



July 11, 2008

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

Company name: HARAKOSAN CO., LTD.
 Stock code: 8894
 Representative: Masaaki Hara, President & CEO
 Contact: Yuji Hamasaki, Managing Director

Stock Exchange listing: OSE, 2nd Section
 URL: <http://www.harakosan.co.jp>
 Telephone: +81-(0)83-229-8894

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

1. Consolidated Financial Results for the Three Months Ended May 31, 2008 (March 1, 2008 – May 31, 2008)

(1) Consolidated results of operations

(Percentages represent year-on-year percentage change)

| | Revenue from operations | | Operating income | | Ordinary income | | Net income | |
|---------------------------------|-------------------------|--------|------------------|---|-----------------|---|-----------------|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended May 31, 2008 | 4,116 | (31.4) | (731) | - | (984) | - | (920) | - |
| Three months ended May 31, 2007 | 6,002 | 82.8 | (408) | - | (621) | - | (557) | - |
| Fiscal year ended Feb. 29, 2008 | 55,338 | - | 1,586 | - | 181 | - | 83 | - |

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended May 31, 2008 | (7,175.69) | - |
| Three months ended May 31, 2007 | (4,344.28) | - |
| Fiscal year ended Feb. 29, 2008 | 650.36 | 541.94 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of May 31, 2008 | 69,360 | 13,091 | 18.5 | 99,800.45 |
| As of May 31, 2007 | 70,958 | 14,004 | 19.6 | 108,279.49 |
| As of Feb. 29, 2008 | 68,128 | 14,656 | 21.0 | 111,482.47 |

2. Dividends

| | Dividend per share |
|---------------------------------|--------------------|
| | Yen |
| (Record date) | 1Q |
| Three months ended May 31, 2007 | - |
| Three months ended May 31, 2008 | - |

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

(Percentages represent year-on-year percentage change)

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

4. Others

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of the simplified method for accounting procedures: Yes
- (3) Changes in accounting procedures from the most recent fiscal year: None

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 3 for further information.

Reference: Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Three Months Ended May 31, 2008 (March 1, 2008 – May 31, 2008)**

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

| | Revenue from operations | | Operating income | | Ordinary income | | Net income | |
|---------------------------------|-------------------------|--------|------------------|---|-----------------|---|-----------------|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended May 31, 2008 | 3,194 | (32.4) | (275) | - | (472) | - | (505) | - |
| Three months ended May 31, 2007 | 4,724 | 75.1 | (304) | - | (442) | - | (442) | - |
| Fiscal year ended Feb. 29, 2008 | 45,135 | - | 1,810 | - | 2,355 | - | 855 | - |

| | Net income per share |
|---------------------------------|----------------------|
| | Yen |
| Three months ended May 31, 2008 | (3,943.81) |
| Three months ended May 31, 2007 | (3,447.44) |
| Fiscal year ended Feb. 29, 2008 | 6,666.95 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of May 31, 2008 | 57,081 | 14,286 | 24.9 | 110,687.93 |
| As of May 31, 2007 | 45,915 | 14,167 | 30.7 | 110,027.00 |
| As of Feb. 29, 2008 | 59,302 | 15,186 | 25.5 | 117,755.53 |

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

(Percentages represent year-on-year percentage change)

| | Revenue from operations | | Operating income | | Ordinary income | | Net income | | Net income per share |
|------------|-------------------------|--------|------------------|-------|-----------------|--------|-----------------|--------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| First half | 18,500 | 18.0 | 750 | 586.5 | 500 | (50.1) | 300 | (33.2) | 2,338.41 |
| Full year | 37,500 | (16.9) | 2,000 | 10.4 | 2,000 | (15.1) | 1,200 | 40.3 | 9,353.63 |

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

The estimated values above have been prepared based on information available as of the announcement date of the summary. Actual results of operations may differ from the estimated values depending on various factors. Estimated net income per share is calculated without dilution for common stock equivalents associated with stock acquisition rights.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Results of Operations

During the first quarter of the fiscal year that ended on May 31, 2008, the Japanese economy saw signs of a slowdown in both private sector capital investment and consumer spending, as escalating crude oil and raw materials prices pushed up prices of petrochemicals and foods, and as the turmoil sparked by the U.S. subprime mortgage crisis continued to linger in financial markets.

