October 19, 2007

Financial Summaries for the First Half of the Fiscal Year Ending February 29, 2008

Company name: HARAKOSAN CO., LTD. Stock Exchange listing: OSE, 2nd Section
Stock code: 8894 URL: http://www.harakosan.co.jp
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Scheduled date of filing of Semiannual Report: November 26, 2007
Scheduled date of dividend payment: November 19, 2007

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

1. Consolidated Financial Results for the Six Months Ended August 31, 2007 (Mar. 1, 2007 – Aug. 31, 2007)

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

	Revenue from operations		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Aug. 31, 2007	20,602	62.4	260	(59.5)	(246)	-
Six months ended Aug. 31, 2006	12,683	6.2	641	(20.5)	506	(33.2)
Fiscal year ended Feb. 28, 2007	52,841	-	3,433	-	3,065	-

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
Six months ended Aug. 31, 2007	257	(0.0)	2,008.21	1,718.07
Six months ended Aug. 31, 2006	257	(41.5)	2,055.94	-
Fiscal year ended Feb. 28, 2007	1,959	-	15,463.58	15,413.03

Reference: Investment profit/loss under equity method
Aug. 2007: 2 million yen Aug. 2006: 1 million yen Feb. 2007: 2 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 31, 2007	61,462	14,964	23.9	114,649.49
As of Aug. 31, 2006	50,940	12,090	23.4	95,677.84
As of Feb. 28, 2007	69,745	14,768	20.9	113,830.25

Reference: Shareholders' equity
Aug. 2007: 14,708 million yen Aug. 2006: 11,945 million yen Feb. 2007: 14,603 million yen

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six months ended Aug. 31, 2007	(15,769)	15,308	(4,073)	8,631
Six months ended Aug. 31, 2006	(13,328)	(7,106)	22,972	5,492
Fiscal year ended Feb. 28, 2007	(3,637)	(5,640)	19,422	13,129

2. Dividends

	Dividend per share (Yen)		
(Record date)	Interim	Year-end	Annual
Fiscal year ended Feb. 28, 2007	1,000.00	1,500.00	2,500.00
Fiscal year ending Feb. 29, 2008	2,500.00		5,000.00
Fiscal year ending Feb. 29, 2008 (forecast)		2,500.00	

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2008 (Mar. 1, 2007 – Feb. 29, 2008)

(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	66,000	24.9	4,000	16.5	3,800	24.0	2,650	35.3	17,671.76

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: Yes

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. 2007: 128,298 shares Aug. 2006: 128,298 shares Feb. 2007: 128,298 shares

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

Aug. 2007: 6 shares Aug. 2006: 3,451 shares Feb. 2007: 3 shares

Note: Please refer to "Per Share Data" on page 40 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, 2007 (Mar. 1, 2007 – Aug. 31, 2007)

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

	Revenue from operations		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Aug. 31, 2007	15,676	46.9	109	(83.6)	1,002	94.0
Six months ended Aug. 31, 2006	10,673	(9.9)	666	(16.4)	516	(31.6)
Fiscal year ended Feb. 28, 2007	48,694	-	3,561	-	3,222	-

	Net income		Net income per share
	Millions of yen	%	Yen
Six months ended Aug. 31, 2007	449	43.0	3,501.30
Six months ended Aug. 31, 2006	314	(27.2)	2,505.87
Fiscal year ended Feb. 28, 2007	1,948	-	15,382.80

(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, 2007	51,786	15,024	28.9	116,654.42
As of Aug. 31, 2006	46,254	12,238	26.4	97,631.76
As of Feb. 28, 2007	46,585	14,770	31.6	114,842.10

Reference: Shareholders' equity

Aug. 2007: 14,965 million yen Aug. 2006: 12,189 million yen Feb. 2007: 14,733 million yen

2. Non-consolidated Forecast for the Fiscal Year Ending February 29, 2008 (Mar. 1, 2007 – Feb. 29, 2008)

(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	52,000	6.8	4,000	12.3	3,400	5.5	2,000	2.6	13,337.17

* 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 29, 2008 (announced on April 20, 2007.) 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 assuming that all corporate bonds with stock acquisition rights issued on February 22, 2007 have been exercised. Please refer to "1. Results of Operations (1) Analysis of Results of Operations" on page 4 for further information concerning these forecasts.

1. Results of Operations

(1) Analysis of Results of Operations

During the first half of the fiscal year, Japan's economy continued to recover at a moderate pace. Backed by solid exports and consistent growth in corporate earnings, private-sector capital expenditures continued to grow as the employment picture improved and consumer spending climbed. Despite this strength, the economic outlook is uncertain. Prices of crude oil and other basic materials have increased sharply and the U.S. subprime loan problem has sparked a drop in stock prices and volatility in foreign exchange rates.

In Japan's real estate industry, the cost of land is rising due to increasing competition to purchase quality sites for development, particularly in prime urban locations. Furthermore, companies are raising sales prices to pass on the higher cost of building materials. At the same time, the number of residential construction starts is declining, primarily a reflection of the longer time required to obtain government approvals following revisions of Japan's building standards law. As a result, there are many sources of concern about the outlook for the real estate industry.

In this environment, the Company retained a strong commitment to putting the customer first. We conducted aggressive sales activities that mainly targeted value-added condominiums that match customers' needs. At the same time, we established Harakosan Residence Co., Ltd. to strengthen condominium sales activities in eastern Japan, chiefly the Kanto area. We also established Hunan Harakosan XEMC Urban Development Co., Ltd., a Chinese joint venture that will sell condominiums in China.

Due to these activities, consolidated revenue from operations increased 62.4% year-on-year to 20,602 million yen, operating income decreased 59.5% to 260 million yen, ordinary loss was 246 million yen compared with a income of 506 million yen one year earlier, and interim net income was flat year-on-year at 257 million yen.

Operating results by business segment were as follows.

(Thousands of yen)

Operating segment	Revenue from operations	Composition
Real Estate & Condominium Business	18,076,046	87.8%
Real Estate Rental & Property Management	1,551,357	7.5%
Environmental Business	974,765	4.7%
Total	20,602,170	100.0%

Note: Above figures do not include consumption taxes.

(1) Real Estate & Condominium Business

Total condominium units sold by the Group was 162 units, and it was down by 106 year-on-year because there was a larger share of construction completions in the second half of the current fiscal year. Nevertheless, the volume of sales remained high. Sales contracts were signed for 309 units during the first half, 32 more than one year earlier, despite a decline in the number of construction starts on residential buildings for sale.

In addition, there were strong sales of large tracts of land for sale that we purchased in Tokyo and Osaka.

As a result, segment revenue from operations increased 69.2% to 18,076 million yen and operating income decreased 38.5% to 478 million yen.

(2) Real Estate Rental & Property Management

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

As a result, segment revenue from operations increased 68.0% to 1,551 million yen and operating income increased 88.2% to 474 million yen.

(3) Environmental Business

In the wind-power system sector, the Group delivered one system at Muroran in Hokkaido and wind-power system components in Inner Mongolia in China. In addition, we procured components to prepare for the delivery of systems already ordered for installation in Hogsara, Finland and China. Assembly work is now under way. In Japan, the Group is currently installing 12 systems in Shimane prefecture. In addition, we received an order for 24 systems that will be located in China's Shanxi province. The Group has now received official orders from China for a total of 61 systems.

As a result, segment revenue from operations decreased 9.7% to 974 million yen and operating loss was 240 million yen compared with an income of 94 million yen one year earlier.

Current trends in U.S. and other countries outside Japan along with the sharply higher cost of crude oil and fears of rising interest rates are creating a negative outlook for the Japanese economy. However, we believe the economy will continue to slowly recover as growth in corporate earnings raises capital expenditures and improving employment levels fuels a rebound in consumer spending.

The Group will constantly focus on conducting business activities that are innovative and forward-looking. In the core condominium sales business, operations are currently located in Yamaguchi prefecture as well as the Tokyo area, Kyushu and the Chugoku region. We plan to continue extending these operations to other areas of Japan. As part of this geographic expansion, we will use the newly established Harakosan Residence to increase condominium sales in the Kanto area and other regions of eastern Japan. In addition, we will begin the full-scale launch of condominium sales in China. This business combines two strengths. First is our expertise gained over many years in building energy-efficient, environmentally friendly residences in Japan. Second is our distinctive philosophy for building residences that match the unique requirements of the Chinese market. In another development, we started a real estate purchasing center under the new JUYUBANK brand. This center will offer brokerage services as well as renovation services that incorporate our technological knowhow gained through the construction of condominiums.

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

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

For the fiscal year ending February 29, 2008, we are forecasting consolidated revenue from operations of 66,000 million yen, operating income of 4,000 million yen, ordinary income of 3,800 million yen, and net income of 2,650 million yen.

(2) Analysis of Financial Position

Cash and cash equivalents totaled 8,631 million yen as of August 31, 2007, 4,497 million yen less than at the end of the previous fiscal year mainly due to decreases in cash flows from operating and financing activities.

Operating activities

Net cash used in operating activities increased 2,440 million yen to 15,769 million yen. There was a 15,545 million yen increase in inventories but a 5,535 million yen decrease in notes and accounts receivable.

Investing activities

Net cash provided by investing activities increased 22,414 million yen to 15,308 million yen. This was mainly attributable to proceeds of 17,761 million yen from sales of property, plant and equipment.

Financing activities

Net cash used in financing activities increased 27,045 million yen to 4,073 million yen. This was mainly attributable to proceeds of 2,472 million yen from short-term debt and 14,472 million yen in long-term debt. Major expenditure was payment of long-term debt of 20,852 million yen.

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

	Interim FY2/07	Interim FY2/08	FY2/07
Shareholders' equity ratio (%)	23.4	23.9	20.9
Shareholder's equity ratio based on a market price (%)	66.9	65.8	37.5
Interest-bearing debt to cash flow ratio (%)	-	-	-
Interest coverage ratio	-	-	-

* Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio based on market prices: 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.

We will pay a dividend of 2,500 yen per share applicable to the first half of the fiscal year. We plan to pay a year-end dividend of 2,500 yen per share, which will result in a dividend of 5,000 yen applicable to the current fiscal year.

(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 full disclosure of information to investors, we have included items that we believe are important or useful for investment decisions, even though these items may not necessarily be risk factors. We are aware of these risks and are taking actions to prevent these problems and to deal with these events should they occur.

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

1) Changes in the real estate 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 while 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 Group 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-power systems outside Japan in Europe and Asia, including China. Although measures are taken with regard to all types of risk, there is a possibility of unexpected revisions to laws and tax systems, changes in government policies, acts of terrorism or war, other social instability, and other events. If any of these events occurs, there may be 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 Group's performance.

6) Dependence on Masaaki Hara, President & CEO

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

7) Recruiting activities

Due to the 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 2.81 years as of August 31, 2007. 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.

