

Fiscal 2006 Earnings Presentation

February 8, 2007

Shoei Co., Ltd.

(Stock Code: 3003)

Kenji Watanabe
President and CEO

1. Fiscal 2006 Financial Highlights

2. Fiscal 2006 Segment Information

3. Fiscal 2006 Infrastructure Enhancements

4. Fiscal 2007 Plan

(1) Overview of Results

Operating income and recurring profit were both substantially higher than the previous fiscal year.

Net income rose, even without large-scale asset sales.

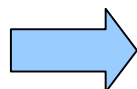
■ Consolidated Results

(¥ million)

	Fiscal 2005	Fiscal 2006	Change	% change
Operating revenues	16,664	24,256	7,592	45.6%
Operating income	2,912	7,544	4,632	159.1%
Recurring profit	4,740	8,113	3,373	71.2%
Extraordinary gains	5,731	585	-5,145	-
Extraordinary losses	-1,155	-128	1,027	-
Net income	5,474	5,580	105	1.9%

(2) Segment Earnings

Operating income and recurring profit rose in all three business segments



Operating income, recurring profit and pre-tax profit were positive for all three business segments

The real estate segment achieved substantial growth in operating income and recurring profit; recurring profit and pre-tax profit in this segment exceeded the marketable securities segment for the first time

(¥ million)

		Real Estate	Marketable Securities	Business Investment	Head Office and other expenses	Total
Operating income	FY2005	3,240	715	13	-1,057	2,912
	FY2006	7,212	1,166	180	-1,015	7,544
Other income	FY2005	-983	3,063	-29	-223	1,828
	FY2006	-1,825	3,027	37	-669	569
Recurring profit	FY2005	2,257	3,778	-16	-1,279	4,740
	FY2006	5,387	4,194	217	-1,685	8,113
Extraordinary gains and losses	FY2005	5,637	-3	-	-1,057	4,577
	FY2006	554	-	-	-96	458
Pre-tax segment profit	FY2005	7,894	3,775	-16	-2,336	9,317
	FY2006	5,941	4,194	217	-1,781	8,571

(3) Consolidated Balance Sheets

		(¥ billion)		
		2005/12	2006/12	Change
Assets	Current assets	21.7	34.1	12.4
	Inventories	4.6	14.2	9.6
	Fixed assets	172.8	219.2	46.4
	Property, plant and equipment	51.4	100.3	48.9
	Investment securities	90.5	107.2	16.7
	Investment in silent partnerships	29.0	9.0	-20.0
	Total	194.5	253.3	58.8
Liabilities and equity	Current liabilities	20.9	22.7	1.8
	Short-term borrowings	12.0	11.0	-1.0
	(Non-recourse loans)	(-)	-0.5	0.5
	Long-term liabilities	111.4	166.9	55.5
	Bonds and long-term debt	56.7	100.8	44.1
	(Non-recourse loans)	(-)	-28.0	-28.0
	Long-term deposits	24.2	35.9	11.7
	Deferred tax liabilities	24.0	21.7	-2.3
	Equity	62.1	63.5	1.4
	Net unrealized gain on available-for-sale securities	32.1	28.8	-3.3
Treasury stock	-1.0	-1.2	-0.2	
	Total	194.5	253.3	58.8

Transfer to inventories in line with asset replacement policy: ¥11.6 billion

Impact of consolidating 5 SPC (special-purpose companies)

Assets balance: +¥30.9 billion

	2005/12	2006/12
Real estate:	¥83.9 billion	¥130.5 billion
Marketable securities:	¥90.5 billion	¥106.4 billion
Non-recourse loans:	¥28.5 billion	

No progress in conversion of convertible bonds

	2005/12	2006/12
Canon:	¥ 4,600	¥ 6,700
Mizuho FG:	¥ 936,000	¥ 850,000
Nikkei average:	¥ 16,111	¥ 17,226

(4) SPC Consolidation

◆ Background to SPC consolidation

Accounting Standards Committee

Now formulating disclosure standards; next step will concern consolidation

Shoei's response

Proactive disclosure is Shoei's basic policy
Make cautious decisions about consolidation, also considering non-recourse loans and bankruptcy remoteness



With some opinions being expressed by auditing firms about fairness of consolidation, decide about consolidation after repeated deliberation

	(¥ million)		
	Previous accounting	After SPC consolidation	Impact (change)
Operating revenues	22,011	24,256	2,244
Operating income	6,694	7,544	849
Recurring profit	8,338	8,113	-224
Net income	5,713	5,580	-133
Liabilities	158,579	189,768	31,188
Net assets	63,828	63,576	-251
Total assets	222,408	253,345	30,937

◆ Properties targeted for SPC consolidation

- Yokohama Asahi Building
- Kintetsu Omori Building
- Kearny Place Hakata
- Leaf Minato Mirai
- Kawasaki Ukishima Logistics Center (provisional name)

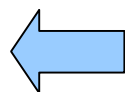
Increase in period earnings due to SPC consolidation of ¥181 million
— One-time charge for SPC deferred assets of ¥406 million

Non-recourse loans: ¥28.5 billion

SPC total assets of ¥52.2 billion
— Investment of ¥20.7 billion, etc.

(1) Real Estate Business

**Increase in revenues
and earnings**



- ◆ Cumulative benefits of investments
- ◆ Gain on redemption of real estate fund
- ◆ Increased earnings due to SPC consolidation
- ◆ Contribution of completed construction of condominiums

■ Results

(¥ million)

		2005/12	2006/12	Year-on-year change
Operating revenues	Leasing	8,538	11,033	2,495
	Condominium sales	4,666	6,345	1,679
	Fund redemption gain	-	1,086	1,086
	Total	13,204	18,465	5,260
Operating income	Leasing	3,112	5,626	2,514
	Condominium sales	127	500	372
	Fund redemption gain	-	1,086	1,086
	Total	3,240	7,212	3,972

Note: SPC portion included in leasing.

■ Actions

◆ Substantial investments:

- Fureai Yokohama Medical Center Building (May 2006)
- Toyoko Inn Naha Mie-bashi-eki (August 2006)
- Shinjuku Island Tower (September 2006)
- Sakurashinmachi Building (September 2006)
- Aqua Town Nayabashi (November 2006)

◆ Asset replacement:

- Yoshikawa Shopping Center (March 2006)

◆ Condominium sales:

