



October 24, 2008

## Financial Summaries for the First Half of the Fiscal Year Ending February 28, 2009

Company name: HARAKOSAN CO., LTD. Stock Exchange listing: OSE, 2<sup>nd</sup> Section  
 Stock code: 8894 URL: <http://www.harakosan.co.jp>  
 Representative: Masaaki Hara, President & CEO  
 Contact: Yuji Hamasaki, Director, General Manager of Finance and Corporate Planning Division  
 Telephone: +81-(0)83-229-8894  
 Scheduled date of filing of Semiannual Report: November 28, 2008

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Six Months Ended August 31, 2008 (Mar. 1, 2008 – Aug. 31, 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	%
Six months ended Aug. 2008	10,382	(49.6)	(1,506)	-	(2,190)	-	(5,064)	-
Six months ended Aug. 2007	20,602	62.4	260	(59.5)	(246)	-	257	(0.0)
Fiscal year ended Feb. 2008	55,338	-	1,586	-	181	-	83	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 2008	(39,474.52)	-
Six months ended Aug. 2007	2,008.21	1,718.07
Fiscal year ended Feb. 2008	650.36	541.94

Reference: Investment profit/loss under equity method

Aug. 2008: (31) million yen Aug. 2007: 2 million yen Feb. 2008: (230) 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 Aug. 31, 2008	64,639	9,176	13.7	68,961.29
As of Aug. 31, 2007	61,462	14,964	23.9	114,649.49
As of Feb. 29, 2008	68,128	14,656	21.0	111,482.47

Reference: Shareholders' equity

Aug. 2008: 8,847 million yen Aug. 2007: 14,708 million yen Feb. 2008: 14,302 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
Six months ended Aug. 2008	(5,563)	(2,349)	520	2,766
Six months ended Aug. 2007	(15,769)	15,308	(4,073)	8,631
Fiscal year ended Feb. 2008	(15,482)	15,557	(3,051)	10,185

## 2. Dividends

	Dividend per share			
	(Record date)	Interim	Year-end	Annual
		Yen	Yen	Yen
Fiscal year ended Feb. 2008		2,500.00	2,500.00	5,000.00
Fiscal year ending Feb. 2009		0.00		0.00
Fiscal year ending Feb. 2009 (forecast)			0.00	

### 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
Full year	53,700	(3.0)	(1,816)	-	(2,950)	-	(6,224)	-	(48,514.78)

#### 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 interim consolidated financial statements

1) Changes caused by revision of accounting standards: None

2) Other changes: None

Note: Please refer to “Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements” on page 22 for further information.

(3) Number of shares outstanding (common stock)

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

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

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

Aug. 2008: 9 shares      Aug. 2007: 6 shares      Feb. 2008: 6 shares

Note: Please refer to “Per Share Data” on page 45 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 Six Months Ended August 31, 2008 (Mar. 1, 2008 – Aug. 31, 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	%
Six months ended Aug. 2008	6,292	(59.9)	(845)	-	(1,120)	-	(4,903)	-
Six months ended Aug. 2007	15,676	46.9	109	(83.6)	1,002	94.0	449	43.0
Fiscal year ended Feb. 2008	45,135		1,810		2,355		855	

	Net income per share	
	Yen	
Six months ended Aug. 2008	(38,218.09)	
Six months ended Aug. 2007	3,501.30	
Fiscal year ended Feb. 2008	6,666.95	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 31, 2008	51,828	9,897	18.9	76,392.06
As of Aug. 31, 2007	51,786	15,024	28.9	116,654.42
As of Feb. 29, 2008	59,302	15,186	25.5	117,755.53

Reference: Shareholders' equity

Aug. 2008: 9,800 million yen      Aug. 2007: 14,965 million yen      Feb. 2008: 15,107 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
Full year	30,900	(31.5)	(1,485)	-	(2,060)	-	(5,933)	-	(46,246.50)

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

The Company has revised its consolidated business forecasts for the full year of the fiscal year ending February 28, 2009 (announced on August 6, 2008.) The estimated values above have been prepared based on information available as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors. Estimated net income per share 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 first half of the fiscal year, the global economy, and particularly the U.S. economy, has rapidly weakened due to the subprime mortgage crisis that began in 2007. Furthermore, prices of raw materials have increased due to the much higher cost of crude oil. As a result, corporate capital expenditures and consumer spending are declining and the economic outlook has become increasingly more uncertain.

On the real estate industry, land prices in major cities have been climbing, but Japan's weakening economy is causing prices to rise more slowly and even decline in an increasing number of areas. In addition, tighter credit standards at financial institutions for real estate loans and negative consumer sentiment have caused contract ratio to decline and inventories to rise. Overall, these developments have created an even more challenging operating environment.

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. However, the operating environment for the entire real estate industry continues to become even more difficult. For condominium sales, some properties have been completely sold, but there is a significant decline in the number of visitors to condominiums on sale and in their desire to purchase a condominium. As a result, sales of completed condominiums have decreased. 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.

Due to these activities, consolidated revenue from operations decreased 49.6% year-on-year to 10,382 million yen, operating loss was 1,506 million yen compared with an income of 260 million yen one year earlier, ordinary loss was 2,190 million yen compared with a loss of 246 million yen one year earlier, and net loss was 5,064 million yen compared with an income of 257 million yen one year earlier.

Operating results by business segment were as follows.

(Thousands of yen)

Operating segment	Revenue from operations	Composition
Real Estate & Condominium Business	7,670,251	73.9%
Real Estate Rental & Property Management	1,217,621	11.7%
Environmental Business	1,495,061	14.4%
Total	10,382,935	100.0%

Note: The above figures do not include consumption taxes.

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

Total condominium units sold by the Group were 217 units. There was an increase of 55 units in the number of condominium sales compared with the same period of previous fiscal year but a 50 unit decrease to 259 in the number of sales contracts signed.

Sales of large buildings and undeveloped land were lackluster in the Kanto, Kansai and Kyushu areas.

As a result, segment revenue from operations decreased 57.6% to 7,670 million yen and operating loss was 659 million yen compared with an income of 478 million yen one year earlier.

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

There was increase in the number of rental condominium units under management, but rental income decreased because of higher vacancy rates and the sale of a large commercial building (Kobe Gas Building) in the previous fiscal year. Furthermore, there was an increase in expenses in the elderly nursing care business operated by a consolidated subsidiary as occupancy rates were weak.

As a result, segment revenue from operations decreased 21.5% to 1,217 million yen and operating loss was 57 million yen compared with an income of 474 million yen one year earlier.

### (3) Environmental Business

In the wind turbine generator system sector, the Group delivered some components for systems in China's Fujian province. In addition, we concentrated on purchasing parts and assembling components for systems already ordered for installation in South Korea's Jeju Island and in China. In Japan, construction is proceeding on the 11 systems ordered for installation in Shimane prefecture and 19 systems ordered for installation in Mie prefecture. In overseas, we received orders for 92 systems, as a result of aggressive sales activities targeting China's growing demand for wind turbine generator systems. At the end of the interim period, we had received orders for 202 systems in total in China.

As a result, segment revenue from operations increased 53.4% to 1,495 million yen and operating loss was 353 million yen compared with a loss of 240 million yen one year earlier.

For the fiscal year, the operating environment remains unclear because of concerns about the outlook for Japan's economy. In the real estate industry, concerns about the weakening economy are making individuals reluctant to make purchases. At the same time, there will be even more intense competition to sell properties by cutting prices and to capture new customers.

In response to these challenges, the HARAKOSAN Group announced its New Medium-term Management Plan on August 29, 2008. We will conduct this plan from the second half of the current fiscal year. The plan has five primary objectives: (1) use resources only in carefully selected business fields in order to operate more efficiently; (2) in the wind power business, conduct joint operations with business partners rather than handling all projects alone in order to keep pace with the rapid growth of this market and earn high returns on invested capital; (3) review and restructure from all angles the company's management, organizational structure, strategies and other activities; (4) cut selling, general and administrative expenses and other expenses; and (5) reorganize group companies.

By taking these actions, we plan to improve financial soundness, achieve a recovery in earnings and increase our corporate value.

For the fiscal year ending February 28, 2009, we are forecasting consolidated revenue from operations of 53,700 million yen, operating loss of 1,816 million yen, ordinary loss of 2,950 million yen, and net loss of 6,224 million yen.

## (2) Analysis of Financial Position

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

#### Assets

Current assets decreased 7.5% over the end of the previous fiscal year to 50,880 million yen. This was mainly attributable to an 11,000 million yen increase in inventories, a 7,524 million yen decrease in cash and deposits, and a 6,761 million yen decrease in notes and accounts receivable-trade.

Fixed assets increased 5.0% over the end of the previous fiscal year to 13,758 million yen due to a 928 million yen increase in investments and other assets.

As a result, total assets at the end of the interim period decreased 5.1% over the end of the previous fiscal year to 64,639 million yen.

#### Liabilities

Current liabilities increased 7.7% over the end of the previous fiscal year to 36,177 million yen. The main reason was a 4,565 million yen increase in short-term debt.

Long-term liabilities decreased 2.9% over the end of the previous fiscal year to 19,284 million yen. The main reason was the transfer of 550 million yen of corporate bonds due within one year to current liabilities.

As a result, total liabilities at the end of the interim period increased 3.7% over the end of the previous fiscal year to 55,462 million yen.

## Net assets

Net assets decline 37.4% over the end of the previous fiscal year to 9,176 million yen mainly due to a 5,385 million yen decrease in retained earnings.

## 2) Cash flows

Cash and cash equivalents decreased 7,418 million yen, to 2,766 million yen at the end of the interim period, due to a decrease in cash flows from operating activities.

### Operating activities

Net cash used in operating activities decreased 10,205 million yen to 5,563 million yen. There was a decrease in notes and accounts receivable of 6,761 million yen, a booking of loss before income taxes of 4,976 million yen, and an increase in inventories of 7,620 million yen.

### Investing activities

Net cash used in investing activities increased 17,657 million yen to 2,349 million yen. This was mainly attributable to payments for loans receivable of 1,936 million yen.

### Financing activities

Net cash provided by financing activities increased 4,593 million yen to 520 million yen. This was mainly attributable to repayment of 9,808 million yen in long-term debt, proceeds of 8,517 million yen in short-term debt and 2,130 million yen in long-term debt.

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

	Interim FY2/08	Interim FY2/09	FY2/08
Shareholders' equity ratio (%)	23.9	13.7	21.0
Shareholder's equity ratio based on a market price (%)	65.8	5.0	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

1. All indices are calculated based on consolidated figures.

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

3. There are no figures for 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 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.

Our basic policy is to pay a dividend twice each year: an interim dividend and year-end dividend. The dividend is determined by the board of directors.

In the current fiscal year, our initial plan was to pay interim and year-end dividends of 2,500 yen per share, resulting in an annual dividend of 5,000 yen. However, since we reported a net loss in the first half and expect a net loss for the fiscal year as well, we have decided to make no dividend payments applicable to this fiscal year.

As provided for in Article 454, Paragraph 5 of the Company Law, we have a provision in its Articles of Incorporation providing for the payment of an interim dividend.

**(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 interim period 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 3.47 years as of August 31, 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), 16 subsidiaries (including 15 consolidated subsidiaries) and four affiliates (including two equity-method affiliates). The Group is engaged 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, S Trust Co., Ltd., Betsudai Co., Ltd. and Harakosan Residence Co., Ltd. provide consignment sales services for condominiums. Consolidated subsidiary Harakosan PFI Investment Co., Ltd. is engaged in the private finance initiative (PFI) business including putting a project together and other activities. Consolidated subsidiary Inoue Investment, Inc. is engaged in the purchase, sales and brokerage of real estate. Consolidated subsidiary Hunan Harakosan XEMC Urban Development Co., Ltd. conducts land development projects and condominium sales in China. In addition, Y.K. CC Capital One and its subsidiary, Y.K. CC Capital Two, are engaged in the purchase and sale of real estate. TSM Fifty-One LLIC and its subsidiary TSM Fifty-One LLC have become consolidated subsidiaries, due to additional investments, for the purpose of purchase and sales of real estate.