8) Foreign exchange rates

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

9) Laws and regulations

The Group's business activities are subject to a number of laws and regulations that include, but are not limited to, the Building Lots and Buildings Transaction Business Law, the Act for Planning the Utilization of the National Land, the Building Standards Law, the City Planning Law and the Act Concerning Elimination and Prevention of Involvement in Bid Rigging, etc. Revisions to these laws and regulations as well as the establishment of new laws and regulations may have 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), 14 subsidiaries (including 13 consolidated subsidiaries) and five affiliates (including three equity-method affiliates). The Group is engaged primarily in the real estate & condominium business, real estate rental & property management, and the environmental business. The following section describes the major business activities and the positions of group companies in relation to these activities. These business sectors are the same as the business segments used for financial reporting purposes.

a. Real Estate & Condominium Business

The Company and consolidated subsidiaries S Trust Co., Ltd. and Betsudai Co., Ltd. are engaged in the sale of condominiums, the planning, design and sale of detached housing, and real estate sales and brokerage. In addition, these two subsidiaries provide consignment sales services for condominiums. Consolidated subsidiary Harakosan PFI Investment Co., Ltd. is engaged in the private finance initiative (PFI) business. Consolidated subsidiary Inoue Investment, Inc. buys and sells real estate, is a real estate broker. Consolidated subsidiary Harakosan Residence Co., Ltd. was established in this fiscal year to strengthen condominium sales activities in eastern Japan, chiefly the Kanto area. Consolidated subsidiaries Y.K. CC Capital One and Y.K. CC Capital Two buy and sell real estate. Consolidated subsidiary Hunan Harakosan XEMC Urban Development Co., Ltd. was established in this fiscal year to develop land and sell condominiums in China.

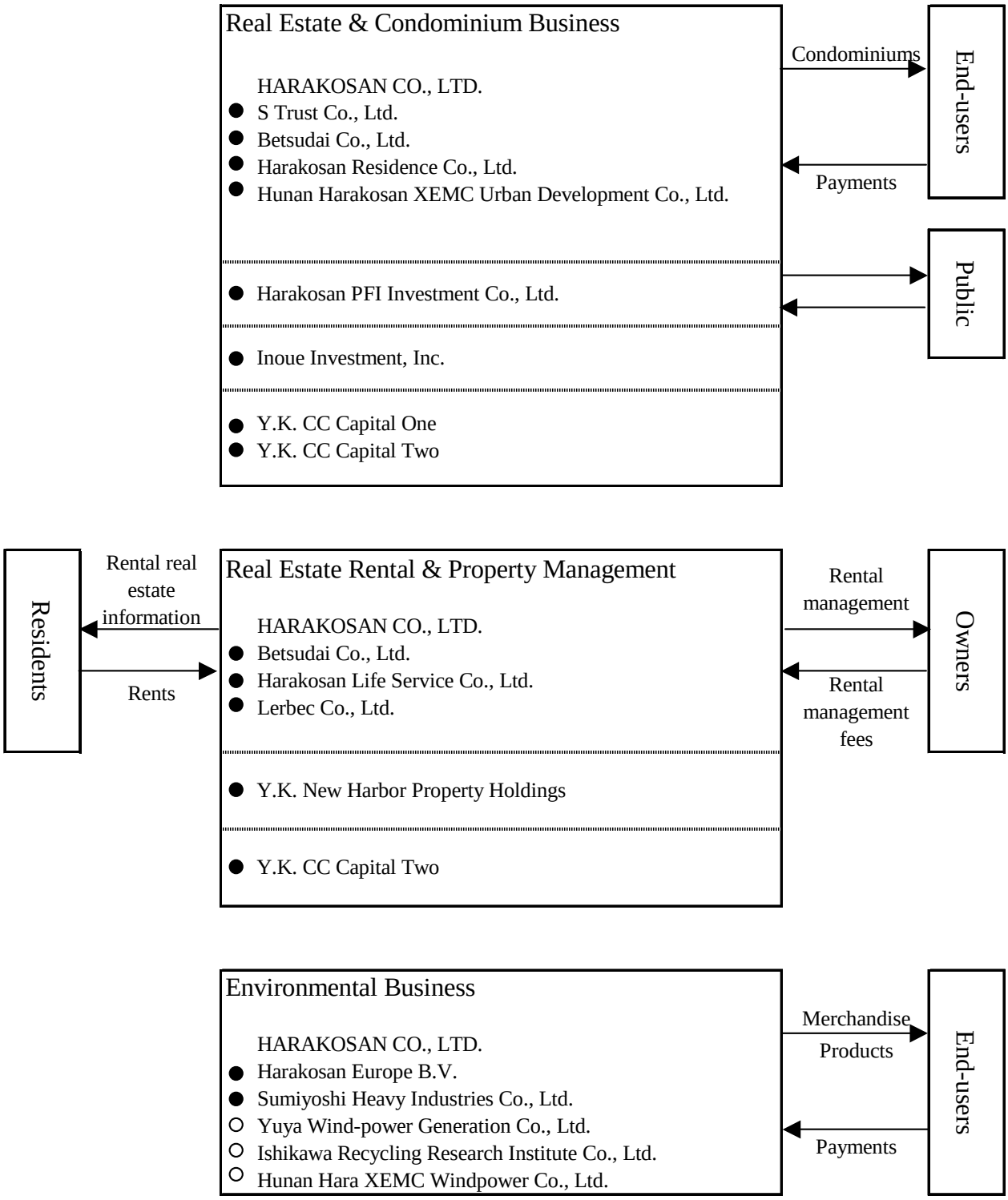
b. Real Estate Rental & Property Management

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. New Harbor Property Holdings and Y.K. CC Capital Two generate income from real estate through real estate trust beneficiary rights.

c. Environmental Business

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

Business flow chart is as follows.



Note: ● consolidated subsidiary ○ equity-method affiliate

3. Management Policies

(1) Fundamental Management Policy

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

We sell condominiums that provide pleasant living environments, such as by incorporating solar energy systems 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 products and services business that includes existing solar energy systems and wind-power systems. We are also working on ways to commercialize new environmental products like bio diesel fuel (BDF) equipment.

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

(2) Targeted Performance Indicators

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

(3) Medium- and Long-term Management Strategies

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

(4) Important Issues

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

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

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

(5) Other Important Items

Not applicable.

4. Interim Consolidated Financial Statements and Other

(1) Consolidated Balance Sheets

(Thousands of yen)

		Interim FY2/07 (As of Aug. 31, 2006)			Interim FY2/08 (As of Aug. 31, 2007)			FY2/07 Summary (As of Feb. 28, 2007)		
Items	Note	Amount		%	Amount		%	Amount		%
Assets										
I Current assets										
1. Cash and deposits	*2		5,896,613			9,017,012			13,499,635	
2. Notes and accounts receivable-trade	*4		1,358,367			1,184,887			6,775,741	
3. Inventories	*2		30,164,087			36,127,641			18,766,304	
4. Other			852,720			1,780,405			698,843	
5. Allowance for doubtful accounts			(2,134)			(3,594)			(8,582)	
Total current assets			38,269,655	75.1		48,106,353	78.3		39,731,942	57.0
II Fixed assets										
1. Property, plant and equipment	*1									
(1) Buildings	*2	2,566,389			3,342,151			3,437,779		
(2) Land	*2	2,320,388			2,616,301			2,626,504		
(3) Other		182,332	5,069,110	10.0	344,865	6,303,318	10.3	404,808	6,469,093	9.3
2. Intangible assets										
(1) Consolidated adjustment account		378,229			-			1,887,239		
(2) Goodwill		-			708,897			-		
(3) Other		309,093	687,322	1.3	663,560	1,372,457	2.2	664,315	2,551,554	3.6
3. Investments and other assets										
(1) Investments securities		-			4,580,374			3,065,575		
(2) Investment in capital		5,290,911			-			-		
(3) Other		1,718,754			1,129,553			17,976,928		
(4) Allowance for doubtful accounts		(95,595)	6,914,070	13.6	(30,033)	5,679,894	9.2	(49,992)	20,992,511	30.1
Total fixed assets			12,670,503	24.9		13,355,671	21.7		30,013,159	43.0
Total assets			50,940,159	100.0		61,462,024	100.0		69,745,102	100.0

(Thousands of yen)

		Interim FY2/07 (As of Aug. 31, 2006)		Interim FY2/08 (As of Aug. 31, 2007)		FY2/07 Summary (As of Feb. 28, 2007)	
Items	Note	Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
1. Notes and accounts payable-trade		1,431,217		1,895,464		3,727,608	
2. Short-term debt	*2	26,392,444		21,335,288		17,001,861	
3. Corporate bonds due within one year		40,000		20,000		40,000	
4. Allowance for bonuses to employees		28,914		39,790		28,708	
5. Allowance for bonuses to directors and corporate auditors		-		-		27,300	
6. Other		2,282,183		2,835,023		3,318,264	
Total current liabilities		30,174,758	59.3	26,125,566	42.5	24,143,743	34.6
II Long-term liabilities							
1. Corporate bonds		670,000		650,000		650,000	
2. Bonds with stock acquisition rights		-		6,000,000		6,000,000	
3. Long-term debt	*2	7,231,736		12,424,489		19,222,573	
4. Allowance for retirement benefits for employees		174,067		136,093		135,551	
5. Allowance for retirement benefits for directors and corporate auditors		70,233		83,212		74,683	
6. Consolidated adjustment account		124,270		-		109,737	
7. Negative goodwill		-		95,204		-	
8. Other		404,573		983,005		4,640,613	
Total long-term liabilities		8,674,882	17.0	20,372,004	33.2	30,833,159	44.2
Total liabilities		38,849,641	76.3	46,497,570	75.7	54,976,903	78.8
Net assets							
I Shareholders' equity							
1. Common stock		7,659,238	15.0	7,659,238	12.4	7,659,238	11.0
2. Capital surplus		3,312,401	6.5	3,380,573	5.5	3,380,616	4.8
3. Retained earnings		1,914,695	3.8	3,556,558	5.8	3,491,360	5.0
4. Treasury stock		(949,834)	(1.9)	(2,047)	(0.0)	(878)	(0.0)
Total shareholders' equity		11,936,500	23.4	14,594,323	23.7	14,530,337	20.8
II Valuation and translation adjustments							
1. Net unrealized holding gains on securities		1,046	0.0	8,743	0.0	34,622	0.0
2. Foreign currency translation adjustment		7,582	0.0	105,522	0.2	38,890	0.1
Total valuation and translation adjustments		8,628	0.0	114,265	0.2	73,513	0.1
III Stock acquisition rights		49,113	0.1	59,105	0.1	37,095	0.1
IV Minority interests		96,275	0.2	196,759	0.3	127,251	0.2
Total net assets		12,090,518	23.7	14,964,453	24.3	14,768,199	21.2
Total liabilities and net assets		50,940,159	100.0	61,462,024	100.0	69,745,102	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

		Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)			Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)			FY2/07 Summary (Mar. 1, 2006 – Feb. 28, 2007)		
Items	Note	Amount		%	Amount		%	Amount		%
I Revenue from operations			12,683,625	100.0		20,602,170	100.0		52,841,903	100.0
II Cost of revenue from operations			10,608,281	83.6		18,248,065	88.6		45,676,206	86.4
Gross profit			2,075,344	16.4		2,354,105	11.4		7,165,696	13.6
III Selling, general and administrative expenses	*1		1,433,462	11.3		2,093,906	10.1		3,732,398	7.1
Operating income			641,882	5.1		260,198	1.3		3,433,298	6.5
IV Non-operating income										
1. Interest income		5,218			9,467			6,683		
2. Dividend income		20,588			10,854			32,443		
3. Gain on sale of marketable securities		15,053			124,262			79,440		
4. Amortization of consolidated adjustment account		14,533			-			29,066		
5. Amortization of negative goodwill		-			14,533			-		
6. Other		80,245	135,639	1.0	94,329	253,448	1.2	278,753	426,387	0.8
V Non-operating expenses										
1. Interest expense		197,423			497,502			633,854		
2. Other		73,724	271,147	2.1	263,007	760,509	3.7	160,123	793,977	1.5
Ordinary income (loss)			506,373	4.0		(246,862)	(1.2)		3,065,707	5.8
VI Extraordinary gains										
1. Prior year income adjustments	*2	-			-			80,979		
2. Gain on sale of investment securities		-			-			2,600		
3. Gain on reversal of allowance for doubtful accounts		14,535			5,343			-		
4. Gain on sale of investment in capital		-			-			50,000		
5. Gain from forgiveness of debt		-			-			171,835		
6. Gain on sale of fixed assets		-	14,535	0.1	740,202	745,545	3.6	-	305,414	0.6
VII Extraordinary losses										
1. Loss on disposal of fixed assets	*3	-			-			442		
2. Loss on sales of fixed assets		-			32,484			-		
3. Loss on sale of investment securities		-			26,600			-		
4. Loss on valuation of investment securities		9,856			17,318			18,939		
5. Loss on valuation of inventories		-			-			39,386		
6. Loss on change in equity interest		12,953			-			23,145		
7. Impairment losses	*4	-	22,809	0.2	1,051,732	1,128,135	5.5	-	81,913	0.2

		Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)			Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)			FY2/07 Summary (Mar. 1, 2006 – Feb. 28, 2007)		
Items	Note	Amount		%	Amount		%	Amount		%
Net income (loss) before income taxes			498,098	3.9		(629,452)	(3.1)		3,289,208	6.2
Current income taxes		190,360			384,592			1,584,561		
Deferred income taxes		35,788	226,148	1.8	(1,294,462)	(909,869)	(4.4)	(274,564)	1,309,996	2.5
Minority interests			14,290	0.1		22,776	0.1		20,038	0.0
Net income			257,659	2.0		257,640	1.2		1,959,172	3.7

(3) Consolidated Statements of Change in Shareholders' Equity

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006) (Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Feb. 28, 2006	6,034,908	1,688,071	1,928,718	(38,631)	9,613,066
Changes in the period					
Issuance of new shares	1,624,330	1,624,330			3,248,660
Dividend of surplus			(215,666)		(215,666)
Bonuses to directors and corporate auditors paid through appropriation of income			(60,000)		(60,000)
Net income			257,659		257,659
Acquisition of treasury stock				(911,272)	(911,272)
Disposal of treasury stock				69	69
Other			3,983		3,983
Changes (net) in items other than shareholders' equity					
Total changes in the period	1,624,330	1,624,330	(14,022)	(911,203)	2,323,434
Balance as of Aug. 31, 2006	7,659,238	3,312,401	1,914,695	(949,834)	11,936,500

	Valuation and translation adjustments			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized holding gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of Feb. 28, 2006	24,102	2,228	26,331	-	58,047	9,697,445
Changes in the period						
Issuance of new shares						3,248,660
Dividend of surplus						(215,666)
Bonuses to directors and corporate auditors paid through appropriation of income						(60,000)
Net income						257,659
Acquisition of treasury stock						(911,272)
Disposal of treasury stock						69
Other						3,983
Changes (net) in items other than shareholders' equity	(23,055)	5,353	(17,702)	49,113	38,227	69,639
Total changes in the period	(23,055)	5,353	(17,702)	49,113	38,227	2,393,073
Balance as of Aug. 31, 2006	1,046	7,582	8,628	49,113	96,275	12,090,518

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					
Issuance of new shares					
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						
Issuance of new shares						-
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

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007) (Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Feb. 28, 2006	6,034,908	1,688,071	1,928,718	(38,631)	9,613,066
Changes in the fiscal year					
Issuance of new shares	1,624,330	1,624,330			3,248,660
Dividend of surplus			(340,513)		(340,513)
Bonuses to directors and corporate auditors paid through appropriation of income			(60,000)		(60,000)
Net income			1,959,172		1,959,172
Acquisition of treasury stock				(911,850)	(911,850)
Disposal of treasury stock		68,215		949,603	1,017,819
Other			3,983		3,983
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	1,624,330	1,692,545	1,562,642	37,753	4,917,271
Balance as of Feb. 28, 2007	7,659,238	3,380,616	3,491,360	(878)	14,530,337

	Valuation and translation adjustments			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized holding gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of Feb. 28, 2006	24,102	2,228	26,331	-	58,047	9,697,445
Changes in the fiscal year						
Issuance of new shares						3,248,660
Dividend of surplus						(340,513)
Bonuses to directors and corporate auditors paid through appropriation of income						(60,000)
Net income						1,959,172
Acquisition of treasury stock						(911,850)
Disposal of treasury stock						1,017,819
Other						3,983
Changes (net) in items other than shareholders' equity	10,520	36,661	47,182	37,095	69,204	153,480
Total changes in the fiscal year	10,520	36,661	47,182	37,095	69,204	5,070,753
Balance as of Feb. 28, 2007	34,622	38,890	73,513	37,095	127,251	14,768,199

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

Items	Note	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006) Amount	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007) Amount	FY2/07 Summary (Mar. 1, 2006 – Feb. 28, 2007) Amount
I Cash flows from operating activities				
1. Net income (loss) before income taxes		498,098	(629,452)	3,289,208
2. Depreciation and amortization		88,058	161,359	218,128
3. Impairment losses		-	1,051,732	-
4. Increase (decrease) in allowance for doubtful accounts		(18,734)	(4,947)	(57,888)
5. Increase (decrease) in allowance for bonuses to employees		3,101	11,082	3,211
6. Increase (decrease) in allowance for bonuses to directors and corporate auditors		-	(27,300)	-
7. Increase (decrease) in allowance for retirement benefits for employees		(53,371)	541	(50,635)
8. Increase (decrease) in allowance for retirement benefits for directors and corporate auditors		(4,258)	8,529	191
9. Interest and dividend income		(25,806)	(20,322)	(39,126)
10. Interest expense		197,423	497,502	633,854
11. Gain on sale of fixed assets		-	(740,202)	-
12. Gain on sale of marketable securities		(15,053)	(124,262)	(79,440)
13. Loss on sale of investment securities		9,856	26,600	-
14. Decrease (increase) in notes and accounts receivable		5,881,285	5,535,801	496,815
15. Decrease (increase) in inventories		(16,016,896)	(15,545,079)	(5,921,878)
16. Increase (decrease) in notes and accounts payable		(2,878,452)	(1,831,318)	(460,306)
17. Increase (decrease) in guarantee deposits		-	(2,386,795)	-
18. Directors' bonuses paid		(60,000)	-	(60,000)
19. Other		76,828	155,189	(87,050)
Subtotal		(12,317,920)	(13,861,343)	(2,114,916)
20. Interests and dividends received		25,772	20,087	25,188
21. Interest paid		(267,212)	(534,909)	(643,079)
22. Income taxes paid		(769,139)	(1,393,230)	(904,770)
Net cash used in operating activities		(13,328,500)	(15,769,394)	(3,637,577)

(Thousands of yen)

Items	Note	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006) Amount	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007) Amount	FY2/07 Summary (Mar. 1, 2006 – Feb. 28, 2007) Amount
II Cash flows from investing activities				
1. Increase in time deposits		(110,193)	(94,054)	(370,014)
2. Decrease in time deposits		67,042	79,543	361,982
3. Purchases of property, plant and equipment		(1,149,313)	(58,188)	(1,313,747)
4. Proceeds from sale of property, plant and equipment		-	17,761,539	-
5. Acquisition of intangible assets		-	(4,629)	(487,168)
6. Proceeds from sale of investment securities		626,933	156,800	796,366
7. Purchases of investment securities		(1,255,678)	(1,763,955)	(2,389,152)
8. Payments for acquisition of investment in capital		(5,222,000)	(51)	(500,160)
9. Proceeds from sale of investment in capital		15,550	-	570,150
10. Proceeds from acquisition of consolidated subsidiaries		-	-	155,505
11. Payments for acquisition of consolidated subsidiaries		-	(307,664)	(2,401,646)
12. Increase in non-current loans		(9,000)	(108,750)	(29,000)
13. Decrease in non-current loans		34,901	38,915	91,279
14. Other		(104,946)	(391,376)	(125,143)
Net cash provided by (used in) investing activities		(7,106,703)	15,308,129	(5,640,750)
III Cash flows from financing activities				
1. Increase (decrease) in short-term debt		16,859,061	2,472,000	4,384,189
2. Proceeds from long-term debt		8,295,510	14,472,345	13,638,510
3. Payment of long-term debt		(4,318,637)	(20,852,003)	(6,591,711)
4. Payments for redemption of bond		(20,000)	(20,000)	(40,000)
5. Proceeds from issuance of bonds with stock acquisition rights		-	-	6,000,000
6. Proceeds from issuance of shares and stock acquisition rights		3,283,660	-	3,283,660
7. Cash dividends paid		(215,666)	(192,442)	(340,513)
8. Net decrease (increase) in treasury stock		(911,203)	-	-
9. Payments for purchase of treasury stock		-	(1,371)	(911,850)
10. Proceeds from sale of treasury stock		-	158	69
11. Proceeds from minority interests		-	48,182	-
Net cash provided by (used in) financing activities		22,972,724	(4,073,130)	19,422,352
IV Effect of exchange rate changes on cash and cash equivalents		9,354	37,262	39,488
V Increase (decrease) in cash and cash equivalents		2,546,874	(4,497,133)	10,183,513
VI Cash and cash equivalents at beginning of year		2,941,205	13,129,120	2,941,205
VII Increase in cash and cash equivalents from new consolidation		4,400	-	4,400
VIII Cash and cash equivalents at end of period		5,492,480	8,631,986	13,129,120