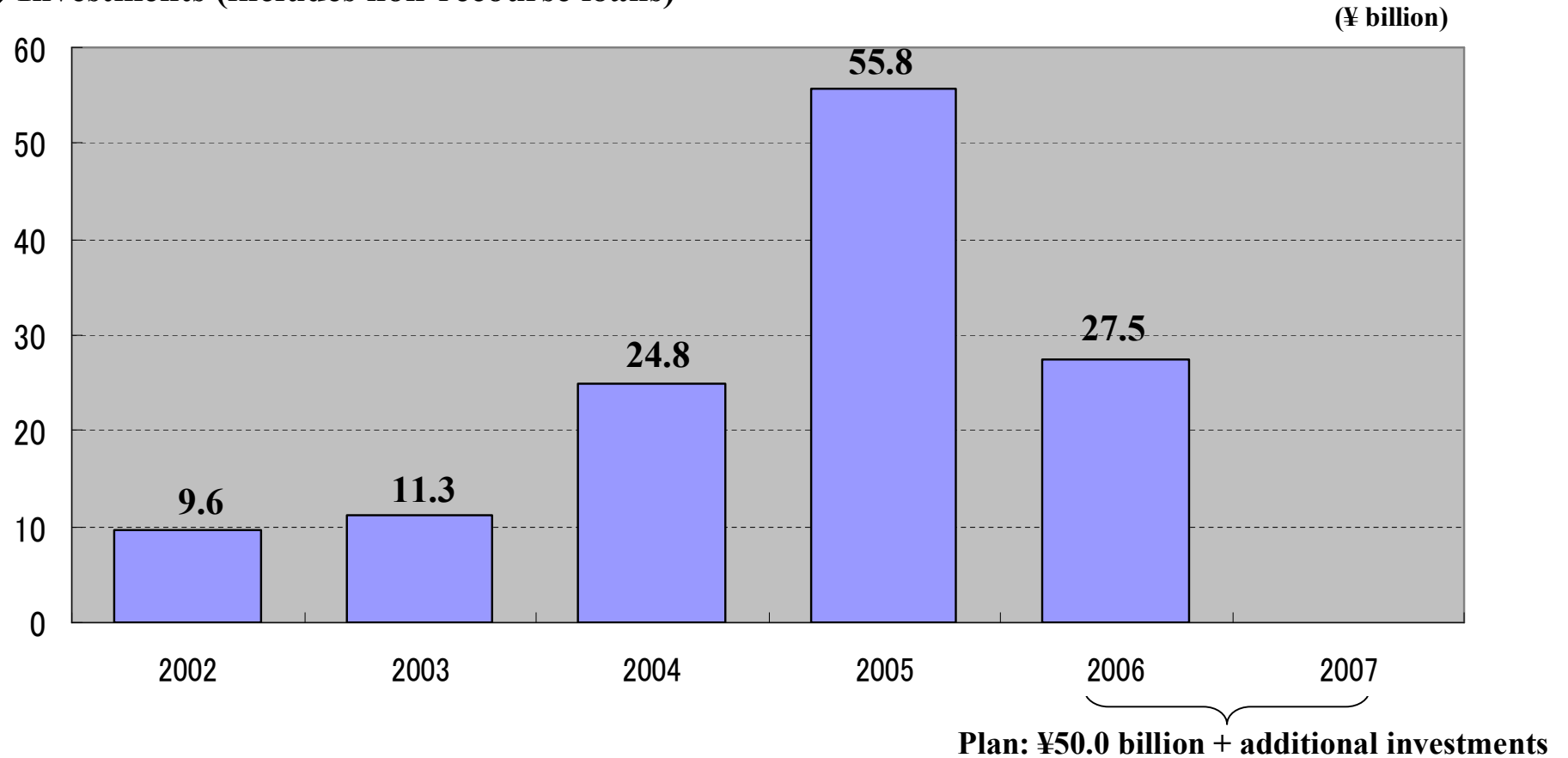
- Brillia Tower Tokyo (April 2006)
- Rendre Asakusa (November 2006)

(2) Real Estate Business

Pace of new investments slowed to 2004 level due to rising property prices

Investment level: Maintained plan minimum level, no investments brought forward

◆ Investments (includes non-recourse loans)



(3) Response to Difficult Investment Environment

Aim to balance preservation of period earnings and expansion of earnings base

Conduct investments after examining risk-return profile and achievability.

Office buildings

Portfolio strategy aimed at improving earnings potential and asset value

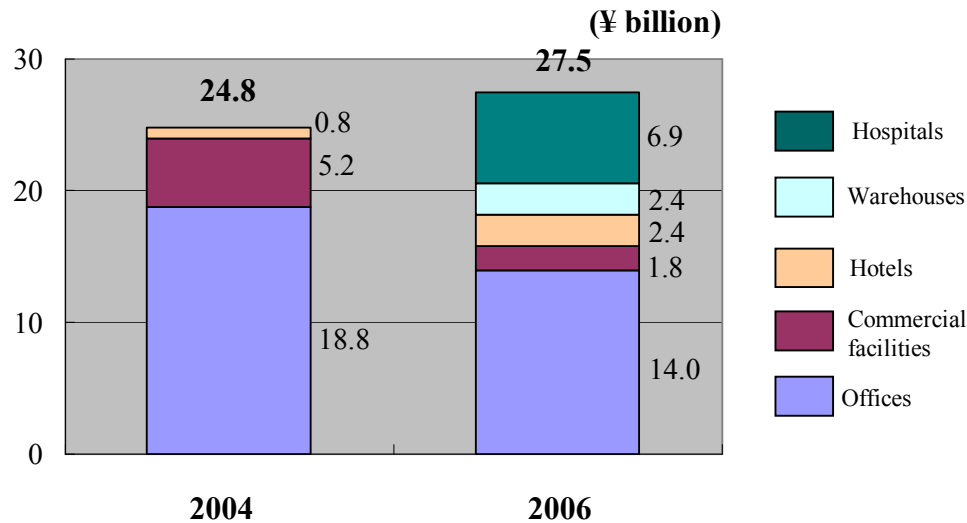
Break into new fields

Research business models such as hotels, warehouses, and medical and welfare facilities

