

Fiscal 2005 Interim Earnings Presentation

August 12, 2005

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

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President and CEO

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1. Fiscal 2005 First-Half Financial Highlights

(1) Overview of Results

Higher revenues and earnings compared with previous first- and second- half periods.



- Cumulative benefits of real estate investments
- Increase in gains on marketable securities
- Booked gains on asset replacements, while reform costs were low

◆ Consolidated Results

(¥ million)

	Fiscal 2004 First Half	Fiscal 2004 Second Half	Fiscal 2005 First Half	Year-on-year change (%)		Change vs. Fiscal 2004 Second Half (%)	
Operating revenues	6,700	6,314	6,770	70	1.0%	456	7.2%
Operating income	1,239	913	1,634	395	31.8%	721	78.9%
Recurring profit	2,212	1,589	2,581	369	16.6%	992	62.4%
Extraordinary gains	294	146	324	30	-	178	-
Extraordinary losses	-402	-57	-28	374	-	29	-
Net income	1,279	922	1,680	401	31.3%	758	82.2%

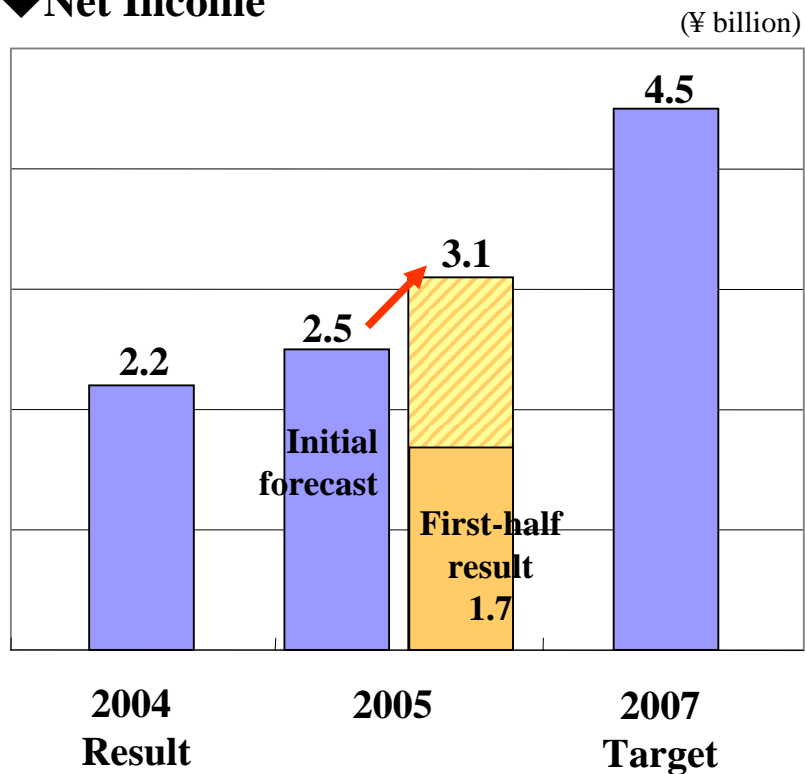
1. Fiscal 2005 First-Half Financial Highlights

(2) A Good Start to the New Medium-term Management Plan

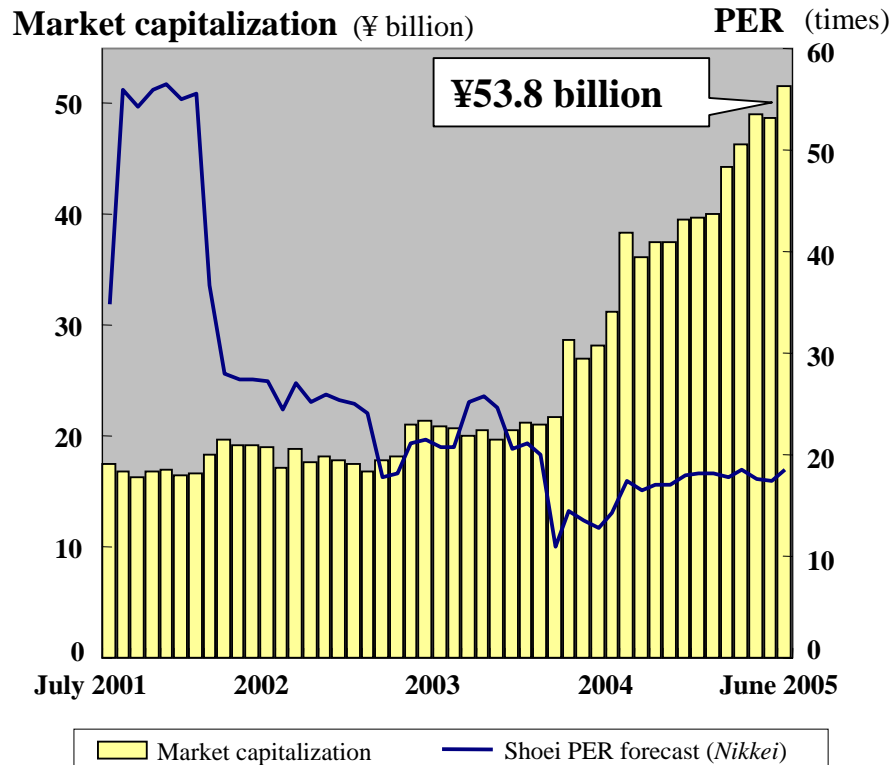
Raised net income forecast to ¥3.1 billion

Achieved market capitalization target six months later than planned

◆ **Net Income**



◆ **Market Capitalization**



(3) Taking on Challenges in a Difficult Environment

Real Estate

Inflows of capital from various funds are causing real estate prices to spiral upward (reducing returns on investments)



Marketable Securities

Declining earnings from option transactions due to lower stock market volatility



Draw on expertise to deliver higher earnings and build a stronger long-term earnings base

◆ Operating income and gains on marketable securities

(¥ million)

	Fiscal 2004 First Half	Fiscal 2004 Second Half	Fiscal 2005 First Half
Real Estate	1,036	1,205	1,587
Leasing	1,097	1,256	1,614
Sales	- 60	- 51	- 26
Marketable Securities	1,696	1,368	1,962