Significant Accounting Policies in the Preparation of Interim Consolidated Financial Statements

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 7 Name of consolidated subsidiaries: Harakosan Europe B.V. S Trust Co., Ltd. Sumiyoshi Heavy Industries Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd. Harakosan PFI Investment Co., Ltd. Betsudai Urban Development Project Cooperative Association Effective from the current interim period, Harakosan PFI Investment Co., Ltd. is included in the consolidation due to its establishment, Betsudai Real Estate Sale Co., Ltd., and Betsudai Urban Development Project Cooperative Association due to their increased significance in the context of the interim consolidated financial statements. Betsudai Co., Ltd., Betsudai Community Co., Ltd., and Betsudai Real Estate Sale Co., Ltd. merged with the surviving company Betsudai Co., Ltd. on August 1, 2006.	(1) Number of consolidated subsidiaries: 13 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 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 income statement is consolidated until liquidation has been completed.	(1) Number of consolidated subsidiaries: 10 Name of consolidated subsidiaries: Harakosan Europe B.V. S Trust Co., Ltd. Sumiyoshi Heavy Industries Co., Ltd. Harakosan Life Service Co., Ltd. Betsudai Co., Ltd. Harakosan PFI Investment Co., Ltd. Betsudai Urban Development Project Cooperative Association Lerbec Co., Ltd. Inoue Investment, Inc. Y.K. New Harbor Property Holdings Effective from the current fiscal year, Harakosan PFI Investment Co., Ltd. is included in the consolidation due to its establishment. Lerbec Co., Ltd. is included in the consolidation due to acquisition of its stock, Inoue Investment, Inc. due to exchange of stock, and Betsudai Real Estate Sale Co., Ltd., and Betsudai Urban Development Project Cooperative Association due to their increased significance in the context of the consolidated financial statements. Effective from the current fiscal year, Y. K. New Harbor Property Holdings is included in the consolidation since the Company adopted the new accounting standards for investment partnerships: "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (PITF No. 20: Accounting Standards Board of Japan, September 8, 2006). Betsudai Community Co., Ltd. and Betsudai Real Estate Sale Co., Ltd. were merged with Betsudai Co., Ltd. on August 1, 2006.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	(2) Major non-consolidated subsidiaries Trust Community Co., Ltd. Reason for exclusion from the consolidation: The interim 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.	(2) Major non-consolidated subsidiaries Trust Community Co., Ltd. Reason for exclusion from the consolidation: Same as on the left.	(2) Major non-consolidated subsidiaries Trust Community Co., Ltd. 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.
2. Application of the equity method	(1) Number of equity method affiliates: 3 Name of equity method affiliates: Yuya Wind-power Generation Co., Ltd. Ishikawa Recycling Research Institute Co., Ltd. Hunan Hara XEMC Windpower Co., Ltd. Effective from the current interim period, Hunan Hara XEMC Windpower Co., Ltd. is included in the scope of equity method affiliate due to its establishment. (2) Non-consolidated subsidiaries and affiliates not accounted for under equity method Trust Community Co., Ltd. Fukuoka Management Center Co., Ltd. Reason for not accounted for under equity method: Above non-conslidated 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.	(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. (2) Non-consolidated subsidiaries and affiliates not accounted for under equity method Trust Community Co., Ltd. Fukuoka Management Center Co., Ltd. Energy Products Co., Ltd. Reason for not accounted for under equity method: Same as on the left.	(1) Number of equity method affiliates: 3 Name of equity method affiliates: Yuya Wind-power Generation Co., Ltd. Ishikawa Recycling Research Institute Co., Ltd. Hunan Hara XEMC Windpower Co., Ltd. Effective from the current fiscal year, Hunan Hara XEMC Windpower Co., Ltd. is included in the scope of equity method affiliate due to its establishment. (2) Non-consolidated subsidiaries and affiliates not accounted for under equity method Trust Community Co., Ltd. Fukuoka Management Center Co., Ltd. Reason for not accounted for under equity method: Above non-conslidated 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.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	(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, interim 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	Inteirm periods of Harakosan Europe B.V., Sumiyoshi Heavy Industries, and Harakosan Life Service end on June 30. The interim consolidated financial statements include the financial statements of these consolidated subsidiaries as of June 30. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the interim consolidated balance sheet date. Betusdai changed its year-end balance sheet date to December 31 due to merger on August 1. The Company has used the preliminary financial statements prepared as of the interim consolidated balance sheet date.	Inteirm periods of Harakosan Europe B.V., Sumiyoshi Heavy Industries, Harakosan Life Service, Betusdai, Harakosan PFI Investment, Lerbec, New Harbor Property Holdings, and Harakosan Residence end on June 30. The interim consolidated financial statements include the financial statements of these consolidated subsidiaries as of June 30. 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. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the interim consolidated balance sheet date.	Fiscal years of Harakosan Europe B.V., Sumiyoshi Heavy Industries, Harakosan Life Service, Betusdai, Harakosan PFI Investment, Lerbec, and New Harbor Property Holdings end on December 31. The consolidated financial statements include the financial statements of these consolidated subsidiaries as of December 31. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the year-end consolidated balance sheet date.
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.) 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.	(1) Valuation criteria and methods for principal assets 1) Securities Available for sale securities 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.	(1) Valuation criteria and methods for principal assets 1) Securities ——— 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.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	2) Derivatives Stated at fair value. 3) Inventories Primarily stated at cost, cost being determined by the specific-identification method. (2) Depreciation and amortization method for principal depreciable assets 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.	2) Derivatives Same as on the left. 3) Inventories Same as on the left. (2) Depreciation and amortization method for principal depreciable assets The Company and its domestic consolidated subsidiaries 1) Property, plant and equipment Buildings (excluding building attachments): a. Acquisitions before March 31, 1998 Calculated by former declining-balance method. b. Acquisitions from April 1, 1998 to March 31, 2007 Calculated by former straight-line method. c. Acquisitions after April 1, 2007 Calculated by straight-line method. Others: a. Acquisitions before March 31, 2007 Calculated by former declining-balance method. b. Acquisitions after April 1, 2007 Calculated by declining-balance method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law. (Changes 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 these changes on profit/loss and segment information is insignificant.	2) Derivatives Same as on the left. 3) Inventories Same as on the left. (2) Depreciation and amortization method for principal depreciable assets 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.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	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.	2) Intangible assets Same as on the left.	2) Intangible assets Same as on the left.
	3) Long-term prepaid expenses The Company and its domestic consolidated subsidiaries compute depreciation using the straight-line method.	3) Long-term prepaid expenses Same as on the left.	3) Long-term prepaid expenses Same as on the left.
	(3) ――――――	(3) ――――――	(3) Accounting for significant deferred assets 1) New share issuance expenses Charged to expenses as incurred. 2) Bond issuance expenses Charged to expenses as incurred.
	(4) Accounting for significant allowances 1) Allowance for doubtful accounts The Company and its domestic consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain identified doubtful accounts, including claims in bankruptcy.	(4) Accounting for significant allowances 1) Allowance for doubtful accounts Same as on the left.	(4) Accounting for significant allowances 1) Allowance for doubtful accounts Same as on the left.
	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.	2) Allowance for bonuses to employees Same as on the left.	2) Allowance for bonuses to employees Same as on the left.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	3) ――――――	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.	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. (Changes in accounting policy) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005.) As a result, operating income, ordinary income, and net income before income taxes each decreased 27,300 thousand yen. The impact on segment information can be found in applicable portions of this report.
	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.	4) Allowance for retirement benefits for employees Same as on the left.	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.
	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.	5) Allowance for retirement benefits for directors and corporate auditors Same as on the left.	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.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	(5) Accounting for leases Finance leases of the Company and its domestic consolidated subsidiaries other than those that deemed to transfer the ownership of the leased assets to the lessees are accounted for as operating leases under accounting principles generally accepted in Japan. (6) Other significant accounting policies Accounting for consumption taxes The Company and its domestic consolidated subsidiaries use the tax-exclusion method to account for national and local consumption taxes. Non-deductible consumption taxes on fixed assets are accounted as long-term prepaid consumption tax included in others under investments and other assets and amortized over five years by the straight-line method.	(5) Accounting for leases Same as on the left. (6) Other significant accounting policies Accounting for consumption taxes The Company and its domestic consolidated subsidiaries (excluding certain consolidated subsidiaries) use the tax-exclusion method to account for national and local consumption taxes. Non-deductible consumption taxes on fixed assets are accounted as long-term prepaid consumption tax included in others under investments and other assets and amortized over five years by the straight-line method.	(5) Accounting for leases Same as on the left. (6) Other significant accounting policies Accounting for consumption taxes The Company and its domestic 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 others under investments and other assets and amortized over five years by the straight-line method.
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.

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

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
(Accounting standard for impairment of fixed assets) Effective from the current interim period, the Company has adopted "Statement of Opinion, Accounting for Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002) and "Guidance for Accounting Standards for Impairment of Fixed Assets" (ASBJ Guidance No. 6, October 31, 2003). The effect of this change on profit/loss is insignificant.	――――	(Accounting standard for impairment of fixed assets) Effective from the current fiscal year, the Company has adopted "Statement of Opinion, Accounting for Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002) and "Guidance for Accounting Standards for Impairment of Fixed Assets" (ASBJ Guidance No. 6, October 31, 2003). The effect of this change on profit/loss is insignificant.
(Accounting standard for presentation of net assets on balance sheet) Effective from the current interim period, the Company has adopted "Accounting Standard for Presentation of Net Assets on Balance Sheet" (ASBJ Statement No. 5: Accounting Standards Board of Japan, December 9, 2005) and "Guidance for Presentation of Net Assets on Balance Sheet" (ASBJ Guidance No. 8: Accounting Standards Board of Japan, December 9, 2005). The effect of this change on profit/loss is insignificant. Under the previous standard, the amount equivalent to total shareholders' equity would be 11,945,129 thousand yen. Due to the revision of the regulations, the interim consolidated financial statements for the current interim period are presented based on the revised standard.	――――	(Accounting standard for presentation of net assets on balance sheet) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Presentation of Net Assets on Balance Sheet" (ASBJ Statement No. 5: Accounting Standards Board of Japan, December 9, 2005) and "Guidance for Presentation of Net Assets on Balance Sheet" (ASBJ Guidance No. 8: Accounting Standards Board of Japan, December 9, 2005). The effect of this change on profit/loss is insignificant. Under the previous standard, the amount equivalent to total shareholders' equity would be 14,603,851 thousand yen. Due to the revision of the regulations, the consolidated financial statements for the current fiscal year are presented based on the revised standard.
(Accounting standard for stock options) Effective from the current interim period, the Company has adopted "Accounting Standard for Stock Options" (ASBJ Statement No. 8: Accounting Standards Board of Japan, December 27, 2005) and "Guidance on Accounting Standard for Stock Options" (ASBJ Guidance No. 11: last revision by Accounting Standards Board of Japan, May 31, 2006). The effect of this change was to decrease operating income, ordinary income and net income before income taxes by 14,113 thousand yen respectively, due to booking of stock compensation cost in the same amount as selling, general and administrative expenses.	――――	(Accounting standard for stock options) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Stock Options" (ASBJ Statement No. 8: Accounting Standards Board of Japan, December 27, 2005) and "Guidance on Accounting Standard for Stock Options" (ASBJ Guidance No. 11: last revision by Accounting Standards Board of Japan, May 31, 2006). The effect of this change was to decrease operating income, ordinary income and net income before income taxes by 37,095 thousand yen respectively, due to booking of stock compensation cost in the same amount as selling, general and administrative expenses. The impact on segment information can be found in applicable portions of this report.

