

Capital Reorganization Plan

~ Handling of Outstanding Preferred Stock ~



August 4, 2005

HASEKO Corporation

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The performance forecasts and projections entered in these materials are projections made by Haseko based on information that can be obtained presently and include latent risks and uncertainties. Please note that as a result changes in various factors may lead to very different results in the future from those entered here.

1. Reconstruction of Shareholders' Equity Configuration

Reconstruction of capital configuration aiming to handle preferred stocks issued in the debt for equity swap and to complete the revitalization by resumption of dividends within the new mid term business plan (Approved on June 29, 2005 at the ordinary general shareholders meeting and took effect on August 2, 2005)

■ Changes in Non-Consolidated Shareholders' Equity

As of 3/31/2005		As of 8/2/2005		Projection for 3/31/2006	
Accumulated deficit -74.6 billion yen	Additional paid-in capital 49.9 billion yen	<ul style="list-style-type: none"> • Compensate deficit • Establishment of acquisition limit for preferred stock 		<ul style="list-style-type: none"> • Preferred stock Class A buy back and cancell • Net income projection 	
		Reversal of additional paid-in capital	-49.9 billion yen	Other capital surplus	-38 billion yen
		Capital reduction	-75.5 billion yen	Retained earnings	30 billion yen
		Other capital surplus	50.8 billion yen		
Shareholders' equity 100.8 billion yen	Capital Stock 125.5 billion yen	Shareholders' equity 100.8 billion yen	Capital surplus 50.8 billion yen	Shareholders' equity 92.8 billion yen	Retained earnings 30 billion yen
		Acquisition limit for preferred stock 40 billion yen		12.8 billion yen	
		Capital stock 50 billion yen			Capital stock 50 billion yen
				↑ Redeem /distribute by accumulated periodic income ↓ Capital surplus	

(Note) The categories of "Net unrealized gain (loss) on other securities" and "Treasury stock" in shareholders equity are minute and thus have been omitted from the above figure.

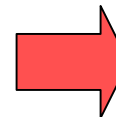
2. Objective of the Capital Reorganization Plan

*DES preferred stock: 142.8 billion yen in preferred stock issued through debt equity swap of September 2002

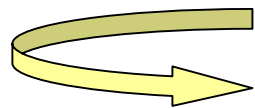
Objective of Capital Reorganization Plan

Increase of the shareholders value by raising company value in mid-and-long term

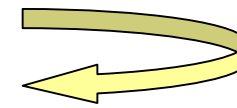
- ◆ Maintain financial position soundness and profitability
- ◆ Reduce potential dilution caused by DES preferred stock



Early realization of dividend resumption



Stage from completion of revival to sustainable growth



Specific Measure

Cancellation of DES preferred stock through buyback and redemption using existing and future profit available for dividend

Passed Handling of DES Preferred Stock

Class A III

Overview

Total issued price:	20 billion yen
Number of issued shares:	40,000,000 shares (@500 yen)
Issued date:	September 27, 2002
Conversion requesting period:	October 1, 2008 to September 30, 2026
Initial conversion price:	@72 yen (277 million potential dilution)
Conversion ceiling price:	@144yen
Conversion floor price:	@36yen

Resolved Buyback Implementation

*Resolved at the Haseko board of directors meeting on August 4, 2005

- ◆ **Transfer price 950 yen per share**
190% of issued price; total of 38 billion yen
- ◆ **Sellers of Acquiring Shares**
 - Resona Bank: 13.9 billion yen**
 - The Chuo Mitsui Trust and Banking: 13.4 billion yen**
 - Mizuho Corporate 10.7 billion yen**
- ◆ **Transaction date: September 30, 2005 (scheduled)**

277 million potential dilution reduction
(44.4% of common stock outstanding as of 7/31/2005)