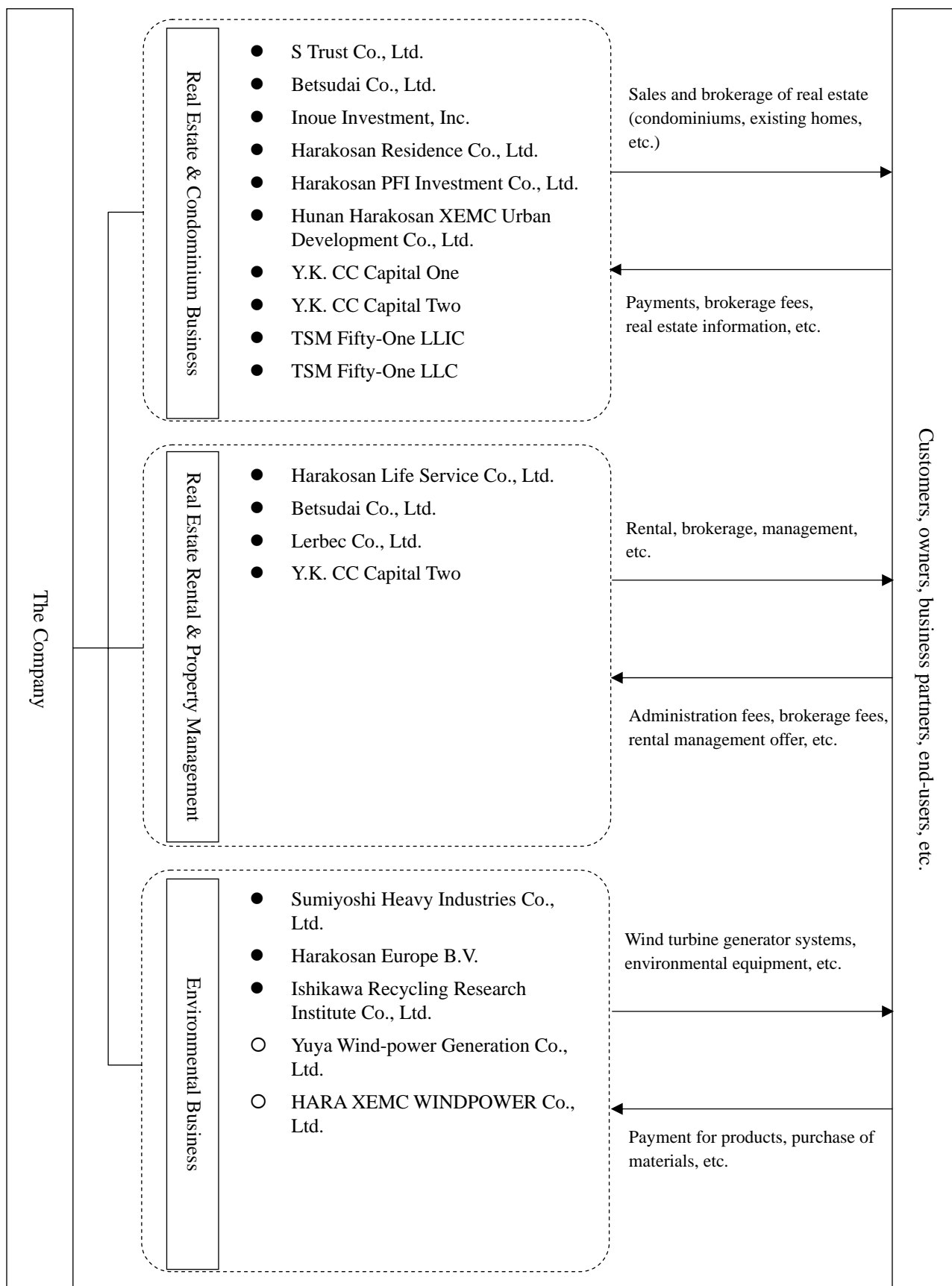
### b. Real Estate Rental & Property Management

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 rental 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. Due to an additional investment, Ishikawa Recycling Research Institute Co., Ltd., which processes and recycles glass bottles, became a consolidated subsidiary. Affiliate Yuya Wind-power Generation Co., Ltd. sells electricity generated by wind-power systems. Affiliate 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.



● Consolidated subsidiaries      ○ Equity-method affiliates

### **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.”

The Company sells condominiums that provide pleasant living environments, such as by incorporating solar energy systems and using only electric appliances. In addition, buildings incorporate sophisticated security systems to provide safe and pleasant residences. We also own rental condominiums for 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 business that includes solar energy systems and wind-power systems. In particular, our wind-power system business supplies these systems to customers in Japan and many other countries.

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 goals are to improve financial soundness by reducing interest-bearing debt and placing priority on improving the gross margin.

#### **(3) Medium- and Long-term Management Strategies**

The Company announced a new medium-term management plan on August 29, 2008. Based on this plan, we will use resources only in carefully selected business fields in order to increase operating efficiency. In addition, we plan to take actions to deal with consistently unprofitable consolidated subsidiaries.

In the real estate & condominium business, we will concentrate on condominium sales and consignment sales services for condominiums. Activities will involve primarily small, low-rise condominiums in Yamaguchi prefecture and Kyushu. In the real estate rental & property management, the management and brokerage of leased properties are performing well. We therefore plan to maintain the current scale of this business while seeking opportunities for growth. Regarding the operation and management of residences for the elderly, we plan to use our resources more productively by outsourcing the operation of facilities in Tokyo to other companies. We have already started establishing operations that produce a steady revenue stream with the aim of creating another core business. We plan to begin in Yamaguchi prefecture and Kyushu and then expand these operations to a nationwide scale. To support this growth, we plan to approach condominium management companies throughout Japan to suggest forms of cooperation. In the environmental business, we are assigning each company worldwide with specific roles. Harakosan Europe B.V. in the Netherlands is specializing in research, development and consulting. HARA XEMC WINDPOWER Co., Ltd. in China is a manufacturer of wind turbine generator systems. The Company in Japan functions as a trading company, acting as a global sales agent for the wind-power systems manufactured in China. Regarding other environmental activities, we will take on only projects that have good prospects for producing adequate earnings.

**(4) Important Issues**

To accomplish the goals of the New Medium-term Management Plan, the Company must review and restructure from all angles its management, organization, operating framework, strategies and all other aspects of our operations. This process will require the reorganization of group companies based on the group's performance and strategies, training employees and using capital efficiently in order to conduct business operations, and improving financial soundness.

To conduct business activities in a sound and efficient manner, we strictly comply with laws and regulations, take steps to strengthen corporate governance, risk management, and maintain an effective system of internal controls.

We will continue to increase collaboration among group companies and manage business activities in a manner that leverages the strengths of each group company. Our goal is to increase corporate value by operating more efficiently and achieving growth in revenue and earnings.

**(5) Other Important Items**

Not applicable.

## 4. Interim Consolidated Financial Statements and Other

## (1) Consolidated Balance Sheets

(Thousands of yen)

Items	Note	Interim FY2/08 (As of Aug. 31, 2007)		Interim FY2/09 (As of Aug. 31, 2008)		FY2/08 Summary (As of Feb. 29, 2008)		
		Amount	%	Amount	%	Amount	%	
<b>Assets</b>								
<b>I Current assets</b>								
1. Cash and deposits	*2	9,017,012		3,038,051		10,562,642		
2. Notes and accounts receivable-trade	*4	1,184,887		1,667,351		8,429,184		
3. Inventories	*2	36,127,641		44,657,845		33,657,418		
4. Other	*2	1,780,405		3,866,269		2,388,132		
5. Allowance for uncollectable receivables		(3,594)		(2,348,599)		(14,093)		
Total current assets		48,106,353	78.3	50,880,919	78.7	55,023,284	80.8	
<b>II Fixed assets</b>								
<b>1. Property, plant and equipment</b>								
(1) Buildings	*2	3,342,151		3,203,617		3,226,029		
(2) Land	*2	2,616,301		2,305,809		2,305,809		
(3) Other	*2	344,865	6,303,318	435,251	5,944,678	312,697	5,844,537	
<b>2. Intangible assets</b>								
(1) Goodwill		708,897		162,621		510,612		
(2) Other		663,560	1,372,457	590,732	753,353	617,979	1,128,592	
<b>3. Investments and other assets</b>								
(1) Investment securities	*2	4,580,374		4,612,901		4,216,232		
(2) Other		1,129,553		2,536,342		1,949,001		
(3) Allowance for uncollectable receivables		(30,033)	5,679,894	(88,445)	7,060,798	(32,743)	6,132,490	
Total fixed assets			13,355,671		13,758,831		13,105,620	
Total assets			61,462,024	100.0			68,128,904	100.0

(Thousands of yen)

Items	Note	Interim FY2/08 (As of Aug. 31, 2007)		Interim FY2/09 (As of Aug. 31, 2008)		FY2/08 Summary (As of Feb. 29, 2008)	
		Amount	%	Amount	%	Amount	%
<b>Liabilities</b>							
<b>I Current liabilities</b>							
1. Notes and accounts payable-trade		1,895,464		3,729,821		6,224,861	
2. Short-term debt	*2	21,335,288		27,610,612		23,044,666	
3. Corporate bonds due within one year		20,000		550,000		-	
4. Allowance for bonuses to employees		39,790		47,120		25,620	
5. Other		2,835,023		4,240,318		4,311,671	
Total current liabilities		26,125,566	42.5	36,177,871	56.0	33,606,819	49.3
<b>II Long-term liabilities</b>							
1. Corporate bonds		650,000		100,000		650,000	
2. Bonds with stock acquisition rights		6,000,000		11,000,000		11,000,000	
3. Long-term debt	*2	12,424,489		7,004,279		7,031,339	
4. Allowance for retirement benefits for employees		136,093		126,190		119,953	
5. Allowance for retirement benefits for directors and corporate auditors		83,212		89,750		88,095	
6. Negative goodwill		95,204		66,137		80,670	
7. Other		983,005		898,549		895,365	
Total long-term liabilities		20,372,004	33.2	19,284,906	29.8	19,865,426	29.2
Total liabilities		46,497,570	75.7	55,462,778	85.8	53,472,245	78.5
<b>Net assets</b>							
<b>I Shareholders' equity</b>							
1. Common stock		7,659,238	12.4	7,659,238	11.9	7,659,238	11.2
2. Capital surplus		3,380,573	5.5	3,380,188	5.2	3,380,269	5.0
3. Retained earnings		3,556,558	5.8	(2,323,656)	(3.6)	3,061,720	4.5
4. Treasury stock		(2,047)	(0.0)	(2,105)	(0.0)	(1,967)	(0.0)
Total shareholders' equity		14,594,323	23.7	8,713,665	13.5	14,099,260	20.7
<b>II Valuation and translation adjustments</b>							
1. Net unrealized holding gains on securities		8,743	0.0	74,598	0.1	128,300	0.2
2. Foreign currency translation adjustment		105,522	0.2	58,738	0.1	74,725	0.1
Total valuation and translation adjustments		114,265	0.2	133,337	0.2	203,026	0.3
<b>III Stock acquisition rights</b>		59,105	0.1	96,909	0.1	79,343	0.1
<b>IV Minority interests</b>		196,759	0.3	233,059	0.4	275,028	0.4
Total net assets		14,964,453	24.3	9,176,971	14.2	14,656,658	21.5
Total liabilities and net assets		61,462,024	100.0	64,639,750	100.0	68,128,904	100.0

**(2) Consolidated Statements of Income**

(Thousands of yen)

Items	Note	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)		Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)		FY2/08 Summary (Mar. 1, 2007 – Feb. 29, 2008)				
		Amount	%	Amount	%	Amount	%			
I Revenue from operations			20,602,170	100.0		10,382,935	100.0		55,338,807	100.0
II Cost of revenue from operations			18,248,065	88.6		9,737,784	93.8		48,349,637	87.4
Gross profit			2,354,105	11.4		645,150	6.2		6,989,169	12.6
III Selling, general and administrative expenses	*1		2,093,906	10.1		2,151,251	20.7		5,402,920	9.7
Operating income (loss)			260,198	1.3		(1,506,101)	(14.5)		1,586,248	2.9
IV Non-operating income										
1. Interest income		9,467			13,917			32,464		
2. Dividend income		10,854			45,134			28,227		
3. Gain on sale of marketable securities		124,262			-			8,137		
4. Amortization of negative goodwill		14,533			14,533			29,066		
5. Other		94,329	253,448	1.2	86,622	160,207	1.5	147,061	244,957	0.4
V Non-operating expenses										
1. Interest expense		497,502			443,889			924,986		
2. Financing fees		82,687			29,152			-		
3. Loss on sale of marketable securities		-			83,312			-		
4. Loss on valuation of marketable securities		-			159,334			127,432		
5. Provision for allowance for uncollectable receivables		-			57,172			-		
6. Other		180,319	760,509	3.7	71,891	844,754	8.1	597,616	1,650,035	3.0
Ordinary income (loss)			(246,862)	(1.2)		(2,190,647)	(21.1)		181,169	0.3

(Thousands of yen)