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
_____	_____	(Accounting standard for investment partnership) Effective from the current fiscal year, the Company has adopted “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” (PITF No. 20: Accounting Standards Board of Japan, September 8, 2006). This change caused total assets as of the balance sheet date to increase by 15,737,234 thousand yen, revenue from operations by 254,618 thousand yen, gross profit by 226,320 thousand yen, operating income by 145,085 thousand yen, ordinary income by 41,153 thousand yen, and net income before income taxes by 41,153 thousand yen. The impact on segment information can be found in applicable portions of this report.

Reclassifications

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)
(Consolidated Balance Sheets) Effective from the current interim period, “Investment in capital” presented as a component of “Other”under investments and other assets in prior periods, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets. “Investment in capital” totaled 85,618 thousand yen in the previous interim period.	(Consolidated Balance Sheets) Effective from the current interim period, “Investment in capital” stated as a separate line item in prior periods, is included in “Other” under investments and other assets since it is now below 5/100 of total assets. “Investment in capital” totaled 59,829 thousand yen in the current interim period. Effective from the current interim period, “Investment securities” presented as a component of “Other”under investments and other assets in prior periods, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets. “Investment securities” totaled 994,448 thousand yen in the previous interim period. “Consolidated adjustment account”is presented as “Goodwill” or “Negative goodwill” in the current interim period. (Consolidated Income Statement) “Amortization of consolidated adjustment account” is presented as “Amortization of negative goodwill” in the current interim period. (Consolidated Statements of Cash Flows) Effective from the current interim period, “Increase (decrease) of guarantee deposits,” presented as a component of “Other” under cash flows from operating activities in prior periods, 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. “Increase (decrease) of guarantee deposits” totaled 14,004 thousand yen in the previous interim period.

Notes to Interim Consolidated Financial Statements

Notes to Consolidated Balance Sheets

(Thousands of yen)

Interim FY2/07 (As of Aug. 31, 2006)	Interim FY2/08 (As of Aug. 31, 2007)	FY2/07 (As of Feb. 28, 2007)
*1. Accumlated depreciation of tangible fixed assets 1,720,396	*1. Accumlated depreciation of tangible fixed assets 1,852,834	*1. Accumlated depreciation of tangible fixed assets 1,787,023
*2. Assets pledged as collateral	*2. Assets pledged as collateral	*2. Assets pledged as collateral
Cash and deposits 210,113	Cash and deposits 210,142	Cash and deposits 210,142
Inventories 26,058,312	Inventories 23,845,124	Inventories 13,466,945
Buildings 2,209,461	Buildings 3,062,096	Buildings and structure 2,726,713
Land 1,288,104	Land 5,436,018	Land 1,559,945
Total 29,765,992	Total 32,553,381	Total 17,963,747
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 17,945,890	Short-term debt 7,866,000	Short-term debt 4,787,000
Long-term debt (includes long-term debt due within one year) 10,932,370	Long-term debt (includes long-term debt due within one year) 20,645,246	Long-term debt (includes long-term debt due within one year) 10,291,839
Total 28,878,260	Total 28,511,246	Total 15,078,839
3. Loan guarantees	3. Loan guarantees	3. Loan guarantees
Warantee / Gurantee	Warantee / Gurantee	Warantee / Gurantee
Medical Corporation Tokuyukai 829,960	Medical Corporation Tokuyukai 795,592	Medical Corporation Tokuyukai 825,676
Meiwa Real Estate Inc. 300,000	Gotsu Windpower Co., Ltd. 1,041,000	Gotsu Windpower Co., Ltd. 1,320,000
Gotsu Windpower Co., Ltd. 130,000	The Company had contingent liabilities from guarantees of bank borrowings made by above companies.	The Company had contingent liabilities from guarantees of bank borrowings made by above companies.
The Company had contingent liabilities from guarantees of bank borrowings made by above companies.		
*4. Notes receivable endorsed 16,460	*4. Notes receivable endorsed 15,321	*4. Notes receivable endorsed 19,042
	Discounted notes receivable 607,021	Discounted notes receivable 80,807

Notes to Consolidated Statements of Income

(Thousands of yen)

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
*1. Significant components of selling, general and administrative expenses	*1. Significant components of selling, general and administrative expenses	*1. Significant components of selling, general and administrative expenses
Commissions paid 165,033	Commissions paid 266,917	Commissions paid 424,393
Advertising expenses 103,924	Advertising expenses 150,702	Advertising expenses 204,917
Sales promotion expenses 40,570	Sales promotion expenses 92,361	Sales promotion expenses 82,435
Directors' remunerations 85,191	Directors' remunerations 91,561	Directors' remunerations 161,943
Salaries and wages 310,591	Salaries and wages 505,195	Salaries and wages 715,539
Provision for allowance for bonuses to employees 19,768	Provision for allowance for bonuses to employees 24,385	Provision for allowance for doubtful accounts 2,992
Provision for allowance for retirement benefits for directors and corporate auditors 4,283	Provision for allowance for retirement benefits for directors and corporate auditors 8,529	Provision for allowance for bonuses to employees 24,876
Welfare expense 60,135	Welfare expense 82,444	Provision for allowance for bonuses to directors and corporate auditors 27,300
Taxes and public charges 137,074	Taxes and public charges 144,644	Retirement benefit expenses 41,159
Depreciation and amortization 59,201	Depreciation and amortization 75,664	Provision for allowance for retirement benefits for directors and corporate auditors 8,733
Amortization of consolidated adjustment account 45,744	Amortization of goodwill 141,208	Welfare expense 125,488
		Taxes and public charges 522,988
		Depreciation and amortization 136,460
		Amortization of consolidated adjustment account 149,563
		R&D expenses 338,120
*2. _____	*2. _____	*2. Amount of inventories purchased during the prior year by overseas consolidated subsidiaries.
*3. _____	*3. _____	*3. Breakdown of loss on disposal of fixed assets
		Buildings and structures 45
		Machinery and vehicle 157
		Other 240
		Total 442

<table>
<tr><th>Interim FY2/07
(Mar. 1, 2006 – Aug. 31, 2006)</th><th>Interim FY2/08
(Mar. 1, 2007 – Aug. 31, 2007)</th><th>FY2/07
(Mar. 1, 2006 – Feb. 28, 2007)</th></tr>
<tr><td>*4. _____</td><td>*4. Impairment losses
The amounts of impairment losses with respect to the Group’s assets are as follows:
(Thousand of yen)
<table>
<tr><td>Location</td><td>Chuo-ku, Tokyo</td><td>Shimonoseki, Yamaguchi</td></tr>
<tr><td>Usage</td><td>-</td><td>-</td></tr>
<tr><td>Items</td><td>Goodwill</td><td>Goodwill</td></tr>
<tr><td>Impairment losses</td><td>966,743</td><td>84,989</td></tr>
</table>
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 its assets. 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 a decline in profitability at consolidated subsidiary Sumiyoshi Heavy Industries Co., Ltd., there is no longer any basis for expecting the company to produce the initially foreseen extra earnings. As a result, an impairment loss of 84,989 thousand yen was posted to eliminate the remaining goodwill.</td><td>*4. _____</td></tr>
</table>

Notes to Consolidated Statement of Changes in Shareholders' Equity

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)

1. Type and number of outstanding shares

Type	Number of shares as of Feb. 28, 2006	Increase	Decrease	Number of shares as of Aug. 31, 2006
Common shares (Shares)	118,298.49	10,000.00	-	128,298.49

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to exercise of stock acquisition rights: 10,000.00 shares

2. Type and number of treasury stock

Type	Number of shares as of Feb. 28, 2006	Increase	Decrease	Number of shares as of Aug. 31, 2006
Common shares (Shares)	447.89	3,003.40	0.20	3,451.09

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 3.40 shares

Increase due to acquisition of treasury stock from market: 3000.00 shares

Decrease in the number of shares (itemized):

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

3. Items related to acquisition rights for new shares

Company	Item	Type of shares	Number of shares (Shares)				Balance as of Aug. 31, 2006 (Thousands of yen)
			As of Feb. 28, 2006	Increase	Decrease	As of Aug. 31, 2006	
Reporting company	Stock acquisition rights 2006 (No. 1)	Common shares	-	20,000	10,000	10,000	35,000
	Stock acquisition rights 2006 (No. 2)	Common shares	-	1,219	50	1,169	14,113
Total			-	21,219	10,050	11,169	49,113

Notes: 1. Number of shares for the purchase of stock acquisition rights shows the number of shares that can exercise stock acquisition rights.

2. Outline of changes

The increase in stock acquisition rights 2006 (No. 1) is due to the issue of stock acquisition rights.

The increase in stock acquisition rights 2006 (No. 2) is due to the issue of stock options.

The decrease in stock acquisition rights 2006 (No. 1) is due to the exercise of the rights.

The decrease in stock acquisition rights 2006 (No. 2) is due to the invalidation of the rights.

