



News Release

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ARDEPRO Co., Ltd.

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Notice of Business Plan for the Year Ending July 2010

Outline of the Plan

1. Eliminate concerns about insufficient cash flow
2. Eliminate concerns about insolvency
3. Eliminate going concern doubts
4. Return to profitability next fiscal year

The Board of Directors of ARDEPRO Co., Ltd. today approved the formation of a business plan for the year ending July 2010 as described below.

1. Background behind the formulation of this plan

Real estate prices have fallen sharply due to the effects of the global turmoil in financial markets and credit crunch that were triggered by the US subprime loan crisis. A large number of companies in the real estate industry have become the subjects of concerns about their cash flow, solvency, and their ability to survive as going concerns. There is a sense of uncertainty about the future business prospects of a large number of companies.

ARDEPRO recorded a net loss of 10.4 billion yen for the year ended July 2008. In the first and second quarters of the year ending July 2009 sales continued to decline compared to a year earlier, and the company posted recurring and net losses.

ARDEPRO is working to address the severe changes in the real estate market by closing branches and sales offices, reducing officer compensation, spinning off group subsidiaries, and reducing overhead costs. As the company closes branches and sales offices the number of employees is declining. The company intends to reduce the number of employees from 404 persons at the end of July 2007 to about 40 persons as of the end of March 2009. The effect of these overhead cost reductions amounts to about 2 billion yen on an annual basis. The company has already reduced monthly general and administrative expenses such as labor costs and office rental expenses to about 35 million yen.

ARDEPRO had been expanding our business domain beyond our original business model of revitalizing existing residential units to developing major projects and revitalizing commercial

buildings. However, in the interim the property market changed drastically and sales for these major projects and commercial buildings did not proceed as expected, causing earnings to deteriorate.

Under this business plan we intend to return to the starting point of our business model, concentrating on the revitalization of existing residential units. In doing so, we aim to eliminate concerns about cash flow and insolvency as well as doubts about the company's ability to continue as a going concern. We are working to return to profitability next fiscal year and beyond.

(1) Eliminate concerns about insufficient cash flow

As discussed in today's press release titled, "Notice of Private Offering of New Shares and Changes in Major Shareholders," ARDEPRO is raising 1.5 billion yen to be used for acquisitions in the business of revitalizing existing residential units. We are also proceeding with the sale of properties by the end of the current fiscal year, so we expect to have cash reserves of about 3.1 billion yen at the end of fiscal year. This, along with the effects of reductions in general and administrative costs, means that we should have enough cash for several years.

(2) Eliminate concerns about insolvency

Under a strategy designed to lance the boil this fiscal year, the company has been proceeding with the sale of most of its properties. In the current real estate market, the company could be forced to sell at prices below our acquisition prices. If this happens, the amount of the net loss could grow larger and the company's net assets could erode.

GS TK Holdings 4 Joint Company, in which Goldman Sachs has a stake, holds approximately 10 billion yen of bonds with stock acquisition rights issued by ARDEPRO. The company is currently negotiating with this company to replenish our net assets, including the conversion of these bonds into common stock.

(3) Eliminate going concern doubts

We have engaged in talks with all of the financial institutions that have provided funding to the company, and they have generally accepted changes to the terms for our loans. It is our aim to eliminate concerns about the company's ability to continue as a going concern within the current fiscal year.

(4) Return to profitability next fiscal year (V-shaped rebound)

1. Establishment of ARDEPRO Housing Sales Co. Ltd.

ARDEPRO Housing Sales Co. Ltd. was established in October 2008 to specialize in sales of revitalized existing residential units. The company will focus mainly on sales of properties owned by ARDEPRO.

Creating a separate company has resulted in a greater awareness of profits and costs than there was when this business was a division within the company.

2. Sales targets

The business of revitalizing existing residential units was the starting point for our business model. In this business we acquire an entire building, give the interior and exterior an overhaul, file to subdivide the property, lay the groundwork for establishing a management association, and then sell the units. It takes about three-four months to sell the units, which is shorter than the 18-36 months required for newly built condominiums. Existing residential units are priced at about 60-70% the price of newly built condominiums, making them seem inexpensive, and therefore demand has been resilient.

In the fiscal year ending July 2010, we intend to use 3.0 billion yen of our initial cash reserves to acquire existing residential units. We aim to turn this over more than three times annually, selling the units at a gross margin on sales of 20%. We will be extremely careful to select properties that are sure to generate profits. We are also involved in revitalizing medium-sized residential and commercial properties, and we aim to bring these operations back into the black in the fiscal year ending July 2010.

2. Numerical targets

(1) Consolidated Income Statement

(million yen)

Item	First Half of FY Ending July 2009	FY Ending July 2009	FY Ending July 2010
Net sales	6,024	28,300	25,900
Operating profit	(8,456)	(10,700)	2,900
Recurring profit	(9,085)	(12,100)	2,300
Net income	(17,458)	(21,800)	2,300

(2) Consolidated Balance Sheet (Main Items)

(million yen)

Item	First Half of FY Ending July 2009	FY Ending July 2009	FY Ending July 2010
Cash and deposits	804	3,100	2,900
Inventory	52,120	11,700	3,000
Short-term borrowing	40,023	10,100	---
Total net assets	6,015	13,100	15,400
Total assets	62,909	35,800	23,500

* Forecast shareholders' equity ratio, debt-equity ratio, and EPS for the year ending July 2010

Shareholders' equity ratio: 65.5%

Debt-equity ratio: 0.6

EPS: 300 yen