



Summary of Financial Results for the First Half of Fiscal Year Ending July 31, 2009

March 12, 2009

Company name: ARDEPRO Co., Ltd.

Stock code: 8925

Representative: Tatsuya Akimoto, President and Chief Operating Officer

Contact: Reishi Kubo, Director, Executive Vice President

Tel: +81-3-5367-2001

Listing: TSE Mothers Market

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

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

1. Consolidated Financial Results for the First Half of Fiscal Year Ending July 31, 2009 (August 1, 2008—January 31, 2009)

(1) Consolidated results of operations

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

	Sales		Operating profit (loss)		Recurring profit (loss)	
	Million yen	%	Million yen	%	Million yen	%
1st half of FY ending July 31, 2009	6,024	-	(8,456)	-	(9,085)	-
1st half of FY ended July 31, 2008	51,218	33.0	7,719	12.5	6,705	7.5

	Net income (loss)		Net income (loss) per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
1st half of FY ending July 31, 2009	(17,458)	-	(4,139.29)	-
1st half of FY ended July 31, 2008	3,915	10.7	953.87	952.46

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1st half of FY ending July 31, 2009	62,909	6,015	9.6	1,425.56
Fiscal year ended July 31, 2008	87,056	23,512	27.0	5,573.33

Reference) Equity at term-end: As of January 31, 2009: ¥6,012 million

As of July 31, 2008: ¥23,507million

2. Dividends

(Record date)	Dividend per share				
	1st quarter period	2nd quarter period	3rd quarter period	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2008	-	230.00	-	0.00	230.00
Fiscal year ending July 31, 2009	-	-	-	-	-
Fiscal year ending July 31, 2009 (forecast)	-	-	-	-	-

Note: There were no revisions to forecast dividends during the first half.

3. Consolidated Forecast for the Fiscal Year Ending July 31, 2009 (August 1, 2008—July 31, 2009)

(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	28,300	-56.2	(10,700)	-	(12,100)	-	(21,800)	-	(4,214.99)

Note: There were revisions to consolidated earnings forecasts during the first half.

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: -
- (2) Adoption of simplified accounting methods: Yes
Note: For detailed information, see Item 4, "Other" under "Qualitative information and financial statements" on page 4.
- (3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements
1) Changes caused by revision of accounting standards: Yes
2) Other changes: No
Note: For detailed information, see Item 4, "Other" under "Qualitative information and financial statements" on page 4.
- (4) Number of shares outstanding at end of the period (common shares)
1) Number of shares outstanding at end of period (including treasury stock):
January 2009: 4,217,839 shares July 2008: 4,217,839 shares
2) Number of treasury stock at end of period:
January 2009: — shares July 2008: — shares
3) Weighted average number of shares for first half period (August 1 – January 31):
August 1, 2008 – January 31 2009: 4,217,839 shares August 1, 2007 – January 31 2008: 4,105,361 shares

※Appropriate use of projections for performance, other notes

1. The projections for performance in this report contain forward-looking statements based on information available to the Company at the date of publication, and on certain set assumptions that have been deemed reasonable. Actual earnings may vary greatly in accordance with a wide range of factors. Refer to Item 3, "Qualitative Information regarding Consolidated Forecast" under "Qualitative information and financial statements" on page 4.
2. The Company applied *Accounting Standard for Quarterly Financial Statements* (Financial Accounting Standard No.12 of the Accounting Standards Board of Japan), and *Application Guidelines for the Accounting Standard for Quarterly Financial Statements* (Implementation Guidance No.14 of the Accounting Standards Board of Japan) from the fiscal year beginning August 1, 2008.) We have made our quarterly consolidated financial statements as specified by *Regulations for Consolidated Quarterly Financial Statements*.
3. As indicated in the information released today "Offering of new share issuance for private placement and change in controlling-interest/major shareholders", the calculation of net income per share in the consolidated earnings forecast for the fiscal year ending July 2009 reflects the 3,448,276-share dilution in the Company's common stock set to take place on April 22, 2009.

Qualitative Information and Financial Statements

1. Qualitative Information regarding Consolidated Results of Operations

In the wake of the sub-prime loan problem and the failure of major US investment banks, Japan's economy rapidly deteriorated in first half of fiscal 2009 (August 1, 2008 through January 31, 2009), with sharply lower corporate earnings and more severe unemployment figures. Similarly demanding conditions continued in the real estate industry (the Group's industry), where financial institutions taking a cautious stance to real estate financing and buyers holding off purchases saw a string of bankruptcies among real estate companies. Despite the Company's efforts to overcome these demanding conditions by focusing on our previously owned real estate revitalization business, sales of real property did not do well during the first half. The Company recorded sales of 6,024 million yen, an operating loss of 8,456 million yen, recurring loss of 9,085 million yen, and net loss of 17,458 million yen.

