



Summary of Financial Results for the First Half of Fiscal Year Ending July 31, 2008

March 14, 2008

Company name: ARDEPRO Co., Ltd.

Listing: TSE Mothers Market

Stock code: 8925

URL: <http://www.ardepro.co.jp>

Representative: Reishi Kubo, Chief Operating Officer

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Scheduled date of dividend payment: April 14, 2008

Scheduled date of filing of Semi-annual Security Report: April 30, 2008

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Interim Period Ended January 31, 2008 (August 1, 2007 – January 31, 2008)

(1) Consolidated results of operations

(Percentages for sales, operating profit, recurring profit and net income represent year-on-year percentage change)

	Sales		Operating profit		Recurring profit	
	Million yen	%	Million yen	%	Million yen	%
Interim period ended January 2008	51,218	33.0	7,719	12.5	6,705	7.5
Interim period ended January 2007	38,523	113.3	6,859	132.4	6,239	125.8
Year ended July 2007	78,184	-	12,505	-	11,617	-

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Interim period ended January 2008	3,915	10.7	953.87	952.46
Interim period ended January 2007	3,537	148.2	1,023.90	1,019.95
Year ended July 2007	6,512	-	1,884.08	1,878.23

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Interim period ended January 2008	99,684	38,491	38.6	9,125.89
Interim period ended January 2007	41,915	13,390	31.9	3,870.13
Year ended July 2007	48,488	15,494	31.9	4,468.84

Reference: Equity at end of period January 2008: ¥38,491 million January 2007: ¥13,385 million July 2007: ¥15,455 million

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Interim period ended January 2008	(49,480)	(245)	49,244	7,763
Interim period ended January 2007	(4,355)	(554)	4,965	8,694
Year ended July 2007	(8,140)	2,402	5,352	8,253

2. Dividends

(Record date)	Dividend per share		
	Interim	Year-end	Annual
	Yen	Yen	Yen
Year ended July 2007	280.00	280.00	560.00
Year ending July 2008 (result)	230.00	-	460.00
Year ending July 2008 (forecast)	-	230.00	

3. Consolidated Forecast for the Fiscal Year Ending July 31, 2008 (August 1, 2007 – July 31, 2008)

(Percentages for sales, operating profit, recurring profit and net income represent year-on-year percentage change)

	Sales		Operating profit		Recurring profit		Net income		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	121,755	55.7	13,377	7.0	11,550	-0.6	6,514	0.0	1,565.38

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: - Excluded: 3

(2) Changes in accounting principles, procedures and presentation methods for preparation of interim consolidated financial statements

1) Changes caused by revision of accounting standards: No

2) Other changes: No

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of period (including treasury stock):

January 2008: 4,217,839 shares January 2007: 3,458,595 shares July 2007: 3,458,595 shares

2) Number of treasury stock at end of period:

January 2008: 0 shares January 2007: 0 shares July 2007: 0 share

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Interim Period Ended January 31, 2008 (August 1, 2007 – January 31, 2008)**

(1) Non-consolidated results of operations

(Percentages for sales, operating profit, recurring profit and net income represent year-on-year percentage change)

	Sales		Operating profit		Recurring profit	
	Million yen	%	Million yen	%	Million yen	%
Interim period ended January 2008	49,233	31.4	7,919	16.8	6,870	10.9
Interim period ended January 2007	37,469	116.1	6,779	124.8	6,194	119.1
Year ended July 2007	75,745	-	12,431	-	11,560	-

	Net income		Net income per share (basic)
	Million yen	%	Yen
Interim period ended January 2008	4,114	15.6	1,002.22
Interim period ended January 2007	3,557	138.4	1,029.85
Year ended July 2007	6,745	-	1,951.50

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Interim period ended January 2008	98,191	38,891	39.6	9,220.69
Interim period ended January 2007	41,416	13,451	32.5	3,889.19
Year ended July 2007	47,016	15,734	33.5	4,549.29

Reference: Equity at end of period January 2008: ¥38,891 million January 2007: ¥13,451 million July 2007: ¥15,734 million

2. Non-consolidated Forecast for the Fiscal Year Ending July 31, 2008 (August 1, 2007 – July 31, 2008)

(Percentages for sales, operating profit, recurring profit and net income represent year-on-year percentage change)

	Sales		Operating profit		Recurring profit		Net income		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	118,348	56.2	13,213	6.3	11,330	-2.0	6,558	-2.8	1,575.95

* Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. Actual results may differ significantly from these forecasts for a number of factors.

1 Management results

(1) Analysis of management results

The Japanese economy in current interim consolidated accounting period (August 1, 2007-January 31, 2008) was generally healthy with bullish corporate performance, continued increase in capital investment, and steady personal consumption. However, enforcement of the Revised Building Standard Law saw the number of new housing starts fall dramatically. This along with other factors signaled a temporary slowdown in the economy, which is continuing to move in a state of uncertainty.

Looking at the trends of the real estate industry in which the company operates, the reduction in housing investment as a result of the abovementioned law coming into effect, concerns over a credit squeeze in the financial market triggered by the U.S sub-prime loan problem, and other issues are heightening the cautious mood regarding future trends in real estate. Meanwhile, funds are continuing to flow from domestic and overseas sources into Japan's real estate investment market, which is backed by such strengths as a high-level yield gap compared even to other cities around the world.

