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Stock Code: 3003  
March 4, 2008

## TO OUR SHAREHOLDERS

**Shoei Co., Ltd.**  
2-1, Kanda-Nishikicho 1-chome,  
Chiyoda-ku, Tokyo  
Kenji Watanabe  
Director, Representative Executive Officer and President

### NOTICE OF THE 78th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Shoei Co., Ltd. cordially requests your attendance at the 78th Ordinary General Meeting of Shareholders, which will be held as outlined below.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via the Internet as outlined below. After reviewing the REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS attached hereto, please indicate your approval or disapproval of the proposals on the enclosed Exercise of Voting Rights Form, and return the Form to the Company with your selections, or access the designated Web site to exercise your voting rights via the Internet.

- 1. Date and Time:** Tuesday, March 25, 2008, 10 a.m.
- 2. Place:** Conference Room, 2nd Floor, Gakushi Kaikan  
28, Kanda-Nishikicho 3-chome, Chiyoda-ku, Tokyo

### 3. Objectives of the Meeting

#### Matters to be Reported:

1. The Business Report and the Consolidated Financial Statements for the 78th Business Term (From January 1, 2007, to December 31, 2007), as well as the Audit Reports of the Independent Auditors and the Examining Committee on the Consolidated Financial Statements
2. The Non-Consolidated Financial Statements for the 78th Business Term (From January 1, 2007, to December 31, 2007)

#### Matters to be Resolved:

**Proposal 1:** Partial Amendments to the Articles of Incorporation

**Proposal 2:** Election of Seven (7) Directors

#### 4. Other Matters related to the Exercise of Voting Rights

1. **Method of providing notification regarding amendments to the reference materials for the general meeting of shareholders and the attached documents**

Notification of amendments will be provided via the Internet on our website (<http://www.shoei.co.jp/>).

2. **Deadline for the exercise of voting rights in writing or via the Internet**

We kindly ask that you exercise your voting rights no later than 6 p.m. on the day prior to the General Meeting of Shareholders (Monday, March 24, 2008).

3. **Handling of duplicated voting in which voting rights are exercised both in writing and via the Internet**

In the event of duplicate voting, the voting rights exercised via the Internet will be valid.

#### (Notes)

- You are kindly requested to present the enclosed Exercise of Voting Rights Form to the receptionist when you attend the meeting.

If attending the meeting as the proxy of a corporation, the proxy is kindly requested to prepare a power of attorney or a notice on deputation for duties and submit it together with the Exercise of Voting Rights Form to the receptionist.

- If you intend to exercise your voting rights via the Internet Web site (<http://www.it-soukai.com>), you are requested to review the “Exercise of Voting Rights via the Internet” attached hereto (Pages 24 and 25). The Company participates in the “Electronic Voting Platform for Institutional Investors” which is operated by ICJ Inc.

[Attachment]

**Extract From the Business Report (From January 1, 2007 to December 31, 2007)**

This attachment document is an extract from the original Business Report. For our financial statements, please refer to our “*Kessan Tanshin*” (Consolidated Earnings Report; in Japanese) now available on our website or “Consolidated Earnings Report” (English translation) scheduled to be available on our website in mid-March. The following extract contains additional information not contained in this Consolidated Earnings Report and has been provided to shareholders as useful information on our management condition.

1. Business Progress and Results

Consolidated Results

During fiscal 2007, Japan’s economy continued to undergo gradual growth as the result of positive performance in the corporate sector, mainly due to robust growth in exports and capital expenditure. This economic expansion came despite a slight downturn in personal consumption. The second half of the year, however, saw the sudden emergence of a major cause for concern for the future of the economy as equity markets plummeted. This downturn chiefly reflected fears of a U.S. economic slowdown triggered by the “subprime” loan problem, as well as delays in new housing starts in Japan brought on by changes to the Building Standard Law.

In this environment, the Shoei Group entered the final year of the medium-term management plan, “3S Challenge 45 + S21,” with the Group united in a concerted drive to achieve the plan’s target of net income of ¥6.6 billion. This effort resulted in the Group meeting its targets for the medium-term management plan. Group-wide operating revenues increased 36.3% from the previous year to ¥33,051 million, operating income rose 33.5% to ¥10,075 million, and recurring profit climbed 15.6% to ¥9,375 million. Net income increased 20.1% to ¥6,703 million due to the benefits stemming from asset and business portfolio replacements.

On a different note, from the standpoint of maintaining a sound asset portfolio, the Group recorded losses on evaluation of investment securities following a strict review of rules covering the write-down of assets.

	FY06	FY07	Change	%
Operating revenues	24,256	33,051	8,794	36.3
Operating income	7,544	10,075	2,531	33.5
Recurring profit	8,113	9,375	1,262	15.6
Extraordinary gains	585	3,615	3,029	517.0
Extraordinary losses	-128	-1,932	-1,804	—
Net income	5,580	6,703	1,122	20.1

## Results by Segment

Regarding segment income for the period under review, the real estate segment emerged as a core business for Shoen, as operating income, recurring profit and pre-tax segment profit all exceeded performance recorded for the marketable securities investment business segment.

## Income by Segment

(¥ million)

		Real Estate	Marketable Securities	Business Investment (Note)	Head Office Expenditures, etc.	Total
Operating income	FY06	7,212	1,166	180	-1,015	7,544
	FY07	9,497	1,477	171	-1,070	10,075
Other income and loss	FY06	-1,825	3,027	37	-669	568
	FY07	-2,323	1,417	210	-5	-699
Recurring profit	FY06	5,387	4,194	217	-1,685	8,113
	FY07	7,173	2,895	382	-1,075	9,375
Extraordinary gains and losses	FY06	554	-	-	-96	457
	FY07	2,737	-1,762	741	-33	1,682
Pre-tax segment profit	FY06	5,941	4,194	217	-1,781	8,571
	FY07	9,910	1,132	1,124	-1,109	11,058

Note: In terms of classification by type of business, "Business investment" referred to the electronic devices and components business and the environmental business in fiscal 2006, and the environmental business in the period under review. Extraordinary gains and losses in fiscal 2007 include a gain on the sale of the electronic devices and components business.