Items	Note	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)			Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)			FY2/08 Summary (Mar. 1, 2007 – Feb. 29, 2008)		
		Amount		%	Amount		%	Amount		%
VI Extraordinary gains										
1. Gain on sale of fixed assets	*2	740,202			3,996			786,062		
2. Gain on sale of investment securities		-			-			130,423		
3. Gain on reversal of allowance for uncollectable receivables		5,343			-			-		
4. Gain on sale of business		-			-			71,010		
5. Gain on change in equity interest		-	745,545	3.6	8,000	11,996	0.1	-	987,496	1.8
VII Extraordinary losses										
1. Loss on disposal of fixed assets	*3	-			-			2,530		
2. Loss on sale of fixed assets	*4	32,484			501			148,232		
3. Loss on sale of investment securities		26,600			25,200			41,865		
4. Loss on valuation of investment securities		17,318			116,521			85,965		
5. Loss on change in equity interest		-			-			1,661		
6. Provision for allowance for uncollectable receivables		-			2,333,051			-		
7. Impairment losses	*5	1,051,732	1,128,135	5.5	322,296	2,797,570	26.9	1,190,177	1,470,434	2.6
Net loss before income taxes			(629,452)	(3.1)		(4,976,221)	(47.9)		(301,767)	(0.5)
Current income taxes		384,592			8,422			811,825		
Income tax for previous years		-			36,989			-		
Deferred income taxes		(1,294,462)	(909,869)	(4.4)	95,898	141,310	1.4	(1,227,359)	(415,533)	(0.8)
Minority interests (loss)			22,776	0.1		(53,305)	(0.5)		30,330	0.1
Net income (loss)			257,640	1.2		(5,064,226)	(48.8)		83,436	0.2

**(3) Consolidated Statements of Change in Shareholders' Equity**

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)

(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 period					
Dividend of surplus			(192,442)		(192,442)
Net income			257,640		257,640
Acquisition of treasury stock				(1,371)	(1,371)
Disposal of treasury stock		(42)		201	158
Changes (net) in items other than shareholders' equity					
Total changes in the period	-	(42)	65,198	(1,169)	63,985
Balance as of Aug. 31, 2007	7,659,238	3,380,573	3,556,558	(2,047)	14,594,323

	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 period						
Dividend of surplus						(192,442)
Net income						257,640
Acquisition of treasury stock						(1,371)
Disposal of treasury stock						158
Changes (net) in items other than shareholders' equity	(25,879)	66,631	40,752	22,009	69,507	132,269
Total changes in the period	(25,879)	66,631	40,752	22,009	69,507	196,254
Balance as of Aug. 31, 2007	8,743	105,522	114,265	59,105	196,759	14,964,453

Interim FY2/09 (Mar. 1, 2008– Aug. 31, 2008)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Feb. 29, 2008	7,659,238	3,380,269	3,061,720	(1,967)	14,099,260
Changes in the period					
Dividend of surplus			(321,150)		(321,150)
Net loss			(5,064,226)		(5,064,226)
Acquisition of treasury stock				(302)	(302)
Disposal of treasury stock		(80)		164	84
Changes (net) in items other than shareholders' equity					
Total changes in the period	-	(80)	(5,385,376)	(137)	(5,385,594)
Balance as of Aug. 31, 2008	7,659,238	3,380,188	(2,323,656)	(2,105)	8,713,665

	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. 29, 2008	128,300	74,725	203,026	79,343	275,028	14,656,658
Changes in the period						
Dividend of surplus						(321,150)
Net loss						(5,064,226)
Acquisition of treasury stock						(302)
Disposal of treasury stock						84
Changes (net) in items other than shareholders' equity	(53,702)	(15,986)	(69,688)	17,566	(41,969)	(94,091)
Total changes in the period	(53,702)	(15,986)	(69,688)	17,566	(41,969)	(5,479,686)
Balance as of Aug. 31, 2008	74,598	58,738	133,337	96,909	233,059	9,176,971

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)

		Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 Summary (Mar. 1, 2007 – Feb. 29, 2008)
Items	Note	Amount	Amount	Amount
I Cash flows from operating activities				
1. Income (loss) before income taxes		(629,452)	(4,976,221)	(301,767)
2. Depreciation and amortization		161,359	141,085	308,351
3. Impairment losses		1,051,732	322,296	1,190,177
4. Increase (decrease) in allowance for uncollectable receivables		(4,947)	2,390,207	8,262
5. Increase (decrease) in allowance for bonuses to employees		11,082	21,500	(3,088)
6. Increase (decrease) in allowance for bonuses to directors and corporate auditors		(27,300)	-	-
7. Increase (decrease) in allowance for retirement benefits for employees		541	6,236	(53,791)
8. Increase (decrease) in allowance for retirement benefits for directors and corporate auditors		8,529	1,654	13,412
9. Interest and dividend income		(20,322)	(59,051)	(60,691)
10. Interest expense		497,502	443,889	924,986
11. Gain on sale of fixed assets		(740,202)	(3,996)	(786,062)
12. Gain on sale of marketable securities		(124,262)	-	(8,137)
13. Loss on sale of investment securities		26,600	25,200	41,865
14. Loss on valuation of investment securities		17,318	116,521	85,965
15. Decrease (increase) in notes and accounts receivable		5,535,801	6,761,832	(1,722,409)
16. Decrease (increase) in inventories		(15,545,079)	(7,620,550)	(13,036,385)
17. Increase (decrease) in notes and accounts payable		(1,831,318)	(2,444,686)	1,897,543
18. Increase (decrease) in guarantee deposits		(2,386,795)	25,431	(2,478,597)
19. Other		137,870	71,031	1,162,421
Subtotal		(13,861,343)	(4,777,620)	(12,817,945)
20. Interests and dividends received		20,087	58,320	60,659
21. Interests paid		(534,909)	(383,500)	(930,629)
22. Income taxes paid		(1,393,230)	(461,179)	(1,794,571)
Net cash used in operating activities		(15,769,394)	(5,563,980)	(15,482,487)

(Thousands of yen)

		Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 Summary (Mar. 1, 2007 – Feb. 29, 2008)
Items	Note	Amount	Amount	Amount
<b>II Cash flows from investing activities</b>				
1. Increase in time deposits		(94,054)	(123,498)	(400,335)
2. Decrease in time deposits		79,543	229,540	393,298
3. Purchases of property, plant and equipment		(58,188)	(82,610)	(130,342)
4. Proceeds from sale of property, plant and equipment		17,761,539	14,419	18,052,342
5. Acquisition of intangible assets		(4,629)	(454)	(8,716)
6. Purchases of investment securities		(1,763,955)	(627,951)	(2,707,989)
7. Proceeds from sale of investment securities		156,800	43,582	1,558,389
8. Payments for acquisition of investment in capital		(51)	(148,287)	(7,801)
9. Proceeds from sale of investment in capital		-	29,579	-
10. Payments for acquisition of consolidated subsidiaries		(307,664)	(144,454)	(307,664)
11. Proceeds from acquisition of consolidated subsidiaries		-	351,603	-
12. Increase in non-current loans		(108,750)	(1,936,822)	(937,825)
13. Decrease in non-current loans		38,915	32,582	83,313
14. Other		(391,376)	13,160	(28,977)
Net cash provided by (used in) investing activities		15,308,129	(2,349,612)	15,557,692
<b>III Cash flows from financing activities</b>				
1. Increase (decrease) in short-term debt		2,472,000	8,517,307	(1,578,000)
2. Payment of long-term debt		(20,852,003)	(9,808,561)	(27,456,429)
3. Proceeds from long-term debt		14,472,345	2,130,138	21,443,000
4. Payments for redemption of bond		(20,000)	-	(40,000)
5. Proceeds from issuance of bonds with stock acquisition rights		-	-	5,000,000
6. Cash dividends paid		(192,442)	(318,402)	(513,172)
7. Payments for purchase of treasury stock		(1,371)	(302)	(1,882)
8. Proceeds from sale of treasury stock		158	84	445
9. Proceeds from minority interests		48,182	-	95,029
Net cash provided by (used in) financing activities		(4,073,130)	520,264	(3,051,009)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>		37,262	(25,220)	31,680
<b>V Increase (decrease) in cash and cash equivalents</b>		(4,497,133)	(7,418,548)	(2,944,124)
<b>VI Cash and cash equivalents at beginning of period</b>		13,129,120	10,185,091	13,129,120
<b>VII Decrease in cash and cash equivalents from new consolidation</b>		-	-	95
<b>VIII Cash and cash equivalents at end of period</b>		8,631,986	2,766,542	10,185,091

## Conditions and events that might raise critical questions about the validity of the going-concern assumption

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
<p style="text-align: center;">—————</p>	<p>The HARAKOSAN Group did not have capital deficit at the end of the first half of the current fiscal year. However, due to the rapid downturn in the real estate market and the credit crunch, the Group recorded an operating loss of 1,506,101 thousand yen as sales fell sharply. In addition, the Group reported a first half net loss of 5,064,226 thousand yen because of loss on valuation of investment securities, impairment losses, a provision for allowance for uncollectable receivables and other extraordinary losses. Operating cash flows have been negative for three consecutive fiscal years beginning with the year that ended on February 28, 2006. In the first half of the current fiscal year, net cash used in operating activities was 5,563,980 thousand yen. As a result, there are serious doubts about the assumption that the Company is a going concern.</p> <p>In response to these issues, the Group announced its New Medium-term Management Plan on August 29, 2008. The plan has five primary objectives: (1) use resources only in carefully selected business fields in order to operate more efficiently; (2) in the wind power business, conduct joint operations with business partners rather than handling all projects alone in order to keep pace with the rapid growth of this market and earn high returns on invested capital; (3) review and restructure from all angles the company's management, organization, operating framework, strategies and other activities; (4) cut selling, general and administrative expenses and other expenses; and (5) reorganize group companies.</p> <p>Based on the above objectives, the Group plans to improve financial soundness through a large reduction in interest-bearing debt. This reduction will be funded by inventory sales and other measures to rapidly monetize assets. In addition, the Group foresees no significant change in the support provided by financial institutions. The Group plans to stabilize its operations through these actions aimed at improving financial soundness and using resources more productively. Management believes that this will eliminate any significant doubts about the company's ability to operate as a going concern. Consequently, the interim consolidated financial statements have been prepared on the assumption that the company is a going concern and the significant doubts about this assumption have not been reflected in these statements.</p>	<p style="text-align: center;">—————</p>

**Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements**

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
I. Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 13</p> <p>Name of consolidated subsidiaries: Harakosan Europe B.V. S Trust Co., Ltd. Sumiyoshi Heavy Industries Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd. Harakosan PFI Investment Co., Ltd. Lerbec Co., Ltd. Inoue Investment, Inc. Y.K. New Harbor Property Holdings 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 interim period, 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.</p>	<p>(1) Number of consolidated subsidiaries: 15</p> <p>Name of consolidated subsidiaries: Harakosan Europe B.V. S Trust Co., Ltd. Sumiyoshi Heavy Industries Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd. Harakosan PFI Investment Co., Ltd. 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 Ishikawa Recycling Research Institute Co., Ltd. TSM Fifty-One LLIC TSM Fifty-One LLC</p> <p>Effective from the current interim period, Ishikawa Recycling Research Institute Co., Ltd. is included in the consolidation due to the purchase of additional shares by the Company. TSM Fifty-One LLIC and its subsidiary TSM Fifty-One LLC are included in the consolidation due to the investment by the Company. Ishikawa Recycling Research Institute Co., Ltd., TSM Fifty-One LLIC and TSM Fifty-One LLC are included in the consolidation, assuming March 31, 2008 as the date of acquisition. The consolidated statements of income include the accounts of these companies for the period from April 1, 2008 to August 31, 2008.</p>	<p>(1) Number of consolidated subsidiaries: 12</p> <p>Name of consolidated subsidiaries: Harakosan Europe B.V. S Trust Co., Ltd. Sumiyoshi Heavy Industries Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd. Harakosan PFI Investment Co., Ltd. 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>

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<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 interim 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>	<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>
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.</p> <p>(2) Non-consolidated subsidiaries and affiliates not accounted for under the 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: 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 interim consolidated financial statements.</p>	<p>(1) Number of equity method affiliates: 2 Name of equity method affiliates: Yuya Wind-power Generation Co., Ltd. HARA XEMC WINDPOWER Co., Ltd. Hunan Hara XEMC Windpower Co., Ltd. was renamed HARA XEMC WINDPOWER Co., Ltd. on March 6, 2008. Effective from the current interim period, Ishikawa Recycling Research Institute Co., Ltd. is included in the consolidation due to the purchase of additional shares by the Company.</p> <p>(2) Non-consolidated subsidiaries and affiliates not accounted for under the 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>(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 the 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: 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>

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	(3) Special remarks concerning application of the equity method Of the companies under the equity method, certain companies have interim balance sheet date other than that of the Company. To prepare for consolidation, financial statements of such companies are used as they are.	(3) Special remarks concerning application of the equity method Same as on the left.	(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.
3. Period end of consolidated subsidiaries	<p>Interim periods of Harakosan Europe B.V., Sumiyoshi Heavy Industries, Harakosan Life Service, Betsudai, Harakosan PFI Investment, Lerbec, New Harbor Property Holdings, Harakosan Residence and Hunan Harakosan XEMC Urban Development end on June 30.</p> <p>The interim consolidated financial statements include the financial statements of these consolidated subsidiaries as of June 30.</p> <p>The interim periods of CC Capital One and CC Capital Two end on January 31. As a result, the interim consolidated financial statements include the operations of these two companies from March 1, 2007, when these two companies are deemed to have been acquired, and July 31, the end of the fiscal year of these two companies.</p> <p>However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the interim consolidated balance sheet date.</p>	<p>Interim periods 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 June 30.</p> <p>The interim consolidated financial statements include the financial statements of these consolidated subsidiaries as of June 30.</p> <p>The interim periods of CC Capital One and CC Capital Two end on January 31. As a result, the interim consolidated financial statements include the provisional financial statements of these two subsidiaries as of July 31, 2008, the end of their interim periods.</p> <p>Interim period of Ishikawa Recycling Research Institute Co., Ltd. ends on September 30, and interim periods of TSM Fifty-One LLIC and TSM Fifty-One LLC end on May 31, we have used the provisional financial statements prepared as of the interim consolidated balance sheet date.</p> <p>However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the interim 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.</p> <p>The consolidated financial statements include the financial statements of these consolidated subsidiaries as of December 31.</p> <p>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, 2008, the end of their interim periods.</p> <p>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>
4. Significant accounting policies	(1) Valuation criteria and methods for principal assets 1) Securities Available for sale securities Stated at fair value. (Cost of securities sold is determined by the moving-average method.)	(1) Valuation criteria and methods for principal assets 1) Securities Available for sale securities Same as on the left.	(1) Valuation criteria and methods for principal assets 1) Securities Available for sale securities Stated at fair value. (Cost of securities sold is determined by the moving-average method.)