Achieved steady earnings growth through cumulative benefits of prior investments

Unable to reverse losses in the absence of newly completed properties

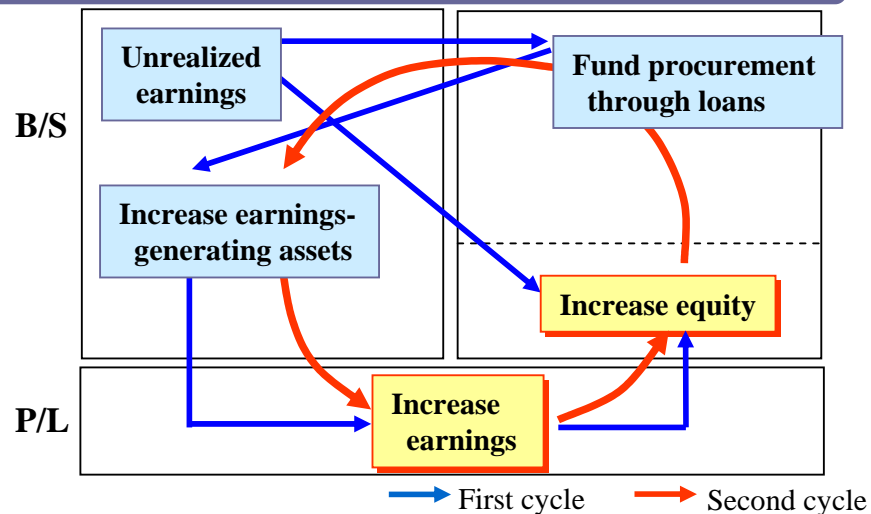
Despite low volatility, Shoei achieved higher unrealized gains and a recovery in investment returns

(4) Balanced Growth

Established a positive cycle for increasing earnings and equity,
with the aim of raising EPS to ¥100 and the dividend payout ratio to 30%

- ◆ Promoted the early conversion of the second series of convertible bonds
- ◆ Implemented measures to increase individual shareholder base

Announced ¥5 dividend increase (April)
Declared 1.1-for-1.0 stock split (June)



	December 31, 2003	June 30, 2004	December 31, 2004	June 30, 2005	
Shareholders' equity (¥ million)	28,846	35,975	39,291	43,069	
Shareholders' equity ratio (%)	29.7	30.5	30.5	29.0	(After stock split)
Number of shares issued (million of shares)	15.6	17.9	24.3	25.3	27.8
EPS (¥)	69.72	(interim) 77.54	99.66	(interim) 68.57	62.33
Shareholders' equity per share (¥)	1,841.27	2,006.34	1,612.70	1,698.21	1,543.82
Market capitalization (¥billion)	21.1	31.9	39.8	53.8	-

1. Fiscal 2005 First-Half Financial Highlights

(5) Consolidated Balance Sheets

(¥ billion)

		2004/12	2005/6	Change
Asset	Current assets	10.0	17.6	7.6
	Inventorie	5.9	7.4	1.5
	Fixed assets	118.7	130.7	12.0
	Property, plant and equipment	42.8	43.7	0.9
	Investment securities	61.4	67.1	5.7
	Investment in silent partnership	12.9	18.1	5.2
Total		128.7	148.3	19.6
Liabilities and shareholders' equity	Current liabilities	11.2	15.6	4.4
	Short-term borrowings	6.4	10.4	4.0
	Long-term liabilities	78.1	89.6	11.5
	Bonds and long-term borrowings	49.3	47.5	-1.8
	Long-term deposits	6.6	18.5	11.9
	Deferred tax	17.1	17.7	0.6
	Shareholders of equity	39.3	43.1	3.8
	Net unrealized gain available-for-sale	23.4	24.3	0.9
	Treasury stock	-0.3	-0.6	-0.3
	Total		128.7	148.3

Invested in five properties:
¥9.5 billion
Sold Shiba Daimon Center Building

Acquired medium to long-term growth stocks
Rising prices of marketable equity securities:
Canon stock price
¥5,530 → ¥5,840

Increase in debt in line with aggressive investments: ¥4.1 billion
Decrease in bonds due to conversion of bonds: ¥1.8 billion

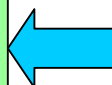
Increase in long-term deposits due to hedge transactions

2. Fiscal 2005 First-Half Segment Information

(1) Real Estate Business

▪ **Maintained earnings growth**

▪ **Began replacing assets, in addition to making substantial investments**



◆ **Properties acquired**

- Logi-partners Shounan Distribution Center (March)
- Jusco Yoshikawa (March)
- Office building in Fukuoka (special-purpose company investment; June)
- Office building in Nagoya (special-purpose company investment; June)

◆ **Properties sold**

- Shiba Daimon Center Building (June)

◆ **Results**

(¥ million)

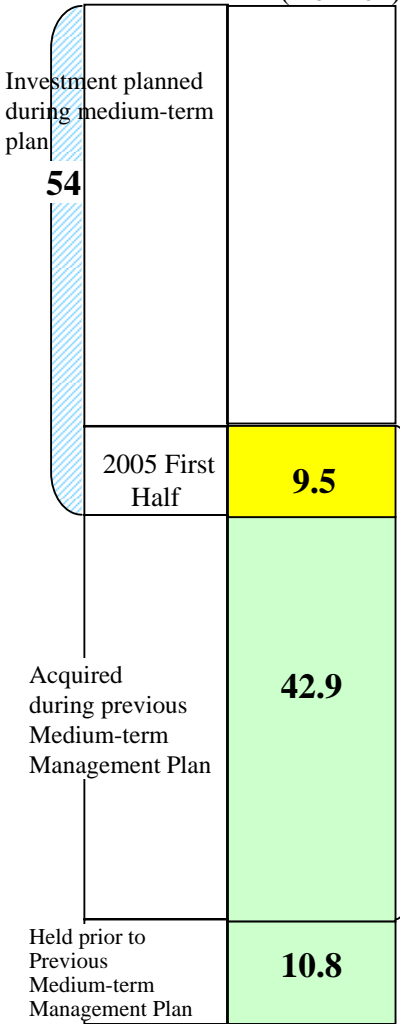
		Fiscal 2004 First Half	Fiscal 2004 Second Half	Fiscal 2005 First Half	Year-on-year change	Change vs. Fiscal 2004 Second Half
Operating revenues	Leasing	2,391	3,028	4,133	1,742	1,105
	Condominium sales	1,883	1,203	926	-957	-277
	Total	4,275	4,231	5,060	785	829
Operating income	Leasing	1,097	1,256	1,614	517	358
	Condominium sales	-60	-51	-26	34	25
	Total	1,036	1,205	1,587	551	382