3. Stock acquisition rights 2006 (No. 2) have yet to be in the exercise period.

4. Dividends

(1) Dividends payment

Resolution	Type of share	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on May 18, 2006	Common shares	215,666	1,830	Feb. 28, 2006	May 19, 2006

(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 20, 2006	Common shares	Retained earnings	124,847	1,000	Aug. 31, 2006	Nov. 20, 2006

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	4.0	0.8	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

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

1. Type and number of outstanding shares

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

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to exercise of stock acquisition rights: 10,000.00 shares

2. Type and number of treasury stock

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

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 5.80 shares

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

Decrease in the number of shares (itemized):

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

Decrease due to exchange of stock: 3,450.00 shares

3. Items related to acquisition rights for new shares

Company	Item	Type of shares	Number of shares (Shares)				Balance as of Feb. 28, 2007 (Thousands of yen)
			As of Feb. 28, 2006	Increase	Decrease	As of Feb. 28, 2007	
Reporting company	Stock acquisition rights by way of stock options	Common shares	-	-	-	-	37,095
Total			-	-	-	-	37,095

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

4. Dividends

(1) Dividends payment

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

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

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

Notes to Consolidated Statements of Cash Flows

(Thousands of yen)

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
1. 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:	1. 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:	1. Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of balance sheets for the fiscal year is made as follows:
Cash and deposits 5,896,613	Cash and deposits 9,017,012	Cash and deposits 13,499,635
Time deposits over three months (404,133)	Time deposits over three months (385,025)	Time deposits over three months (370,514)
Cash and cash equivalents 5,492,480	Cash and cash equivalents 8,631,986	Cash and cash equivalents 13,129,120
		2. Significant non-cash transactions Acquisition of subsidiary stock through an exchange of stock
		Decrease in treasury stock 949,534
		Gain on disposal of treasury stock 68,215
		Acquisition cost of Inoue Investment, Inc. 1,017,750
		3. Breakdown of assets and liabilities of companies recently made consolidated subsidiaries A summary of assets and liabilities of New Harbor Property Holdings is as follows.
		Current assets 2,388,723
		Fixed assets 17,010,021
		Consolidated adjustment account 1,079,155
		Current liabilities (2,607,631)
		Long-term liabilities (13,148,268)
		Acquisition cost of shares 4,722,000
		Cash and cash equivalents (2,320,353)
		Acquisition payment for shares 2,401,646

Securities

Interim FY2/07 (As of Aug. 31, 2006)

1. Other securities with market value

(Thousands of yen)

	Acquisition cost	Book value	Difference
Equity securities	257,577	249,486	(8,090)
Other	1,000	915	(84)
Total	258,577	250,401	(8,175)

2. Securities without market value

(Thousands of yen)

	Book value
Subsidiary and affiliate stocks	579,701
Other securities	
Unlisted equity securities	154,345
Bond	10,000

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

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

1. Other securities with market value

(Thousands of yen)

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

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

(Thousands of yen)

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

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

(Thousands of yen)

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

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

(Thousands of yen)

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

Segment Information

1. Operating segment information

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)

(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	10,681,060	923,381	1,079,183	12,683,625	-	12,683,625
(2) Inter-segment	-	-	-	-	-	-
Total	10,681,060	923,381	1,079,183	12,683,625	-	12,683,625
Operating expenses	9,904,220	671,519	985,141	11,560,881	480,861	12,041,743
Operating income	776,839	251,862	94,041	1,122,743	(480,861)	641,882

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-power systems, solar energy systems, and other environmental equipment

3. Unallocated operating expenses included in elimination or corporate amounted to 480,861 thousand yen and consisted primarily of expenses related to the department of management.

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-power 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.

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

(Thousands of yen)

	Real Estate & Condominium Business	Real Estate Rental & Property Management	Environmental Business	Total	Elimination or corporate	Consolidated
Revenue from operations						
(1) Outside customers	47,725,511	2,008,694	3,107,696	52,841,903	-	52,841,903
(2) Inter-segment	-	-	-	-	-	-
Total	47,725,511	2,008,694	3,107,696	52,841,903	-	52,841,903
Operating expenses	43,234,720	1,309,963	2,981,004	47,525,688	1,882,916	49,408,604
Operating income	4,490,791	698,730	126,691	5,316,214	(1,882,916)	3,433,298

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-power systems, solar energy systems, and other environmental equipment

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

4. Changes in account policies

(Accounting standard for directors' bonuses)

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

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

(Accounting standard for stock options)

Effective from the current fiscal year, the Company has adopted "Accounting Standard for Stock Options" (ASBJ Statement No. 8: Accounting Standards Board of Japan, December 27, 2005) and "Guidance on Accounting Standard for Stock Options" (ASBJ Guidance No. 11: last revision by Accounting Standards Board of Japan, May 31, 2006).

The effect of this change was to increase operating expenses (37,095 thousand yen in elimination or corporate) and decrease operating income by the same amount.

(Accounting standard for investment partnership)

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

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

2. Geographical segment information

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006), Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007), FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

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

3. Revenue from overseas operations

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006), Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007), FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

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

Omission of Disclosure

Notes on lease transactions, derivatives, stock options, etc. are not presented since the disclosure of this information is not significant in the context of the interim financial summaries.

Per Share Data

(Yen)

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Net assets per share: 95,677.84 Net income per share: 2,055.94 Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	Net assets per share: 114,649.49 Net income per share: 2,008.21 Diluted net income per share: 1,718.07	Net assets per share: 113,830.25 Net income per share: 15,463.58 Diluted net income per share: 15,413.03

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

(Thousands of yen)

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Net income per share			
Net income	257,659	257,640	1,959,172
Amount not available to common shareholders	-	-	-
Net income applicable to common share	257,659	257,640	1,959,172
Average number of common shares outstanding during period (Shares)	125,324.80	128,293.89	126,695.91
Diluted net income per share			
Adjusted net income	-	-	-
Increase in the number of common shares (Shares)	-	21,665	415.5
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect.	Type of share: two issues of stock acquisition rights Number of shares: 11,169	Type of share: one issue of stock acquisition rights Number of shares: 1,068	Type of share: two issues of stock acquisition rights Number of shares: 11,219

Material Subsequent Events

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Exchange of stock with Inoue Investment Co., Ltd. The Company used an exchange of stock to make Inoue Investment a wholly owned subsidiary on September 29, 2006. This action was taken as part of net investments targeting the portfolio of Inoue Investment, as a way to effectively use its treasury stock, and to enlarge the Company's business network in the real estate industry. (1) Summary of exchange of stock 1) Description of exchange of stock The exchange of stock between the Company and Inoue Investment was conducted accordance with Article 796, Paragraph 3 (simple stock exchanges) and Article 319 (no requirement for shareholder meeting resolution). 2) Date of exchange of stock September 29, 2006 3) Shares issued and allocated for exchange of stock For this exchange of stock, the Company distributed 3,450 shares (common stock) of treasury stock to the shareholders of Inoue Investment. No new shares were issued. One share of Inoue Investment common stock was exchanged for 17.25 shares of Harakosan common stock for the first half of the current fiscal year. 4) Increase in common stock and additional paid-in capital There were no increases in common stock and additional paid-in capital. (2) Profile of Inoue Investment 1) Major business activities Real estate, purchase and sale of securities, sale of furniture, electrical office equipment and other products 2) Revenue from operations and net income (FY3/06) Revenue from operations 19,375 Net income 12,044 3) Assets, liabilities and shareholders' equity (As of Mar. 31, 2006) Total assets 257,814 Total liabilities 141,188 Total shareholders' equity 116,625	――――	――――

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 FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	YoY change	
	Amount	Amount	Amount	%
Environmental Business	589,860	984,499	394,639	66.9
Total	589,860	984,499	394,639	66.9

Note: 1. 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 FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)		Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)		YoY change	
	Orders received	Orders backlog	Orders received	Orders backlog	Orders received	Orders backlog
Real Estate & Condominium Business	12,319,235	8,259,947	20,889,433	8,213,578	8,570,197	(46,368)
Environmental Business	5,426,256	5,939,030	7,696,319	19,399,967	2,270,062	13,460,936
Total	17,745,492	14,198,978	28,585,752	27,613,546	10,840,260	13,414,568

Notes: 1. The above amounts do not include consumption taxes.
2. Inter-segment transactions have been eliminated.

(3) Sales

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

(Thousands of yen)

Operating segment	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	YoY change	
	Amount	Amount	Amount	%
Real Estate & Condominium Business	10,681,060	18,076,046	7,394,986	69.2
Real Estate Rental & Property Management	923,381	1,551,357	627,975	68.0
Environmental Business	1,079,183	974,765	(104,417)	(9.7)
Total	12,683,625	20,602,170	7,918,544	62.4

Notes: 1. The above amounts do not include consumption taxes.
2. Inter-segment transactions have been eliminated.

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

6. Interim Non-consolidated Financial Statements and Other

(1) Non-consolidated Balance Sheets

(Thousands of yen)

		Interim FY2/07 (As of Aug. 31, 2006)		Interim FY2/08 (As of Aug. 31, 2007)		FY2/07 Summary (As of Feb. 28, 2007)	
Items	Note	Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash and deposits	*2	4,379,221		4,734,118		8,517,304	
2. Accounts receivable-trade		1,223,457		232,460		5,542,176	
3. Inventories	*2,4	27,295,929		29,638,829		14,970,690	
4. Other		2,109,686		2,899,618		1,064,328	
5. Allowance for doubtful accounts		(900)		(100)		(600)	
Total current assets		35,007,394	75.7	37,504,927	72.4	30,093,899	64.6
II Fixed assets							
1. Property, plant and equipment	*1						
(1) Buildings	*2,4	1,925,314		2,762,947		2,806,285	
(2) Land	*2,4	1,476,060		1,766,368		1,766,368	
(3) Other		79,812		84,086		150,673	
Total property, plant and equipment		3,481,187	7.5	4,613,402	8.9	4,723,327	10.1
2. Intangible assets		300,756	0.7	632,920	1.2	655,380	1.4
3. Investments and other assets							
(1) Affiliate stock		-		4,700,177		2,880,349	
(2) Investment in capital		5,281,499		-		58,279	
(3) Other	*2	2,192,137		4,343,376		8,202,263	
(4) Allowance for doubtful accounts		(8,376)		(8,246)		(28,206)	
Total investments and other assets		7,465,261	16.1	9,035,307	17.5	11,112,686	23.9
Total fixed assets		11,247,204	24.3	14,281,629	27.6	16,491,394	35.4
Total assets		46,254,599	100.0	51,786,556	100.0	46,585,293	100.0

(Thousands of yen)

