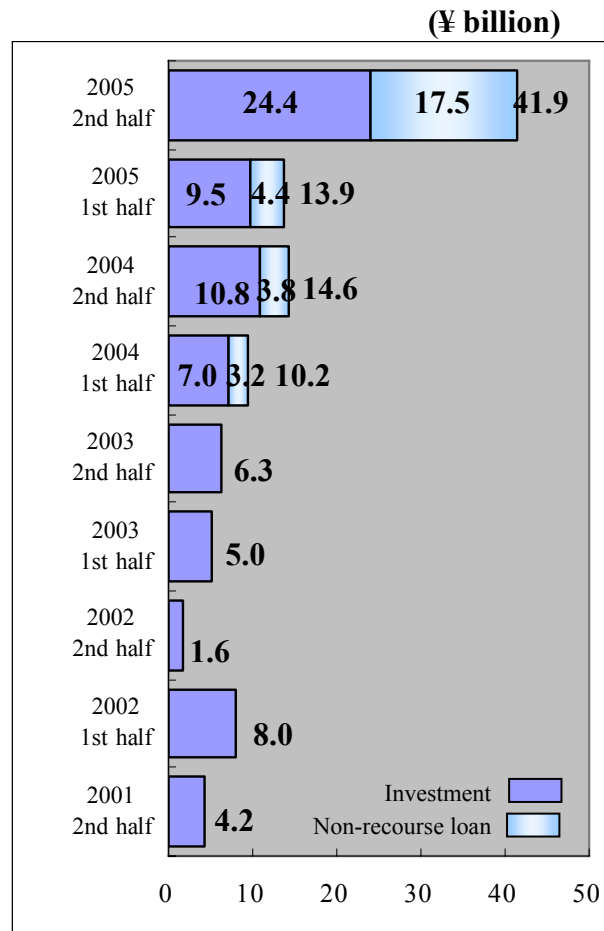
◆ Investments (¥ billion)

Revised Plan: FY06-FY07	50.0+ α
FY2005	33.9 (55.8)
Acquired During the Previous Medium-term Management Plan	42.9 (49.9)
Holdings Before Medium-term Management Plan	10.8
Initial Plan: FY05-FY07	
54.0 (67.5)	

(Investments based on property valuations)

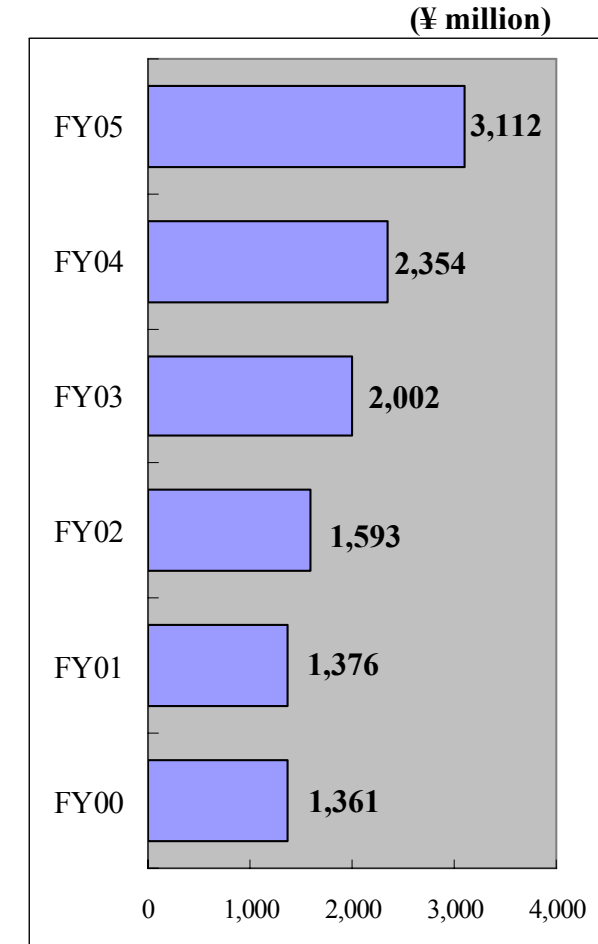
◆ Changes in Investment Amounts

Implemented substantial investments ahead of schedule using non-recourse loans

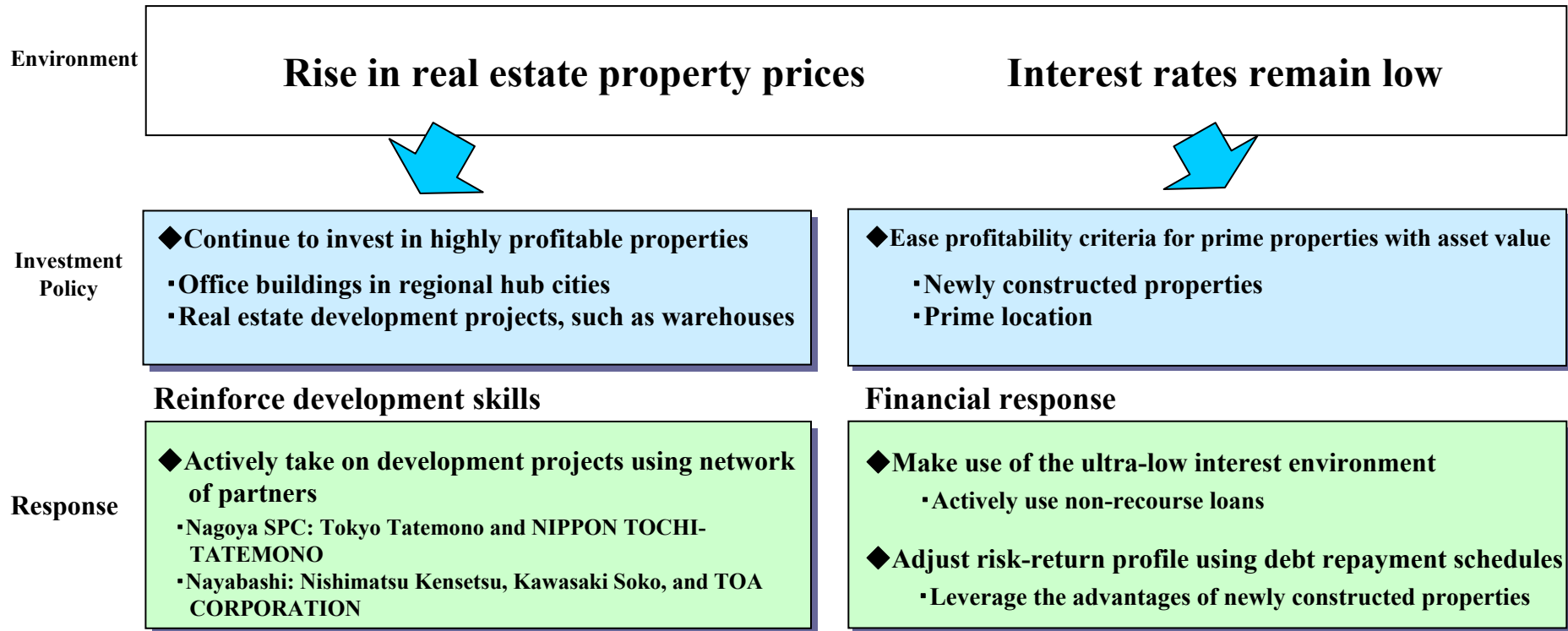


◆ Changes in Operating Income (Leasing)