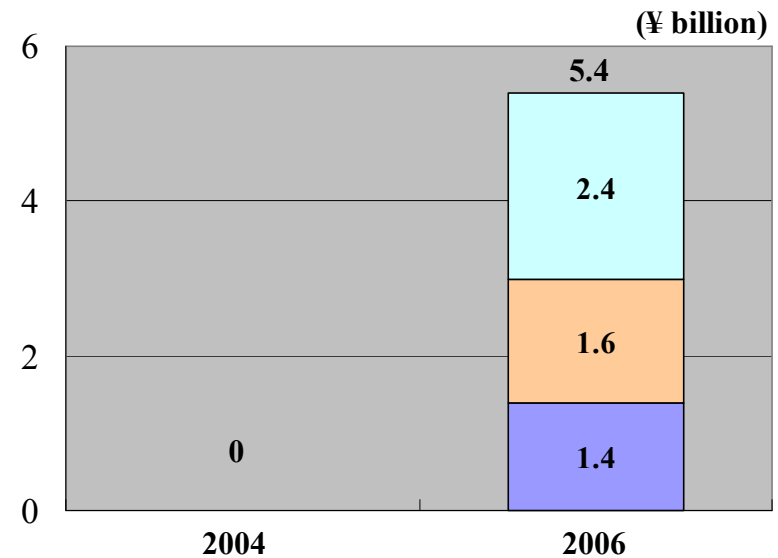
Strengthen development properties

Collaboration with friendly companies

◆ **Investments by property type**



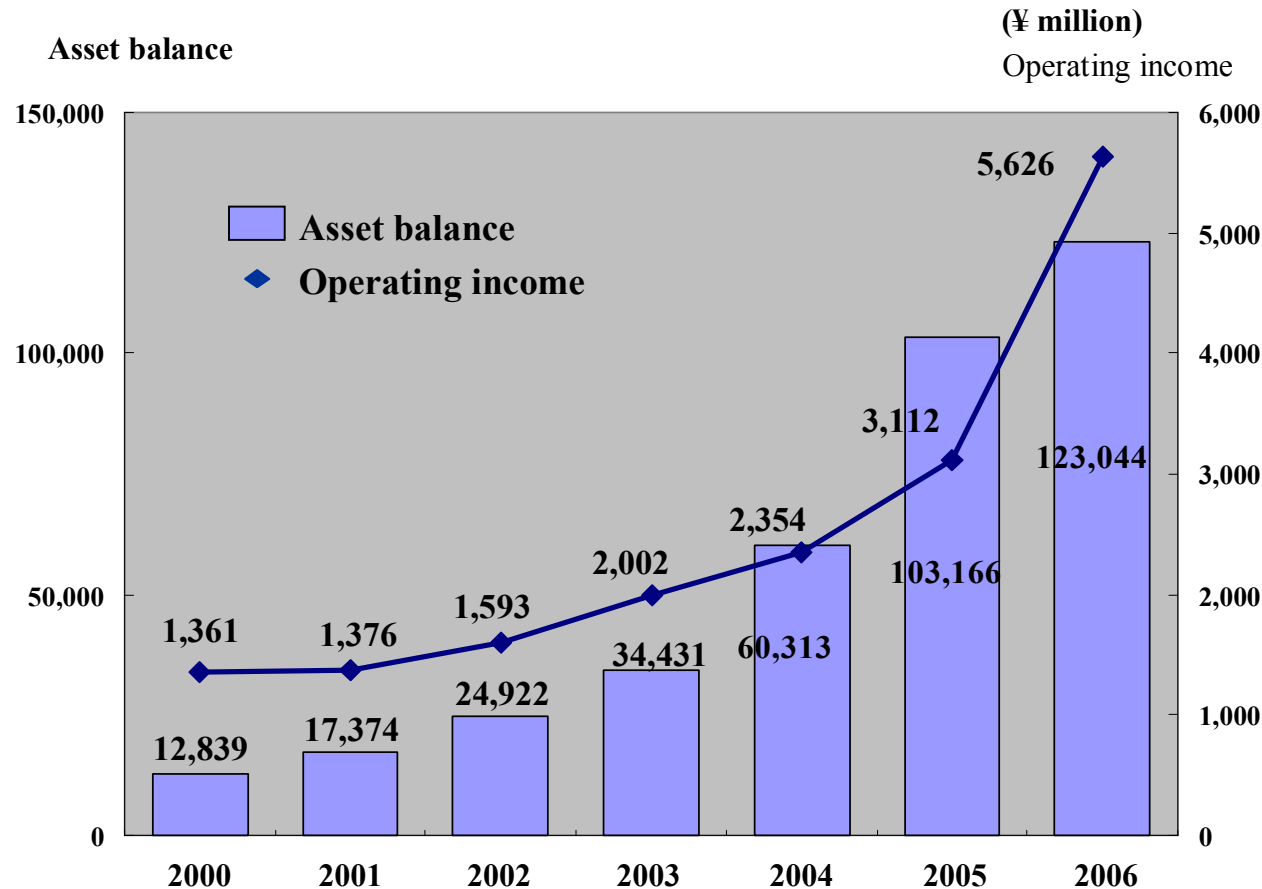
◆ **Investments in development properties**



(4) Operating Income From Real Estate Leasing

Large increase in operating income due to cumulative benefits of investments

◆ Operating income and asset balance (includes SPC)



Expand earnings on back of improved vacancy rate and higher rents

◆ Vacancy rate

(Properties held by Shoei in Keihin area)

End of 2005/12	End of 2006/12
0.38%	0.00%

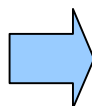
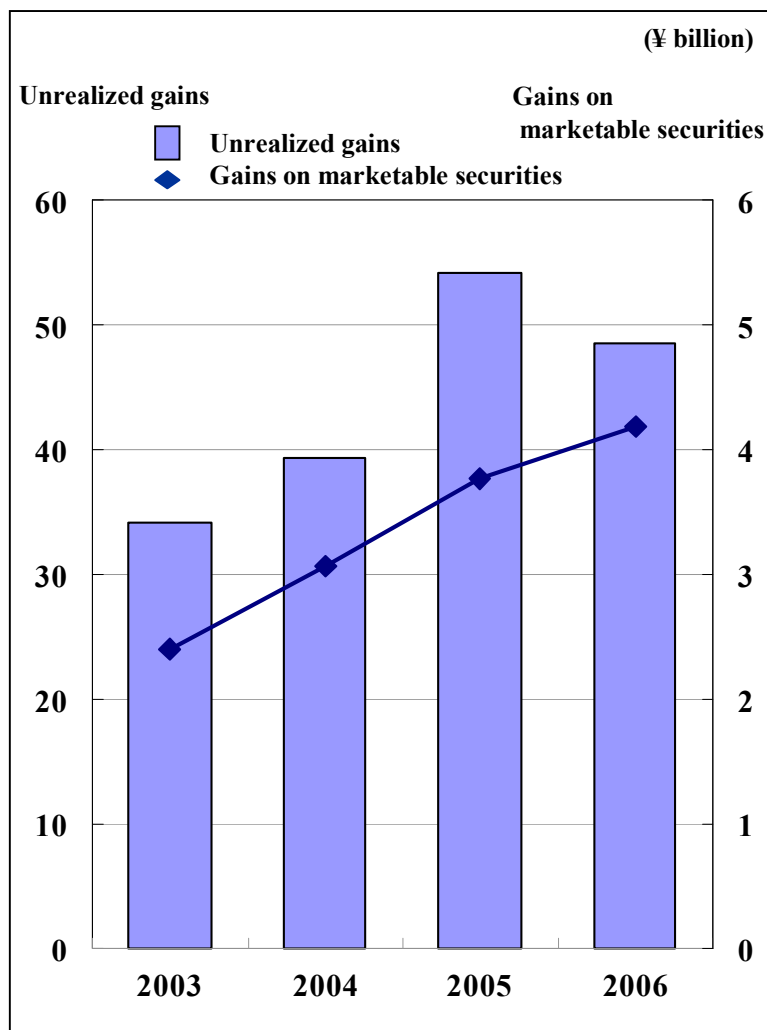
◆ Average rent

(Properties held by Shoei in Keihin area)

End of 2005/12	End of 2006/12
17,147	17,295 (¥/tsubo)

(5) Marketable Securities Investment Business

◆ Unrealized Gains and Gains on Marketable Securities



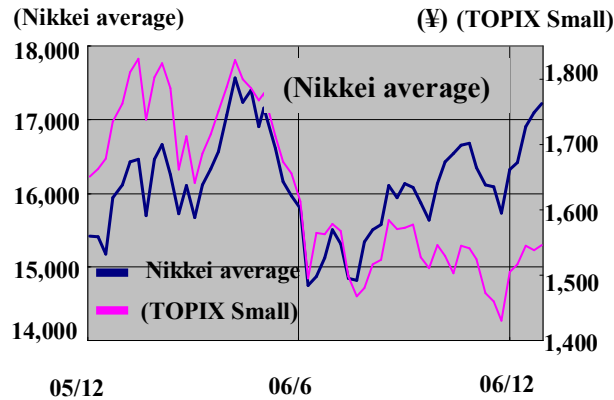
	2003/12	2004/12	2005/12	2006/12
Fair value (incl. non-listed shares)	48,281	61,440	90,517	106,408
Unrealized gains	34,131	39,403	54,221	48,561
Gains on marketable securities	2,397	3,065	3,778	4,194
(excl. dividends)	2,105	2,482	3,063	3,027
Return on fair value	5.76%	5.49%	5.32%	4.23%
Return on revised fair value	5.96%	5.70%	5.57%	4.94%

	2003/12	2004/12	2005/12	2006/12
Nikkei average	10,677	11,489	16,111	17,226
Canon share price	3,327	3,687	4,600	6,700