Passed Handling of DES Preferred Stock

Class A IV Class B I

Overview

Class A IV

- Total issued price: 39 billion yen
- Number of issued shares: 78,000,000 shares (@500 yen)
- Issued date: September 27, 2002
- Conversion requesting period: October 1, 2012 to September 30, 2028
- Initial conversion price: @72 yen (541 million potential dilution)
- Conversion ceiling price: @216yen
- Conversion floor price: @36yen

Class B I

- Total issued price: 45 billion yen
- Number of issued shares: 90,000,000 shares (@500 yen)
- Issued date: September 27, 2002
- Conversion requesting period: October 1, 2015 to September 30, 2032
- Initial conversion price: Market price 1 year before conversion start date
(however, not below @72 yen)
(191 million potential dilution)
- Conversion ceiling price: 300% of initial conversion price
- Conversion floor price: 50% of initial conversion price

【Class A IV】

- ◆ Execution price: 700 yen per share
140% of the issue price; total of 54.6 billion yen
- ◆ Execution period:
Assume YE 3/31/2007- 3/31/2009

【Class B I】

- ◆ Execution price: 500 yen per share
100% of the issue price; total of 45.0 billion yen
- ◆ Execution period:
Assume YE 3/31/2010-3/31/2012

The establishment of mandatory redemption and claim of redemption on agenda for the general shareholders meeting

※On agenda for the General shareholders meeting holding various types and Extraordinary general shareholders meeting of the schedule held late in September 2005

**732 million potential dilution reduction
(117.2% of common stock outstanding as of 7/31/2005)**

4. Reduction of Potential Dilution

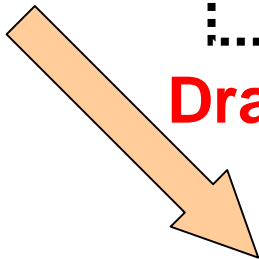
Conversion price for the calculation of potential dilution
 Class A I ~ A IV : Initial conversion price (@¥72)
 Class B I : Market price as of 7/29/2005 (@¥236)
 Class A V : Conversion price as of 7/19/2005 (@¥209.6)

Class A III: Cancel through buyback
Class A IV and Class B I: redemption
Class A V: Issued 70 billion yen in March 2005 to handle DES preferred stock: Presently converting to common stock (50% had been converted as of 7/31/2005).

2.34 billion shares

Potential dilution (Class B I)	190 million shares
Potential dilution (Class A IV)	541 million shares
Potential dilution (Class A III)	277 million shares
Potential dilution (Class A II)	277 million shares
Potential dilution (Class A I)	261 million shares
Potential dilution (Class A V)	331 million shares
Outstanding common stock prior to reorganization	462 million shares
Potential dilution as of 7/31/2005	
1,717 million shares	
Common stock as of 7/31/2005	
625 million shares	

Dramatic reduction impact



1.33 billion shares

Total potential shares exclude Class A V	
2.01 billion shares	
Potential dilution (Class A II)	277 million shares
Potential dilution (Class A I)	261 million shares
Potential dilution (Class A V)	331 million shares
Outstanding common stock prior to reorganization	462 million shares
Potential dilution after buyback and redemption	
707 million shares	
Common stock as of 7/31/2005	
625 million shares	

Present Status

After Conducting the Reorganization Plan

5. Assumption schedule of cancellation

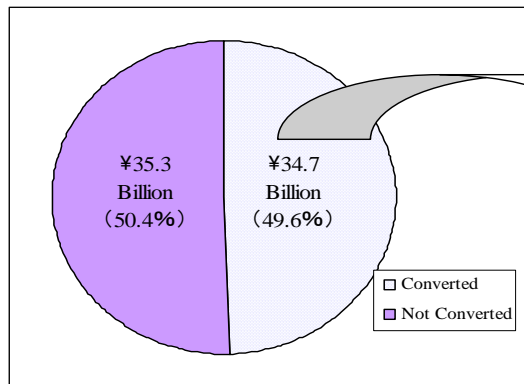
(Billions of yen)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
	YE	YE	YE	YE	YE	YE	YE	YE	YE	YE	YE	
	3/31/2006	3/31/2007	3/31/2008	3/31/2009	3/31/2010	3/31/2011	3/31/2012	3/31/2013	3/31/2014	3/31/2015	3/31/2016	
Class A		Conversion start: October/2006										
Class A		Conversion start: October/2007										
Class A	Buy back 38.0		Conversion start: October/2008									
Class A		Redemption 18.2	Redemption 18.2	Redemption 18.2				Conversion start: October/2012				
Class B					Redemption 15.0	Redemption 15.0	Redemption 15.0				October/2015~	
Amount	38.0	18.2	18.2	18.2	15.0	15.0	15.0	Conversion price will be settled				