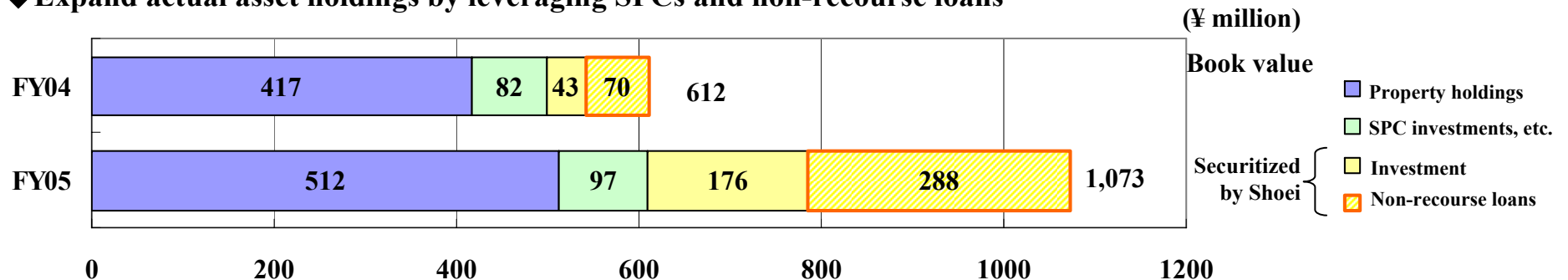
Expanded earnings base due to cumulative effects of investments



(3) Countermeasures Against Rise in Real Estate Prices

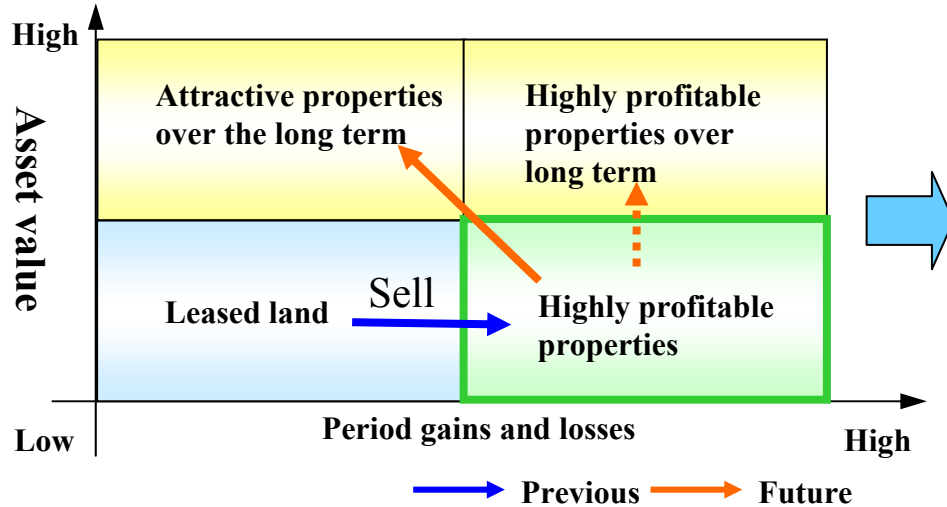


◆ Expand actual asset holdings by leveraging SPCs and non-recourse loans



(4) Full-fledged Drive to Replace Assets in Real Estate Portfolio

◆ Secure overall gains for the entire period and improve asset value



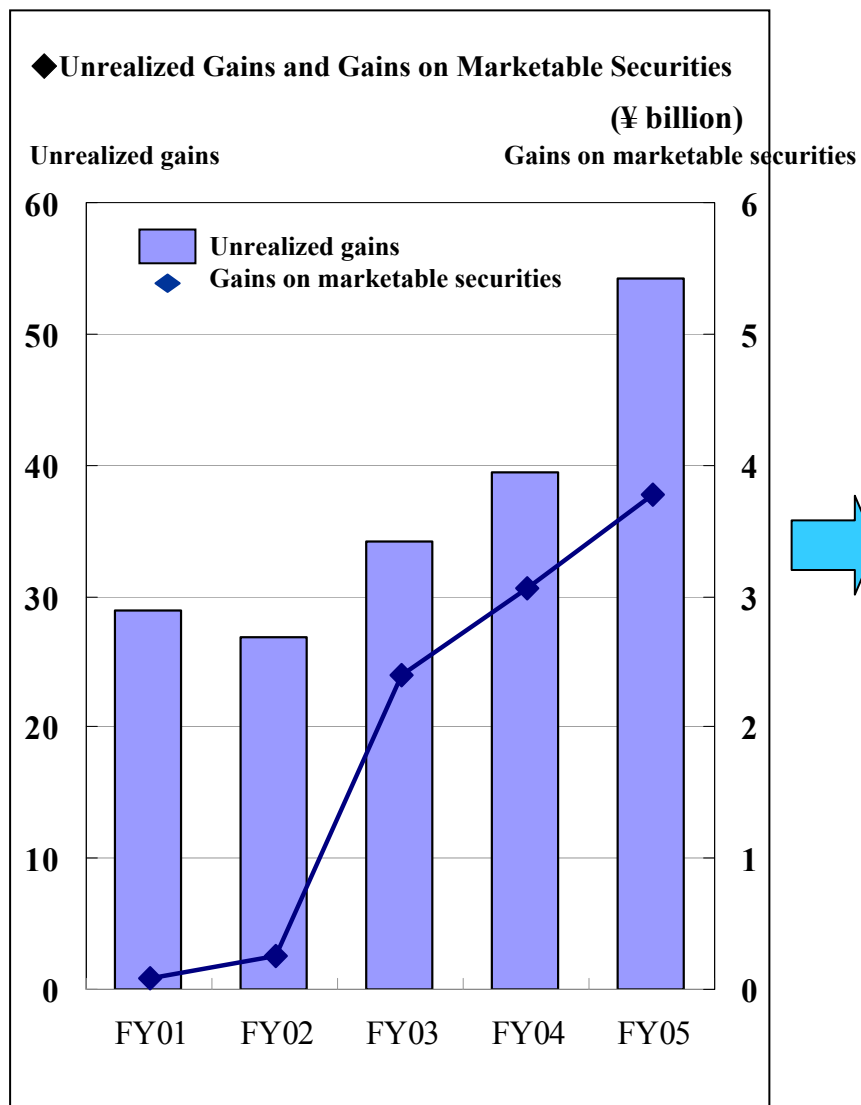
◆ Shift focus to high-quality, high-profit properties

Portfolio realignment standards	
Sell	Purchase
▪ Aged buildings	→ ▪ Recently built buildings in prime locations
▪ Low-growth regions	→ ▪ High-growth regions
▪ High risks of vacancy	→ ▪ Diversify tenant risk
▪ Minor share	→ ▪ Major share
▪ Low potential	→ ▪ Strong potential for high asset value

◆ Actions taken

<p>Sale of Ueda and Suwa shopping centers: ¥10.2 billion</p>	<p>></p>	<p>Investment in Leaf minatomirai: ¥10.4 billion</p>
<p>Profitability</p>		
<p>Risks of declining long-term profitability due to intensified competition among major local shopping centers</p> <p>↓</p> <p>Sold after rebuilding and improving value</p>		<p>Strong asset value in terms of location and property age, as well as potential for improved profitability based on the depreciation schedule</p> <p>↓</p> <p>Limited proprietary right of land to be purchased (FY06)</p>