## (Real Estate Business)

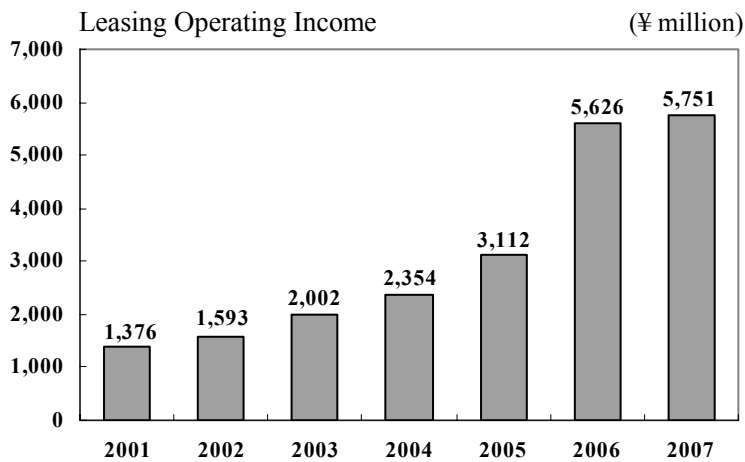
The real estate business segment recorded substantial revenue and earnings growth. Operating revenues from this business increased 57.7% year on year to ¥29,119 million, and operating income climbed 31.7% to ¥9,497 million. Along with aggressive new investment in real estate, this growth reflected the benefits of Shoen's policy of replacing assets in provincial regions with those in and around the Tokyo metropolitan area, as well as realignment of other assets. Actions for the former included the sale of the Honjo Shopping Center and Sendai Honmachi Building. The latter included sale of a business hotel, with the aim of improving the real estate asset portfolio.

## Real Estate Business Results

(¥ million)

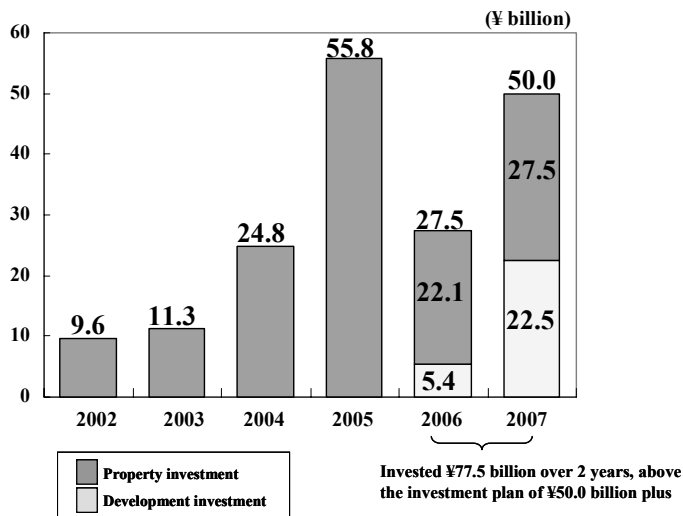
		FY06	FY07	Change	%
Operating revenues	Leasing	11,033	12,211	1,178	10.7
	Condo sales	6,345	4,568	-1,777	-28.0
	Fund redemption/ asset replacement	1,086	12,340	11,253	1,035.5
	Total	18,465	29,119	10,654	57.7
Operating income	Leasing	5,626	5,751	125	2.2
	Condo sales	500	749	248	49.6
	Fund redemption/ asset replacement	1,086	2,997	1,910	175.8
	Total	7,212	9,497	2,284	31.7

Leasing operating income rose only slightly for the period under review. While rental income grew steadily thanks to the cumulative benefit of investments to date, this result reflected the acquisition of properties after the sale of properties asset replacement and the quiet period lasting until the start of operations at newly completed properties. Another factor was the burden of initial costs for development projects.



With respect to new real estate investments for growing the revenue base, investments for the 2 years of fiscal 2006 and fiscal 2007 totaled ¥77.5 billion, exceeding the investment plan target of ¥50.0 billion plus for this business. In an otherwise severe investment climate, this result owed to aggressive and sustained investment primarily in development projects.

Investments (Including using non-recourse loans)



Specific investment targets for the period included office buildings in the Tokyo metropolitan area; business hotels with high rates of return, for which business risks were well researched; and logistics warehouses, student condominiums and sports clubs. Steps were also taken to strengthen development projects based on alliances with close partner companies.

Our primary acquisitions, completed properties and development projects for the term were as follows.

#### Properties Acquired and Completed

Name	Location	Ownership	Month Acquired	Category
Toyoko-Inn Central Japan International Airport	Tokoname City, Aichi Prefecture	Full ownership (with leased land rights)	January	Business hotel
MY Takadanobaba Building #2	Toshima Ward, Tokyo	Full ownership	March	Office building
Nittsu Uchimoriya Distribution Center (*)	Joso City, Ibaraki Prefecture	Full ownership (Commercial-use fixed lease)	March	Warehouse
Itabashi Honcho Student Apartment (*)	Itabashi Ward, Tokyo	Full ownership	March	Student condominium
Uchikanda Fukushima Building	Chiyoda Ward, Tokyo	Full ownership	August	Office building
Bancho House	Chiyodo Ward, Tokyo	Full ownership	October	Office building
Toyoko-Inn Kanazawa Korinbo	Kanazawa City, Ishikawa Prefecture	Full ownership	October	Business hotel
J&S Kawasaki Ukishima Distribution Center (*)	Kawasaki City, Kanagawa Prefecture	SPC Investment	November	Warehouse
Wacore Hohnancho Building	Suginami Ward, Tokyo	Full ownership	November	Office building
Central Wellness Club Minamikoizumi	Sendai City, Miyagi Prefecture	Full ownership	December	Sports club

(\*) Development projects that have been completed.

#### Development Projects

Name	Location	Ownership	Scheduled Completion	Category
Nishi Arai Station West-side Area A Development Project (Provisional)	Adachi Ward, Tokyo	Full ownership	January 2010	Commercial facility
Toyoko-Inn Niigata Kami Okawa Maedori (Provisional)	Niigata City, Niigata Prefecture	Full ownership	August 2008	Business hotel
Kamakura Aged Care Facility (Provisional)	Kamakura City, Kanagawa Prefecture	Full ownership	September 2008	Care facility
Nakano 4-chome Development Project (Provisional name)	Nakano Ward, Tokyo	Securitization arranged by another firm	May 2012	Office and residential

(Marketable Securities Investment Business)

Operating revenues from this segment in fiscal 2007 climbed 26.8% year on year to ¥1,498 million and operating income increased 26.6% to ¥1,477 million owing to strong corporate earnings, which brought about a year-on-year increase in dividends on stock holdings in Canon and other companies.

Gains on marketable securities, booked as other income, declined 53.2% year on year to ¥1,417 million. This result was largely due to weakness in Japan's stock market from around midyear, triggered by domestic economic concerns over fallout from the U.S. "subprime" loan problem.

	FY06	FY07	Change	%
Operating revenues	1,181	1,498	316	26.8
Operating income	1,166	1,477	310	26.6
Other income (investment gains)	3,027	1,417	-1,609	-53.2

(Business Investment (Environmental Business))

In fiscal 2007, the results of the waste collection and transportation business, facility management and operation business, and other business were a small increase in operating revenues of 4.6% to ¥2,433 million. However, operating income declined 17.8% to ¥171 million due to the initial costs of new businesses.