(6) Marketable Securities Investment Business

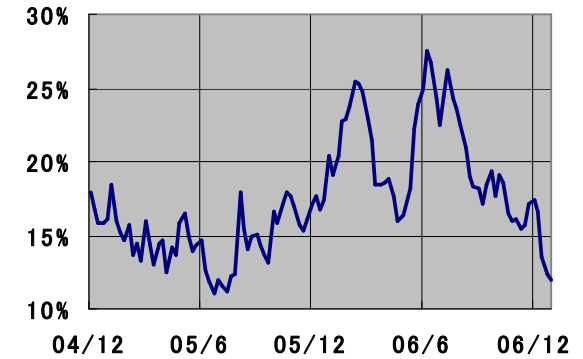
In a difficult investment environment, gains on marketable securities rose due to premium income and higher dividends

◆ Polarization in stock prices



	2006/12	
	2005/12	2006/12
Premiums	944	1,945
Trading gains	2,119	1,082
Dividend	715	1,167
Total gains on marketable	3,778	4,194

◆ High volatility did not continue



◆ Portfolio Balance

As of December 31, 2005

	Available for sale		Non-available for sale	
	Fair value	Unrealized	Fair value	Unrealized
Options	6,222	578	45,979	35,513
No options	30,216	13,573	5,971	4,557

As of December 31, 2006

	Available for sale		Non-available for sale	
	Fair value	Unrealized	Fair value	Unrealized
Options	2,515	30	64,615	40,666
No options	27,360	4,080	5,648	3,785

(7) Business Investments (Electronic Devices and Components Business)

Revenues and earnings up

■ Results

(¥ million)

	2005/12	2006/12	Year-on-year change
Operating revenues	2,732	3,455	723
Operating income before R&D costs	82	221	139
R&D costs	-68	-94	-26
Operating income	13	126	112

◆ Strong performance of mainstay products

- PAS capacitors
Rapid recovery in orders received in Chinese market
Acquired large orders from prominent customers
- Substrate Assembly division benefited from special demand

◆ Finishing stages of business reorganization

- Integration of Toyama Shoei with Shoei Electronics
Ceased selling PetitCap, whose product life has finished
- Software development operations transferred to orderer

(8) Business Investments (Environmental Business)

Lower earnings due to costs of launching new businesses

■ Results

(¥ million)

	2005/9 (Apr.-Sep.)	2006/9 (Apr.-Sep.)	Year-on-year change
Operating revenues	1,176	1,154	-22
Operating income	205	54	-151

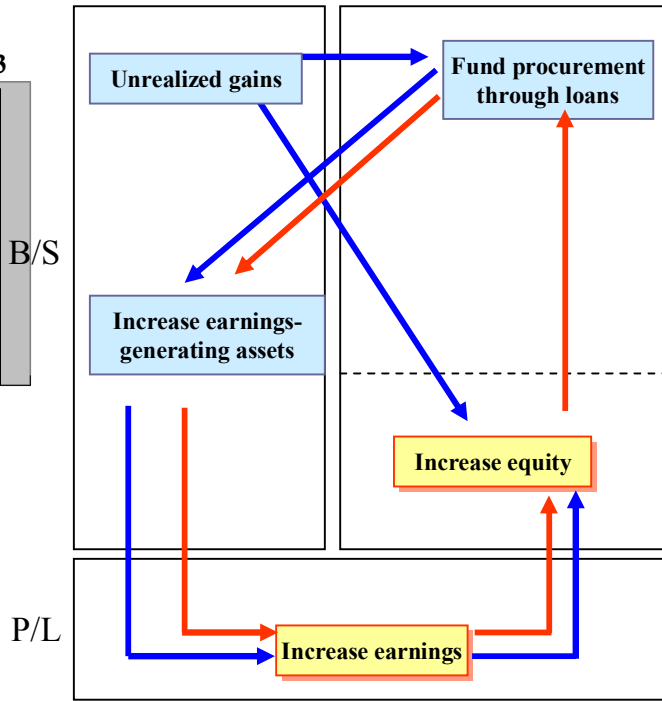
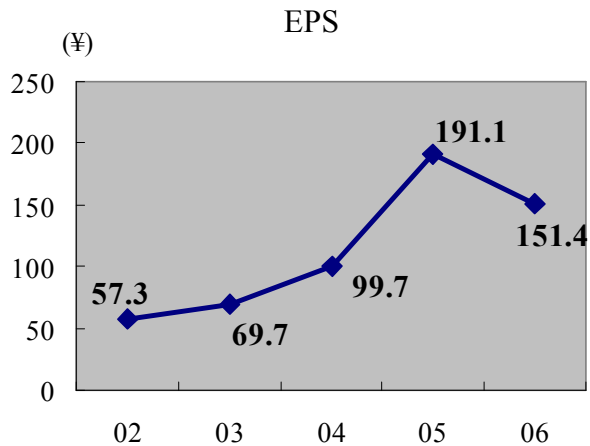
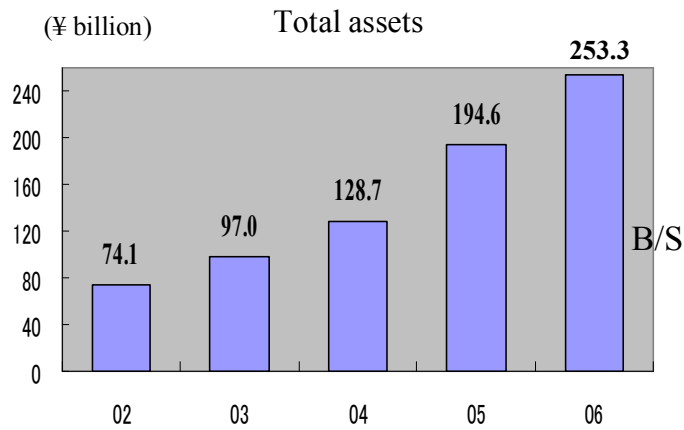
◆ Recycling business moving into full swing

- Unified previously dispersed facilities in a new plant
- Started manufacturing RPF
RPF (Refuse Paper & Plastic Fuel): solid fuel made from recycled plastics and used paper
Demand was firm as fuel prices remained high
- Start-up costs rose

◆ Performance of existing businesses same as previous year

(1) Growth of Equity and Earnings

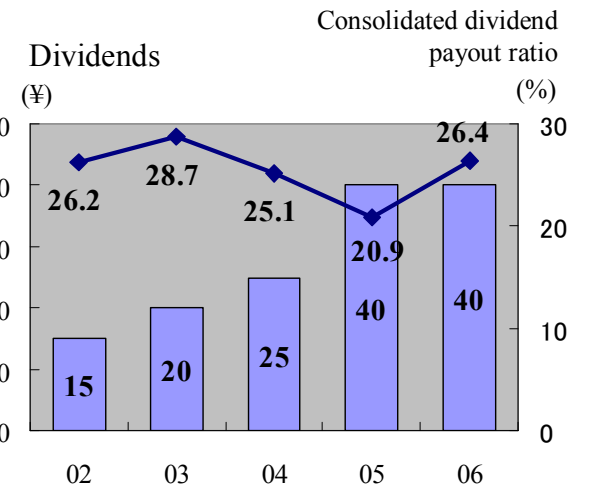
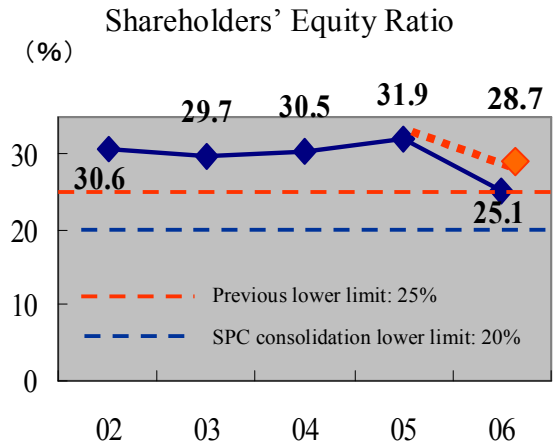
Slower pace of growth in earnings than assets