(5) Marketable Securities Investment



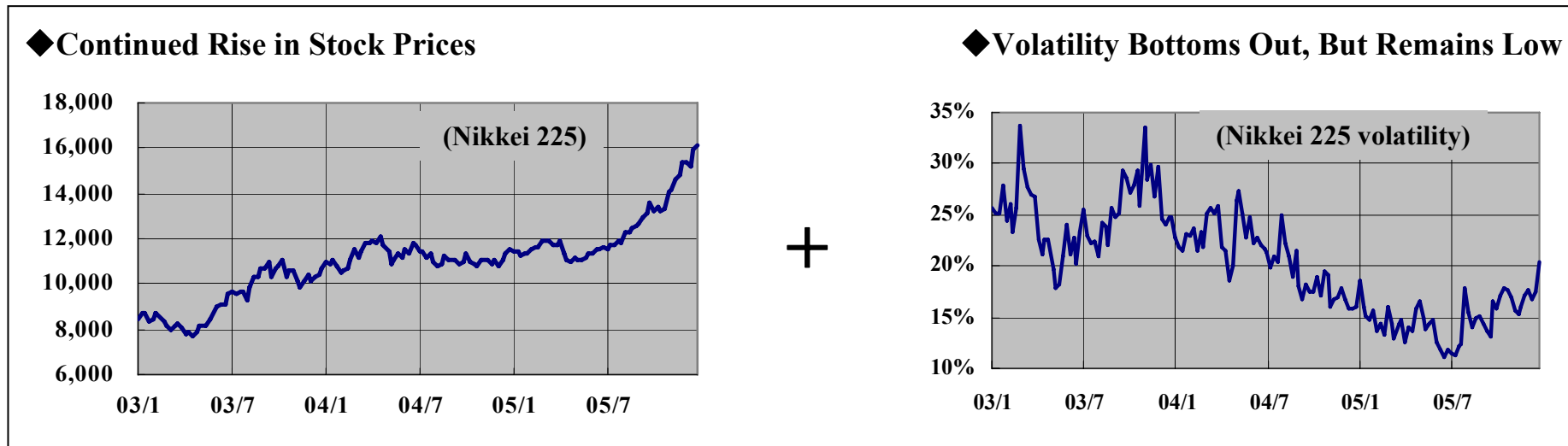
(¥ million)

	2002/12	2003/12	2004/12	2005/12
Fair value	34,528	48,281	61,440	90,517
Cost of acquisition	7,672	14,151	22,036	36,296
Unrealized gains	26,856	34,131	39,403	54,221
Gains on marketable securities	258	2,397	3,065	3,778
(excl. dividends)	20	2,105	2,482	3,062
Return on fair value	0.75%	5.76%	5.49%	5.32%
Return on book value	4.26%	20.94%	16.31%	13.97%

(¥)

	2002/12	2003/12	2004/12	2005/12
Nikkei 225	8,579	10,677	11,489	16,111
Canon share price	4,470	4,990	5,530	6,900

(6) Marketable Securities Investment Business



Shift focus to medium- and long-term investments and actively use option transactions

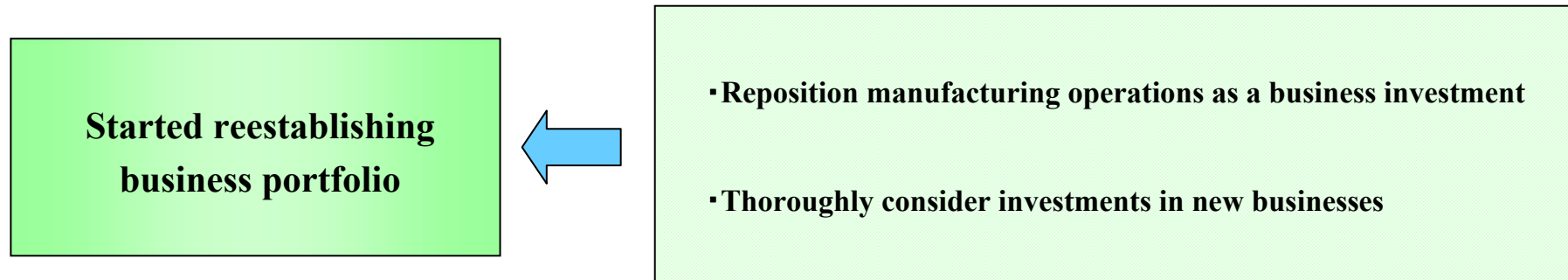


Deliver returns centered on medium- and long-term investments

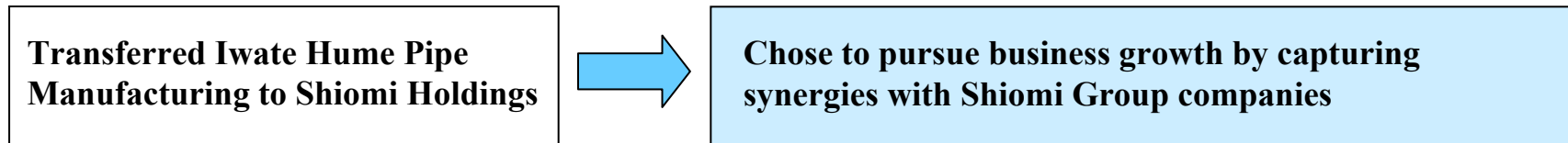
◆ Portfolio Balance

As of December 31, 2004				(¥ million)					
	Available for sale		Non-available for sale			Available for sale		Non-available for sale	
Options	A	Fair value 17,765	B	Fair value 36,214	Options	A	Fair value 6,222	B	Fair value 45,979
		Unrealized gains 13,047				Unrealized gains 31,657			Unrealized gains 578
No options	C	Fair value 2,027	D	Fair value 4,101	No options	C	Fair value 30,216	D	Fair value 5,976
		Unrealized gains 348				Unrealized gains 2,679			Unrealized gains 13,573

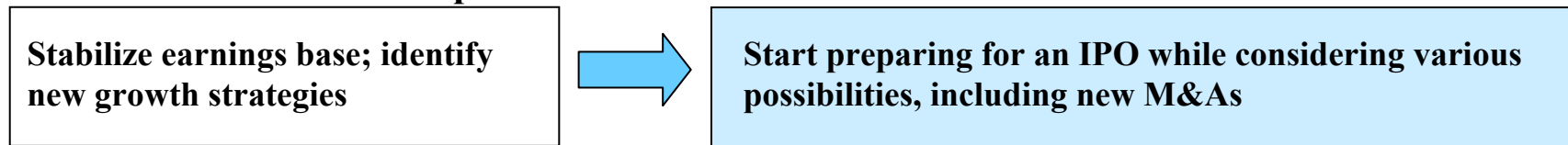
(7) Business Investments



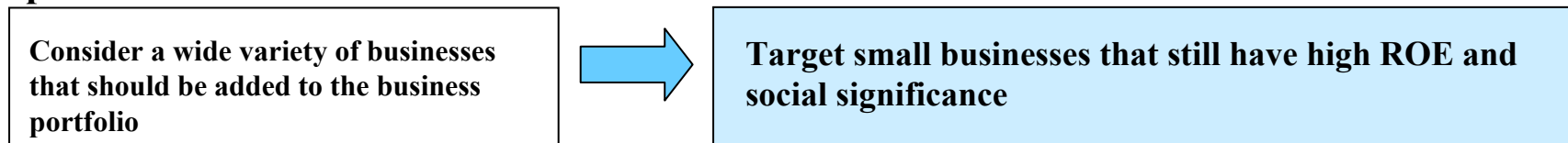
◆ Transfer of Concrete Products Business



◆ Electronic Devices and Components Business

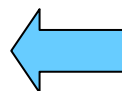


◆ Prepare for New Trial Investments



(8) Electronic Devices and Components Business

Higher revenues but lower earnings year on year



◆ Lower earnings

- Demand for PAS capacitors hit hard by inventory rundowns in the Chinese market
- Delays in development and launch of new products
- Downturn in existing products such as aluminum electrolytic capacitors

■ Results

(¥ million)

	2004/12	2005/12	Change
Operating revenues	2,300	2,732	432
Operating income before R&D costs	230	82	-148
R&D costs	-111	-68	43
Operating (loss) income	118	13	-105