Please note that Shoei's environmental business is managed by TOSMAC-i Co., Ltd. For the period under review, results reflect earnings over the year from October 2006 to September 2007 because of the subsidiary's March balance date.

	FY06	FY07	Change	%
Operating revenues	2,326	2,433	107	4.6
Operating income	208	171	-37	-17.8

(Note) FY06 figures include data from October 2005 to March 2006, prior to the consolidation of TOSMAC-i Co., Ltd. Under consolidation, operating revenues for fiscal 2006 were ¥1,154 million, and operating income was ¥54 million.

## 2. Important Subsequent Event

(Merger of consolidated subsidiary)

Shoei Asset Management Co., Ltd., a consolidated subsidiary of Shoei and Yasuda Real Estate Asset Management Co., Ltd., a subsidiary of Yasuda Real Estate Co., Ltd. merged on January 7, 2008. This merger was based on an agreement signed on November 26, 2007.

### (1) Purpose of merger

Shoei and Yasuda Real Estate carried out this equal merger of the two subsidiaries following enforcement of the Financial Instruments Exchange Law to strengthen their competitiveness and increase business scale by integrating their financial bases, operating bases, personnel and other aspects of their operations. Aiming to register itself as an investment management business under the Financial Instruments Exchange Law, the new company will endeavor to grow to new levels, both quantitatively and qualitatively.

### (2) Merger method

The absorption merger method was used by which Shoei Asset Management is the surviving company and Yasuda Real Estate Asset Management was dissolved.

### (3) Name of post-merger company

Yasuda Shoei Real Estate Asset Management Co., Ltd.

### (4) Merger ratio, type and number of shares issued

Company name	Shoei Asset Management Co., Ltd. (surviving company)	Yasuda Real Estate Asset Management Co., Ltd. (absorbed company)
Merger ratio	1	1

Notes:

#### 1. Share allotment ratio

One Shoei Asset Management share was allotted for one share of Yasuda Real Estate Asset Management .

#### 2. Type and number of shares issued due to merger

2,000 shares of common stock

### (5) Increase in capital due to merger

There was no increase in capital due to the merger.

### (6) Assets inherited due to merger

Total assets	¥254 million
Total liabilities	¥2 million
Total net assets	¥252 million

### (7) Overview of companies in merger

Name	Shoei Asset Management Co., Ltd. (surviving company)	Yasuda Real Estate Asset Management Co., Ltd. (absorbed company)
Business activities	<ul style="list-style-type: none"> <li>• Investment advisor regarding real estate</li> <li>• Agent and broker in sale, purchase and leasing of real estate</li> <li>• Management of real estate</li> <li>• Other related activities</li> </ul>	<ul style="list-style-type: none"> <li>• Investment advisor regarding real estate</li> <li>• Agent and broker in sale, purchase and leasing of real estate</li> <li>• Management of real estate</li> <li>• Other related activities</li> </ul>
Capital	¥100 million	¥50 million
Number of shares issued	2,000	1,000
Net assets	¥170 million (As of December 31, 2007)	¥146 million (As of March 31, 2007)
Total assets	¥227 million (As of December 31, 2007)	¥192 million (As of March 31, 2007)
Main shareholder and equity ratio	Shoei Co., Ltd. 100%	Yasuda Real Estate Co., Ltd. 100%

### 3. Matters Concerning Officers

#### (1) Directors and Executive Officers

##### (i) Directors

Position at the Company	Name	Business in charge	Representative positions in other companies
Chairman of the Board	Masaaki Sato	Chairman of the Nomination Committee Member of the Examining Committee Chairman of the Remuneration Committee	
Director	Kenji Watanabe	Member of the Nomination Committee	
Director	Kazuo Kojima		
Director	Ryuji Yasuda	Member of the Nomination Committee Member of the Remuneration Committee	
Director	Nobuo Yoneda	Member of the Nomination Committee Member of the Examining Committee Member of the Remuneration Committee	
Director	Masahito Ishigami	Member of the Nomination Committee Chairman of the Examining Committee Member of the Remuneration Committee	
Director	Satoru Anzaki	Member of the Nomination Committee Member of the Remuneration Committee	

##### (Notes)

1. Ryuji Yasuda, Nobuo Yoneda, Masahito Ishigami and Satoru Anzaki are outside directors as prescribed in Article 2, item 15 of the Corporation Law.
2. Examining Committee member Masaaki Sato served as Deputy President of Mizuho Bank, Ltd. and other important positions and has a respectable degree of knowledge in finance and accounting.  
Examining Committee member Nobuo Yoneda served as Deputy President and Representative Director of Tokyo Tatemono Co., Ltd. and as President and Representative Director of its subsidiary and has a respectable degree of knowledge in finance and accounting.  
Examining Committee member Masahito Ishigami served as Standing Corporate Auditor of Sompo Japan Insurance Inc. and other important positions and has a respectable degree of knowledge in finance and accounting.

## (ii) Outside Officers

## Status of important concurrent positions

Position at the Company	Name	Concurrent positions in other companies	Notes
Outside director	Ryuji Yasuda	Professor, Graduate School of International Corporate Business Strategy, Hitotsubashi University Outside Director, Fuji Fire and Marine Insurance Co., Ltd. Outside Director, Daiwa Securities Group Inc. Outside Director, Vantec Group Holdings Corporation External Director, Fukuoka Financial Group, Inc. External Director, The Bank of Fukuoka, Ltd. Outside Director, Sony Corporation	(Note)
	Nobuo Yoneda	None	(Note)
	Masahito Ishigami	Senior Advisor, Sompo Japan Insurance Inc.	(Note)
	Satoru Anzaki	Advisor, Komatsu, Ltd.	(Note)

(Note) The Company has no important business relations with the firm(s).

