



April 18, 2008

## Financial Summaries for the Fiscal Year Ended February 29, 2008

Company name: HARAKOSAN CO., LTD.  
 Stock code: 8894  
 Representative: Masaaki Hara, President & CEO  
 Contact: Yuji Hamasaki, Managing Director  
 Scheduled date of general meeting of shareholders: May 28, 2008  
 Scheduled date of dividend payment: May 29, 2008  
 Scheduled date of filing of Annual Security Report: May 29, 2008

Stock Exchange listing: OSE, 2<sup>nd</sup> Section  
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(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2008 (Mar. 1, 2007 – Feb. 29, 2008)

#### (1) Consolidated results of operations

(Percentages represent year-on-year percentage change)

	Revenue from operations		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Feb. 29, 2008	55,338	4.7	1,586	(53.8)	181	(94.1)	83	(95.7)
Fiscal year ended Feb. 28, 2007	52,841	103.9	3,433	82.9	3,065	61.0	1,959	93.1

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to revenue
	Yen	Yen	%	%	%
Fiscal year ended Feb. 29, 2008	650.36	541.94	0.6	0.3	2.9
Fiscal year ended Feb. 28, 2007	15,463.58	15,413.03	16.2	6.1	6.5

Reference: Investment profit/loss under equity method

Feb. 2008: (230) million yen Feb. 2007: 2 million yen

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Feb. 29, 2008	68,128	14,656	21.0	111,482.47
As of Feb. 28, 2007	69,745	14,768	20.9	113,830.25

Reference: Shareholders' equity

Feb. 2008: 14,302 million yen Feb. 2007: 14,603 million yen

#### (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
Fiscal year ended Feb. 29, 2008	(15,482)	15,557	(3,051)	10,185
Fiscal year ended Feb. 28, 2007	(3,637)	(5,640)	19,422	13,129

### 2. Dividends

(Record date)	Dividend per share			Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Feb. 28, 2007	1,000.00	1,500.00	2,500.00	317	16.2	2.6
Fiscal year ended Feb. 29, 2008	2,500.00	2,500.00	5,000.00	641	768.8	4.4
Fiscal year ending Feb. 28, 2009 (forecast)	2,500.00	2,500.00	5,000.00		32.1	

### 3. Consolidated Forecast for the Fiscal Year Ending February 28, 2009 (Mar. 1, 2008 – Feb. 28, 2009)

(Percentages represent year-on-year percentage change)

	Revenue from operations		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	24,000	16.5	600	130.6	300	-	100	(61.2)	779.47
Full year	62,000	12.0	3,500	120.6	3,200	-	2,000	-	15,589.39

#### 4. Others

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to “Significant Accounting Policies in the Preparation of Consolidated Financial Statements” on page 19 for further information.

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock):

Feb. 2008: 128,298 shares      Feb. 2007: 128,298 shares

2) Number of treasury stock at the end of period:

Feb. 2008: 6.69 shares      Feb. 2007: 3.49 shares

Note: Please refer to “Per Share Data” on page 42 for the number of shares used in calculating consolidated net income per share.

#### Reference: Summary of Non-consolidated Financial Results

##### 1. Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2008 (Mar. 1, 2007 – Feb. 29, 2008)

(1) Non-consolidated results of operations (Percentages represent year-on-year percentage change)

	Revenue from operations		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Feb. 29, 2008	45,135	(7.3)	1,810	(49.2)	2,355	(26.9)	855	(56.1)
Fiscal year ended Feb. 28, 2007	48,694	99.4	3,561	74.3	3,222	60.3	1,948	64.7

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 29, 2008	6,666.95	5,555.51
Fiscal year ended Feb. 28, 2007	15,382.80	15,332.52

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Feb. 29, 2008	59,302	15,186	25.5	117,755.53
As of Feb. 28, 2007	46,585	14,770	31.6	114,842.10

Reference: Shareholders' equity

Feb. 2008: 15,107 million yen      Feb. 2007: 14,733 million yen

##### 2. Non-consolidated Forecast for the Fiscal Year Ending February 28, 2009 (Mar. 1, 2008 – Feb. 28, 2009)

(Percentages represent year-on-year percentage change)

	Revenue from operations		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	18,500	73.3	750	12.6	500	(3.2)	300	(33.2)	2,338.41
Full year	37,500	(16.9)	2,000	10.4	2,000	(15.1)	1,200	40.3	9,353.63

#### \* Explanation and other remarks for the appropriate usage of forecasts

The estimated values above have been prepared based on information available to the Company 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 is calculated without dilution for common stock equivalents associated with stock acquisition rights. Please refer to “1. Results of Operations (1) Analysis of Results of Operations” on page 3 for further information concerning these forecasts.

## 1. Results of Operations

### (1) Analysis of Results of Operations

During the fiscal year, Japan's economy made a mild recovery as continued growth in corporate earnings supported an increase in capital expenditures and an improvement in the employment picture that raised consumer spending. However, the outlook for the Japanese economy becomes uncertain. One reason is higher prices of raw materials triggered by the sharp increase in the cost of crude oil. In addition, turmoil in financial markets due to the subprime mortgage crisis has slowed the U.S. economy and it causes stock prices to fall.

In Japan's real estate industry, the price of land continues to climb, chiefly in large cities, as posted land price rose for the second consecutive year. The recovery is even taking place in areas other than large metropolitan areas as the rate of decline in land prices slows. But the rate of growth in land prices is slowing in some areas of urban centers, where land prices have been rising consistently. Furthermore, the June 2007 enforcement of revisions to Japan's Building Standards Law has caused a sharp drop in housing starts because of delays in confirming building permit application. In 2007, residential construction starts in Japan totaled 1.06 million units. This was 17.8% less than in 2006, the first decline in five years. Condominium construction starts posted a particularly large downturn, falling 29.2% to 160,000 units. Real estate companies were unable to pass on the higher cost of raw materials to sales prices, and this makes it extremely difficult to remain profitable. Overall, the result was a harsh situation for the entire real estate industry.

In this environment, the Company retained a strong commitment to putting the customer first. We conducted aggressive sales activities with the primary goal of supplying value-added condominiums that match customers' needs. At the same time, we opened real estate purchasing centers in Shimonoseki in Yamaguchi prefecture and Chuo-ku in Tokyo, starting the full-scale launch of activities in the existing home market and home renovation market.

Due to these activities, consolidated revenue from operations increased 4.7% year-on-year to 55,338 million yen, operating income decreased 53.8% to 1,586 million yen, ordinary income decreased 94.1% to 181 million yen, and net income decreased 95.7% to 83 million yen.

Operating results by business segment were as follows.

(Thousands of yen)

Operating segment	Revenue from operations	Composition
Real Estate & Condominium Business	47,557,982	85.9%
Real Estate Rental & Property Management	2,777,394	5.0%
Environmental Business	5,003,429	9.1%
Total	55,338,807	100.0%

Note: The above figures do not include consumption taxes, except at certain subsidiaries that post revenue with taxes.

#### (1) Real Estate & Condominium Business

Total condominium units sold by the Group were 594 units, and it was down by 53 year-on-year. Total condominium units sold by the Company totaled 451 units during the fiscal year, 160 fewer than in the prior fiscal year. The downturn was mainly attributable to revisions to the Building Standards Law and the subprime mortgage crisis.

As a result, segment revenue from operations decreased 0.4% to 47,557 million yen and operating income decreased 55.2% to 2,014 million yen.

#### (2) Real Estate Rental & Property Management

The number of rental condominium units under management increased steadily during the fiscal year, resulting in consistent growth in revenue. Furthermore, an increase in the number of people using the Company's weekly rental condominiums also contributed to sales in this segment.

As a result, segment revenue from operations increased 38.3% to 2,777 million yen and operating income increased 5.3% to 735 million yen.

### (3) Environmental Business

In the wind turbine generator system sector, we delivered one system at Muroran in Hokkaido and one system at Masuda in Shimane prefecture. In overseas, there were deliveries of three systems in Finland and two in Inner Mongolia in China. We received orders for 19 systems for use in the cities of Tsu and Iga in Mie prefecture. In China, we received orders for 73 systems, as a result of aggressive sales activities targeting China's growing demand for wind turbine generator systems. At the end of the fiscal year, we had received orders for 110 systems in total in China. We also received orders for two systems in South Korea. These accomplishments demonstrate the progress made in capturing new orders in Japan and other countries.

As a result, segment revenue from operations increased 61.0% to 5,003 million yen and operating income decreased 51.8% to 61 million yen.

#### Outlook

There are many uncertainties about the outlook for Japan's economy. Major sources of concern include the weakening U.S. economy, the persistently high cost of raw materials due to the upswing in crude oil prices, the yen's appreciation and slumping stock prices. In the real estate industry, people are less willing to make purchases because of worries about an economic downturn. This is likely to produce price cuts and other actions to attract customers as inventories of finished properties climb.

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. As part of this geographic expansion, we will use the newly established Harakosan Residence Co., Ltd. to increase condominium sales in the Kanto area and other regions of eastern Japan. Hunan Harakosan XEMC Urban Development Co., Ltd., a recently established company, is using our expertise in condominium sales at condominium projects in China's Hunan province.

Regarding the environmental business, we will concentrate on expanding orders received and sales of wind turbine generator systems to develop this business into a core profit center in the future.

The Company will retain an aggressive stance in order to achieve growth in revenue and earnings along with further gains in corporate value. We will also work on improving profitability by making operations more streamlined and efficient.

For the fiscal year ending February 28, 2009, we are forecasting consolidated revenue from operations of 62,000 million yen, operating income of 3,500 million yen, ordinary income of 3,200 million yen, and net income of 2,000 million yen.

## (2) Analysis of Financial Position

### 1) Assets, liabilities, and net assets

#### Assets

Current assets rose 38.5% year-on-year to 55,023 million yen. This was mainly attributable to a 14,891 million yen increase in inventories.

Fixed assets decreased 56.3% year-on-year to 13,105 million yen due to a 16,999 million yen decrease in land and building in trust.

As a result, total assets as of February 29, 2008 decreased 2.3% year-on-year to 68,128 million yen.

#### Liabilities

Current liabilities increased 39.2% year-on-year to 33,606 million yen. The main reason was a 7,620 million yen increase in current portion of long-term debt.

Long-term liabilities decreased 35.6% year-on-year to 19,865 million yen mainly due to a 12,191 million yen decrease in long-term debt.

As a result, total liabilities as of February 29, 2008, decreased 2.7% year-on-year to 53,472 million yen.

#### Net assets

Net assets decline 0.8% year-on-year to 14,656 million yen mainly due to a 429 million yen decrease in retained earnings.

## 2) Cash flows

Cash and cash equivalents decreased 2,944 million yen, to 10,185 million yen (down 22.4% year-on-year) as of February 29, 2008, due to an increase in cash flows from operating activities.

#### Operating activities

Net cash used in operating activities increased 11,844 million yen to 15,482 million yen. There was an increase in inventories of 13,036 million yen, an increase in notes and accounts receivable of 1,225 million yen, and an increase in notes and accounts payable of 1,437 million yen.

#### Investing activities

Net cash provided by investing activities increased 21,198 million yen to 15,557 million yen. This was mainly attributable to proceeds of 18,052 million yen from sales of property, plant and equipment.

#### Financing activities

Net cash used in financing activities decreased 22,473 million yen to 3,051 million yen. This was mainly attributable to proceeds of 21,443 million yen from long-term debt and 5,000 million yen in issuance of bonds with stock acquisition rights. Major expenditure was payment of long-term debt of 27,456 million yen.

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

	FY2/06	FY2/07	FY2/08
Shareholders' equity ratio (%)	31.4	20.9	21.0
Shareholder's equity ratio based on a market price (%)	138.1	37.5	43.5
Interest-bearing debt to cash flow ratio (%)	-	-	-
Interest coverage ratio	-	-	-

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

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

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

- All indices are calculated based on consolidated figures.
- Market capitalization: Closing stock price on the balance sheet date x No. of shares outstanding (net of treasury stock) on the balance sheet date.
- There are no figures for interest-bearing debt to cash flow ratio and interest coverage ratio because we had negative operating cash flows.

**(3) Fundamental Policy for Profit Distribution and Dividends for the Current and Next Fiscal Year**

Distributing profits 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.

