

August 2, 2017

Notice Concerning Revision of the Financial Forecast

ARDEPRO Co., Ltd. ("the Company") today announced that it had revised its financial forecast for the full fiscal year ended July 31, 2017 (from August 1, 2016 to July 31, 2017) that had been announced on December 15, 2016.

1. Revision of Consolidated Financial Forecast for the Current Fiscal Year (from August 1, 2016 to July 31, 2017)

(Unit: million yen)

	Sales	Operating income	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
Previous forecast (A)	49,000	9,100	8,000	8,800	38.01
Revised forecast (B)	7,728	874	(857)	(764)	(3.26)
Amount of charge (B - A)	-41,272	-8,226	-8,857	-9,564	
% change (%)	-84.2	-90.4	—	—	
(Reference) Financial results of the previous fiscal year (ended July 31, 2016)	27,474	4,079	3,361	3,094	13.21

2. Reason for the Revision

The Company had pushed ahead with sales activities to achieve the financial forecast announced at the beginning of the fiscal year ended July 31, 2017. In the business results for the third quarter ended April 30, 2017, sales amounted to 3,187 million yen, or 6.5% of the 49 billion yen targeted in the full-year financial forecast.

At the time of announcement of the business results for the third quarter ended April 30 2017, as of June 14 2017, the Company had expected to achieve its financial forecast. This was because there were several properties to which the Company was committed for settlement by the end of July 2017, as listed below, and certain investors, especially overseas investors, remained interested in aggressive investment in real estate that the Company owned. Accordingly, the Company continued sales activities through the end of July 31, 2017.

However, due to the following reasons, the Company was unable to meet its target.

The major factors behind the decrease in sales are as follows.

(1) Trust beneficiary rights for real estate for sale located in Chuo-ku, Tokyo

Regarding the real estate trust beneficiary rights for sale announced in a press release entitled "Notice Concerning Conclusion of a Subordinated Silent Partnership Agreement, Transfer of Trust Beneficiary Rights for Real Estate, and Change to a Subsidiary" dated March 27, 2017: Demolition work on existing buildings on the land to commercialize real estate for sale was planned for completion in March 2017. However, due to problems such as neighborhood conditions the term was postponed significantly until the end of May 2017. Moreover, several overseas investors who were buyers decided to suspend investment in Japanese real estate as a result of tensions in East Asia and financing issues. As a result, it became impossible to settle the sales contract during the fiscal year ended July 31, 2017.

(2) Real estate for sale located in Minato-ku, Tokyo

As the Company communicated in a press release entitled "(Progress and Reamendment of Disclosure Item) On the Progress of 'Notice Concerning the Sales for Real Estate for Sale'" dated July 31, 2017: Regarding the real estate for sale, several overseas investors who were buyers decided to suspend investment in Japanese real estate as a result of tensions in East Asia and financing issues. As a result, the settlement of the sales contract was postponed until October 31, 2017.

(3) Real estate for sale located in Shibuya-ku, Tokyo

Regarding the real estate for sale announced in a press release entitled "Notice Concerning Purchase Contract for Real Estate for Sale" dated March 30, 2017, as the Company communicated in the press release entitled "Notice Concerning Borrowing" dated July 28, 2017: The completion of the purchase contract was postponed due to issues related to due diligence of the property and the sales contract was postponed from May 2017 to July 2017. As a result, the buyer declined to purchase the property. Accordingly, the Company was unable to record the sale in the fiscal year ended July 31, 2017.

(4) Real estate for sale located in Minato-ku, Tokyo

Regarding the real estate for sale announced in a press release entitled "Notice Concerning Purchase Contract for Real Estate for Sale" dated March 17, 2017: Negotiation with buyers on conditions of the contract involving eviction of a tenant encountered difficulties. Moreover, several overseas investors who were buyers decided to suspend investment in Japanese real estate as a result of tensions in East Asia and financing issues. As a result, the Company was unable to record the sale in the fiscal year ended July 31, 2017.

In addition, for real estate for sale located in Koto-ku, Tokyo and in Shibuya-ku, Tokyo that was scheduled for sale during the fiscal year ended July 31, 2017, the Company was unable to reach an agreement with buyers due to lack of agreement on conditions in the contract such as delivery.

As a result, sales of about 43 billion yen that the Company anticipated were not recorded in the fiscal year ended July 31, 2017, and the Company revised its sales as shown above.

In terms of profits, in addition to the decrease in sales, 1 billion yen in upfront costs related to refinancing and fund formation increased from the initial assumption. In constructing a fund scheme as described in "Notice Concerning Conclusion of a Subordinated Silent Partnership

Agreement, Transfer of Trust Beneficiary Rights for Real Estate, and Change to a Subsidiary” dated March 27, 2017, the Company believes that the upfront costs can be sufficiently covered by profits once the sale takes place.

Based on the above, the Company revised its operating income, ordinary income (loss), net income (loss), and net income (loss) per share as shown above.

For individual financial results forecasts for the fiscal year ended July 30, 2017, the Company expects to record positive numbers including operating income of 900 million yen, ordinary income of 200 million yen, and net income of 300 million yen.

(Note)

The financial forecast described in this press release is made based on information available as of today and contains risks and uncertainties. Accordingly, the actual financial results may differ materially due to a range of factors in the future.