## Major activities during the fiscal year under review

Position	Name	Major activities
Outside director	Ryuji Yasuda	Ryuji Yasuda attended 12 of the 13 meetings of the board of directors held during this fiscal year (excluding written resolutions), all 5 meetings of the Nomination Committee, and 10 of the 11 meetings of the Remuneration Committee. He has extensive experience as a university professor and as a business consultant and has expertise in corporate business strategy. From a broad perspective, he has made comments on management plans, organizational operations, and various other issues.
	Nobuo Yoneda	Nobuo Yoneda attended all 13 meetings of the board of directors held during this fiscal year (excluding written resolutions), all 6 meetings of the Examining Committee, all 5 meetings of the Nomination Committee, and all 11 meetings of the Remuneration Committee. He is a specialist in the real estate business and has made comments primarily related to real estate transactions conducted by the Company, based on his excellent, broad-ranging insights obtained from his years of experience.
	Masahito Ishigami	Masahito Ishigami attended all 13 meetings of the board of directors held during this fiscal year (excluding written resolutions), 8 of the 9 meetings of the Examining Committee, all 5 meetings of the Nomination Committee, and all 8 meetings of the Remuneration Committee. He served as the Standing Corporate Auditor of Sompo Japan Insurance Inc. and has made comments primarily related to internal control issues based on his extensive brilliant insights into auditing. He plays a core role in audit operations as chairman of the Examining Committee.
	Satoru Anzaki	Satoru Anzaki attended all 10 meetings of the board of directors held after assuming the office of Director (excluding written resolutions), all 3 meetings of the Nomination Committee, and all 8 meetings of the Remuneration Committee. He has been involved in corporate management for many years, and has made comments on general managerial issues, including annual management plans, medium-term management plans, business plans, and various risks associated with business operations, based on his wealth of expertise as a company executive.

(Note) The numbers of meetings of the board of directors, the Nomination Committee, and other above-mentioned committees are those applicable to the period during which they assumed office.

## (iii) Executive Officers

Position at the Company	Name	Business in charge or major professions
President and CEO	Kenji Watanabe	
Senior Executive Officer and CFO	Kazuo Kojima	Group General Manager of Investment Group and General Manager of Public Relations & Investors Relations Group
Managing Executive Officer	Yasushi Sakuma	Group General Manager of Real Estate Group
Managing Executive Officer and CCO	Yutaka Yamauchi	General Manager, Human Resources and General Affairs
Executive Officer	Toshiaki Kawachi	General Manager, Property Management Division of Real Estate Group
Executive Officer	Masanori Kimura	General Manager, Real Estate Development of Real Estate Group
Executive Officer	Tatsuhiko Miyamoto	General Manager, Real Estate Planning of Real Estate Group
Executive Officer	Katsumi Ichihara	General Manager, Corporate Auditing and System Administration
Executive Officer	Yoshinobu Odaka	General Manager, Accounting and Tax Planning

(Notes)

- Both Kenji Watanabe and Kazuo Kojima concurrently serve as director and executive officer.
- Kazuo Eiki resigned from his position on June 28, 2007.

## (2) Remuneration for Directors and Executive Officers

Classification	Number of persons	Remuneration (¥, thousand)
Directors	5	67,731
(of the above, outside directors)	(4)	(34,032)
Executive officers	9	185,285
Total	14	253,016

(Notes)

- The amount to be paid to executive officers does not include the employee salaries of executive officers who concurrently serve as employees, or ¥101,268,000.
- The amount to be paid to directors who concurrently serve as executive officers is ¥133,007,000, which is included in remuneration for executive officers.
- Retirement benefits of ¥9,249,000 in total will be paid to directors and executive officers who retired or plan to retire on the day following the conclusion of the 77th Ordinary General Meeting of Shareholders or thereafter.
- The above-mentioned amounts include incentive stock option and stock-compensation type stock option value of ¥14,073,000 (¥1,925,000 for directors, ¥12,148,000 for executive officers) and other bonuses of ¥95,078,000 (¥5,466,000 for directors, ¥89,612,000 for executive officers). They also include ¥47,397,000, or an increase in the allowance for directors' retirement benefits.
- The payment of retirement benefits for termination resulting from the abolition of the retirement benefits system for officers, scheduled in March 2008, will be ¥181,130,000.

### (3) Policy for Determining Details of Remuneration for Executive Officers and Other Officers

#### (i) Policy

The Company gives priority to the sustainable growth of shareholder value, and remuneration for officers shall be granted based on a structure conducive to the priority.

- (A) In order to increase incentives for better business performance and to secure qualified personnel, greater remuneration shall be granted to officers who make greater contributions to the improvement of business performance.
- (B) The principal duty of directors is to supervise the execution of company operations, and their responsibilities and contributions are not directly linked to the sustainable growth of shareholder value. In view of this fact, the linkage of remuneration with achieved performance shall be diminished. By contrast, executive officers take primary responsibilities in business performance, and the linkage of remuneration with responsibilities and achieved performance shall be further strengthened.
- (C) Accordingly, annual remuneration for officers shall consist of the three types of compensation: annual salary linked to their responsibilities as a professional executive of the investment company; cash bonuses linked to business performance (both of which are “professional compensation”); and stock bonuses based on the grant of stock options exercisable at a price of one yen per share (“entrepreneur compensation”). Stock bonuses are designed to reward officers who make entrepreneur-like personal contributions to greater net income beyond the professional executive level.
- (D) From the viewpoint of granting bonus according to business performance, sums of bonuses shall be linked to consolidated net income.

#### (ii) Remuneration Structure for Officers

The remuneration structure for officers is as follows.

##### Annual compensation

- Annual salary (professional compensation)
- Cash bonus (professional compensation)
- Stock bonus based on the grant of stock options exercisable at a price of one yen per share (entrepreneur compensation)

##### Other compensation

- Stock options
- Retirement benefits

- (A) Professional compensation consists of annual salary linked to officers’ responsibilities and cash bonus linked to business performance.
- (B) Entrepreneur compensation shall be granted as stock bonuses based on the grant of stock options exercisable at a price of one yen per share. The sum of compensation shall be decided in accordance with the level of the officers’ contribution as entrepreneurs. The limitation on the sale by the officers of issued shares shall be set otherwise from the viewpoint of sharing benefits between shareholders and the officers as entrepreneurs.
- (C) The aggregated total of cash bonus and stock bonus based on the grant of stock options exercisable at a price of one yen per share shall be up to 4% of consolidated net income.
- (D) Stock options of which the exercise price is based on the market price at the time of granting shall be granted in accordance with the officers’ responsibilities in order to improve the incentives for greater business performance.
- (E) Retirement benefits for the entire period of the retiring officer’s service shall be paid as a lump sum at the time of retirement, in accordance with the officer’s contribution (in terms of performance evaluation of the relevant division, operating income, and shareholder value for each year).

#### 4. Independent Auditors

(1) Name: KPMG AZSA & Co.

#### (2) Remuneration for the Fiscal Year Under Review

Remuneration with respect to the operations prescribed in Article 2, paragraph 1 of the Certified Public Accountant Law (Law No. 103 of 1948): 19 million yen

(Note) Since the remuneration for the audit operations pursuant to the Corporation Law and the remuneration for audit operations pursuant to the Financial Instruments and Exchange Law are not clearly separated in the audit contract and substantively cannot be separated between the Company and independent auditors, the above-stated amount represents the aggregate amount of these remunerations.