■ Actions

◆ PAS Capacitors

- Built sales routes leveraging the Shoei brand
- Launched a new plant to manufacture proprietary electrodes

◆ Substrate assembly

- Higher sales through collaboration with other companies

◆ Development of New Products

- Started sale of PAS409 type
- Started sale of *Bicho Powertone* hearing aids for medium to severely hearing impaired persons

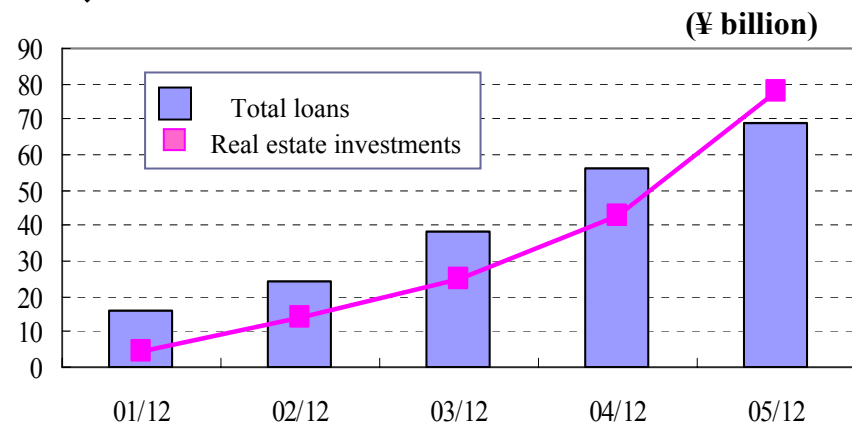
◆ Disposal of Equipment Accompanying Change in Product Generations

- PetitCap
- Solid-state capacitors

(1) Fund Procurement and Collateral Use

- ◆ Moderate increase in borrowings despite higher real estate investments
 - Active use of non-recourse loans
 - Loan repayments through sale of assets
- ◆ Basic approach to financing is to pledge properties as collateral for loans
 - Repay loans with cash flow from properties
- ◆ Own funds are procured by corporate bonds and pledging equity securities as collateral
 - Risk of share price fluctuations is offset by hedged transactions
- ◆ Shoen has ample reserve collateral

◆ Investments and Balance of Loans



◆ Financial Benchmarks

	Benchmark	FY04	FY05
Equity ratio	25.0%	30.5%	31.9%
D-E ratio	-	1.40	0.88
Average debt repayment period (years)	15	10.0	7.4

D-E ratio = net interest bearing debt / shareholders' equity
 Average debt repayment period (years) = net interest bearing debt / (recurring profit + depreciation and amortization)

◆ Reserve Collateral as of December 31, 2005 (¥ billion)

	Equity securities	Real estate	Total
Fair value of holdings	88.5	* 69.1	157.6
Amount pledged as collateral	31.9	** 30.0	61.9
Reserve collateral	56.6	39.1	95.7

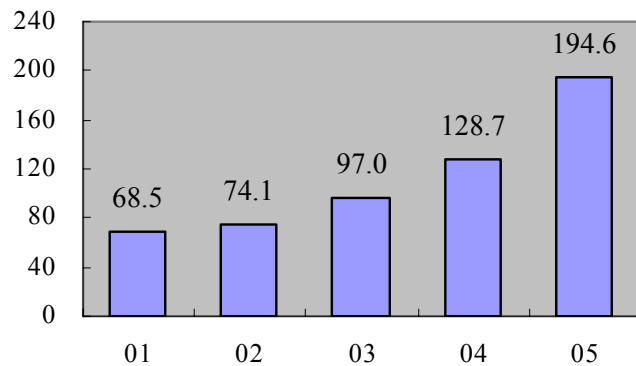
*Appraised values
 **Pledged amounts

(2) Balanced Growth

Established a Positive Cycle to Raise Earnings and Equity With the Goal of Delivering at Least ¥100 EPS and a 30% Dividend Payout Ratio

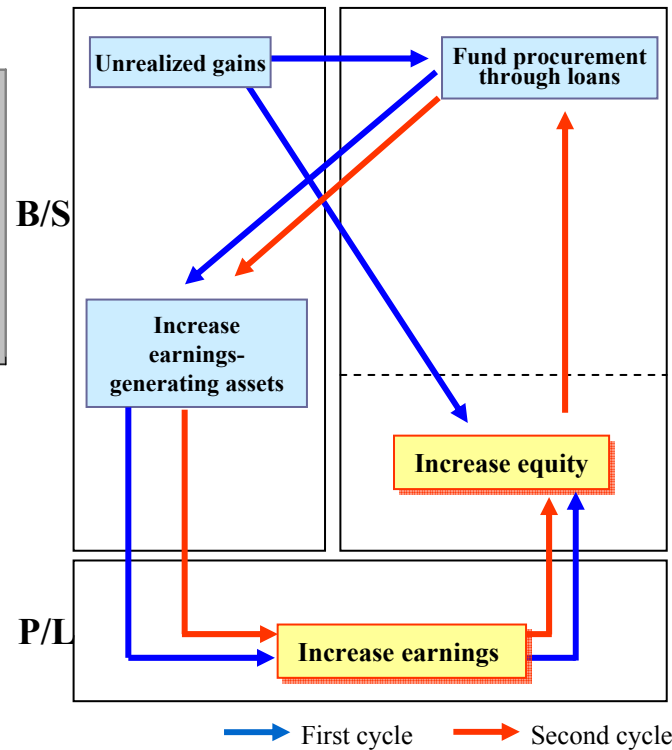
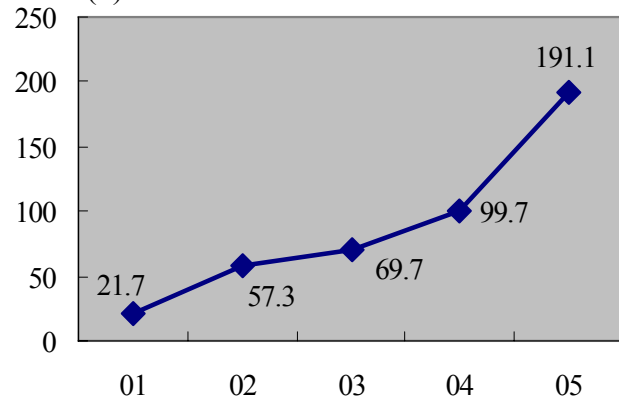
(¥ billion)

Total Assets

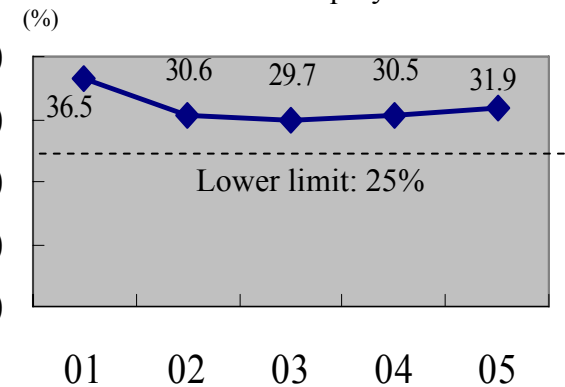


(¥)

EPS

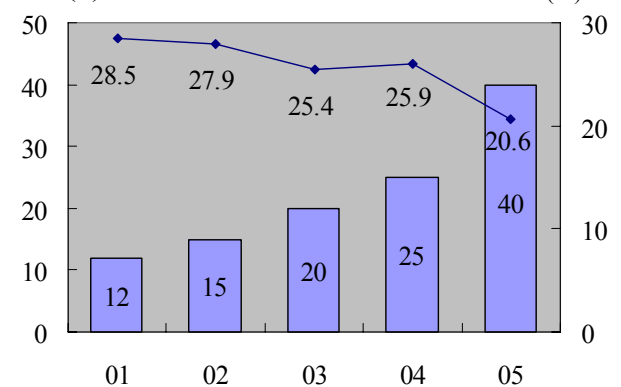


Shareholders' Equity Ratio



Dividends (¥)