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<p>Other securities</p> <p>Securities with market quotations Stated at fair value on the interim 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) 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, except for buildings (excluding building attachments) acquired after April 1, 1998, which are computed using straight-line method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law.</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>Other securities</p> <p>Securities with market quotations Same as on the left.</p> <p>Securities without market quotations Same as on the left.</p> <p>2) 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, except for buildings (excluding building attachments) acquired after April 1, 1998, which are computed using straight-line method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law.</p> <p>(Supplementary information) Property, plant and equipment acquired on or before March 31, 2007, for which depreciation up to the depreciable amounts is complete, are depreciated up to the memorandum value using the straight-line method over five years from the following year, 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>Other securities</p> <p>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 Same as on the left.</p> <p>2) 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, except for buildings (excluding building attachments) acquired after April 1, 1998, which are computed using straight-line method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law.</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>

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<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>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 allowances 1) Allowance for uncollectable receivables The Company and its domestic consolidated subsidiaries provide for uncollectable receivables 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 uncollectable receivables, 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. Allowance for bonuses to directors and corporate auditors was not expensed as it was difficult to make an appropriate estimate during the current interim period.</p>	<p>2) Intangible assets Same as on the left.</p> <p>3) Long-term prepaid expenses Same as on the left.</p> <p>(3) Accounting for significant allowances 1) Allowance for uncollectable receivables 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 Same as on the left.</p>	<p>2) Intangible assets Same as on the left.</p> <p>3) Long-term prepaid expenses Same as on the left.</p> <p>(3) Accounting for significant allowances 1) Allowance for uncollectable receivables 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>

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<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 interim consolidated balance sheet date.</p>	<p>4) Allowance for retirement benefits for employees Same as on the left.</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>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 interim balance sheet date based on the internal guidelines.</p>	<p>5) Allowance for retirement benefits for directors and corporate auditors Same as on the left.</p>	<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>(4) 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>(4) Accounting for leases Same as on the left.</p>	<p>(4) Accounting for leases Same as on the left.</p>
	<p>(5) 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>	<p>(5) Other significant accounting policies Accounting for consumption taxes Same as on the left.</p>	<p>(5) Other significant accounting policies Accounting for consumption taxes Same as on the left.</p>

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
5. 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.	Same as on the left.

**Reclassifications**

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)
<p>(Consolidated Balance Sheets)</p> <p>“Investment in capital” is included in “Other” under investments and other assets since it is now below 5/100 of total assets at the end of the current interim period.</p> <p>“Investment in capital” totaled 59,829 thousand yen at the end of the current interim period.</p> <p>“Investment securities” presented as a component of “Other” under investments and other assets in the previous interim period, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets at the end of the current interim period.</p> <p>“Investment securities” totaled 994,448 thousand yen at the end of the previous interim period.</p> <p>“Consolidated adjustment account” is presented as “Goodwill” or “Negative goodwill” in the current interim period.</p> <p>(Consolidated Statements of income)</p> <p>“Amortization of consolidated adjustment account” is presented as “Amortization of negative goodwill” in the current interim period.</p> <p>(Consolidated Statements of Cash Flows)</p> <p>Effective from the current interim period, “Increase (decrease) of guarantee deposits,” presented as a component of “Other” under cash flows from operating activities in the previous interim period, is reclassified and presented as a separate line item since it has increased the materiality of impact in the context of interim consolidated financial statements.</p> <p>“Increase (decrease) of guarantee deposits” totaled 14,004 thousand yen in the previous interim period.</p>	<p style="text-align: center;">—————</p> <p>(Consolidated Statements of Income)</p> <p>“Loss on valuation of marketable securities” presented as a component of “Other” under non-operating expenses in the previous interim period, is reclassified and presented as a separate line item, given that it now represents more than 10/100 of total non-operating expenses in the current interim period.</p> <p>“Loss on valuation of marketable securities” totaled 69,837 thousand yen in the previous interim period.</p> <p style="text-align: center;">—————</p>

## Notes to Consolidated Financial Statements

## Notes to Consolidated Balance Sheets

(Thousands of yen)

Interim FY2/08 (As of Aug. 31, 2007)	Interim FY2/09 (As of Aug. 31, 2008)	FY2/08 (As of Feb. 29, 2008)
*1. Accumulated depreciation of property, plant and equipment 1,852,834	*1. Accumulated depreciation of property, plant and equipment 2,002,438	*1. Accumulated depreciation of property, plant and equipment 1,817,483
*2. Assets pledged as collateral	*2. Assets pledged as collateral	*2. Assets pledged as collateral
Cash and deposits 210,142	Cash and deposits 210,430	Cash and deposits 210,430
Inventories 28,033,125	Investment securities 1,692,032	Inventories 21,417,541
Buildings 2,733,898	Inventories 34,322,886	Buildings and structures 2,785,270
Land 1,651,617	Buildings 2,777,513	Land 1,703,612
<b>Total 32,628,784</b>	<b>Land 1,889,850</b>	<b>Total 26,116,854</b>
	<b>Total 40,892,712</b>	
Liabilities corresponding to above assets pledged as collateral	Liabilities corresponding to above assets pledged as collateral	Liabilities corresponding to above assets pledged as collateral
Short-term debt 8,609,000	Short-term debt 19,796,307	Short-term debt 6,249,000
Long-term debt (includes long-term debt due within one year) 20,123,716	Long-term debt (includes long-term debt due within one year) 11,999,906	Long-term debt (includes long-term debt due within one year) 17,318,414
<b>Total 28,732,716</b>	<b>Total 31,796,214</b>	<b>Total 23,567,414</b>
3. Loan guarantees	3. Loan guarantees	3. Loan guarantees
Warantee Gurantee	Warantee Gurantee	Warantee Gurantee
Medical Corporation 795,592	Medical Corporation 770,088	Medical Corporation 804,174
Tokuyukai	Tokuyukai	Tokuyukai
Gotsu Windpower Co., Ltd. 1,041,000	Gotsu Windpower Co., Ltd. 1,041,000	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. 300,000 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.
*4. Notes receivable endorsed 15,321	*4. Notes receivable endorsed 10,376	*4. Notes receivable endorsed 18,502
Discounted notes receivable 607,021	Discounted notes receivable 70,598	Discounted notes receivable 25,391

## Notes to Consolidated Statements of Income

(Thousands of yen)

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	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	*1. Significant components of selling, general and administrative expenses
Commissions paid 266,917	Commissions paid 228,439	Commissions paid 538,313
Advertising expenses 150,702	Advertising expenses 177,957	Advertising expenses 378,304
Sales promotion expenses 92,361	Sales promotion expenses 146,508	Sales promotion expenses 167,420
Directors' remunerations 91,561	Directors' remunerations 114,681	Directors' remunerations 219,560
Salaries and wages 505,195	Salaries and wages 442,294	Salaries and wages 1,087,002
Provision for allowance for bonuses to employees 24,385	Provision for allowance for bonuses to employees 29,812	Provision for allowance for uncollectable receivables 13,479
Provision for allowance for retirement benefits for directors and corporate auditors 8,529	Provision for allowance for retirement benefits for directors and corporate auditors 5,491	Provision for allowance for bonuses to employees 19,674
Welfare expense 82,444	Welfare expense 80,185	Retirement benefit expenses 16,091
Taxes and public charges 144,644	Taxes and public charges 236,881	Provision for allowance for retirement benefits for directors and corporate auditors 13,412
Depreciation and amortization 75,664	Depreciation and amortization 67,439	Welfare expense 187,069
Amortization of goodwill 141,208	Amortization of goodwill 43,606	Taxes and public charges 603,734
		Depreciation and amortization 157,501
		Amortization of goodwill 201,047
		R&D expenses 561,446
*2. Breakdown of gain on sale of fixed assets	*2. Breakdown of gain on sale of fixed assets	*2. Breakdown of gain on sale of fixed assets
Land and building in trust 740,197	Vehicles 3,996	Land and building in trust 740,197
Other 5		Other 45,865
Total 740,202		Total 786,062
*3. _____	*3. _____	*3. Breakdown of loss on disposal of fixed assets
		Buildings and structures 612
		Machinery and vehicles 1,461
		Other 457
		Total 2,530
*4. Breakdown of loss on sale of fixed assets	*4. Breakdown of loss on sale of fixed assets	*4. Breakdown of loss on sale of fixed assets
Buildings 21,951	Tools, furniture and fixtures 501	Buildings and structures 68,253
Land 10,533		Land 79,979
Total 32,484		Total 148,232

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)																																											
<p>*5. Impairment losses The amounts of impairment losses with respect to the Group's assets are as follows: (Thousands of yen)</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Usage</th> <th>Items</th> <th>Impairment losses</th> </tr> </thead> <tbody> <tr> <td>Chuo-ku, Tokyo</td> <td>-</td> <td>Goodwill</td> <td>966,743</td> </tr> <tr> <td>Shimonoseki, Yamaguchi</td> <td>-</td> <td>Goodwill</td> <td>84,989</td> </tr> </tbody> </table> <p>In principle, the Group categorizes business activities based on business segments. Consolidated subsidiary Y.K. New Harbor Property Holdings has sold its trust beneficiary rights and approved a resolution to liquidate. As a result, an impairment loss equal to the entire book value of goodwill (966,743 thousand yen) has been posted. In addition, due to decline in profitability at a consolidated subsidiary Sumiyoshi Heavy Industries Co., Ltd., it is no longer any basis for expecting this company to produce the initially foreseen excess earnings. Accordingly, the goodwill related to this company has been written down to its respective estimated minimum recoverable amounts and booked as an impairment loss (84,989 thousand yen).</p>	Location	Usage	Items	Impairment losses	Chuo-ku, Tokyo	-	Goodwill	966,743	Shimonoseki, Yamaguchi	-	Goodwill	84,989	<p>*5. Impairment losses The amounts of impairment losses with respect to the Group's assets are as follows: (Thousands of yen)</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Usage</th> <th>Items</th> <th>Impairment losses</th> </tr> </thead> <tbody> <tr> <td>Chuo-ku, Tokyo</td> <td>-</td> <td>Goodwill</td> <td>311,833</td> </tr> <tr> <td>Chiyoda-ku, Tokyo</td> <td>-</td> <td>Goodwill</td> <td rowspan="2">10,462</td> </tr> <tr> <td>Minato-ku, Tokyo</td> <td>-</td> <td>Goodwill</td> </tr> </tbody> </table> <p>In principle, the Group categorizes business activities based on business segments. Due to decline in profitability at Inoue Investment, Inc., there is no longer any basis for expecting this company to produce the initially foreseen excess earnings. Accordingly, the goodwill related to this company has been written down to zero as an impairment loss (311,833 thousand yen). In addition, consolidated subsidiaries Y.K. CC Capital One and Y.K. CC Capital Two have sold all of their real estate and approved a resolution to liquidate. As a result, an impairment loss equal to the entire book value of goodwill (10,462 thousand yen) has been posted.</p>	Location	Usage	Items	Impairment losses	Chuo-ku, Tokyo	-	Goodwill	311,833	Chiyoda-ku, Tokyo	-	Goodwill	10,462	Minato-ku, Tokyo	-	Goodwill	<p>*5. Impairment losses The amounts of impairment losses with respect to the Group's assets are as follows: (Thousands of yen)</p> <table border="1"> <thead> <tr> <th>Location</th> <th>Usage</th> <th>Items</th> <th>Impairment losses</th> </tr> </thead> <tbody> <tr> <td>Chuo-ku, Tokyo</td> <td>-</td> <td>Goodwill</td> <td>966,743</td> </tr> <tr> <td>Shimonoseki, Yamaguchi</td> <td>-</td> <td>Goodwill</td> <td>84,989</td> </tr> <tr> <td>Setagaya-ku, Tokyo</td> <td>-</td> <td>Goodwill</td> <td>138,445</td> </tr> </tbody> </table> <p>In principle, the Group categorizes business activities based on business segments. Consolidated subsidiary Y.K. New Harbor Property Holdings has sold its trust beneficiary rights and approved a resolution to liquidate. As a result, an impairment loss equal to the entire book value of goodwill (966,743 thousand yen) has been posted. In addition, due to declines in profitability at consolidated subsidiaries 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: Sumiyoshi Heavy Industries Co., Ltd.: 84,989 thousand yen Lerbec Co., Ltd.: 138,445 thousand yen</p>	Location	Usage	Items	Impairment losses	Chuo-ku, Tokyo	-	Goodwill	966,743	Shimonoseki, Yamaguchi	-	Goodwill	84,989	Setagaya-ku, Tokyo	-	Goodwill	138,445
Location	Usage	Items	Impairment losses																																										
Chuo-ku, Tokyo	-	Goodwill	966,743																																										
Shimonoseki, Yamaguchi	-	Goodwill	84,989																																										
Location	Usage	Items	Impairment losses																																										
Chuo-ku, Tokyo	-	Goodwill	311,833																																										
Chiyoda-ku, Tokyo	-	Goodwill	10,462																																										
Minato-ku, Tokyo	-	Goodwill																																											
Location	Usage	Items	Impairment losses																																										
Chuo-ku, Tokyo	-	Goodwill	966,743																																										
Shimonoseki, Yamaguchi	-	Goodwill	84,989																																										
Setagaya-ku, Tokyo	-	Goodwill	138,445																																										