In such an environment, during current interim consolidated accounting period we have proactively promoted business activities through our real estate revitalization business by centering on ARDEPRO Co., Ltd., the core company of ARDEPRO group. However, the real estate industry as a whole is facing a crackdown in financing from financial institutions. As a result, the financial circumstances of the proposed buyers of several properties that this company intended to sell in the current interim consolidated accounting period have forced us to push back the sales to the latter half of the year, resulting in performance being under the initial targets. In contrast, our subsidiaries ARDEPRO PROPERTY MANAGEMENT Co., Ltd. and Japan Realty Supervision Co., Ltd., which are involved in the property management business, have progressed firmly on the whole in condominium management, building maintenance, remodeling construction and other areas. The electric communication construction company Odaka Denko Co., Ltd. has also produced respectable results, as have other group companies on the whole.

Even in this tough environment, compared to the same period of the previous year, we achieved an increase in both sales and profit with consolidated sales of 51,218 million yen (up 33.0% from the same period of the previous fiscal year), operating profit of 7,719 million yen (up 12.5%), recurring profit of 6,705 million yen (up 7.5%), and net income of 3,915 million yen (up 10.7%).

(Real estate revitalization business)

The real estate revitalization business, which is the core business of ARDEPRO group, performed well in the Tokyo metropolitan area in the sales of individual condominium units for own use. This was to realize the sale of low-priced used units to predominantly first-time homebuyers. Meanwhile, the sale of whole used condominium buildings and used office buildings as investment properties scheduled for current interim consolidated accounting period was delayed until after the 2nd half of the fiscal year. As a result, sales fell below initial projections to 48,282 million yen (up 32.0% from the same period of the previous fiscal year), while operating profit was 8,199 million yen (up 6.8%).

(Other businesses)

Other businesses include those associated with the real estate revitalization business (property management, electric communication construction, sale of construction materials, etc.). Overall these businesses had favorable results with a 50.4% increase in sales from the same period of the previous fiscal year to reach 2,935 million yen and a 19.6% rise in operating profit over the same period to 1,091 million yen.

[Performance outlook for the fiscal year (August 1, 2007 – July 31, 2008)]

The Japanese economy is likely to see worsening corporate and household sentiment due to a long-term slump in share prices triggered by the sub-prime loan problem. Escalating commodity prices of crude oil, wheat and other primary products are also giving rise to concerns over a contraction in corporate profits. These factors along with a rise in the prices of gasoline and food products are expected to lower the real purchasing power of households. The continuing lag since last year in construction starts due to the Revised

Building Standards Law has led to a fall in construction and housing investment; this will remain a destabilizing factor for the economy due to its expected negative impact on personal consumption.

The real estate industry in which ARDEPRO operates is facing a major turning point due to various factors such as changes in the stance of financial institutions towards real estate collateral loans, and the heightening interest of society in the safety of buildings as reflected in the abovementioned law. Financially, eligibility for non-recourse real estate loans has become more selective as the stance of financial institutions towards lending continues to change. The real estate industry on the whole remains polarized between growth and selection.

Our group remains positive in this tough business environment, with continuing lucrative profit opportunities forecast in our strong real estate revitalization business. We are moving forward with the sweeping elimination and consolidation of our sales branch network as announced on February 18, 2008, based on the notable flow of funds into the real estate investment market and back into cities, in particular Tokyo. In the 2nd half we will implement the aforementioned measures as a part of our efforts towards developing a stronger, more flexible and streamlined organization. We will also take into account the balance between inventory investment for growth and our cash position in order to respond effectively to fluctuating market trends.

The forecast of consolidated operating results for the fiscal year ending July 2008 is as follows: sales, 121,755 million yen (up 55.7% from the previous fiscal year); operating profit, 13,377 million yen (up 7.0%); recurring profit, 11,550 million yen (down 0.6%); net income, 6,514 million yen (up 0.0%). The forecast of non-consolidated operating results for the fiscal year ending July 2008 is as follows: sales, 118,348 million yen (up 56.2%); operating profit, 13,213 million yen (up 6.3%); ordinary profit, 11,330 million yen (down 2.0%); net income, 6,558 million yen (down 2.8%).

*The above forecasts are based on the information available as of the date of the announcement of this data and assumptions made on the same day regarding various uncertainties that may affect our business results in the future. Actual results may differ from the above forecasts due to changes in business conditions and other factors.

(2) Analysis of financial conditions

Cash and cash equivalents (hereinafter “cash”) as of January 31, 2008 was 7,763 million yen, which was 489 million less than at the end of the previous interim consolidated accounting period. This was mainly due to continued property purchasing in the current interim consolidated accounting period.

(Cash flows from operating activities)

Net cash used in operating activities was 49,480 million yen (net cash used of 4,355 million yen in the previous interim consolidated accounting period). In spite of recording net income before income taxes of 6,643 million yen, the increase in expenditure was due to various factors such as a 43,525 million yen increase in inventory as we actively proceeded with the purchase of property, which is expected to be our primary source of sales from hereon.

(Cash flow from investing activities)

Net cash used in operating activities was 245 million yen (net cash used of 554 million yen in the previous interim consolidated accounting period). This was largely a result of payments for time deposits totaling 259 million yen, the purchase of tangible fixed assets totaling 50 million yen, and other investment activities.

(Cash flow from financing activities)

Net cash provided by financing activities was 49,244 million yen (net cash provided of 4,965 million yen in the previous interim consolidated accounting period). This mainly arose from a net increase in short-term borrowings of 19,621 million yen, 10,187 million yen in proceeds from corporate bond issuance, and 20,012 million yen in proceeds from new share issuance.

