



January 14, 2010

### Financial Summaries for the 3rd Quarter of Fiscal Year Ending February 28, 2010

Company name: HARAKOSAN CO., LTD.

Stock Exchange Listing: OSE, 2<sup>nd</sup> Section

Stock Code: 8894

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Scheduled date of filing of quarterly Report:

January 14, 2010

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

#### 1. Consolidated Financial Results for the Nine Months Ended November 30, 2009 (March 1, 2009 – November 30, 2009)

(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	%
Nine months ended Nov. 30, 2009	9,882	(33.8)	(4,274)	-	(4,912)	-	(8,032)	-
Nine months ended Nov. 30, 2008	14,918	(38.7)	(2,511)	-	(3,725)	-	(6,313)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2009	(626.10)	-
Nine months ended Nov. 30, 2008	(49,213.47)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Nov. 30, 2009	22,102	(3,454)	(15.7)	(269.71)
As of February 28, 2009	43,078	4,602	10.5	351.60

Reference: Shareholders' Equity Nov. 30, 2009 (3,460) million yen Feb. 2009 4,510 million yen

#### 2. Dividends

(Record date)	Dividend per share				
	1Q end	2Q end	3Q end	4Q end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2009	-	0.00	-	0.00	0.00
Fiscal year ended Feb. 28, 2010	-	0.00	-	-	-
Fiscal year ended Feb. 28, 2010 (forecast)	-	-	-	0.00	0.00

Reference: Change in dividend forecast in the current quarter: None

#### 3. Consolidated Forecast for the Fiscal Year Ending February 28, 2010 (Mar. 1, 2009 - Feb. 28, 2010)

(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	13,100	(34.8)	(3,920)	-	(4,440)	-	(4,590)	-	(357.78)

Reference: Change in forecast in the current quarter: No

4. Others

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of the simplified method for accounting procedures: Yes
- (3) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements
  - 1) Changes caused by revision of accounting standards: Yes
  - 2) Other changes: None
- (4) Number of shares outstanding (common stock)
  - 1) Fiscal year end: Nov.2009 (including treasury stocks): 12,829,849shares      Feb.2009: 12,829,849shares
  - 2) Fiscal year end treasury stocks: Nov.2009: 1,109shares      Feb.2009: 1,089shares
  - 3) Fiscal year average outstanding shares: Nov.2009: 12,828,764shares      May.2008: 128,290shares

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

- 1. All figures are provided based on new quarterly accounting standard.
- 2. The estimated values have been prepared based on information available to the Company as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors. Estimated net income per share is calculated without dilution for common stock equivalents associated with stock acquisition rights.
- 3. Made stock split of 100 shares per 1 share on January 4, 2009

## Qualitative Information

### 1. Qualitative information concerning consolidated business results

Although there are some hopes for the economic recoveries by new economic measures initiated by the new government, the Japanese economy during the nine months ended November 2009 remained sluggish because of the decline in corporate earnings affected by the worldwide economic deterioration since the previous year, continuous personal consumption decline and the announcement of deflation by the government, etc.

In such circumstances, the Company group has been making effort to improve the financial position by reducing costs, decreasing debts, selling inventories, etc.

However, as the severe business environment continues, it was unable to make reasonable profit and resulted in appropriating operating loss of ¥3,055million. Though it could appropriate special profit of ¥6,660million by producing profit through bond redemption price reduction operations, it could not avoid appropriating special loss amounting to ¥9,784million resulting from adding allowances of debt guaranteeing and inventories' paper losses, etc.

As the result, for total 3 quarters of the current fiscal year (nine months ended November 2009), consolidated revenue from operations turned out to be ¥9,882million and profit & loss figures amounted to be as follows: operating loss ¥4,274million, ordinary loss ¥4,912million and net loss ¥8,032million.

Operating results by business segment were as follows:

(Millions of yen)

Operating segment	Revenue from operations	Composition
Real Estate & Condominium Business	7,547	76.4%
Real Estate Rental & Property Management	823	8.3%
Environmental Business	1,512	15.3%
Total	9,882	100.0%

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

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

As the drop in appetite of consumers become significant, the Company group withheld new housing projects and concentrated in selling inventories. But as the real estate prices declined, the Company could not make proper profit.

As the result, segment revenue from operations for total 3 quarters of the current fiscal year amounted to ¥7,547million, and the operating loss amounted to ¥3,543million.

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

Though the Company concentrated in getting orders for properties management business, it could not achieve the planned target affected by the downturn of the economy. Also, the number of the buildings being managed and the moving-in rates have been kept in a declining trend.

As the result, segment revenue from operations total 3 quarters of the current fiscal year amounted to ¥823million yen, and the operating profit amounted to ¥236million.

**(3) Environmental Business**

Though the Company group has been concentrating in selling wind power generation equipments, environmental equipments and environmental goods, it could not achieve the planned target. Also, in order to diminish the scale of the environmental business, the Company sold the subsidiary's stocks and also sold the fixed assets relating to the wind power generation business.

As the result, segment revenue from operations total 3 quarters of the current fiscal year amounted to ¥1,512million, and the operating loss amounted to ¥619million yen.

**2. Qualitative information concerning consolidated financial conditions**

At the end of the total 3 quarters of the current fiscal year, total assets decreased by ¥20,975million compared to the previous fiscal year end figure to ¥22,102million. This is due to the decrease in inventories.

In the liabilities, the total figure decreased by ¥12,919million.compared to the previous fiscal year end figure to ¥25,557million. This comes mainly from the decreases in short term debts, and warrants coming due within a year.

