



April 20, 2007

## Consolidated Financial Summaries for the Fiscal Year Ended February 28, 2007

Company name: HARAKOSAN CO., LTD.  
 Stock code: 8894 Stock Exchange listing: OSE, 2<sup>nd</sup> Section  
 URL: http://www.harakosan.co.jp Location: Yamaguchi Prefecture  
 Representative: Masaaki Hara, President & CEO  
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 Board meeting for approving: April 20, 2007  
 Adoption of US GAAP: Not adopted

### 1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2007 (March 1, 2006 - February 28, 2007)

#### (1) Consolidated Results of Operations (All amounts are rounded down to the nearest million yen)

	Revenue from operations		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 2007	52,841	103.9	3,433	82.9	3,065	61.1
February 2006	25,911	-	1,877	-	1,903	-

	Net income		Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to revenue
	Millions of yen	%	Yen	Yen	%	%	%
February 2007	1,959	93.1	15,463.58	15,413.03	16.2	6.1	5.8
February 2006	1,014	-	8,411.29	-	13.2	7.9	7.3

Notes: 1. Investment profit/loss under equity method: Feb. 2007: 2 million yen Feb. 2006: (1) million yen  
 2. Average number of shares (consolidated): Feb. 2007: 126,695 shares Feb. 2006: 113,518 shares  
 3. Changes in accounting principles applied: None  
 4. Percentage in revenue from operations, operating income, ordinary income, and net income represent the year-on-year percentage change.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
February 2007	69,745	14,768	20.9	113,830.25
February 2006	30,713	9,639	31.4	81,284.25

Note: Number of shares outstanding (consolidated): Feb. 28, 2007: 128,295 shares Feb. 28, 2006: 117,850 shares

#### (3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 2007	(3,637)	(5,640)	19,422	13,129
February 2006	(5,079)	375	6,174	2,941

#### (4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 10 Non-consolidated subsidiaries subject to equity method: -  
 Affiliates subject to equity method: 3

#### (5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated (new): 6 (excluded): 2 Companies subject to equity method (new): 1 (excluded): -

### 2. Consolidated Forecast for the Fiscal Year Ending February 29, 2008 (March 1, 2007 - February 29, 2008)

	Revenue from operations	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
First half	34,000	1,100	600
Full year	80,000	4,800	2,650

Reference: Estimated net income per share (full year): 17,671.38 yen

\* The estimated values above have been prepared based on information available as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors. Estimated net income per share (full year) is calculated assuming that all corporate bonds with stock acquisition rights issued on February 22, 2007 have been exercised. Please refer to page 8 for details on the above forecasts.

## **I. Corporate Group**

The HARAKOSAN Group (the Group) is made up of HARAKOSAN CO., LTD. (the Company), 11 subsidiaries (including 10 consolidated subsidiaries) and three affiliates (including three equity-method affiliates). The Group is engaged primarily in the sale of housing and apartments, leasing and property management, and the environmental business. The following section describes the major business activities and the positions of group companies in relation to these activities. These business sectors are the same as the business segments used for financial reporting purposes.

### **a. Sales of Housing and Apartments**

The Company and consolidated subsidiaries S Trust Co., Ltd. and Betsudai Co., Ltd. are engaged in the sale of condominiums, the planning, design and sale of detached housing, and real estate sales and brokerage. In addition, these two subsidiaries provide consignment sales services for condominiums. Consolidated subsidiary Harakosan PFI Investment Co., Ltd. is engaged in the private finance initiative (PFI) business. Consolidated subsidiary Betsudai Urban Development Project Cooperative Association handles clerical tasks associated with the sale of real estate. Consolidated subsidiary Inoue Investment, Inc. buys and sells real estate, is a real estate broker, and buys and sells securities.

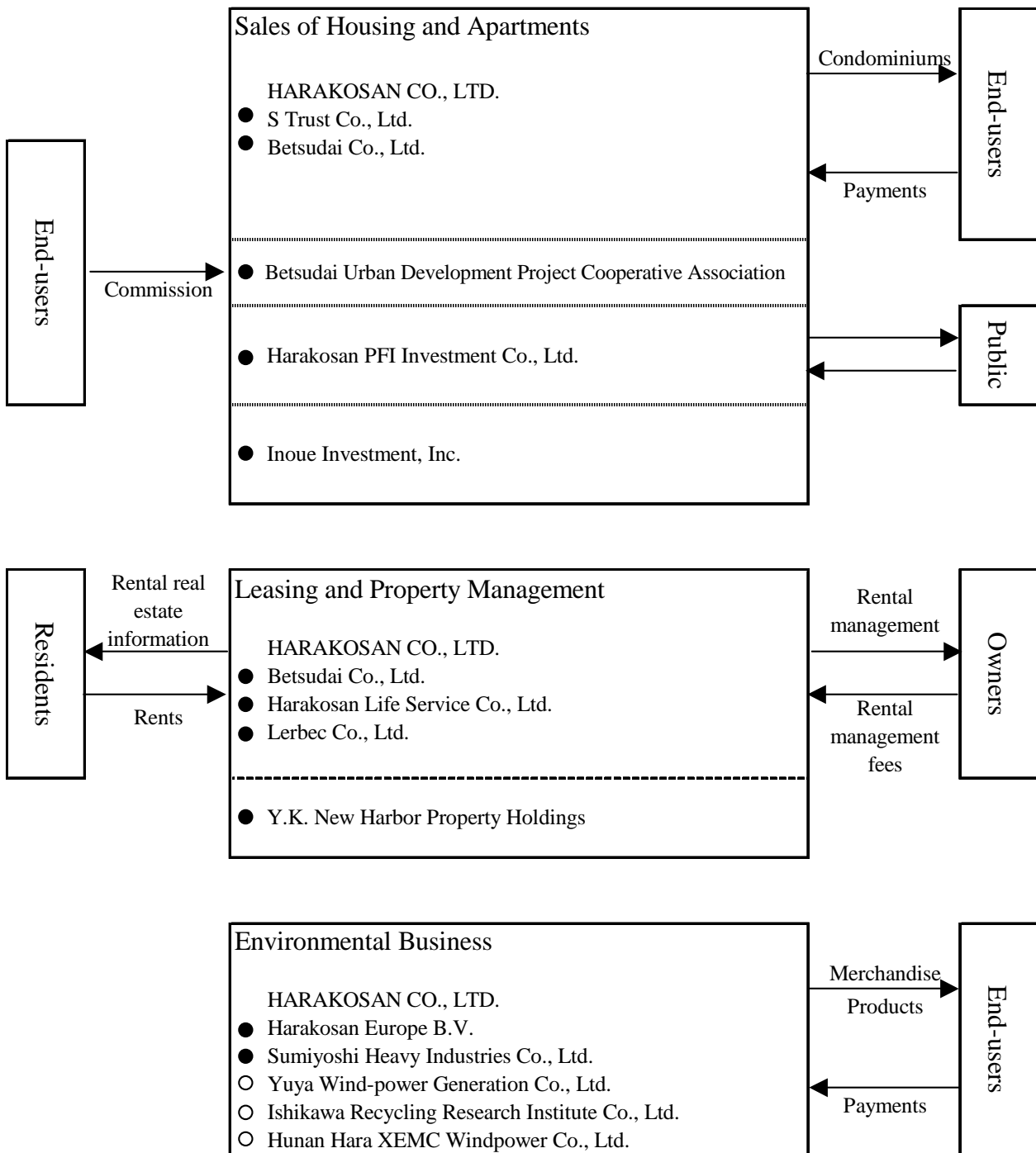
### **b. Leasing and Property Management**

The Company manages general leased properties and rental condominiums for seniors, all of which are located in Yamaguchi prefecture. Consolidated subsidiary Betsudai manages general leased properties and condominiums in Oita prefecture. Consolidated subsidiaries Harakosan Life Service Co., Ltd. and Lerbec Co., Ltd. operate and manage nursing homes and other facilities. Y.K. New Harbor Property Holdings generates income from real estate through real estate trust beneficiary rights.

### **c. Environmental Business**

The Company sells solar energy systems, wind-power systems and underwater structures manufactured from recycled seashells that serve as a fish habitat. Consolidated subsidiary Sumiyoshi Heavy Industries Co., Ltd. manufactures and sells environmental equipment. Products include plants that reuse waste earth from construction sites and incinerator ash, sewer culvert shaft borers, and decompression dryers. Consolidated subsidiary Harakosan Europe B.V. processes orders for wind-power systems and performs design and assembly services for these systems. Affiliate Yuya Wind-power Generation Co., Ltd. sells electricity generated by wind-power systems. Affiliate Ishikawa Recycling Research Institute Co., Ltd. processes and recycles glass bottles. Affiliate Hunan Hara XEMC Windpower Co., Ltd., a newly established company, handles orders for wind-power systems and manufactures and assembles key components of these systems.

Business flow chart is as follows.



Note: ● consolidated subsidiary      ○ equity-method affiliate

## **II. Management Policies**

### **a. Fundamental management policy**

The HARAKOSAN Group is committed to contributing to society through its business activities, in which the Group responds to various needs in the domain of housing by adopting the standpoint of customers. We believe that this policy reflects our management philosophy of “expressing our gratitude, contributing to society.”

We sell condominiums that provide pleasant living environments, such as by incorporating solar energy systems and using only electric appliances. In addition, buildings incorporate sophisticated security systems to provide safe and pleasant residences. We also own rental condominiums for seniors. These condominiums are designed to be kind to residents by including a variety of optional support services to make day-to-day living easier for seniors.

Regarding kindness to the Earth, we have an environmental products and services business that includes existing solar energy systems and wind-power systems. We are also working on ways to commercialize new environmental products like bio diesel fuel (BDF) equipment.

The Group has announced its “Proclamation of Kindness to the Earth.” We will fulfill our obligations as a “total life developer” by supplying residences that are kind to people and the environment. At the same time, we will also work constantly toward achieving further growth in our corporate value.

### **b. Fundamental policy for allocating earnings**

Distributing earnings to shareholders while remaining competitive is one of our highest priorities. The policy is to pay a dividend in line with financial performance in each fiscal year while retaining a sufficient amount of earnings to build a more powerful operating base and fund future growth.

### **c. Policy concerning reduction in investment unit**

The Company views a reduction in the investment unit as an effective means of achieving an appropriate valuation of its stock by raising the stock’s liquidity and attracting more individual investors. Therefore, we will consider a stock split or other action based on upcoming stock market movements, the price of the Company’s stock and other factors.

### **d. Targeted performance indicators**

The Company is committed to constantly improving the return on equity with a goal of 20%.

### **e. Medium- and long-term management strategies**

In the Group’s core condominium sales business, our goal is to achieve further growth by extending operations to all areas of Japan. Another goal is conducting businesses with deep local roots by rapidly expanding the PFI business that we recently started. In the leasing and property management business, our goals are increasing the number of units under management and serving more weekly customers. Furthermore, we plan to enlarge the operation and management of senior residences (nursing homes) beyond the Tokyo area to all other parts of Japan. Regarding wind-power operations in the environmental business, we plan to aggressively go after new orders not only in Japan and Europe, but also in China by using joint ventures. We plan to extend wind-power operations to India and South America, too. We will continue to build an infrastructure for shifting our resources in the future from sales of housing and apartments, the current core business, to the environmental business.

f. Important issues

The Company is dedicated to expanding established businesses, developing new businesses and taking other actions aimed at growth. Therefore, the most important issues are training the people needed to conduct these businesses, using capital productively and building a sounder financial position.

To conduct business activities in a sound and efficient manner, the Group strictly complies with laws and regulations, takes steps to strengthen corporate governance and risk management, and maintains an effective system of internal controls.

Another priority is further deepening relationships among group companies and managing business activities in a manner that leverages the strengths of these companies. The goal is to achieve further growth in sales and earnings as well as corporate value.

g. Items concerning parent company, etc.

Not applicable because the Company has no parent company, etc.

h. Other important items

Not applicable.

### III. Results of Operations and Financial Condition

#### 1. Results of Operations

In the fiscal year that ended on February 28, 2007, Japan's economy slowly recovered. As companies reported strong earnings, capital expenditures increased and consumer spending climbed along with an improvement in the employment picture. However, crude oil price volatility, concerns about higher interest rates and other items make the outlook somewhat uncertain.

In Japan's real estate industry, competition to purchase land for development became even more intense. The main cause was a sharp increase in the price of land, mostly in large cities, and the first increase in the national average of published land prices in 16 years. There was very strong demand for housing mostly from seniors and the children of the baby-boom generation, fueled mainly by the outlook for higher interest rates and an improvement in employment levels. New housing starts in 2006 increased 4.4% year on year to 1.29 million units, the fourth consecutive year of growth and the highest level in nine years. In addition, the real estate investment market continues to expand. Japanese and foreign investors alike are making purchases as vacancy rates fall and leasing rates rise in big cities.

In this environment, the Group retained a strong commitment to putting the customer first. We conducted aggressive sales activities that mainly targeted value-added condominiums that match customers' needs. We also increased the number of units sold to expand our operations. In China, where substantial demand is expected for wind power, we participated in the establishment of Hunan Hara XEMC Windpower Co., Ltd., a joint venture that is an equity-method affiliate. This company has been working hard on capturing orders for wind-power systems.

Due to these activities, consolidated revenue from operations increased 103.9% year-on-year to 52,841 million yen, operating income increased 82.9% to 3,433 million yen, ordinary income increased 61.1% to 3,065 million yen and net income increased 93.1% to 1,959 million yen.

Operating results by business segment were as follows.

(Thousands of yen)		
Operating segment	Revenue from operations	Composition
Sales of Housing and Apartments	47,725,511	90.3%
Leasing and Property Management	2,008,694	3.8%
Environmental Business	3,107,696	5.9%
Total	52,841,903	100.0%

Note: Above figures do not include consumption taxes.

##### (1) Sales of Housing and Apartments

Sales remained strong during the fiscal year. Total condominium units sold by the Group increased by 126 to 647 units, and by the Company 611 units, 133 more than in the previous fiscal year.

In addition, there were strong sales of large tracts of land for sale that the Group purchased in Tokyo and Kyushu.

As a result, segment revenue from operations increased 98.3% to 47,725 million yen and operating income increased 70.4% to 4,490 million yen.

##### (2) Leasing and Property Management

The number of rental condominium units under management increased every month during the fiscal year, resulting in consistent growth in revenue. Furthermore, this segment benefited from growth in revenue from rental condominiums for seniors and weekly rentals.

As a result, segment revenue from operations increased 78.5% to 2,008 million yen and operating income increased 201.0% to 698 million yen.