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

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)

## 1. Type and number of outstanding shares

Type	Number of shares as of Feb. 28, 2007	Increase	Decrease	Number of shares as of Aug. 31, 2007
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 Aug. 31, 2007
Common shares (Shares)	3.49	4.00	0.80	6.69

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 4.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests: 0.80 shares

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

Company	Item	Type of shares	Number of shares (Shares)				Balance as of Aug. 31, 2007 (Thousands of yen)
			As of Feb. 28, 2007	Increase	Decrease	As of Aug. 31, 2007	
Reporting company	Stock acquisition rights by way of stock options	Common shares	-	-	-	-	59,105
Total			-	-	-	-	59,105

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 April 12, 2007	Common shares	192,442	1,500	Feb. 28, 2007	May 28, 2007

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

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 October 19, 2007	Common shares	Retained earnings	320,729	2,500	Aug. 31, 2007	Nov. 19, 2007

Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)

## 1. Type and number of outstanding shares

Type	Number of shares as of Feb. 29, 2008	Increase	Decrease	Number of shares as of Aug. 31, 2008
Common shares (Shares)	128,298.49	-	-	128,298.49

## 2. Type and number of treasury stock

Type	Number of shares as of Feb. 29, 2008	Increase	Decrease	Number of shares as of Aug. 31, 2008
Common shares (Shares)	6.69	3.00	0.60	9.09

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 3.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests: 0.60 shares

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

Company	Item	Type of shares	Number of shares (Shares)				Balance as of Aug. 31, 2008 (Thousands of yen)
			As of Feb. 29, 2008	Increase	Decrease	As of Aug. 31, 2008	
Reporting company	Stock acquisition rights by way of stock options	Common shares	-	-	-	-	96,909
Total			-	-	-	-	96,909

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. 18, 2008	Common shares	320,729	2,500	Feb. 29, 2008	May 29, 2008

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

Not applicable.

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

**Notes to Consolidated Statements of Cash Flows**

(Thousands of yen)

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of balance sheets for the interim period is made as follows:	Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of balance sheets for the interim period is made as follows:	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:
Cash and deposits 9,017,012	Cash and deposits 3,038,051	Cash and deposits 10,562,642
Time deposits over three months (385,025)	Time deposits over three months (271,509)	Time deposits over three months (377,551)
Cash and cash equivalents <u>8,631,986</u>	Cash and cash equivalents <u>2,766,542</u>	Cash and cash equivalents <u>10,185,091</u>

## Lease Transaction

(Thousands of yen)

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	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. 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.	(1) Summary of assumed amounts of acquisition cost, accumulated depreciation and net book value of the leased property.
<i>Property, plant and equipment (Vehicles)</i>	<i>Property, plant and equipment (Tools, furniture and fixtures)</i>	<i>Property, plant and equipment (Vehicles)</i>
Acquisition cost 5,838	Acquisition cost 255,378	Acquisition cost 103,084
Accumulated depreciation 2,043	Accumulated depreciation 161,828	Accumulated depreciation 75,907
Net book value 3,794	Net book value 93,549	Net book value 27,177
<i>Property, plant and equipment (Tools, furniture and fixtures)</i>	<i>Intangible assets (Software)</i>	<i>Property, plant and equipment (Tools, furniture and fixtures)</i>
Acquisition cost 173,682	Acquisition cost 10,962	Acquisition cost 218,048
Accumulated depreciation 63,819	Accumulated depreciation 5,741	Accumulated depreciation 79,199
Net book value 109,863	Net book value 5,220	Net book value 138,849
<i>Property, plant and equipment (Machinery)</i>	<i>Total</i>	<i>Intangible assets (Software)</i>
Acquisition cost 4,636	Acquisition cost 266,340	Acquisition cost 10,962
Accumulated depreciation 128	Accumulated depreciation 167,569	Accumulated depreciation 5,313
Net book value 4,508	Net book value 98,770	Net book value 5,649
<i>Intangible assets (Software)</i>		<i>Total</i>
Acquisition cost 10,962		Acquisition cost 332,095
Accumulated depreciation 3,549		Accumulated depreciation 160,419
Net book value 7,413		Net book value 171,675
<i>Total</i>		
Acquisition cost 195,119		
Accumulated depreciation 69,540		
Net book value 125,578		
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 interim balance sheet date.	Note: Same as on the left.	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.
(2) Future lease payments inclusive of interest	(2) Future lease payments inclusive of interest	(2) Future lease payments inclusive of interest
Due within one year 33,417	Due within one year 34,763	Due within one year 51,120
Due after one year 92,161	Due after one year 64,006	Due after one year 120,555
Total 125,578	Total 98,770	Total 171,675
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 interim period balance sheet date.	Note: Same as on the left.	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.

(Thousands of yen)

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
(3) Lease payments and depreciation equivalents	(3) Lease payments and depreciation equivalents	(3) Lease payments and depreciation equivalents
Lease payments 15,189	Lease payments 22,881	Lease payments 50,022
Depreciation equivalents 15,189	Depreciation equivalents 22,881	Depreciation equivalents 50,022
(4) Calculation of depreciation equivalents Depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.	(4) Calculation of depreciation equivalents Same as on the left.	(4) Calculation of depreciation equivalents Same as on the left.
2. Operating lease transactions	2. Operating lease transactions	2. Operating lease transactions
Future lease payments	Future lease payments	Future lease payments
Due within one year 9,000	Due within one year 9,000	Due within one year 9,000
Due after one year 88,500	Due after one year 79,500	Due after one year 84,000
<u>Total 97,500</u>	<u>Total 88,500</u>	<u>Total 93,000</u>

**Securities**

Interim FY2/08 (As of Aug. 31, 2007)

## 1. Other securities with market value

(Thousands of yen)

	Acquisition cost	Book value	Difference
Equity securities	1,250,417	1,265,006	14,588
Other	1,000	916	(83)
Total	1,251,417	1,265,922	14,504

## 2. Securities without market value

(Thousands of yen)

	Book value
Subsidiary and affiliate stocks	2,259,597
Other securities	
Unlisted equity securities	293,760
Corporate bonds	10,000
Other	751,094

Interim FY2/09 (As of Aug. 31, 2008)

## 1. Other securities with market value

(Thousands of yen)

	Acquisition cost	Book value	Difference
Equity securities	2,414,938	2,543,749	128,811
Other	111,000	110,721	(278)
Total	2,525,938	2,654,470	128,532

## 2. Securities without market value

(Thousands of yen)

	Book value
Subsidiary and affiliate stocks	993,473
Other securities	
Unlisted equity securities	605,447
Corporate bonds	13,000
Other	346,510

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

## 1. Other securities with market value

(Thousands of yen)

	Acquisition cost	Book value	Difference
Equity securities	2,086,398	2,304,112	217,713
Other	1,000	764	(235)
Total	2,087,398	2,304,876	217,477

## 2. Securities without market value

(Thousands of yen)

	Book value
Subsidiary and affiliate stocks	1,020,136
Other securities	
Unlisted equity securities	110,365
Corporate bonds	13,000
Other	767,854

**Derivatives**

Interim FY2/08 (As of Aug. 31, 2007)

Contract amounts, market values and net valuation gain/loss on derivative positions

(Thousands of yen)

Risk covered	Type of transaction	Contract amount	Contract amount over one year	Market value	Net valuation gain/loss
OTC transactions	Interest rate swaps Fixed rate payable and floating rate receivable	515,000	455,000	(3,738)	(3,738)
	Total	515,000	455,000	(3,738)	(3,738)

Note: Market values are calculated on the basis of quotations posted by financial institutions.

Interim FY2/09 (As of Aug. 31, 2008)

Contract amounts, market values and net valuation gain/loss on derivative positions

(Thousands of yen)

Risk covered	Type of transaction	Contract amount	Contract amount over one year	Market value	Net valuation gain/loss
OTC transactions	Interest rate swaps Fixed rate payable and floating rate receivable	180,000	120,000	(1,245)	(1,245)
	Total	180,000	120,000	(1,245)	(1,245)

Note: Market values are calculated on the basis of quotations posted by financial institutions.

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

Contract amounts, market values and net valuation gain/loss on derivative positions

(Thousands of yen)

Risk covered	Type of transaction	Contract amount	Contract amount over one year	Market value	Net valuation gain/loss
OTC transactions	Interest rate swaps Fixed rate payable and floating rate receivable	210,000	150,000	(2,000)	(2,000)
	Total	210,000	150,000	(2,000)	(2,000)

Note: Market values are calculated on the basis of quotations posted by financial institutions.

## Stock Options

Interim FY2/08 (Mar. 1, 2007 - Aug. 31, 2007)

Not applicable.

Interim FY2/09 (Mar. 1, 2008 - Aug. 31, 2008)

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

Selling, general and administrative expenses: 17,566 thousand yen

2. Description of stock options

Not applicable.

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	1,068
Granted	-
Forfeited	89
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

Not applicable.

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.

## Segment Information

### 1. Operating segment information

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)

(Thousands of yen)

	Real Estate & Condominium Business	Real Estate Rental & Property Management	Environmental Business	Total	Elimination or corporate	Consolidated
Revenue from operations						
(1) Outside customers	18,076,046	1,551,357	974,765	20,602,170	-	20,602,170
(2) Inter-segment	-	-	-	-	-	-
Total	18,076,046	1,551,357	974,765	20,602,170	-	20,602,170
Operating expenses	17,598,015	1,077,237	1,215,481	19,890,735	451,236	20,341,971
Operating income (loss)	478,031	474,119	(240,715)	711,435	(451,236)	260,198

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 451,236 thousand yen and consisted primarily of expenses related to the department of management.

Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)

(Thousands of yen)

	Real Estate & Condominium Business	Real Estate Rental & Property Management	Environmental Business	Total	Elimination or corporate	Consolidated
Revenue from operations						
(1) Outside customers	7,670,251	1,217,621	1,495,061	10,382,935	-	10,382,935
(2) Inter-segment	-	-	-	-	-	-
Total	7,670,251	1,217,621	1,495,061	10,382,935	-	10,382,935
Operating expenses	8,329,459	1,275,449	1,848,315	11,453,224	435,811	11,889,036
Operating income (loss)	(659,208)	(57,827)	(353,253)	(1,070,289)	(435,811)	(1,506,101)

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 435,811 thousand yen and consisted primarily of expenses related to the department of management.