We will pay a dividend of 5,000 yen per share applicable to the fiscal year that ended in February 29, 2008. This is the sum of interim and year-end dividends of 2,500 yen per share.

For the fiscal year ending in February 28, 2009, in line with our fundamental policy for profit distributions, we plan to again pay an annual dividend of 5,000 yen per share by paying interim and year-end dividends of 2,500 yen per share.

**(4) Risks on Business etc.**

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 adequate 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 as of the end of the fiscal year under review.

## 1) Changes in the real estate market condition and interest rate trends

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 an 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 an impact on the Group's performance.

## 2) Reliance on interest-bearing debt

The Group has a high reliance on interest-bearing 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 by increasing equity. However, an unexpectedly large increase in interest rates may have an 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 Company could be subject to demands for liability payments and a loss of public trust. These events could have an impact on the Group's performance and its ability to continue to conduct business activities.

#### 4) Overseas operations

The Group sells wind turbine generator 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 an 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 Company's performance.

#### 6) Recruiting activities

Due to the Company'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 3.02 years as of February 29, 2008. Recruiting talented individuals will become even more important as it continues to conduct established businesses while starting and expanding new businesses. However, the Company 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 an impact on the Company's performance and its ability to continue to conduct business activities.

#### 7) 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 an impact on the Group's competitive edge, profitability, and performance in overseas markets.

#### 8) 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 an impact on the Group's performance and its ability to continue to conduct business activities.

## 2. Corporate Group

The HARAKOSAN Group (the Group) is made up of HARAKOSAN CO., LTD. (the Company), 13 subsidiaries (including 12 consolidated subsidiaries) and five affiliates (including three equity-method affiliates). The Group is engaged primarily in the real estate & condominium business, real estate rental & 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. Real Estate & Condominium Business

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 Inoue Investment, Inc. buys and sells real estate, is a real estate broker. Consolidated subsidiary Harakosan Residence Co., Ltd. was newly established to strengthen condominium sales activities in eastern Japan, chiefly the Kanto area. Consolidated subsidiary Hunan Harakosan XEMC Urban Development Co., Ltd. was newly established to conduct land development projects and condominium sales in China. For the purpose of buying and selling real estate, both Y.K. CC Capital One and its subsidiary Y.K. CC Capital Two became consolidated subsidiaries through an investment by a silent partnership.

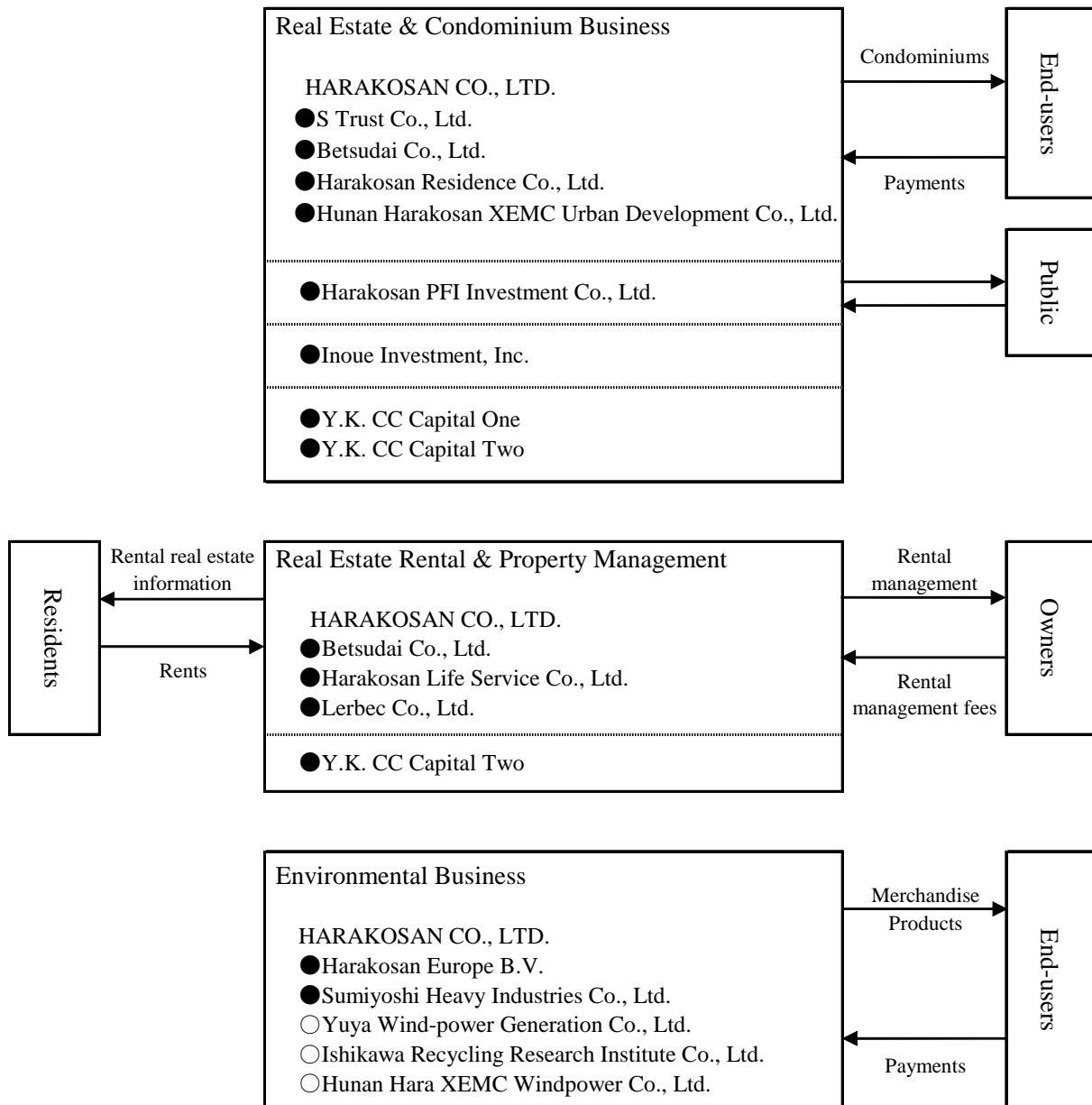
### b. Real Estate Rental & Property Management

The Company manages general leased properties and rental condominiums for the elderly, all of which are located in Yamaguchi prefecture. Consolidated subsidiary Betsudai Co., Ltd. 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. CC Capital Two generate income from real estate.

### c. Environmental Business

The Company sells solar energy systems and wind turbine generator systems. 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 turbine generator 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. handles orders for wind turbine generator systems and manufactures and assembles key components of these systems.

Business flow chart is as follows.



Note: ●Consolidated subsidiary      ○Equity-method affiliate

### **3. Management Policies**

#### **(1) 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, using only electric appliances, and sophisticated security systems. In addition, we are constantly seeking ways to create condominiums that are even more advanced and offer even better quality. Through this stance, we are dedicated to supplying residences offering amenities for comfortable living and other attributes that make our customers happy. We also own rental condominiums for the elderly. 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 the elderly.

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 Company 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.

#### **(2) Targeted Performance Indicators**

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

#### **(3) 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. In the real estate rental & property management business, our goals are to increase the number of units under management and increase the number of people who use our weekly rental condominiums. Furthermore, we will concentrate on the operation and management of residences for the elderly (nursing homes). 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. In addition, we plan to extend wind-power operations to India, South Korea and all other areas of Asia. We will continue to build an infrastructure for shifting our resources in the future from the real estate & condominium business, the current core business, to the environmental business.

#### **(4) 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 Company 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 revenue and earnings as well as corporate value.

#### **(5) Other Important Items**

Not applicable.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Thousands of yen)

Items	Note	FY2/07 (As of Feb. 28, 2007)		FY2/08 (As of Feb. 29, 2008)		Change Amount
		Amount	%	Amount	%	
<b>Assets</b>						
<b>I Current assets</b>						
1. Cash and deposits	*3	13,499,635		10,562,642		
2. Notes and accounts receivable-trade	*2	6,775,741		8,429,184		
3. Marketable securities		-		805,930		
4. Inventories	*3,5	18,766,304		33,657,418		
5. Deferred tax assets		169,533		59,751		
6. Other		529,310		1,522,449		
7. Allowance for doubtful accounts		(8,582)		(14,093)		
Total current assets		39,731,942	57.0	55,023,284	80.8	15,291,341
<b>II Fixed assets</b>						
<b>1. Property, plant and equipment</b>						
(1) Buildings and structures	*3,5	4,683,102		4,458,403		
Accumulated depreciation		1,201,769	3,481,333	1,188,414	3,269,989	
(2) Machinery and vehicles		630,884		579,606		
Accumulated depreciation		451,611	179,272	436,649	142,956	
(3) Land	*3,5		2,626,504		2,305,809	
(4) Other		315,625		318,200		
Accumulated depreciation		133,643	181,982	192,419	125,781	
Total property, plant and equipment			6,469,093		5,844,537	8.6
<b>2. Intangible assets</b>						
(1) Consolidated adjustment account			1,887,239		-	
(2) Goodwill			-		510,612	
(3) Other			664,315		617,979	
Total intangible assets			2,551,554	3.6	1,128,592	1.6
<b>3. Investments and other assets</b>						
(1) Investments securities	*1		3,065,575		4,216,232	
(2) Long-term loans receivable			289,404		1,079,308	
(3) Land and building in trust			16,992,537		-	
(4) Deferred tax assets			44,272		91,644	
(5) Other			650,714		778,048	
(6) Allowance for doubtful accounts			(49,992)		(32,743)	
Total investments and other assets			20,992,511	30.1	6,132,490	9.0
Total fixed assets			30,013,159	43.0	13,105,620	19.2
Total assets			69,745,102	100.0	68,128,904	100.0
						(1,616,198)

(Thousands of yen)

Items	Note	FY2/07 (As of Feb. 28, 2007)		FY2/08 (As of Feb. 29, 2008)		Change
		Amount	%	Amount	%	Amount
<b>Liabilities</b>						
<b>I Current liabilities</b>						
1. Notes and accounts payable-trade		3,727,608		6,224,861		
2. Short-term debt	*3	9,847,000		8,269,000		
3. Long-term debt due within one year	*3	7,154,861		14,775,666		
4. Corporate bonds due within one year		40,000		-		
5. Income taxes payable		1,455,635		443,702		
6. Consumption taxes payable		64,378		-		
7. Allowance for bonuses to employees		28,708		25,620		
8. Allowance for bonuses to directors and corporate auditors		27,300		-		
9. Other		1,798,250		3,867,968		
Total current liabilities		24,143,743	34.6	33,606,819	49.3	9,463,075
<b>II Long-term liabilities</b>						
1. Corporate bonds		650,000		650,000		
2. Bonds with stock acquisition rights		6,000,000		11,000,000		
3. Long-term debt	*3	19,222,573		7,031,339		
4. Allowance for retirement benefits for employees		135,551		119,953		
5. Allowance for retirement benefits for directors and corporate auditors		74,683		88,095		
6. Deferred tax liabilities		1,509,134		285,268		
7. Consolidated adjustment account		109,737		-		
8. Negative goodwill		-		80,670		
9. Other		3,131,478		610,097		
Total long-term liabilities		30,833,159	44.2	19,865,426	29.2	(10,967,733)
Total liabilities		54,976,903	78.8	53,472,245	78.5	(1,504,657)
<b>Net assets</b>						
<b>I Shareholders' equity</b>						
1. Common stock		7,659,238	11.0	7,659,238	11.2	0
2. Capital surplus		3,380,616	4.8	3,380,269	5.0	(347)
3. Retained earnings		3,491,360	5.0	3,061,720	4.5	(429,640)
4. Treasury stock		(878)	(0.0)	(1,967)	(0.0)	(1,089)
Total shareholders' equity		14,530,337	20.8	14,099,260	20.7	(431,077)
<b>II Valuation and translation adjustments</b>						
1. Net unrealized holding gains on securities		34,622	0.0	128,300	0.2	93,677
2. Foreign currency translation adjustment		38,890	0.1	74,725	0.1	35,834
Total valuation and translation adjustments		73,513	0.1	203,026	0.3	129,512
<b>III Stock acquisition rights</b>		37,095	0.1	79,343	0.1	42,247
<b>IV Minority interests</b>		127,251	0.2	275,028	0.4	147,776
Total net assets		14,768,199	21.2	14,656,658	21.5	(111,540)
Total liabilities and net assets		69,745,102	100.0	68,128,904	100.0	(1,616,198)