2. Fiscal 2005 First-Half Segment Information

(2) Progress With Investments (Real Estate Business)

◆ **Investments**

(¥ billion)

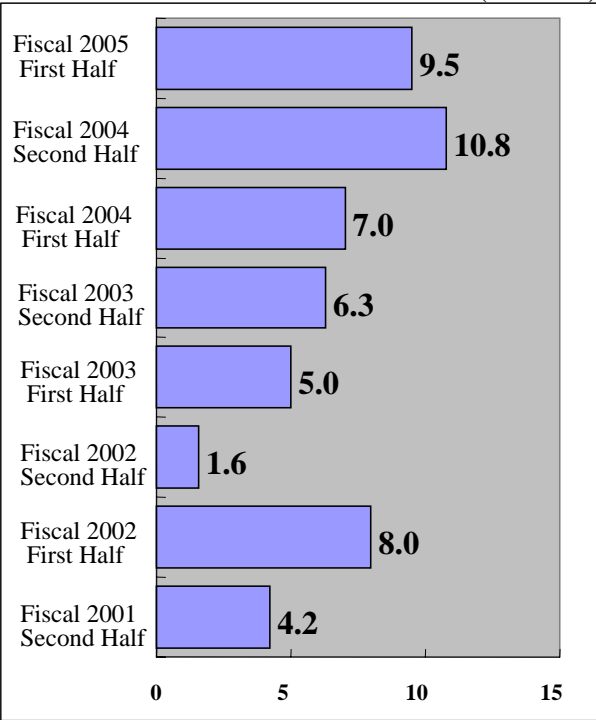


◆ **Substantial investments from the first fiscal year of medium-term plan**

- Fiscal 2005 first-half investments remained high on half-year basis
- Record-high investment planned for fiscal 2005 second half

◆ **Investments**

(¥ billion)



◆ **Extremely High Occupancy**

Vacancy Rate (%)

	04/12	05/6	Change
Shoei	2.05	0.28	- 1.77
Entire market*	6.10	5.03	- 1.07

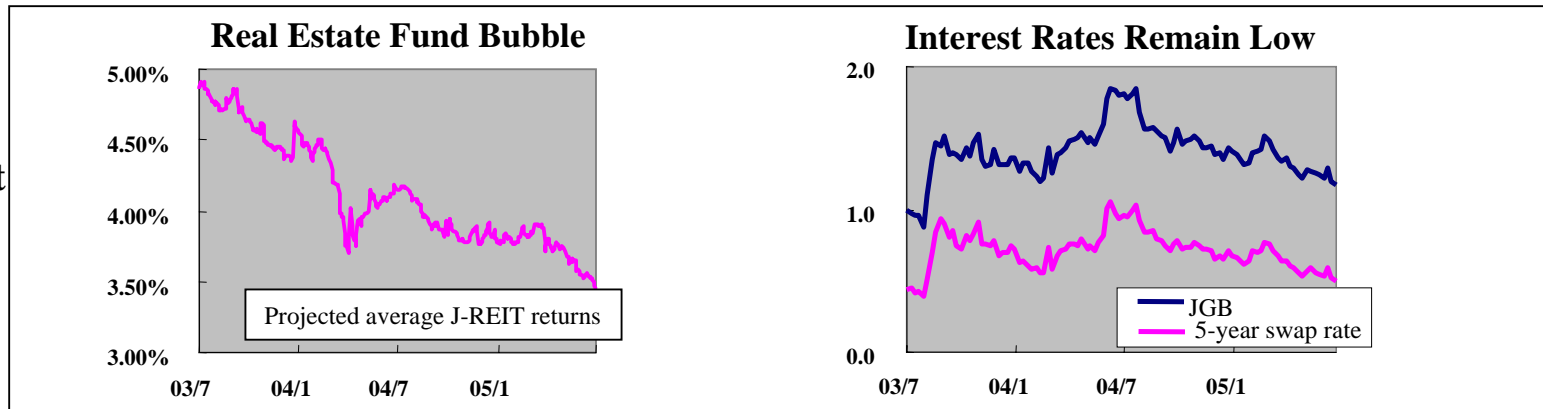
*Market statistics compiled from five wards in central Tokyo (Chiyoda, Chuo, Shinjuku, Minato, and Shibuya) (Source: MIKI OFFICE REPORT)

Maintained high occupancy rate and rents through tenant sales activities and measures to add value to properties

◆ **Rents for existing properties remain largely the same as the previous fiscal year's level.**

(3) Responding to Adversity (Real Estate Business)

Environment



Investment Policy

- ◆ **Continue to invest in highly profitable properties**
 - Office buildings in major regional cities
 - Real estate development projects, such as warehouses

- ◆ **Ease profitability criteria for prime properties with asset value**
 - Newly constructed properties
 - Prime location

Response

- Reinforce development skills**
- ◆ **Actively take on development projects using network of partners**

- Financial response**
- ◆ **Make use of the ultra-low interest environment**
 - Actively use non-recourse loans
 - ◆ **Adjust risk-return profile through debt repayment schedules**
 - Leverage the advantages of newly constructed properties

(4) Real Estate Topics

◆ Shoei Fund No. 1 Begins Operations

- Enter and bolster fee-based operations to improve ROE
- Aiming to be a real estate company able to offer a comprehensive range of functions



<Overview of Shoei Fund No. 1>

Total value: Approx. ¥8.4 billion

Properties:

Three prime office buildings in Tokyo

Period: Five years

Investment start: June 2005

Projected return:

approximately 8.5%

◆ Reinforced real estate management framework

- Established the Property Management Division to respond to the increase in properties under management
- Properties under management
FY01/1H: 9 properties
(Start of prior medium-term plan)
→ FY05/1H: 26 properties



- Improve quality of property management by strengthening management skills
- Implement planned property investments and renovations to maintain and increase the value of properties
- Improve the profitability of property holdings.