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
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

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

## 2. Summary of operating segments

(1) Real Estate &amp; Condominium Business: Sales of condominiums, planning, design and sale of detached housing, and real estate sales and brokerage

(2) Real Estate Rental &amp; 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.

## 2. Geographical segment information

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)

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

Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)

(Thousands of yen)

	Japan	Europe	Total	Elimination or corporate	Consolidated
Revenue from operations					
(1) Outside customers	9,092,371	1,290,563	10,382,935	-	10,382,935
(2) Inter-segment	-	58,690	58,690	(58,690)	-
Total	9,092,371	1,349,254	10,441,625	(58,690)	10,382,935
Operating expenses	10,430,224	1,517,502	11,947,727	58,690	11,889,036
Operating loss	(1,337,852)	(168,248)	(1,506,101)	-	(1,506,101)

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas.

(1) Europe: Holland

FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)

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

### 3. Revenue from overseas operations

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)

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

Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)

(Thousands of yen)

	Asia	Total
Revenue from overseas operations	1,243,516	1,243,516
Consolidated revenue from operations	-	10,382,935
Share revenue from overseas operations in consolidated revenue from operations (%)	12.0	12.0

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas.

(1) Asia: China, South Korea

3. Revenue from overseas operations represents revenue of the Company and its consolidated subsidiaries, excluding revenue in Japan.

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.

**Per Share Data**

(Yen)

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
Net assets per share:	114,649.49	68,961.29	111,482.47
Net income (loss) per share:	2,008.21	(39,474.52)	650.36
Diluted net income per share:	1,718.07	Diluted net income per share is not presented since the Company reported a net loss.	541.94

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

(Thousands of yen)

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
Net income per share			
Net income (loss)	257,640	(5,064,226)	83,436
Amount not available to common shareholders	-	-	-
Net income (loss) applicable to common share	257,640	(5,064,226)	83,436
Average number of common shares outstanding during period (Shares)	128,293.89	128,291.03	128,292.38
Diluted net income per share			
Adjusted net income	-	-	-
Increase in the number of common shares (Shares)	21,665	-	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: one issue of stock acquisition rights Number of shares: 1,068	-	Type of share: one issue of stock acquisition rights Number of shares: 1,068

**Material Subsequent Events**

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
		<p>Stock split</p> <p>The HARAKOSAN board of directors approved a resolution on April 25, 2008 to conduct a stock split. The directors will determine the required items concerning this split at a later date.</p> <p>(1) Purpose of stock split</p> <p>In accordance with the Law to Partially Amend the Law Concerning Transfers of Corporate Bonds, etc. to Rationalize Settlements for Stock, etc. Transactions (“Settlement Rationalization Law”), the Company will conduct a stock split for the purpose of eliminating the odd-lot stock system to prepare for the planned January 2009 start of a system for electronic stock certificates, etc.</p> <p>In addition, shareholders approved a resolution at the general meeting of shareholders held on May 28, 2008 to establish a tangen (unit stock) system in which one unit of stock is 100 shares.</p> <p>(2) Outline of stock split</p> <p>1) Method of split</p> <p>Each share of HARAKOSAN common stock held by shareholders and beneficial shareholders at the close of business two days prior to enactment of the Settlement Rationalization Law will be split into 100 shares.</p> <p>2) Increase in authorized number of shares</p> <p>In accordance with Article 184, Paragraph 2 of the Company Law, the HARAKOSAN board of directors will approve a resolution on the day before enactment of the Settlement Rationalization Law to revise Article 6 of the HARAKOSAN Articles of Incorporation so that the authorized number of shares is 51,300,000.</p> <p>3) Number of shares to be increased through stock split</p> <p>Number of shares outstanding before the stock split: 128,298.49 shares (as of February 29, 2008)</p> <p>Increase in the number of shares due to the stock split: 12,701,550.51 shares</p> <p>Number of shares outstanding after the stock split: 12,829,849 shares</p> <p>Note: The number of shares outstanding shown above may increase due to the exercise of stock acquisition rights.</p>

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)								
		<p>(3) Timetable Record date: Two days before enactment of the Settlement Rationalization Law Effective date: One day before enactment of the Settlement Rationalization Law</p> <p>(4) Adjustment of execution price for stock options Due to this stock split, the exercise price will be adjusted as follows beginning on the stock split effective date. Rights distributed based on June 9, 2006 resolution of board of directors: Exercise price before adjustment: 456,720 yen Exercise price after adjustment: 4,568 yen</p> <p>(5) Adjustment of conversion price Due to this stock split, the conversion prices of the yen-denominated bonds (due 2012) with convertible bond-type stock acquisition rights, euro-yen denominated bonds (due 2012) with Class A convertible bond-type stock acquisition rights, and euro-yen denominated bonds (due 2012) with Class B convertible bond-type stock acquisition rights will be adjusted as follows beginning on the stock split effective date. Yen-denominated bonds (due 2012) with convertible bond-type stock acquisition rights Conversion price before adjustment: 273,935.1 yen Conversion price after adjustment: 2,739.4 yen Euro-yen denominated bonds (due 2012) with Class A convertible bond-type stock acquisition rights Conversion price before adjustment: 244,260 yen Conversion price after adjustment: 2,442.6 yen Euro-yen denominated bonds (due 2012) with Class B convertible bond-type stock acquisition rights Conversion price before adjustment: 233,910 yen Conversion price after adjustment: 2,339.1 yen</p> <p>(6) Effect on the per share data Per share data calculated as if the stock split had occurred at the beginning of previous fiscal year and current fiscal year is presented below.</p> <table border="1" data-bbox="979 1749 1442 1973"> <thead> <tr> <th data-bbox="979 1749 1209 1783">Previous fiscal year</th> <th data-bbox="1209 1749 1442 1783">Current fiscal year</th> </tr> </thead> <tbody> <tr> <td data-bbox="979 1783 1209 1848">Net assets per share: 1,138.30 yen</td> <td data-bbox="1209 1783 1442 1848">Net assets per share: 1,114.82 yen</td> </tr> <tr> <td data-bbox="979 1848 1209 1912">Net income per share: 154.63 yen</td> <td data-bbox="1209 1848 1442 1912">Net income per share: 6.50 yen</td> </tr> <tr> <td data-bbox="979 1912 1209 1973">Diluted net income per share: 154.13 yen</td> <td data-bbox="1209 1912 1442 1973">Diluted net income per share: 5.41 yen</td> </tr> </tbody> </table>	Previous fiscal year	Current fiscal year	Net assets per share: 1,138.30 yen	Net assets per share: 1,114.82 yen	Net income per share: 154.63 yen	Net income per share: 6.50 yen	Diluted net income per share: 154.13 yen	Diluted net income per share: 5.41 yen
Previous fiscal year	Current fiscal year									
Net assets per share: 1,138.30 yen	Net assets per share: 1,114.82 yen									
Net income per share: 154.63 yen	Net income per share: 6.50 yen									
Diluted net income per share: 154.13 yen	Diluted net income per share: 5.41 yen									

## 5. Production, Orders and Sales

### 1. Production

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

(Thousands of yen)

Operating segment	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	YoY change	
	Amount	Amount	Amount	%
Environmental Business	984,499	1,566,455	581,955	59.1
Total	984,499	1,566,455	581,955	59.1

Note: The above amounts do not include consumption taxes.

### 2. Orders

Orders by operating segment in the current interim period are as follows. The Company does not actively market its real estate rental & property management services.

(Thousands of yen)

Operating segment	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)		Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)		YoY change	
	Orders received	Orders backlog	Orders received	Orders backlog	Orders received	Orders backlog
Real Estate & Condominium Business	20,889,433	8,213,578	8,458,309	5,478,093	(12,431,123)	(2,735,485)
Environmental Business	7,696,319	19,399,967	27,399,837	55,319,287	19,703,518	35,919,319
Total	28,585,752	27,613,546	35,858,147	60,797,380	7,272,394	33,183,834

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

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

### 3. Sales

Sales by operating segment in the current interim period are as follows.

(Thousands of yen)

Operating segment	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	YoY change	
	Amount	Amount	Amount	%
Real Estate & Condominium Business	18,076,046	7,670,251	(10,405,795)	(57.6)
Real Estate Rental & Property Management	1,551,357	1,217,621	(333,735)	(21.5)
Environmental Business	974,765	1,495,061	520,296	53.4
Total	20,602,170	10,382,935	(10,219,235)	(51.9)

Notes: The above amounts, excluding certain subsidiaries that report sales amounts inclusive of consumption taxes, do not include consumption taxes.

## 6. Non-consolidated Interim Financial Statements and Other

## (1) Non-consolidated Balance Sheets

(Thousands of yen)

Items	Note	Interim FY2/08 (As of Aug. 31, 2007)		Interim FY2/09 (As of Aug. 31, 2008)		FY2/08 Summary (As of Feb. 29, 2008)	
		Amount	%	Amount	%	Amount	%
<b>Assets</b>							
<b>I Current assets</b>							
1. Cash and deposits	*2	4,734,118		1,183,865		7,594,103	
2. Accounts receivable-trade		232,460		1,012,228		6,440,994	
3. Inventories	*2	29,638,829		29,308,034		27,497,927	
4. Short-term loans receivable to subsidiaries and affiliates	*2	-		5,135,000		-	
5. Other		2,899,618		3,507,200		3,392,897	
6. Allowance for uncollectable receivables		(100)		(2,854,223)		(352,225)	
Total current assets		37,504,927	72.4	37,292,106	72.0	44,573,698	75.2
<b>II Fixed assets</b>							
<b>1. Property, plant and equipment</b>							
(1) Buildings	*2	2,762,947		2,699,036		2,746,093	
(2) Land	*2	1,766,368		1,742,927		1,742,927	
(3) Other		84,086		78,683		82,907	
Total property, plant and equipment		4,613,402	8.9	4,520,647	8.7	4,571,927	7.7
2. Intangible assets		632,920	1.2	581,819	1.1	609,175	1.0
<b>3. Investments and other assets</b>							
(1) Investments securities	*2	-		2,825,698		2,314,572	
(2) Affiliate stock		4,700,177		3,390,731		3,893,678	
(3) Investment in capital		-		-		55,011	
(4) Other		4,343,376		3,398,781		3,409,071	
(5) Allowance for uncollectable receivables		(8,246)		(181,463)		(124,554)	
Total investments and other assets		9,035,307	17.5	9,433,748	18.2	9,547,778	16.1
Total fixed assets		14,281,629	27.6	14,536,215	28.0	14,728,881	24.8
Total assets		51,786,556	100.0	51,828,321	100.0	59,302,579	100.0

(Thousands of yen)

Items	Note	Interim FY2/08 (As of Aug. 31, 2007)		Interim FY2/09 (As of Aug. 31, 2008)		FY2/08 Summary (As of Feb. 29, 2008)	
		Amount	%	Amount	%	Amount	%
<b>Liabilities</b>							
<b>I Current liabilities</b>							
1. Notes payable-trade		-		546,000		364,245	
2. Accounts payable-trade		147,481		2,081,216		4,806,613	
3. Short-term debt	*2	18,867,795		20,154,907		19,487,304	
4. Corporate bonds due within one year		20,000		550,000		-	
5. Allowance for bonuses to employees		34,900		35,700		22,500	
6. Other		1,441,362		2,913,599		2,808,130	
Total current liabilities		20,511,539	39.6	26,281,423	50.7	27,488,793	46.4
<b>II Long-term liabilities</b>							
1. Corporate bonds		650,000		100,000		650,000	
2. Bonds with stock acquisition rights		6,000,000		11,000,000		11,000,000	
3. Long-term debt	*2	9,195,868		4,028,701		4,425,368	
4. Allowance for retirement benefits for employees		14,831		18,191		15,728	
5. Allowance for retirement benefits for directors and corporate auditors		83,212		89,750		88,095	
6. Allowance for loss on loan guarantees		-		190,484		230,204	
7. Other		306,194		222,568		217,977	
Total long-term liabilities		16,250,106	31.4	15,649,696	30.2	16,627,373	28.0
Total liabilities		36,761,646	71.0	41,931,120	80.9	44,116,166	74.4
<b>Net assets</b>							
<b>I Shareholders' equity</b>							
1. Common stock		7,659,238	14.8	7,659,238	14.8	7,659,238	12.9
2. Capital surplus							
(1) Additional paid-in capital		3,179,377		3,179,377		3,179,377	
(2) Other capital surplus		201,195		200,810		200,891	
Total capital surplus		3,380,573	6.5	3,380,188	6.5	3,380,269	5.7
3. Retained earnings							
(1) Legal reserve		47,532		47,532		47,532	
(2) Other retained earnings							
Other reserve		2,435,000		2,435,000		2,435,000	
Retained earnings brought forward		1,450,846		(3,687,949)		1,536,239	
Total retained earnings		3,933,378	7.6	(1,205,416)	(2.3)	4,018,771	6.8
4. Treasury stock		(2,047)	(0.0)	(2,105)	(0.0)	(1,967)	(0.0)
Total shareholders' equity		14,971,142	28.9	9,831,905	19.0	15,056,311	25.4
<b>II Valuation and translation adjustments</b>							
1. Net unrealized holding gain on securities		(5,337)		(31,613)		50,757	
Total valuation and translation adjustments		(5,337)	(0.0)	(31,613)	(0.1)	50,757	0.1
<b>III Stock acquisition rights</b>							
Total net assets		15,024,910	29.0	9,897,201	19.1	15,186,412	25.6
Total liabilities and net assets		51,786,556	100.0	51,828,321	100.0	59,302,579	100.0