(Reference) Trends in cash flow indicators were as follows:

	Year ended July 2005 (As of July 31, 2005)	Year ended July 2006 (As of July 31, 2006)	Year ended July 2007 (As of July 31, 2007)	Interim period ended Jan. 2008 (As of Jan. 31, 2008)
Shareholders' equity ratio (%)	39.6%	32.7%	31.9%	38.6%
Shareholders' equity ratio based on market cap (%)	427.6%	308.1%	237.5%	73.4%
Interest-bearing debt to cash flow ratio	-	-	-	-
Interest coverage ratio	-	-	-	-

Note: All indices are calculated based on consolidated figures.

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market cap: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

* Market cap is computed by multiplying the closing price of stock on the balance sheet date by the number of shares outstanding on the balance sheet date. The number of shares as of the end of July 2006 has been adjusted to reflect the five-for-one stock split with a record date of July 31, 2006.

* Operating cash flow is calculated using the figures for “net cash provided by (used in) operating activities” in the consolidated cash flow statements. Interest-bearing debt includes all liabilities on the consolidated balance sheets that incur interest. Interest payments are calculated from the consolidated cash flow statements of “interests paid”.

* Interest-bearing debt to cash flow ratio and interest coverage ratio for each period are not presented since we reported negative operating cash flows in these periods.

(3) Basic Policy Regarding Distribution of Profits and Dividends for the Current Fiscal year

We position the return of profits to shareholders as an important management issue, viewing it as one specific means of achieving our corporate philosophy of the “pursuit of the three forms of fulfillment.” To maximize shareholder value over the long term, we will determine earnings distributions based on the need for growth-oriented investments. These investments are needed for inventories, which are essential to future growth, upgrading internal administrative systems to strengthen our operating framework, and for other requirements.

In accordance with this policy, we have established the goal of a dividend payout ratio of at least 30%. This provides a specific target as one means of translating our “three Ss: customer satisfaction, employee satisfaction and shareholder satisfaction” corporate philosophy into concrete actions.

Dividend forecasts were as follows: interim dividend for current period, 460 yen per share; year-end dividend, 510 yen per share; full-year dividend, 970 yen (dividend payout ratio of 30% equivalent amount based on the forecast consolidated net income as announced on September 14, 2007). However, based on the revisions of the interim and full-year performance forecasts as announced on March 13, 2008, we regret to inform our shareholders that the dividend forecasts have been revised downwards as follows: interim dividend for current period, 230 yen per share; year-end dividend, 230 yen per share; full-year dividend, 460 yen (dividend payout ratio of 30% equivalent amount based on the forecast consolidated net income as announced on March 13, 2008).

4. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

Thousand yen

Account	Note	Interim period ended Jan. 2007 (As of January 31, 2007)		Interim period ended Jan. 2008 (As of January 31, 2008)		Year ended Jul. 2007 Summary (As of July 31, 2007)	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash and deposits	*2	9,132,352		7,951,350		8,232,508	
2. Trade notes and accounts receivable		162,960		309,534		280,483	
3. Inventories	*2	27,170,628		73,513,464		29,987,587	
4. Advances		—		13,769,242		5,457,968	
5. Others		2,883,640		1,845,689		1,845,613	
Allowance for doubtful accounts		(19,359)		(40,445)		(36,615)	
Total current assets		39,330,221	93.8	97,348,836	97.7	45,767,546	94.4
II Fixed assets							
1. Tangible fixed assets	*1, 2	188,977		483,951		519,693	
2. Intangible fixed assets		944,797		1,460,002		1,617,614	
3. Investments and other assets		1,451,197		391,239		583,873	
Total fixed assets		2,584,972	6.2	2,335,194	2.3	2,721,180	5.6
Total assets		41,915,193	100.0	99,684,030	100.0	48,488,727	100.0

Thousand yen

Account	Note	Interim period ended Jan. 2007 (As of January 31, 2007)		Interim period ended Jan. 2008 (As of January 31, 2008)		Year ended Jul. 2007 Summary (As of July 31, 2007)	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
1. Trade accounts payable		247,616		328,763		518,108	
2. Short-term borrowings	*2,3	22,535,594		43,702,200		24,080,404	
3. Current portion of long-term borrowings	*2	9,000		31,656		32,016	
4. Current portion of corporate bonds		-		10,032,720		30,000	
5. Accrued income taxes		2,753,977		2,560,828		3,741,384	
6. Allowance for employees' bonuses		37,460		31,614		19,554	
7. Allowance for directors' bonuses		3,775		9,000		18,000	
8. Allowance for completed production compensation		-		8,598		7,104	
9. Others	*2	2,419,442		3,037,752		3,768,273	
Total current liabilities		28,006,866	66.8	59,743,133	59.9	32,214,845	66.4
II Long-term liabilities							
1. Corporate bonds	*2	450,000		745,000		560,000	
2. Long-term borrowings		32,250		604,653		120,331	
3. Allowance for retirement benefits		35,915		37,748		38,289	
4. Negative goodwill		-		38,296		45,295	
5. Others		-		23,678		15,158	
Total long-term liabilities		518,165	1.2	1,449,376	1.5	779,075	1.6
Total liabilities		28,525,031	68.1	61,192,509	61.4	32,993,921	68.0
Net assets							
I Shareholders' equity							
1. Common stock		2,937,965	7.0	12,944,169	13.0	2,937,965	6.1
2. Capital surplus		2,778,935	6.6	12,785,139	12.8	2,778,935	5.7
3. Retained earnings		7,732,160	18.4	12,763,741	12.8	9,739,058	20.1
Total shareholders' equity		13,449,060	32.1	38,493,050	38.6	15,455,958	31.9
II Valuation and translation adjustments							
1. Unrealized holding gain (loss) on other securities		(63,831)	(0.2)	(1,529)	(0.0)	(40)	(0.0)
Total valuation and translation adjustments		(63,831)	(0.2)	(1,529)	(0.0)	(40)	(0.0)
III Minority interests							
		4,932	0.0	-	-	38,888	0.0
Total net assets		13,390,162	31.9	38,491,520	38.6	15,494,806	32.0
Total liabilities and net assets		41,915,193	100.0	99,684,030	100.0	48,488,727	100.0