Alongside this, the operating environment for the real estate industry remained severe: inventories of unsold condominiums increased, reflecting a decline in the contract ratio on cooling consumer sentiment; the Revised Building Standards Law produced construction delays; and rising costs for building materials drove up construction costs.

In this environment, we continued to base operations on its commitment to putting the customer first. In addition, we conducted aggressive business activities with particular emphasis on supplying value-added condominiums that match customers' needs. However, the operating environment for the real estate industry grew even more severe. Showroom traffic declined as more customers postponed purchases, slowing sales of completed condominiums from inventories. Furthermore, we were unable to pass on the higher cost of raw materials to customers, making it increasingly difficult to stay profitable.

Due to these activities, consolidated revenue from operations decreased 31.4% year-on-year to 4,116 million yen, there was an ordinary loss of 984 million yen compared with ordinary loss of 621 million yen one year earlier, and there was a net loss of 920 million yen compared with net loss of 557 million yen one year earlier.

2. Qualitative Information Regarding Consolidated Financial Position

Total assets amounted to 69,360 million yen at the end of the first quarter, 1,231 million yen more than at the end of the previous fiscal year. This was mainly due to the increase in investments and other assets.

Liabilities increased 2,796 million yen to 56,268 million yen. This was mainly due to the increase in short-term debt.

Net assets decreased 1,564 million yen to 13,091 million yen mainly because of the decline in retained earnings.

3. Qualitative Information Regarding Consolidated Forecast

There is no change to the fiscal 2009 forecast that was announced on April 18, 2008 when the fiscal 2008 earnings were released.

4. Others

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation)

Not applicable.

(2) Adoption of the simplified method for accounting procedures

We have partially adopted simplified methods for booking reserves.

(3) Changes in accounting procedures from the most recent fiscal year

Not applicable.

5. Summary Consolidated Financial Statements

(1) Summary Consolidated Balance Sheets

(Thousands of yen, %)

| Item | 1Q FY2/08 (As of May 31, 2007) | | 1Q FY2/09 (As of May 31, 2008) | | Change | | FY2/08 (As of Feb. 29, 2008) | |
|---|-----------------------------------|-------|-----------------------------------|-------|--------------|--------|---------------------------------|-------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | | |
| I Current assets | | | | | | | | |
| 1. Cash and deposits | 7,689,503 | | 4,821,626 | | (2,867,876) | | 10,562,642 | |
| 2. Notes and accounts receivable-trade | 703,034 | | 2,040,783 | | 1,337,748 | | 8,429,184 | |
| 3. Inventories | 29,741,716 | | 44,613,948 | | 14,872,232 | | 33,657,418 | |
| 4. Other | 1,690,804 | | 3,582,092 | | 1,891,287 | | 2,388,132 | |
| 5. Allowance for uncollectable receivables | (8,282) | | (13,693) | | (5,410) | | (14,093) | |
| Total current assets | 39,816,777 | 56.1 | 55,044,758 | 79.4 | 15,227,981 | 38.2 | 55,023,284 | 80.8 |
| II Fixed assets | | | | | | | | |
| 1. Property, plant and equipment | | | | | | | | |
| (1) Buildings | 3,707,342 | | 3,245,746 | | (461,595) | | 3,226,029 | |
| (2) Land | 3,781,085 | | 2,335,131 | | (1,445,954) | | 2,305,809 | |
| (3) Other | 345,029 | | 410,858 | | 65,828 | | 312,697 | |
| Total property, plant and equipment | 7,833,457 | 11.0 | 5,991,736 | 8.6 | (1,841,721) | (23.5) | 5,844,537 | 8.6 |
| 2. Intangible assets | | | | | | | | |
| (1) Goodwill | 1,831,112 | | 506,230 | | (1,324,882) | | 510,612 | |
| (2) Other | 655,039 | | 604,434 | | (50,605) | | 617,979 | |
| Total intangible assets | 2,486,152 | 3.5 | 1,110,664 | 1.6 | (1,375,488) | (55.3) | 1,128,592 | 1.6 |
| 3. Investments and other assets | | | | | | | | |
| (1) Land and building in trust | 16,978,924 | | - | | (16,978,924) | | - | |
| (2) Other | 3,873,121 | | 7,246,327 | | 3,373,205 | | 6,165,234 | |
| (3) Allowance for uncollectable receivables | (30,162) | | (33,343) | | (3,181) | | (32,743) | |
| Total investments and other assets | 20,821,883 | 29.4 | 7,212,983 | 10.4 | (13,608,900) | (65.4) | 6,132,490 | 9.0 |
| Total fixed assets | 31,141,494 | 43.9 | 14,315,384 | 20.6 | (16,826,109) | (54.0) | 13,105,620 | 19.2 |
| Total assets | 70,958,271 | 100.0 | 69,360,142 | 100.0 | (1,598,128) | (2.3) | 68,128,904 | 100.0 |