##### (3) Environmental Business

This segment includes sales of solar energy systems and environmental equipment. In the wind-power system sector,

the Group delivered the remaining 14 systems of a 22-system order received in Taiwan and received an order for three semi-offshore wind-power systems from Via Wind Ltd Oy of Finland. Newly established Chinese joint venture Hunan Hara XEMC Windpower conducted aggressive sales activities in China for wind-power systems, capturing official orders for 37 systems. Furthermore, a technology transfer agreement with Jyoti Ltd. of India concerning the Company's technologies and know-how involving windmill equipment. This gives the Company a sound base for establishing a presence in India's growing wind-power market. In Japan, one wind-power system was installed in the city of Muroran in Hokkaido and one more will be installed later. Work has started on 12 systems ordered for installation in Shimane prefecture. Construction of the foundations is finished. In Mie prefecture, unofficial orders for 19 systems have been received. Overall, the Group took many actions to capture wind-power system orders in Japan and other countries.

As a result, segment revenue from operations increased 332.4% to 3,107 million yen and operating income was 126 million yen compared with a 261 million yen loss in the previous fiscal year.

## 2. Financial Condition

There was a net increase of 10,183 million yen, 591.6% more than the net increase in the previous fiscal year, in cash and cash equivalents to 13,129 million yen, 346.4% more than at the end of the previous fiscal year mainly due to an increase in cash flows from financing activities.

### Operating activities

Net cash used in operating activities decreased 1,442 million yen to 3,637 million yen. There was a 6,413 million yen increase in inventories but income before income taxes increased 3,289 million yen.

### Investing activities

Net cash used in investing activities was 5,640 million yen, a difference of 6,016 million yen compared with the positive cash flow in the previous fiscal year. Major expenditures were 2,401 million yen for the acquisition of consolidated subsidiaries, 2,389 million yen for the purchases of investment securities, and 1,313 million yen for the purchases of property, plant and equipment.

### Financing activities

Net cash provided by financing activities increased 13,248 million yen to 19,442 million yen. This was mainly attributable to proceeds of 13,638 million yen from long-term debt and 6,000 million yen from the issuance of bonds with stock acquisition rights. There were also payments of 6,591 million yen for the repayment of long-term debt.

The following table illustrates the historical movements of certain cash flow indices

	February 2006	February 2007
Shareholders' equity ratio (%)	31.4	21.2
Shareholder's equity ratio based on a market price (%)	138.1	37.5
Years of debt redemption (years)	-	-
Interest coverage ratio	-	-

\* Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market prices: Market capitalization / Total assets

Years of debt redemption: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

1. All indices are calculated based on consolidated figures.

2. Market capitalization: Closing stock price on the balance sheet date x No. of shares outstanding (net of treasury stock) on the balance sheet date

3. There are no figures for years of debt redemption and interest coverage ratio because we had negative operating cash flows.

### **3. Outlook for the New Fiscal Year**

We expect a continuation in Japan's economic recovery as corporate earnings improve and employment levels rebound. In the real estate industry, there are concerns about the ability of companies to raise sales prices to reflect the higher cost of land and about rising interest rates. However, we believe that housing demand will remain strong.

The Group will constantly focus on conducting business activities that are innovative and forward-looking. In the core condominium sales business, operations are currently located in Yamaguchi prefecture as well as the Tokyo area, Kyushu and the Chugoku region. We plan to continue extending these operations to other areas of Japan. Regarding the environmental business, we will concentrate on sales of wind-power systems to develop this business into a core profit center in the future. We will also prepare to start production and sales of BDF manufacturing equipment.

The Group will retain an aggressive stance in order to achieve growth in sales and earnings along with further gains in corporate value.

For the fiscal year ending February 29, 2008, we are forecasting consolidated revenue from operations of 80,000 million yen, ordinary income of 4,800 million yen and net income of 2,650 million yen.

### **4. Business and Other Risks**

The following is a list of the major items that we believe may become risk factors concerning the Group's business activities. From the standpoint of the full disclosure of information to investors, we have included items that we believe are important or useful for investment decisions, even though these items may not necessarily be risk factors. We are aware of these risks and are taking actions to prevent these problems and to deal with these events should they occur.

This section includes forward-looking statements that are based on the Company's judgments at the time these materials were prepared.

#### **(1) Changes in the real estate and other markets**

The condominium sales business, which is the Group's core business, is vulnerable to changes in the economy, interest rates, land prices, the volume of newly constructed condominiums, real estate sales prices, housing taxes and other items. Consequently, a weaker economic outlook, tax revisions, much higher interest rates, a large drop in land prices and other events may cause a drop in the desire of individuals to purchase condominiums. In this case, there may be a negative impact on the Group's performance.

In addition, the economic trends described above can affect the cost of land for development, construction expenses and other items. An increase in these expenses could exert pressure on the Group's business profits, resulting in a negative impact on the Group's performance.

#### **(2) Reliance on debt and changes in interest rates**

The Group has a high reliance on debt because of the need to use debt, primarily loans from financial institutions, to procure part of the funds required for purchasing land for condominiums and for construction expenses. The Company plans to take many actions to diversify fund procurement channels while increasing equity. However, an unexpectedly large increase in interest rates may have a negative impact on the Group's performance and financial condition.

#### **(3) Management of personal information**

The Group handles a large volume of personal information, particularly in conjunction with condominium sales and rental activities. The Group exercises sufficient care with regard to managing personal information in line with the Personal Information Protection Law. This includes training employees, strengthening security for IT systems and other measures. However, in the unlikely event of a leak of personal information for whatever reason, the Group could be subject to demands for liability payments and a loss of public trust. These events could have a negative impact on the Group's performance and its ability to continue to conduct business activities.

#### (4) Overseas operations

The Group sells wind-power systems outside Japan in Europe and Asia, including China. Although measures are taken with regard to all types of risk, there is a possibility of unexpected revisions to laws and tax systems, changes in government policies, acts of terrorism or war, other social instability, and other events. If any of these events occurs, there may be a negative impact on the Group's performance and its ability to continue to conduct business activities.

#### (5) Acquisitions and strategic alliances

The Company may acquire other companies or form strategic alliances that include equity investments as part of business strategies to expand established businesses and launch or reinforce new businesses. The Company conducts thorough examinations prior to making an acquisition or entering into an alliance. However, if an acquisition or alliance does not produce results in line with initial business plans, there may be a negative impact on the Group's performance.

#### (6) Dependence on Masaaki Hara, President & CEO

The Company has grown over the years under the powerful leadership of Masaaki Hara, the Company's founder. The Company is working on reducing its dependence on Mr. Hara by making organizational changes, revising regulations to transfer authority to other managers, and taking other actions. If an accident or other event prevents Mr. Hara from overseeing business operations, there may be a brief decline in the Group's reputation, but management believes that there would be no impact on business activities.

#### (7) Recruiting activities

Due to the Group's rapid growth, and in part to the accompanying increase in the recruiting of experienced workers, the average length of employment of the workforce was 2.62 years as of February 28, 2007. Recruiting talented individuals will become even more important as the Group continues to conduct established businesses while starting and expanding new businesses. However, the Group may not be able to recruit or train individuals as required, or may lose current employees to other companies. If any of these events occurs, there may be a negative impact on the Group's performance and its ability to continue to conduct business activities.

#### (8) Foreign exchange rates

The Group foresees growth in orders from customers in Europe and Asia. Furthermore, transactions between the Company and overseas subsidiaries are denominated mainly in foreign currencies. As a result, changes in foreign exchange rates may have a negative impact on the Group's competitive edge, profitability and performance in overseas markets.

#### (9) Laws and regulations

The Group's business activities are subject to a number of laws and regulations that include, but are not limited to, the Building Lots and Buildings Transaction Business Law, the Act for Planning the Utilization of the National Land, the Building Standards Law, the City Planning Law and the Act Concerning Elimination and Prevention of Involvement in Bid Rigging, etc. Revisions to these laws and regulations as well as the establishment of new laws and regulations may have a negative impact on the Group's performance and its ability to continue to conduct business activities.

#### IV. Consolidated Financial Statements and Other

##### 1. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Thousands of yen)

Items	Note	FY2/06 (As of Feb. 28, 2006)		FY2/07 (As of Feb. 28, 2007)		
		Amount	%	Amount	%	
<b>Assets</b>						
<b>I Current assets</b>						
1. Cash and deposits	*3	3,302,188		13,499,635		
2. Notes and accounts receivable-trade	*2	7,239,636		6,775,741		
3. Inventories	*3	14,209,273		18,766,304		
4. Deferred tax assets		66,721		169,533		
5. Other current assets		563,203		529,310		
6. Allowance for doubtful accounts		(20,475)		(8,582)		
Total current assets		25,360,548	82.6	39,731,942	57.0	
<b>II Fixed assets</b>						
1. Property, plant and equipment						
(1) Buildings and structures	*3	2,986,021		4,683,102		
Accumulated depreciation		1,124,855	1,861,166	1,201,769	3,481,333	
(2) Machinery and equipment		487,500		630,884		
Accumulated depreciation		426,189	61,311	451,611	179,272	
(3) Land	*3		1,722,633		2,626,504	
(4) Other		157,875		315,625		
Accumulated depreciation		96,722	61,153	133,643	181,982	
Net property, plant and equipment			3,706,264		6,469,093	9.3
2. Intangible assets						
(1) Consolidated adjustment account			423,272		1,887,239	
(2) Others			227,756		664,315	
Total intangible assets			651,029		2,551,554	3.6
3. Investments and other assets						
(1) Land and building in trust			-		16,992,537	
(2) Investments securities	*1		403,297		3,065,575	
(3) Long-term loans receivable			287,994		289,404	
(4) Deferred tax assets			35,053		44,272	
(5) Other			435,752		650,714	
(6) Allowance for doubtful accounts			(165,988)		(49,992)	
Total investments and other assets			996,110	3.2	20,992,511	30.1
Total fixed assets			5,353,403	17.4	30,013,159	43.0
Total assets			30,713,952	100.0	69,745,102	100.0

(Thousands of yen)

Items	Note	FY2/06 (As of Feb. 28, 2006)		FY2/07 (As of Feb. 28, 2007)	
		Amount	%	Amount	%
<b>Liabilities</b>					
<b>I Current liabilities</b>					
1. Notes and accounts payable-trade		4,303,305		3,727,608	
2. Short-term debt	*3	5,269,000		9,847,000	
3. Long-term debt due within one year	*3	2,734,262		7,154,861	
4. Corporate bonds due within one year		40,000		40,000	
5. Income taxes payable		778,086		1,455,635	
6. Consumption taxes payable		13,436		64,378	
7. Allowance for bonuses to employees		25,496		28,708	
8. Allowance for bonuses to directors and corporate auditors		-		27,300	
9. Other current liabilities		1,822,419		1,798,250	
Total current liabilities		14,986,006	48.8	24,143,743	34.6
<b>II Long-term liabilities</b>					
1. Corporate bonds		690,000		650,000	
2. Bonds with stock acquisition rights		-		6,000,000	
3. Long-term debt	*3	4,610,397		19,222,573	
4. Allowances for retirement benefits for employees		224,381		135,551	
5. Allowances for retirement benefits for directors and corporate auditors		74,491		74,683	
6. Deferred tax liabilities		574		1,509,134	
7. Consolidated adjustment account		71,818		109,737	
8. Other		358,836		3,131,477	
Total long-term liabilities		6,030,499	19.6	30,833,159	44.2
Total liabilities		21,016,506	68.4	54,976,903	78.8
<b>Minority interests</b>					
Minority interests		58,047	0.2	-	-
<b>Shareholders' equity</b>					
<b>I Common stock</b>					
II Capital surplus		1,688,071	5.5	-	-
III Retained earnings		1,928,718	6.3	-	-
IV Net unrealized holding gains on securities		24,102	0.1	-	-
V Foreign currency translation adjustment		2,228	0.0	-	-
VI Treasury stock	*6	(38,631)	(0.1)	-	-
Total shareholders' equity		9,639,397	31.4	-	-
Total liabilities, minority interests, and shareholders' equity		30,713,952	100.0	-	-
<b>Net assets</b>					
<b>I Shareholders' equity</b>					
1. Common stock		-	-	7,659,238	11.0
2. Capital surplus		-	-	3,380,616	4.8
3. Retained earnings		-	-	3,491,360	5.0
4. Treasury stock		-	-	(878)	(0.0)
Total shareholders' equity		-	-	14,530,337	20.8
<b>II Valuation and translation adjustments</b>					
1. Net unrealized holding gains on securities		-	-	34,622	0.0
2. Foreign currency translation adjustment		-	-	38,890	0.1
Total valuation and translation adjustments		-	-	73,513	0.1
III Stock acquisition rights		-	-	37,095	0.1
IV Minority interests		-	-	127,251	0.2
Total net assets		-	-	14,768,199	21.2
Total liabilities and net assets		-	-	69,745,102	100.0

## (2) Consolidated Statements of Income

(Thousands of yen)

Items	Note	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)			FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		
		Amount		%	Amount		%
I Revenue from operations							
1. Sales of real estate		23,958,121			43,685,909		
2. Construction revenue		108,797			4,039,602		
3. Revenues from lease business		1,125,385			2,008,694		
4. Merchandise sales		718,781	25,911,084	100.0	3,107,696	52,841,903	100.0
II Cost of revenue from operations							
1. Cost of sales of real estate		20,613,099			38,485,098		
2. Cost of construction revenues		98,725			3,520,674		
3. Cost of revenue from lease business		775,172			1,265,549		
4. Cost of merchandise sales		586,018	22,073,016	85.2	2,404,883	45,676,206	86.4
Gross profit			3,838,068	14.8		7,165,696	13.6
III Selling, general and administrative expenses	*1		1,960,439	7.6		3,732,190	7.1
Operating income			1,877,629	7.2		3,433,506	6.5
IV Non-operating income							
1. Interest income		5,714			6,683		
2. Dividend income		140,686			32,443		
3. Gain on sale of marketable securities		102,144			79,440		
4. Amortization of consolidated adjustment account		6,528			29,066		
5. Investment profits under equity method		289			2,226		
6. Foreign exchange gain		-			102,959		
7. Other		105,894	361,259	1.4	173,567	426,387	0.8
V Non-operating expenses							
1. Interest expense		234,484			633,854		
2. Bond issuance expenses		30,313			16,301		
3. Foreign exchange loss		1,056			-		
4. Investment loss under equity method		1,390			200		
5. Provision for allowance for doubtful accounts		-			6,830		
6. Other		67,824	335,069	1.3	136,790	793,977	1.5
Ordinary income			1,903,820	7.3		3,065,915	5.8

(Thousands of yen)

Items	Note	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		
		Amount	%	Amount	%	
VI Extraordinary gains						
1. Gain on sale of investment securities		49,700		2,600		
2. Gain on sale of investment in capital		-		50,000		
3. Gain from forgiveness of debt		-		171,835		
4. Prior year income adjustments	*3	-	49,700	80,979	305,414	0.6
VII Extraordinary losses						
1. Loss on sale of investment securities		413		-		
2. Loss on valuation of investment securities		-		18,939		
3. Loss on disposal of fixed assets	*2	802		442		
4. Loss on change in equity interest		-		23,145		
5. Retirement benefits for directors and corporate auditors		-		208		
6. Loss on valuation of inventories		-	1,215	39,386	82,122	0.2
Income before income taxes			1,952,304		3,289,208	6.2
Current income taxes		953,251		1,584,561		
Deferred income taxes		(31,421)	921,829	(274,564)	1,309,996	2.5
Minority interests			15,638		20,038	0.0
Net income			1,014,835		1,959,172	3.7