(3) Total amount of cash and other property benefits to be paid by the Company and its consolidated subsidiaries to independent auditors: 19 million yen

#### (4) Policy for Decisions on Dismissal or Non-reappointment of Independent Auditors

In cases where the Examining Committee deems that an independent auditor is having difficulty in conducting audit operations appropriately, or where it deems the dismissal or non-reappointment of the independent auditor to be appropriate for any other reasons, the Company shall propose the dismissal or non-reappointment of the independent auditor as an agenda item at a general meeting of shareholders.

In the case where it is deemed that the independent auditor has fallen under any of the reasons for dismissal prescribed in Article 340, paragraph 1 of the Corporation Law, the Examining Committee shall dismiss the independent auditor and the committee member selected by the committee shall report the dismissal and the reasons thereof at the general meeting of shareholders held for the first time since the dismissal.

[Reference]

Corporation Law

Gist of Article 340 (Dismissal of Independent Auditors by Examining Committee)

(1) The Examining Committee may dismiss an independent auditor if that independent auditor:

- (i) has breached his or her duty in the course of his/her duties, or neglected his/her duties;
- (ii) has engaged in misconduct inappropriate for an independent auditor; or
- (iii) has difficulty in, or is unable to cope with the execution of his/her duties due to mental or physical disability.

## 5. Corporate System and Policy

### (1) Policy for Decisions on Distribution of Surplus

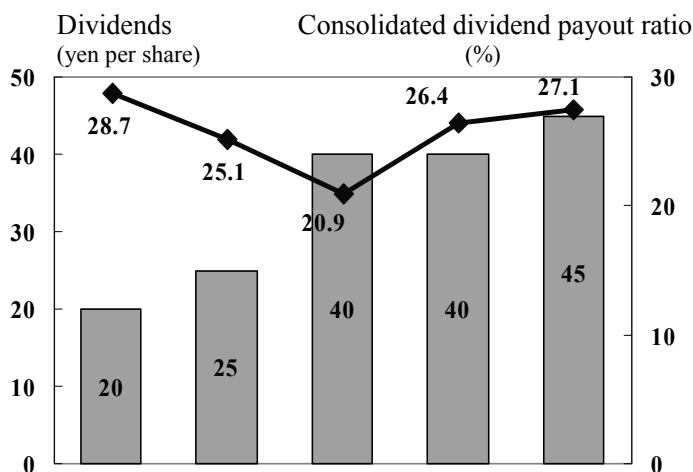
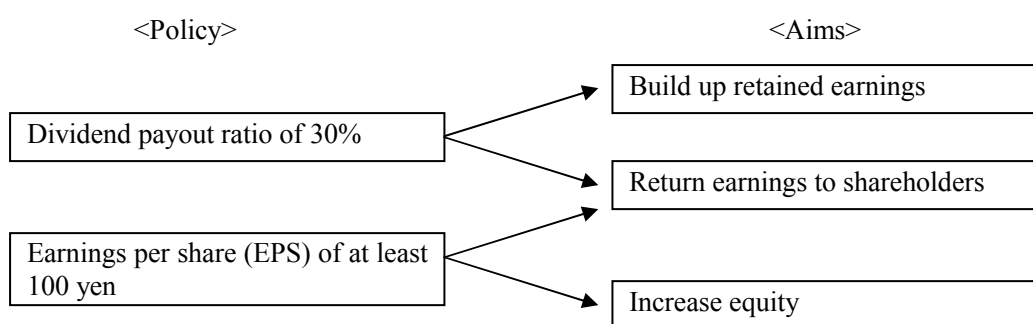
The Company will return earnings to shareholders while building up retained earnings to support business growth and bolster its operating base, with the aim of increasing the consolidated dividend payout ratio to no more than 30%.

Another key policy is to increase equity and return benefits to shareholders with the view to achieving earnings per share (EPS) of at least 100 yen per share, aiming for growth that balances earnings and their source, equity.

In line with this basic earnings distribution policy, the Company will pay a year-end dividend of 25 yen per share, which includes an ordinary dividend of 20 yen per share, plus a dividend of 5 yen to commemorate the successful completion of the medium-term management plan. Combined with the interim dividend of 20 yen per share paid in August 2007, this will result in a projected full-year dividend of 45 yen per share.

In fiscal 2008, the Company plans to pay a full-year dividend of 40 yen per share, which will include an interim dividend of 20 yen per share.

#### Basic Earnings Distribution Policy



(2) System to Ensure the Properness of Operations

The following are the key points of the decisions made by the board of directors in order to develop a system to ensure the properness of operations of the Company.

(i) Matters concerning directors and employees responsible for assisting with the duties of the Examining Committee

The body responsible for assisting with the duties of the Examining Committee shall be the Corporate Auditing Office.

Employees responsible for assisting with the duties of the Examining Committee shall belong to the Corporate Auditing Office.

(ii) Matters concerning the independence of such directors and employees from executive officers

Consent of the Examining Committee is required to determine personnel changes, performance appraisal, and salaries with respect to the employees.

(iii) System to report to the Examining Committee by executive officers and employees, and other systems to report to the Examining Committee

Matters to be reported by executive officers and employees to the Examining Committee are as follows.

- Where they discover any facts that may cause serious damage to the Company, they shall report on matters related to said facts.

- The executive officer in charge of the accounting and tax planning group shall report on details regarding profit and loss and assets.

- General managers and executive officers in charge of business operations shall report on the status of risk management implemented by each committee of each operating division.

- The chief compliance officer shall report on the activities of the Corporate Ethics Committee and any actions reported by executive officers and employees that violate the basic compliance policy.

- The general manager of the Internal Auditing Office shall report on the status of implementation of internal audits.

(iv) Other systems aimed at ensuring effective audits by the Examining Committee

In order to enhance auditing functions of the Examining Committee and to appropriately verify and oversee management operations, the committee chairman who serves as outside director shall attend the meetings of the board of directors and other committees related to important internal controls.

All members of the Examining Committee shall attend the meetings of the Internal Audit Committee whose members consist of the president and the executive officer in charge of human resources and general affairs. At these meetings, they are to report on the results of internal audits and seek responses on matters to be corrected from relevant divisions, offices, and groups. They provide instructions on corrections, conduct follow-ups for the implementation of corrections, and report on the results thereof to the president. The Internal Audit Committee fulfills the checks-and-balances mechanisms within operating divisions, in coordination with the Examining Committee.

(v) System to ensure the properness of operations in the corporate group comprised of the Company, its parent company (if any) and subsidiaries

The scope of the supervision of affiliated companies by the Real Estate Group and other divisions of the Company shall be outlined in the “company regulations.” Affiliated companies shall be supervised in accordance with the “regulations on business management of affiliated companies.” Moreover, representatives of affiliated companies shall be appointed as group officers who are assigned responsibility for establishing internal controls within the entire group. The group officers shall report on business performance and a range of management issues at the monthly performance report meeting. Furthermore, any decision on the matters that meet certain standards requires prior approval of the relevant division of the Company. Apart from the principle that the general manager of the Internal Auditing Office holds the concurrent post of corporate auditor of affiliated companies, the Internal Auditing Office of the Company shall conduct periodic audits of affiliated companies.