Dividend Payout Ratio (%)



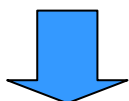
Stock splits

- FY03: 1.2 for 1.0
- FY04: 1.2 for 1.0
- FY05: 1.1 for 1.0

(3) Risk Management

Adjustment and Management of Balance Between Investments and Fund Procurement and Risk Balance

Calculation of risk capital commensurate with investment risks



(¥ billion)

	Risk capital (assets × amount of risk)
Real Estate Business	50.3
Marketable Securities Investment	8.3
Business Investment	2.2
Total	60.8

Actual Balance Sheet (¥ billion)

Assets	194.6	Liabilities	Net liabilities	70.1
			Equity-backed	62.4
		Shareholders' equity		62.1
Total	194.6	Total		194.6

Risk Management Center

Currently: • Actual shareholders' equity and risk capital are largely balanced

Measures: {

- Constantly check for imbalances
- Manage equity-backed liabilities (convertible bonds and fund procurement with equity securities pledged as collateral) and hedging ratios
- Reassess calculation standards for risk capital in step with changes in the operating environment



Risk-based Balance Sheet (¥ billion)

Assets	194.6	Liabilities	133.8
		Shareholders' equity	60.8
Total	194.6	Total	194.6

(4) Organizational Management



	Item	FY2004	FY2005	Change
Resources	Capital (¥ million)	39,291	62,149	22,858
	Head office employees (excluding temp workers) (persons)	52	52	0
Earnings	Recurring profit (¥ million)	3,801	4,740	939
Productivity	Recurring profit per person (¥ million)	73	91	18

◆ Reinforcing Personnel to Accommodate Business Expansion and Diversification

▪ **Establish and reinforce the Property Management Division**

Implement planned property investments and renovations to maintain and increase the value of properties

Improve the profitability of property holdings

▪ **Effective use of temporary administrative staff**

Deploy personnel according to volume of business

▪ **Active outsourcing**

Flexible use of highly specialized services

◆ Productivity Improvements to Reinforce Profitability

▪ **Restructure the core business system (planned completion: February 2006)**
Requires a low-risk and efficient administrative framework

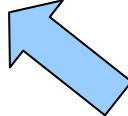
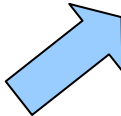
▪ **Build a real estate profit management system (planned completion: May 2006)**
Enhance monitoring of results against plans, and computer simulations

▪ **Revise the operations manual (implemented January 2006)**
Improved exchange of personnel and stable business execution

▪ **Change the organizational and personnel framework of the Real Estate Group (February 2006)**
Bolster operations by project

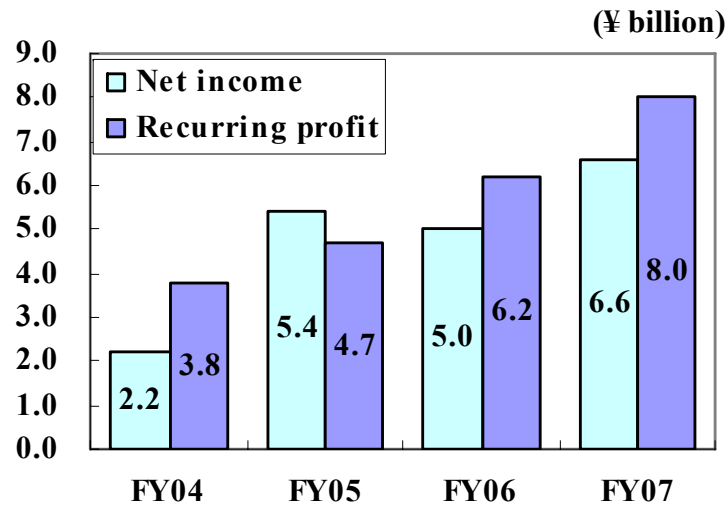
(1) Basic Revisions

Shoei is targeting net income of ¥6.6 billion and market capitalization of ¥150.0 billion



3S Challenge 45 + S21

Small Strong Speedy & Systematic



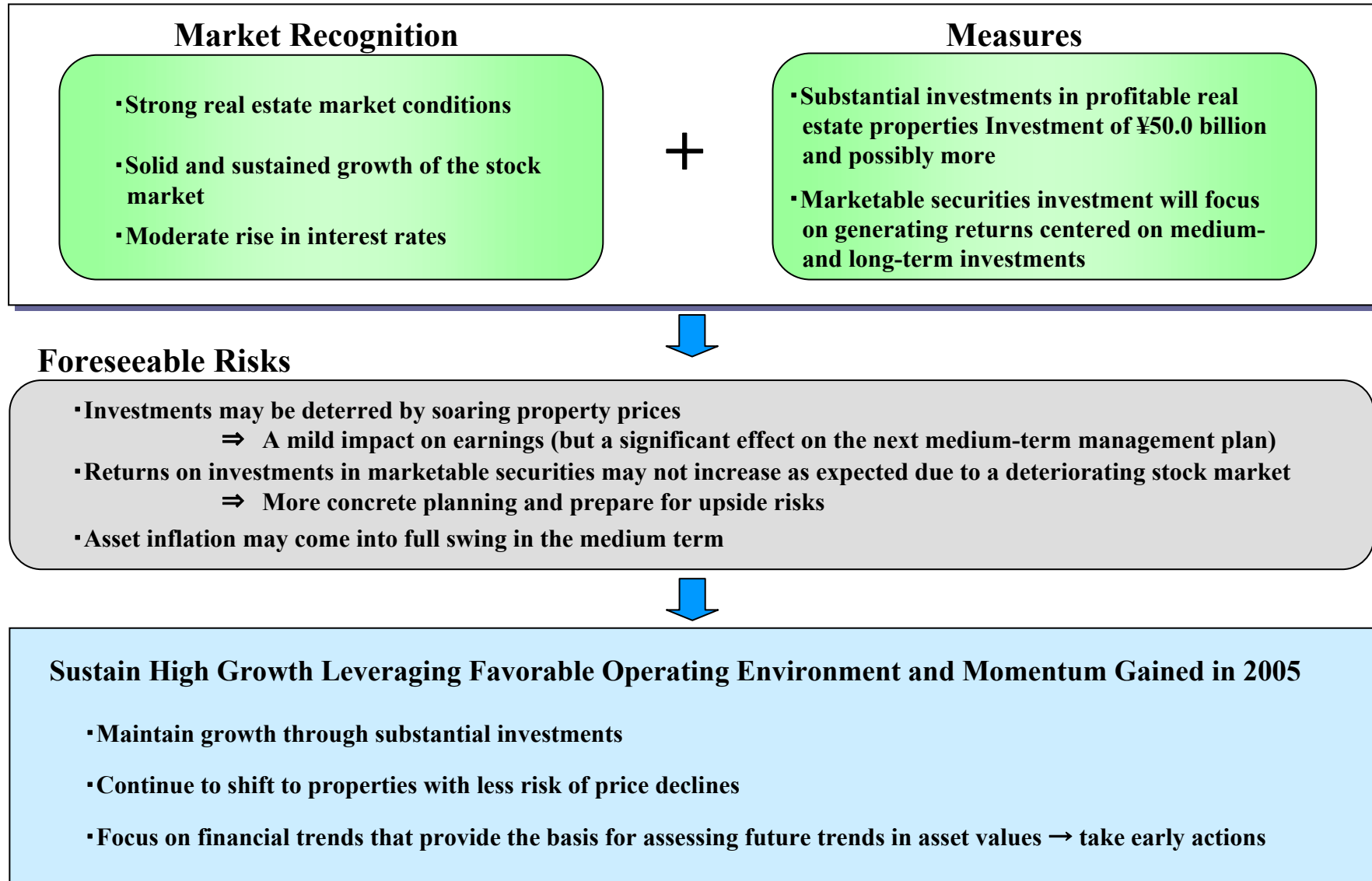
Advance to the Second Stage

- Cement a defensive position while staying on the offensive
- Generate earnings *and* build a stronger earnings base
- Maintain the positive cycle of increasing earnings while reinforcing equity