(2) Interim Consolidated Income Statements

Thousand yen

Account	Note	Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)		Interim period ended Jan. 2008 (Aug. 1, 2007 - Jan. 31, 2008)		Year ended Jul. 2007 Summary (Aug. 1, 2006 - Jul. 31, 2007)	
		Amount	%	Amount	%	Amount	%
I Sales		38,523,371	100.0	51,218,437	100.0	78,184,006	100.0
II Cost of sales		29,131,594	75.6	40,262,823	78.6	60,076,591	76.8
Gross profit		9,391,776	24.4	10,955,613	21.4	18,107,415	23.2
III Selling, general and administrative expenses	*1	2,532,175	6.6	3,236,449	6.3	5,602,377	7.2
Operating profit		6,859,601	17.8	7,719,164	15.1	12,505,038	16.0
IV Non-operating income							
1. Interest income		1,121		11,061		4,959	
2. Commissions income		-		76,387		113,400	
3. Others		43,919	0.1	53,000	0.3	203,499	0.4
V Non-operating expenses							
1. Interest expenses		384,466		512,360		746,086	
2. Commissions paid		163,892		396,981		260,439	
3. Consumption tax adjustment loss		96,467		104,539		168,310	
4. Stock issue expenses		19,243		92,708		21,492	
5. Others		885	1.7	47,849	2.3	13,122	1.5
Recurring profit		6,239,687	16.2	6,705,175	13.1	11,617,444	14.9
VI Extraordinary gains							
1. Gain on sales of investment securities		-		24,024		-	
2. Reversal of allowance for doubtful accounts		29,030		-		11,296	
3. Gain on sales of fixed assets	*2	923		1,738		923	
4. Reversal of allowance for employees' bonuses		-		3,816		-	
5. Contract cancellation penalties income		-		-		50,000	
6. Cash gift income		-		-		400,000	
7. Gain on exemption of debt		-	0.1	15,000	0.1	-	0.6
VII Extraordinary losses							
1. Loss on removal of fixed assets	*3	1,617		10,345		2,276	
2. Loss on sales of fixed assets	*4	-		11,424		2,410	
3. Provision of allowance for doubtful accounts		24,655		-		2,474	
4. Bad debts loss		-		-		22,250	
5. Business realignment expenses		-		65,971		-	
6. Provision of allowance for legal damages		-		-		119,000	
7. Impairment loss	*5	7,786		14,016		211,564	
8. Loss on valuation of investment securities		18,924		-		219,530	
9. Loss on sales of investment securities		-	0.1	4,537	0.2	-	0.7
Net income before income taxes and minority interests		6,216,658	16.1	6,643,459	13.0	11,500,156	14.7
Current income taxes		2,721,959		2,386,615		5,320,344	
Deferred income taxes		(43,197)	7.0	349,798	5.3	(334,843)	6.4
Income (loss) on minority interests		629	0.0	(8,952)	(0.0)	2,085	0.0
Net income		3,537,266	9.2	3,915,997	7.6	6,512,571	8.3

(3) Interim Consolidated Statements of Change in Shareholders' Equity

Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)

Thousand yen

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance as of July 31, 2006	2,930,948	2,771,918	5,126,905	10,829,771
Changes during the period				
Issuance of new share	7,017	7,017	—	14,034
Dividend of surplus	-	-	(932,011)	(932,011)
Net income	-	-	3,537,266	3,537,266
Changes (net) in items other than shareholders' equity	-	-	-	-
Total changes during the period	7,017	7,017	2,605,255	2,619,289
Balance as of January. 31, 2007	2,937,965	2,778,935	7,732,160	13,449,060

	Valuation and translation adjustments		Minority interests	Total net assets
	Unrealized holding gain on other securities	Total valuation and translation adjustments		
Balance as of July 31, 2006	-	-	5,579	10,835,351
Changes during the period				
Issuance of new share	-	-	-	14,034
Dividend of surplus	-	-	-	(932,011)
Net income	-	-	-	3,537,266
Changes (net) in items other than shareholders' equity	(63,831)	(63,831)	(646)	(64,477)
Total changes during the period	(63,831)	(63,831)	(646)	2,554,811
Balance as of January. 31, 2007	(63,831)	(63,831)	4,932	13,390,162

Interim period ended Jan. 2008 (Aug. 1, 2007 - Jan. 31, 2008)