## (2) Consolidated Statements of Income

(Thousands of yen)

Items	Note	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)			FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)			Change
		Amount		%	Amount		%	Amount
I Revenue from operations								
1. Sales of real estate		43,685,909			46,814,046			
2. Construction revenue		4,039,602			743,936			
3. Revenues from lease business		2,008,694			2,777,394			
4. Merchandise sales		3,107,696	52,841,903	100.0	5,003,429	55,338,807	100.0	2,496,903
II Cost of revenue from operations								
1. Cost of sales of real estate		38,485,098			42,635,969			
2. Cost of construction revenues		3,520,674			665,654			
3. Cost of revenue from lease business		1,265,549			1,500,365			
4. Cost of merchandise sales		2,404,883	45,676,206	86.4	3,547,649	48,349,637	87.4	2,673,431
Gross profit			7,165,696	13.6		6,989,169	12.6	(176,527)
III Selling, general and administrative expenses	*1		3,732,398	7.1		5,402,920	9.8	1,670,522
Operating income			3,433,298	6.5		1,586,248	2.9	(1,847,049)
IV Non-operating income								
1. Interest income		6,683			32,464			
2. Dividend income		32,443			28,227			
3. Gain on sale of marketable securities		79,440			8,137			
4. Amortization of consolidated adjustment account		29,066			-			
5. Amortization of negative goodwill		-			29,066			
6. Investment profits under equity method		2,226			3,831			
7. Foreign exchange gain		102,959			42,775			
8. Other		173,567	426,387	0.8	103,302	247,805	0.4	(178,581)
V Non-operating expenses								
1. Interest expense		633,854			924,986			
2. Loss on valuation of marketable securities		-			127,432			
3. Bond issuance expenses		16,301			10,352			
4. Foreign exchange loss		-			2,848			
5. Investment loss under equity method		200			233,964			
6. Provision for allowance for doubtful accounts		6,830			-			
7. Other		136,790	793,977	1.5	353,298	1,652,884	3.0	858,906
Ordinary income			3,065,707	5.8		181,169	0.3	(2,884,537)

(Thousands of yen)

Items	Note	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)			Change
		Amount	%	Amount	%	Amount	
<b>VI Extraordinary gains</b>							
1. Prior year income adjustments	*2	80,979		-			
2. Gain on sale of fixed assets	*3	-		786,062			
3. Gain on sale of investment securities		2,600		130,423			
4. Gain on sale of investment in capital		50,000		-			
5. Gain from forgiveness of debt		171,835		-			
6. Gain on sale of business		-	305,414	71,010	987,496	1.8	682,081
<b>VII Extraordinary losses</b>							
1. Loss on disposal of fixed assets	*4	442		2,530			
2. Loss on sales of fixed assets	*5	-		148,232			
3. Loss on sale of investment securities		-		41,865			
4. Loss on valuation of investment securities		18,939		85,965			
5. Loss on valuation of inventories		39,386		-			
6. Loss on change in equity interest		23,145		1,661			
7. Impairment losses	*6	-	81,913	1,190,177	1,470,434	2.6	1,388,520
Income (loss) before income taxes			3,289,208		(301,767)	(0.5)	(3,590,976)
Current income taxes		1,584,561		811,825			
Deferred income taxes		(274,564)	1,309,996	(1,227,359)	(415,533)	(0.8)	(1,725,530)
Minority interests			20,038		30,330	0.1	10,291
Net income			1,959,172		83,436	0.2	(1,875,736)

**(3) 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				(911,850)	(911,850)
Disposal of treasury stock		68,215		949,603	1,017,819
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						(911,850)
Disposal of treasury stock						1,017,819
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

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Feb. 28, 2007	7,659,238	3,380,616	3,491,360	(878)	14,530,337
Changes in the fiscal year					
Dividend of surplus			(513,172)		(513,172)
Net income			83,436		83,436
Acquisition of treasury stock				(1,882)	(1,882)
Disposal of treasury stock		(347)		792	445
Changes in scope of consolidation			95		95
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	-	(347)	(429,640)	(1,089)	(431,077)
Balance as of Feb. 29, 2008	7,659,238	3,380,269	3,061,720	(1,967)	14,099,260

	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, 2007	34,622	38,890	73,513	37,095	127,251	14,768,199
Changes in the fiscal year						
Dividend of surplus						(513,172)
Net income						83,436
Acquisition of treasury stock						(1,882)
Disposal of treasury stock						445
Changes in scope of consolidation						95
Changes (net) in items other than shareholders' equity	93,677	35,834	129,512	42,247	147,776	319,536
Total changes in the fiscal year	93,677	35,834	129,512	42,247	147,776	(111,540)
Balance as of Feb. 29, 2008	128,300	74,725	203,026	79,343	275,028	14,656,658

**(4) Consolidated Statements of Cash Flows**

(Thousands of yen)

		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)	Change
Items	Note	Amount	Amount	Amount
I Cash flows from operating activities				
1. Income (loss) before income taxes		3,289,208	(301,767)	
2. Depreciation and amortization		218,128	308,351	
3. Amortization of consolidated adjustment account		120,497	-	
4. Amortization of goodwill		-	171,981	
5. Impairment losses		-	1,190,177	
6. Increase (decrease) in allowance for doubtful accounts		(57,888)	8,262	
7. Increase (decrease) in allowance for bonuses to employees		3,211	(3,088)	
8. Increase (decrease) in allowance for bonuses to directors and corporate auditors		-	(27,300)	
9. Increase (decrease) in allowance for retirement benefits for employees		(50,635)	(53,791)	
10. Increase (decrease) in allowance for retirement benefits for directors and corporate auditors		191	13,412	
11. Interest and dividend income		(39,126)	(60,691)	
12. Interest expense		633,854	924,986	
13. Foreign exchange gain (loss)		477	2,200	
14. Investment gain (loss) under equity method		(2,025)	230,132	
15. Loss on disposal of fixed assets		442	2,530	
16. Gain on sale of fixed assets		-	(786,062)	
17. Loss on sales of fixed assets		-	148,232	
18. Gain on sale of marketable securities		(79,440)	(8,137)	
19. Loss on valuation of marketable securities		-	127,432	
20. Gain on sales of investment securities		(2,600)	(130,423)	
21. Loss on sales of investment securities		-	41,865	
22. Loss on valuation of investment securities		18,939	85,965	
23. Gain on sale of investment in capital		(50,000)	-	
24. Decrease (increase) in notes and accounts receivable		496,815	(1,722,409)	
25. Decrease (increase) in inventories		(5,921,878)	(13,036,385)	
26. Increase (decrease) in notes and accounts payable		(460,306)	1,897,543	
27. Increase (decrease) in guarantee deposits		-	(2,478,597)	
28. Increase (decrease) in advances received		-	1,608,359	
29. Directors' bonuses paid		(60,000)	-	
30. Other		(172,782)	(970,725)	
Subtotal		(2,114,916)	(12,817,945)	
31. Interests and dividends received		25,188	60,659	
32. Interests paid		(643,079)	(930,629)	
33. Income taxes paid		(904,770)	(1,794,571)	
Net cash used in operating activities		(3,637,577)	(15,482,487)	(11,844,910)

(Thousands of yen)

		FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)	Change
Items	Note	Amount	Amount	Amount
<b>II Cash flows from investing activities</b>				
1. Increase in time deposits		(370,014)	(400,335)	
2. Decrease in time deposits		361,982	393,298	
3. Purchases of property, plant and equipment		(1,313,747)	(130,342)	
4. Proceeds from sale of property, plant and equipment		-	18,052,342	
5. Acquisition of intangible assets		(487,168)	(8,716)	
6. Purchases of investment securities		(2,389,152)	(2,707,989)	
7. Proceeds from sale of investment securities		796,366	1,558,389	
8. Payments for acquisition of investment in capital		(500,160)	(7,801)	
9. Proceeds from sale of investment in capital		570,150	-	
10. Payments for acquisition of consolidated subsidiaries		(2,401,646)	(307,664)	
11. Proceeds from acquisition of consolidated subsidiaries		155,505	-	
12. Increase in non-current loans		(29,000)	(937,825)	
13. Decrease in non-current loans		91,279	83,313	
14. Other		(125,143)	(28,977)	
Net cash provided by (used in) investing activities		(5,640,750)	15,557,692	21,198,442
<b>III Cash flows from financing activities</b>				
1. Increase (decrease) in short-term debt		4,384,189	(1,578,000)	
2. Proceeds from long-term debt		13,638,510	21,443,000	
3. Payment of long-term debt		(6,591,711)	(27,456,429)	
4. Payments for redemption of bond		(40,000)	(40,000)	
5. Proceeds from issuance of bonds with stock acquisition rights		6,000,000	5,000,000	
6. Proceeds from issuance of shares and stock acquisition rights		3,283,660	-	
7. Cash dividends paid		(340,513)	(513,172)	
8. Payments for purchase of treasury stock		(911,850)	(1,882)	
9. Proceeds from sale of treasury stock		69	445	
10. Proceeds from minority interests		-	95,029	
Net cash provided by (used in) financing activities		19,422,352	(3,051,009)	(22,473,362)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>		39,488	31,680	(7,808)
<b>V Increase (decrease) in cash and cash equivalents</b>		10,183,513	(2,944,124)	(13,127,638)
<b>VI Cash and cash equivalents at beginning of year</b>		2,941,205	13,129,120	10,187,914
<b>VII Increase in cash and cash equivalents from new consolidation</b>		4,400	-	(4,400)
<b>VIII Decrease in cash and cash equivalents due to exclusion from consolidation of subsidiary</b>		-	95	95
<b>IX Cash and cash equivalents at end of period</b>		13,129,120	10,185,091	(2,944,029)

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

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
I. Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 10 Name of consolidated subsidiaries: S Trust Co., Ltd. Harakosan Europe B.V. 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 Urban Development Project Cooperative Association due to its increased significance in the context of the consolidated financial statements. 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: Accounting Standards Board of Japan, September 8, 2006). Betsudai Community Co., Ltd. and Betsudai Real Estate Sale Co., Ltd. were merged with 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 a 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) have no significant effect on the overall results of consolidated financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 12 Name of consolidated subsidiaries: S Trust Co., Ltd. Harakosan Europe B.V. Sumiyoshi Heavy Industries Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd. Harakosan PFI Investment Co., Ltd. Lerbec Co., Ltd. Inoue Investment, Inc. Harakosan Residence Co., Ltd. Hunan Harakosan XEMC Urban Development Co., Ltd. Y.K. CC Capital One Y.K. CC Capital Two</p> <p>Effective from the current fiscal year, Harakosan Residence Co., Ltd. and Hunan Harakosan XEMC Urban Development Co., Ltd. are included in the consolidation due to their establishment. Y.K. CC Capital One and its subsidiary Y.K. CC Capital Two are included in the consolidation due to silent partnership investment by the Company. Betsudai Urban Development Project Cooperative Association was liquidated and excluded from the consolidation. However, this company’s statements of income are consolidated until liquidation has been completed. Effective from the current fiscal year, Y. K. New Harbor Property Holdings, a consolidated subsidiary being liquidated, is excluded from the scope of consolidation because of its decreased materiality of impact on consolidated financial statements.</p> <p>(2) Major non-consolidated subsidiaries Trust Community Co., Ltd.</p> <p>Reason for exclusion from the consolidation: Same as on the left.</p>