(Thousands of yen, %)

| Item | 1Q FY2/08 (As of May 31, 2007) | | 1Q FY2/09 (As of May 31, 2008) | | Change | | FY2/08 (As of Feb. 29, 2008) | |
|---|-----------------------------------|-------|-----------------------------------|-------|--------------|--------|---------------------------------|-------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Liabilities | | | | | | | | |
| I Current liabilities | | | | | | | | |
| 1. Notes and accounts payable-trade | 4,053,726 | | 2,430,103 | | (1,623,623) | | 6,224,861 | |
| 2. Short-term debt | 15,151,628 | | 28,017,735 | | 12,866,107 | | 23,044,666 | |
| 3. Corporate bonds due within one year | 20,000 | | - | | (20,000) | | - | |
| 4. Allowance for bonuses to employees | 59,908 | | 50,940 | | (8,967) | | 25,620 | |
| 5. Allowance for bonuses to directors and corporate auditors | 27,300 | | - | | (27,300) | | - | |
| 6. Other | 3,553,529 | | 5,755,492 | | 2,201,963 | | 4,311,671 | |
| Total current liabilities | 22,866,092 | 32.2 | 36,254,272 | 52.3 | 13,388,179 | 58.6 | 33,606,819 | 49.3 |
| II Long-term liabilities | | | | | | | | |
| 1. Corporate bonds | 650,000 | | 650,000 | | - | | 650,000 | |
| 2. Bonds with stock acquisition rights | 6,000,000 | | 11,000,000 | | 5,000,000 | | 11,000,000 | |
| 3. Long-term debt | 23,872,200 | | 7,171,805 | | (16,700,394) | | 7,031,339 | |
| 4. Allowance for retirement benefits for employees | 172,985 | | 120,866 | | (52,118) | | 119,953 | |
| 5. Allowance for retirement benefits for directors and corporate auditors | 82,075 | | 87,925 | | 5,850 | | 88,095 | |
| 6. Negative goodwill | 102,470 | | 73,404 | | (29,066) | | 80,670 | |
| 7. Other | 3,208,305 | | 910,129 | | (2,298,176) | | 895,365 | |
| Total long-term liabilities | 34,088,037 | 48.0 | 20,014,130 | 28.8 | (14,073,906) | (42.3) | 19,865,426 | 29.2 |
| Total liabilities | 56,954,130 | 80.2 | 56,268,403 | 81.1 | (685,726) | (1.2) | 53,472,245 | 78.5 |
| Net assets | | | | | | | | |
| I Shareholders' equity | | | | | | | | |
| 1. Common stock | 7,659,238 | 10.8 | 7,659,238 | 11.1 | - | - | 7,659,238 | 11.2 |
| 2. Capital surplus | 3,380,616 | 4.8 | 3,380,269 | 4.9 | (347) | (0.0) | 3,380,269 | 5.0 |
| 3. Retained earnings | 2,735,823 | 3.9 | 1,820,408 | 2.6 | (915,414) | (33.5) | 3,061,720 | 4.5 |
| 4. Treasury stock | (984) | (0.0) | (1,967) | (0.0) | (983) | - | (1,967) | (0.0) |
| Total shareholders' equity | 13,774,694 | 19.5 | 12,857,948 | 18.6 | (916,745) | (6.7) | 14,099,260 | 20.7 |
| II Valuation and translation adjustments | | | | | | | | |
| 1. Net unrealized holding gains on securities | 95,333 | 0.1 | 41,985 | 0.0 | (53,348) | (56.0) | 128,300 | 0.2 |
| 2. Foreign currency translation adjustment | 21,666 | 0.0 | (96,355) | (0.1) | (118,022) | - | 74,725 | 0.1 |
| Total valuation and translation adjustments | 117,000 | 0.1 | (54,369) | (0.1) | (171,370) | - | 203,026 | 0.3 |
| III Stock acquisition rights | 51,209 | 0.1 | 86,510 | 0.1 | 35,300 | 68.9 | 79,343 | 0.1 |
| IV Minority interests | 61,237 | 0.1 | 201,650 | 0.3 | 140,413 | 229.3 | 275,028 | 0.4 |
| Total net assets | 14,004,141 | 19.8 | 13,091,739 | 18.9 | (912,401) | (6.5) | 14,656,658 | 21.5 |
| Total liabilities and net assets | 70,958,271 | 100.0 | 69,360,142 | 100.0 | (1,598,128) | (2.3) | 68,128,904 | 100.0 |