On the other hand, net assets decreased by ¥8,056million compared to the previous fiscal year end figure, and resulted in a loss of ¥3,454million. This is mainly due to the decrease in retained earnings.

**3. Qualitative information concerning the consolidated business outlook**

The business environment surrounding the real estate market has become more severe due to the deterioration of the economy since the previous year, and the severe business environment for the Company group is expected to continue. Considering such situation, the Company has been scrutinizing the current fiscal year business prospects, but as there are many unclear and uncertain factors, the Company for the moment will not change the forecast disclosed on 31 October 2009. But, should there be any needs of changing it after the scrutiny, the Company intends to disclose it in the earliest convenience.

**4. Others****(1) Changes in each major subsidiaries' position**

None

**(2) Major changes in accounting methods**

Concerning the decline in book value of inventories, for the ones with deteriorating profitability have been estimated with due salable value, and took method of declining the book value.

**(3) Major changes in expressing accounting methods**

- i) From the present fiscal year, the Company is complying with 'Accounting standards regarding quarterly financial statements' and 'Principles applying to accounting standards regarding quarterly financial statements'. Also quarterly financial statements have been made following 'Rules for quarterly financial statements'.
- ii) The Company has been following rules for 'applying accounting standards regarding quarterly financial statements', and regarding evaluating principles, the Company changed from cost price rule to cost price rule (in a method of lowering book value as profitability declines).

As the result, if compared to the traditional rules, total operating loss, operating loss and ordinary losses increased by

¥1,693million, and net loss before tax increased by ¥9,622million respectively.

(4) Notice regarding Going Concern Company

The Company group appropriated net operating loss of ¥3,536,591thousand and net loss of ¥9,134,852thousand in the previous fiscal year, and also appropriated operating loss of ¥4,274,480thousand and net loss of ¥8,032,077thousand in the 3<sup>rd</sup> quarter of the current fiscal year, net assets showed a loss of ¥3,454,453thousand. And, anticipating the difficulty of paying back the loans received, the Company has asked banks to wait for a certain period for the repayment and a partial reduction of interest payment.

Also, regarding the Series A Zero Coupon Convertible Bonds due 2012 (Series A Bonds) issued by the Company on 12 December 2007, ¥2,300,000thousand (out of the issue amount ¥2,500,000thousand yen) was requested for an early redemption from the Bondholders. The repayment was scheduled on 21 December 2009, but because of the shortage of the funds, the early redemption has not been realized. And, as the requested ¥2,300,000thousand of Series A Bonds has not been redeemed, the remaining amount ¥200,000thousand which had not been asked for the early redemption and the Series B Zero Coupon Convertible Bonds due 2012 (Series B Bonds) issued also on 21 December 2007 became subject for the early redemption, as well based on the Terms and Conditions of the issue. Should the Company receive a notice from any of the Bondholders of the Series A Bonds and/or Series B Bonds that the Bonds are due and repayable, both these debts will become due and must be redeemed.

From the above, there lies important doubt concerning the Going Concern. To withdraw from such situation, first of all, for the purpose of stabilizing the financial condition, the Company has been negotiating with banks for shelving partially the repayment of the money the Company borrowed and a partial reduction of the interest payment; to which most banks other than a few agreed, and the Company succeeded in getting approvals.

And for Series A Bonds and Series B Bonds, in order to buy back them at a deep discount, the Company has been negotiating with each Bondholders.

With regard to the Company's main business, following the New Medium Term Management Plan released on 29 August 2008, domestic business among the wind power generation business has been sold to other companies, and the patent and the Dutch subsidiary Harakosan Europe B.V. have been sold as well. Also, the Company has been making effort in cutting cost through redundancies of 13 staffs according to an early retirement scheme, revision of directors' remunerations, downsizing of the office space of Tokyo office, etc.

The Company is contemplating to upgrade the earnings power by a continuous effort of squeezing the financial debt through the sales of inventories, reinforcement of house rent and administration business. These can be regarded as measures for stabilization of earnings, and more over, the Company is enhancing new business such as re-sale and reforming, etc. aggressively.

However, as these measures are currently on the way, there lies important doubt concerning the Going Concern. The Financial Summaries for the third quarter has been prepared by taking Going Concern into consideration as prerequisite, but such uncertainty is not reflected in the Financial Summaries.

(5) Important factors surfaced after the 3<sup>rd</sup> quarter.

Concerning the delay in repayment of Zero Coupon Convertible Bonds:

The Company issued ¥2,500,000thousand of Series A Bonds of Zero Coupon Convertible Bonds due 2012 on 21 December 2007. However, ¥2,300,000thousand has been requested by the Bondholders to be redeemed following the Optional Redemption condition in the Terms and Condition of the Issue. The due date was 21 December 2009, but because of the shortage of funds, the early redemption has not been realized. And, as the requested ¥2,300,000thousand of Series A Bonds has not been redeemed, the remaining amount ¥200,000thousand which had not been asked for the early redemption and ¥2,500,000thousand of the Series B Zero Coupon Convertible Bonds due 2012 issued also on 21 December 2007 became subject for the early redemption, as well based on the Terms and Conditions of the issue. Should the Company receive a notice from any of the Bondholders of the Series A Bonds and/or Series B Bonds that the Bonds are due and repayable, both these debts will become due and must be redeemed.

Therefore, the Company has been negotiating with relevant Bondholders to buy back those Series A Bonds and Series B Bonds, at a deep discount.