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
2. Application of the equity method	<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. Effective from the current fiscal year, Hunan Hara XEMC Windpower Co., Ltd. is included in the scope of equity method affiliate due to its establishment.</p> <p>(2) Non-consolidated subsidiaries and affiliates 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: Above non-consolidated subsidiaries and affiliates 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) 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 companies under the equity method, certain companies have year-end balance sheet date other than that of the Company. To prepare for consolidation, financial statements of such companies are used as they are.</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> <p>(2) Non-consolidated subsidiaries and affiliates not accounted for under equity method Trust Community Co., Ltd. Fukuoka Management Center Co., Ltd. Energy Products Co., Ltd.</p> <p>Reason for not accounted for under equity method: Same as on the left.</p> <p>(3) Special remarks concerning application of the equity method Same as on the left.</p>
3. Period end of consolidated subsidiaries	<p>Fiscal years of Harakosan Europe B.V., Sumiyoshi Heavy Industries, Harakosan Life Service, Betsudai, Harakosan PFI Investment, Lerbec, and New Harbor Property Holdings 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 year-end consolidated balance sheet date.</p>	<p>Fiscal years of Harakosan Europe B.V., Sumiyoshi Heavy Industries, Harakosan Life Service, Betsudai, Harakosan PFI Investment, Lerbec, Harakosan Residence and Hunan Harakosan XEMC Urban Development 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 year-end consolidated balance sheet date.</p> <p>The fiscal years of CC Capital One and CC Capital Two end on July 31. As a result, the consolidated financial statements include the provisional financial statements of these two subsidiaries as of January 31, the end of their interim periods. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the year-end consolidated balance sheet date.</p>

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
4. Significant accounting policies	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities Available for sale securities</p> <p>Other securities Securities with market quotations Stated at fair value on the year-end balance sheet date. (Net unrealized holding gain is included directly in net assets. 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>(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment The Company and its domestic consolidated subsidiaries compute depreciation using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations, except for buildings (excluding attached structures) acquired on or after April 1, 1998, which are computed using the straight-line method.</p> <p>2) Intangible assets The Company and its domestic consolidated subsidiaries compute depreciation using the straight-line method at rates based on their useful lives prescribed in the Corporation Tax Law, except for in-house software, which is amortized by the straight-line method based on an estimated useful life of five years.</p>	<p>(1) Valuation criteria and methods for principal assets</p> <p>1) Securities Available for sale securities Stated at fair value. (Cost of securities sold is determined by the moving-average method.)</p> <p>Other securities Securities with market quotations Same as on the left.</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> <p>(2) Depreciation and amortization method for principal depreciable assets</p> <p>1) Property, plant and equipment The Company and its domestic consolidated subsidiaries compute depreciation using the declining-balance method at rates based on their useful lives prescribed in the Japanese tax regulations, except for buildings (excluding attached structures) acquired on or after April 1, 1998, which are computed using the straight-line method.</p> <p>(Change in accounting policy) Property, plant and equipment acquired after April 1, 2007 is depreciated according to the depreciation method stipulated in the revised standard, in line with revisions to the Corporation Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporate Tax Law Ordinances (March 30, 2007). The effect of this change on profit/loss and segment information is insignificant.</p> <p>2) Intangible assets Same as on the left.</p>

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<p>3) Long-term prepaid expenses The Company and its domestic consolidated subsidiaries compute depreciation 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) 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 domestic consolidated 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 The Company and its domestic consolidated subsidiaries provide for allowance for bonuses to employees at the amount based on the estimated bonus obligations.</p> <p>3) Allowance for bonuses to directors and corporate auditors The Company provides for allowance for bonuses to directors and corporate auditors at the amount based on the estimated bonus obligations.</p> <p>(Change in accounting policy) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005.) As a result, operating income, ordinary income, and income before income taxes each decreased 27,300 thousand yen. The impact on segment information can be found in applicable portions of this report.</p> <p>4) Allowance for retirement benefits for employees The Company and its domestic consolidated 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 year-end consolidated balance sheet date.</p>	<p>3) Long-term prepaid expenses Same as on the left.</p> <p>(3) Accounting for significant deferred assets</p> <p>1) New share issuance expenses Same as on the left.</p> <p>2) 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> <p>3) Allowance for bonuses to directors and corporate auditors The Company provides for allowance for bonuses to directors and corporate auditors at the amount based on the estimated bonus obligations. Bonuses to directors and corporate auditors for the current fiscal year are suspended, in view of the Company's business results.</p> <p>4) Allowance for retirement benefits for employees Same as on the left.</p>

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<p>5) Allowance for retirement benefits for directors and corporate auditors The Company provides allowance for retirement benefits for directors and corporate auditors at the amounts to be paid if all eligible directors and corporate auditors would have been retired at the year-end balance sheet date based on the internal guidelines.</p> <p>6) Allowance for loss on loan guarantees _____</p> <p>(5) Accounting for leases Finance leases of the Company and its domestic consolidated 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.</p> <p>(6) Other significant accounting policies Accounting for consumption taxes The Company and its domestic consolidated subsidiaries use the tax-exclusion method to account for national and local consumption taxes. Non-deductible consumption taxes on fixed assets are accounted as long-term prepaid consumption tax included in “Other” under investments and other assets and amortized over five years by the straight-line method.</p>	<p>5) Allowance for retirement benefits for directors and corporate auditors Same as on the left.</p> <p>6) Allowance for loss on loan guarantees To prepare for potential losses on performance of loan guarantees, an allowance has been provided for, estimated on the basis of the financial condition of the principal debtors.</p> <p>(5) Accounting for leases Same as on the left.</p> <p>(6) Other significant accounting policies Accounting for consumption taxes The Company and its domestic consolidated subsidiaries (excluding certain consolidated subsidiaries) use the tax-exclusion method to account for national and local consumption taxes. Non-deductible consumption taxes on fixed assets are accounted as long-term prepaid consumption tax included in “Other” under investments and other assets and amortized over five years by the straight-line method.</p>
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 are amortized over a period of 5 to 20 years by the straight-line method.	_____
7. Amortization of goodwill (negative goodwill)	_____	Goodwill (negative goodwill) is amortized over a period of 5 to 20 years by the straight-line method.
8. Cash and cash equivalents in the statements of cash flows	Vault cash, 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 Accounting Policies**

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
<p>(Accounting standard for impairment of fixed assets) Effective from the current fiscal year, the Company has 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 profit/loss is insignificant.</p>	_____
<p>(Accounting standard for presentation of net assets on balance sheet) Effective from the current fiscal year, the Company has 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 profit/loss 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, the Company has 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 as selling, general and administrative expenses. The impact on segment information can be found in applicable portions of this report.</p>	_____
<p>(Accounting standard for investment partnership) Effective from the current fiscal year, the Company has adopted “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” (PITF No. 20: Accounting Standards Board of Japan, September 8, 2006). This change caused total assets as of the balance sheet date to increase by 15,737,234 thousand yen, 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, and income before income taxes by 41,153 thousand yen. The impact on segment information can be found in applicable portions of this report.</p>	_____

**Reclassifications**

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
<p>(Consolidated Statements of Cash Flows)  “Net decrease (increase) in treasury stock” under cash flows from financing activities in the previous fiscal year, is reclassified and presented as separate line items, “ Payments for purchase 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.  “Payments for purchase 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>	<p>(Consolidated Balance Sheets)  “Consolidated adjustment account” is presented as “Goodwill” or “Negative goodwill” in the current fiscal year in accordance with the revised standards for the financial statements.</p> <p>(Consolidated Statements of Income)  “Amortization of consolidated adjustment account” is presented as “Amortization of negative goodwill” in the current fiscal year in accordance with the revised standards for the financial statements.</p> <p>(Consolidated Statements of Cash Flows)  Effective from the current fiscal year, “Increase (decrease) in advances received” and “Increase (decrease) in guarantee deposits” presented as a component of “Other” under cash flows from operating activities in previous fiscal year, are reclassified and presented as separate line items since they have increased the materiality of impact in the context of consolidated financial statements.  “Increase (decrease) in advances received” totaled minus 196,766 thousand yen and “Increase (decrease) in guarantee deposits” totaled minus 13,970 thousand yen in the previous fiscal year.</p>

## Notes to Consolidated Financial Statements

## Notes to Consolidated Balance Sheets

(Thousands of yen)

FY2/07 (As of Feb. 28, 2007)	FY2/08 (As of Feb. 29, 2008)
*1. The following items are applicable to non-consolidated subsidiaries and affiliates	*1. The following items are applicable to non-consolidated subsidiaries and affiliates
Investments securities (equities) 712,870	Investment securities (equities) 1,020,136
*2. Discounted notes and notes receivable endorsed	*2. Discounted notes and notes receivable endorsed
Discounted notes receivable 80,807	Discounted notes receivable 25,391
Notes receivable endorsed 19,042	Notes receivable endorsed 18,502
*3. Assets pledged as collateral	*3. Assets pledged as collateral
Cash and deposits 210,142	Cash and deposits 210,430
Inventories 13,466,945	Inventories 21,417,541
Buildings and structures 2,726,713	Buildings and structures 2,785,270
Land 1,559,945	Land 1,703,612
Total 17,963,747	Total 26,116,854
Liabilities corresponding to above assets pledged as collateral	Liabilities corresponding to above assets pledged as collateral
Short-term debt 4,787,000	Short-term debt 6,249,000
Long-term debt 10,291,839	Long-term debt 17,318,414
(includes long-term debt due within one year)	(includes long-term debt due within one year)
Total 15,078,839	Total 23,567,414
4. Loan guarantees	4. Loan guarantees
Warranty Gurantee	Warranty Gurantee
Medical Corporation Tokuyukai 825,676	Medical Corporation Tokuyukai 804,174
Gotsu Windpower Co., Ltd. 1,320,000	Gotsu Windpower Co., Ltd. 1,041,000
The Company had contingent liabilities from guarantees of bank borrowings made by above companies.	Masuda Windpower Co., Ltd. 393,000
	The Company had contingent liabilities from guarantees of bank borrowings made by above companies.
*5. Reclassification of real estate inventory	*5. _____
Buildings and structures in the amount of 1,208,466 thousand yen and land in the amount of 558,701 thousand yen, included in inventories in previous fiscal year, have been reclassified and presented under property, plant and equipment.	

## Notes to Consolidated Statements of Income

(Thousands of yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
*1. Significant components of selling, general and administrative expenses	*1. Significant components of selling, general and administrative expenses
Commissions paid 424,393	Commissions paid 538,313
Advertising expenses 204,917	Advertising expenses 378,304
Sales promotion expenses 82,435	Sales promotion expenses 167,420
Directors' remunerations 161,943	Directors' remunerations 219,560
Salaries and wages 715,539	Salaries and wages 1,087,002
Provision for allowance for doubtful accounts 2,992	Provision for allowance for doubtful accounts 13,479
Provision for allowance for bonuses to employees 24,876	Provision for allowance for bonuses to employees 19,674
Provision for allowance for bonuses to directors and corporate auditors 27,300	Retirement benefit expenses 16,091
Retirement benefit expenses 41,159	Provision for allowance for retirement benefits for directors and corporate auditors 13,412
Provision for allowance for retirement benefits for directors and corporate auditors 8,733	Welfare expense 187,069
Welfare expense 125,488	Taxes and public charges 603,734
Taxes and public charges 522,988	Depreciation and amortization 157,501
Depreciation and amortization 136,460	Amortization of goodwill 201,047
Amortization of consolidated adjustment account 149,563	R&D expenses 561,446
R&D expenses 338,120	
*2. Prior year income adjustments Adjustment of inventories purchased during the prior year by overseas subsidiaries.	*2. _____
*3. _____	*3. Breakdown of gain on sales of fixed assets
	Land and building in trust 740,197
	Other 45,865
	Total 786,062
*4. Breakdown of loss on disposal of fixed assets	*4. Breakdown of loss on disposal of fixed assets
Buildings and structures 45	Buildings and structures 612
Machinery and vehicle 157	Machinery and vehicle 1,461
Other 240	Other 457
Total 442	Total 2,530
*5. _____	*5. Breakdown of loss on sales of fixed assets
	Buildings and structures 68,253
	Land 79,979
	Total 148,232