**(2) Non-consolidated Statements of Income**

(Thousands of yen)

Items	Note	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)		Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)		FY2/08 Summary (Mar. 1, 2007 – Feb. 29, 2008)	
		Amount	%	Amount	%	Amount	%
I Revenue from operations		15,676,499	100.0	6,292,766	100.0	45,135,968	100.0
II Cost of revenue from operations		14,524,153	92.6	5,988,976	95.2	40,541,431	89.8
Gross profit		1,152,346	7.4	303,789	4.8	4,594,536	10.2
III Selling, general and administrative expenses		1,043,102	6.7	1,148,962	18.2	2,783,672	6.2
Operating income (loss)		109,243	0.7	(845,173)	(13.4)	1,810,863	4.0
IV Non-operating income	*1	1,340,376	8.6	249,826	4.0	1,391,628	3.1
V Non-operating expenses	*2	447,306	2.9	525,229	8.4	846,536	1.9
Ordinary income (loss)		1,002,313	6.4	(1,120,576)	(17.8)	2,355,956	5.2
VI Extraordinary gains	*3	459	0.0	43,716	0.7	22,800	0.0
VII Extraordinary losses	*4	214,918	1.4	3,294,490	52.4	1,056,731	2.3
Income (loss) before income taxes		787,854	5.0	(4,371,351)	(69.5)	1,322,024	2.9
Current income taxes		361,746		3,020		783,331	
Income tax for previous years		-		36,989		-	
Deferred income taxes		(23,087)	2.1	491,676	8.4	(316,625)	1.0
Net income (loss)		449,195	2.9	(4,903,038)	(77.9)	855,318	1.9

**(3) Non-consolidated Statements of Change in Shareholders' Equity**

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 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, 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 period								
Dividend of surplus							(192,442)	(192,442)
Reserve for other reserve						1,130,000	(1,130,000)	-
Net income							449,195	449,195
Acquisition of treasury stock								
Disposal of treasury stock			(42)	(42)				
Changes (net) in items other than shareholders' equity								
Total changes in the period	-	-	(42)	(42)	-	1,130,000	(873,246)	256,753
Balance as of Aug. 31, 2007	7,659,238	3,179,377	201,195	3,380,573	47,532	2,435,000	1,450,846	3,933,378

	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 period						
Dividend of surplus		(192,442)				(192,442)
Reserve for other reserve						-
Net income		449,195				449,195
Acquisition of treasury stock	(1,371)	(1,371)				(1,371)
Disposal of treasury stock	201	158				158
Changes (net) in items other than shareholders' equity			(23,402)	(23,402)	22,009	(1,393)
Total changes in the period	(1,169)	255,540	(23,402)	(23,402)	22,009	254,147
Balance as of Aug. 31, 2007	(2,047)	14,971,142	(5,337)	(5,337)	59,105	15,024,910

Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 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. 29, 2008	7,659,238	3,179,377	200,891	3,380,269	47,532	2,435,000	1,536,239	4,018,771
Changes in the period								
Dividend of surplus							(321,150)	(321,150)
Net loss							(4,903,038)	(4,903,038)
Acquisition of treasury stock								
Disposal of treasury stock			(80)	(80)				
Changes (net) in items other than shareholders' equity								
Total changes in the period	-	-	(80)	(80)	-	-	(5,224,188)	(5,224,188)
Balance as of Aug. 31, 2008	7,659,238	3,179,377	200,810	3,380,188	47,532	2,435,000	(3,687,949)	(1,205,416)

	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. 29, 2008	(1,967)	15,056,311	50,757	50,757	79,343	15,186,412
Changes in the period						
Dividend of surplus		(321,150)				(321,150)
Net loss		(4,903,038)				(4,903,038)
Acquisition of treasury stock	(302)	(302)				(302)
Disposal of treasury stock	164	84				84
Changes (net) in items other than shareholders' equity			(82,371)	(82,371)	17,566	(64,804)
Total changes in the period	(137)	(5,224,406)	(82,371)	(82,371)	17,566	(5,289,211)
Balance as of Aug. 31, 2008	(2,105)	9,831,905	(31,613)	(31,613)	96,909	9,897,201

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

## Conditions and events that might raise critical questions about the validity of the going-concern assumption

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
<p style="text-align: center;">—————</p>	<p>HARAKOSAN Co., Ltd. did not have capital deficit at the end of the first half of the current fiscal year. However, due to the rapid downturn in the real estate market and the credit crunch, the Company recorded an operating loss of 845,173 thousand yen as sales fell sharply. In addition, the Company reported a first half net loss of 4,903,038 thousand yen because of loss on valuation of investment securities, loss on valuation of affiliate stock, a provision for allowance for uncollectable receivables and other extraordinary losses. As a result, there are serious doubts about the assumption that the Company is a going concern.</p> <p>In response to these issues, the Company announced its New Medium-term Management Plan on August 29, 2008. The plan has five primary objectives: (1) use resources only in carefully selected business fields in order to operate more efficiently; (2) in the wind power business, conduct joint operations with business partners rather than handling all projects alone in order to keep pace with the rapid growth of this market and earn high returns on invested capital; (3) review and restructure from all angles the company's management, organization, operating framework, strategies and other activities; (4) cut selling, general and administrative expenses and other expenses; and (5) reorganize group companies.</p> <p>Based on the above objectives, the Company plans to improve financial soundness through a large reduction in interest-bearing debt. This reduction will be funded by inventory sales and other measures to rapidly monetize assets. In addition, the Company foresees no significant change in the support provided by financial institutions. The Company plans to stabilize its operations through these actions aimed at improving financial soundness and using resources more productively. Management believes that this will eliminate any significant doubts about the Company's ability to operate as a going concern. Consequently, the interim non-consolidated financial statements have been prepared on the assumption that the Company is a going concern and the significant doubts about this assumption have not been reflected in these statements.</p>	<p style="text-align: center;">—————</p>

**Significant Accounting Policies in the Preparation of Interim Non-consolidated Financial Statements**

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
1. Valuation criteria and methods for assets	<p>(1) Securities Available for sale securities Stated at fair value. (Cost of securities sold is determined by the moving-average method.) Subsidiary and affiliate stocks Stated at cost, cost being determined by the moving-average method. Other securities Securities with market quotations Stated at fair value on the interim balance sheet date. (Net unrealized holding gain is included directly in net assets. Cost of securities sold is determined by the moving-average method.) Securities without market quotations Stated at cost, cost being determined by the moving-average method.</p> <p>(2) Derivatives Market value method.</p> <p>(3) Inventories 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>(1) Securities Available for sale securities Same as on the left.  Subsidiary and affiliate stocks Same as on the left.  Other securities Securities with market quotations Same as on the left.  Securities without market quotations Same as on the left.</p> <p>(2) Derivatives Same as on the left.</p> <p>(3) Inventories Merchandise, real estate for sale, real estate in-process for sale and cost on uncompleted construction contracts Same as on the left.</p>	<p>(1) Securities Available for sale securities Same as on the left.  Subsidiary and affiliate stocks Same as on the left.  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.) Securities without market quotations Same as on the left.</p> <p>(2) Derivatives Same as on the left.</p> <p>(3) Inventories Merchandise, real estate for sale, real estate in-process for sale and cost on uncompleted construction contracts Same as on the left.</p>
2. Depreciation and amortization method for fixed assets	<p>(1) Property, plant and equipment The Company computes depreciation using the declining-balance method, except for buildings (excluding building attachments) acquired after April 1, 1998, which are computed using straight-line method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law.</p>	<p>(1) Property, plant and equipment The Company computes depreciation using the declining-balance method, except for buildings (excluding building attachments) acquired after April 1, 1998, which are computed using straight-line method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law.</p>	<p>(1) Property, plant and equipment The Company computes depreciation using the declining-balance method, except for buildings (excluding building attachments) acquired after April 1, 1998, which are computed using straight-line method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law.</p>

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<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 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>(3) Long-term prepaid expenses The Company computes depreciation using the straight-line method.</p>	<p>(Supplementary information) Property, plant and equipment acquired on or before March 31, 2007, for which depreciation up to the depreciable amounts is complete, are depreciated up to the memorandum value using the straight-line method over five years from the following year, 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> <p>(3) Long-term prepaid expenses Same as on the left.</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> <p>(3) Long-term prepaid expenses Same as on the left.</p>
3. Accounting for allowances	<p>(1) Allowance for uncollectable receivables The Company provides for uncollectable receivables 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 uncollectable receivables, including claims in bankruptcy.</p> <p>(2) Allowance for bonuses to employees The Company provides for allowance for bonuses to employees at the amount based on the estimated bonus obligations.</p>	<p>(1) Allowance for uncollectable receivables Same as on the left.</p> <p>(2) Allowance for bonuses to employees Same as on the left.</p>	<p>(1) Allowance for uncollectable receivables Same as on the left.</p> <p>(2) Allowance for bonuses to employees Same as on the left.</p>

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
	<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. Allowance for bonuses to directors and corporate auditors was not expensed as it was difficult to make an appropriate estimate during the current interim period.</p> <p>(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 interim balance sheet date.</p> <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 interim balance sheet date based on the internal guidelines.</p> <p>(6) Allowance for loss on loan guarantees _____</p>	<p>(3) Allowance for bonuses to directors and corporate auditors Same as on the left.</p> <p>(4) Allowance for retirement benefits for employees Same as on the left.</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>(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 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.</p> <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 Same as on the left.</p>
4. 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.	Same as on the left.

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
5. 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.</p> <p>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>Consumption taxes suspense payments and receipts are balanced out and included in the “Other” under current assets.</p>	<p>Accounting for consumption taxes</p> <p>Same as on the left.</p>	<p>Accounting for consumption taxes</p> <p>The Company uses the tax-exclusion method to account for national and local consumption taxes.</p> <p>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>

**Reclassifications**

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)
<p>(Non-consolidated Balance Sheets)</p> <p>“Investment in capital” is included in “Other” under investments and other assets since it is now below 5/100 of total assets.</p> <p>“Investment in capital” totaled 56,623 thousand yen at the end of the current interim period.</p> <p>“Affiliate stock” presented as a component of “Other” under investments and other assets in the previous interim period, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets at the end of the current interim period.</p> <p>“Affiliate stock” totaled 1,284,030 thousand yen at the end of the previous interim period.</p>	<p>(Non-consolidated Balance Sheets)</p> <p>“Short-term loans receivable to subsidiaries and affiliates,” presented as a component of “Other” under current assets in the previous interim period, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets at the end of the current interim period.</p> <p>“Short-term loans receivable to subsidiaries and affiliates” totaled 710,000 thousand yen at the end of the previous interim period.</p> <p>“Investments securities,” presented as a component of “Other” under investments and other assets in the previous interim period, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets at the end of the current interim period.</p> <p>“Investments securities” totaled 1,587,501 thousand yen at the end of the previous interim period.</p>

## Notes to Non-consolidated Financial Statements

## Notes to Non-consolidated Balance Sheets

(Thousands of yen)