◆ Shifted resources to real estate development operations

- Shifted emphasis of real estate development/sales business from sales to the development of properties for leasing



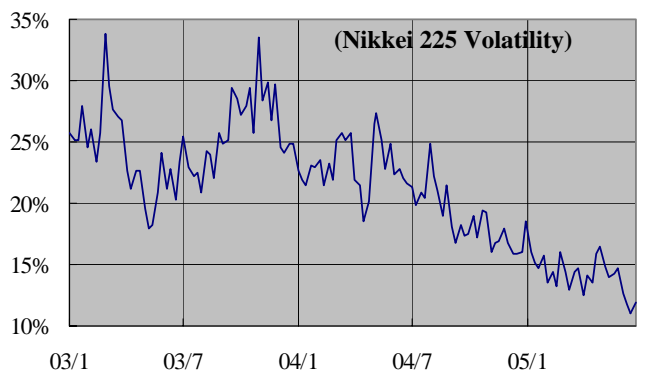
- Limit real estate sales to the following projects under development and carefully chosen, quality projects for which sales of all units are expected

<Projects under development>

- Rendre Shinyurigaoka (July 2005)
- Dynacity Ochanomizu (September 2005)
- Brillia Tower Tokyo (June 2006)
- Rendre Asakusa (September 2006)
- Capital Mark Tower (December 2007)

(5) Marketable Securities Investment Business (Environment and Results)

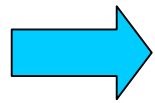
◆ Volatility continues to decrease



◆ Downturn in premium income from option transactions

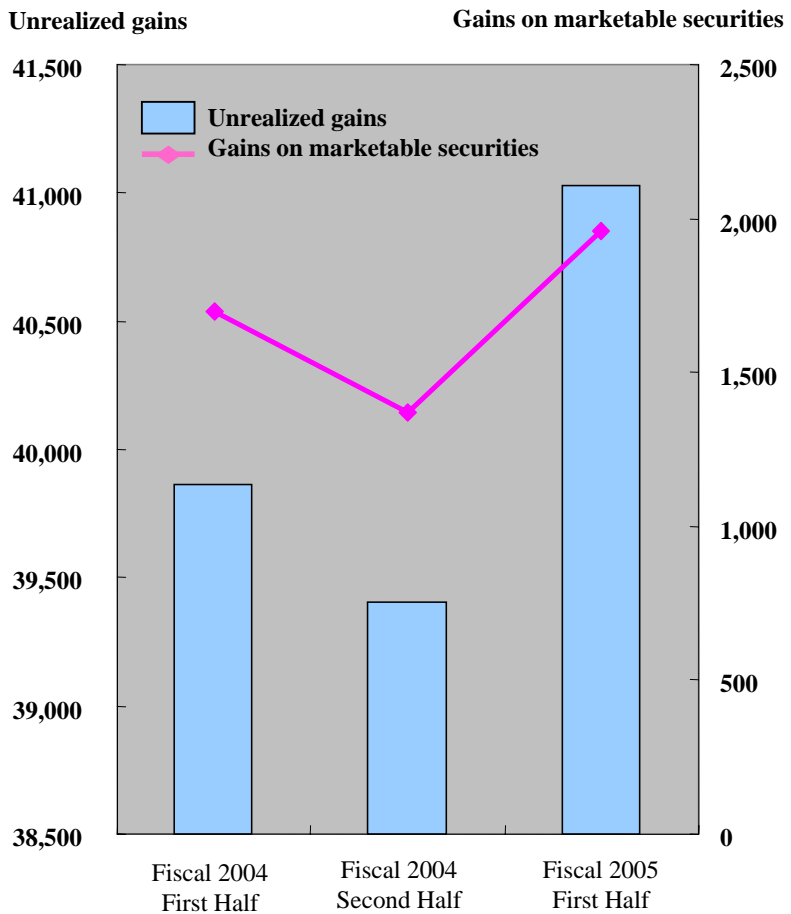
(¥ million)

	Fiscal 2004 First Half	Fiscal 2004 Second Half	Fiscal 2005 First Half
Gains on marketable securities	1,696	1,368	1,962
Premiums	848	506	331



◆ Gains on marketable securities

(¥ million)



2. Fiscal 2005 First-Half Segment Information

(6) Marketable Securities Investment Business (Concrete Measures)

Shifted to investments in underpriced stocks with good prospects for medium- and long-term price appreciation



Stronger-than-expected performance compared with trend in gain on marketable securities. Plan to reduce gain in the second half

◆ Portfolio Balance

(¥ million)

	Available for sale	Non-available for sale
Options	A Fair Value 17,765 Book value 12,746	B Fair Value 36,214 Book value 4,858
No options	C Fair Value 2,027 Book value 1,679	D Fair Value 4,101 Book value 1,422



As of June 30, 2005

(¥ million)

	Available for sale	Non-available for sale
Options	A Fair Value 16,832 Book value 12,631	B Fair Value 38,292 Book value 5,433
No options	C Fair Value 4,901 Book value 4,187	D Fair Value 4,678 Book value 1,422

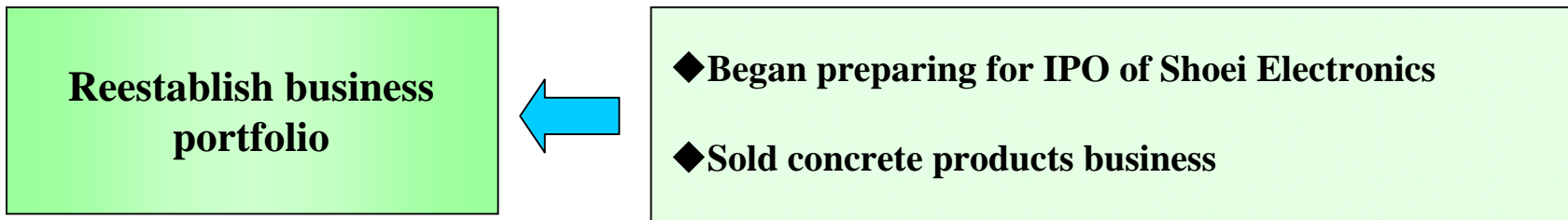
(¥ million)

	Fiscal 2004 First Half	Fiscal 2004 Second Half	Fiscal 2005 First Half
Fair value	59,342	61,439	67,023
Book value	19,478	22,035	25,993
Unrealized gains	39,863	39,403	41,029
Gains on marketable securities	1,696	1,368	1,962
Return on Fair value	6.49%	4.67%	6.31%
Return on Book value	22.10%	14.23%	18.91%

(¥)

	June 30, 2004	December 31, 2004	June 30, 2005
Nikkei 225	11,858	11,489	11,584
Canon Share Price	5,750	5,530	5,840

(7) Business Investments



◆ Actions

Concrete products business

Sold Iwate Hume Pipe Manufacturing Co., Ltd. to Shiomi Holdings Co., Ltd., a company listed on the Second Section of the Osaka Securities Exchange. Shoei sold 51.0% of all outstanding shares in Iwate Hume Pipe as of March 28 and plans to sell all remaining shares by December 20.