— First cycle — Second cycle

Stock split

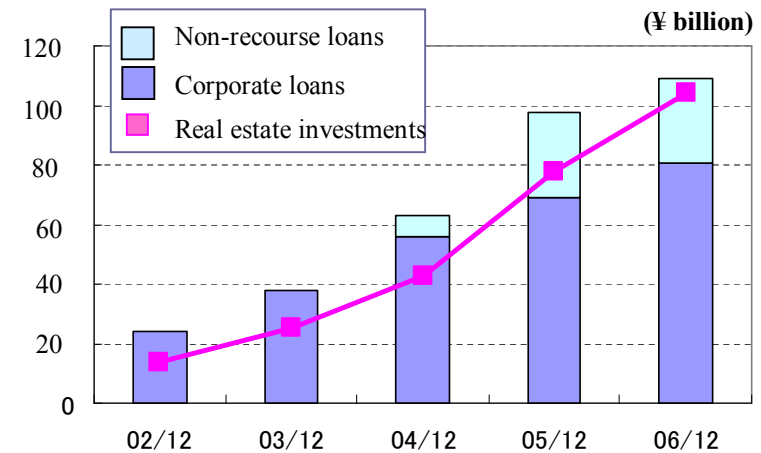
- 2003: 1.2 for 1.0
- 2004: 1.2 for 1.0
- 2005: 1.1 for 1.0
- 2006: 1.1 for 1.0



(2) Fund Procurement and Collateral Use

- ◆ Basic approach to financing is to pledge properties as collateral for loans
 - Repay loans with cash flow from properties
- ◆ Large share of Shoen's funding procured with collateral of CB and shares
 - Share price risk covered by hedging
- ◆ Shoen has ample reserve collateral

◆ Investments and Balance of Loans



◆ Financial Benchmarks

		Benchmark	2005	2006
Equity ratio	Previous benchmark	25.0%	31.9%	28.7%
	SPC consolidation	20.0%		25.1%
D-E ratio		-	0.88	1.61
Average debt repayment period (years)		15	7.4	9.5

In response to SPC consolidation, equity ratio benchmark lowered from 25.0% to 20.0%

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, 2006

	Reserve collateral (¥ billion)		
	Equity securities	Real estate *	Total
Fair value of holdings	100.5	133.0 **	233.5
Amount pledged as collateral	40.5	65.6	106.1
Reserve collateral	60.0	67.4	127.4

*Appraised values

**Pledged amounts (incl. SPC)

(3) Risk Management

Increase in assets due to SPC consolidation resulted in increase in assets commensurate with non-recourse loans but no change to amount of risk

Calculation of risk capital commensurate with investment risks



(¥ billion)	
	Risk capital <small>(Assets × Amount of risk)</small>
Real estate business	48.6
Marketable securities investment	10.2
Business investment	4.2
Total	63.0



Assets	253.3	Liabilities	Net liabilities	118.0
			Equity-backed	71.7
		Shareholders' equity		63.6
Total	253.3	Total		253.3

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

Assets	253.3	Liabilities	190.3
		Shareholders' equity	63.0
Total	253.3	Total	253.3

(4) Organization Management

Reformed work practices so as to conduct business more creatively and raise productivity

Strengthened decision-making

- 3 types of meetings:
 - (1) Forward-looking
 - (2) Results follow-up
 - (3) Risk control

- In forward-looking meetings:
Made decisions after repeated testing and verification of hypotheses and simulations, and clarification of future expected earnings and maximum losses

Improved systems

- Defined themes for future of Shoei Group, and formulated projects to create hypotheses for decision-making

- Improved core systems and data systems that form basis of decision-making

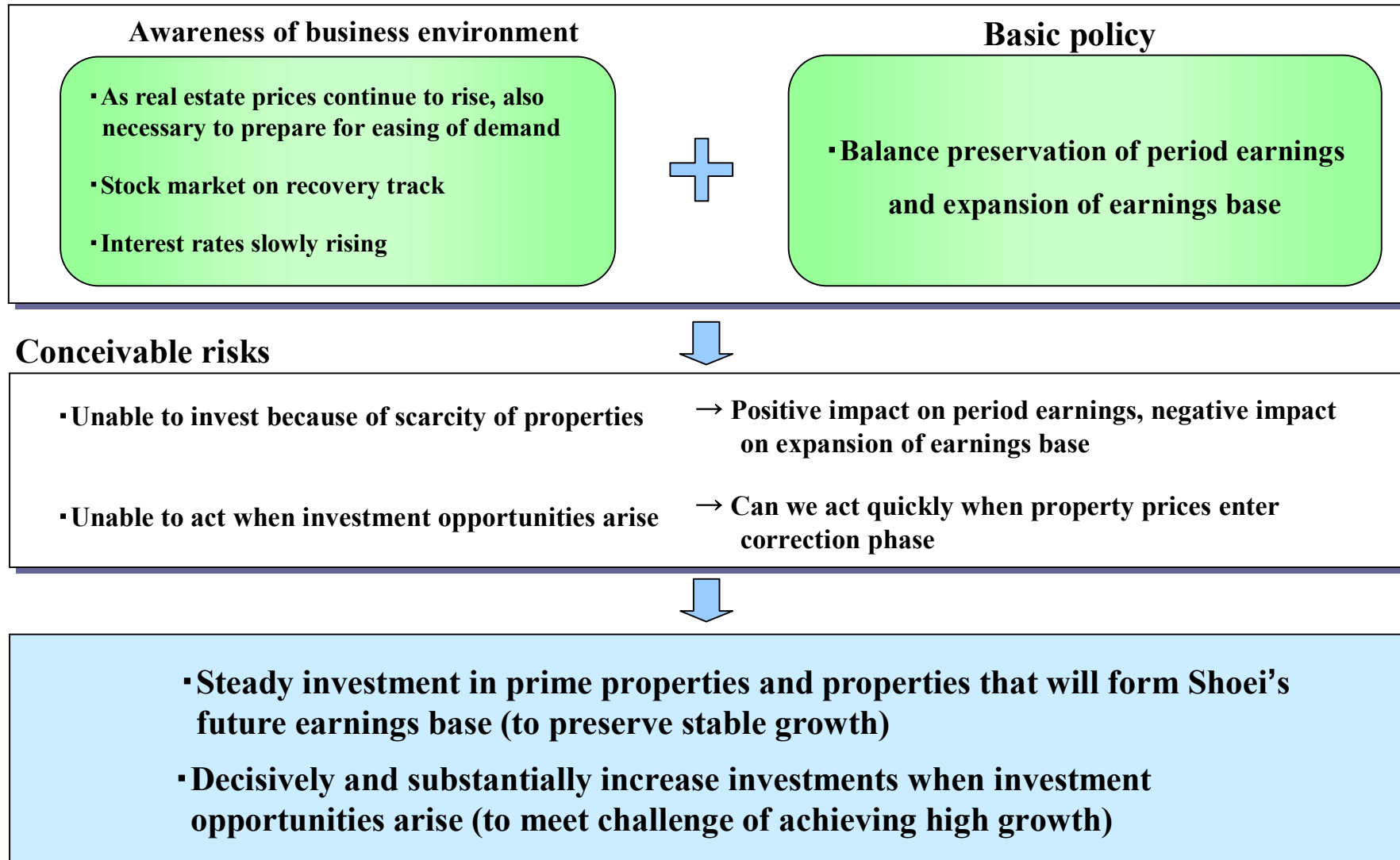
- Prepared second edition of manual for doing business in conformity with Japanese SOX laws