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)																
*6.	<p>*6. Impairment losses</p> <p>The amounts of impairment losses with respect to the Group's assets are as follows:</p> <p style="text-align: right;">(Thousand of yen)</p> <table border="1" data-bbox="807 344 1442 510"> <thead> <tr> <th>Location</th> <th>Chuo-ku, Tokyo</th> <th>Shimonoseki, Yamaguchi</th> <th>Setagaya-ku, Tokyo</th> </tr> </thead> <tbody> <tr> <td>Usage</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Items</td> <td style="text-align: center;">Goodwill</td> <td style="text-align: center;">Goodwill</td> <td style="text-align: center;">Goodwill</td> </tr> <tr> <td>Impairment losses</td> <td style="text-align: right;">966,743</td> <td style="text-align: right;">84,989</td> <td style="text-align: right;">138,445</td> </tr> </tbody> </table> <p>In principle, the Group categorizes business activities based on business segments.</p> <p>Consolidated subsidiary Y.K. New Harbor Property Holdings has sold its trust beneficiary rights and approved a resolution to liquidate its assets. As a result, an impairment loss equal to the entire book value of goodwill (966,743 thousand yen) has been posted.</p> <p>In addition, due to declines in profitability at Sumiyoshi Heavy Industries Co., Ltd. and Lerbec Co., Ltd., there is no longer any basis for expecting those companies to produce the initially foreseen excess earnings. Accordingly, the goodwill related to the two companies has been written down to their respective estimated minimum recoverable amounts. Impairment losses on the write-downs were as follows:</p> <p>Sumiyoshi Heavy Industries Co., Ltd.: 84,989 thousand yen Lerbec Co., Ltd.: 138,445 thousand yen</p>	Location	Chuo-ku, Tokyo	Shimonoseki, Yamaguchi	Setagaya-ku, Tokyo	Usage	-	-	-	Items	Goodwill	Goodwill	Goodwill	Impairment losses	966,743	84,989	138,445
Location	Chuo-ku, Tokyo	Shimonoseki, Yamaguchi	Setagaya-ku, Tokyo														
Usage	-	-	-														
Items	Goodwill	Goodwill	Goodwill														
Impairment losses	966,743	84,989	138,445														

## Notes to Consolidated Statements of Cash Flows

(Thousands of yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)																
<p>1. Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of balance sheets for the fiscal year is made as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">13,499,635</td> </tr> <tr> <td>Time deposits over three months</td> <td style="text-align: right;"><u>(370,514)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>13,129,120</u></td> </tr> </table>	Cash and deposits	13,499,635	Time deposits over three months	<u>(370,514)</u>	Cash and cash equivalents	<u>13,129,120</u>	<p>1. Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of balance sheets for the fiscal year is made as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and deposits</td> <td style="text-align: right;">10,562,642</td> </tr> <tr> <td>Time deposits over three months</td> <td style="text-align: right;"><u>(377,551)</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>10,185,091</u></td> </tr> </table>	Cash and deposits	10,562,642	Time deposits over three months	<u>(377,551)</u>	Cash and cash equivalents	<u>10,185,091</u>				
Cash and deposits	13,499,635																
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Cash and deposits	10,562,642																
Time deposits over three months	<u>(377,551)</u>																
Cash and cash equivalents	<u>10,185,091</u>																
<p>2. Significant non-cash transactions</p> <p>Acquisition of subsidiary stock through an exchange of stock</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Decrease in treasury stock</td> <td style="text-align: right;">949,534</td> </tr> <tr> <td>Gain on disposal of treasury stock</td> <td style="text-align: right;"><u>68,215</u></td> </tr> <tr> <td>Acquisition cost of Inoue Investment, Inc.</td> <td style="text-align: right;"><u>1,017,750</u></td> </tr> </table>	Decrease in treasury stock	949,534	Gain on disposal of treasury stock	<u>68,215</u>	Acquisition cost of Inoue Investment, Inc.	<u>1,017,750</u>	2. _____										
Decrease in treasury stock	949,534																
Gain on disposal of treasury stock	<u>68,215</u>																
Acquisition cost of Inoue Investment, Inc.	<u>1,017,750</u>																
<p>3. Breakdown of assets and liabilities of companies recently made consolidated subsidiaries</p> <p>A summary of assets and liabilities of New Harbor Property Holdings, newly included in the consolidation due to silent partnership investment by the Company, is as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">2,388,723</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">17,010,021</td> </tr> <tr> <td>Consolidated adjustment account</td> <td style="text-align: right;">1,079,155</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(2,607,631)</td> </tr> <tr> <td>Long-term liabilities</td> <td style="text-align: right;"><u>(13,148,268)</u></td> </tr> <tr> <td>Acquisition cost of shares</td> <td style="text-align: right;">4,722,000</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>(2,320,353)</u></td> </tr> <tr> <td>Acquisition payment for shares</td> <td style="text-align: right;"><u>2,401,646</u></td> </tr> </table>	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	<u>2,401,646</u>	3. _____
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	<u>2,401,646</u>																

**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: 10,000.00 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
Total			-	-	-	-	37,095

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

## 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	Feb. 28, 2006	May 19, 2006
Board of directors meeting on Oct. 20, 2006	Common shares	124,847	1,000	Aug. 31, 2006	Nov. 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 Apr. 12, 2007	Common shares	Retained earnings	192,442	1,500	Feb. 28, 2007	May 28, 2007

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

## 1. Type and number of outstanding shares

Type	Number of shares as of Feb. 28, 2007	Increase	Decrease	Number of shares as of Feb. 29, 2008
Common shares (Shares)	128,298.49	-	-	128,298.49

## 2. Type and number of treasury stock

Type	Number of shares as of Feb. 28, 2007	Increase	Decrease	Number of shares as of Feb. 29, 2008
Common shares (Shares)	3.49	6.00	2.80	6.69

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 6.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests: 2.80 shares

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

Company	Item	Type of shares	Number of shares (Shares)				Balance as of Feb. 29, 2008 (Thousands of yen)
			As of Feb. 28, 2007	Increase	Decrease	As of Feb. 29, 2008	
Reporting company	Stock acquisition rights by way of stock options	Common shares	-	-	-	-	79,343
Total			-	-	-	-	79,343

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

## 4. Dividends

## (1) Dividends payment

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Board of directors meeting on Apr. 12, 2007	Common shares	192,442	1,500	Feb. 28, 2007	May 28, 2007
Board of directors meeting on Oct. 19, 2007	Common shares	320,729	2,500	Aug. 31, 2007	Nov. 19, 2007

## (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 Apr. 18, 2008	Common shares	Retained earnings	320,729	2,500	Feb. 29, 2008	May 29, 2008

## Lease Transaction

(Thousands of yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
1. Finance lease transactions not involving the transfer of title to lessee:	1. Finance lease transactions not involving the transfer of title to lessee:
(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.	(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.
<i>Property, plant and equipment (Tools, furniture and fixtures)</i>	<i>Property, plant and equipment (Vehicles)</i>
Acquisition cost 69,998	Acquisition cost 103,084
Accumulated depreciation 44,428	Accumulated depreciation 75,907
<u>Net book value 25,570</u>	<u>Net book value 27,177</u>
<i>Intangible assets (Software)</i>	<i>Property, plant and equipment (Tools, furniture and fixtures)</i>
Acquisition cost 4,284	Acquisition cost 218,048
Accumulated depreciation 1,785	Accumulated depreciation 79,199
<u>Net book value 2,499</u>	<u>Net book value 138,849</u>
<i>Total</i>	<i>Intangible assets (Software)</i>
Acquisition cost 74,282	Acquisition cost 10,962
Accumulated depreciation 46,213	Accumulated depreciation 5,313
<u>Net book value 28,069</u>	<u>Net book value 5,649</u>
<i>Total</i>	<i>Total</i>
Acquisition cost 332,095	Acquisition cost 332,095
Accumulated depreciation 160,419	Accumulated depreciation 160,419
<u>Net book value 171,675</u>	<u>Net book value 171,675</u>
Note: The assumed amounts of 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.	Note: Same as on the left.
(2) Future lease payments inclusive of interest	(2) Future lease payments inclusive of interest
Due within one year 14,628	Due within one year 51,120
Due after one year 13,441	Due after one year 120,555
<u>Total 28,069</u>	<u>Total 171,675</u>
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.	Note: Same as on the left.
(3) Lease payments and depreciation equivalents	(3) Lease payments and depreciation equivalents
Lease payments 13,914	Lease payments 50,022
Depreciation equivalents 13,914	Depreciation equivalents 50,022
(4) Calculation of depreciation equivalents	(4) Calculation of depreciation equivalents
Depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.	Same as on the left.
2. Operating lease transactions	2. Operating lease transactions
Future lease payments	Future lease payments
Due within one year 9,000	Due within one year 9,000
Due after one year 93,000	Due after one year 84,000
<u>Total 102,000</u>	<u>Total 93,000</u>

**Securities**

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 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 not exceeding 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. Other 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. 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
Corporate bonds	10,000

## 4. The redemption schedule of debt securities with maturity dates and held-to-maturity debt securities classified as other securities

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years though ten years	Due after ten years
1. Debt securities				
(1) Government and municipal bonds	-	-	-	-
(2) Corporate bonds	-	10,000	-	-
(3) Others	-	-	-	-
2. Other	-	-	-	-
Total	-	10,000	-	-

FY2/08 (As of Feb. 29, 2008)

## 1. Available for sale securities

Book value	805,930
Difference	127,432

## 2. Other securities with market value

(Thousands of yen)

	Type	Acquisition cost	Book value	Difference
Securities with book value exceeds acquisition cost	Equity securities	1,729,060	2,072,367	343,306
	Sub-total	1,729,060	2,072,367	343,306
Securities with book value not exceeding acquisition cost	Equity securities	357,337	231,744	(125,593)
	Other	1,000	764	(235)
	Sub-total	358,337	232,508	(125,828)
Total		2,087,398	2,304,876	217,477

## 3. Other securities sold during the fiscal year (Mar. 1, 2007 – Feb. 29, 2008)

(Thousands of yen)

Sales amount	Gain on sale	Loss on sale
1,255,896	130,423	41,865

## 4. Book value of securities without market value

(Thousands of yen)

	Book value
Subsidiary and affiliate stocks	1,020,136
Other securities	
Unlisted equity securities	868,219
Corporate bonds	23,000

## 5. The redemption schedule of debt securities with maturity dates and held-to-maturity debt securities classified as other securities

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years though ten years	Due after ten years
1. Debt securities				
(1) Government and municipal bonds	-	-	-	-
(2) Corporate bonds	-	13,000	-	-
(3) Others	-	-	-	-
2. Other	-	-	-	-
Total	-	13,000	-	-

**Derivatives**

Not applicable since the disclosure of information is not significant in the context of the financial summaries.

## Stock Options

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

### 1. Account titles and recognition of stock option-related expenses

Selling, general and administrative expenses: 37,095 thousand yen

### 2. Description, scale and changes in stock options

#### (1) Description of stock options

	Stock acquisition rights No.2 (2006)
Date of resolution	General meeting of shareholders on May 18, 2006
Number and qualifications of individuals granted the stock options	Company's directors: 7, Company's auditors: 3, Company's employees: 106
Classification and number of grantees	Common stock 1,219 shares
Grant date	Jun. 12, 2006
Vesting condition	Of the persons granted the stock options must consistently work with the Company from the grant date (Jun. 12, 2006) to the vesting date (May 31, 2009).
Requisite service period	Not defined.
Exercise period	Jun. 1, 2009 – May 30, 2014

#### (2) Scale and changes in stock options

##### 1) Number of stock options

Date of resolution	General meeting of shareholders on May 18, 2006
Non-vested rights (shares)	
Balance as of Mar. 1, 2006	-
Granted	1,219
Forfeited	151
Rights vested	-
Balance of non-vested rights	1,068
Vested rights (shares)	
Balance as of Mar. 1, 2006	-
Rights vested	-
Rights exercised	-
Forfeited	-
Balance of unexercised rights	-

##### 2) Price information

Date of resolution	General meeting of shareholders on May 18, 2006
Exercise price (yen)	456,720
Average stock price at the time of exercise (yen)	-
Fair value (as of the grant date) (yen)	138,935

### 3. Method of calculating the fair value of stock options

#### (1) Valuation method

Black Scholes model

#### (2) Assumptions employed and method of estimation

- 1) Stock price volatility: 65.00% (Estimated based on actual stock price movement between February 1, 2006 and June 12, 2006)
- 2) Estimated remaining period to maturity: 8 years
- 3) Estimated dividend: 2,000 yen/share
- 4) Risk-free interest rate: 1.858%

### 4. Method for estimating the exercise of stock options

Because it is difficult to rationally estimate the number of unexercised options in the future, we have essentially adopted a method of only reflecting actual unexercised options.