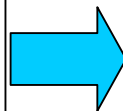
Issues prior to sale of shares

▪ Contracting market

Contracting concrete products market in the Tohoku region due to a reduction in public works projects

▪ Lack of synergy

Lacked effective support measures to drive growth in Iwate Hume Pipe's businesses



Benefits after sale of shares

▪ Iwate Hume Pipe Manufacturing Co., Ltd.

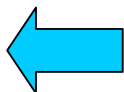
Good prospects for further growth in sales and operations through synergies with various Shiomi group companies

▪ Shoei

Able to reestablish business portfolio

(8) Electronic Devices and Components Business

Operating results are improving, albeit slowly



◆ PAS capacitors

The worst of the downturn in demand for this product has passed, but the recovery remains weak

◆ Higher costs due to amortization of marketing rights associated with operations acquired from Kanebo, Ltd. in the second half of 2004

◆ Results

(¥ million)

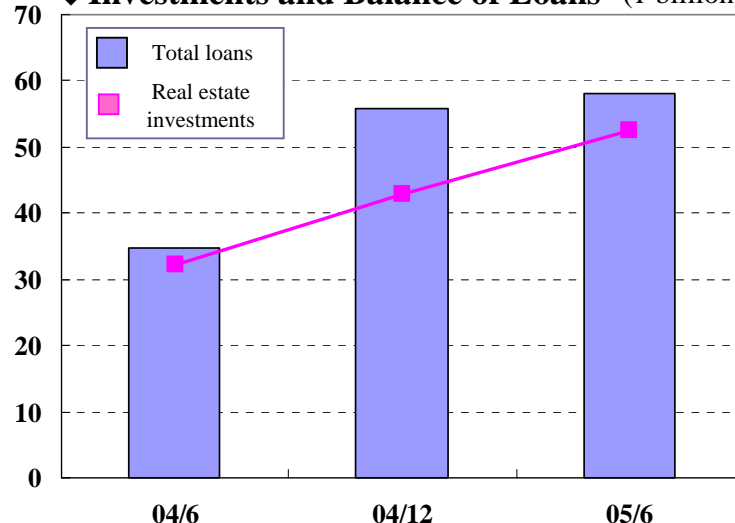
	Fiscal 2004 First Half	Fiscal 2004 Second Half	Fiscal 2005 First Half	Year-on-year change	Change vs. Fiscal 2004 Second Half
Operating revenues	1,210	1,089	1,238	28	149
Operating income before R&D costs	213	16	57	-156	41
R&D costs	-69	-42	-36	33	6
Operating (loss) income	144	-25	20	-124	45

3. Fiscal 2005 First-Half Infrastructure Enhancements

(1) Fund Procurement and Collateral Use

- ◆ Increase in borrowings to fund higher real estate investments
- ◆ 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
- ◆ Shoei has ample reserve collateral

◆ Investments and Balance of Loans (¥ billion)



◆ Financial Benchmarks

	Benchmark	2004/12	2005/6
Equity ratio	25.0%	30.5%	29.0%
D-E ratio	-	1.40	1.19
Average debt repayment period (years)	15	10	6.8

D-E ratio = net interest bearing debt/shareholders' equity
 Average debt repayment period (years) = net interest bearing debt/(business income after interest payments + depreciation and amortization)

*Annualized figure

◆ Reserve Collateral as of June 30, 2005 (¥ billion)

	Equity securities	Real estate	Total
Fair value of holdings	64.8	62.2*	127
Amount pledged as collateral	28.8	42.2**	71
Reserve collateral	36	20	56