Reassessed directors' remuneration system

- Reformed directors' remuneration system to contribute to sustained growth of shareholder value, and disclosed directors' remuneration policy (March 2006)

- 3 criteria stipulated for determining directors' monthly salaries and bonuses:
 - (1) Responsibilities held
 - (2) Results achieved
 - (3) Recognition of special contributions, such as accomplishing creative business practices

(1) Awareness of Business Environment and Corresponding Policies



(2) Forecasts of Results

Targets for final year of Shoei's medium-term management plan

Net income: ¥6.6 billion
Market capitalization: ¥150.0 billion

■ Consolidated results

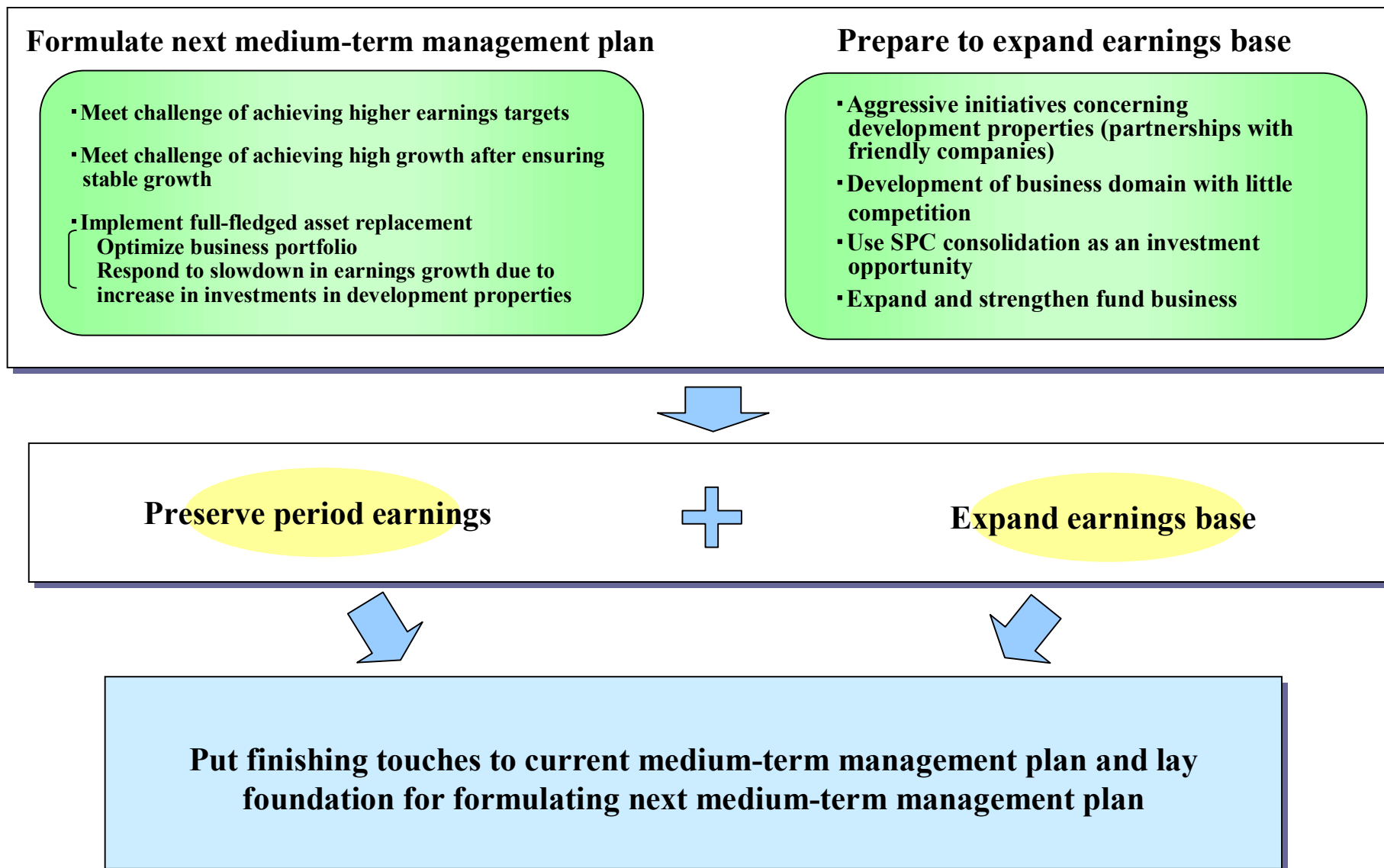
(¥ million)

	2006/12 Results	2007/12 Forecasts	Change
Operating revenues	24,256	40,000	15,744
Recurring profit	8,113	8,500	387
Net income	5,580	6,600	1,020