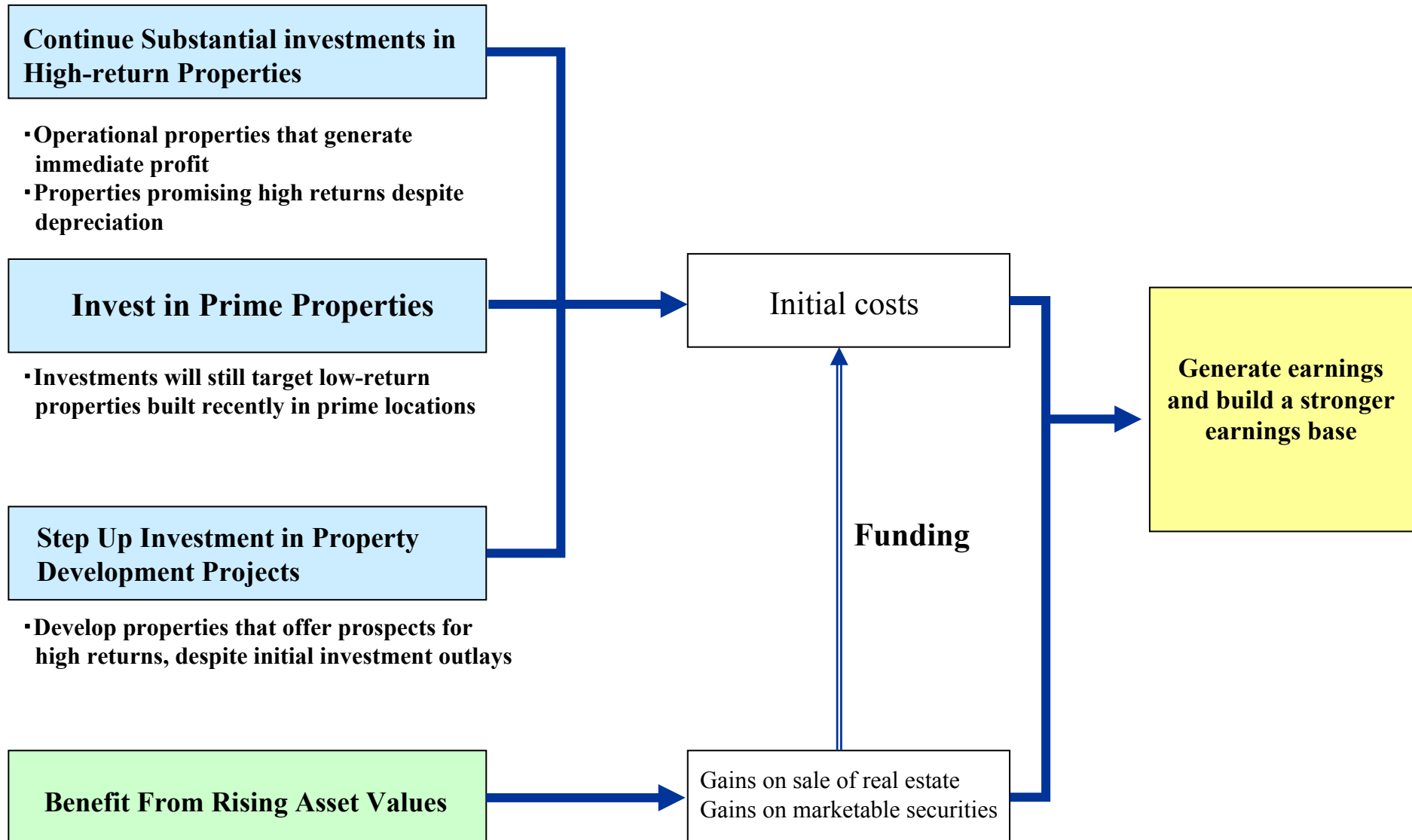
The Meaning of +S21

- Reinforce organizational strengths (systematic approach)
- Target an increase of ¥2.1 billion in net income
- Strive to triple the results of the previous medium-term management plan