Earnings by segment

The consolidated earnings of each business segment are described below.

(1) Real estate revitalization

The real estate revitalization business unit is the Group's main business unit. Its top priorities in the first half of the fiscal year were making quick property sales and reducing associated interest-bearing debt. However, a sluggish real estate market continued during the term, which was marked by worsening conditions and a string of failures among real estate companies. While the Company worked on reducing inventories and interest-bearing debt, sales of real properties were hindered by the prevailing conditions, and profit ratios worsened. These developments gave the real estate revitalization business unit the following consolidated earnings for the first half of fiscal 2009: Sales of 4,427 million yen and an operating loss of 7,688 million yen.

(2) Other business areas

The Company's other business areas include rents received for properties owned by the Company, building maintenance by the Company's subsidiaries, and sales of construction materials. Several of the Company's consolidated subsidiaries were sold starting in February 2008, causing a year-on-year drop in sales of the Company's other business areas. These developments gave the Company's other business areas sales of 1,598 million yen and an operating loss of 14 million yen.

2. Qualitative Information regarding Consolidated Financial Position

(1) Assets, liabilities and net assets

At the end of the second quarter of fiscal 2009, total consolidated assets were 62,909 million yen (down 24,147 million yen from the end of fiscal 2008). This decrease was due mainly to a reduction in the value of real estate for sale held by the Company due to product sales and loss on valuation. Consolidated liabilities were 56,893 million yen (down 6,650 million yen). This drop mainly reflects a reduction in the balance of short-term borrowings from repayments to financial institutions when products were sold. Consolidated net assets were 6,015 million yen (down 17,496 million yen). This decrease was mainly the result of a net loss of 17,458 million yen, which reduced retained earnings. These end-of-quarter figures created an equity ratio of 9.6%.

(2) Cash flows

On a consolidated basis, the balance of cash and cash equivalents at the end of the first half was 654 million yen, down 2,572 million yen from the figure at the end of fiscal 2008 (3,226 million yen).

Cash flow from operating activities

Net cash provided by operating activities was 2,362 million yen, an increase enabled by factors such as a 6,064 million yen loss on valuation of real estate for sale and a 12,013 million yen reduction in inventories. It was offset by a 17,417 million yen net loss before income taxes.

Cash flow from investing activities

Net cash provided by investing activities was 1,340 million yen, a figure mainly the result of 992 million yen in proceeds from the collection of loans receivable.

Cash flow from financing activities

Net cash used in financing activities was 6,274 million yen, a decrease primarily due to the repayment of short-term borrowings to financial institutions when properties were sold.

3. Qualitative Information regarding Consolidated Forecast

The consolidated earnings for the fiscal year ending July 2009 are primarily the results of efforts to sell off inventories held by the Company. With the number of real property sale inquiries gradually increasing, we expect to achieve the sales figures shown through our continued efforts to rapidly sell off properties. But given recent real estate industry conditions, we anticipate deteriorating profit rates, so are forecasting the earnings shown. We regret to announce that in light of our earnings for this quarter and our recent performance, we have resolved to eliminate the dividend for the second quarter of fiscal 2009, and the year-end dividend.

4. Other

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

None

- (2) Adoption of simplified accounting processes and special accounting processes in making quarterly consolidated financial statements

Depreciation and amortization method of fixed assets

For assets depreciated by the declining-balance method, the amount of depreciation for fiscal 2009 is calculated in proportion to time.

- (3) Changes in accounting principles, procedures and presentation methods for preparation of quarterly consolidated financial statements

The Company applied *Accounting Standard for Quarterly Financial Statements* (Financial Accounting Standard No.12 of the Accounting Standards Board of Japan), and *Application Guidelines for the Accounting Standard for Quarterly Financial Statements* (Implementation Guidance No.14 of the Accounting Standards Board of Japan) from the fiscal year beginning August 1, 2008.) We have made our quarterly consolidated financial statements as specified by *Regulations for Consolidated Quarterly Financial Statements*.

