

June 2, 2006

## **Notice of the Court Judgment and Revision of the earning forecast**

The Osaka High Court has given the judgment on Haseko Corporation (the “Company”) for the case Fujita filed against the Company in connection with the payment for related sub-contracting costs for “Hotel Sherena PR Building Construction (Motomachi dori 6-chome, Chuo-ku Kobe-shi)

### **1. Background:**

In furtherance of this construction project, the parties had a written contract under which the order was placed by Meiyo. The primary contractor was the Company and the subcontractor was Fujita. However, the actual arrangement under this contract was that Fujita was directly contracted with Meiyo and the Company served as the primary contractor in name only in order to acquire permission to carry out the related construction.

After the inspection certificate was obtained, Meiyo complained that the construction was imperfect and did not pay the construction costs. In May 1994, the Company complied with the request of Fujita and initiated a lawsuit as plaintiff in order to assist Fujita in demanding payment of primary construction fees. As the Company initiated this lawsuit, the Company and Fujita considered that the actual arrangement under the contract was important, and agreed that, if the collection of construction costs from Meiyo were to be impossible, the Company would assign its collection rights to Fujita, and Fujita would then be responsible for any losses arising from the inability to collect the amounts owed by Meiyo.

After the above court’s determination in favor the Company, and after Meiyo was determined to be insolvent, Fujita disregarded the above agreement and filed a lawsuit against the Company with the Osaka District Court seeking payment of the subcontracted construction charges totaling ¥3,583,214,183, including a penalty for late payment and interest under the Commercial Code.

The Osaka District Court gave a judgment on May 27, 2004 that the defendant (the Company) was ordered to pay the plaintiff (Fujita) ¥3,583,214,183 and 36.5% annual interest on a ¥2,796,000,000 portion of such for the period from June 1, 1991 to March 7, 1994 and also the period from May 30, 2002 until payment is completed. In addition, the Company was ordered to pay Fujita 6% annual interest on the remaining ¥787,214,183 portion for the period from May 30, 2002 until payment is completed. The Company completely disagrees with the verdict and is convinced that it contains many misinterpretations of fact, so immediately filed an appeal with the Osaka High Court and thus pursue the lawsuit.

### **2. The Judgment rendered on May 31, 2006**

- (1) The defendant (the Company) was ordered to pay the plaintiff (Fujita) ¥2,796,000,000 and 36.5% annual interest from May 30, 2002 until payment is completed.
- (2) The defendant was ordered to pay the plaintiff ¥787,214,183 and 6% annual interest from December 18, 2004 until payment is completed in exchange for the delivery of Hotel Sherena PR Building.

### **3.Future progress**

The progress will be posted in timely, after the judgment is analyzed in detail.

### **4.Revision of the earning forecast for the year-end on March 31, 2007(from April 1,2006 to March 31,2007):**

As the obligation becomes 7.8 billion yen (including penalty for late payment) as of May 31, 2006 according to the Osaka High Court judgment, the Company has decided to record a special loss for 7.5 billion yen in order to eliminate the risk of loss generating in later years, and the earning forecast announced on May 24, 2006 is revised as follows.

① Interim Period (From April 1, 2006 to September 30, 2006) for Non-consolidated Forecast

(Million yen)

	Net Sales	Ordinary Income	Net Income
Previous forecast (May 24, 2006)	257,000	23,000	20,000
Current forecast	257,000	23,000	12,500
Change	-	-	(7,500)
Rate of change	-	-	(37.5%)
Previous year (Ended Sep.30, 2005)	200,642	17,925	16,504

② Full Year (From April 1, 2006 to March 31, 2007) for Non-consolidated Forecast

(Million yen)

	Net Sales	Ordinary Income	Net Income
Previous forecast (May 24, 2006)	520,000	46,000	41,000
Current forecast	520,000	46,000	33,500
Change	-	-	(7,500)
Rate of change	-	-	(18.3%)
Previous year (Ended Mar. 31, 2006)	489,669	44,280	40,136

(FYR) Estimate net income per share; 35.59 yen

③ Interim Period (From April 1, 2006 to September 30, 2006) for Consolidated Forecast

(Million yen)

	Net Sales	Ordinary Income	Net Income
Previous forecast (May 24, 2006)	320,000	25,500	22,000
Current forecast	320,000	25,500	14,500
Change	-	-	(7,500)
Rate of change	-	-	(34.1%)
Previous year (Ended Sep.30, 2005)	257,847	20,980	18,735

④ Full Year (From April 1, 2006 to March 31, 2007) for Consolidated Forecast

(Million yen)

	Net Sales	Ordinary Income	Net Income
Previous forecast (May 24, 2006)	660,000	56,000	48,000
Current forecast	660,000	56,000	40,500
Change	-	-	(7,500)
Rate of change	-	-	(15.6%)
Previous year (Ended Mar. 31, 2006)	622,396	53,135	47,689

(FYR) Estimate net income per share; 44.42 yen