*Appraised values

**Pledged amount

(2) Main Points of Comprehensive Risk Management

Maintain high levels of investment, as investment returns decline



Increasing financial risks

Interest rate risk

Refinance risk



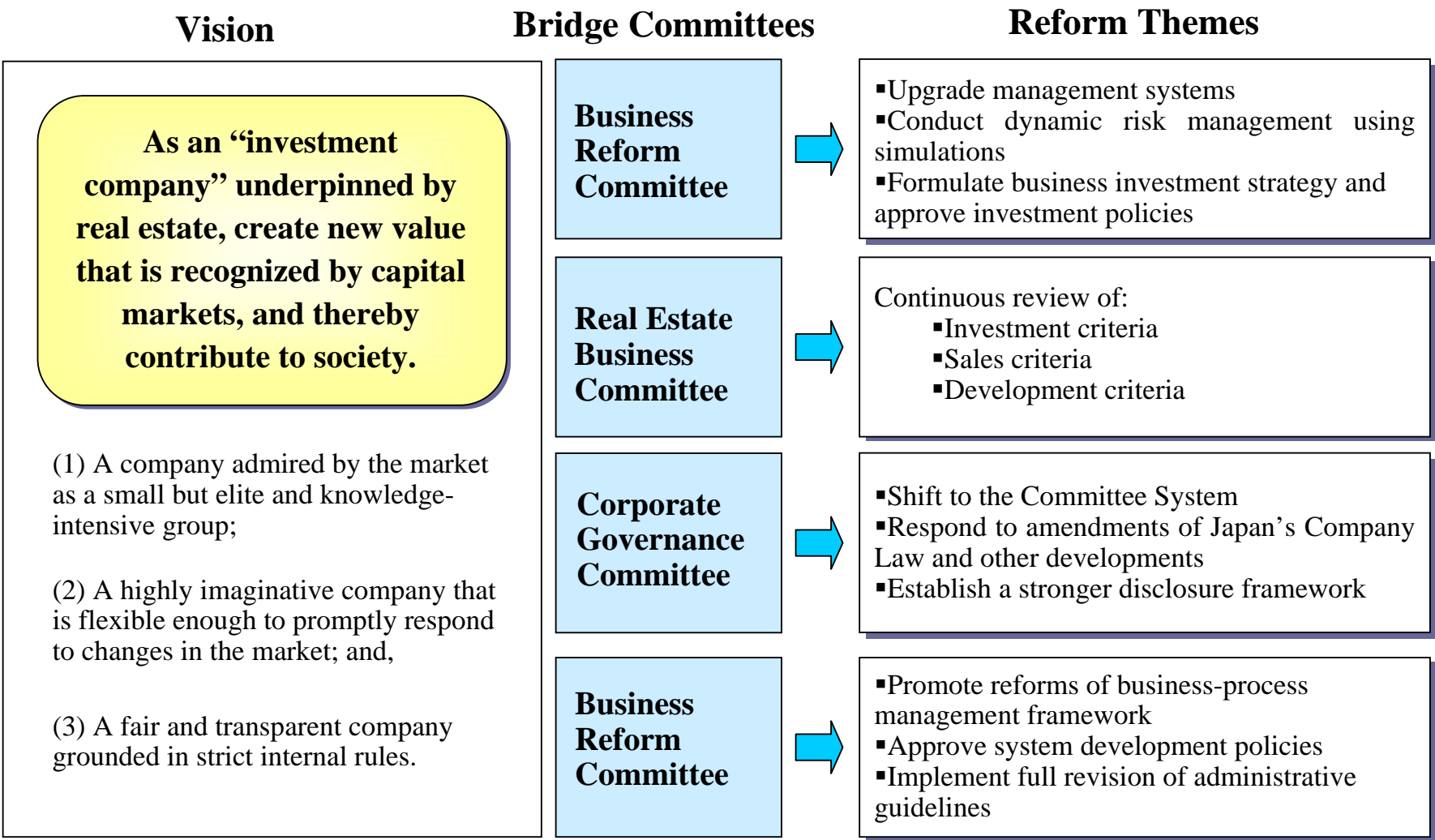
▪ Hedge interest rate risk using stockholdings

▪ Steadily increase equity
▪ Use cash flows to steadily repay debt



Comprehensive Risk Management

(3) Continue Steady Management Reforms



(4) Shoei Selected as Component of Corporate Governance Fund

Shoei was selected as a component of the Corporate Governance Fund by the Pension Fund Association for excellent corporate governance.

<Fund overview>

▪Established in 2004

Comprising a total of 53 companies, the fund saw 43 companies selected for inclusion in 2004, followed by 10 more companies so far this year.

<Evaluation criteria>

▪Evaluations focus on whether corporate governance systems function effectively on a practical level, going beyond merely checking for formal governance structures.