Previously, inventories held for sale are stated at cost, determined by the specific identification method. Starting with the first quarter of fiscal 2009, inventories held for sale are stated at cost, determined by the specific identification method (the method of writing down based on the fall in profitability). This change has been made to comply with the provisions of the Financial Accounting Standard No.9 “Accounting Standards for Measurement of Inventory” issued on July 5, 2006.

This change increased the Company’s gross loss, operating loss and recurring loss by 6,774,064 thousand yen each, and increased our net loss before income taxes by 12,453,989 thousand yen.

Provision of allowance for contract cancellation loss is the reserve for losses incurred in the event that agreements for purchases made by the Company are cancelled. The amount entered is an anticipated loss.

5. Interim Consolidated Financial Statements**(1) Interim Consolidated Balance Sheets**

	(Thousand yen)	
	1st half of FY ending July 31, 2009 (as of January 31, 2009)	Fiscal year ended July 31, 2008 (as of July 31, 2008)
ASSETS		
Current Assets		
Cash and deposits	804,760	3,266,423
Trade notes and accounts receivable	93,020	170,090
Real estate for sale	50,456,372	69,091,606
Materials	1,244	1,168
Work in process	1,663,123	1,583,785
Advances	5,996,598	6,678,754
Deferred tax assets	16,360	45,422
Other current assets	3,366,148	7,660,886
Allowance for doubtful accounts	(37,466)	(2,757,494)
Total Current Assets	62,360,161	85,740,643
Fixed Assets		
Tangible fixed assets		
Buildings	9,210	205,419
Machinery and vehicles	4,068	8,885
Tools, furniture and fixtures	992	39,927
Land	64,073	87,442
Total Tangible fixed assets	78,345	341,674
Intangible Fixed Assets		
Goodwill	32,619	420,387
Others	10,216	30,194
Total Intangible Fixed Assets	42,836	450,582
Investments and Other Assets		
Investment securities	7,068	21,000
Deferred tax assets	7,998	24,240
Other	2,179,053	521,821
Allowance for doubtful accounts	(1,766,277)	(43,109)
Total Investments and Other Assets	427,842	523,951
Total Fixed Assets	549,024	1,316,209
Total Assets	62,909,185	87,056,852

(Thousand yen)

	1st half of FY ending July 31, 2009 (as of January 31, 2009)	Fiscal year ended July 31, 2008 (as of July 31, 2008)
Liabilities		
Current Liabilities		
Trade accounts payable	217,708	808,042
Short-term borrowings	40,023,425	46,535,996
Current portion of long-term borrowings	117,000	126,996
Current portion of corporate bonds	10,002,720	10,032,720
Accrued income taxes	37,755	40,656
Allowance for employees' bonuses	6,799	17,031
Allowance for completed production compensation	—	8,765
Allowance for litigation loss	—	362,000
Allowance for contract cancellation loss	1,665,871	—
Other current liabilities	1,457,024	2,295,208
Total Current Liabilities	53,528,304	60,227,417
Long-term Liabilities		
Corporate bonds	450,000	730,000
Long-term borrowings	2,443,250	2,510,100
Allowance for retirement benefits	27,794	32,553
Negative goodwill	—	34,260
Others	444,500	10,250
Total Long-term Liabilities	3,365,544	3,317,163
Total Liabilities	56,893,849	63,544,581
Net Assets		
Shareholders' Equity		
Common stock	12,944,169	12,944,169
Capital surplus	12,309,418	12,785,139
Retained earnings	(19,234,410)	(2,219,529)
Total Shareholders' Equity	6,019,177	23,509,778
Valuation and Translation Adjustments		
Unrealized holding gain (loss) on other securities	(6,380)	(2,372)
Total Valuation and Translation Adjustments	(6,380)	(2,372)
Stock Acquisition Rights	673	—
Minority Interests	1,865	4,863
Total Net Assets	6,015,336	23,512,270
Total Liabilities and Net Assets	62,909,185	87,056,852