Thousand yen

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance as of July 31, 2007	2,937,965	2,778,935	9,739,058	15,455,958
Changes during the period				
Issuance of new share	10,006,204	10,006,204	-	20,012,408
Dividend of surplus	-	-	(968,406)	(968,406)
Net income	-	-	3,915,997	3,915,997
Increase due to exclusion of consolidation	-	-	108,239	108,239
Decrease due to exclusion of consolidation	-	-	(39,988)	(39,988)
Other	-	-	8,840	8,840
Changes (net) in items other than shareholders' equity	-	-	-	-
Total changes during the period	10,006,204	10,006,204	3,024,683	23,037,092
Balance as of January. 31, 2008	12,944,169	12,785,139	12,763,741	38,493,050

	Valuation and translation adjustments		Minority interests	Total net assets
	Unrealized holding gain (loss) on other securities	Total valuation and translation adjustments		
Balance as of July 31, 2007	(40)	(40)	38,888	15,494,806
Changes during the period				
Issuance of new share	—	—	—	20,012,408
Dividend of surplus	—	—	—	(968,406)
Net income	—	—	—	3,915,997
Increase due to exclusion of consolidation	—	—	—	108,239
Decrease due to exclusion of consolidation	—	—	—	(39,988)
Other	—	—	—	8,840
Changes (net) in items other than shareholders' equity	(1,489)	(1,489)	(38,888)	(40,377)
Total changes during the period	(1,489)	(1,489)	(38,888)	22,996,714
Balance as of January. 31, 2008	(1,529)	(1,529)	—	38,491,520

Year ended Jul. 2007 (Aug. 1, 2006 — Jul. 31, 2007)

Thousand yen

	Shareholders' equity				Valuation and translation adjustments	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Unrealized holding gain (loss) on other securities		
Balance as of July 31, 2006	2,930,948	2,771,918	5,126,905	10,829,771	-	5,579	10,835,351
Changes during the period							
Issuance of new share	7,017	7,017	-	14,034	-	-	14,034
Dividend of surplus	-	-	(1,900,418)	(1,900,418)	-	-	(1,900,418)
Net income	-	-	6,512,571	6,512,571	-	-	6,512,571
Changes (net) in items other than shareholders' equity	-	-	-	-	(40)	33,308	33,267
Total changes during the period	7,017	7,017	4,612,152	4,626,186	(40)	33,308	4,659,454
Balance as of July 31, 2007	2,937,965	2,778,935	9,739,058	15,455,958	(40)	38,888	15,494,806

(4) Interim Consolidated Cash Flow Statements

Thousand yen

		Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)	Interim period ended Jan. 2008 (Aug. 1, 2007 - Jan. 31, 2008)	Year ended Jul. 2007 Summary (Aug. 1, 2006 — Jul. 31, 2007)
Account	Note	Amount	Amount	Amount
I Cash flows from operating activities				
Net income before income taxes and minority interests		6,216,658	6,643,459	11,500,156
Depreciation and amortization		18,365	58,604	49,582
Amortization of goodwill		72,771	131,704	145,542
Impairment losses		-	14,016	211,564
Increase (Decrease) in allowance for doubtful accounts		(45,609)	16,273	(44,690)
Increase (Decrease) in allowance for employees' bonuses		5,284	12,844	(19,306)
Increase (Decrease) in allowance for directors' bonuses		(75)	(9,000)	14,150
Cash gift income		-	-	(400,000)
Increase (Decrease) in allowance for retirement benefits		1,219	(541)	3,594
Interest and dividend income		(1,121)	(11,061)	(4,959)
Interest expenses		384,446	512,360	746,086
Loss on valuation of investment securities		18,924	-	219,530
Stock issue expenses		19,243	92,708	21,492
Loss on removal of fixed assets		1,617	14,410	2,276
Loss on sales of fixed assets		(923)	7,360	2,410
Gain on sales of investment securities		-	(24,024)	-
(Increase) Decrease in trade receivable		637,528	(31,819)	597,511
(Increase) Decrease in inventories		(7,424,056)	(43,525,876)	(10,009,448)
(Increase) Decrease in advances		(1,369,862)	(8,311,274)	(4,920,454)
(Increase) Decrease in other current assets		(83,804)	(304,589)	341,212
Increase (Decrease) in trade payable		19,356	(189,345)	115,082
Increase (Decrease) in accrued consumption taxes		(4,446)	384,007	(399,063)
Increase (Decrease) in advances received		(37,903)	119,229	(149,514)
Increase (Decrease) in other current liabilities		363,495	(1,038,931)	1,994,790
Others		(1,471)	-	(3,421,578)
Subtotal		(1,210,364)	(45,439,485)	(3,404,029)
Interests and dividends received		1,121	11,061	4,959
Interests paid		(385,872)	(509,985)	(747,461)
Income taxes paid		(2,760,846)	(3,542,070)	(4,393,944)
Proceed from cash gift income		-	-	400,000
Net cash used in operating activities		(4,355,962)	(49,480,479)	(8,140,477)