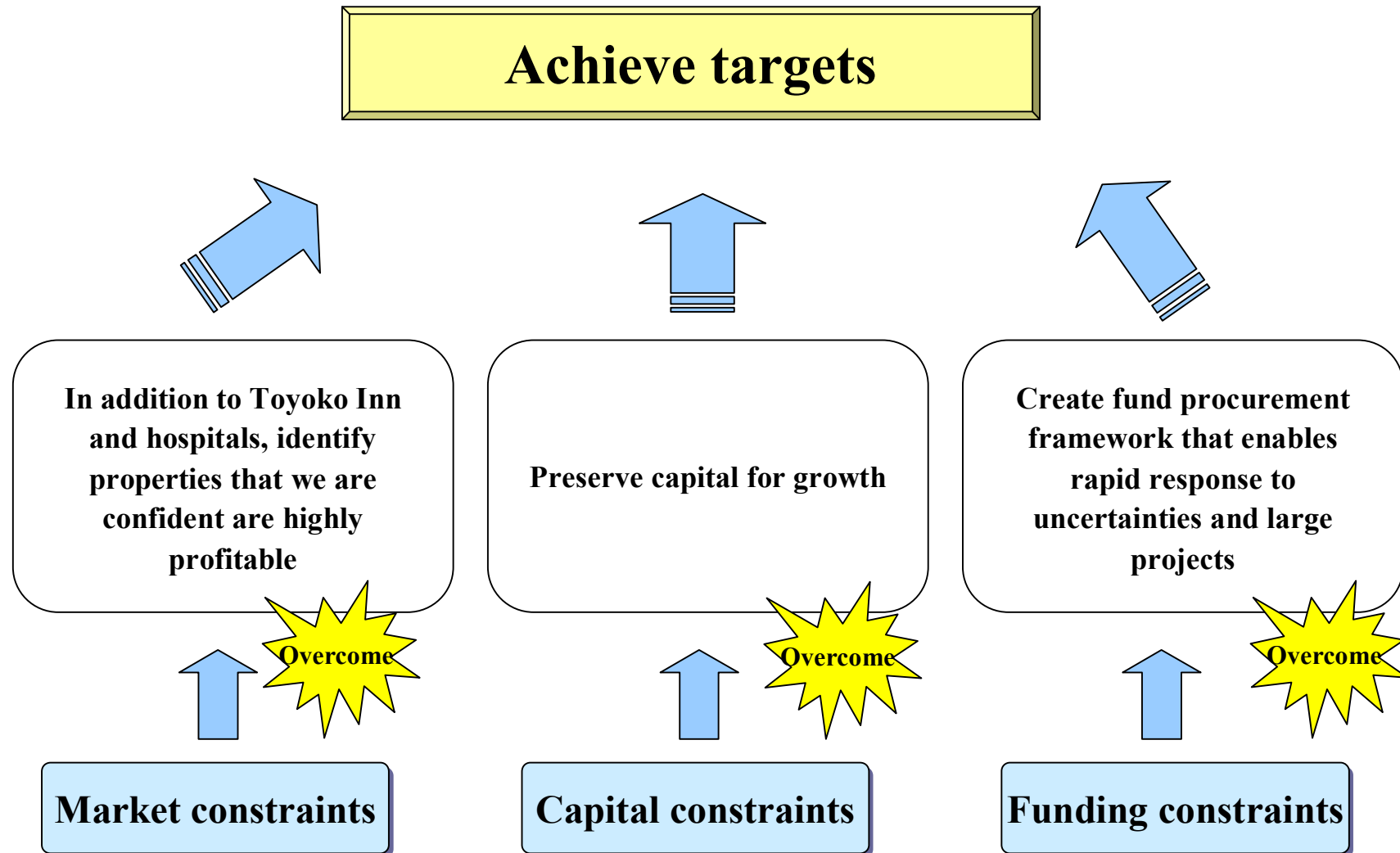
Clarify asset replacement policy

Achieve medium-term
management plan target

(3) Action Points in Fiscal 2007

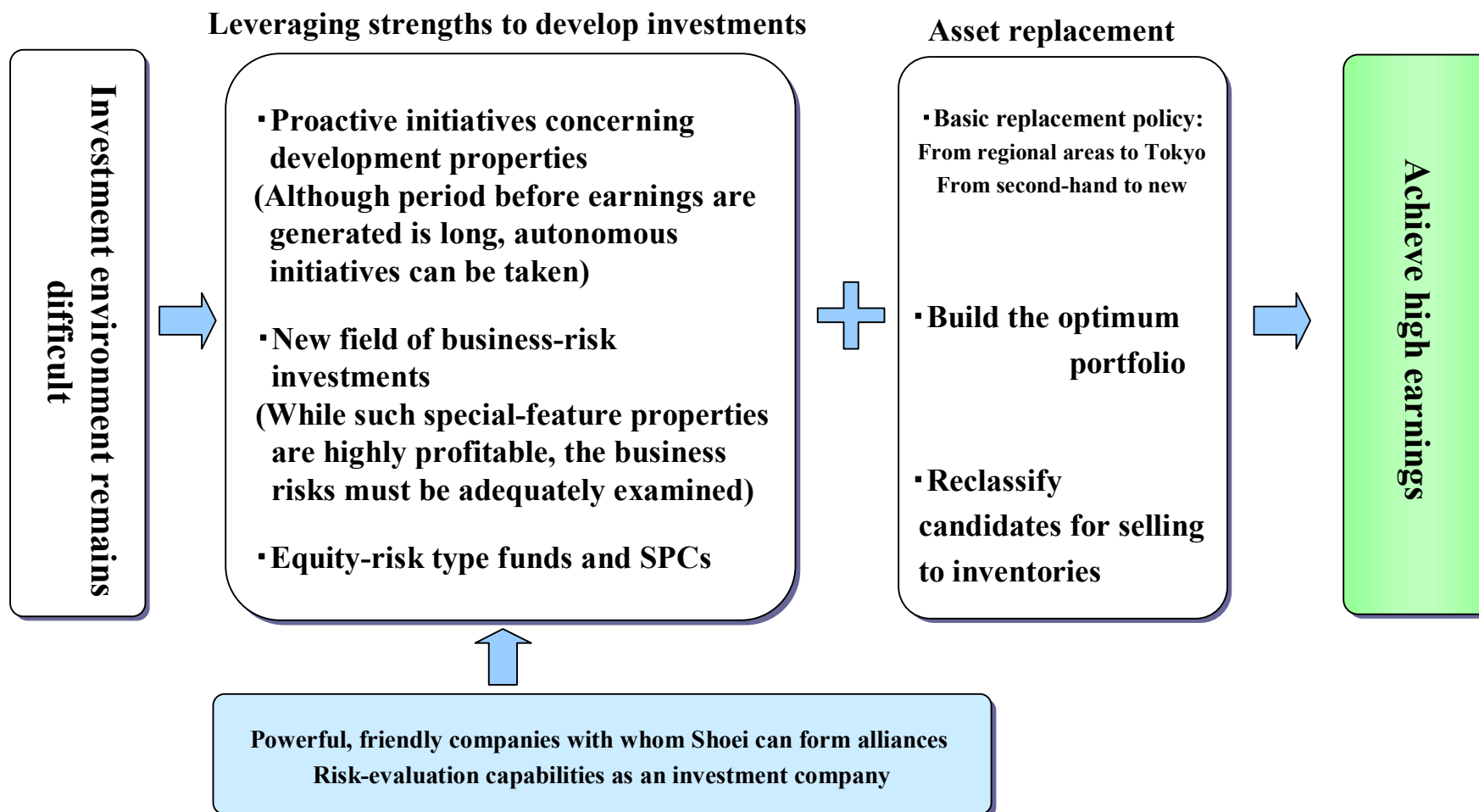


(4) Actions to Achieve Targets



(5) Real Estate Business Plan

Overcome the difficult environment by leveraging Shoei's strengths



(6) Marketable Securities Investment Business Plan

Strengthen both offensive and defensive aspects

→ **Increase earnings by improving yield on investments without increasing balance**

Investment environment

Stock market rising after adjustment phase

Current perceptions

- **Declines in investment yields**
- **Substantial drop in unrealized gains of medium- and long-term investments**



Specific policies

- **Increase usage of options**
- **Generate earnings by selling medium- and long-term investments once they reach target share prices**
- **Promote investments that help strengthen the real estate business**

(7) Business Investments Plan (Electronic Devices and Components Business)

On February 2, 2007, Shoei agreed to sell all shares in Shoei Electronics to Taiyo Yuden Co., Ltd.

When current medium-term management plan formulated

Aimed to conduct IPO of Shoei Electronics during period of next medium-term management plan

Issues and problems

**Inadequate technical development capabilities, etc. to rapidly commercialize PAS capacitors
Pace of development could be expedited by acquiring another company, but no reasonable candidates are apparent**



Significant conceptual turnaround

Accelerate product development and business growth through partnership with trustworthy company