(vi) System for the preservation and management of information regarding the execution of duties by executive officers

Important information shall be preserved and managed in accordance with the “regulations on management of documents, etc.,” and must be made available for inspection by the Examining Committee at any time.

(vii) Regulation on the management of risk of loss, and other systems

Pursuant to the “crisis management regulations” and “risk management regulations,” a risk management system shall be developed and the operation thereof shall be enhanced under the leadership of the chief compliance officer.

(viii) System to ensure efficiency in the execution of duties by executive officers

The board of directors shall examine draft annual plans formulated by operating divisions and decide on a final annual plan. Executive officers and general managers in charge of business divisions shall, based on their authorities, formulate specific policy items in line with the annual plan and implement them. Monthly business performances shall be reported at the monthly performance report meeting, followed by instructions on matters to be solved and the prompt solution thereof. In addition to quarterly financial results reported by executive officers every three months, the board of directors shall receive reports from the monthly performance report meeting and provide instructions such as the revision of targets, if necessary. Relevant operating divisions shall revise the plan in line with these instructions and implement the new plan. In areas where the Company deems that further reforms are required, specialized committees shall be established to discuss the matters. One outside director takes part in each committee, in consideration of the respective fields of expertise of outside directors.

(ix) System to ensure compliance of execution of duties by employees with laws and regulations and the Articles of Incorporation

With regard to internal controls, the implementation of business management, operational control, compliance, risk management and internal audit shall be accompanied by the observance of various rules, deliberations at committees, etc.

Among them, compliance shall be pursued with a view to fulfilling corporate social responsibility under the principles of compliance with laws and regulations and the Articles of Incorporation and commitment to the upholding of corporate ethics and assurance of sound management practices. The Corporate Ethics Committee shall verify the state of compliance in accordance with the “Code of Corporate Conduct” and “Basic Policies for Daily Business Activities.” Internal circular resolution matters shall be checked on a daily basis by specialized divisions. And those checks are confirmed by signatures of the persons concerned in the space provided on the internal circular.

As for risk management, the Company examines potential risks in each risk category, primarily at theme-specific meetings such as the ALM meeting, the financial strategy meeting, and management meetings of affiliated companies. In parallel, overall risks faced by the Company are reviewed at Comprehensive Risk Management Conferences held every quarter, and the necessary countermeasures are implemented.

## REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Proposal 1: Partial Amendments to the Articles of Incorporation

#### 1. Reasons for the amendments

- (1) Taking into account the diversification of the real estate business and further development of our business, we hereby propose to modify Article 2 (Purpose) of the current Articles of Incorporation. This modification also aims to define our business activities in response to the actual situation thereof.
- (2) The Company shall add Article 32 to enable the conclusion of limited liability agreements with outside directors that limit their liability for damages against the Company to the extent prescribed in applicable laws and regulations. This addition aims to invite independent personnel qualified as outside directors from the outside of the Company and to allow said personnel to fulfill their expected role in the performance of their duties.

All members of the Examining Committee have already given consent for the establishment of a provision for the conclusion of limited liability agreements with outside directors as Article 32 in the proposed amendments.

[Reference]

Corporation Law:

Gist of Article 423

If a director or another officer neglects his/her duties, he/she shall be liable to such stock company for damages arising as a result thereof.

Gist of Article 427

A stock company may provide in the articles of incorporation that the stock company may enter into contracts with outside directors to the effect that, if such outside directors are without knowledge and are not grossly negligent in performing their duties, the liability of the outside directors under Article 423 shall be limited to either the amount provided for in the articles of incorporation, or the minimum liability amount as provided for under Article 425, whichever is higher.

- (3) Article and paragraph numbers shall be changed in accordance with the above-mentioned changes.

2. Description of the amendments

The proposed amendments are as follows:

Comparison between the Current Articles of Incorporation and the Proposed Amendments thereto  
(Underlines indicate amendments.)

Current Articles of Incorporation	Proposed Amendments
<p>Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses:</p> <ol style="list-style-type: none"> <li>1. Building lots and building transaction business and other real estate related business;</li> <li>2. Investment advisory business;</li> <li>3. Purchase, holding and disposal of real estate trust beneficiary rights; (New establishment)</li> </ol> <p>4. Warehousing business;</p> <p>5. Security service based on the Security Business Service Law;</p> <p>6. <u>Manufacture and sale of electric equipment and parts thereof;</u></p> <p>7. <u>Manufacture and sale of electronic information and communication equipment and of peripheral equipment and devices, as well as parts thereof;</u></p> <p>8. <u>Design, development and sale of information processing systems;</u></p> <p>9. Building works;</p> <p>10. Investment in domestic and overseas corporations;</p> <p>11. Steel structure works and installation of machinery and tools;</p> <p>12. <u>Manufacture and sale of medical appliances;</u></p> <p>13. Holding and dealing of securities and money loans;</p> <p>14. <u>Non-life insurance agency, insurance agency under the Automobile Liability Security Law and life insurance soliciting business;</u></p> <p>15. Businesses involved in the collection, transportation, treatment, disposal and recycling of domestic and industrial waste;</p> <p>16. All businesses incidental to or related to any the preceding items.</p>	<p>Article 2. (Purpose) The purpose of the Company shall be to engage in the following businesses:</p> <ol style="list-style-type: none"> <li>1. Building lots and building transaction business and other real estate related business;</li> <li>2. Investment advisory business;</li> <li>3. Purchase, holding and disposal of real estate trust beneficiary rights;</li> <li>4. <u>Type II financial instruments business as prescribed in the Financial Instruments and Exchange Law</u></li> <li>5. Warehousing business;</li> <li>6. Security service based on the Security Business Service Law; (Deleted)</li> </ol> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>7. Building works;</p> <p>8. Investment in domestic and overseas corporations;</p> <p>9. Steel structure works and installation of machinery and tools; (Deleted)</p> <p>10. Holding and dealing of securities and money loans; (Deleted)</p> <p>11. Businesses involved in the collection, transportation, treatment, disposal and recycling of domestic and industrial waste;</p> <p>12. All businesses incidental to or related to any the preceding items.</p>



## Proposal 2: Election of Seven (7) Directors

The terms of office of all seven directors expire at the closing of this meeting. Accordingly, we propose to elect seven (7) directors according to the decision taken by the Nomination Committee.