## (3) Consolidated Surplus Statements

(Thousands of yen)

		FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	
Items	Note	Amount	
<b>Capital surplus</b>			
I Capital surplus at beginning of period			187,630
II Increase in capital surplus			
1. Increase due to exercise of bonds with stock acquisition rights		1,499,997	
2. Gain on disposal of treasury stock		443	1,500,441
III Capital surplus at end of period			1,688,071
<b>Retained earnings</b>			
I Retained earnings at beginning of period			1,138,729
II Increase in retained earnings			
1. Net income		1,014,835	1,014,835
III Decrease in retained earnings			
1. Dividends		163,662	
2. Bonuses to directors and corporate auditors		30,000	
3. Decrease due to increase in equity method affiliates		31,184	224,847
IV Retained earnings at end of period			1,928,718

## (4) Consolidated Statements of Change in Shareholders' Equity

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Feb. 28, 2006	6,034,908	1,688,071	1,928,718	(38,631)	9,613,066
Changes in the fiscal year					
Issuance of new shares	1,624,330	1,624,330			3,248,660
Dividend of surplus			(340,513)		(340,513)
Bonuses to directors and corporate auditors paid through appropriation of income			(60,000)		(60,000)
Net income			1,959,172		1,959,172
Acquisition of treasury stock				(911,781)	(911,781)
Disposal of treasury stock		68,215		949,534	1,017,750
Other			3,983		3,983
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	1,624,330	1,692,545	1,562,642	37,753	4,917,271
Balance as of Feb. 28, 2007	7,659,238	3,380,616	3,491,360	(878)	14,530,337

	Valuation and translation adjustments			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized holding gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of Feb. 28, 2006	24,102	2,228	26,331	-	58,047	9,697,445
Changes in the fiscal year						
Issuance of new shares						3,248,660
Dividend of surplus						(340,513)
Bonuses to directors and corporate auditors paid through appropriation of income						(60,000)
Net income						1,959,172
Acquisition of treasury stock						(911,781)
Disposal of treasury stock						1,017,750
Other						3,983
Changes (net) in items other than shareholders' equity	10,520	36,661	47,182	37,095	69,204	153,480
Total changes in the fiscal year	10,520	36,661	47,182	37,095	69,204	5,070,753
Balance as of Feb. 28, 2007	34,622	38,890	73,513	37,095	127,251	14,768,199

## (5) Consolidated Statements of Cash Flows

(Thousands of yen)

		FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Items	Note	Amount	Amount
I Cash flows from operating activities			
1. Income before income taxes		1,952,304	3,289,208
2. Depreciation and amortization		137,784	218,128
3. Amortization of consolidated adjustment account		21,879	120,497
4. Increase (decrease) in allowance for doubtful accounts		9,728	(57,888)
5. Increase (decrease) in allowance for bonuses to employees		(2,816)	3,211
6. Increase (decrease) in allowance for retirement benefits for employees		(10,556)	(50,635)
7. Increase (decrease) in allowance for retirement benefits for directors and corporate auditors		10,291	191
8. Interest and dividend income		(146,401)	(39,126)
9. Interest expense		234,484	633,854
10. Foreign exchange gain (loss)		888	477
11. Investment gain (loss) under equity method		1,100	(2,025)
12. Loss on disposal of fixed assets		802	442
13. Gain on sale of marketable securities		(102,144)	(79,440)
14. Gain on sale of investment securities		(49,700)	(2,600)
15. Loss on valuation of investment securities		-	18,939
16. Gain on sale of investment in capital		-	(50,000)
17. Loss on sale of investment securities		413	-
18. Decrease (increase) in notes and accounts receivable		(4,407,372)	496,815
19. Decrease (increase) in inventories		(5,849,815)	(6,413,555)
20. Increase (decrease) in notes and accounts payable		2,533,766	(494,588)
21. Directors' bonuses paid		(30,000)	(60,000)
22. Other		1,234,240	353,176
Subtotal		(4,461,121)	(2,114,916)
23. Interests and dividends received		146,365	25,188
24. Interest paid		(261,407)	(643,079)
25. Income taxes paid		(503,764)	(904,770)
Net cash used in operating activities		(5,079,927)	(3,637,577)

(Thousands of yen)

		FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Items	Note	Amount	Amount
II Cash flows from investing activities			
1. Increase in time deposits		(312,087)	(370,014)
2. Decrease in time deposits		284,636	361,982
3. Purchases of property, plant and equipment		(80,926)	(1,313,747)
4. Acquisition of intangible assets		(12,859)	(487,168)
5. Proceeds from sale of investment securities		485,162	796,366
6. Purchases of investment securities		(275,418)	(2,389,152)
7. Payments for acquisition of investment in capital		(180,030)	(500,160)
8. Proceeds from sale of investment in capital		1,010,000	570,150
9. Proceeds from acquisition of consolidated subsidiaries		59,283	155,505
10. Payments for acquisition of consolidated subsidiaries		-	(2,401,646)
11. Increase in non-current loans		(694,811)	(29,000)
12. Decrease in non-current loans		59,474	91,279
13. Other		33,247	(125,143)
Net cash provided by (used in) investing activities		375,671	(5,640,750)
III Cash flows from financing activities			
1. Increase (decrease) in short-term borrowings		1,174,000	4,384,189
2. Proceeds from long-term debt		6,641,000	13,638,510
3. Payment of long-term debt		(4,435,335)	(6,591,711)
4. Payments for redemption of bond		(20,000)	(40,000)
5. Proceeds from issuance of bonds with stock acquisition rights		3,000,000	6,000,000
6. Proceeds from issuance of shares		-	3,283,660
7. Cash dividends paid		(163,662)	(340,513)
8. Net increase (decrease) in treasury stock		(21,806)	-
9. Payments for purchases of treasury stock		-	(911,850)
10. Proceeds from sales of treasury stock		-	69
Net cash provided by financing activities		6,174,196	19,422,352
IV Effect of exchange rate changes on cash and cash equivalents		2,495	39,488
V Net increase (decrease) in cash and cash equivalents		1,472,435	10,183,513
VI Cash and cash equivalents at beginning of year		1,468,769	2,941,205
VII Increase in cash and cash equivalents from new consolidation		-	4,400
VIII Cash and cash equivalents at end of year		2,941,205	13,129,120

## Significant Accounting Policies in the Preparation of Consolidated Financial Statements

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
1. Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 6 Name of consolidated subsidiaries: Harakosan Europe B.V. S Trust Co., Ltd. Sumiyoshi Heavy Industries Co., Ltd. Betsudai Community Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd.</p> <p>Effective the current fiscal year, Harakosan Europe B.V. and Harakosan Life Service Co., Ltd. are included in the consolidation due to their establishment, and S Trust Co., Ltd., Sumiyoshi Heavy Industries Co., Ltd., Betsudai Community Co., Ltd. and Betsudai Co., Ltd. are included in the consolidation through acquisition of their shares. Sumiyoshi Heavy Industries Co., Ltd. is included in the consolidation, assuming June 30, 2005 as the date of acquisition. The consolidated financial statements include the accounts of Sumiyoshi Heavy Industries Co., Ltd. for the period from July 1, 2005 to December 31, 2005. Betsudai Community Co., Ltd. is included in the consolidation, assuming September 30, 2005 as the date of acquisition. The consolidated financial statements include the accounts of Betsudai Community Co., Ltd. for the period from October 1, 2005 to February 28, 2006. Betsudai Co., Ltd. is included in the consolidation, assuming February 28, 2006 as the date of acquisition. Accordingly, the consolidated financial statements include the balance sheet accounts of Betsudai Co., Ltd. as of February 28, 2006.</p> <p>(2) Major non-consolidated subsidiaries Trust Community Co., Ltd. Betsudai Real Estate Sale Co., Ltd. Landscape Betsudai Co., Ltd. Betsudai Urban Development Project Cooperative Association</p> <p>Reason for exclusion from the consolidation: The consolidated financial statements do not include the accounts of 4 non-consolidated subsidiaries since the entity is a small-scale business whose total assets, revenue from operations, net income/loss (equity in earnings/losses) or retained earnings (equity in earnings/losses) have no significant effect on the overall results of consolidated financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 10 Name of consolidated subsidiaries: Harakosan Europe B.V. S Trust Co., Ltd. Sumiyoshi Heavy Industries Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd. Harakosan PFI Investment Co., Ltd. Betsudai Urban Development Project Cooperative Association Lerbec Co., Ltd. Inoue Investment, Inc. Y.K. New Harbor Property Holdings</p> <p>Effective from the current fiscal year, Harakosan PFI Investment Co., Ltd. is included in the consolidation due to its establishment. Lerbec Co., Ltd. is included in the consolidation due to acquisition of its stock, Inoue Investment, Inc. due to exchange of stock, and Betsudai Real Estate Sale Co., Ltd., and Betsudai Urban Development Project Cooperative Association due to their increased significance in the context of the consolidated financial statements. Effective from the current fiscal year, Y. K. New Harbor Property Holdings is included in the consolidation since the Company adopted the new accounting standards for investment partnerships: “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (PITF No. 20, September 8, 2006). Betsudai Community Co., Ltd. and Betsudai Real Estate Sale Co., Ltd. merged with the surviving company Betsudai Co., Ltd. on August 1, 2006.</p> <p>(2) Major non-consolidated subsidiaries Trust Community Co., Ltd.</p> <p>Reason for exclusion from the consolidation: The consolidated financial statements do not include the accounts of non-consolidated subsidiary since the entity is a small-scale business whose total assets, revenue from operations, net income/loss (equity in earnings/losses) or retained earnings (equity in earnings/losses) have no significant effect on the overall results of consolidated financial statements.</p>
2. Application of the equity method	<p>(1) Number of equity method affiliates: 2 Name of equity method affiliates: Yuya Wind-power Generation Co., Ltd. Ishikawa Recycling Research Insutitute Co., Ltd.</p>	<p>(1) Number of equity method affiliates: 3 Name of equity method affiliates: Yuya Wind-power Generation Co., Ltd. Ishikawa Recycling Research Institute Co., Ltd. Hunan Hara XEMC Windpower Co., Ltd.</p>

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	<p>(2) Non-consolidated subsidiaries not accounted for under equity method Trust Community Co., Ltd. Betsudai Real Estate Sale Co., Ltd. Landscape Betsudai Co., Ltd. Betsudai Urban Development Project Cooperative Association</p> <p>Reason for not accounted for under equity method: Non-consolidated subsidiaries are not accounted for under the equity method of accounting, since these companies have very minor effect on net income/loss (equity in earnings/losses) and retained earnings (equity in earnings/losses) and are relatively insignificant in the context of the consolidated financial statements.</p> <p>(3) Special remarks concerning application of the equity method Of the affiliates under the equity method, certain companies have period-end date other than that of the Company. To prepare for consolidation, financial statements of such companies are used as they are.</p>	<p>(2) Non-consolidated subsidiaries not accounted for under equity method Trust Community Co., Ltd. Fukuoka Management Center Co., Ltd.</p> <p>Reason for not accounted for under equity method: Non-consolidated subsidiaries are not accounted for under the equity method of accounting, since these companies have very minor effect on net income/loss (equity in earnings/losses) and retained earnings (equity in earnings/losses) and are relatively insignificant in the context of the consolidated financial statements.</p> <p>(3) Special remarks concerning application of the equity method Of the affiliates under the equity method, certain companies have period-end date other than that of the Company. To prepare for consolidation, financial statements of such companies are used as they are.</p>
3. Period end of consolidated subsidiaries	<p>Fiscal years of Harakosan Europe B.V., Sumiyoshi Heavy Industries and Harakosan Life Service end on December 31. The consolidated financial statements include the financial statements of these consolidated subsidiaries as of December 31. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date. Betsudai Community and Betsudai's fiscal years end on March 31, we have used the preliminary financial statements prepared as of the consolidated balance sheet date.</p>	<p>Fiscal years of Harakosan Europe B.V., Sumiyoshi Heavy Industries, Harakosan Life Service, Harakosan PFI Investment, Lerbec and New Harbor Property Holdings end on December 31. Betsudai changed its balance sheet date to December 31 due to merger on August 1, 2006. The consolidated financial statements include the financial statements of these consolidated subsidiaries as of December 31. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.</p>
4. Significant accounting policies	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities Other securities Securities with market quotations Stated at fair value on the balance sheet date. (Unrealized holding gain (loss) is included directly in shareholder's equity. Cost of securities sold is determined by the moving-average method.)</p> <p>Securities without market quotations Stated at cost, cost being determined by the moving-average method.</p> <p>2) Net debt, valuation standard and method for derivatives Market value method.</p> <p>3) Inventories Primarily stated at cost, cost being determined by the specific-identification method.</p>	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities Other securities Securities with market quotations Stated at fair value on the balance sheet date. (Unrealized holding gain (loss) is included directly in net assets. Cost of securities sold is determined by the moving-average method.)</p> <p>Securities without market quotations Same as on the left.</p> <p>2) Net debt, valuation standard and method for derivatives Same as on the left.</p> <p>3) Inventories Same as on the left.</p>

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	<p>(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment The Company and its consolidated domestic subsidiaries compute depreciation using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations, except for buildings acquired after April 1, 1998, which are computed using straight-line method.</p> <p>2) Intangible assets The Company and its consolidated domestic subsidiaries compute depreciation using the straight-line method at rates based on their useful lives prescribed in the Japanese tax regulations, except for in-house software, which is amortized by the straight-line method based on an estimated useful life of five years.</p> <p>3) Long-term prepaid expenses The Company and its consolidated domestic subsidiaries compute amortization using the straight-line method.</p> <p>(3) Accounting for significant deferred assets</p> <p>1) New share issuance expenses Charged to expenses as incurred.</p> <p>2) _____</p> <p>3) Bond issuance expenses Charged to expenses as incurred.</p> <p>(4) Accounting for significant allowances</p> <p>1) Allowance for doubtful accounts The Company and its consolidated domestic subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain identified doubtful accounts, including claims in bankruptcy.</p> <p>2) Allowance for bonuses to employees Allowance for bonuses to employees are provided for the estimated amounts, which the Company and its consolidated domestic subsidiaries are obligated to pay to employees after the fiscal year-end, based on services provided during the current fiscal year.</p>	<p>(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment Same as on the left.</p> <p>2) Intangible assets Same as on the left.</p> <p>3) Long-term prepaid expenses Same as on the left.</p> <p>(3) Accounting for significant deferred assets</p> <p>1) _____</p> <p>2) Stock issuance expenses Charged to expenses as incurred.</p> <p>3) Bond issuance expenses Same as on the left.</p> <p>(4) Accounting for significant allowances</p> <p>1) Allowance for doubtful accounts Same as on the left.</p> <p>2) Allowance for bonuses to employees Same as on the left.</p>