Interim FY2/08 (As of Aug. 31, 2007)	Interim FY2/09 (As of Aug. 31, 2008)	FY2/08 (As of Feb. 29, 2008)
*1. Accumulated depreciation of property, plant and equipment 506,249	*1. Accumulated depreciation of property, plant and equipment 609,324	*1. Accumulated depreciation of property, plant and equipment 559,576
*2. Assets pledged as collateral	*2. Assets pledged as collateral	*2. Assets pledged as collateral
Cash and deposits 210,142	Cash and deposits 210,430	Cash and deposits 210,430
Inventories 23,845,124	Inventories 22,380,540	Inventories 18,252,119
Buildings 2,469,772	Short-term loans	Buildings 2,469,772
Land 1,269,502	receivable to subsidiaries 4,200,000	Land 1,269,502
Total 27,794,542	and affiliates	Total 22,201,826
	Buildings 2,474,868	
	Land 1,455,741	
	Investment securities 1,474,832	
	Total 32,196,413	
Liabilities corresponding to above assets pledged as collateral	Liabilities corresponding to above assets pledged as collateral	Liabilities corresponding to above assets pledged as collateral
Short-term debt 8,316,000	Short-term debt 14,847,307	Short-term debt 5,473,000
Long-term debt (includes long-term debt due within one year) 15,357,623	Long-term debt (includes long-term debt due within one year) 7,596,221	Long-term debt (includes long-term debt due within one year) 13,739,612
Total 23,673,623	Total 22,443,529	Total 19,212,612
3. Loan guarantees	3. Loan guarantees	3. Loan guarantees
Warantee Gurantee	Warantee Gurantee	Warantee Gurantee
Medical Corporation Tokuyukai 795,592	Medical Corporation Tokuyukai 770,088	Medical Corporation Tokuyukai 804,174
Sumiyoshi Heavy Industries Co., Ltd. 569,760	Sumiyoshi Heavy Industries Co., Ltd. 519,965	Sumiyoshi Heavy Industries Co., Ltd. 571,690
Gotsu Windpower Co., Ltd. 1,041,000	Gotsu Windpower Co., Ltd. 1,041,000	Gotsu Windpower Co., Ltd. 1,041,000
Betsudai Co., Ltd. 1,327,377	Masuda Windpower Co., Ltd. 300,000	Masuda Windpower Co., Ltd. 393,000
Hrakosan Life Service Co., Ltd. 206,141	Betsudai Co., Ltd. 1,260,461	Betsudai Co., Ltd. 1,221,619
S Trust Co., Ltd. 270,000	Harakosan Life Service Co., Ltd. 119,720	Harakosan Life Service Co., Ltd. 124,173
Lerbec Co., Ltd. 32,071	S Trust Co., Ltd. 438,000	Lerbec Co., Ltd. 13,592
The Company had contingent liabilities from guarantees of bank borrowings made by above companies.	Harakosan Residence Co., Ltd. 1,379,000	S Trust Co., Ltd. 438,000
	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.	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.
4. Discounted notes receivable 554,400	4. _____	4. _____

## Notes to Non-consolidated Statements of Income

(Thousands of yen)

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
*1. Major items of “Non-operating income”	*1. Major items of “Non-operating income”	*1. Major items of “Non-operating income”
Interest income 42,645	Interest income 156,242	Interest income 58,145
Dividend income 1,228,359	Dividend income 24,389	Dividend income 1,232,420
Gain on sale of marketable securities 40,655	Gain on sale of marketable securities 18,301	Gain on sale of marketable securities 39,766
*2. Major items of “Non-operating expenses”	*2. Major items of “Non-operating expenses”	*2. Major items of “Non-operating expenses”
Interest expense 268,048	Interest expense 304,684	Interest expense 614,729
Loss on valuation of marketable securities 56,640	Loss on valuation of marketable securities 25,912	Commission for syndicated loan 24,100
	Provision for allowance for uncollectable receivables 64,954	Bond issuance expenses 10,352
*3. Breakdown of extraordinary gains	*3. Breakdown of extraordinary gains	*3. Breakdown of extraordinary gains
Gain on reversal of allowance for uncollectable receivables 459	Gain on sale of fixed assets 3,996	Gain on sale of investment securities 22,800
	Gain on reversal of allowance for loss on loan guarantees 39,719	
*4. Breakdown of extraordinary losses	*4. Breakdown of extraordinary losses	*4. Breakdown of extraordinary losses
Loss on valuation of investment securities 17,318	Loss on sale of investment securities 11,898	Loss on sale of investment securities 26,600
Loss on sale of investment securities 26,600	Loss on valuation of investment securities 105,476	Loss on valuation of investment securities 85,736
Loss on valuation of affiliate stock 171,000	Loss on valuation of affiliate stock 685,947	Loss on sale of affiliate stock 15,265
	Loss on sale of fixed assets 501	Loss on valuation of affiliate stock 243,999
	Provision for allowance for uncollectable receivables 2,490,666	Provision for allowance for uncollectable receivables 454,925
		Provision for allowance for loss on loan guarantees 230,204
5. Depreciation and amortization	5. Depreciation and amortization	5. Depreciation and amortization
Property, plant and equipment 57,715	Property, plant and equipment 57,661	Property, plant and equipment 120,646
Intangible assets 27,089	Intangible assets 27,355	Intangible assets 54,134

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

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)

Type and number of treasury stock

Type	Number of shares as of Feb. 28, 2007	Increase	Decrease	Number of shares as of Aug. 31, 2007
Common shares (Shares)	3.49	4.00	0.80	6.69

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 4.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests: 0.80 shares

Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)

Type and number of treasury stock

Type	Number of shares as of Feb. 29, 2008	Increase	Decrease	Number of shares as of Aug. 31, 2008
Common shares (Shares)	6.69	3.00	0.60	9.09

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 3.00 shares

Decrease in the number of shares (itemized):

Decrease due to transfer of odd-lot shares in response to purchase requests: 0.60 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)

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	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. 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.	(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 (Tools, furniture and fixtures)</i>	<i>Property, plant and equipment (Tools, furniture and fixtures)</i>
Acquisition cost 66,000	Acquisition cost 202,976	Acquisition cost 202,976
Accumulated depreciation 50,600	Accumulated depreciation 148,356	Accumulated depreciation 130,704
Net book value 15,400	Net book value 54,620	Net book value 72,271
<i>Total</i>	<i>Total</i>	<i>Total</i>
Acquisition cost 66,000	Acquisition cost 202,976	Acquisition cost 202,976
Accumulated depreciation 50,600	Accumulated depreciation 148,356	Accumulated depreciation 130,704
Net book value 15,400	Net book value 54,620	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 interim period balance sheet date.	Note: Same as on the left.	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.
(2) Future lease payments inclusive of interest	(2) Future lease payments inclusive of interest	(2) Future lease payments inclusive of interest
Due within one year 13,200	Due within one year 24,303	Due within one year 30,903
Due after one year 2,200	Due after one year 30,317	Due after one year 41,368
Total 15,400	Total 54,620	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 interim period balance sheet date.	Note: Same as on the left.	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.
(3) Lease payments and depreciation equivalents	(3) Lease payments and depreciation equivalents	(3) Lease payments and depreciation equivalents
Lease payments 6,600	Lease payments 17,651	Lease payments 27,169
Depreciation equivalents 6,600	Depreciation equivalents 17,651	Depreciation equivalents 27,169
(4) Calculation of depreciation equivalents Depreciation expense is computed using the straight-line method over the lease terms assuming no residual value.	(4) Calculation of depreciation equivalents Same as on the left.	(4) Calculation of depreciation equivalents Same as on the left.
2. Operating lease transactions	2. Operating lease transactions	2. Operating lease transactions
Future lease payments	Future lease payments	Future lease payments
Due within one year 9,000	Due within one year 9,000	Due within one year 9,000
Due after one year 88,500	Due after one year 79,500	Due after one year 84,000
Total 97,500	Total 88,500	Total 93,000

**Securities**

Interim FY2/08 (As of Aug. 31, 2007), Interim FY2/09 (As of Aug. 31, 2008), FY2/08 (As of Feb. 29, 2008)

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

**Per Share Data**

(Yen)

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
Net assets per share:	116,654.42	76,392.06	117,755.53
Net income (loss) per share:	3,501.30	(38,218.09)	6,666.95
Diluted net income per share:	2,995.46	Diluted net income per share is not presented since the Company reported a net loss.	5,555.51

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

(Thousands of yen)

	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
Net income per share			
Net income (loss)	449,195	(4,903,038)	855,318
Amount not available to common shareholders	-	-	-
Net income (loss) applicable to common share	449,195	(4,903,038)	855,318
Average number of common shares outstanding during period (Shares)	128,293.89	128,291.03	128,292.38
Diluted net income per share			
Adjusted net income	-	-	-
Increase in the number of common shares (Shares)	21,665	-	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: one issue of stock acquisition rights Number of shares: 1,068	-	Type of share: one issue of stock acquisition rights Number of shares: 1,068

**Material Subsequent Events**

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)
		<p>Stock split</p> <p>The HARAKOSAN board of directors approved a resolution on April 25, 2008 to conduct a stock split. The directors will determine the required items concerning this split at a later date.</p> <p>(1) Purpose of stock split</p> <p>In accordance with the Law to Partially Amend the Law Concerning Transfers of Corporate Bonds, etc. to Rationalize Settlements for Stock, etc. Transactions (“Settlement Rationalization Law”), the Company will conduct a stock split for the purpose of eliminating the odd-lot stock system to prepare for the planned January 2009 start of a system for electronic stock certificates, etc.</p> <p>In addition, shareholders approved a resolution at the general meeting of shareholders held on May 28, 2008 to establish a tangen (unit stock) system in which one unit of stock is 100 shares.</p> <p>(2) Outline of stock split</p> <p>1) Method of split</p> <p>Each share of HARAKOSAN common stock held by shareholders and beneficial shareholders at the close of business two days prior to enactment of the Settlement Rationalization Law will be split into 100 shares.</p> <p>2) Increase in authorized number of shares</p> <p>In accordance with Article 184, Paragraph 2 of the Company Law, the HARAKOSAN board of directors will approve a resolution on the day before enactment of the Settlement Rationalization Law to revise Article 6 of the HARAKOSAN Articles of Incorporation so that the authorized number of shares is 51,300,000.</p> <p>3) Number of shares to be increased through stock split</p> <p>Number of shares outstanding before the stock split: 128,298.49 shares (as of February 29, 2008)</p> <p>Increase in the number of shares due to the stock split: 12,701,550.51 shares</p> <p>Number of shares outstanding after the stock split: 12,829,849 shares</p> <p>Note: The number of shares outstanding shown above may increase due to the exercise of stock acquisition rights.</p>

Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	Interim FY2/09 (Mar. 1, 2008 – Aug. 31, 2008)	FY2/08 (Mar. 1, 2007 – Feb. 29, 2008)								
		<p>(3) Timetable Record date: Two days before enactment of the Settlement Rationalization Law Effective date: One day before enactment of the Settlement Rationalization Law</p> <p>(4) Adjustment of execution price for stock options Due to this stock split, the exercise price will be adjusted as follows beginning on the stock split effective date. Rights distributed based on June 9, 2006 resolution of board of directors: Exercise price before adjustment: 456,720 yen Exercise price after adjustment: 4,568 yen</p> <p>(5) Adjustment of conversion price Due to this stock split, the conversion prices of the yen-denominated bonds (due 2012) with convertible bond-type stock acquisition rights, euro-yen denominated bonds (due 2012) with Class A convertible bond-type stock acquisition rights, and euro-yen denominated bonds (due 2012) with Class B convertible bond-type stock acquisition rights will be adjusted as follows beginning on the stock split effective date. Yen-denominated bonds (due 2012) with convertible bond-type stock acquisition rights Conversion price before adjustment: 273,935.1 yen Conversion price after adjustment: 2,739.4 yen Euro-yen denominated bonds (due 2012) with Class A convertible bond-type stock acquisition rights Conversion price before adjustment: 244,260 yen Conversion price after adjustment: 2,442.6 yen Euro-yen denominated bonds (due 2012) with Class B convertible bond-type stock acquisition rights Conversion price before adjustment: 233,910 yen Conversion price after adjustment: 2,339.1 yen</p> <p>(6) Effect on the per share data Per share data calculated as if the stock split had occurred at the beginning of previous fiscal year and current fiscal year is presented below.</p> <table border="1" data-bbox="978 1749 1442 1973"> <thead> <tr> <th data-bbox="978 1749 1209 1783">Previous fiscal year</th> <th data-bbox="1209 1749 1442 1783">Current fiscal year</th> </tr> </thead> <tbody> <tr> <td data-bbox="978 1783 1209 1848">Net assets per share: 1,148.42 yen</td> <td data-bbox="1209 1783 1442 1848">Net assets per share: 1,177.55 yen</td> </tr> <tr> <td data-bbox="978 1848 1209 1912">Net income per share: 153.82 yen</td> <td data-bbox="1209 1848 1442 1912">Net income per share: 66.66 yen</td> </tr> <tr> <td data-bbox="978 1912 1209 1973">Diluted net income per share: 153.32 yen</td> <td data-bbox="1209 1912 1442 1973">Diluted net income per share: 55.55 yen</td> </tr> </tbody> </table>	Previous fiscal year	Current fiscal year	Net assets per share: 1,148.42 yen	Net assets per share: 1,177.55 yen	Net income per share: 153.82 yen	Net income per share: 66.66 yen	Diluted net income per share: 153.32 yen	Diluted net income per share: 55.55 yen
Previous fiscal year	Current fiscal year									
Net assets per share: 1,148.42 yen	Net assets per share: 1,177.55 yen									
Net income per share: 153.82 yen	Net income per share: 66.66 yen									
Diluted net income per share: 153.32 yen	Diluted net income per share: 55.55 yen									

\* 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.