Especially for outside directors of the Company adopting the Committee System, they are supposed to play a principal role in a system of “checks and balances” toward operating divisions led by the representative executive officer under separating management execution and oversight functions. Consequently, the management of the Company has clear features, such as outside directors accounting for the majority of all the directors and the so-called independent directors\* accounting for at least two-thirds (2/3) of the outside directors.

\* “Independent director” refers to an outside director who meets the “Requirements for Independent Directors” prescribed in the Company’s internal rule which was established based on the “Independent Director Code” publicly announced by the Japan Association of Corporate Directors on October 13, 2005.

The nominees for directors and reasons for recommending are as follows:

Nominee No.	Name (Date of birth)	Brief personal history, position, business in charge and representative positions in other companies	Number of the Company’s shares held	Special interests in the Company
1	Masaaki Sato (July 27, 1942)	<p>April 1996     Managing Director, Fuji Bank, Limited</p> <p>May 1999     Senior Managing Director and Group General Manager of Personal Banking Group, Fuji Bank, Limited</p> <p>August 2000   Senior Managing Director, Fuji Bank, Limited</p> <p>April 2002     Deputy President, Mizuho Bank, Ltd.</p> <p>June 2003     Retired from Mizuho Bank, Ltd.</p> <p>July 2003     Senior Advisor, Nihonbashi Kogyo Co., Ltd.</p> <p>March 2004     Director, Shoei Co., Ltd.</p> <p>June 2004     Corporate Auditor, Nichirei Corporation (Present)</p> <p>March 2005     Chairman of the Board, Shoei Co., Ltd. (Present)</p>	22,440	None
2	Kenji Watanabe (January 1, 1947)	<p>May 1994     General Manager of Los Angeles Branch, Fuji Bank, Limited</p> <p>May 1996     General Manager of First Corporate Banking Division, Fuji Bank, Limited</p> <p>May 1997     General Manager of General Planning Division, Fuji Bank, Limited</p> <p>June 1997     Director, General Manager of General Planning Division, Fuji Bank, Limited</p> <p>May 1999     Managing Director, Fuji Bank, Limited</p> <p>September 2000   Resigned as director of Fuji Bank, Limited</p> <p>October 2000   Senior Advisor, Shoei Co., Ltd.</p> <p>March 2001     Representative Director, President and CEO, Shoei Co., Ltd.</p> <p>March 2005     Director, Representative Executive Officer, President and CEO, Shoei Co., Ltd. (Present)</p>	188,265	None

Nominee No.	Name (Date of birth)	Brief personal history, position, business in charge and representative positions in other companies	Number of the Company's shares held	Special interests in the Company
3	Kazuo Kojima (February 6, 1948)	<p>May 1991 Deputy Manager, Treasury &amp; Securities Sales Division, Fuji Bank, Limited</p> <p>September 1999 Managing Executive Officer, Fuji Securities Inc. (sent on loan)</p> <p>July 2001 Retired from Fuji Bank, Limited</p> <p>July 2001 Executive Officer, General Manager of Corporate Planning Division, Shoei Co., Ltd.</p> <p>March 2003 Managing Executive Officer, Group General Manager of Corporate Planning &amp; Administration Group, Shoei Co., Ltd.</p> <p>March 2004 Director and Managing Executive Officer, Group General Manager of Corporate Planning &amp; Administration Group, Shoei Co., Ltd.</p> <p>March 2005 Director, Managing Executive Officer and CFO, Shoei Co., Ltd.</p> <p>March 2006 Director, Senior Executive Officer and CFO, Shoei Co., Ltd. (Present)</p>	50,948	None
4	Ryuji Yasuda (April 28, 1946)	<p>July 1996 Asia Representative and Member, Global Business Policy Council, A.T. Kearney, Inc.</p> <p>April 2002 Professor, Graduate School of International Corporate Business Strategy, Hitotsubashi University (Present)</p> <p>May 2002 Chairman, Far-East Asia, A.T. Kearney, Inc.</p> <p>June 2003 Chairman and Representative Director, J-Will Partners Co., Ltd.</p> <p>June 2003 Director, Daiwa Securities Group Inc. (Present)</p> <p>March 2004 Director, Shoei Co., Ltd. (Present)</p> <p>June 2005 Director, Fuji Fire and Marine Insurance Co., Ltd. (Present)</p> <p>June 2006 Director, The Bank of Fukuoka, Ltd. (Present)</p> <p>November 2006 Director, Vantec Group Holdings Corporation (Present)</p> <p>April 2007 Director, Fukuoka Financial Group, Inc. (Present)</p> <p>June 2007 Director, Sony Corporation (Present)</p>	11,254	None
5	Nobuo Yoneda (September 25, 1935)	<p>March 1997 Deputy President and Representative Director, Tokyo Tatemono Co., Ltd.</p> <p>March 2001 Retired from Tokyo Tatemono Co., Ltd.</p> <p>June 2001 President and Representative Director, Tokyo Fudosan Kanri Co., Ltd.</p> <p>June 2003 Chairman, Tokyo Fudosan Kanri Co., Ltd.</p> <p>March 2005 Director, Shoei Co., Ltd. (Present)</p> <p>June 2005 Senior Advisor, Tokyo Fudosan Kanri Co., Ltd.</p> <p>June 2006 Resigned from the position</p>	6,086	None

Nominee No.	Name (Date of birth)	Brief personal history, position, business in charge and representative positions in other companies	Number of the Company's shares held	Special interests in the Company
6	Masahito Ishigami (September 4, 1944)	<p>June 1999 Director, General Manager, Chugoku Regional Quarters, The Yasuda Fire &amp; Marine Insurance Co., Ltd.</p> <p>June 2001 Managing Officer, The Yasuda Fire &amp; Marine Insurance Co., Ltd.</p> <p>June 2002 Standing Corporate Auditor, The Yasuda Fire &amp; Marine Insurance Co., Ltd.</p> <p>July 2002 Standing Corporate Auditor, Sompo Japan Insurance Inc.</p> <p>June 2003 Corporate Auditor, Sompo Japan Insurance Inc.</p> <p>March 2005 Director, Shoei Co., Ltd. (Present)</p> <p>June 2005 Senior Advisor, Sompo Japan Insurance Inc. (Present)</p>	5,221	None
7	Satoru Anzaki (March, 3, 1937)	<p>June 1995 President, Komatsu, Ltd.</p> <p>December 2001 Chairman of the Board, Komatsu, Ltd.</p> <p>June 2003 Director and Counselor, Komatsu, Ltd.</p> <p>June 2005 Senior Advisor, Komatsu, Ltd.</p> <p>March 2007 Director, Shoei Co., Ltd. (Present)</p> <p>July 2007 Advisor, Komatsu, Ltd. (Present)</p>	11,100	None

Nominees, Ryuji Yasuda, Nobuo Yoneda, Masahito Ishigami and Satoru Anzaki are the candidates for the outside directors.

