

November 15, 2007

## Notification on Difference from Interim Performance Forecasts and Revisions to Full Year Forecasts Accompanying Early Application of Accounting Standards on Valuation of Inventory Assets and Accompanying Recording of Extraordinary Losses

The November 15, 2007 meeting of the Board of Directors decided to apply the Accounting Standards on Valuation of Inventory Assets early in the interim period for the year ending in March 2008. In correlation with this decision, Haseko revised the performance forecasts for the year as follows.

### 1. Early Application of Accounting Standards on Valuation of Inventory Assets

Haseko decided to apply the Accounting Standards on Valuation of Inventory Assets early during this the final fiscal year of the New Mid Term Business Plan (year ended in March 2006 – year ending in March 2008). This is being done as a part of the review to reanalyze the profitability of inventory assets such as real estate for sale as a part of measures to reinforce the financial soundness of Haseko.

In correlation with this, Haseko has decided to record in this interim period on a non-consolidated basis the 15.6 billion yen in valuation losses of inventory assets owned by Haseko and the 6.3 billion yen in provision for doubtful accounts accompanying the recording of valuation losses for inventory assets at subsidiaries. On a consolidated basis, Haseko is recording 26.4 billion yen in valuation losses for inventory assets owned by Haseko and its subsidiaries. These will all be recorded as extraordinary losses.

### 2. Difference from Non-consolidated Performance Forecast for this Year and Revision of Forecast

(1) Interim Period (April 1 – September 30, 2007) (unit: mm yen, %)

	Net Sales	Operating Income	Ordinary income	Net Income
Previously announced forecast (A) (announced on May 21, 2007)	310,000	22,500	25,500	20,000
New revision (B)	300,186	23,960	27,461	5,498
Variation (B-A)	-9,814	+ 1,460	+ 1,961	-14,502
Variation rate	- 3.2	+ 6.5	+ 7.7	-72.5
Performance in previous term (interim period for year ended in March 2007)	252,533	21,846	23,510	14,758

(2) Whole Year (April 1, 2007 – March 31, 2008) (unit: mm yen, %)

	Net Sales	Operating Income	Ordinary income	Net Income
Previously announced forecast (A) (announced on May 21, 2007)	600,000	52,500	54,500	40,000
New revision (B)	600,000	50,000	52,000	27,500
Variation (B-A)	—	-2,500	-2,500	-12,500
Variation rate	—	-4.8	-4.6	-31.3
Performance in previous term (interim period for year ended in March 2007)	599,082	55,362	56,215	23,636

### 3. Difference from Consolidated Performance Forecast for This Year and Revision of Forecast

#### (1) Interim Period (April 1 – September 30, 2007)

(unit: mm yen, %)

	Net Sales	Operating Income	Ordinary income	Net Income
Previously announced forecast (A) (announced on May 21, 2007)	375,000	27,900	26,500	20,000
New revision (B)	366,426	30,379	29,160	6,498
Variation (B-A)	-8,574	+2,479	+2,660	-13,502
Variation rate	-2.3	+8.9	+10.0	-67.5
Performance in previous term (interim period for year ended in March 2007)	311,260	27,316	26,765	16,280

#### (2) Whole Year (April 1, 2007 – March 31, 2008)

(unit: mm yen, %)

	Net Sales	Operating Income	Ordinary income	Net Income
Previously announced forecast (A) (announced on May 21, 2007)	735,000	63,500	61,000	42,000
New revision (B)	735,000	62,500	60,000	32,000
Variation (B-A)	—	-1,000	-1,000	-10,000
Variation rate	—	-1.6	-1.6	-23.8
Performance in previous term (interim period for year ended in March 2007)	723,118	64,501	63,046	33,695

### 4. Reasons for Difference from Performance Forecast and Revisions

#### (1) Reasons for Difference from Non-consolidated Performance Forecast and Revisions

The decrease in net sales for the interim period is primarily a result of the decrease in sales for commissioned work and design and supervision sales that occurred as an impact of greater than anticipated prolonging of the building confirmation permit review period accompanying the implementation of the Revised Building Standards Law and the delay in real estate transactions that were initially forecast to the later half of the year or later. However, both the operating income and ordinary income increased due to strong real estate transactions with the objective of securing contracts for large projects and joint venture for-sale condominium projects.

Net income for the interim period was also impacted by the 15.6 billion yen in valuation losses on inventory assets owned by Haseko and the provision for doubtful accounts of 6.3 billion yen accompanying the recording of valuation losses at subsidiaries primarily due to early application of the Accounting Standards on Valuation of Inventory Assets. These were recorded as extraordinary losses.

As for the operating income and ordinary income for the full year, the impact of the Revised Building Standards Law's implementation will continue to be felt and so the net income for this year has been revised by the extraordinary losses recorded this interim period.

#### (2) Reasons for Difference from Consolidated Performance Forecast and Revisions

The main reason for the revision to interim net sales, operating income and ordinary income is the difference in the interim performance on a non-consolidated basis. As for the interim net income, the revision is due to the recording of 26.4 billion yen in valuation losses related to owned inventory assets of Haseko and its subsidiaries as extraordinary losses due to the early application of the Accounting Standards on Valuation of Inventory Assets. The review of the real estate disposal plan also led to an additional recording of 5.4 billion yen in deferred tax assets.

The main reason for the revision to the net sales, operating income and ordinary income for the full year is the revision of full year performance on a non-consolidated basis. Net income for this year will be corrected by the extraordinary loss recorded in the interim period.

(Note) The above forecasts are based on judgments made using information that can be obtained as of the date these materials are announced. The actual results may differ from the forecast values entered in this document due to a variety of factors.