Thousand yen

		Interim period ended Jan. 2007 (Aug. 1, 2006 - Jan. 31, 2007)	Interim period ended Jan. 2008 (Aug. 1, 2007 - Jan. 31, 2008)	Year ended Jul. 2007 Summary (Aug. 1, 2006 - Jul. 31, 2007)
Account	Note	Amount	Amount	Amount
II Cash flows from investing activities				
Payments for time deposits		(365,653)	(259,482)	(29,030)
Proceeds from time deposits		89,140	50,564	211,771
Proceeds from sales of subsidiary stock with changes in scope of consolidation		-	2,537	52,021
Payments for acquisition of subsidiary stock with changes in scope of consolidation		-	-	(716,475)
Payments for purchase of equity investments		(800,000)	(220)	(800,000)
Proceeds from collection of equity investments		850,000	145	850,000
Payments for purchase of investment securities		(235,480)	-	(239,480)
Proceeds from sale of investment securities		-	35,100	-
Proceeds from sale of tangible fixed assets		1,504	2,263	580
Payments for purchase of tangible fixed assets		(23,463)	(50,916)	(149,966)
Payments for purchase of intangible fixed assets		-	(9,021)	(9,826)
Payments for guarantee deposits		(255,922)	(16,508)	(299,023)
Proceeds for return of guarantee deposits		174,014	305	286,475
Payments for loans receivable		(888)	(8)	(913)
Proceeds from collection of loans receivable		266	2	757
Others		11,487	-	3,245,363
Net cash provided by (used in) investing activities		(554,993)	(245,239)	2,402,254
III Cash flows from financing activities				
Net increase in short-term borrowings		5,860,674	19,621,796	7,220,484
Proceeds from long-term borrowings		45,000	500,000	45,000
Repayments of long-term borrowings		(11,170)	(16,038)	(15,670)
Proceeds from corporate bond issuance		-	10,187,720	-
Proceeds from new share issuance		14,034	20,012,408	14,034
Cash dividends paid		(923,798)	(968,406)	(1,890,101)
Others		(19,243)	(92,708)	(21,492)
Net cash provided by financing activities		4,965,495	49,244,771	5,352,253
IV Increase (Decrease) in cash and cash equivalents		54,540	(480,947)	(385,968)
V Decrease in cash and cash equivalents due to exclusion of consolidation		-	(9,024)	-
VI Cash and cash equivalents at beginning of the period		8,639,899	8,253,931	8,639,899
VII Cash and cash equivalents at end of the period	*1	8,694,440	7,763,958	8,253,931

Notes

Notes to Interim Consolidated Balance Sheets

Thousand yen

Interim period ended Jan. 2007 (As of January 31, 2007)	Interim period ended Jan. 2008 (As of January 31, 2008)	Year ended Jul. 2007 (As of July 31, 2007)
*1. Accumulated depreciation of tangible fixed assets 94,241	*1. Accumulated depreciation of tangible fixed assets 167,344	*1. Accumulated depreciation of tangible fixed assets 154,174
*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Cash and deposits 150,000 Inventories 19,411,849 Buildings 5,125 Land 64,073 Total 19,631,048 Corresponding liabilities Short-term borrowings 20,793,860 Total 20,793,860	*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Cash and deposits 1,150,169 Inventories 48,537,354 Buildings 6,289 Land 69,973 Total 49,763,788 Corresponding liabilities Short-term borrowings 40,674,200 Current portion of long-term borrowings 900 Long-term borrowings 2,645 Deposits 700,000 Total 41,377,745	*2. Assets pledged as collateral and corresponding liabilities Assets pledged as collateral Cash and deposits 150,000 Real estate for sale 21,987,450 Buildings 5,125 Land 64,037 Total 22,206,649 Corresponding liabilities Short-term borrowings 22,684,400 Deposits 967,000 Total 23,651,400
*3. The Company has an overdraft facility and commitment line agreements with its bankers. The balance of unused credit lines under these agreements as of the end of period was as follows: Current account overdraft 3,200,000 Credit used 978,000 Credit available 2,222,000	*3. The Company has an overdraft facility and commitment line agreements with its bankers. The balance of unused credit lines under these agreements as of the end of period was as follows: Current account overdraft 9,050,000 Credit used 4,998,000 Credit available 4,052,000	*3. The Company has an overdraft facility and commitment line agreements with its bankers. The balance of unused credit lines under these agreements as of the end of fiscal year was as follows: Current account overdraft 8,000,000 Credit used 2,825,000 Credit available 5,175,000
	*4. Notes receivable endorsed 4,676	*4. Notes receivable endorsed 12,265
	*5. Rent guarantees The total amount of rent guarantees provided by ARDEPRO PROPERTY MANEGEMENT Co., Ltd. was 237,282 yen as of January 31, 2008.	*5. Rent guarantees The total amount of rent guarantees provided by ARDEPRO PROPERTY MANEGEMENT Co., Ltd. was 512,839 yen as of July 31, 2007.