Items	Note	Interim FY2/07 (As of Aug. 31, 2006) Amount	%	Interim FY2/08 (As of Aug. 31, 2007) Amount	%	FY2/07 Summary (As of Feb. 28, 2007) Amount	%
Liabilities							
I Current liabilities							
1. Accounts payable-trade		1,145,860		147,481		3,413,817	
2. Short-term debt	*2	24,815,802		18,867,795		14,579,458	
3. Corporate bonds due within one year		40,000		20,000		40,000	
4. Allowance for bonuses to employees		25,800		34,900		24,700	
5. Allowance for bonuses to directors and corporate auditors		-		-		27,300	
6. Other		1,364,715		1,441,362		1,990,136	
Total current liabilities		27,392,177	59.2	20,511,539	39.6	20,075,412	43.1
II Long-term liabilities							
1. Corporate bonds		670,000		650,000		650,000	
2. Bonds with stock acquisition rights		-		6,000,000		6,000,000	
3. Long-term debt	*2	5,658,968		9,195,868		4,792,010	
4. Allowance for retirement benefits for employees		13,499		14,831		13,316	
5. Allowance for retirement benefits for directors and corporate auditors		70,233		83,212		74,683	
6. Other		211,536		306,194		209,106	
Total long-term liabilities		6,624,237	14.3	16,250,106	31.4	11,739,117	25.2
Total liabilities		34,016,415	73.5	36,761,646	71.0	31,814,530	68.3
Net assets							
I Shareholders' equity							
1. Common stock		7,659,238	16.6	7,659,238	14.8	7,659,238	16.4
2. Capital surplus							
(1) Additional paid-in capital		3,179,377		3,179,377		3,179,377	
(2) Other capital surplus		133,023		201,195		201,238	
Total capital surplus		3,312,401	7.2	3,380,573	6.5	3,380,616	7.3
3. Retained earnings							
(1) Legal reserve		47,532		47,532		47,532	
(2) Other retained earnings							
Other reserve		1,305,000		2,435,000		1,305,000	
Retained earnings brought forward		814,049		1,450,846		2,324,092	
Total retained earnings		2,166,581	4.7	3,933,378	7.6	3,676,624	7.9
4. Treasury stock		(949,834)	(2.1)	(2,047)	(0.0)	(878)	(0.0)
Total shareholders' equity		12,188,386	26.4	14,971,142	28.9	14,715,602	31.6
II Valuation and translation adjustments							
1. Net unrealized holding gains on securities		684		(5,337)		18,065	
Total valuation and translation adjustments		684	0.0	(5,337)	(0.0)	18,065	0.0
III Stock acquisition rights		49,113	0.1	59,105	0.1	37,095	0.1
Total net assets		12,238,184	26.5	15,024,910	29.0	14,770,762	31.7
Total liabilities and net assets		46,254,599	100.0	51,786,556	100.0	46,585,293	100.0

(2) Non-consolidated Statements of Income

(Thousands of yen)

		Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)			Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)			FY2/07 Summary (Mar. 1, 2006 – Feb. 28, 2007)		
Items	Note	Amount		%	Amount		%	Amount		%
I Revenue from operations			10,673,387	100.0		15,676,499	100.0		48,694,453	100.0
II Cost of revenue from operations			9,118,276	85.4		14,524,153	92.6		42,847,422	88.0
Gross profit			1,555,110	14.6		1,152,346	7.4		5,847,031	12.0
III Selling, general and administrative expenses			888,969	8.3		1,043,102	6.7		2,285,549	4.7
Operating income			666,141	6.3		109,243	0.7		3,561,481	7.3
IV Non-operating income	*1		67,982	0.6		1,340,376	8.6		270,299	0.5
V Non-operating expenses	*2		217,453	2.1		447,306	2.9		608,893	1.2
Ordinary income			516,670	4.8		1,002,313	6.4		3,222,887	6.6
VI Extraordinary gains	*3		12,700	0.1		459	0.0		50,000	0.1
VII Extraordinary losses	*4		9,856	0.1		214,918	1.4		18,556	0.0
Net income before income taxes			519,514	4.8		787,854	5.0		3,254,331	6.7
Current income taxes		168,398			361,746			1,364,269		
Deferred income taxes		37,068	205,466	1.9	(23,087)	338,659	2.1	(58,876)	1,305,392	2.7
Net income			314,047	2.9		449,195	2.9		1,948,938	4.0

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

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006) (Thousands of yen)

	Shareholders' equity							
		Capital surplus			Retained earning			
						Other retained earnings		
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other reserve	Retained earnings brought forward	Total retained earnings
Balance as of Feb. 28, 2006	6,034,908	1,555,047	133,023	1,688,071	47,532	745,000	1,335,668	2,128,200
Changes in the period								
Issuance of new shares	1,624,330	1,624,330		1,624,330				
Dividend of surplus							(215,666)	(215,666)
Bonuses to directors and corporate auditors paid through appropriation of income							(60,000)	(60,000)
Reserve for other reserve						560,000	(560,000)	-
Net income							314,047	314,047
Acquisition of treasury stock								
Disposal of treasury stock								
Changes (net) in items other than shareholders' equity								
Total changes in the period	1,624,330	1,624,330	-	1,624,330	-	560,000	(521,619)	38,380
Balance as of Aug. 31, 2006	7,659,238	3,179,377	133,023	3,312,401	47,532	1,305,000	814,049	2,166,581

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Total valuation and translation adjustments		
Balance as of Feb. 28, 2006	(38,631)	9,812,548	23,651	23,651	-	9,836,199
Changes in the period						
Issuance of new shares		3,248,660				3,248,660
Dividend of surplus		(215,666)				(215,666)
Bonuses to directors and corporate auditors paid through appropriation of income		(60,000)				(60,000)
Reserve for other reserve		-				-
Net income		314,047				314,047
Acquisition of treasury stock	(911,272)	(911,272)				(911,272)
Disposal of treasury stock	69	69				69
Changes (net) in items other than shareholders' equity			(22,966)	(22,966)	49,113	26,146
Total changes in the period	(911,203)	2,375,837	(22,966)	(22,966)	49,113	2,401,984
Balance as of Aug. 31, 2006	(949,834)	12,188,386	684	684	49,113	12,238,184

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

	Shareholders' equity							
		Capital surplus			Retained earning			
						Other retained earnings		
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other reserve	Retained earnings brought forward	Total retained earnings
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

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007) (Thousands of yen)

	Shareholders' equity							
		Capital surplus			Retained earning			
						Other retained earnings		
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other reserve	Retained earnings brought forward	Total retained earnings
Balance as of Feb. 28, 2006	6,034,908	1,555,047	133,023	1,688,071	47,532	745,000	1,335,668	2,128,200
Changes in the fiscal year								
Issuance of new shares	1,624,330	1,624,330		1,624,330				
Dividend of surplus							(340,513)	(340,513)
Bonuses to directors and corporate auditors paid through appropriation of income							(60,000)	(60,000)
Reserve for other reserve						560,000	(560,000)	-
Net income							1,948,938	1,948,938
Acquisition of treasury stock								
Disposal of treasury stock			68,215	68,215				
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	1,624,330	1,624,330	68,215	1,692,545	-	560,000	988,424	1,548,424
Balance as of Feb. 28, 2007	7,659,238	3,179,377	201,238	3,380,616	47,532	1,305,000	2,324,092	3,676,624

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

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

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
1. Valuation criteria and methods for assets	(1) Securities Available for sale securities Stated at fair value. (Cost of securities sold is determined by the moving-average method.) Subsidairy 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. (2) Derivatives Stated at fair value. (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.	(1) Securities Available for sale securities Same as on the left. Subsidairy 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. (2) Derivatives Same as on the left. (3) Inventories Merchandise, real estate for sale, real estate in-process for sale and cost on uncompleted construction contracts Same as on the left.	(1) Securities —————— Subsidairy 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. (2) Derivatives Same as on the left. (3) Inventories Merchandise, real estate for sale, real estate in-process for sale and cost on uncompleted construction contracts Same as on the left.
2. Depreciation and amortization method for fixed assets	(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.	(1) Property, plant and equipment Buildings (excluding building attachments): 1) Acquisitions before March 31, 1998 Calculated by former declining-balance method. 2) Acquisitions from April 1, 1998 to March 31, 2007 Calculated by former straight-line method. 3) Acquisitions after April 1, 2007 Calculated by straight-line method.	(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.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
		Others: 1) Acquisitions before March 31, 2007 Calculated by former declining-balance method. 2) Acquisitions after April 1, 2007 Calculated by declining-balance method. The useful and residual value is based on a method similar to that provided in the Corporation Tax Law. (Changes 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 these changes on profit/loss and segment information is insignificant.	
	(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.	(2) Intangible assets Same as on the left.	(2) Intangible assets Same as on the left.
	(3) Long-term prepaid expenses The Company computes depreciation using the straight-line method.	(3) Long-term prepaid expenses Same as on the left.	(3) Long-term prepaid expenses Same as on the left.
3. Accounting for allowances	(1) Allowance for doubtful accounts The Company provides for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus an estimated uncollectible amount based on the analysis of certain identified doubtful accounts, including claims in bankruptcy.	(1) Allowance for doubtful accounts Same as on the left.	(1) Allowance for doubtful accounts Same as on the left.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
	(2) Allowance for bonuses to employees The Company provides for allowance for bonuses to employees at the amount based on the estimated bonus obligations.	(2) Allowance for bonuses to employees Same as on the left.	(2) Allowance for bonuses to employees Same as on the left.
	(3) ————	(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.	(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. (Changes in accounting policy) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4: Accounting Standards Board of Japan, November 29, 2005.) As a result, operating income, ordinary income, and net income before income taxes each decreased 27,300 thousand yen. The impact on segment information can be found in applicable portions of this report.
	(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.	(4) Allowance for retirement benefits for employees Same as on the left.	(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.
	(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.	(5) Allowance for retirement benefits for directors and corporate auditors Same as on the left.	(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.

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
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.
5. Other significant accounting policies	Accounting for consumption taxes The Company uses the tax-exclusion method to account for national and local consumption taxes. Non-deductible consumption taxes on fixed assets are accounted as long-term prepaid consumption tax included in “others” under investments and other assets and amortized over five years by the straight-line method. Consumption taxes suspense payments and receipts are balanced out and included in the “Other” under current assets.	Accounting for consumption taxes Same as on the left.	Accounting for consumption taxes The Company uses the tax-exclusion method to account for national and local consumption taxes. Non-deductible consumption taxes on fixed assets are accounted as long-term prepaid consumption tax included in “Other” under investments and other assets and amortized over five years by the straight-line method.

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

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
(Accounting standard for impairment of fixed assets) Effective from the current interim period, the Company has adopted "Statement of Opinion, Accounting for Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002) and "Guidance for Accounting Standards for Impairment of Fixed Assets" (ASBJ Guidance No. 6, October 31, 2003). The effect of this change on profit/loss is insignificant.	————	(Accounting standard for impairment of fixed assets) Effective from the current fiscal year, the Company has adopted "Statement of Opinion, Accounting for Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002) and "Guidance for Accounting Standards for Impairment of Fixed Assets" (ASBJ Guidance No. 6, October 31, 2003). The effect of this change on profit/loss is insignificant.
(Accounting standard for presentation of net assets on balance sheet) Effective from the current interim period, the Company has adopted "Accounting Standard for Presentation of Net Assets on Balance Sheet" (ASBJ Statement No. 5: Accounting Standards Board of Japan, December 9, 2005) and "Guidance for Presentation of Net Assets on Balance Sheet" (ASBJ Guidance No. 8: Accounting Standards Board of Japan, December 9, 2005). The effect of this change on profit/loss is insignificant. Under the previous standard, the amount equivalent to total shareholders' equity would be 12,189,071 thousand yen. Due to the revision of the regulations, the interim non-consolidated financial statements for the current interim period are presented based on the revised standard.	————	(Accounting standard for presentation of net assets on balance sheet) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Presentation of Net Assets on Balance Sheet" (ASBJ Statement No. 5: Accounting Standards Board of Japan, December 9, 2005) and "Guidance for Presentation of Net Assets on Balance Sheet" (ASBJ Guidance No. 8: Accounting Standards Board of Japan, December 9, 2005). The effect of this change on profit/loss is insignificant. Under the previous standard, the amount equivalent to total shareholders' equity would be 14,733,667 thousand yen. Due to the revision of the regulations, the non-consolidated financial statements for the current fiscal year are presented based on the revised standard.
(Accounting standard for stock options) Effective from the current interim period, the Company has adopted "Accounting Standard for Stock Options" (ASBJ Statement No. 8: Accounting Standards Board of Japan, December 27, 2005) and "Guidance on Accounting Standard for Stock Options" (ASBJ Guidance No. 11: last revision by Accounting Standards Board of Japan, May 31, 2006). The effect of this change was to decrease operating income, ordinary income and net income before income taxes by 14,113 thousand yen respectively, due to booking of stock compensation cost in the same amount as selling, general and administrative expenses.	————	(Accounting standard for stock options) Effective from the current fiscal year, the Company has adopted "Accounting Standard for Stock Options" (ASBJ Statement No. 8: Accounting Standards Board of Japan, December 27, 2005) and "Guidance on Accounting Standard for Stock Options" (ASBJ Guidance No. 11: last revision by Accounting Standards Board of Japan, May 31, 2006). The effect of this change was to decrease operating income, ordinary income and net income before income taxes by 37,095 thousand yen respectively, due to booking of stock compensation cost in the same amount as selling, general and administrative expenses.