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	3) _____	3) Allowance for bonuses to directors and corporate auditors Allowance for bonuses to directors and corporate auditors are provided for the estimated amounts, which the Company and its consolidated domestic subsidiaries are obligated to pay to directors and corporate auditors after the fiscal year-end, based on services provided during the current fiscal
	4) Allowances for retirement benefits for employees The Company and its consolidated domestic subsidiaries have a retirement benefit plan to which it has applied the simplified method. Under the simplified method, retirement benefits have been provided at an amount calculated based on the retirement benefit plan obligation which would be required to be paid if all the eligible employees voluntarily terminated their employment at the consolidated balance sheet date.	4) Allowances for retirement benefits for employees Same as on the left.
	5) Allowances for retirement benefits for directors and corporate auditors Allowance for retirement benefits for directors and corporate auditors of the Company is provided at the amounts to be paid if all eligible directors and corporate auditors would have been retired at the consolidated balance sheet date accounting to the internal guidelines.	5) Allowance for construction compensation Same as on the left.
	(5) Accounting for leases Finance leases of the Company and its domestic subsidiaries other than those that deemed to transfer the ownership of the leased assets to the lessees are accounted for as operating leases under accounting principles generally accepted in Japan.	(5) Accounting for leases Same as on the left.
	(6) Other significant accounting policies 1) Accounting for consumption taxes National and local consumption taxes are accounted by the tax-exclusion method. Non-deductible consumption taxes are accounted as long-term prepaid consumption tax included in others under investments and other assets and amortized over five years by the straight-line method.	(6) Other significant accounting policies 1) Same as on the left.
5. Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of the consolidated subsidiaries are fully evaluated by the fair market value method.	Same as on the left.
6. Amortization of consolidation adjustment accounts	The consolidation adjustment accounts is amortized over a period of 5 years by the straight-line method.	The consolidation adjustment accounts is amortized over a period of 5 to 20 years by the straight-line method.
7. Appropriation of retained earnings	The consolidated surplus statements show decided appropriation of profit during the current fiscal year.	_____

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
8. Cash and cash equivalents in the statements of cash flows	Deposits in banks and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with a maturity of three months or less at the time of purchase are considered to be cash equivalents.	Same as on the left.

## Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	<p>(Accounting standard for impairment of fixed assets) Effective from the current fiscal year, we have adopted “Statement of Opinion, Accounting for Impairment of Fixed Assets” (Business Accounting Council, Accounting Standards Board of Japan, August 9, 2002) and “Guidance for Accounting Standards for Impairment of Fixed Assets” (ASBJ Guidance No.6, October 31, 2003). The effect of this change on financial statements is insignificant.</p> <p>(Accounting standard for presentation of net assets on balance sheet) Effective from the current fiscal year, we have adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No. 5, Accounting Standards Board of Japan, December 9, 2005) and “Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No. 8, Accounting Standards Board of Japan, December 9, 2005). The effect of this change on financial statements is insignificant. Under the previous standard, the amount equivalent to total shareholders’ equity would be 14,603,851 thousand yen. Due to the revision of the regulations, the consolidated financial statements for the current fiscal year are presented based on the revised standard.</p> <p>(Accounting standard for stock options) Effective from the current fiscal year, we have adopted “Accounting Standard for Stock Options” (ASBJ Statement No. 8, Accounting Standards Board of Japan, December 27, 2005) and “Guidance on Accounting Standard for Stock Options” (ASBJ Guidance No. 11, last revision by Accounting Standards Board of Japan, May 31, 2006). The effect of this change was to decrease operating income, ordinary income and income before income taxes by 37,095 thousand yen respectively, due to booking of stock compensation cost in the same amount.</p> <p>(Accounting standard for directors’ bonuses) Effective from the current fiscal year, We have adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4, Accounting Standards Board of Japan, November 29, 2005) for the current fiscal year. The effect of this change was to decrease operating income, ordinary income and income before income taxes by 27,300 thousand yen respectively, compare to the previous method.</p> <p>(Accounting standard for investment partnership) Effective from the current fiscal year, we have adopted “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” ( PITF No.20, September 8, 2006). The adoption of the above accounting standard caused total assets as of the balance sheet date to increase by 15,737,234 thousand yen, consolidated revenue from operations by 254,618 thousand yen, gross profit by 226,320 thousand yen, operating income by 145,085 thousand yen, ordinary income by 41,153 thousand yen, income before income taxes by 41,153 thousand yen and net income by 39,864 thousand yen, compared to the amounts that would have been reported if the previous standard had been applied consistently.</p>

## Reclassifications

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
_____	<p>“Net increase (decrease) in treasury stock,” included in “Others” under “Cash flows from investing activities” in the prior period, is reclassified and presented as a separate line item, “Payments for purchases of treasury stock” and “Proceeds from sales of treasury stock”, given the increase in the materiality of impact in the context of the consolidated financial statements.</p> <p>“Payments for purchases of treasury stock” totaled 22,335 thousand yen and “Proceeds from sales of treasury stock” totaled 529 thousand yen in the previous fiscal year.</p>

## Notes to Consolidated Financial Statements

### Notes to Consolidated Balance Sheets

(Thousands of yen)

FY2/06 (As of Feb. 28, 2006)	FY2/07 (As of Feb. 28, 2007)																																																																
<p>*1. The following items are applicable to non-consolidated subsidiaries and affiliates</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Investments securities (equities)</td> <td style="text-align: right;">27,740</td> </tr> <tr> <td style="padding-left: 20px;">Investment in capital</td> <td style="text-align: right;">2,250</td> </tr> </table> <p>*2. Discounted notes and notes receivable endorsed</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Discounted notes receivable</td> <td style="text-align: right;">13,954</td> </tr> <tr> <td style="padding-left: 20px;">Notes receivable endorsed</td> <td style="text-align: right;">16,678</td> </tr> </table> <p>*3. Assets pledged as collateral</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Cash and deposits</td> <td style="text-align: right;">210,113</td> </tr> <tr> <td style="padding-left: 20px;">Inventories</td> <td style="text-align: right;">7,662,287</td> </tr> <tr> <td style="padding-left: 20px;">Buildings and structures</td> <td style="text-align: right;">1,557,081</td> </tr> <tr> <td style="padding-left: 20px;">Land</td> <td style="text-align: right;">926,354</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">10,355,837</td> </tr> </table> <p>Liabilities corresponding to above assets pledged as collateral</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Short-term borrowings</td> <td style="text-align: right;">2,299,000</td> </tr> <tr> <td style="padding-left: 20px;">Long-term debt (includes long-term debt due within one year)</td> <td style="text-align: right;">7,000,383</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">9,299,383</td> </tr> </table> <p>*4. Loan guarantees</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Warantee</td> <td style="text-align: center; border-bottom: 1px solid black;">Gurantee</td> </tr> <tr> <td style="padding-left: 20px;">Medical Corporation Tokuyukai</td> <td style="text-align: right;">839,980</td> </tr> <tr> <td style="padding-left: 20px;">Meiwa Real Estate Inc.</td> <td style="text-align: right;">1,800,000</td> </tr> <tr> <td style="padding-left: 20px;">Gotsu Windpower Co., Ltd.</td> <td style="text-align: right;">130,000</td> </tr> </table> <p>* The Company had contingent liabilities from guarantees of bank borrowings made by above affiliate.</p> <p>*5. Number of shares outstanding</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Common stock:</td> <td style="text-align: right;">118,298 shares</td> </tr> </table> <p>*6. 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## Notes to Consolidated Statements of Income

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	
*1. Significant components of selling, general and administrative expenses		*1. Significant components of selling, general and administrative expenses	
Commissions paid	332,520	Commissions paid	424,393
Advertising expenses	137,813	Advertising expenses	204,917
Sales promotion expenses	43,747	Sales promotion expenses	82,435
Directors' remunerations	152,078	Directors' remunerations	161,943
Salaries and wages	332,761	Salaries and wages	715,539
Provision for allowance for doubtful accounts	9,728	Provision for allowance for doubtful accounts	2,992
Provision for allowance for bonuses to employees	15,563	Provision for allowance for bonuses to employees	24,876
Allowances for retirement benefits for employees	21,059	Allowances for retirement benefits for employees	19,699
Provision for allowances for retirement benefits for directors and corporate auditors	10,291	Provision for allowances for retirement benefits for directors and corporate auditors	8,733
Welfare expense	73,759	Welfare expense	125,488
Taxes and public charges	270,771	Taxes and public charges	522,988
Depreciation and amortization	88,573	Depreciation and amortization	136,460
Amortization of consolidated adjustment account	28,408	Amortization of consolidated adjustment account	149,563
		R&D expenses	338,120
		Bad debts loss	1,704
*2. Breakdown of "Loss on disposal of fixed assets"		*2. Breakdown of "Loss on disposal of fixed assets"	
Machinery and vehicle	698	Buildings and structures	45,000
Other	104	Machinery and vehicle	157,511
Total	802	Other	240,000
		Total	442,511
		*3. Prior year loss adjustments	
		Adjustment of inventories purchased during the prior year by overseas subsidiaries.	

## Notes to Consolidated Statements of Cash Flows

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
1. Reconciliation of “Cash and cash equivalents” of the consolidated statements of cash flows and “Cash and deposits” of balance sheets for the fiscal year is made as follows:	1. Reconciliation of “Cash and cash equivalents” of the consolidated statements of cash flows and “Cash and deposits” of balance sheets for the fiscal year is made as follows:
Cash and deposits 3,302,188	Cash and deposits 13,499,635
Time deposits over three months <u>(360,982)</u>	Time deposits over three months <u>(370,514)</u>
Cash and cash equivalents <u>2,941,205</u>	Cash and cash equivalents <u>13,129,120</u>
2. Significant non-cash transactions	2. Significant non-cash transactions
Exercise of bond with stock subscription rights	Acquisition of subsidiary stock through an exchange of stock
Increase in common stock 1,612,502	Decrease in treasury stock 949,534
Increase in additional paid-in capital <u>1,499,997</u>	Gain on sale of treasury stock 68,215
Decrease in bonds with stock acquisition rights <u>3,112,500</u>	Acquisition cost of Inoue Investment, Inc. 1,017,750
	3. Breakdown of assets and liabilities of companies recently made consolidated subsidiaries upon acquisition of their shares
	A summary of assets and liabilities of New Harbor Property Holdings is as follows.
	Current assets 2,388,723
	Fixed assets 17,010,021
	Consolidated adjustment account 1,079,155
	Current liabilities (2,607,631)
	Long-term liabilities <u>(13,148,268)</u>
	Acquisition cost of shares 4,722,000
	Cash and cash equivalents <u>(2,320,353)</u>
	Acquisition payment for shares 2,401,646

## Notes to Consolidated Statement of Changes in Shareholders' Equity

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

### 1. Type and number of outstanding shares

Type	Number of shares as of Feb. 28, 2006	Increase	Decrease	Number of shares as of Feb. 28, 2007
Common shares (Shares)	118,298.49	10,000.00	-	128,298.49

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to exercise of stock acquisition rights: 10,000 shares

### 2. Type and number of treasury stock

Type	Number of shares as of Feb. 28, 2006	Increase	Decrease	Number of shares as of Feb. 28, 2007
Common shares (Shares)	447.89	3,005.80	3,450.20	3.49

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 5.80 shares

Increase due to acquisition of treasury stock from market: 3,000.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests: 0.20 shares

Decrease due to exchange of stock: 3,450.00 shares

### 3. Items related to acquisition rights for new shares

Company	Item	Type of shares	Number of shares (Shares)				Balance as of Feb. 28, 2007 (Thousands of yen)
			As of Feb. 28, 2006	Increase	Decrease	As of Feb. 28, 2007	
Reporting company	Stock acquisition rights by way of stock options	Common shares	-	-	-	-	37,095
	Yen-denominated bonds (due 2012) with convertible bond-type stock acquisition rights	Common shares	-	21,665	-	21,665	-
Total			-	21,665	-	21,665	37,095

Notes: 1. Stock acquisition rights by way of stock options have yet to be in the exercise period.

2. Increase in yen-denominated bonds (due 2012) with convertible bond-type stock acquisition rights is due to issuance of new shares.

### 4. Dividends

#### (1) Dividends payment

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on May 18, 2006	Common shares	215,666	1,830	February 28, 2006	May 19, 2006
Board of directors meeting on October 20, 2006	Common shares	124,847	1,000	August 31, 2006	November 20, 2006

#### (2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors meeting on April 12, 2007	Common shares	Retained earnings	192,442	1,500	February 28, 2007	May 28, 2007

## Lease Transaction

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)																																																								
<p>1. Finance lease transactions not involving the transfer of title to lessee:</p> <p>(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.</p> <p><i>Property, plant and equipment (Tools, furniture and fixtures)</i></p> <table> <tr> <td>Acquisition cost</td> <td style="text-align: right;">69,078</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">33,878</td> </tr> <tr> <td><u>Net book value</u></td> <td style="text-align: right;"><u>35,200</u></td> </tr> </table> <p><i>Intangible assets (Software)</i></p> <table> <tr> <td>Acquisition cost</td> <td style="text-align: right;">4,284</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">1,071</td> </tr> <tr> <td><u>Net book value</u></td> <td style="text-align: right;"><u>3,213</u></td> </tr> </table> <p><i>Total</i></p> <table> <tr> <td>Acquisition cost</td> <td style="text-align: right;">73,362</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">34,949</td> </tr> <tr> <td><u>Net book value</u></td> <td style="text-align: right;"><u>38,413</u></td> </tr> </table> <p>Note: The acquisition cost are calculated based on the simple-interest method since the net book value of future lease payments represents only a minor portion of property, plant and equipment on the fiscal year balance sheet date.</p> <p>(2) Future lease payments inclusive of interest</p> <table> <tr> <td>Due within one year</td> <td style="text-align: right;">14,056</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">24,356</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>38,413</u></td> </tr> </table> <p>Note: The future lease payments are calculated based on the simple-interest method since the net book value of future lease payments represents only a minor portion of property, plant and equipment on the fiscal year balance sheet date.</p> <p>(3) Lease payments and depreciation equivalents</p> <table> <tr> <td>Lease payments</td> <td style="text-align: right;">13,302</td> </tr> <tr> <td>Depreciation equivalents</td> <td style="text-align: right;">13,302</td> </tr> </table> <p>(4) Calculation of depreciation equivalents Depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.</p>	Acquisition cost	69,078	Accumulated depreciation	33,878	<u>Net book value</u>	<u>35,200</u>	Acquisition cost	4,284	Accumulated depreciation	1,071	<u>Net book value</u>	<u>3,213</u>	Acquisition cost	73,362	Accumulated depreciation	34,949	<u>Net book value</u>	<u>38,413</u>	Due within one year	14,056	Due after one year	24,356	<u>Total</u>	<u>38,413</u>	Lease payments	13,302	Depreciation equivalents	13,302	<p>1. 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## Securities

FY2/06 (As of Feb. 28, 2006)

### 1. Other securities with market value

(Thousands of yen)

	Type	Acquisition cost	Book value	Difference
Securities with book value (market value) exceeds acquisition cost	Equity securities	55,890	98,155	42,264
	Sub-Total	55,890	98,155	42,264
Securities with book value (market value) not exceeds acquisition cost	Equity securities	18,706	16,902	(1,804)
	Other	1,000	948	(51)
	Sub-Total	19,706	17,850	(1,855)
Total		75,597	116,006	40,409

### 2. The following table summarizes available-for-sale securities sold during the fiscal year (Mar. 1, 2005 – Feb. 28, 2006)

(Thousands of yen)

Sales amount	Gain on sale	Loss on sale
485,162	49,700	413

### 3. The following table summarizes the book value of securities without market value

(Thousands of yen)

	Book value
Other securities	
Unlisted equity securities	141,550
Preferred securities	108,000
Bond	10,000

FY2/07 (As of Feb. 28, 2007)

1. Other securities with market value

(Thousands of yen)

	Type	Acquisition cost	Book value	Difference
Securities with book value (market value) exceeds acquisition cost	Equity securities	1,144,236	1,236,040	91,803
	Sub-Total	1,144,236	1,236,040	91,803
Securities with book value (market value) not exceeds acquisition cost	Equity securities	302,154	268,449	(33,704)
	Other	1,000	959	(40)
	Sub-Total	303,154	269,409	(33,744)
Total		1,447,390	1,505,449	58,059

2. The following table summarizes available-for-sale securities sold during the fiscal year (Mar. 1, 2006 – Feb. 28, 2007)

(Thousands of yen)

Sales amount	Gain on sale	Loss on sale
796,366	2,600	-

3. The following table summarizes the book value of securities without market value

(Thousands of yen)

	Book value
Subsidiary and affiliate stocks	712,870
Other securities	
Unlisted equity securities	837,255
Bond	10,000

**Derivatives**

Not applicable since the Company discloses information of derivatives on EDINET.