Notes to Interim Consolidated Income Statements

Thousand yen

Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Interim period ended Jan. 2008 (Au0 g. 1, 207 – Jan. 31, 2008)	Year ended Jul. 2007 (Aug. 1, 2006 - Jul. 31, 2007)																																												
<p>*1. Major items of “Selling, general and administrative expenses”</p> <table> <tr><td>Sales commissions</td><td>357,511</td></tr> <tr><td>Directors remunerations</td><td>64,743</td></tr> <tr><td>Salaries and bonuses</td><td>638,318</td></tr> <tr><td>Provision of allowance for employees’ bonuses</td><td>38,559</td></tr> <tr><td>Retirement benefit expenses</td><td>1,110</td></tr> <tr><td>Provision of allowance for directors’ bonuses</td><td>7,475</td></tr> <tr><td>Repair expenses</td><td>312,751</td></tr> </table>	Sales commissions	357,511	Directors remunerations	64,743	Salaries and bonuses	638,318	Provision of allowance for employees’ bonuses	38,559	Retirement benefit expenses	1,110	Provision of allowance for directors’ bonuses	7,475	Repair expenses	312,751	<p>*1. Major items of “Selling, general and administrative expenses”</p> <table> <tr><td>Sales commissions</td><td>182,776</td></tr> <tr><td>Directors remunerations</td><td>115,259</td></tr> <tr><td>Salaries and bonuses</td><td>843,312</td></tr> <tr><td>Provision of allowance for employees’ bonuses</td><td>30,423</td></tr> <tr><td>Retirement benefit expenses</td><td>2,563</td></tr> <tr><td>Provision of allowance for directors’ bonuses</td><td>9,000</td></tr> <tr><td>Repair expenses</td><td>280,192</td></tr> </table>	Sales commissions	182,776	Directors remunerations	115,259	Salaries and bonuses	843,312	Provision of allowance for employees’ bonuses	30,423	Retirement benefit expenses	2,563	Provision of allowance for directors’ bonuses	9,000	Repair expenses	280,192	<p>*1. Major items of “Selling, general and administrative expenses”</p> <table> <tr><td>Sales commissions</td><td>636,042</td></tr> <tr><td>Provision of allowance for doubtful accounts</td><td>5,695</td></tr> <tr><td>Provision of allowance for directors’ bonuses</td><td>18,000</td></tr> <tr><td>Salaries and bonuses</td><td>1,446,239</td></tr> <tr><td>Provision of allowance for employees’ bonuses</td><td>18,833</td></tr> <tr><td>Retirement benefit expenses</td><td>3,620</td></tr> <tr><td>Management and other expenses</td><td>919,826</td></tr> <tr><td>Amortization of goodwill</td><td>145,542</td></tr> </table>	Sales commissions	636,042	Provision of allowance for doubtful accounts	5,695	Provision of allowance for directors’ bonuses	18,000	Salaries and bonuses	1,446,239	Provision of allowance for employees’ bonuses	18,833	Retirement benefit expenses	3,620	Management and other expenses	919,826	Amortization of goodwill	145,542
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<p>*2. Breakdown of “Gain on sales of fixed assets”</p> <table> <tr><td>Vehicles</td><td>923</td></tr> </table>	Vehicles	923	<p>*2. Breakdown of “Gain on sales of fixed assets”</p> <table> <tr><td>Vehicles</td><td>1,738</td></tr> </table>	Vehicles	1,738	<p>*2. Breakdown of “Gain on sales of fixed assets”</p> <table> <tr><td>Vehicles</td><td>923</td></tr> </table>	Vehicles	923																																						
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<p>*3. Breakdown of “Loss on removal of fixed assets”</p> <table> <tr><td>Buildings and attached structures</td><td>1,617</td></tr> </table>	Buildings and attached structures	1,617	<p>*3. Breakdown of “Loss on removal of fixed assets”</p> <table> <tr><td>Buildings and attached structures</td><td>5,402</td></tr> <tr><td>Tools, furniture and fixtures</td><td>4,872</td></tr> <tr><td>Vehicles</td><td>71</td></tr> <tr><td>Total</td><td>10,345</td></tr> </table>	Buildings and attached structures	5,402	Tools, furniture and fixtures	4,872	Vehicles	71	Total	10,345	<p>*3. Breakdown of “Loss on removal of fixed assets”</p> <table> <tr><td>Buildings</td><td>1,617</td></tr> <tr><td>Tools, furniture and fixtures</td><td>592</td></tr> <tr><td>Telephone rights</td><td>66</td></tr> <tr><td>Total</td><td>2,276</td></tr> </table>	Buildings	1,617	Tools, furniture and fixtures	592	Telephone rights	66	Total	2,276																										
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Thousand yen

Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Interim period ended Jan. 2008 (Aug. 1, 2007 – Jan. 31, 2008)	Year ended Jul. 2007 (Aug. 1, 2006 – Jul. 31, 2007)
<p>Although we have used utility value as the recoverable value for these assets, we have written off their entire book value because of our forecast for negative future cash flow. In the meantime, we estimated net sales proceeds of these assets to be nil.</p>		<p>(2) Recognition of impairment loss An impairment loss was recognized as there is no prospect of realizing previously expected income. Impairment losses were recognized on goodwill and goodwill equivalents, since the investment recovery period is expected to be longer than expected in view of the business performance of affiliates in which the Company has invested.</p> <p>(3) Impairment losses (Total 211,564,000 yen)</p> <p>1) Japan Realty Supervision Co., Ltd. Buildings 1,639 Machinery equipment 6,147 Goodwill 110,460 Total <u>118,246</u></p> <p>2) Kinju Life Co., Ltd. Goodwill 29,613 Total <u>29,613</u></p> <p>3) Devex Management Co., Ltd. Goodwill 50,912 Total <u>50,912</u></p> <p>4) Maple Living Service Co., Ltd. Goodwill equivalent 12,791 Total <u>12,791</u></p> <p>(4) Asset grouping method The ARDEPRO Group applies impairment accounting. Operating assets are grouped according to management accounting standards and on the basis of business segments.</p> <p>(5) Estimating recoverable value The ARDEPRO Group estimates the recoverable value of properties on the basis of estimated net sales value and the utility value of such properties. The net sales value is calculated on the basis of the estimated proceeds from sale of a property. The utility value is calculated based on future cash flow from the property discounted by 4.71%</p>