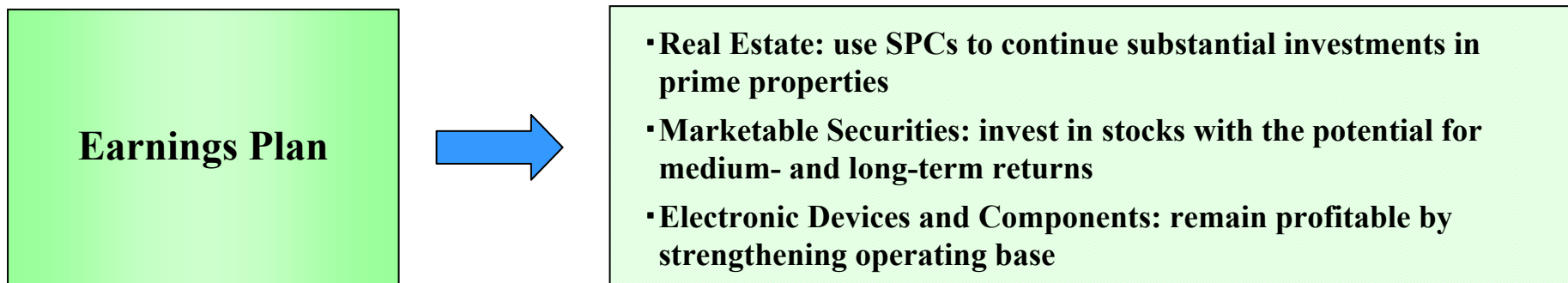
(2) Market Recognition and Issues Ahead



(3) Summary of Action Plan



(4) Earnings Forecasts



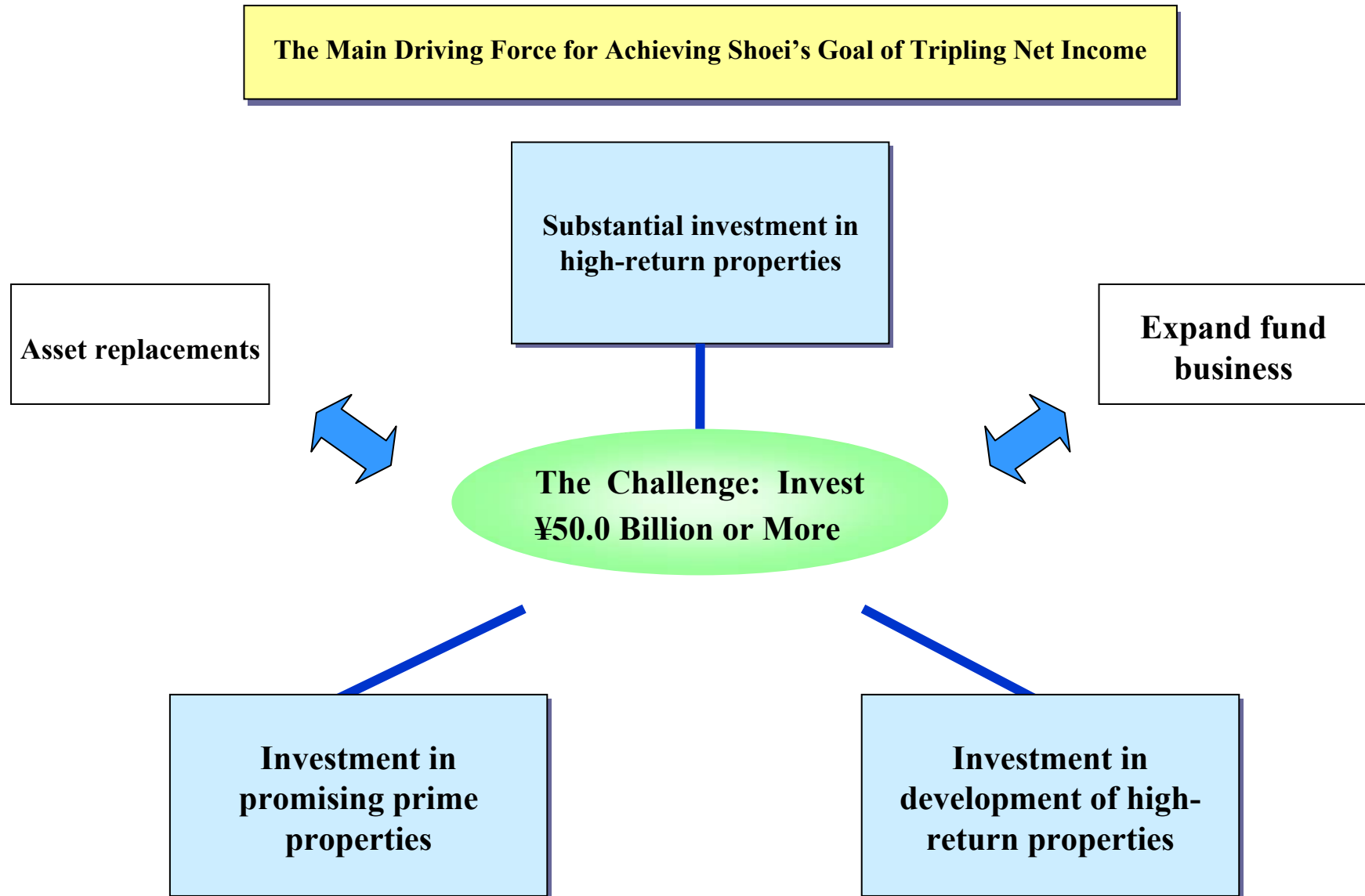
■ Consolidated Results/Forecasts (¥ million)

	2005/12	2006/12	Change
Operating revenues	16,664	19,000	2,336
Recurring profit	4,740	6,200	1,460
Net income	5,474	5,000	-474

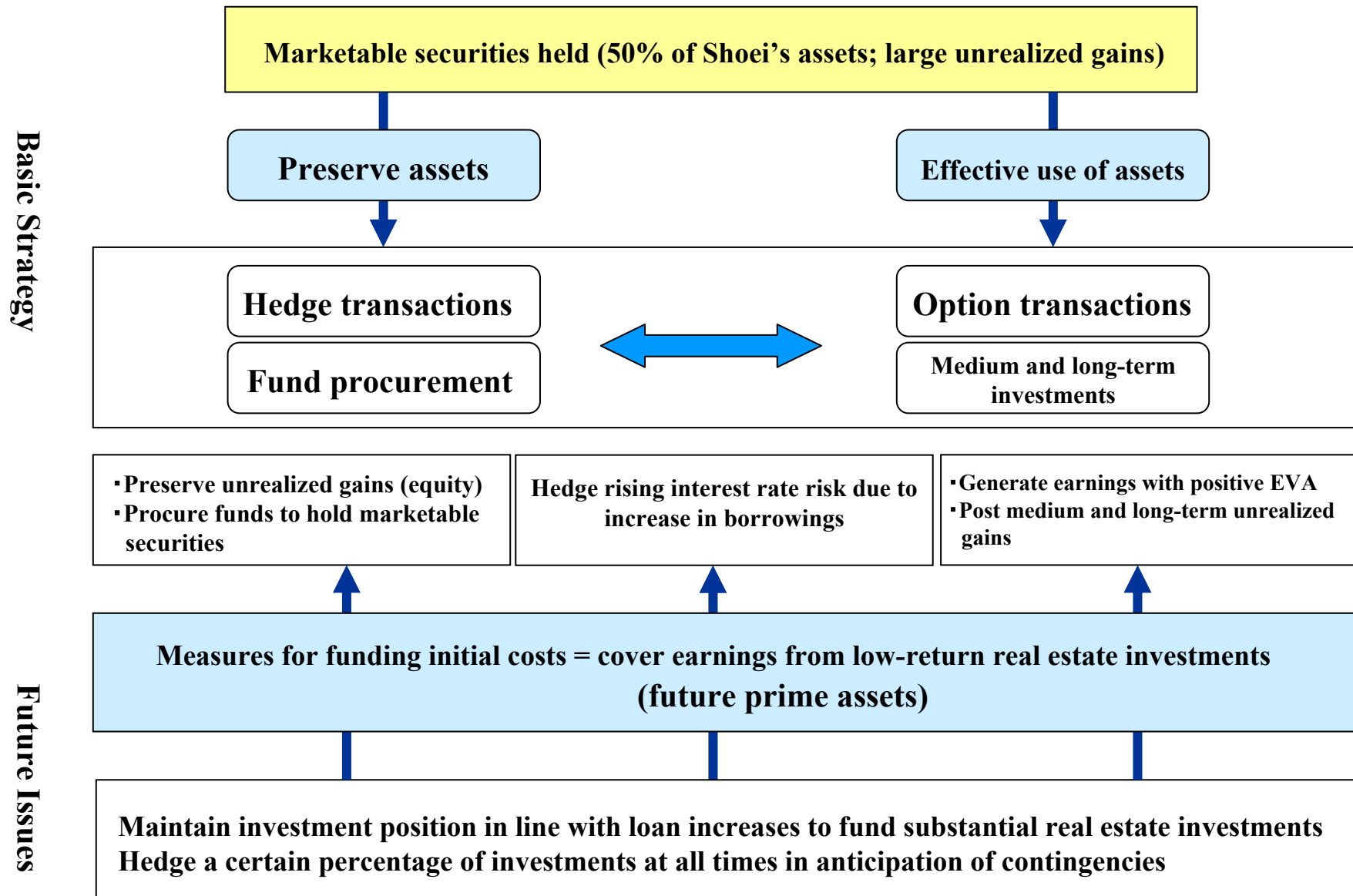
- Cumulative effects of real estate leasing investments implemented ahead of schedule
- Conservative estimation of gains on marketable securities

- Asset replacements positioned on track

(5) Real Estate Business



(6) Marketable Securities Investment



(7) Business Investment

Rebuild business portfolio

Electronic Devices and Components

Strive to become truly independent



◆ Pursue Growth Opportunities From Various Angles

- Streamline the internal control framework with a view to an IPO
- Form mutually beneficial alliances with other companies
- Obtain new core businesses through M&As
- Early development of strong-selling products