The plan of the buy back and redemption for 7 years was determined

Class A V

Conversion Status as of July 31, 2005



Common stock increase upon conversion of A V	163 Million shares
Outstanding common stock prior to issuance of A V	462 Million shares
Outstanding common stock as of 7/31/2005	625 Million shares

* Average conversion price @¥213.26

Haseko will continue efforts to further heighten our corporate value and to reduce potential dilution of outstanding preferred stock.

Preferred stock (Class A I and Class A II)

In consideration of business performance and the securing of profit available for dividends, continue to consider the handling (partially buy back ,etc.)

Resumption of Dividends

Make every effort to realization of resumption of dividends within the period of New Medium-Term Business Plan.

(Reference Materials) Overview of Outstanding Preferred Stock

	Total issued price	Shareholders with Preferred Stock	Initial Conversion Price	Ceiling and Floor of Conversion Price	Present potential dilution	Conversion requesting period	Determined plan
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(Shares issued in September 2002)

Class A I	18.8 billion yen	Resona Bank (36.53%) Mizuho Corporate (28.26%) Shinkin Trust Bank (26.59%) Japan Trustee Service Bank (8.60%)	72 yen	Ceiling: 108 yen Floor: 43 yen	261 million shares (@72 yen)	October 1, 2006 ~ September 30, 2011	
Class A II	20.0 billion yen	Risona Bank (36.53%) Mizuho Corporate (28.26%) Japan Trustee Service Bank (35.20%)	72 yen	Ceiling: 144 yen Floor: 36 yen	277 million shares (@72 yen)	October 1, 2007 ~ September 30, 2014	
Class A III	20.0 billion yen	Risona Bank (36.53%) The Chuo Mitsui Trust and Banking (35.20%) Mizuho Corporate (28.26%)	72 yen	Ceiling: 144 yen Floor: 36 yen	277 million shares (@72 yen)	October 1, 2008 ~ September 30, 2026	Redeem and Cancel
Class A IV	39.0 billion yen	Risona Bank (36.53%) The Chuo Mitsui Trust and Banking (35.20%) Mizuho Corporate (28.26%)	72 yen	Ceiling: 216 yen Floor: 36 yen	541 million shares (@72 yen)	October 1, 2012 ~ September 30, 2028	Establishment of mandatory redemption and claim of redemption
Class B I	45.0 billion yen	Risona Bank (36.53%) The Chuo Mitsui Trust and Banking (35.20%) Mizuho Corporate (28.26%)	Market price 1 year before conversion start date (however, not below @72 yen)	Ceiling: 300% of initial conversion price Floor: 50% of initial conversion price	190 million shares (present share price: 235 yen)	October 1, 2015 ~ September 30, 2032	Establishment of mandatory redemption and amendment of claim of redemption
Sub-total	142.8 billion yen				1.55 billion shares		

(Shares issued in March 2005)

Class A V	70.0 billion yen	Daiwa Securities SMBC Mizuho Securities Goldman Sachs International	257 yen	Ceiling: 514 yen Floor: 102.8 yen	Converted 162 million shares	March 14, 2005 ~ March 11, 2015	
(As of 7/31/2005)	35.3 billion yen	Same as above	209.60 yen (as of 7/19/2005)	Same as above	168 million shares (@209.6 yen)	Same as above	
Total Balance as of 7/31/2005	178.1 billion yen				1.71 billion shares		