(2) Interim Consolidated Income Statements

	(Thousand yen)	
	1st half of FY ending July 31, 2009 (Aug. 1, 2008– Jan. 31, 2009)	(Reference) 1st half of FY ended July 31, 2008 (Aug. 1, 2007– Jan. 31, 2008)
Net sales	6,024,609	51,218,437
Cost of sales	13,053,044	40,262,823
Gross profit (loss)	(7,028,435)	10,955,613
Selling, general and administrative expenses	1,428,292	3,236,449
Operating profit (loss)	(8,456,728)	7,719,164
Non-operating income		
Interest income	3,389	11,061
Commissions income	32,280	76,387
Return from cancellation of insurance	72,802	—
Others	49,199	53,000
Total non-operating income	157,671	140,448
Non-operating expenses		
Interest expenses	712,113	512,360
Commissions paid	14,992	396,981
Consumption tax adjustment loss	18,862	104,539
Stock issue expenses	—	92,708
Others	40,192	47,849
Total non-operating expenses	786,160	1,154,438
Recurring profit (loss)	(9,085,216)	6,705,175
Extraordinary gains		
Gain on sales of investment securities	—	24,024
Gain on sales of fixed assets	890	1,738
Reversal of allowance for doubtful accounts	1,050,741	—
Reversal of allowance for employees' bonuses	4,343	3,816
Gain on exemption of debt	—	15,000
Total extraordinary gains	1,055,975	44,579
Extraordinary losses		
Loss on removal of fixed assets	18,909	10,345
Loss on sales of fixed assets	2,524	11,424
Provision of allowance for doubtful accounts	101,488	—
Bad debts loss	291,246	—
Loss on valuation of investment securities	14,999	4,573
Loss on sales of investment securities	—	4,537
Impairment loss	333,135	9,442
Business realignment expenses	13,573	65,971
Loss on valuation of real estate for sale	6,064,197	—
Contract cancellation penalties	830,500	—
Provision of allowance for contract cancellation loss	1,700,371	—
Loss on sales of affiliated company's shares	17,462	—
Total extraordinary losses	9,388,410	106,295
Net income (loss) before income taxes and minority interests	(17,417,652)	6,643,459
Current income taxes	11,335	2,386,615
Deferred income taxes	29,806	349,798
Total income taxes	41,141	2,736,413
Income (loss) on minority interests	67	(8,952)
Net income (loss)	(17,458,861)	3,915,997

(3) Interim Consolidated Cash Flow Statements

	(Thousand yen)	
	1st half of FY ending July 31, 2009 (Aug. 1, 2008– Jan. 31, 2009)	(Reference) 1st half of FY ended July 31, 2008 (Aug. 1, 2007– Jan. 31, 2008)
Cash flows from operating activities		
Net income (loss) before income taxes and minority interests	(17,417,652)	6,643,459
Depreciation and amortization	23,787	58,604
Amortization of goodwill	83,536	131,704
Impairment losses	333,135	9,442
Business realignment expenses	13,573	—
Loss on valuation of real estate for sale	6,064,197	—
Contract cancellation penalties	830,500	—
Increase (Decrease) in allowance for doubtful accounts	(1,094,133)	16,273
Increase (Decrease) in allowance for employees' bonuses	(5,710)	12,844
Increase (Decrease) in allowance for directors' bonuses	—	(9,000)
Increase (Decrease) in allowance for retirement benefits	(4,758)	(541)
Interest and dividend income	(3,389)	(11,061)
Interest expenses	712,113	512,360
Loss on valuation of investment securities	14,999	4,573
Stock issue expenses	1,000	92,708
Loss (Gain) on sales of affiliated company's shares	17,462	—
Loss (Gain) on sales of fixed assets	1,634	11,424
Loss on removal of fixed assets	18,909	10,345
Gain on sales of investment securities	—	(24,024)
(Increase) Decrease in trade receivable	22,185	(31,819)
(Increase) Decrease in inventories	12,013,765	(43,525,876)
(Increase) Decrease in advances	(148,582)	(8,311,274)
(Increase) Decrease in other current assets	1,130,877	(304,589)
Increase (Decrease) in trade payable	(77,978)	(189,345)
Increase (Decrease) in accrued consumption taxes	99,874	384,007
Increase (Decrease) in advances received	(13,715)	119,229
Increase (Decrease) in other current liabilities	507,825	(1,038,931)
Others	244,752	—
Loss (Gain) on investments based on equity method	6,551	—
Subtotal	3,374,766	(45,439,485)
Interests and dividends received	3,389	11,061
Interests paid	(1,001,679)	(509,985)
Income taxes paid	(14,068)	(3,542,070)
Net cash provided by (used in) operating activities	2,362,407	(49,480,479)