**Stock Options**

Not applicable since the Company discloses information of stock options on EDINET.

## Accounting for Retirement Benefits

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)								
<p>1. Retirement benefit plans The Company and its consolidated domestic subsidiaries adopted a lump-sum pension plan as its defined benefit plan based on corporate regulations for retirement pension plans.</p>	<p>1. Retirement benefit plans Same as on the left.</p>								
<p>2. Projected benefit obligation (as of Feb. 28, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(1) Projected benefit obligation</td> <td style="text-align: right;">224,381</td> </tr> <tr> <td>(2) Allowance for retirement benefits for employees</td> <td style="text-align: right;">224,381</td> </tr> </table> <p>Note: The Company and its consolidated domestic subsidiaries adopt the simplified method in calculating the projected benefits obligation, in which the reserve for retirement benefits is accounted for as the amount required for payment if all employees voluntarily retire at fiscal year-end.</p>	(1) Projected benefit obligation	224,381	(2) Allowance for retirement benefits for employees	224,381	<p>2. Projected benefit obligation (as of Feb. 28, 2007)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(1) Projected benefit obligation</td> <td style="text-align: right;">135,551</td> </tr> <tr> <td>(2) Allowance for retirement benefits for employees</td> <td style="text-align: right;">135,551</td> </tr> </table> <p>Note: The Company and its consolidated domestic subsidiaries adopt the simplified method in calculating the projected benefits obligation, in which the reserve for retirement benefits is accounted for as the amount required for payment if all employees voluntarily retire at fiscal year-end.</p>	(1) Projected benefit obligation	135,551	(2) Allowance for retirement benefits for employees	135,551
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<p>3. Retirement benefit expenses (Mar. 1, 2005 – Feb. 28, 2006)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Retirement benefit expenses</td> <td style="text-align: right;">22,505</td> </tr> </table> <p>Note: The Company and its consolidated domestic subsidiaries adopt the simplified method to calculate the retirement benefit expenses.</p>	Retirement benefit expenses	22,505	<p>3. Retirement benefit expenses (Mar. 1, 2006 – Feb. 28, 2007)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Retirement benefit expenses</td> <td style="text-align: right;">21,359</td> </tr> </table> <p>Note: The Company and its consolidated domestic subsidiaries adopt the simplified method to calculate the retirement benefit expenses.</p>	Retirement benefit expenses	21,359				
Retirement benefit expenses	22,505								
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<p>4. The assumptions used in accounting for the projected benefit obligation, etc. Due to adoption of the simplified method, the Company and its consolidated domestic subsidiaries have omitted the basis for measurement of projected benefit obligation and other items.</p>	<p>4. The assumptions used in accounting for the projected benefit obligation, etc. Same as on the left.</p>								

## Deferred Tax Accounting

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)																																																						
<p>1. Significant components of deferred tax assets and liabilities</p> <p>(Deferred tax assets)</p> <table> <tr> <td>Accrued enterprise tax</td> <td style="text-align: right;">53,427</td> </tr> <tr> <td>Allowance for bonuses to employees</td> <td style="text-align: right;">10,301</td> </tr> <tr> <td>Allowance for retirement benefits for employees</td> <td style="text-align: right;">106,029</td> </tr> <tr> <td>Allowance for retirement benefits for directors and corporate auditors</td> <td style="text-align: right;">30,094</td> </tr> <tr> <td>Loss on devaluation of golf club memberships</td> <td style="text-align: right;">14,146</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>73,857</u></td> </tr> <tr> <td>Sub-total of deferred tax assets</td> <td style="text-align: right;">287,855</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;"><u>(170,069)</u></td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right;"><u>117,786</u></td> </tr> </table> <p>(Deferred tax liabilities)</p> <table> <tr> <td>Net unrealized holding gains on securities</td> <td style="text-align: right;"><u>16,585</u></td> </tr> <tr> <td>Total deferred tax liabilities</td> <td style="text-align: right;"><u>16,585</u></td> </tr> <tr> <td>Net deferred tax assets</td> <td style="text-align: right;"><u>101,200</u></td> </tr> </table>	Accrued enterprise tax	53,427	Allowance for bonuses to employees	10,301	Allowance for retirement benefits for employees	106,029	Allowance for retirement benefits for directors and corporate auditors	30,094	Loss on devaluation of golf club memberships	14,146	Other	<u>73,857</u>	Sub-total of deferred tax assets	287,855	Valuation allowance	<u>(170,069)</u>	Total deferred tax assets	<u>117,786</u>	Net unrealized holding gains on securities	<u>16,585</u>	Total deferred tax liabilities	<u>16,585</u>	Net deferred tax assets	<u>101,200</u>	<p>1. Significant components of deferred tax assets and liabilities</p> <p>(Deferred tax assets)</p> <table> <tr> <td>Accrued enterprise tax</td> <td style="text-align: right;">115,221</td> </tr> <tr> <td>Allowance for bonuses to employees</td> <td style="text-align: right;">11,598</td> </tr> <tr> <td>Allowance for retirement benefits for employees</td> <td style="text-align: right;">51,430</td> </tr> <tr> <td>Allowance for retirement benefits for directors and corporate auditors</td> <td style="text-align: right;">30,172</td> </tr> <tr> <td>Loss on devaluation of golf club memberships</td> <td style="text-align: right;">14,146</td> </tr> <tr> <td>Unearned income</td> <td style="text-align: right;">47,676</td> </tr> <tr> <td>Loss carried forward</td> <td style="text-align: right;">551,469</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>50,955</u></td> </tr> <tr> <td>Sub-total of deferred tax assets</td> <td style="text-align: right;">872,670</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;"><u>(646,041)</u></td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right;"><u>226,629</u></td> </tr> </table> <p>(Deferred tax liabilities)</p> <table> <tr> <td>Valuation gain/loss (subsidiary assets)</td> <td style="text-align: right;">1,268,268</td> </tr> <tr> <td>Net unrealized holding gains on securities</td> <td style="text-align: right;"><u>253,690</u></td> </tr> <tr> <td>Total deferred tax liabilities</td> <td style="text-align: right;"><u>1,521,958</u></td> </tr> <tr> <td>Net deferred tax liabilities</td> <td style="text-align: right;"><u>1,295,329</u></td> </tr> </table>	Accrued enterprise tax	115,221	Allowance for bonuses to employees	11,598	Allowance for retirement benefits for employees	51,430	Allowance for retirement benefits for directors and corporate auditors	30,172	Loss on devaluation of golf club memberships	14,146	Unearned income	47,676	Loss carried forward	551,469	Other	<u>50,955</u>	Sub-total of deferred tax assets	872,670	Valuation allowance	<u>(646,041)</u>	Total deferred tax assets	<u>226,629</u>	Valuation gain/loss (subsidiary assets)	1,268,268	Net unrealized holding gains on securities	<u>253,690</u>	Total deferred tax liabilities	<u>1,521,958</u>	Net deferred tax liabilities	<u>1,295,329</u>
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<p>2. Significant differences between the statutory tax rate and the Company's effective tax rate are as follows:</p> <table> <tr> <td>Statutory tax rate</td> <td style="text-align: right;">40.4%</td> </tr> <tr> <td>(permanent difference)</td> <td></td> </tr> <tr> <td>Entertainment expenses and other</td> <td style="text-align: right;">0.3%</td> </tr> <tr> <td>Income tax for previous years</td> <td style="text-align: right;">1.6%</td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;">6.2%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>(1.3)%</u></td> </tr> <tr> <td>Effective tax rate</td> <td style="text-align: right;">47.2%</td> </tr> </table>	Statutory tax rate	40.4%	(permanent difference)		Entertainment expenses and other	0.3%	Income tax for previous years	1.6%	Valuation allowance	6.2%	Other	<u>(1.3)%</u>	Effective tax rate	47.2%	<p>2. Significant differences between the statutory tax rate and the Company's effective tax rate are as follows:</p> <p>Significant differences between the statutory and the effective tax rates are not disclosed because the differences were not material (less than 5%).</p>																																								
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## Segment Information

### 1. Operating segment information

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)

(Thousands of yen)

	Sales of Housing and Apartment	Leasing Property Management	Environmental Business	Total	Elimination or corporate	Consolidated
I Revenue from operations and operating income (loss)						
Revenue from operations						
(1) Outside customers	24,066,918	1,125,385	718,781	25,911,084	-	25,911,084
(2) Inter-segment	-	-	-	-	-	-
Total	24,066,918	1,125,385	718,781	25,911,084	-	25,911,084
Operating expenses	21,432,219	893,264	980,303	23,305,787	727,668	24,033,455
Operating income (loss)	2,634,699	232,120	(261,522)	2,605,297	[727,668]	1,877,629
II Assets, depreciation and capital expenditures						
Assets	21,602,699	2,540,606	2,994,439	27,137,746	3,576,205	30,713,952
Depreciation	6,714	44,119	76,823	127,657	10,127	137,784
Capital expenditures	4,396	140,702	283,939	429,038	21,554	450,593

Notes: 1. Method of segmentation

The operating segment information is presented on the basis of the type of business and similarity of activities.

#### 2. Summary of operating segments

(1) Sales of Housing and Apartment: Sales of condominiums, planning, design and sale of detached housing, and real estate sales and brokerage

(2) Leasing Property Management: Management and agency services for residence, and rental condominiums for seniors

(3) Environmental business: Solar energy systems, wind-power systems, and other environmental equipment

#### 3. Unallocated operating expenses included in elimination or corporate amounted to 727,668 thousand yen and consisted primarily of expenses related to the department of management.

#### 4. Corporate assets amounted to 3,576,205 thousand yen and consisted primarily of the Company's cash and deposits, investment securities and assets related to department of management.

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

(Thousands of yen)

	Sales of Housing and Apartment	Leasing Property Management	Environmental Business	Total	Elimination or corporate	Consolidated
I Revenue from operations and operating income						
Revenue from operations						
(1) Outside customers	47,725,511	2,008,694	3,107,696	52,841,903	-	52,841,903
(2) Inter-segment	-	-	-	-	-	-
Total	47,725,511	2,008,694	3,107,696	52,841,903	-	52,841,903
Operating expenses	43,234,720	1,309,963	2,981,004	47,525,688	1,882,707	49,408,396
Operating income	4,490,791	698,730	126,691	5,316,214	[1,882,707]	3,433,506
II Assets, depreciation and capital expenditures						
Assets	28,865,177	24,704,410	5,915,562	59,485,150	10,259,952	69,745,102
Depreciation	33,907	65,345	49,748	149,001	69,126	218,128
Capital expenditures	28,923	1,818,088	465,852	2,312,865	894,857	3,207,722

Notes: 1. Method of segmentation

The operating segment information is presented on the basis of the type of business and similarity of activities.

2. Summary of operating segments

(1) Sales of Housing and Apartment: Sales of condominiums, planning, design and sale of detached housing, and real estate sales and brokerage

(2) Leasing Property Management: Management and agency services for residence, and rental condominiums for seniors

(3) Environmental business: Solar energy systems, wind-power systems, and other environmental equipment

3. Unallocated operating expenses included in elimination or corporate amounted to 1,882,707 thousand yen and consisted primarily of expenses related to the department of management.

4. Corporate assets amounted to 10,259,952 thousand yen and consisted primarily of the Company's cash and deposits, investment securities and assets related to department of management.

2. Geographical segment information

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006), FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

Geographical segment information is not presented since revenue from operations and assets in Japan exceeded 90% of consolidated revenue and total assets.

3. Revenue from overseas operations

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006), FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

Information on revenue from overseas operations is not presented since it accounts for less than 10% of consolidated revenue.

## Related Party Transactions

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)

### 1. Directors and major individual shareholders

(Thousands of yen)

Type	Name	Address	Capital contribution	Occupation	Voting power	Relationship		Type of transaction	Transaction amount	Account	Balance at year-end
						Directors	Business				
Director and immediate relative	Masaaki Hara	-	-	President & CEO of the Company	(owned) Direct 8.23%	-	-	Loan guarantees (*1)	231,400	-	-
								Management of leased properties (*2)	506	-	-
	Takanobu Kawamoto	-	-	Director of the Company	(owned) Direct 0.09%	-	-	Building construction contracts (*2)	17,142	-	-
	Masuo Osako	-	-	Director of the Company	-	-	-	Order of printed materials (*2)	4,777 (*4)	-	-
	Namie Hara (*3)	-	-	Employee of the Company	(owned) Direct 7.60%	-	-	Management of leased properties (*2)	2,601	-	-
								Leasing of land (*2)	1,462	-	-

- Notes:
1. President & CEO Masaki Hara has provided personal debt guarantees for loans taken out by the Company from financial institutions. The Company does not pay guarantee commissions or pledge assets to the guarantor for the above guarantee.
  2. Transactions related to the management of rental properties, leasing of land, construction subcontracting and orders for printed materials are carried out in a manner similar to those based on general terms and conditions of business and by reference to market prices.
  3. Namie Hara is a spouse of President & CEO Masaaki Hara.
  4. The transaction amounts for orders for printed materials cover the period up to June 30, 2005 during which Director Masuo Osako, concurrently held the office of Representative Director and CEO of Zenrin Printex Co., Ltd.
  5. Amounts do not include consumption taxes.