The reasons for recommending the respective nominees are as follows:

Masaaki Sato is expected to continuously fulfill his key role in overseeing business execution. He will have served as director for the Company for four years at the conclusion of this meeting.

Kenji Watanabe and Kazuo Kojima are expected to continuously fulfill their roles in determining important management issues of the Company. At the conclusion of this meeting, Kenji Watanabe and Kazuo Kojima will have served as directors for the Company for seven years and four years, respectively.

Ryuji Yasuda is a specialist in management strategies and in the crossover field of finance and real estate businesses, and therefore is qualified as an outside director of the Company. He also satisfies the aforementioned "Requirements for Independent Directors." He will have served as director for the Company for four years at the conclusion of this meeting.

Nobuo Yoneda is a specialist in real estate business and is qualified as an outside director with his abundant CEO experience. He also satisfies the aforementioned "Requirements for Independent Directors." He will have served as director for the Company for three years at the conclusion of this meeting.

Masahito Ishigami is a former Corporate Auditor of Sompo Japan Insurance Inc., which is a shareholder of the Company. His extensive and broad insight into audit is essential to the functions of the Examining Committee, and he is qualified as an outside director. He also satisfies the aforementioned "Requirements for Independent Directors." He will have served as director for the Company for three years at the conclusion of this meeting.

Satoru Anzaki is the former President of Komatsu, Ltd. His extensive CEO experience will enable him to play a major role in doing decision-making on the Company's serious management issues and supervising the execution of its operations, and he is well qualified as outside director. Furthermore, he satisfies the aforementioned "Requirements for Independent Directors." He will have served as director for the Company for one year at the conclusion of this meeting.

During the tenure of Ryuji Yasuda as outside director of Fuji Fire and Marine Insurance Co., Ltd., the firm received administrative penalties from the Financial Services Agency under the Insurance Business Law in November 2005 and March 2007, due mainly to unacceptable failures in paying insurance claims on some of its insurance products. At the meetings of the firm's board of directors, Ryuji Yasuda had previously urged that the firm enhance its internal control system so as to prevent illegal acts. After the occurrence of the incident, he made

comments primarily in relation to the identification of the causes of the incident and the reforms made to business operations aimed at preventing a recurrence of such acts.

Details regarding limited liability agreements with outside directors are as follows:

Pursuant to Article 427 of the Corporation Law and Article 32 of the Articles of Incorporation (provided that approval is obtained at the 78th Ordinary General Meeting of Shareholders), the Company plans to enter into a limited liability agreement with four outside directors who will be reappointed at this meeting. If any damage is incurred to the Company by outside directors who have acted in good faith and without gross negligence in the performance of their duties, the Company shall bear liability for the damage up to the two-year total of cash and other property benefits which the outside directors are to receive as a consideration for the execution of their duties during their tenure.

## **Exercise of Voting Rights via the Internet**

### **1. You can exercise your voting rights either by the conventional means or via the Internet.**

- (a) You attend the meeting in person, or
- (b) You send the enclosed Exercise of Voting Rights Form to the Company by mail.
- (c) You can exercise your voting rights via the Internet.

If you exercise your voting rights using any one of the above three methods, you need not additionally exercise your voting rights with any of the other two. For example, if you choose to adopt method (c), you are not required to send the Exercise of Voting Rights Form by mail.

### **2. Cautions regarding the exercise of voting rights via the Internet**

Please carefully read and understand the following matters before you exercise your voting rights via the Internet.

- 1) Your exercise of voting rights is only available by way of accessing the designated Web sites (refer to the URLs below). Take note that you cannot vote via the Internet on a mobile phone. You need the “Exercise of Voting Rights Code” and the “Password” printed on the enclosed Exercise of Voting Rights Form.
- 2) The “Exercise of Voting Rights Code” and the “Password” that are sent for your use are effective only for the 78th Ordinary General Meeting of Shareholders. The Company will issue and give you another code and password for the next meeting.
- 3) If you have exercised your voting rights both by sending the Exercise of Voting Rights Form and via the Internet, only the exercise of voting rights via the Internet shall be deemed effective.
- 4) If you have exercised your voting rights several times via the Internet, only the final exercise shall be deemed as your effective exercise of voting rights.
- 5) The various expenses regarding the Internet (e.g., fee for connection with the provider, communication charge) shall be borne by the shareholders who exercise their voting rights via the Internet.

### **3. Procedure for the exercise of voting rights via the Internet**

- 1) Please access a designated URL (either <http://www.it-soukai.com> or <https://daiko.mizuho-tb.co.jp>). However, you cannot access these URLs from 3 a.m. to 5 a.m., even during the exercise period.
- 2) Input first your “Exercise of Voting Rights Code” and “Password,” then click on the “Log In” button. The “Exercise of Voting Rights Code” and the “Password” are printed at the upper right on the enclosed Exercise of Voting Rights Form.
- 3) Enter your vote of approval or disapproval by following the instructions on the screen.
- 4) Exercise of Voting Rights are acceptable until 6 p.m. on Monday, March 24, 2008.

#### 4. PC environment for use

Personal computer (OS)	Windows <sup>®</sup> models (Not applicable to mobile phones, PDAs or game machines.)
Browser software	Microsoft <sup>®</sup> Internet Explorer 5.5 or later
Internet viewable environment	An Internet-compliant environment allows you to use the Internet service under agreement with a provider.
Screen resolution	1024 × 768 or higher pixels are recommended.  Microsoft Windows is a registered trademark or brand of Microsoft Corporation, a U.S. corporation in the U.S. and other countries.

#### 5. Security

To prevent unauthorized access by anyone other than the Company's shareholders and/or falsification of the details in the exercise of voting rights, our Internet-based voting service adopts encryption technology (SSL 128 bit) for telecommunications security. You are requested to carefully handle the "Exercise of Voting Rights Code" and the "Password," both of which are critical to authenticate your identity. Please secure them at all times.

Please also understand that we will never contact shareholders to make an inquiry about their Password.

#### For Your Inquiries (Japanese only)

1) For all inquiries pertaining to the operation of a personal computer, etc. for the exercise of voting rights via the Internet, please contact:

Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Department **INTERNET HELPLINE**

Tel.: 0120-768-524 (toll free)

(Business hours: 9 a.m. to 9 p.m. excluding weekends and holidays)

2) For all other inquiries such as change of address, etc., please contact:

Mizuho Trust & Banking Co., Ltd., Stock Transfer Agency Department

Tel.: 0120-288-324 (toll free)

(Business hours: 9 a.m. to 5 p.m. excluding weekends and holidays)