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

## 1. Account titles and recognition of stock option-related expenses

Selling, general and administrative expenses 42,247 thousand yen

## 2. Description, scale and changes in stock options

## (1) Description of stock options

	Stock acquisition rights No.2 (2006)
Date of resolution	General meeting of shareholders on May 18, 2006
Number and qualifications of individuals granted the stock options	Company's directors: 7, Company's auditors: 3, Company's employees: 106
Classification and number of grantees	Common stock 1,219 shares
Grant date	Jun. 12, 2006
Vesting condition	Of the persons granted the stock options must consistently work with the Company from the grant date (Jun. 12, 2006) to the vesting date (May 31, 2009).
Requisite service period	Not defined.
Exercise period	Jun. 1, 2009 – May 30, 2014

## (2) Scale and changes in stock options

## 1) Number of stock options

Date of resolution	General meeting of shareholders on May 18, 2006
Non-vested rights (shares)	
Balance as of Mar. 1, 2007	-
Granted	1,219
Forfeited	240
Rights vested	-
Balance of non-vested rights	979
Vested rights (shares)	
Balance as of Mar. 1, 2007	-
Rights vested	-
Rights exercised	-
Forfeited	-
Balance of unexercised rights	-

## 2) Price information

Date of resolution	General meeting of shareholders on May 18, 2006
Exercise price (yen)	456,720
Average stock price at the time of exercise (yen)	-
Fair value (as of the grant date) (yen)	138,935

## 3. Method of calculating the fair value of stock options

## (1) Valuation method

Black Scholes model

## (2) Assumptions employed and method of estimation

1) Stock price volatility: 65.00% (Estimated based on actual stock price movement between February 1, 2006 and June 12, 2006)

2) Estimated remaining period to maturity: 8 years

3) Estimated dividend: 2,000 yen/share

4) Risk-free interest rate: 1.858%

## 4. Method for estimating the exercise of stock options

Because it is difficult to rationally estimate the number of unexercised options in the future, we have essentially adopted a method of only reflecting actual unexercised options.

**Accounting for Retirement Benefits**

(Thousands of yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)								
<p>1. Retirement benefit plans The Company and its domestic consolidated 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, 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 simplified method is adopted 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	<p>2. Projected benefit obligation (as of Feb. 29, 2008)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">(1) Projected benefit obligation</td> <td style="text-align: right;">119,953</td> </tr> <tr> <td>(2) Allowance for retirement benefits for employees</td> <td style="text-align: right;">119,953</td> </tr> </table> <p>Note: Same as on the left.</p>	(1) Projected benefit obligation	119,953	(2) Allowance for retirement benefits for employees	119,953
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<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;">42,818</td> </tr> </table> <p>Note: The simplified method is adopted to calculate the retirement benefit expenses.</p>	Retirement benefit expenses	42,818	<p>3. Retirement benefit expenses (Mar. 1, 2007 – Feb. 29, 2008)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Retirement benefit expenses</td> <td style="text-align: right;">23,310</td> </tr> </table> <p>Note: Same as on the left.</p>	Retirement benefit expenses	23,310				
Retirement benefit expenses	42,818								
Retirement benefit expenses	23,310								
<p>4. The assumptions used in accounting for the projected benefit obligation, etc. Due to adoption of the simplified method, the Company and its domestic consolidated 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)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)																																																										
<p>1. Significant components of deferred tax assets and liabilities (Deferred tax assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">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 valuation 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;">50,955</td> </tr> <tr> <td>Sub-total of deferred tax assets</td> <td style="text-align: right;"><u>872,670</u></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 style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Valuation gain/loss (subsidiary assets)</td> <td style="text-align: right;">1,268,268</td> </tr> <tr> <td>Net unrealized holding gain on securities</td> <td style="text-align: right;">253,690</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 valuation of golf club memberships	14,146	Unearned income	47,676	Loss carried forward	551,469	Other	50,955	Sub-total of deferred tax assets	<u>872,670</u>	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 gain on securities	253,690	Total deferred tax liabilities	<u>1,521,958</u>	Net deferred tax liabilities	<u>1,295,329</u>	<p>1. Significant components of deferred tax assets and liabilities (Deferred tax assets)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Accrued enterprise tax</td> <td style="text-align: right;">43,245</td> </tr> <tr> <td>Allowance for bonuses to employees</td> <td style="text-align: right;">10,350</td> </tr> <tr> <td>Allowance for retirement benefits for employees</td> <td style="text-align: right;">45,684</td> </tr> <tr> <td>Allowance for retirement benefits for directors and corporate auditors</td> <td style="text-align: right;">35,590</td> </tr> <tr> <td>Loss on valuation of golf club memberships</td> <td style="text-align: right;">14,146</td> </tr> <tr> <td>Unearned income</td> <td style="text-align: right;">64,088</td> </tr> <tr> <td>Loss carried forward</td> <td style="text-align: right;">863,453</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">16,376</td> </tr> <tr> <td>Sub-total of deferred tax assets</td> <td style="text-align: right;"><u>1,092,936</u></td> </tr> <tr> <td>Valuation allowance</td> <td style="text-align: right;"><u>(907,133)</u></td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right;"><u>185,802</u></td> </tr> </table> <p>(Deferred tax liabilities)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Net unrealized holding gain on securities</td> <td style="text-align: right;">319,674</td> </tr> <tr> <td>Total deferred tax liabilities</td> <td style="text-align: right;"><u>319,674</u></td> </tr> <tr> <td>Net deferred tax liabilities</td> <td style="text-align: right;"><u>133,872</u></td> </tr> </table>	Accrued enterprise tax	43,245	Allowance for bonuses to employees	10,350	Allowance for retirement benefits for employees	45,684	Allowance for retirement benefits for directors and corporate auditors	35,590	Loss on valuation of golf club memberships	14,146	Unearned income	64,088	Loss carried forward	863,453	Other	16,376	Sub-total of deferred tax assets	<u>1,092,936</u>	Valuation allowance	<u>(907,133)</u>	Total deferred tax assets	<u>185,802</u>	Net unrealized holding gain on securities	319,674	Total deferred tax liabilities	<u>319,674</u>	Net deferred tax liabilities	<u>133,872</u>
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<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 presented because the differences were not material (less than 5%).</p>	<p>2. Significant differences between the statutory tax rate and the Company's effective tax rate are as follows: Details are not presented since the Company reported a loss before income taxes in the current fiscal year.</p>																																																										

**Segment Information**

## 1. Operating segment information

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

(Thousands of yen)

	Real Estate & Condominium Business	Real Estate Rental & 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	1,882,916	49,408,604
Operating income	4,490,791	698,730	126,691	5,316,214	(1,882,916)	3,433,298
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. The operating segment information is based on classifications used for internal reporting purposes.

## 2. Summary of operating segments

- (1) Real Estate & Condominium Business: Sales of condominiums, planning, design and sale of detached housing, and real estate sales and brokerage
- (2) Real Estate Rental & Property Management: Management and agency services for residence, and rental condominiums for the elderly
- (3) Environmental Business: Sales of wind turbine generator systems, solar energy systems, and other environmental equipment

3. Unallocated operating expenses included in elimination or corporate amounted to 1,882,916 thousand yen and consisted primarily of expenses related to the department of management.

4. Corporate assets included in elimination or corporate 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.

## 5. Changes in account policies

(Accounting standard for directors' bonuses)

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005).

The effect of this change was to increase operating expenses (27,300 thousand yen in elimination or corporate) and decrease operating income by the same amount.

(Accounting standard for stock options)

Effective from the current fiscal year, the Company has 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 increase operating expenses (37,095 thousand yen in elimination or corporate) and decrease operating income by the same amount.

(Accounting standard for investment partnership)

Effective from the current fiscal year, the Company has adopted "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (PITF No. 20: Accounting Standards Board of Japan, September 8, 2006).

The effect of this change was to increase revenue from operations by 254,618 thousand yen, operating expenses by 109,533 thousand yen, operating income by 145,085 thousand yen, and assets by 15,737,234 thousand yen in the Real Estate Rental & Property Management segment.

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

(Thousands of yen)

	Real Estate & Condominium Business	Real Estate Rental & Property Management	Environmental Business	Total	Elimination or corporate	Consolidated
I Revenue from operations and operating income						
Revenue from operations						
(1) Outside customers	47,557,982	2,777,394	5,003,429	55,338,807	-	55,338,807
(2) Inter-segment	-	-	-	-	-	-
Total	47,557,982	2,777,394	5,003,429	55,338,807	-	55,338,807
Operating expenses	45,543,895	2,041,679	4,942,308	52,527,883	1,224,675	53,752,558
Operating income	2,014,087	735,714	61,121	2,810,923	(1,224,675)	1,586,248
II Assets, depreciation and capital expenditures						
Assets	45,224,552	4,216,449	6,655,458	56,096,460	12,032,443	68,128,904
Depreciation	37,266	114,614	100,387	252,268	56,082	308,351
Capital expenditures	68,714	22,747	35,058	126,520	12,539	139,059

Notes: 1. The operating segment information is based on classifications used for internal reporting purposes.

## 2. Summary of operating segments

- (1) Real Estate & Condominium Business: Sales of condominiums, planning, design and sale of detached housing, and real estate sales and brokerage
- (2) Real Estate Rental & Property Management: Management and agency services for residence, and rental condominiums for the elderly
- (3) Environmental Business: Sales of wind turbine generator systems, solar energy systems, and other environmental equipment

3. Unallocated operating expenses included in elimination or corporate amounted to 1,224,675 thousand yen and consisted primarily of expenses related to the department of management.

4. Corporate assets included in elimination or corporate amounted to 12,032,443 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

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007), FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

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

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007), FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

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

**Related Party Transactions**

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

(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 7.57%	-	-	Loan guarantees (*1)	266,228	-	-
								Management of leased properties (*2)	574	-	-
	Namie Hara (*3)	-	-	Employee of the Company	(owned) Direct 6.40%	-	-	Management of leased properties (*2)	2,581	-	-
								Leasing of land (*2)	1,462	-	-
								Real estate transactions (*2)	18,320	-	-
	Tsugumatsu 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. Management of leased properties, leasing of land, real estate transactions and building construction contracts 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. Tsugumatsu Hara is a sibling of President & CEO Masaaki Hara.
5. Amounts do not include consumption taxes.

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

(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 4.60%	-	-	Loan guarantees (*1)	261,581	-	-
								Management of leased properties (*2)	565	-	-
								Leasing of buildings (*2)	6,000	-	-
	Takashi Okamoto	-	-	Director of the Company	-	-	-	Real estate transactions (*2)	43,409	-	-
	Namie Hara (*3)	-	-	Employee of the Company	(owned) Direct 6.41%	-	-	Management of leased properties (*2)	2,474	-	-
								Leasing of land (*2)	1,462	-	-
Building construction contracts (*2)								666	-	-	

- 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. Management of leased properties, leasing of buildings, leasing of land, real estate transactions and building construction contracts 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. Amounts do not include consumption taxes.

### Business Combinations

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007), FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

Not applicable.

**Per Share Data**

(Yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)	
Net assets per share:	113,830.25	Net assets per share:	111,482.47
Net income per share:	15,463.58	Net income per share:	650.36
Diluted net income per share:	15,413.03	Diluted net income per share:	541.94

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

(Thousands of yen)

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
Net income per share		
Net income	1,959,172	83,436
Amount not available to common shareholders	-	-
Net income applicable to common share	1,959,172	83,436
Average number of common shares outstanding during period (Shares)	126,695.91	128,292.38
Diluted net income per share		
Adjusted net income	-	-
Increase in the number of common shares (Shares)	415.5	25,666.3
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	Type of share: one issue of stock acquisition rights Number of shares: 1,068

## 5. Production, Orders and Sales

### 1. Production

Production by environmental business segment in the current fiscal year is as follows. The real estate & condominium business and real estate rental & property management are not manufacturing businesses.

(Thousands of yen)

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)	YoY change	
	Amount	Amount	Amount	%
Environmental Business	1,814,375	2,903,816	1,089,441	60.0
Total	1,814,375	2,903,816	1,089,441	60.0

Note: 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 real estate rental & property management services.