Notes to Interim Consolidated Statements of Changes in Shareholders' Equity

Interim period ended January 2007 (Aug. 1, 2006 - Jan. 31, 2007)

1. Outstanding shares

Type of share	Number of shares as of July 31, 2006	Increase during the period	Decrease during the period	Number of shares as of October 31, 2006
Common shares (Shares)	690,379	2,768,216	-	3,458,595

Outline of changes:

Increase in the number of shares (itemized)

Due to issuance of new shares through a stock split (5-for-1): 2,761,516 shares

Due to exercise of stock options: 6,700 shares

2. Dividends

(1) Dividend payment

Resolution	Type of share	Source of funds	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on October 29, 2006	Common shares	Retained earnings	932,011	1,350	July 31, 2006	October 31, 2006

(2) Dividends with a record date in the current fiscal year but an effective date in the following period

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on March 6, 2007	Common shares	968,406	280	January 31, 2007	April 6, 2007

Interim period ended January 2008 (Aug. 1, 2007 - Jan. 31, 2008)

1. Outstanding shares

Type of share	Number of shares as of July 31, 2007	Increase during the period	Decrease during the period	Number of shares as of October 31, 2007
Common shares (Shares)	3,458,595	759,244	-	4,217,839

Outline of changes:

Increase in the number of shares (itemized)

Due to issuance of private placement of stock: 756,144 shares

Due to exercise of stock options: 3,100 shares

2. Dividends

(1) Dividend payment

Resolution	Type of share	Source of funds	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on October 25, 2007	Common shares	Retained earnings	968,406	280	July 31, 2007	October 26, 2007

(2) Dividends with a record date in the current fiscal year but an effective date in the following period

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting on March 14, 2008	Common shares	970,102	230	January 31, 2008	April 14, 2008

Year ended July 2007 (Aug. 1, 2006 – Jul. 31, 2007)

1. Outstanding shares

Type of share	Number of shares as of July 31, 2007	Increase during the period	Decrease during the period	Number of shares as of October 31, 2007
Common shares (Shares)	690,379	2,768,216	-	3,458,595

Outline of changes:

Increase in the number of shares (itemized)

Due to exercise of stock options: 6,700 shares

Due to issuance of new shares through a stock split (5-for-1): 2,761,516 shares

2. Dividends

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Resolution	Type of share	Source of funds	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
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(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual meeting of shareholders on October 25, 2007	Common shares	Retained earnings	968,406	280	July 31, 2007	October 26, 2007

Notes to Interim Consolidated Cash Flow Statements

Thousand yen

Interim period ended Jan. 2007 (Aug. 1, 2006 – Jan. 31, 2007)	Interim period ended Jan. 2008 (Aug. 1, 2007 – Jan. 31, 2008)	Year ended Jul. 2007 (Aug. 1, 2006 - Jul. 31, 2007)																								
<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and balance sheet items for the current interim period is made as follows:</p> <p style="text-align: right;">(As of January 31, 2007)</p> <table> <tr> <td>Cash and deposits</td> <td style="text-align: right;">9,132,352</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;">(488,284)</td> </tr> <tr> <td>Money Management Fund under “Securities”</td> <td style="text-align: right;">50,372</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>8,694,440</u></td> </tr> </table>	Cash and deposits	9,132,352	Time deposits with maturities longer than three months	(488,284)	Money Management Fund under “Securities”	50,372	Cash and cash equivalents	<u>8,694,440</u>	<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and balance sheet items for the current interim period is made as follows:</p> <p style="text-align: right;">(As of January 31, 2008)</p> <table> <tr> <td>Cash and deposits</td> <td style="text-align: right;">7,951,350</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;">(237,947)</td> </tr> <tr> <td>Money Management Fund under “Securities”</td> <td style="text-align: right;">50,555</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>7,763,958</u></td> </tr> </table>	Cash and deposits	7,951,350	Time deposits with maturities longer than three months	(237,947)	Money Management Fund under “Securities”	50,555	Cash and cash equivalents	<u>7,763,958</u>	<p>*1. Reconciliation of cash and cash equivalents of the cash flows statements and balance sheet items for the current fiscal year is made as follows:</p> <p style="text-align: right;">(As of July 31, 2007)</p> <table> <tr> <td>Cash and deposits</td> <td style="text-align: right;">8,232,508</td> </tr> <tr> <td>Time deposits with maturities longer than three months</td> <td style="text-align: right;">(29,030)</td> </tr> <tr> <td>Money Management Fund under “Securities”</td> <td style="text-align: right;">50,452</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>8,253,931</u></td> </tr> </table>	Cash and deposits	8,232,508	Time deposits with maturities longer than three months	(29,030)	Money Management Fund under “Securities”	50,452	Cash and cash equivalents	<u>8,253,931</u>
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Money Management Fund under “Securities”	50,372																									
Cash and cash equivalents	<u>8,694,440</u>																									
Cash and deposits	7,951,350																									
Time deposits with maturities longer than three months	(237,947)																									
Money Management Fund under “Securities”	50,555																									
Cash and cash equivalents	<u>7,763,958</u>																									
Cash and deposits	8,232,508																									
Time deposits with maturities longer than three months	(29,030)																									
Money Management Fund under “Securities”	50,452																									
Cash and cash equivalents	<u>8,253,931</u>																									