(2) Summary Consolidated Statements of Income

(Thousands of yen, %)

| Item | 1Q FY2/08 (Mar. 1, 2007 – May 31, 2007) | | 1Q FY2/09 (Mar. 1, 2008 – May 31, 2008) | | Change | | FY2/08 (Mar. 1, 2007 – Feb. 29, 2008) | |
|---|---|--------|---|--------|-------------|--------|---|-------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| I Revenue from operations | 6,002,116 | 100.0 | 4,116,033 | 100.0 | (1,886,083) | (31.4) | 55,338,807 | 100.0 |
| II Cost of revenue from operations | 5,338,477 | 88.9 | 3,792,868 | 92.2 | (1,545,608) | (29.0) | 48,349,637 | 87.4 |
| Gross profit | 663,639 | 11.1 | 323,165 | 7.8 | (340,474) | (51.3) | 6,989,169 | 12.6 |
| III Selling, general and administrative expenses | 1,071,834 | 17.9 | 1,055,028 | 25.6 | (16,806) | (1.6) | 5,402,920 | 9.7 |
| Operating income (loss) | (408,194) | (6.8) | (731,862) | (17.8) | (323,668) | - | 1,586,248 | 2.9 |
| IV Non-operating income | 105,412 | 1.7 | 115,349 | 2.8 | 9,936 | 9.4 | 244,957 | 0.4 |
| 1. Interest income | 1,913 | | 6,035 | | 4,121 | | 32,464 | |
| 2. Dividend income | 354 | | 566 | | 211 | | 28,227 | |
| 3. Gain on sale of marketable securities | 72,765 | | 46,773 | | (25,992) | | 8,137 | |
| 4. Amortization of negative goodwill | 7,266 | | 7,266 | | - | | 29,066 | |
| 5. Other | 23,111 | | 54,707 | | 31,595 | | 147,061 | |
| V Non-operating expenses | 319,039 | 5.3 | 368,010 | 8.9 | 48,971 | 15.3 | 1,650,035 | 3.0 |
| 1. Interest expense | 231,325 | | 197,436 | | (33,889) | | 924,986 | |
| 2. Other | 87,714 | | 170,574 | | 82,860 | | 725,048 | |
| Ordinary income (loss) | (621,821) | (10.4) | (984,524) | (23.9) | (362,702) | - | 181,169 | 0.3 |
| VI Extraordinary gains | - | - | 11,988 | 0.3 | 11,988 | - | 987,496 | 1.8 |
| 1. Gain on sale of fixed assets | - | | 3,988 | | 3,988 | | 786,062 | |
| 2. Other | - | | 8,000 | | 8,000 | | 201,433 | |
| VII Extraordinary losses | - | - | - | - | - | - | 1,470,434 | 2.6 |
| 1. Impairment losses | - | | - | | - | | 1,190,177 | |
| 2. Other | - | | - | | - | | 280,256 | |
| Net loss before income taxes | 621,821 | 10.4 | 972,536 | 23.6 | 350,714 | 56.4 | 301,767 | 0.5 |
| Income taxes | 106 | 0.0 | 32,779 | 0.8 | 32,673 | - | (415,533) | (0.8) |
| Minority interests (loss) | (64,577) | (1.1) | (84,733) | (2.0) | (20,155) | - | 30,330 | 0.1 |
| Net income (loss) | (557,350) | (9.3) | (920,582) | (22.4) | (363,232) | - | 83,436 | 0.2 |

* 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.