Taiyo Yuden

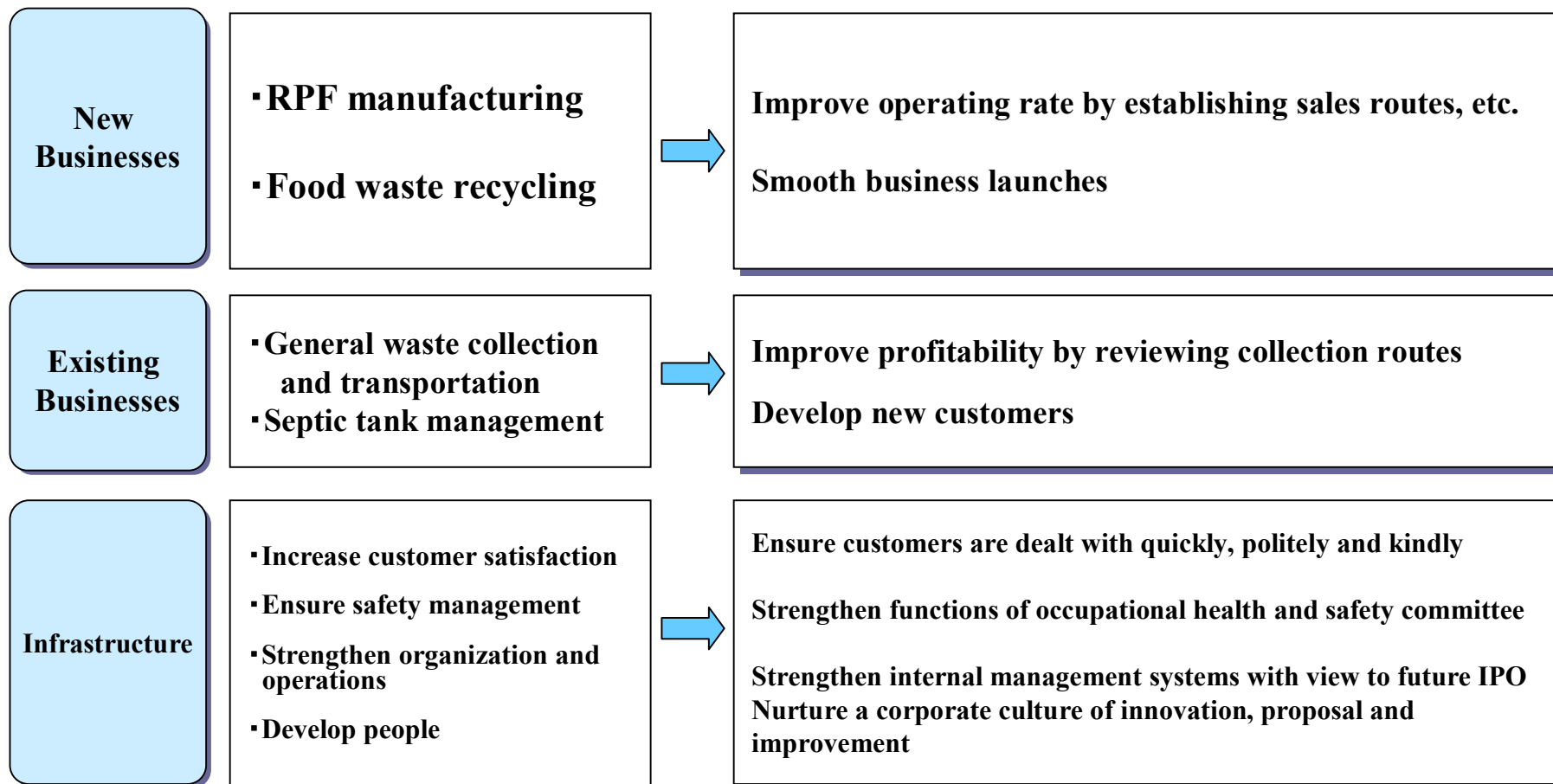
Boasts worldwide reputation for outstanding technological capabilities with multilayer ceramic capacitors and other electronic components

Benefits of share sale

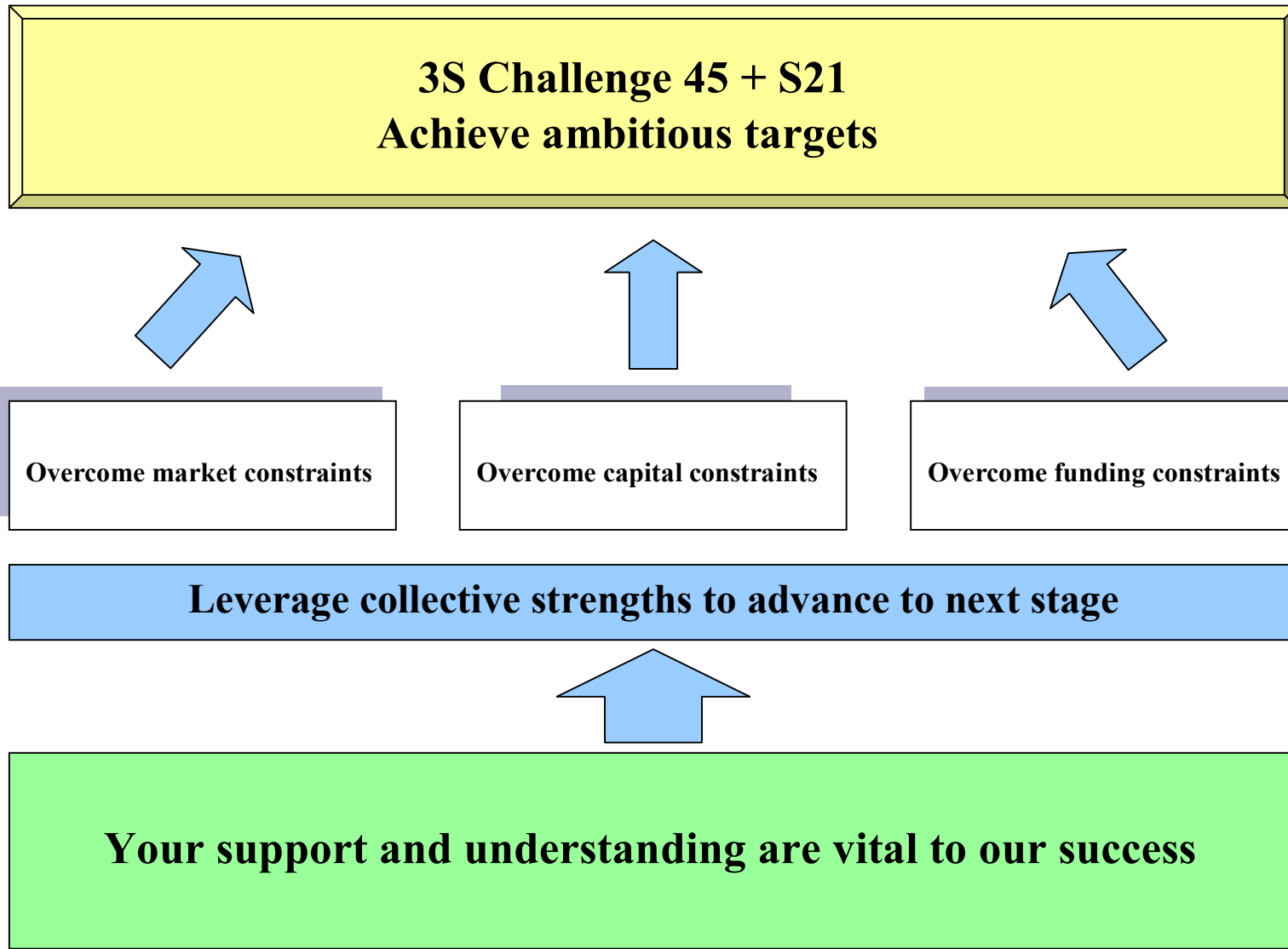
**Excellent combination that is expected to capture synergies in development, sales and other areas
Shoei effectively realized in advance gains of the sales of shares that would have accompanied an IPO of Shoei Electronics**

(8) Business Investments Plan (Environmental Business)

Generate stable business profits by getting new businesses on track and rebuilding existing businesses



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.