## 1. Directors and major individual shareholders

(Thousands of yen)

Type	Name	Address	Capital contribution	Occupation	Voting power	Relationship		Type of transaction	Transaction amount	Account	Balance at year-end
						Directors	Business				
Director and immediate relative	Masaaki Hara	-	-	President & CEO of the Company	(owned) Direct 7.56%	-	-	Loan guarantees (*1)	266,228	-	-
								Management of leased properties (*2)	574	-	-
	Namie Hara (*3)	-	-	Employee of the Company	(owned) Direct 6.39%	-	-	Management of leased properties (*2)	2,581	-	-
								Leasing of land (*2)	1,462	-	-
								Real estate transactions (*2)	18,320	-	-
	Tsugimatsu Hara (*4)	-	-	Employee of the Company	(owned) Direct 0.15%	-	-	Building construction contracts (*2)	3,000	-	-

- Notes: 1. President & CEO Masaki Hara have provided personal debt guarantees for loans taken out by the Company from financial institutions. The Company does not pay guarantee commissions or pledge assets to the guarantor for the above guarantee.
2. Transactions related to the management of rental properties, leasing of land, construction subcontracting and orders for printed materials are carried out in a manner similar to those based on general terms and conditions of business and by reference to market prices.
3. Namie Hara is a spouse of President & CEO Masaaki Hara.
4. Tsugimatsu Hara is a sibling of President & CEO Masaaki Hara.
5. Amounts do not include consumption taxes.

## Per Share Data

(Yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	
Net assets per share:	81,284.25	Net assets per share:	113,830.25
Net income per share:	8,411.29	Net income per share:	15,463.58
Diluted net income per share:		Diluted net income per share:	15,413.03
Diluted net income per share is not presented since the Company has no outstanding securities.			

Note 1: Basis for calculation of net income per share and diluted net income per share is as follows.

(Thousands of yen)

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Net income per share		
Net income	1,014,835	1,959,172
Amount not available to common shareholders	60,000	-
[of which bonuses paid to directors and corporate auditors through appropriation of retained earnings]	[60,000]	[-]
Net income applicable to common share	954,835	1,959,172
Average number of shares outstanding during period (Shares)	113,518.30	126,695.91
Diluted net income per share		
Adjusted net income	-	-
Increase in common shares (Shares)	-	415.5
Summary of potential stock not included in the calculation of “diluted net income per share” since there was no dilutive effect.	-	Type of share: two issues of stock acquisition rights Number of shares: 11,219

## Material Subsequent Events

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)																
<p>1. Stock acquisition rights</p> <p>The Company's Board of Directors on March 3, 2006 approved a resolution to issue "the first issue of stock acquisition rights to third parties" on March 20, 2006. As of April 30, 2006 the Company had issued 10,000 new common shares due to the exercise of 500 stock acquisition rights and as a result common stock and additional paid-in capital increased by 1,624,330 thousand yen respectively. The balance of outstanding stock acquisition rights is 500.</p> <p>(1) Name: The first issue of stock acquisition rights to third parties</p> <p>(2) Type of shares under stock acquisition rights: 20,000 shares of common stock (20 shares per right)</p> <p>(3) Number of stock acquisition rights issued: 1,000 rights</p> <p>(4) Issue price: 70,000 yen per right</p> <p>(5) Exercise period: Mar. 22, 2006 through Mar. 21, 2008</p> <p>(6) Recipient: Merrill Lynch Japan Securities Co., Ltd. (1,000 rights)</p> <p>2. The general shareholders' meeting on May 18, 2006 approved the issuance of stock acquisition rights (stock options) to directors, auditors and employees, pursuant to the provisions of Articles 238 and 239 of the Company Law.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Date:</td> <td>May 18, 2006</td> </tr> <tr> <td>Number and qualifications of individuals granted the stock options:</td> <td>Directors, auditors, and employees of the Company are eligible to receive shares based on resolution of Board of Directors.</td> </tr> <tr> <td>Type of shares under stock acquisition rights:</td> <td>Common stock</td> </tr> <tr> <td>Number of stock options:</td> <td>1,400 shares (maximum)</td> </tr> <tr> <td>Total payment amount:</td> <td>Note 1</td> </tr> <tr> <td>Exercise period:</td> <td>Certain period from June 1, 2009 through May 30, 2014 which Board of Directors decides</td> </tr> <tr> <td>Conditions of exercise:</td> <td>Note 2</td> </tr> <tr> <td>Restriction on the transfer of stock acquisition rights:</td> <td>Transfer or inheritance of stock acquisition rights shall not be recognized.</td> </tr> </table> <p>Note 1: The value (value of investment) of assets (monetary assets only) to be paid upon the exercise of stock acquisition rights shall be the amount equivalent to the product of the value of investment per underlying share (exercise price) at the time of exercise and the number of shares per stock acquisition right. The initial exercise price shall be the product of the average of the daily closing price of the common stock (including indicated price) of the Company in regular transactions on the Osaka Securities Exchange for 30 consecutive trading days (excluding days on which closing price is not posted) commencing on the day 45 trading days prior to the date of the issue of the stock acquisition rights and 1.10 (Any</p>	Date:	May 18, 2006	Number and qualifications of individuals granted the stock options:	Directors, auditors, and employees of the Company are eligible to receive shares based on resolution of Board of Directors.	Type of shares under stock acquisition rights:	Common stock	Number of stock options:	1,400 shares (maximum)	Total payment amount:	Note 1	Exercise period:	Certain period from June 1, 2009 through May 30, 2014 which Board of Directors decides	Conditions of exercise:	Note 2	Restriction on the transfer of stock acquisition rights:	Transfer or inheritance of stock acquisition rights shall not be recognized.	<p>—————</p>
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FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
<p>fraction of less than one yen shall be rounded up to the nearest yen.) However, if such calculated price is lower than the closing price in regular transactions on the Osaka Securities Exchange on the day before issuance of the rights (if there is no closing price on such date, then the closing price on the immediately preceding trading day), the exercise price shall be the said closing price. Notwithstanding the above, the exercise price shall not be higher than the initial exercise price.</p> <p>In the event of a gratis stock acquisition rights, stock split or consolidation after the issue date, the exercise price shall be adjusted according to the following formula; fractions less than one yen are to be rounded up.</p> $\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Gratis issue, ratio of split or consolidation}}$ <p>Note 2: Conditions of exercise</p> <ol style="list-style-type: none"> <li>1) Of the persons granted the stock acquisition rights must maintain the position of director, auditor or an employee of the Company and its subsidiaries at the time of exercise of the stock acquisition rights. This requirement shall, however, not apply to directors who have retired due to expiration of term of office and employees who have retired due to attainment of retirement age.</li> <li>2) A successor of a holder of the stock acquisition rights may not exercise the rights.</li> <li>3) Notwithstanding article 2), a person granted the stock acquisition rights may not exercise the rights in the event the closing price of the Company's common stock on the Osaka Securities Exchange remains 50% or more lower than the exercise price continuously for six months up to the time of exercise</li> </ol>	

## V. Production, Orders and Sales

### (1) Production

Production by environmental business segment in the current fiscal year is as follows. Sales of housing and apartment and leasing and property management are not manufacturing businesses.

(Thousands of yen)

Operating segment	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		YoY change	
	Amount		Amount		Amount	%
Environmental business	478,717		1,814,375		1,335,658	279.0
Total	478,717		1,814,375		1,335,658	279.0

Note: 1. The above amounts do not include consumption taxes.

### (2) Orders

Orders by operating segment in the current fiscal year are as follows. The Company does not actively market its leasing and property management services.

(Thousands of yen)

Operating segment	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		YoY change	
	Orders received	Orders backlog	Orders received	Orders backlog	Orders received	Orders backlog
Sales of Housing and Apartment	27,162,362	6,433,146	46,692,557	5,400,192	19,530,195	(1,032,954)
Environmental business	2,079,976	1,591,956	14,194,153	12,678,413	12,114,177	11,086,457
Total	29,242,338	8,025,103	60,886,711	18,078,605	31,644,372	10,053,502

Notes: 1. The above amounts do not include consumption taxes.

2. Inter-segment transactions have been eliminated.

### (3) Sales

Sales by operating segment in the current fiscal year are as follows.

(Thousands of yen)

Operating segment	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		YoY change	
	Amount		Amount		Amount	%
Sales of Housing and Apartment	24,066,918		47,725,511		23,658,593	98.3
Leasing and Property Management	1,125,385		2,008,694		883,309	78.4
Environmental business	718,781		3,107,696		2,388,915	332.4
Total	25,911,084		52,841,903		26,930,818	103.9

Notes: 1. The above amounts do not include consumption taxes.

2. Inter-segment transactions have been eliminated.

\* This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.



April 20, 2007

## Non-consolidated Financial Summaries for the Fiscal Year Ended February 28, 2007

Company name: HARAKOSAN CO., LTD.  
 Stock code: 8894  
 URL: http://www.harakosan.co.jp  
 Representative: Masaaki Hara, President & CEO  
 Contact: Yuji Hamasaki, General Manager of Finance and Corporate Planning Division  
 Telephone: +81-(832)-29-8894  
 Board meeting for approving: April 20, 2007  
 General meeting of shareholders: May 25, 2007

Stock Exchange listing: OSE, 2<sup>nd</sup> Section  
 Location: Yamaguchi Prefecture  
 Dividends payment date: May 28, 2007  
 The Company does not employ a unit stock system.

### 1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2007 (March 1, 2006 - February 28, 2007)

#### (1) Non-consolidated Results of Operations (All amounts are rounded down to the nearest million yen)

	Revenue from operations		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 2007	48,694	99.4	3,561	74.3	3,223	60.3
February 2006	24,414	141.9	2,043	151.9	2,010	97.2

	Net income		Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to revenue
	Millions of yen	%	Yen	Yen	%	%	%
February 2007	1,948	64.7	15,382.80	15,332.52	15.9	8.8	6.6
February 2006	1,183	102.1	9,893.85	-	15.2	9.1	8.2

Notes: 1. Average number of shares: Feb. 2007: 126,695 shares Feb. 2006: 113,518 shares  
 2. Changes in accounting principles applied: None  
 3. Percentage in revenue from operations, operating income, ordinary income, and net income represent the year-on-year percentage change.

#### (2) Non-consolidated Financial Position

	Total assets		Net assets		Equity ratio	Net assets per share
	Millions of yen		Millions of yen		%	Yen
February 2007	46,585		14,770		31.6	114,842.10
February 2006	26,978		9,836		36.5	82,954.18

Notes: 1. Number of shares outstanding: Feb. 28, 2007: 128,295 shares Feb. 28, 2006: 117,850 shares  
 2. Number of treasury stock: Feb. 28, 2007: 3 shares Feb. 28, 2006: 447 shares

### 2. Non-consolidated Forecast for the Fiscal Year Ending February 29, 2008 (March 1, 2007 - February 29, 2008)

	Revenue from operations		Ordinary income		Net income	
	Millions of yen		Millions of yen		Millions of yen	
First half	12,000		500		300	
Full year	52,000		3,400		2,000	

Reference: Estimated net income per share (full year): 13,336.89 yen

### 3. Dividends

Dividends by cash	Dividend per share			Total dividends	Payout ratio	Dividend on net assets
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
February 2006	2,500.00	1,830.00	4,330	313	26.9	3.2
February 2007	1,000.00	1,500.00	2,500	317	16.2	2.5
February 2008 (forecast)	2,500.00	2,500.00	5,000			

Note: Dividends for fiscal year ended Feb. 28, 2006 (Ordinary dividends: 830 yen per share, Memorial dividends: 1,000 yen per share).  
 On January 5, 2006, the Company split its stock three for one.

\* The estimated values above have been prepared based on information available as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors. Estimated net income per share (full year) is calculated assuming that all corporate bonds with stock acquisition rights issued on February 22, 2007 have been exercised.

## VI. Non-consolidated Financial Statements and Other

### 1. Non-consolidated Financial Statements

#### (1) Non-consolidated Balance Sheets

(Thousands of yen)

Items	Note	FY2/06 (As of Feb. 28, 2006)		FY2/07 (As of Feb. 28, 2007)		
		Amount	%	Amount	%	
<b>Assets</b>						
<b>I Current assets</b>						
1. Cash and deposits	*1		2,631,678		8,517,304	
2. Accounts receivable-trade			6,187,569		5,542,176	
3. Merchandise			403		410	
4. Real estate for sale	*1,4		4,664,813		5,667,574	
5. Real estate in-process for sale	*1,4		7,575,845		9,284,681	
6. Cost of uncompleted construction contracts			515,162		18,023	
7. Prepaid expenses			67,132		89,667	
8. Advances	*7		768,938		214,058	
9. Deferred tax assets			65,110		119,245	
10. Other current assets	*7		305,348		641,355	
11. Allowance for doubtful accounts			(13,200)		(600)	
Total current assets			22,768,803	84.4	30,093,899	64.6
<b>II Fixed assets</b>						
1. Property, plant and equipment						
(1) Buildings	*1,4	1,480,277		3,116,455		
Accumulated depreciation		273,891	1,206,386	311,380	2,805,075	
(2) Structures		5,534		5,534		
Accumulated depreciation		4,183	1,350	4,323	1,210	
(3) Vehicles		85,775		46,878		
Accumulated depreciation		60,453	25,322	38,724	8,154	
(4) Tool, furniture and fixtures		92,398		175,030		
Accumulated depreciation		49,128	43,270	97,878	77,152	
(5) Land	*1,4		1,114,310		1,766,368	
(6) Construction in progress			-		65,366	
Net property, plant and equipment			2,390,640	8.9	4,723,327	10.1

(Thousands of yen)

Items	Note	FY2/06 (As of Feb. 28, 2006)		FY2/07 (As of Feb. 28, 2007)	
		Amount	%	Amount	%
2. Intangible assets					
(1) Patent rights		197,870		252,936	
(2) Leasehold rights		-		383,148	
(3) Software		16,759		15,029	
(4) Telephone rights		4,265		4,265	
Total intangible assets		218,895	0.8	655,380	1.4
3. Investments and other assets					
(1) Investments securities		366,675		1,600,541	
(2) Affiliate stock		682,437		2,880,349	
(3) Investment in capital		59,454		58,279	
(4) Investments in affiliates		-		4,701,389	
(5) Long-term loans receivable	*7	316,541		1,472,182	
(6) Bankruptcy claim		8,166		8,046	
(7) Long-term prepaid expenses		5,438		144,424	
(8) Leasehold deposits		49,064		123,561	
(9) Reserves for insurance		64,136		69,659	
(10) Derivatives		153		-	
(11) Deferred tax assets		35,032		43,560	
(12) Others		22,114		38,896	
(13) Allowance for doubtful accounts		(8,776)		(28,206)	
Total investments and other assets		1,600,439	5.9	11,112,686	23.9
Total fixed assets		4,209,975	15.6	16,491,394	35.4
Total assets		26,978,779	100.0	46,585,293	100.0