New Business

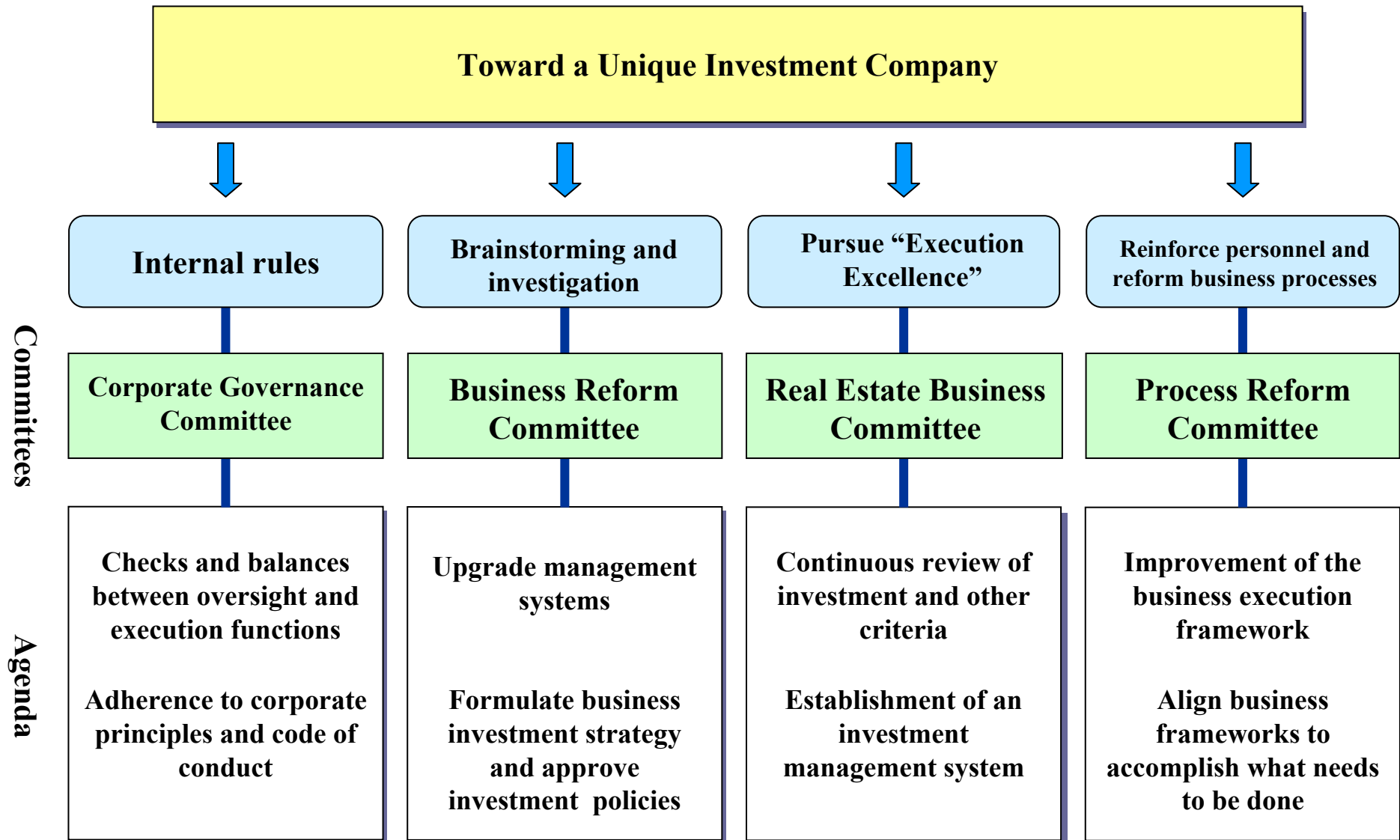
Early preparation and full-fledged launches



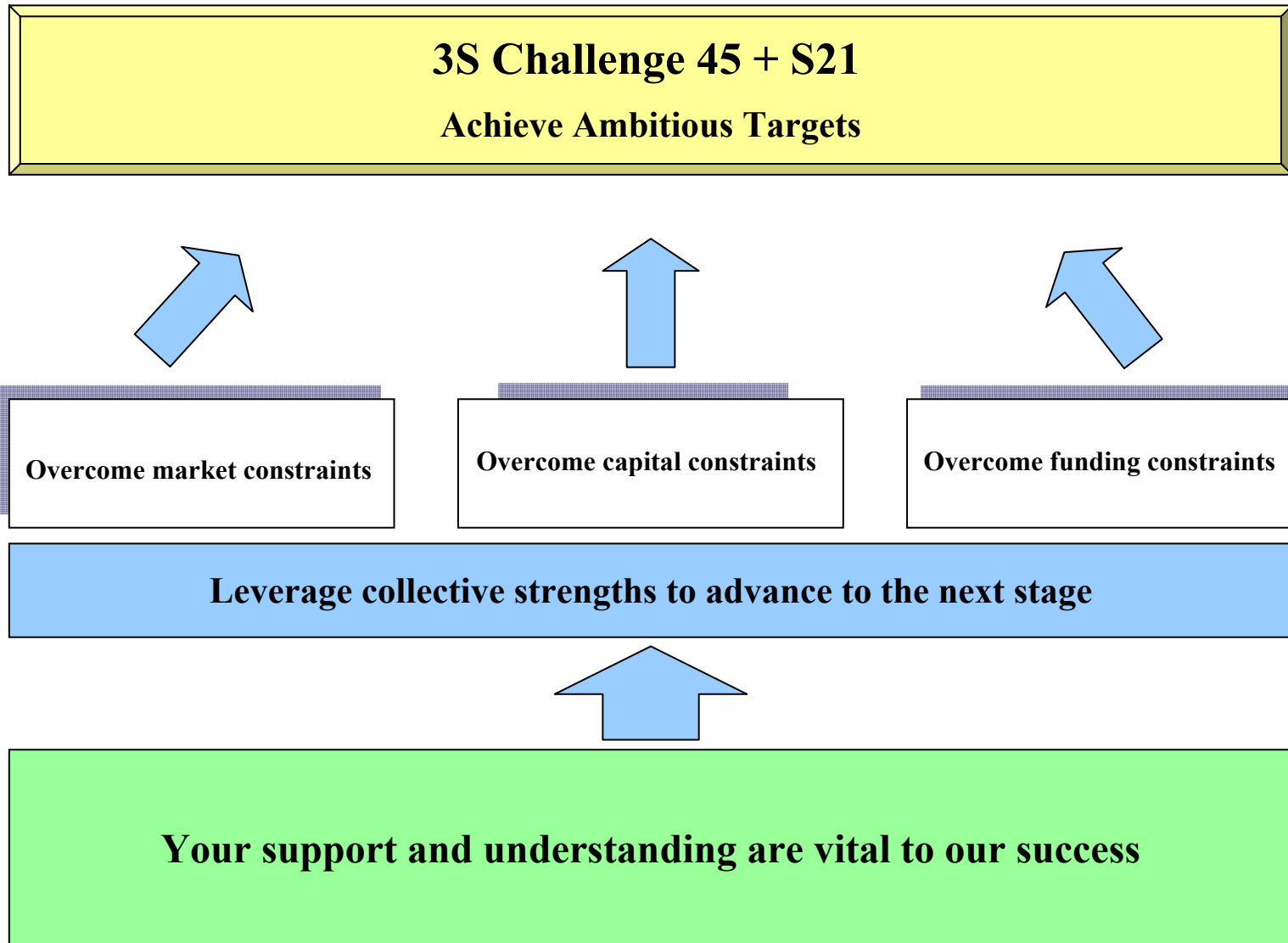
◆ Make a strategic move toward the next medium-term management plan

- Businesses small in scale but boasting high ROE
 - Promising growth businesses
 - Businesses with a high social significance
- #### ◆ Synergies with real estate investments
- Consider companies owning prime real estate regardless of business activities

(8) Framework



Conclusion



◆ For inquiries concerning this presentation, please contact:

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◆ Shoei's Website:

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

Forecasts of business results and other forecasts in this presentation are based on information available to management at the present time and are subject to inherent risks and uncertainties. Consequently, please be aware that actual results may differ materially from forecasts herein due to changes in various factors.