Reclassifications

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)
(Non-consolidated Balance Sheets) Effective from the current interim period, “Investment in capital” presented as a component of “Other”under investments and other assets in prior periods, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets. “Investment in capital” totaled 84,448 thousand yen in the previous interim period.	(Non-consolidated Balance Sheets) Effective from the current interim period, “Investment in capital” stated as a separate line item in prior periods, is included in “Other” under investments and other assets since it is now below 5/100 of total assets. “Investment in capital” totaled 56,623 thousand yen in the current interim period. Effective from the current interim period, “Affiliate stock” presented as a component of “Other”under investments and other assets in prior periods, is reclassified and presented as a separate line item, given that it now represents more than 5/100 of total assets. “Affiliate stock” totaled 1,284,030 thousand yen in the previous interim period.

Notes to Interim Non-consolidated Financial Statements

Notes to Non-consolidated Balance Sheets

(Thousands of yen)

Interim FY2/07 (As of Aug. 31, 2006)	Interim FY2/08 (As of Aug. 31, 2007)	FY2/07 (As of Feb. 28, 2007)
*1. Accumlated depreciation of tangible fixed assets 426,382	*1. Accumlated depreciation of tangible fixed assets 506,249	*1. Accumlated depreciation of tangible fixed assets 452,306
*2. Assets pledged as collateral Cash and deposits 210,113 Inventories 24,474,312 Buildings 1,727,015 Land 1,071,747 Total 27,483,189	*2. Assets pledged as collateral Cash and deposits 210,142 Inventories 23,845,124 Buildings 2,469,772 Land 1,269,502 Total 27,794,542	*2. Assets pledged as collateral Cash and deposits 210,142 Inventories 10,138,945 Buildings and structure 2,511,865 Land 1,281,032 Total 14,141,987
Liabilities corresponding to above assets pledged as collateral Short-term debt 17,071,900 Long-term debt (includes long-term debt due within one year) 9,185,430 Total 26,257,330	Liabilities corresponding to above assets pledged as collateral Short-term debt 7,866,000 Long-term debt (includes long-term debt due within one year) 15,807,623 Total 23,673,623	Liabilities corresponding to above assets pledged as collateral Short-term debt 4,157,000 Long-term debt (includes long-term debt due within one year) 7,259,449 Total 11,416,449
3. Loan guarantees Warantee / Gurantee Medical Corporation Tokuyukai 829,960 Meiwa Real Estate Inc. 300,000 Sumiyoshi Heavy Industries Co., Ltd. 645,900 Gotsu Windpower Co., Ltd. 130,000 Betsudai Co., Ltd. 683,410 Hrakosan Life Service Co., Ltd. 30,000 The Company had contingent liabilities from guarantees of bank borrowings made by above companies.	3. Loan guarantees Warantee / Gurantee Medical Corporation Tokuyukai 795,592 Sumiyoshi Heavy Industries Co., Ltd. 569,760 Gotsu Windpower Co., Ltd. 1,041,000 Betsudai Co., Ltd. 1,327,377 Hrakosan Life Service Co., Ltd. 206,376 S Trust Co., Ltd. 270,000 Lerbec Co., Ltd. 32,071 The Company had contingent liabilities from guarantees of bank borrowings made by above companies.	3. Loan guarantees Warantee / Gurantee Medical Corporation Tokuyukai 825,676 Sumiyoshi Heavy Industries Co., Ltd. 607,830 Gotsu Windpower Co., Ltd. 1,320,000 Betsudai Co., Ltd. 1,409,535 Hrakosan Life Service Co., Ltd. 100,000 The Company had contingent liabilities from guarantees of bank borrowings made by above companies.
*4. Reclassification of inventories (real estate in-process for sale): Effective from the current interim period, land (75,593 thousand yen) and buildings (39,498 thousand yen), included in inventories (real estate in-process for sale) under current assets in prior periods, are reclassified and presented as land and buildings, respectively, under property, plant and equipment.	*4. _____	*4. Reclassification of inventories (real estate for sale and real estate in-process for sale): Effective from the current fiscal year, land (483,108 thousand yen) and buildings (960,471 thousand yen), included in inventories (real estate for sale) under current assets in prior periods, are reclassified and presented as land and buildings, respectively, under property, plant and equipment. In addition, land (75,593 thousand yen) and buildings (247,994 thousand yen), included in inventories (real estate in-process for sale) under current assets in prior periods, are reclassified and presented as land and buildings under property, plant and equipment.
5. _____	5. Discounted notes receivable 554,400	5. _____

Notes to Non-consolidated Statements of Income

(Thousands of yen)

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
*1. Major items of "Non-operating income" Interest income 4,691 Dividend income 20,163 Gain on sale of marketable securities 15,053	*1. Major items of "Non-operating income" Interest income 42,645 Dividend income 1,228,359 Gain on sale of marketable securities 40,655	*1. Major items of "Non-operating income" Interest income 40,307 Dividend income 63,464 Foreign exchange gain 102,959
*2. Major items of "Non-operating expenses" Interest expense 161,202	*2. Major items of "Non-operating expenses" Interest expense 268,048 Loss on valuation of marketable securities 56,640	*2. Major items of "Non-operating expenses" Interest expense 489,303 Commission for syndicated loan 36,943 Bond issuance expenses 16,301
*3. Breakdown of extraordinary gains Gain on reversal of allowance for doubtful accounts 12,700	*3. Breakdown of extraordinary gains Gain on reversal of allowance for doubtful accounts 459	*3. Breakdown of extraordinary gains Gain on sale of investment in capital 50,000
*4. Breakdown of extraordinary losses Loss on valuation of investment securities 9,856	*4. Breakdown of extraordinary losses Loss on valuation of investment securities 17,318 Loss on sale of investment securities 26,600 Loss on valuation of affiliate stock 171,000	*4. Breakdown of extraordinary losses Loss on valuation of investment securities 18,556
5. Depreciation and amortization Property, plant and equipment 38,726 Intangible assets 20,660	5. Depreciation and amortization Property, plant and equipment 57,715 Intangible assets 27,089	5. Depreciation and amortization Property, plant and equipment 84,835 Intangible assets 49,714

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

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)

Type and number of treasury stock

Type	Number of shares as of Feb. 28, 2006	Increase	Decrease	Number of shares as of Aug. 31, 2006
Common shares (Shares)	447.89	3,003.40	0.20	3,451.09

(Outline of changes)

Increase in the number of shares (itemized):

Increase due to acquisition of odd lot shares: 3.40 shares
Increase due to acquisition of treasury stock from market: 3000.00 shares

Decrease in the number of shares (itemized):

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

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

FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)

Type and number of treasury stock

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

(Outline of changes)

Increase in the number of shares (itemized):

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

Decrease in the number of shares (itemized):

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

Securities

Interim FY2/07 (As of Aug. 31, 2006)

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

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

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

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

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

Per Share Data

(Yen)

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Net assets per share: 97,631.76 Net income per share: 2,505.87 Diluted net income per share is not presented since the Company has no outstanding dilutive securities.	Net assets per share: 116,654.42 Net income per share: 3,501.30 Diluted net income per share: 2,995.46	Net assets per share: 114,842.10 Net income per share: 15,382.80 Diluted net income per share: 15,332.52

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

(Thousands of yen)

	Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Net income per share			
Net income	314,047	449,195	1,948,938
Amount not available to common shareholders	-	-	-
Net income applicable to common share	314,047	449,195	1,948,938
Average number of common shares outstanding during period (Shares)	125,324.80	128,293.89	126,695.91
Diluted net income per share			
Adjusted net income	-	-	-
Increase in the number of common shares (Shares)	-	21,665	415.5
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect.	Type of share: two issues of stock acquisition rights Number of shares: 11,169	Type of share: one issue of stock acquisition rights Number of shares: 1,068	Type of share: two issues of stock acquisition rights Number of shares: 11,219

Material Subsequent Events

Interim FY2/07 (Mar. 1, 2006 – Aug. 31, 2006)	Interim FY2/08 (Mar. 1, 2007 – Aug. 31, 2007)	FY2/07 (Mar. 1, 2006 – Feb. 28, 2007)
Exchange of stock with Inoue Investment Co., Ltd. The Company used an exchange of stock to make Inoue Investment a wholly owned subsidiary on September 29, 2006. This action was taken as part of net investments targeting the portfolio of Inoue Investment, as a way to effectively use its treasury stock, and to enlarge the Company's business network in the real estate industry. (1) Summary of exchange of stock 1) Description of exchange of stock The exchange of stock between the Company and Inoue Investment was conducted accordance with Article 796, Paragraph 3 (simple stock exchanges) and Article 319 (no requirement for shareholder meeting resolution). 2) Date of exchange of stock September 29, 2006 3) Shares issued and allocated for exchange of stock For this exchange of stock, the Company distributed 3,450 shares (common stock) of treasury stock to the shareholders of Inoue Investment. No new shares were issued. One share of Inoue Investment common stock was exchanged for 17.25 shares of Harakosan common stock for the first half of the current fiscal year. 4) Increase in common stock and additional paid-in capital There were no increases in common stock and additional paid-in capital. (2) Profile of Inoue Investment 1) Major business activities Real estate, purchase and sale of securities, sale of furniture, electrical office equipment and other products 2) Revenue from operations and net income (FY3/06) Revenue from operations 19,375 Net income 12,044 3) Assets, liabilities and shareholders' equity (As of Mar. 31, 2006) Total assets 257,814 Total liabilities 141,188 Total shareholders' equity 116,625	――――	――――

** 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.*