(Thousands of yen)

Operating segment	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)		YoY change	
	Orders received	Orders backlog	Orders received	Orders backlog	Orders received	Orders backlog
Real Estate & Condominium Business	46,692,557	5,400,192	46,847,824	4,690,034	155,267	(710,158)
Environmental Business	14,194,153	12,678,413	21,739,527	29,414,511	7,545,373	16,736,097
Total	60,886,711	18,078,606	68,587,352	34,104,545	7,700,641	16,025,939

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

2. Inter-segment transactions have been eliminated.

3. The amounts for the environmental business segment include the accounts of equity-method affiliates.

### 3. Sales

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

(Thousands of yen)

Operating segment	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)	YoY change	
	Amount	Amount	Amount	%
Real Estate & Condominium Business	47,725,511	47,557,982	(167,529)	(0.4)
Real Estate Rental & Property Management	2,008,694	2,777,394	768,699	38.3
Environmental Business	3,107,696	5,003,429	1,895,732	61.0
Total	52,841,903	55,338,807	2,496,903	4.7

Notes: 1. Inter-segment transactions have been eliminated.

2. The sales amounts for FY2/07 do not include consumption taxes. The sales amounts for FY2/08, excluding certain subsidiaries that report sales amounts inclusive of consumption taxes, do not include consumption taxes.

## 6. Non-consolidated Financial Statements and Other

## (1) Non-consolidated Balance Sheets

(Thousands of yen)

Items	Note	FY2/07 (As of Feb. 28, 2007)		FY2/08 (As of Feb. 29, 2008)		Change Amount
		Amount	%	Amount	%	
<b>Assets</b>						
<b>I Current assets</b>						
1. Cash and deposits	*1	8,517,304		7,594,103		
2. Notes receivable-trade		-		709,440		
3. Accounts receivable-trade		5,542,176		6,440,994		
4. Merchandise		410		400		
5. Real estate for sale	*1,3	5,667,574		20,616,190		
6. Real estate in-process for sale	*1,3	9,284,681		6,737,647		
7. Cost of uncompleted construction contracts		18,023		143,690		
8. Short-term loans receivable	*4	-		919,000		
9. Prepaid expenses		89,667		91,051		
10. Suspense payments		-		701,772		
11. Advances		214,058		-		
12. Deferred tax assets		119,245		195,798		
13. Other	*4	641,355		775,834		
14. Allowance for doubtful accounts		(600)		(352,225)		
Total current assets		30,093,899	64.6	44,573,698	75.2	14,479,798
<b>II Fixed assets</b>						
<b>1. Property, plant and equipment</b>						
(1) Buildings	*1,3	3,116,455		3,140,686		
Accumulated depreciation		311,380	2,805,075	398,767	2,741,918	
(2) Structures		5,534		9,430		
Accumulated depreciation		4,323	1,210	5,255	4,174	
(3) Vehicles		46,878		36,700		
Accumulated depreciation		38,724	8,154	33,341	3,359	
(4) Tool, furniture and fixtures		175,030		201,760		
Accumulated depreciation		97,878	77,152	122,212	79,547	
(5) Land	*1,3		1,766,368		1,742,927	
(6) Construction in progress			65,366		-	
Total property, plant and equipment		4,723,327	10.1	4,571,927	7.7	(151,399)

Items	Note	FY2/07 (As of Feb. 28, 2007)		FY2/08 (As of Feb. 29, 2008)		Change Amount
		Amount	%	Amount	%	
2. Intangible assets						
(1) Patent rights		252,936		204,669		
(2) Leasehold rights		383,148		383,148		
(3) Software		15,029		17,091		
(4) Telephone rights		4,265		4,265		
Total intangible assets		655,380	1.4	609,175	1.0	(46,205)
3. Investments and other assets						
(1) Investments securities		1,600,541		2,314,572		
(2) Affiliate stock		2,880,349		3,893,678		
(3) Investment in capital		58,279		55,011		
(4) Investments in affiliates		4,701,389		425,000		
(5) Long-term loans receivable		288,039		1,077,593		
(6) Long-term loans receivable to affiliates		1,184,143		1,099,267		
(7) Bankruptcy claim		8,046		12,454		
(8) Long-term prepaid expenses		144,424		135,656		
(9) Leasehold deposits		123,561		213,222		
(10) Reserves for insurance		69,659		73,483		
(11) Deferred tax assets		43,560		261,471		
(12) Other		38,896		110,921		
(13) Allowance for doubtful accounts		(28,206)		(124,554)		
Total investments and other assets		11,112,686	23.9	9,547,778	16.1	(1,564,907)
Total fixed assets		16,491,394	35.4	14,728,881	24.8	(1,762,512)
Total assets		46,585,293	100.0	59,302,579	100.0	12,717,286

(Thousands of yen)

Items	Note	FY2/07 (As of Feb. 28, 2007)		FY2/08 (As of Feb. 29, 2008)		Change Amount
		Amount	%	Amount	%	
<b>Liabilities</b>						
<b>I Current liabilities</b>						
1. Notes payable-trade		-		364,245		
2. Accounts payable-trade		3,413,817		4,806,613		
3. Short-term debt	*1	8,997,000		7,403,000		
4. Long-term debt due within one year	*1	5,582,458		12,084,304		
5. Corporate bonds due within one year		40,000		-		
6. Accounts payable-other		30,206		253,735		
7. Income taxes payable		1,236,601		420,510		
8. Consumption taxes payable		38,332		-		
9. Advances received		487,712		1,913,964		
10. Deposits received		135,490		203,842		
11. Allowance for bonuses to employees		24,700		22,500		
12. Allowance for bonuses to directors and corporate auditors		27,300		-		
13. Other		61,792		16,077		
Total current liabilities		20,075,412	43.1	27,488,793	46.4	7,413,380
<b>II Long-term liabilities</b>						
1. Corporate bonds		650,000		650,000		
2. Bonds with stock acquisition rights		6,000,000		11,000,000		
3. Long-term debt	*1	4,792,010		4,425,368		
4. Allowance for retirement benefits for employees		13,316		15,728		
5. Allowance for retirement benefits for directors and corporate auditors		74,683		88,095		
6. Allowance for loss on loan guarantees		-		230,204		
7. Guarantee deposits received		207,166		215,976		
8. Other		1,940		2,000		
Total long-term liabilities		11,739,117	25.2	16,627,373	28.0	4,888,255
Total liabilities		31,814,530	68.3	44,116,166	74.4	12,301,636
<b>Net assets</b>						
<b>I Shareholders' equity</b>						
1. Common stock		7,659,238	16.4	7,659,238	12.9	0
2. Capital surplus						
(1) Additional paid-in capital		3,179,377		3,179,377		
(2) Other capital surplus		201,238		200,891		
Total capital surplus		3,380,616	7.3	3,380,269	5.7	(347)
3. Retained earnings						
(1) Legal reserve		47,532		47,532		
(2) Other retained earnings						
Other reserve		1,305,000		2,435,000		
Retained earnings brought forward		2,324,092		1,536,239		
Total retained earnings		3,676,624	7.9	4,018,771	6.8	342,146
4. Treasury stock		(878)	(0.0)	(1,967)	(0.0)	(1,089)
Total shareholders' equity		14,715,602	31.6	15,056,311	25.4	340,709
<b>II Valuation and translation adjustments</b>						
1. Net unrealized holding gain on securities		18,065		50,757		
Total valuation and translation adjustments		18,065	0.0	50,757	0.1	32,692
<b>III Stock acquisition rights</b>						
Total net assets		14,770,762	31.7	15,186,412	25.6	415,649
Total liabilities and net assets		46,585,293	100.0	59,302,579	100.0	12,717,286

## (2) Non-consolidated Statements of Income

(Thousands of yen)

Items	Note	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)			FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)			Change
		Amount		%	Amount		%	Amount
I Revenue from operations								
1. Sales of real estate		41,505,707			40,393,273			
2. Construction revenue		3,706,280			213,617			
3. Revenues from lease business		1,092,058			1,623,969			
4. Merchandise sales		2,390,407	48,694,453	100.0	2,905,107	45,135,968	100.0	(3,558,485)
II Cost of revenue from operations								
1. Cost of sales of real estate		36,891,603			37,488,971			
2. Cost of construction revenues		3,302,304			197,773			
3. Cost of revenue from lease business		799,685			1,004,828			
4. Cost of merchandise sales		1,853,828	42,847,422	88.0	1,849,857	40,541,431	89.8	(2,305,990)
Gross profit			5,847,031	12.0		4,594,536	10.2	(1,252,494)
III Selling, general and administrative expenses								
1. Commissions paid		180,216			172,600			
2. Advertising expenses		110,820			133,147			
3. Sales promotion expenses		76,066			116,676			
4. Provision for allowance for doubtful accounts		-			13,048			
5. Officers remuneration		106,633			127,241			
6. Salaries and wages		365,659			427,543			
7. Provision for allowance for bonuses to employees		18,300			16,554			
8. Provision for allowance for bonuses to directors and corporate auditors		27,300			-			
9. Retirement benefit expenses		3,826			2,746			
10. Provision for allowance for retirement benefits for directors and corporate auditors		8,733			13,412			
11. Welfare expenses		60,950			78,491			
12. Taxes and public charges		479,750			536,008			
13. Office supplies expense		1,705			772			
14. Depreciation and amortization		99,160			101,434			
15. R&D expenses	*1	336,205			543,578			
16. Other		410,219	2,285,549	4.7	500,417	2,783,672	6.2	498,123
Operating income			3,561,481	7.3		1,810,863	4.0	(1,750,618)

(Thousands of yen)

Items	Note	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)			FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)			Change
		Amount		%	Amount		%	Amount
<b>IV Non-operating income</b>								
1. Interest income		40,307			58,145			
2. Dividend income		63,464			1,232,420			
3. Gain on sale of marketable securities		14,078			39,766			
4. Foreign exchange gain		102,959			2,947			
5. Miscellaneous income		49,489	270,299	0.5	58,348	1,391,628	3.1	1,121,329
<b>V Non-operating expenses</b>								
1. Interest expense		489,303			614,729			
2. Loss on valuation of marketable securities		-			8,987			
3. Commission for syndicated loan		36,943			24,100			
4. Bond issuance expenses		16,301			10,352			
5. Provision for allowance for doubtful accounts		6,830			-			
6. Miscellaneous expenses		59,515	608,893	1.2	188,366	846,536	1.9	237,642
<b>Ordinary income</b>			3,222,887	6.6		2,355,956	5.2	(866,931)
<b>VI Extraordinary gains</b>								
1. Gain on sale of investment securities		-			22,800			
2. Gain on sale of investment in capital		50,000	50,000	0.1	-	22,800	0.0	(27,200)
<b>VII Extraordinary losses</b>								
1. Loss on sales of investment securities		-			26,600			
2. Loss on valuation of investment securities		18,556			85,736			
3. Loss on sales of affiliate stock		-			15,265			
4. Loss on valuation of affiliate stock		-			243,999			
5. Provision for allowance for doubtful accounts	*2	-			454,925			
6. Provision for allowance for loss on loan guarantees	*3	-	18,556	0.0	230,204	1,056,731	2.3	1,038,175
Income before income taxes			3,254,331	6.7		1,322,024	2.9	(1,932,306)
Current income taxes		1,364,269			783,331			
Deferred income taxes		(58,876)	1,305,392	2.7	(316,625)	466,706	1.0	(838,686)
<b>Net income</b>			1,948,938	4.0		855,318	1.9	(1,093,620)

**(3) 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		Total retained earnings
					Other reserve	Retained earnings brought forward		
Balance as of Feb. 28, 2006	6,034,908	1,555,047	133,023	1,688,071	47,532	745,000	1,335,668	2,128,200
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

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

(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
					Other reserve			
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
Changes in the fiscal year								
Dividend of surplus							(513,172)	(513,172)
Reserve for other reserve						1,130,000	(1,130,000)	-
Net income							855,318	855,318
Acquisition of treasury stock								
Disposal of treasury stock			(347)	(347)				
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	-	-	(347)	(347)	-	1,130,000	(787,853)	342,146
Balance as of Feb. 29, 2008	7,659,238	3,179,377	200,891	3,380,269	47,532	2,435,000	1,536,239	4,018,771

	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, 2007	(878)	14,715,602	18,065	18,065	37,095	14,770,762
Changes in the fiscal year						
Dividend of surplus		(513,172)				(513,172)
Reserve for other reserve		-				-
Net income		855,318				855,318
Acquisition of treasury stock	(1,882)	(1,882)				(1,882)
Disposal of treasury stock	792	445				445
Changes (net) in items other than shareholders' equity			32,692	32,692	42,247	74,940
Total changes in the fiscal year	(1,089)	340,709	32,692	32,692	42,247	415,649
Balance as of Feb. 29, 2008	(1,967)	15,056,311	50,757	50,757	79,343	15,186,412