▪Main Evaluation Criteria

Management focused on shareholder value

Separation of execution and supervision

Independence of outside directors and effectiveness

CEO leadership

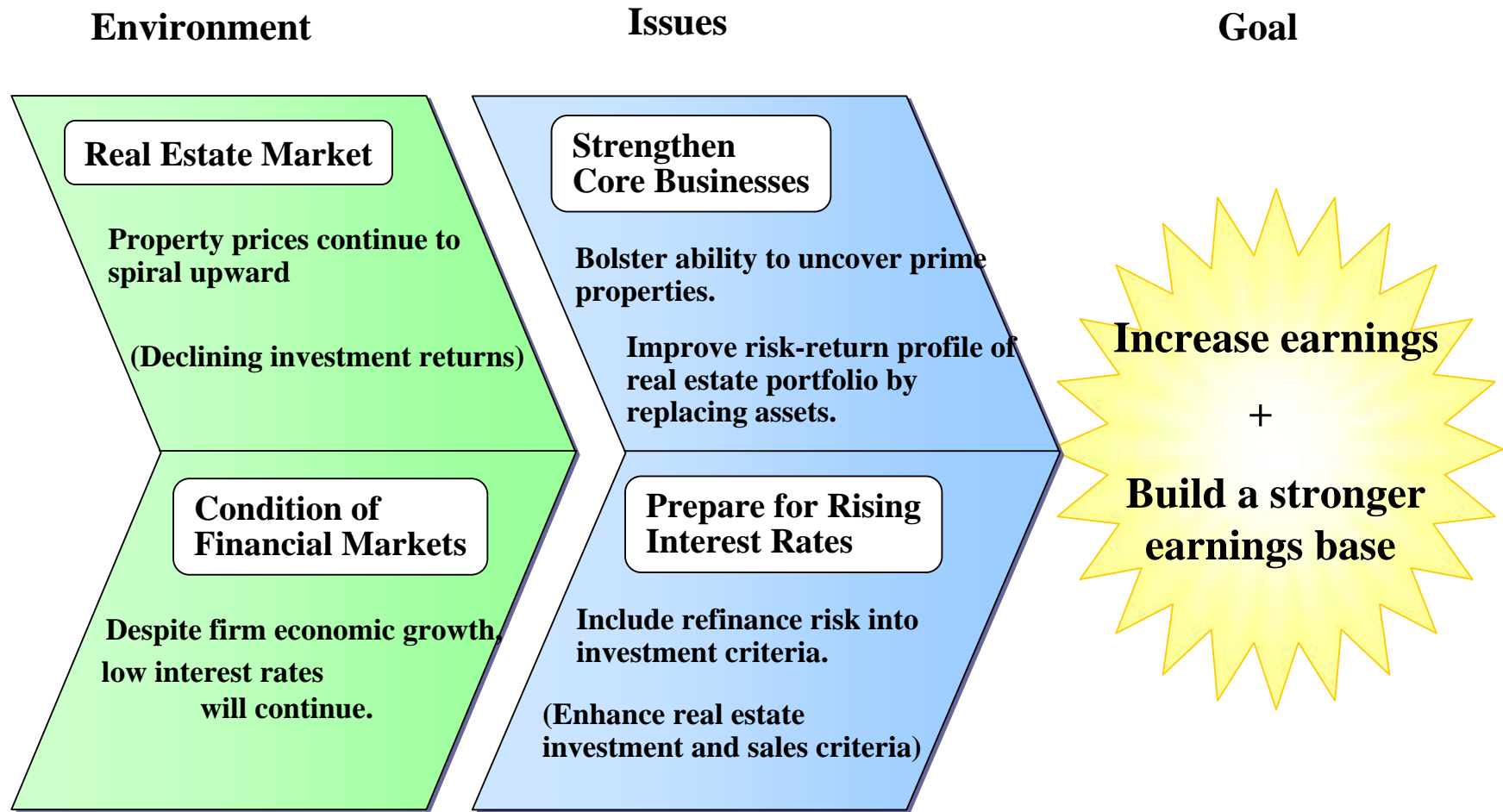
Responsible IR framework

Timely and quality disclosure

Remuneration system for directors

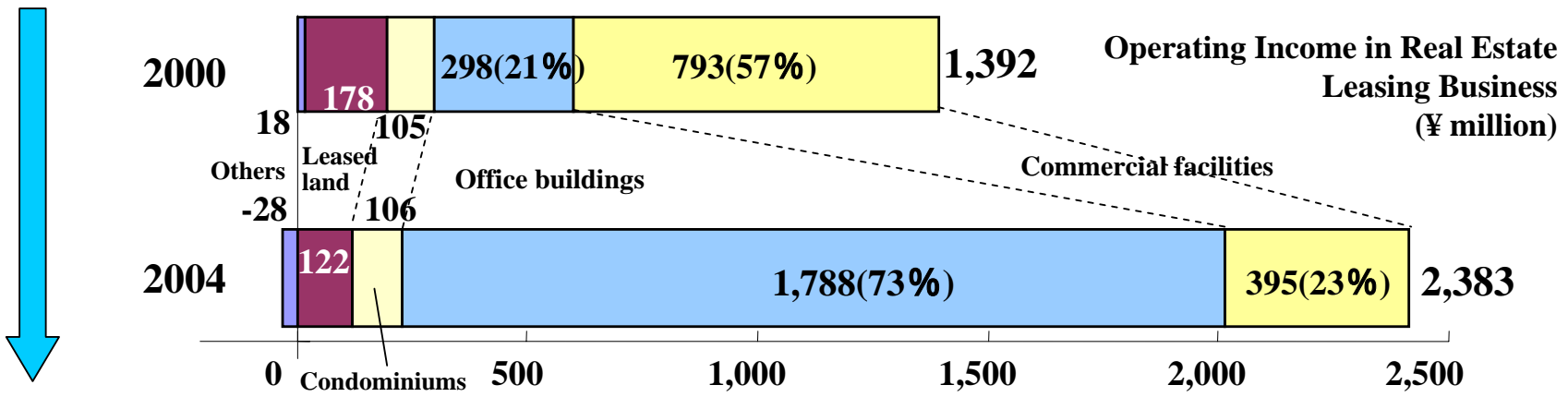
Establishment of compliance structure

(1) Business Environment and Issues

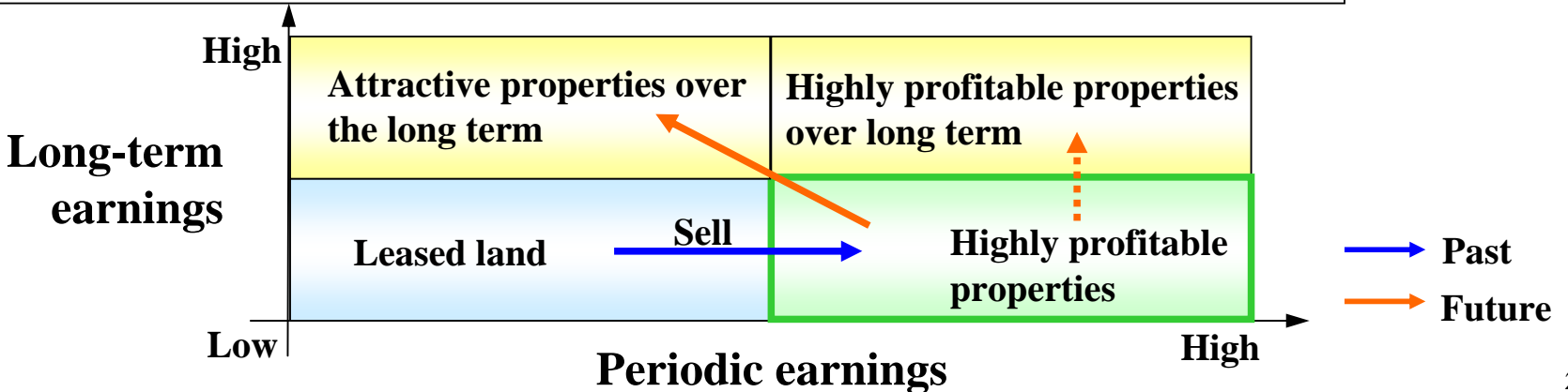


(2) Began Full-Fledged Drive to Replace Assets in Real Estate Portfolio

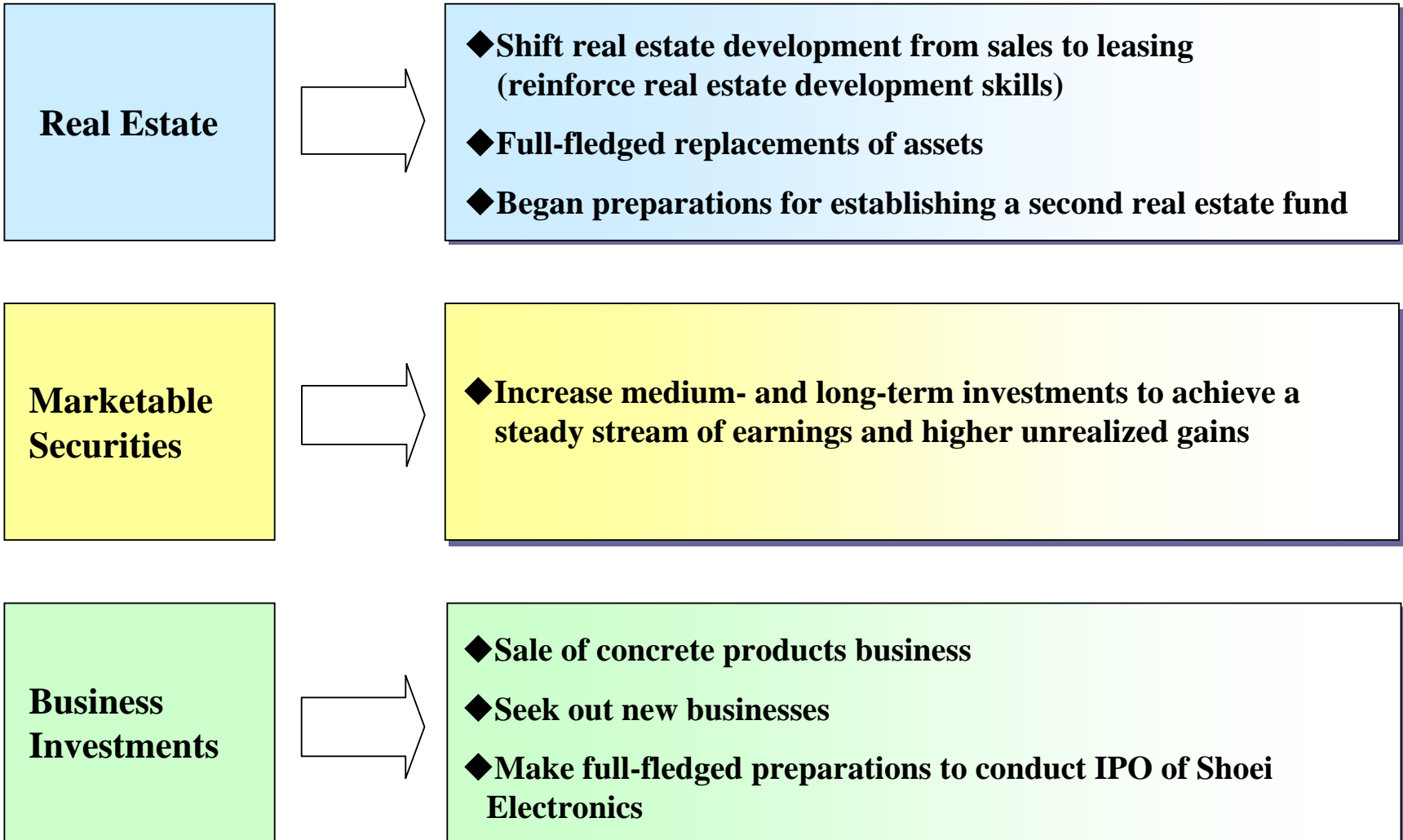
So far, Shoei has built up an asset base centered on office buildings.



Moving forward, Shoei will replace assets to establish a portfolio that balances short and long-term returns.



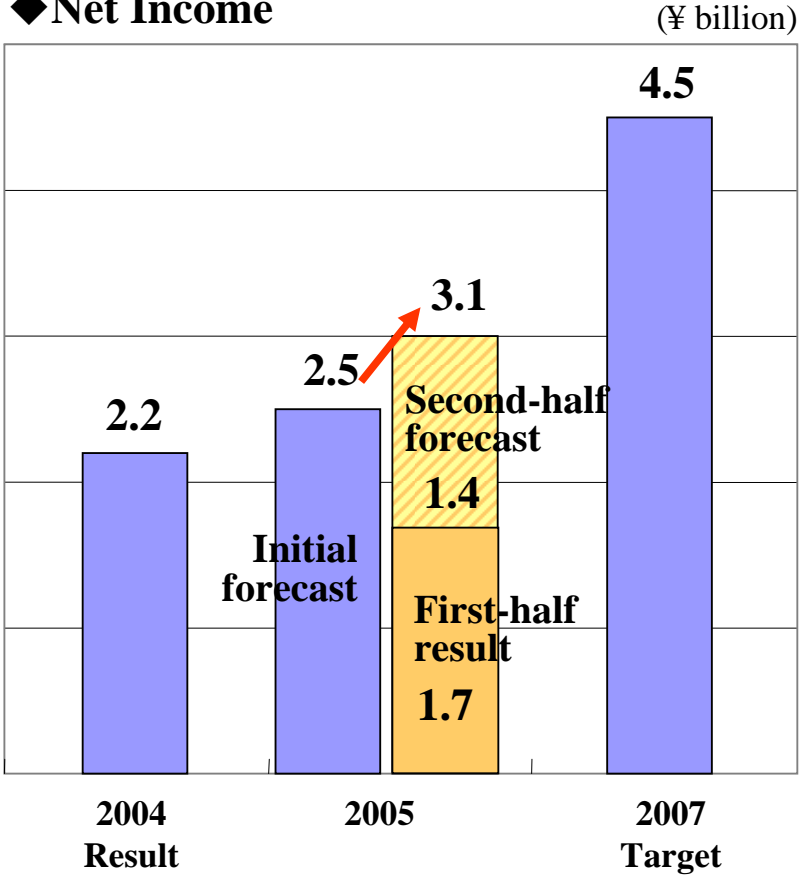
(3) Other Measures to Reshape Business Portfolio



(4) Earnings Forecasts

Net income of ¥3.1 billion is an essential target

◆ Net Income



Second-half net income is projected to decline compared to first half.
Positive factors behind earnings will be outweighed by negative factors.

◆ Negative factors

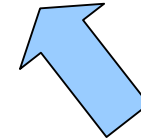
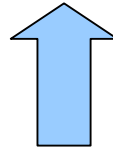
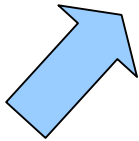
- Marketable securities investments are projected conservatively
- Decrease in gain on sales of property, plant and equipment
- Higher initial costs accompanying increase in real estate investment properties

◆ Positive factors

- Full year of operations of properties for leasing purchased in the first half of 2005
- Completion of two real estate properties for sale

Conclusion

3S Challenge 45 **Achieve ambitious targets**

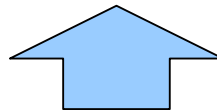


**Overcome
market constraints**

**Overcome
capital constraints**

**Overcome
funding constraints**

Leverage collective strengths to advance to next stage



Your support and understanding are vital to our success

For inquiries concerning this presentation, please contact:

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