

**ARDEPRO Co., Ltd.**

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**Revisions to Forecasts of Financial Results and Extraordinary Loss**

Based on recent business results we have revised our forecasts of financial results for the fiscal year ended July 2008 (August 1, 2007 to July 31, 2008) which were announced on June 13, 2008, as shown below.

**1. Fiscal 2008, year ending July 31, 2008 (August 1, 2007 to July 31, 2008)**

## (1) Revisions to forecasts of consolidated financial results

(¥ million)

	Net sales	Operating income	Ordinary income	Net income
Previous forecast (A)	63,200	5,800	4,200	2,300
Revised forecast (B)	68,900	2,100	40	(8,150)
Increase (Decrease) (B-A)	5,700	(3,700)	(4,160)	(10,450)
Increase (Decrease) (%)	9.0	(63.8)	(99.0)	---
Summary Year ended July 2007	78,184	12,505	11,617	6,512

## (2) Revisions to forecasts of non-consolidated financial results

(¥ million)

	Net sales	Operating income	Ordinary income	Net income
Previous forecast (A)	60,100	6,000	4,400	2,200
Revised forecast (B)	65,000	2,340	260	(7,840)
Increase (Decrease) (B-A)	4,900	(3,660)	(4,140)	(10,040)
Increase (Decrease) (%)	8.2	(61.0)	(94.1)	---
Summary Year ended July 2007	75,745	12,431	11,560	6,745

**2. Extraordinary loss**

Although we have made the utmost effort to maximize the value of our real estate holdings, we have written down the value of assets by 6.5 billion yen from the standpoint of valuing them conservatively, and this accounts for most of the extraordinary loss. We also recorded a roughly 700 million yen loss on the sale of subsidiary shares in conjunction with the realignment of our business operations and a 43 million yen loss in the value of investment securities.

### **3. Reason for revisions to forecasts of financial results**

The volume of property market transactions in Japan has declined sharply because financial institutions have adopted a more cautious approach to lending to the real estate industry as a result of the credit crunch that was triggered by the subprime loan crisis. Ardepro has been conducting an aggressive marketing effort in order to maximize earnings opportunities.

Nevertheless, buyers are continuing to have difficulty obtaining financing, and this is affecting our earnings results. We believe that the market for existing properties will grow over the medium to longer term. Nevertheless, bearing in mind the current environment, we have been working to reduce inventory, and this has lowered our profit margin. As already explained, we have also recorded an extraordinary loss. Consequently we have revised our forecasts for the year ended July 2008 that was released on June 13, 2008.

### **4. Medium-term outlook**

In the real estate revitalization business, we boost the value of existing properties by bringing them back into compliance and improving occupancy rates with the aim of improving their marketability, and we believe that as the market for existing properties expands in the future, demand for our revitalization services will remain firm.

More specifically, we believe that the market for existing properties will expand over the medium to longer term and that this will be accompanied by growth in our revitalization business for the following reasons:

- (1) Lease rates and occupancy rates for existing properties are remaining relatively firm even in the current climate  
The lease rates and occupancy rates for existing properties are remaining relatively stable when compared with new properties.
- (2) There are many obsolescent properties where lease rates and occupancy rates can be improved by upgrading facilities  
The supply of new properties has decreased sharply since the asset bubble collapsed in the early 1990s, so many properties owned by Japanese companies were built more than 20 years ago.
- (3) Based on the cap rate method, Japanese properties remain relatively low when compared to overseas prices  
The cap rate for properties in Japanese metropolitan areas including Tokyo is higher than the rate in cities like New York and London, so we believe that income properties in Japan will remain important investment vehicles for both Japanese and foreign investors.
- (4) Many existing properties have compliance issues in terms of the Building Standards Act and other regulations, so they must be upgraded in order to improve their marketability.  
Real estate revitalization is becoming increasingly important as the compliance and inspection standards for REITs and property lending become stricter.

In light of the latent investment demand for existing properties in Japan, if the subprime loan crisis fades and financial institutions reverse their cautious stance on property lending, there could be a major improvement in property market liquidity.

Our growth strategy for the future is to concentrate our business resources in the revitalization of income properties in major metropolitan areas (mainly Tokyo), which generate higher profit margins than properties in regional areas, after determining that the financing environment has improved for our buyers. Although we expect earnings to temporarily come to a standstill this fiscal year, we expect earnings to break free of this deadlock in the medium term because of the

following reasons:

- (1) Ardepro owns real estate primarily in major metropolitan areas. Because of solid occupancy rates and stable leasing income, interest in these properties among buyers has remained firm.
- (2) Demand for properties that are actually occupied by prospective buyers is firm because of the price advantage when compared to new condominiums and the fact that buyers can gain a true sense of the living environment.
- (3) We also announced today that we are closing our Nagoya and Osaka branches as we proceed with the consolidation of locations begun last year that is aimed at building a muscular organization. As a result, the number of employees declined from 200 at the beginning of the fiscal year to 105 at the end of the fiscal year, allowing us to sharply reduce fixed overhead expenses including labor costs and office leasing costs. Furthermore, we have been able to sharply reduce administrative costs by liquidating and realigning group subsidiaries.
- (4) Today we also announced that we are issuing No. 2 convertible-type bonds with stock acquisition rights ("No. 2 CB") for placement with GS TK Holdings 4 Joint Company, a unit of Goldman Sachs, in an amount equal to the No. 1 convertible-type bonds with stock acquisition rights ("No. 1 CB") maturing on August 27, 2008. In conjunction with this, Ardepro has obtained financing from a number of financial institutions throughout Japan, and we expect to receive their continued support in the future.

Note: The above forecasts are based on information available at the time this release was prepared. Actual results may vary from these figures due to a variety of factors.