(Thousands of yen)

Items	Note	FY2/06 (As of Feb. 28, 2006)		FY2/07 (As of Feb. 28, 2007)	
		Amount	%	Amount	%
<b>Liabilities</b>					
<b>I Current liabilities</b>					
1. Accounts payable-trade		4,086,849		3,413,817	
2. Short-term borrowings	*1	4,544,000		8,997,000	
3. Long-term debt due within one year	*1	2,032,140		5,582,458	
4. Corporate bonds due within one year		40,000		40,000	
5. Accounts payable-other		16,952		30,206	
6. Income taxes payable		723,638		1,236,601	
7. Consumption taxes payable		9,263		38,332	
8. Advances received		684,272		487,712	
9. Deposits received		148,744		135,490	
10. Allowance for bonuses to employees		22,560		24,700	
11. Allowance for bonuses to directors and corporate auditors		-		27,300	
12. Other current liabilities		13,824		61,792	
Total current liabilities		12,322,245	45.6	20,075,412	43.1
<b>II Long-term liabilities</b>					
1. Corporate bonds		690,000		650,000	
2. Bonds with stock acquisition rights		-		6,000,000	
3. Long-term debt	*1	3,833,243		4,792,010	
4. Allowances for retirement benefits for employees		11,518		13,316	
5. Allowances for retirement benefits for directors and corporate auditors		74,491		74,683	
6. Guarantee deposits received		208,719		207,166	
7. Other		2,361		1,940	
Total long-term liabilities		4,820,333	17.9	11,739,117	25.2
Total liabilities		17,142,579	63.5	31,814,530	68.3
<b>Shareholders' equity</b>					
<b>I Common stock</b>					
<b>II Capital surplus</b>					
1. Additional paid-in capital		1,555,047		-	
2. Other capital surplus				-	
(1) Gain on disposal of treasury stock		133,023		-	
Total capital surplus		1,688,071	6.2	-	-
<b>III Retained earnings</b>					
1. Legal reserve		47,532		-	
2. Voluntary reserve				-	
(1) Other reserve		745,000		-	
3. Unappropriated retained earnings		1,335,668		-	
Total retained earnings		2,128,200	7.9	-	-
<b>IV Net unrealized holding gains on securities</b>					
<b>V Treasury stock</b>					
	*5	(38,631)	(0.1)	-	-
Total shareholders' equity		9,836,199	36.5	-	-
Total liabilities and shareholders' equity		26,978,779	100.0	-	-

(Thousands of yen)

Items	Note	FY2/06 (As of Feb. 28, 2006)		FY2/07 (As of Feb. 28, 2007)	
		Amount	%	Amount	%
<b>Net assets</b>					
I Shareholders' equity					
1. Common stock		-	-	7,659,238	16.4
2. Capital surplus					
(1) Additional paid-in capital		-		3,179,377	
(2) Other capital surplus		-		201,238	
Total capital surplus		-	-	3,380,616	7.3
3. Retained earnings					
(1) Legal reserve		-		47,532	
(2) Other retained earnings					
Other reserve		-		1,305,000	
Retained earnings brought forward		-	-	2,324,092	
Total retained earnings		-	-	3,676,624	7.9
4. Treasury stock		-	-	(878)	(0.0)
Total shareholders' equity		-	-	14,715,602	31.6
II Valuation and translation adjustments					
1. Net unrealized holding gains on securities		-		18,065	
Total valuation and translation adjustments		-	-	18,065	0.0
III Stock acquisition rights		-	-	37,095	0.1
Total net assets		-	-	14,770,762	31.7
Total liabilities and net assets		-	-	46,585,293	100.0

## (2) Non-consolidated Statements of Income

(Thousands of yen)

Items	Note	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)			FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		
		Amount		%	Amount		%
<b>I Revenue from operations</b>							
1. Sales of real estate		22,841,666			41,505,707		
2. Construction revenue		85,760			3,706,280		
3. Revenues from lease business		902,514			1,092,058		
4. Merchandise sales		584,857	24,414,798	100.0	2,390,407	48,694,453	100.0
<b>II Cost of revenue from operations</b>							
1. Cost of sales of real estate		19,835,954			36,891,603		
2. Cost of construction revenues		77,590			3,302,304		
3. Cost of revenue from lease business		609,789			799,685		
4. Cost of merchandise sales		542,528	21,065,863	86.3	1,853,828	42,847,422	88.0
Gross profit			3,348,935	13.7		5,847,031	12.0
<b>III Selling, general and administrative expenses</b>							
1. Commissions paid		151,712			180,216		
2. Advertising expenses		96,199			110,820		
3. Sales promotion expenses		42,701			76,066		
4. Provision for allowance for doubtful accounts		7,560			-		
5. Officers remuneration		108,184			106,633		
6. Salaries and wages		234,265			365,659		
7. Provision for allowance for bonuses to employees		13,740			18,300		
8. Provision for allowance for bonuses to directors and corporate auditors		-			27,300		
9. Retirement benefit expenses		3,046			3,187		
10. Provision for allowance for retirement benefits for directors and corporate auditors		10,291			8,733		
11. Welfare expenses		48,776			60,950		
12. Taxes and public charges		249,631			479,750		
13. Office supplies expense		780			1,705		
14. Depreciation and amortization		72,833			99,160		
15. R&D expenses	*1	-			336,205		
16. Other		265,803	1,305,526	5.3	410,650	2,285,341	4.7
Operating income			2,043,408	8.4		3,561,690	7.3

(Thousands of yen)

Items	Note	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	
		Amount	%	Amount	%
IV Non-operating income					
1. Interest income		5,202		40,307	
2. Dividend income		140,621		63,464	
3. Gain on sale of marketable securities		102,144		14,078	
4. Foreign exchange gains		-		102,959	
5. Miscellaneous income		29,207	277,175	49,489	270,299
					0.5
V Non-operating expenses					
1. Interest expense		224,122		489,303	
2. Commission for syndicated loan		19,931		36,943	
3. Foreign exchange loss		1,722		-	
4. Bond issuance expenses		30,313		16,301	
5. Provision for allowance for doubtful accounts		-		6,830	
6. Miscellaneous expenses		33,596	309,686	59,515	608,893
					1.2
Ordinary income			2,010,896		3,223,095
					6.6
VI Extraordinary gains					
1. Gain on sale of investment securities		49,700		-	
2. Gain on sale of investment in capital		-	49,700	50,000	50,000
					0.1
VII Extraordinary losses					
1. Loss on valuation of investment securities		-		18,556	
2. Retirement benefits for directors and corporate auditors		-	-	208	18,764
					0.0
Income before income taxes			2,060,596		3,254,331
					6.7
Current income taxes		907,274		1,364,269	
Deferred income taxes		(29,810)	877,463	(58,876)	1,305,392
					2.7
Net income			1,183,133		1,948,938
					4.0
Retained earnings brought forward			250,767		-
Interim dividends			98,233		-
Legal reserves for interim dividends			-		-
Unappropriated retained earnings			1,335,668		-

(3) Appropriation of Retained Earnings

(Thousands of yen)

		As of May 18, 2006	
Items	Note	Amount	
I Unappropriated retained earnings			1,335,668
II Appropriation of retained earnings			
1. Legal reserve		-	
2. Dividends		215,666	
3. Bonuses to directors and corporate auditors		60,000	
[of which bonuses to corporate auditors]		[6,000]	
4. Voluntary reserve			
Other reserve		560,000	835,666
III Unappropriated retained earnings carried forward			500,001

Note: The date is the day of approval at the General Meeting of Shareholders.

## (4) Non-consolidated Statements of Change in Shareholders' Equity

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

(Thousands of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings	Retained earnings brought forward	Total retained earnings
Balance as of Feb. 28, 2006	6,034,908	1,555,047	133,023	1,688,071	47,532	745,000		
Changes in the fiscal year								
Issuance of new shares	1,624,330	1,624,330		1,624,330				
Dividend of surplus							(340,513)	(340,513)
Bonuses to directors and corporate auditors paid through appropriation of income							(60,000)	(60,000)
Reserve for other reserve						560,000	(560,000)	-
Net income							1,948,938	1,948,938
Acquisition of treasury stock								
Disposal of treasury stock			68,215	68,215				
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	1,624,330	1,624,330	68,215	1,692,545	-	560,000	988,424	1,548,424
Balance as of Feb. 28, 2007	7,659,238	3,179,377	201,238	3,380,616	47,532	1,305,000	2,324,092	3,676,624

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments		
Balance as of Feb. 28, 2006	(38,631)	9,812,548	23,651	23,651	-	9,836,199
Changes in the fiscal year						
Issuance of new shares		3,248,660				3,248,660
Dividend of surplus		(340,513)				(340,513)
Bonuses to directors and corporate auditors paid through appropriation of income		(60,000)				(60,000)
Reserve for other reserve		-				-
Net income		1,948,938				1,948,938
Acquisition of treasury stock	(911,850)	(911,850)				(911,850)
Disposal of treasury stock	949,603	1,017,819				1,017,819
Changes (net) in items other than shareholders' equity			(5,586)	(5,586)	37,095	31,509
Total changes in the fiscal year	37,753	4,903,053	(5,586)	(5,586)	37,095	4,934,562
Balance as of Feb. 28, 2007	(878)	14,715,602	18,065	18,065	37,095	14,770,762

## Significant Accounting Policies

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
1. Valuation criteria and methods for securities	<p>Subsidiary and affiliate stocks Stated at cost, cost being determined by the moving-average method.</p> <p>Other securities Securities with market quotations Stated at fair value on the balance sheet date. (Unrealized holding gain (loss) is included directly in shareholder's equity. Cost of securities sold is determined by the moving-average method.) Securities without market quotations Stated at cost, cost being determined by the moving-average method.</p>	<p>Subsidiary and affiliate stocks Same as on the left.</p> <p>Other securities Securities with market quotations Stated at fair value on the balance sheet date. (Unrealized holding gain (loss) is included directly in net assets. Cost of securities sold is determined by the moving-average method.) Securities without market quotations Same as on the left.</p>
2. Net debt, valuation standard and method for derivatives	Market value method.	Same as on the left.
3. Valuation criteria and methods for inventories	<p>Merchandise, real estate for sale, real estate in-process for sale and cost on uncompleted construction contracts Stated at cost, cost being determined by the specific-identification method.</p>	<p>Merchandise, real estate for sale, real estate in-process for sale and cost on uncompleted construction contracts Same as on the left.</p>
4. Depreciation and amortization method for fixed assets	<p>(1) Property, plant and equipment The Company computes depreciation using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations, except for buildings acquired after April 1, 1998, which are computed using straight-line method.</p> <p>(2) Intangible assets The Company computes depreciation using the straight-line method at rates based on their useful lives prescribed in the Japanese tax regulations, except for in-house software, which is amortized by the straight-line method based on an estimated useful life of five years.</p> <p>(3) Long-term prepaid expenses The Company computes amortization using the straight-line method.</p>	<p>(1) Property, plant and equipment Same as on the left.</p> <p>(2) Intangible assets Same as on the left.</p> <p>(3) Long-term prepaid expenses Same as on the left.</p>
5. Accounting for deferred assets	<p>(1) New share issuance expenses Charged to expenses as incurred.</p> <p>(2) _____</p> <p>(3) Bond issuance expenses Charged to expenses as incurred.</p>	<p>(1) _____</p> <p>(2) Stock issuance expenses Charged to expenses as incurred.</p> <p>(3) Bond issuance expenses Same as on the left.</p>

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
6. Accounting for allowances	<p>(1) Allowance for doubtful accounts The Company provides for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain identified doubtful accounts, including claims in bankruptcy.</p> <p>(2) Allowance for bonuses to employees Allowance for bonuses to employees are provided for the estimated amounts, which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current fiscal year.</p> <p>(3) _____</p> <p>(4) Allowances for retirement benefits for employees The Company has a retirement benefit plan to which it has applied the simplified method. Under the simplified method, retirement benefits have been provided at an amount calculated based on the retirement benefit plan obligation which would be required to be paid if all the eligible employees voluntarily terminated their employment at the balance sheet date.</p> <p>(5) Allowances for retirement benefits for directors and corporate auditors Allowance for retirement benefits for directors and corporate auditors of the Company is provided at the amounts to be paid if all eligible directors and corporate auditors would have been retired at the balance sheet date accounting to the internal guidelines.</p>	<p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Allowance for bonuses to employees Same as on the left.</p> <p>(3) Allowance for bonuses to directors and corporate auditors Allowance for bonuses to directors and corporate auditors are provided for the estimated amounts, which the Company is obligated to pay to directors and corporate auditors after the fiscal year-end, based on services provided during the current fiscal year.</p> <p>(4) Allowances for retirement benefits for employees Same as on the left.</p> <p>(5) Allowance for construction compensation Same as on the left.</p>
7. Accounting for leases	Finance leases of the Company other than those that deemed to transfer the ownership of the leased assets to the lessees are accounted for as operating leases under accounting principles generally accepted in Japan.	Same as on the left.
8. Other significant accounting policies	<p>Accounting for consumption taxes National and local consumption taxes are accounted by the tax-exclusion method. Non-deductible consumption taxes are accounted as long-term prepaid consumption tax included in others under investments and other assets and amortized over five years by the straight-line method.</p>	<p>Accounting for consumption taxes Same as on the left.</p>

## Change in Significant Accounting Policies

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
<p style="text-align: center;">_____</p>	<p>(Accounting standard for impairment of fixed assets) Effective from the current fiscal year, we have adopted “Statement of Opinion, Accounting for Impairment of Fixed Assets” (Business Accounting Council, August 9, 2002) and “Guidance for Accounting Standards for Impairment of Fixed Assets” (ASBJ Guidance No.6, Accounting Standards Board of Japan, October 31, 2003). The effect of this change on financial statements is insignificant.</p> <p>(Accounting standard for presentation of net assets on balance sheet) Effective from the current fiscal year, we have adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No. 5, Accounting Standards Board of Japan, December 9, 2005) and “Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No. 8, Accounting Standards Board of Japan, December 9, 2005). The effect of this change on financial statements is insignificant. Under the previous standard, the amount equivalent to total shareholders’ equity would be 14,733,667 thousand yen. Due to the revision of the regulations, the non-consolidated financial statements for the current fiscal year are presented based on the revised standard.</p> <p>(Accounting standard for stock options) Effective from the current fiscal year, we have adopted “Accounting Standard for Stock Options” (ASBJ Statement No. 8, Accounting Standards Board of Japan, December 27, 2005) and “Guidance on Accounting Standard for Stock Options” (ASBJ Guidance No. 11, last revision by Accounting Standards Board of Japan, May 31, 2006). The effect of this change was to decrease operating income, ordinary income and income before income taxes by 37,095 thousand yen respectively, due to booking of stock compensation cost in the same amount.</p> <p>(Accounting standard for directors’ bonuses) Effective from the current fiscal year, We have adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4, Accounting Standards Board of Japan, November 29, 2005) for the current fiscal year. The effect of this change was to decrease operating income, ordinary income and net income before income taxes by 27,300 thousand yen respectively, compare to the previous method.</p> <p>(Accounting standard for investment partnership) Effective from the current fiscal year, we have adopted “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” ( PITF No.20, September 8, 2006).</p>