	(Thousand yen)	
	1st half of FY ending July 31, 2009 (Aug. 1, 2008– Jan. 31, 2009)	(Reference) 1st half of FY ended July 31, 2008 (Aug. 1, 2007– Jan. 31, 2008)
Cash flows from investing activities		
Payments for time deposits	(8,000)	(259,482)
Proceeds from time deposits	29,514	50,564
Proceeds from sales of subsidiary stock with changes in scope of consolidation	270,000	2,537
Payments for purchase of equity investments	—	(220)
Proceeds from collection of equity investments	—	145
Proceeds from sale of investment securities	—	35,100
Payments for purchase of tangible fixed assets	(846)	(50,916)
Proceeds from sale of tangible fixed assets	17,588	2,263
Payments for purchase of intangible fixed assets	—	(9,021)
Proceeds from sale of intangible fixed assets	191	—
Payments for loans receivable	—	(8)
Proceeds from collection of loans receivable	992,070	2
Payments for guarantee deposits	(4,660)	(16,508)
Proceeds for return of guarantee deposits	47,529	305
Others	(3,322)	—
Net cash provided by (used in) investing activities	1,340,064	(245,239)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(6,212,570)	19,621,796
Proceeds from long-term borrowings	—	500,000
Repayments of long-term borrowings	(60,999)	(16,038)
Proceeds from corporate bond issuance	—	10,187,720
Proceeds from new share issuance	—	20,012,408
Cash dividends paid	—	(968,406)
Others	(1,000)	(92,708)
Net cash provided by (used in) financing activities	(6,274,570)	49,244,771
Increase (Decrease) in cash and cash equivalents	(2,572,098)	(480,947)
Decrease in cash and cash equivalents due to exclusion of consolidation	—	(9,024)
Cash and cash equivalents at beginning of the period	3,226,858	8,253,931
Cash and cash equivalents at end of the period	654,760	7,763,958

The Company applied *Accounting Standard for Quarterly Financial Statements* (Financial Accounting Standard No.12 of the Accounting Standards Board of Japan), and *Application Guidelines for the Accounting Standard for Quarterly Financial Statements* (Implementation Guidance No.14 of the Accounting Standards Board of Japan) from the fiscal year beginning August 1, 2008.) We have made our quarterly consolidated financial statements as specified by *Regulations for Consolidated Quarterly Financial Statements*.

(4) Notes on going-concern assumption

Demanding conditions have continued in the real estate industry (the Group's industry), with the sub-prime loan problem causing turbulence in world financial markets, financial institutions tightening the credit they extend to real estate industry borrowers, and several bankruptcies among real estate companies. This environment has hindered the Company's property sales due to worsening real estate market conditions and buyer financing difficulties. Falling real estate prices have lowered profit ratios, resulting in a gross loss on sales for the quarter, along with an operating loss, recurring loss and net loss. Since we did not meet the desired sales targets for our real estate holdings, we have requested that financial institutions postpone the repayment dates for some of our borrowings. These developments have created serious doubts about the going-concern assumption, but the Company should be able to rapidly stabilize its financing by faithfully carrying out the measures below.

- (a) At a meeting held on March 12 2009, the Company's Board of Directors resolved to procure 150 million yen through an offering of new share issuance for private placement. This 150 million yen will be used as purchasing capital for the Company's previously owned condominiums revitalization business. We will work on selling properties through the end of this fiscal year, when we expect to have a balance of cash and deposits of about 320 million yen. Aided by a reduction in administrative expenses, we expect this balance to help provide us with enough financing for several years.
- (b) The Goldman Sachs subsidiary GS TK Holdings Four Joint Limited (Godogaisha) owns about 10 billion yen's worth of the Company's bonds with stock acquisition rights. We are now in discussions with it to determine how it will approach stock conversion and other ways to augment its net assets.
- (c) We are negotiating the conditions of the loan agreements we have with all the financial institutions we have received financing from. The majority have consented to changes in loan agreements.
- (d) The foundation of our business model is the revitalization of previously owned condominiums. The process consists of purchasing whole buildings, carrying out interior/exterior work and unit registration, preparing a new condominiums management association, then selling the property. The roughly 3 or 4 months required for each sale is less time than the 18 to 36 months required for a new property, and since buyers consider previously owned condominiums at lower price (selling for 30 to 40% less than equivalent new condominiums), demand for them is sustainable. In fiscal 2010, we plan to use 3 billion yen of the year's initial balance of cash and deposits to purchase previously owned condominium buildings. We will sell it for a gross profit ratio of 20%, and complete just over three buy/sell cycles during the year. The properties to purchase will be selected carefully to ensure profits. We will also work on revitalizing medium-sized condominium buildings and offices, and are seeking to return to profitability in fiscal 2010.

The Company's consolidated quarterly financial statements have been prepared on the basis of the going-concern assumption. The effects of these serious doubts have not been reflected in consolidated quarterly financial statements.