**Significant Accounting Policies**

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
1. Valuation criteria and methods for marketable securities	<p>Available for sale securities</p> <p style="text-align: center;">—————</p> <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 year-end balance sheet date. (Net unrealized holding gain is included directly in net assets. 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>Available for sale securities Stated at fair value. (Cost of securities sold is 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 Same as on the left.</p> <p>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 (excluding attached structures) acquired on or after April 1, 1998, which are computed using the straight-line method.</p> <p>(2) Intangible assets The Company computes depreciation using the straight-line method at rates based on its useful lives prescribed in the Corporation Tax Law, except for in-house software, which is amortized by the straight-line method based on an estimated useful life of five years.</p>	<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 (excluding attached structures) acquired on or after April 1, 1998, which are computed using the straight-line method.</p> <p>(Change in accounting policy) Property, plant and equipment acquired after April 1, 2007 is depreciated according to the depreciation method stipulated in the revised standard, in line with revisions to the Corporation Tax Law including Law No. 6 to Partially Revise the Income Tax and Other Laws (March 30, 2007) and Government Ordinance No. 83 to Partially Revise Corporate Tax Law Ordinances (March 30, 2007). The effect of this change on profit/loss is insignificant.</p> <p>(2) Intangible assets Same as on the left.</p>

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	(3) Long-term prepaid expenses The Company computes depreciation using the straight-line method.	(3) Long-term prepaid expenses Same as on the left.
5. Accounting for deferred assets	(1) New share issuance expenses Charged to expenses as incurred.  (2) Bond issuance expenses Charged to expenses as incurred.	(1) New share issuance expenses _____  (2) Bond issuance expenses Same as on the left.
6. Accounting for allowances	(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.  (2) Allowance for bonuses to employees The Company provides for allowance for bonuses to employees at the amount based on the estimated bonus obligations.  (3) Allowance for bonuses to directors and corporate auditors The Company provides for allowance for bonuses to directors and corporate auditors at the amount based on the estimated bonus obligations.  (Change in accounting policy) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005.) As a result, operating income, ordinary income, and income before income taxes each decreased 27,300 thousand yen.  (4) Allowance 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 year-end balance sheet date.	(1) Allowance for doubtful accounts Same as on the left.  (2) Allowance for bonuses to employees Same as on the left.  (3) Allowance for bonuses to directors and corporate auditors The Company provides for allowance for bonuses to directors and corporate auditors at the amount based on the estimated bonus obligations. Bonuses to directors and corporate auditors for the current fiscal year are suspended, in view of the Company’s business results. _____  (4) Allowance for retirement benefits for employees Same as on the left.

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<p>(5) Allowance for retirement benefits for directors and corporate auditors</p> <p>The Company provides allowance for retirement benefits for directors and corporate auditors at the amounts to be paid if all eligible directors and corporate auditors would have been retired at the year-end balance sheet date based on the internal guidelines.</p> <p style="text-align: center;">—————</p>	<p>(5) Allowance for retirement benefits for directors and corporate auditors</p> <p style="text-align: center;">Same as on the left.</p> <p>(6) Allowance for loss on loan guarantees</p> <p>To prepare for potential losses on performance of loan guarantees, an allowance has been provided for, estimated on the basis of the financial condition of the principal debtors.</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</p> <p>The Company uses the tax-exclusion method to account for national and local consumption taxes. Non-deductible consumption taxes on fixed assets are accounted as long-term prepaid consumption tax included in “Other” under investments and other assets and amortized over five years by the straight-line method.</p>	<p>Accounting for consumption taxes</p> <p style="text-align: center;">Same as on the left.</p>

**Change in Significant Accounting Policies**

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
<p>(Accounting standard for impairment of fixed assets) Effective from the current fiscal year, the Company has 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 profit/loss is insignificant.</p>	—————
<p>(Accounting standard for presentation of net assets on balance sheet) Effective from the current fiscal year, the Company has 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 profit/loss 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, the Company has 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 as selling, general and administrative expenses.</p>	—————

**Reclassifications**

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29 2008)
—————	<p>(Non-consolidated Balance Sheets) Effective from the current fiscal year, “Short-term loans receivable” and “Suspense payments” presented as a component of “Other” under current assets in the previous fiscal year, are reclassified and presented as separate line items since they have increased the materiality of impact in the context of financial statements. “Short-term loans receivable” totaled 360,000 thousand yen and “Suspense payments” totaled 16,602 thousand yen in the previous fiscal year.</p>

## Notes to Non-consolidated Financial Statements

## Notes to Non-consolidated Balance Sheets

(Thousands of yen)

FY2/07 (As of Feb. 28, 2007)		FY2/08 (As of Feb. 29, 2008)	
*1. Assets pledged as collateral		*1. Assets pledged as collateral	
Cash and deposits	210,142	Cash and deposits	210,430
Real estate for sale	1,633,466	Real estate for sale	12,261,756
Real estate in-process for sale	8,505,479	Real estate in-process for sale	5,990,363
Buildings	2,511,865	Buildings	2,469,772
Land	1,281,032	Land	1,269,502
Total	14,141,987	Total	22,201,826
Liabilities corresponding to above assets pledged as collateral		Liabilities corresponding to above assets pledged as collateral	
Short-term debt	4,157,000	Short-term debt	3,608,000
Long-term debt (includes long-term debt due within one year)	7,259,449	Long-term debt (includes long-term debt due within one year)	12,913,612
Total	11,416,449	Total	16,521,612
2. Loan guarantees		2. Loan guarantees	
Warantee	Gurantee	Warantee	Gurantee
Medical Corporation Tokuyukai	825,676	Medical Corporation Tokuyukai	804,174
Sumiyoshi Heavy Industries Co., Ltd.	607,830	Sumiyoshi Heavy Industries Co., Ltd.	571,690
Gotsu Windpower Co., Ltd.	1,320,000	Gotsu Windpower Co., Ltd.	1,041,000
Betsudai Co., Ltd.	1,409,535	Masuda Windpower Co., Ltd.	393,000
Harakosan Life Service Co., Ltd.	100,000	Betsudai Co., Ltd.	1,221,619
The Company had contingent liabilities from guarantees of bank borrowings made by above companies.		Harakosan Life Service Co., Ltd.	124,173
		Lerbec Co., Ltd.	13,592
		S Trust Co., Ltd.	438,000
		Harakosan Residence Co., Ltd.	916,000
		The Company had contingent liabilities from guarantees of bank borrowings made by above companies.	
		The above amounts are net of allowance for loss on loan guarantees.	
*3. Reclassification of real estate for sale and real estate in-process for sale:		*3.	
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 period, 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 period, are reclassified and presented as land and buildings under property, plant and equipment.			
*4. Obligation for affiliates		*4. Obligation for affiliates	
Advances	214,058	Accounts receivable-other	376,856
Accounts receivable-other ("Other" under current assets)	48,921	Short-term loans receivable	845,000
Short-term loans receivable ("Other" under current assets)	330,000		

**Notes to Non-consolidated Statements of Income**

(Thousands of yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
*1. R&D expenses included in general administrative expenses were 336,205 thousand yen. No R&D expenses are included in the cost of sales.	*1. R&D expenses included in general administrative expenses were 543,578 thousand yen. No R&D expenses are included in the cost of sales.
*2. _____	*2. Allowance for loss on receivables from subsidiaries Sumiyoshi Heavy Industries Co., Ltd. 242,054 Harakosan Life Service Co., Ltd. 63,053 Lerbec Co., Ltd. 149,816
*3. _____	*3. Allowance for loss on receivables from subsidiaries Harakosan Life Service Co., Ltd. 167,913 Lerbec Co., Ltd. 62,290

**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

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

Type and number of treasury stock

Type	Number of shares as of Feb. 28, 2007	Increase	Decrease	Number of shares as of Feb. 29, 2008
Common shares (Shares)	3.49	6.00	2.80	6.69

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 6.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests: 2.80 shares

**Lease Transaction**

(Thousands of yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
1. Finance lease transactions not involving the transfer of title to lessee:	1. Finance lease transactions not involving the transfer of title to lessee:
(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.	(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.
<i>Tools, furniture and fixtures</i>	<i>Tools, furniture and fixtures</i>
Acquisition cost	202,976
Accumulated depreciation	130,704
Net book value	72,271
<i>Total</i>	<i>Total</i>
Acquisition cost	202,976
Accumulated depreciation	130,704
Net book value	72,271
Note: The assumed amounts of 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.	Note: Same as on the left.
(2) Future lease payments inclusive of interest	(2) Future lease payments inclusive of interest
Due within one year	30,903
Due after one year	41,368
Total	72,271
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.	Note: Same as on the left.
(3) Lease payments and depreciation equivalents	(3) Lease payments and depreciation equivalents
Lease payments	27,169
Depreciation equivalents	27,169
(4) Calculation of depreciation equivalents	(4) Calculation of depreciation equivalents
Depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.	Same as on the left.
2. Operating lease transactions	2. Operating lease transactions
Future lease payments	Future lease payments
Due within one year	9,000
Due after one year	84,000
Total	93,000

**Securities**

FY2/07 (As of Feb. 28, 2007), FY2/08 (As of Feb. 29, 2008)

The Company did not hold subsidiary and affiliate stocks with market value.

**Deferred Tax Accounting**

(Thousands of yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
1. Significant components of deferred tax assets and liabilities	1. Significant components of deferred tax assets and liabilities
(Deferred tax assets)	(Deferred tax assets)
Accrued enterprise tax	Accrued enterprise tax
96,997	41,435
Allowance for bonuses to employees	Allowance for bonuses to employees
9,978	9,090
Allowance for retirement benefits for employees	Allowance for retirement benefits for employees
5,380	6,354
Allowance for retirement benefits for directors and corporate auditors	Allowance for retirement benefits for directors and corporate auditors
30,172	35,590
Loss on valuation of golf club memberships	Loss on valuation of golf club memberships denied
14,146	14,146
Other	Allowance for doubtful accounts
18,377	187,153
Total deferred tax assets	Loss on valuation of affiliate stock
175,051	98,575
	Allowance for loss on loan guarantees
	93,002
	Other
	6,327
	Total deferred tax assets
	491,676
(Deferred tax liabilities)	(Deferred tax liabilities)
Net unrealized holding gain on securities	Net unrealized holding gain on securities
12,245	34,406
Total deferred tax liabilities	Total deferred tax liabilities
12,245	34,406
Net deferred tax assets	Net deferred tax assets
162,806	457,270
2. Significant differences between the statutory tax rate and the Company's effective tax rate are as follows:	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 presented because the differences were not material (less than 5%).	Statutory tax rate
	40.4%
	(adjustment)
	Permanent differences such as entertainment
	3.5%
	R&D tax deduction
	(5.1)%
	Foreign tax deduction
	(3.0)%
	Other
	(0.5)%
	Effective tax rate
	35.3%

**Per Share Data**

(Yen)

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)		FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)	
Net assets per share:	114,842.10	Net assets per share:	117,755.53
Net income per share:	15,382.80	Net income per share:	6,666.95
Diluted net income per share:	15,332.52	Diluted net income per share:	5,555.51

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

(Thousands of yen)

	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
Net income per share		
Net income	1,948,938	855,318
Amount not available to common shareholders	-	-
Net income applicable to common share	1,948,938	855,318
Average number of common shares outstanding during period (Shares)	126,695.91	128,292.38
Diluted net income per share		
Adjusted net income	-	-
Increase in the number of common shares (Shares)	415.5	25,666.3
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	Type of share: one issue of stock acquisition rights Number of shares: 1,068

**7. Change in Directors (Effective on May 28, 2008)**

Director candidate

Yokichi Shibamura, Director (Current General Manager of Wind Power Division)

Retiring director

Takashi Okamoto, Director

Auditor candidates

Hirofumi Kuhara, Full-time auditor (Current Business Management Division, The Yamaguchi Bank, Ltd.)

Norima Matsuda, Auditor (Current tax accountant)

Retiring auditors

Toshihide Kaginaka, Full-time auditor

Toshiaki Yamasaki, Auditor

Note: New auditor candidates Hirofumi Kuhara and Norima Matsuda are external auditors as stipulated in Article 2-16 of the Company Law.

*\* 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.*