## Supplementary Information

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
<p>Effective from the current fiscal year, the Company has adopted “Practical Guidance on Presentation of the Pro Forma Standard Tax Portion of the Enterprise Tax in the Income Statement,” (PITF No.12, Accounting Standards Board of Japan, February 13, 2004) following the implementation of the Partial Revision of the Local Finance Act (Law No. 9 of 2003) on March 31, 2003 and the introduction of the pro forma standard tax from the fiscal year beginning on and after April 1, 2004. Accordingly, the value-added tax portion and the pro forma standard tax portion of the Enterprise Tax are included in SG&amp;A expenses.</p> <p>The effect of this change was to increase SG&amp;A expenses by 28,860 thousand yen, decrease operating income, ordinary income and income before income taxes by 28,860 thousand yen respectively.</p>	—————

## Notes to Non-consolidated Financial Statements

### Notes to Non-consolidated Balance Sheets

(Thousands of yen)

FY2/06 (As of Feb. 28, 2006)	FY2/07 (As of Feb. 28, 2007)																																																																
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<p>*4. Reclassification of real estate for sale and real estate in-process for sale: Effective from the current fiscal year, land (26,468 thousand yen) and buildings (17,380 thousand yen), included in real estate for sale under current assets in prior periods, are reclassified and presented as land and buildings, respectively, under property, plant and equipment. In addition, land (86,821 thousand yen), included in real estate in-process for sale under current assets in prior periods, is reclassified and presented as land under property, plant and equipment.</p>	<p>*4. Reclassification of real estate for sale and real estate in-process for sale: Effective from the current fiscal year, land (483,108 thousand yen) and buildings (960,471 thousand yen), included in real estate for sale under current assets in prior periods, are reclassified and presented as land and buildings, respectively, under property, plant and equipment. In addition, land (75,593 thousand yen) and buildings (247,994 thousand yen), included in real estate in-process for sale under current assets in prior periods, is reclassified and presented as land under property, plant and equipment.</p>								
<p>*5. Number of shares outstanding Common stock: 447.89 shares</p>	<p>*5. _____</p>								
<p>6. Restriction on dividends 24,570 thousand yen defined by Article 124-3 of the enforcement Ordinance of the Commercial Code of Japan.</p>	<p>6. _____</p>								
<p>*7. Obligation for affiliates Advances 768,938</p>	<p>*7. Obligation for affiliates</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Accounts receivable-other</td> <td style="text-align: right;">48,921</td> </tr> <tr> <td style="padding-left: 20px;">Advances</td> <td style="text-align: right;">214,058</td> </tr> <tr> <td style="padding-left: 20px;">Long-term loans receivable</td> <td style="text-align: right;">1,157,543</td> </tr> <tr> <td style="padding-left: 20px;">Short-term loans receivable</td> <td style="text-align: right;">330,000</td> </tr> </table>	Accounts receivable-other	48,921	Advances	214,058	Long-term loans receivable	1,157,543	Short-term loans receivable	330,000
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#### Notes to Non-consolidated Statements of Income

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
_____	<p>*1. R&amp;D expenses included general administrative expenses 336,205</p>

#### Notes to Non-consolidated Statement of Changes in Shareholders' Equity

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

Type and number of treasury stock

Type	Number of shares as of Feb. 28, 2006	Increase	Decrease	Number of shares as of Feb. 28, 2007
Common shares (Shares)	447.89	3,005.80	3,450.20	3.49

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares:	5.80 shares
Increase due to acquisition of treasury stock from market:	3,000.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests:	0.20 shares
Decrease due to exchange of stock:	3,450.00 shares

## Lease Transaction

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)																																																				
<p>1. Finance lease transactions not involving the transfer of title to lessee:</p> <p>(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.</p> <p><i>Tools, furniture and fixtures</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Acquisition cost</td> <td style="text-align: right;">69,078</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">33,878</td> </tr> <tr> <td style="border-top: 1px solid black;">Net book value</td> <td style="text-align: right; border-top: 1px solid black;">35,200</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2"><i>Total</i></td> </tr> <tr> <td>Acquisition cost</td> <td style="text-align: right;">69,078</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">33,878</td> </tr> <tr> <td style="border-top: 1px solid black;">Net book value</td> <td style="text-align: right; border-top: 1px solid black;">35,200</td> </tr> </table> <p>Note: The acquisition cost are calculated based on the simple-interest method since the net book value of future lease payments represents only a minor portion of property, plant and equipment on the fiscal year balance sheet date.</p> <p>(2) Future lease payments inclusive of interest</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Due within one year</td> <td style="text-align: right;">13,200</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">22,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">35,200</td> </tr> </table> <p>Note: The future lease payments are calculated based on the simple-interest method since the net book value of future lease payments represents only a minor portion of property, plant and equipment on the fiscal year balance sheet date.</p> <p>(3) Lease payments and depreciation equivalents</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Lease payments</td> <td style="text-align: right;">13,302</td> </tr> <tr> <td>Depreciation equivalents</td> <td style="text-align: right;">13,302</td> </tr> </table> <p>(4) Calculation of depreciation equivalents Depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.</p>	Acquisition cost	69,078	Accumulated depreciation	33,878	Net book value	35,200	 		<i>Total</i>		Acquisition cost	69,078	Accumulated depreciation	33,878	Net book value	35,200	Due within one year	13,200	Due after one year	22,000	Total	35,200	Lease payments	13,302	Depreciation equivalents	13,302	<p>1. Finance lease transactions not involving the transfer of title to lessee:</p> <p>(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.</p> <p><i>Tools, furniture and fixtures</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Acquisition cost</td> <td style="text-align: right;">66,000</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">44,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Net book value</td> <td style="text-align: right; border-top: 1px solid black;">22,000</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2"><i>Total</i></td> </tr> <tr> <td>Acquisition cost</td> <td style="text-align: right;">66,000</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">44,000</td> </tr> <tr> <td style="border-top: 1px solid black;">Net book value</td> <td style="text-align: right; border-top: 1px solid black;">22,000</td> </tr> </table> <p>Note: The acquisition cost are calculated based on the simple-interest method since the net book value of future lease payments represents only a minor portion of property, plant and equipment on the fiscal year balance sheet date.</p> <p>(2) Future lease payments inclusive of interest</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Due within one year</td> <td style="text-align: right;">13,200</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: right;">8,800</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">22,000</td> </tr> </table> <p>Note: Same as on the left.</p> <p>(3) Lease payments and depreciation equivalents</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Lease payments</td> <td style="text-align: right;">13,200</td> </tr> <tr> <td>Depreciation equivalents</td> <td style="text-align: right;">13,200</td> </tr> </table> <p>(4) Calculation of accumulated depreciation equivalents Same as on the left.</p>	Acquisition cost	66,000	Accumulated depreciation	44,000	Net book value	22,000	 		<i>Total</i>		Acquisition cost	66,000	Accumulated depreciation	44,000	Net book value	22,000	Due within one year	13,200	Due after one year	8,800	Total	22,000	Lease payments	13,200	Depreciation equivalents	13,200
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## Securities

FY2/06(As of Feb. 28, 2006), FY2/07 (As of Feb. 28, 2007)

The Company did not hold subsidiary and affiliates stock with market value.

## Deferred Tax Accounting

(Thousands of yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)																																								
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<p>2. Significant differences between the statutory tax rate and the Company's effective tax rate are as follows:</p> <table> <tr> <td>Statutory tax rate</td> <td style="text-align: right;">40.4%</td> </tr> <tr> <td>(permanent difference)</td> <td></td> </tr> <tr> <td>Entertainment expenses and other</td> <td style="text-align: right;">0.2%</td> </tr> <tr> <td>Income tax for previous years</td> <td style="text-align: right;">1.4%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">0.6%</td> </tr> <tr> <td>Effective tax rate</td> <td style="text-align: right;"><u>42.6%</u></td> </tr> </table>	Statutory tax rate	40.4%	(permanent difference)		Entertainment expenses and other	0.2%	Income tax for previous years	1.4%	Other	0.6%	Effective tax rate	<u>42.6%</u>	<p>2. Significant differences between the statutory tax rate and the Company's effective tax rate are as follows: Significant differences between the statutory and the effective tax rates are not disclosed because the differences were not material (less than 5%).</p>																												
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## Per Share Data

(Yen)

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	
Net assets per share:	82,954.18	Net assets per share:	114,842.10
Net income per share:	9,893.85	Net income per share:	15,382.80
Diluted net income per share:		Diluted net income per share:	15,332.52
Diluted net income per share is not presented since the Company has no outstanding securities.			
On January 5, 2006, the Company split its stock three for one. Per share information calculated as if this split had occurred at the beginning of previous fiscal year is presented below.			
Net assets per share:	54,660.17		
Net income per share:	6,050.28		
Diluted net income per share:	6,047.96		

Note 1: 1. Basis for calculation of net income per share and diluted net income per share are as follows.

(Thousands of yen)

	FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Net income per share		
Net income	1,183,133	1,948,938
Amount not available to common shareholders	60,000	-
[of which bonuses paid to directors and corporate auditors through appropriation of retained earnings]	[60,000]	[-]
Net income applicable to common share	1,123,133	1,948,938
Average number of shares outstanding during period (Shares)	113,518.30	126,695.91
Diluted net income per share		
Adjusted net income	-	-
Increase in common shares (Shares)	-	415.5
Summary of potential stock not included in the calculation of “diluted net income per share” since there was no dilutive effect.	-	Type of share: two issues of stock acquisition rights Number of shares: 11,219

## Material Subsequent Events

FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)																
<p>1. Stock acquisition rights</p> <p>The Company's Board of Directors on March 3, 2006 approved a resolution to issue "the first issue of stock acquisition rights to third parties" on March 20, 2006. As of April 30, 2006 the Company had issued 10,000 new common shares due to the exercise of 500 stock acquisition rights and as a result common stock and additional paid-in capital increased by 1,624,330 thousand yen respectively. The balance of outstanding stock acquisition rights is 500.</p> <p>(1) Name: The first issue of stock acquisition rights to third parties</p> <p>(2) Type of shares under stock acquisition rights: 20,000 shares of common stock (20 shares per right)</p> <p>(3) Number of stock acquisition rights issued: 1,000 rights</p> <p>(4) Issue price: 70,000 yen per right</p> <p>(5) Exercise period: Mar. 22, 2006 through Mar. 21, 2008</p> <p>(6) Recipient: Merrill Lynch Japan Securities Co., Ltd. (1,000 rights)</p> <p>2. The general shareholders' meeting on May 18, 2006 approved the issuance of stock acquisition rights (stock options) to directors, auditors and employees, pursuant to the provisions of Articles 238 and 239 of the Company Law.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Date:</td> <td>May 18, 2006</td> </tr> <tr> <td>Number and qualifications of individuals granted the stock options:</td> <td>Directors, auditors, and employees of the Company are eligible to receive shares based on resolution of Board of Directors.</td> </tr> <tr> <td>Type of shares under stock acquisition rights:</td> <td>Common stock</td> </tr> <tr> <td>Number of stock options:</td> <td>1,400 shares (maximum)</td> </tr> <tr> <td>Total payment amount:</td> <td>Note 1</td> </tr> <tr> <td>Exercise period:</td> <td>Certain period from June 1, 2009 through May 30, 2014 which Board of Directors decides</td> </tr> <tr> <td>Conditions of exercise:</td> <td>Note 2</td> </tr> <tr> <td>Restriction on the transfer of stock acquisition rights:</td> <td>Transfer or inheritance of stock acquisition rights shall not be recognized.</td> </tr> </table> <p>Note 1: The value (value of investment) of assets (monetary assets only) to be paid upon the exercise of stock acquisition rights shall be the amount equivalent to the product of the value of investment per underlying share (exercise price) at the time of exercise and the number of shares per stock acquisition right. The initial exercise price shall be the product of the average of the daily closing price of the common stock (including indicated price) of the Company in regular transactions on the Osaka Securities Exchange for 30 consecutive trading days (excluding days on which closing price is not posted) commencing on the day 45 trading days prior to the date of the issue of the stock acquisition rights and 1.10 (Any</p>	Date:	May 18, 2006	Number and qualifications of individuals granted the stock options:	Directors, auditors, and employees of the Company are eligible to receive shares based on resolution of Board of Directors.	Type of shares under stock acquisition rights:	Common stock	Number of stock options:	1,400 shares (maximum)	Total payment amount:	Note 1	Exercise period:	Certain period from June 1, 2009 through May 30, 2014 which Board of Directors decides	Conditions of exercise:	Note 2	Restriction on the transfer of stock acquisition rights:	Transfer or inheritance of stock acquisition rights shall not be recognized.	<p>—————</p>
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FY2/06 (Mar. 1, 2005 – Feb. 28, 2006)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
<p>fraction of less than one yen shall be rounded up to the nearest yen.) However, if such calculated price is lower than the closing price in regular transactions on the Osaka Securities Exchange on the day before issuance of the rights (if there is no closing price on such date, then the closing price on the immediately preceding trading day), the exercise price shall be the said closing price. Notwithstanding the above, the exercise price shall not be higher than the initial exercise price.</p> <p>In the event of a gratis stock acquisition rights, stock split or consolidation after the issue date, the exercise price shall be adjusted according to the following formula; fractions less than one yen are to be rounded up.</p> $\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Gratis issue, ratio of split or consolidation}}$ <p>Note 2: Conditions of exercise</p> <ol style="list-style-type: none"> <li>1) Of the persons granted the stock acquisition rights must maintain the position of director, auditor or an employee of the Company and its subsidiaries at the time of exercise of the stock acquisition rights. This requirement shall, however, not apply to directors who have retired due to expiration of term of office and employees who have retired due to attainment of retirement age.</li> <li>2) A successor of a holder of the stock acquisition rights may not exercise the rights.</li> <li>3) Notwithstanding article 2), a person granted the stock acquisition rights may not exercise the rights in the event the closing price of the Company's common stock on the Osaka Securities Exchange remains 50% or more lower than the exercise price continuously for six months up to the time of exercise</li> </ol>	

## VII. Change in Directors (effective on May 25, 2007)

### Director candidate

Yuji Hamasaki, Managing Director (Current General Manager of Finance and Corporate Planning Division )

### Auditor candidate

Toshihide Kaginaka, Corporate Auditor (Current Back-office Division, The Yamaguchi Bank, Ltd.)

### Retiring auditor

Osamu Miyoshi, Corporate Auditor

*\* This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*