

A.D.Works Group Co., Ltd.

IR Briefing Materials: First Quarter of Fiscal Year Ending December 31, 2025

May 14, 2025

TSE Prime, Code: 2982

Disclaimer

This document was prepared in English for convenience purposes only. The original Japanese document shall take precedence in the event of any discrepancies arising from the translations or interpretations contained in this document.



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Highlights of First Quarter of Fiscal Year Ending December 31, 2025

A.D.W. SINCE 1886
GROUP



TOPIC 1: 41.8% of forecast for income before income taxes achieved with a 269% YoY

Income before income taxes in Q1 was strong, 269% YoY with 41.8% of the forecast achieved.

Growth in the small-lot real estate business contributed significantly to both sales and income.



TOPIC 2: Expand growth of small-lot real estate business

In Q1, sales of 6.3 billion yen (259% YoY) and gross profit of 1.7 billion yen (242% YoY) were achieved.

The quarterly highest sales record was updated, which is 161% of the previous record high quarterly sales (2Q of FY2024: 3.9 billion yen).



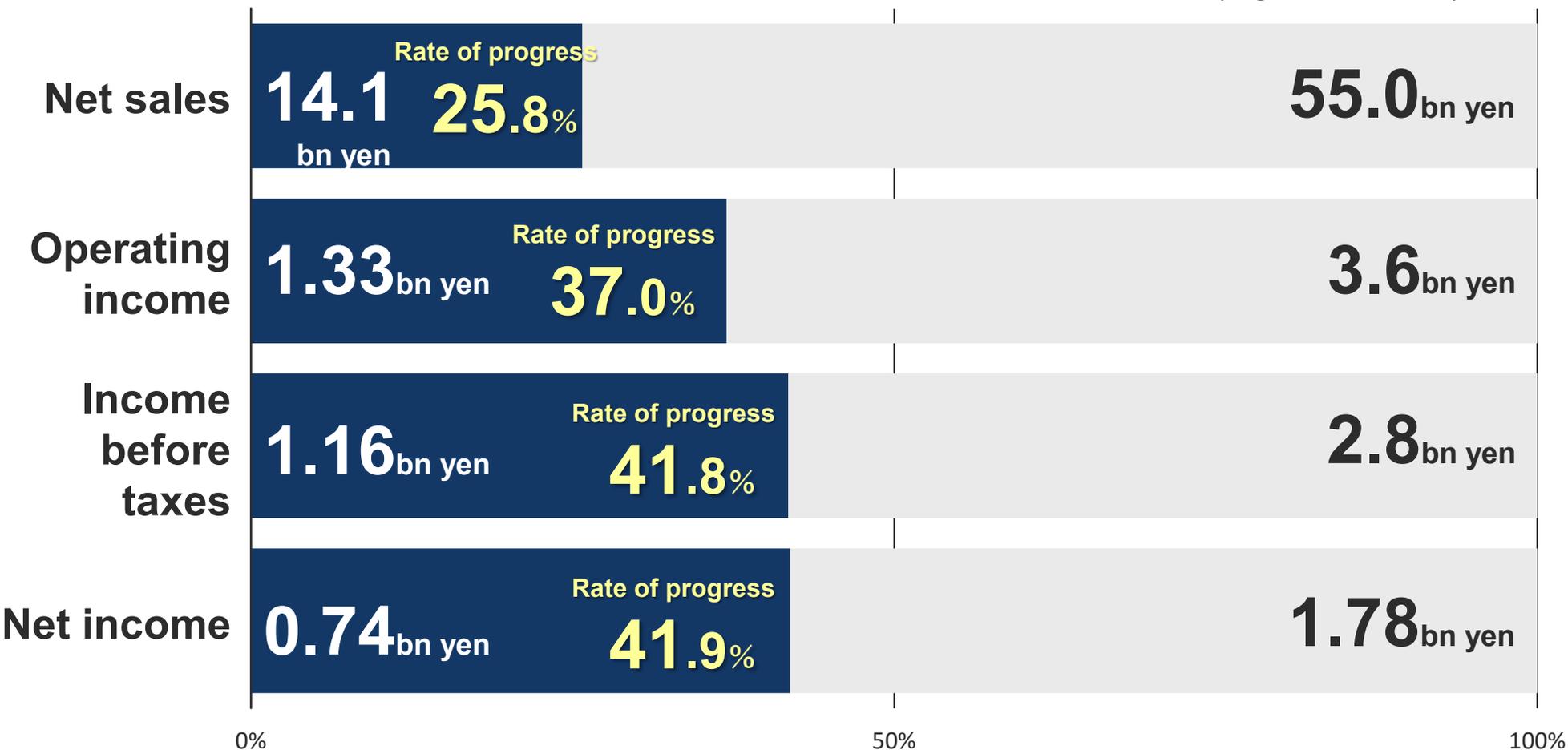
TOPIC 3: Steady stock price trends

Since the announcement of the FY2024 financial results and disclosure of Growth Strategies to Enhance Corporate Value on February 13, the share price has remained steady and exceeded 250 yen^(*), a stock price level that meets the Prime Market listing maintenance criteria.

*Calculated backward from the number of shares in circulation as of December 31, 2024.

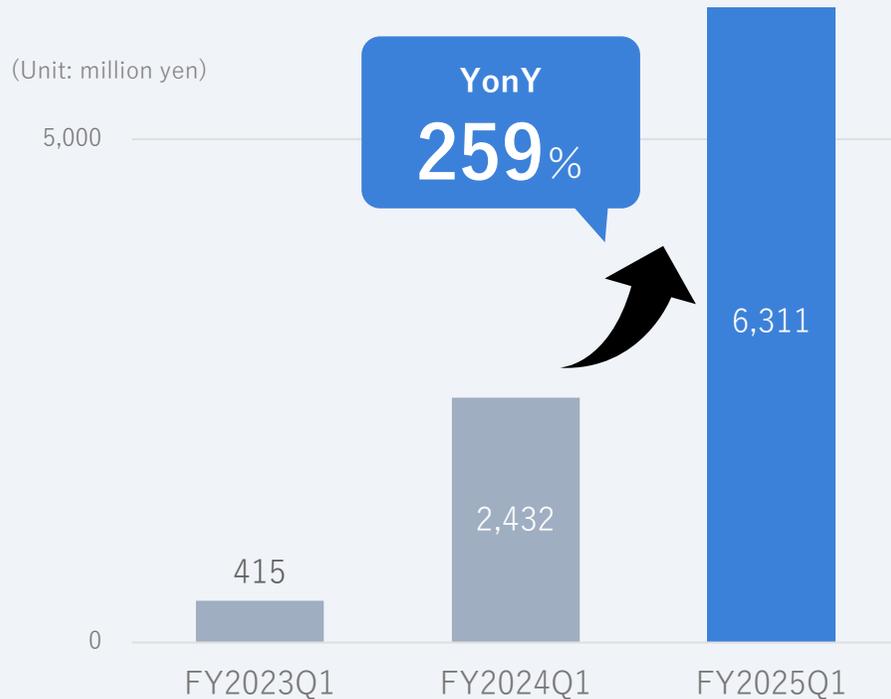
As of 1Q, income before income taxes: 41.8% of plan, 269% YoY

■ Rate of progress ■ Results plan

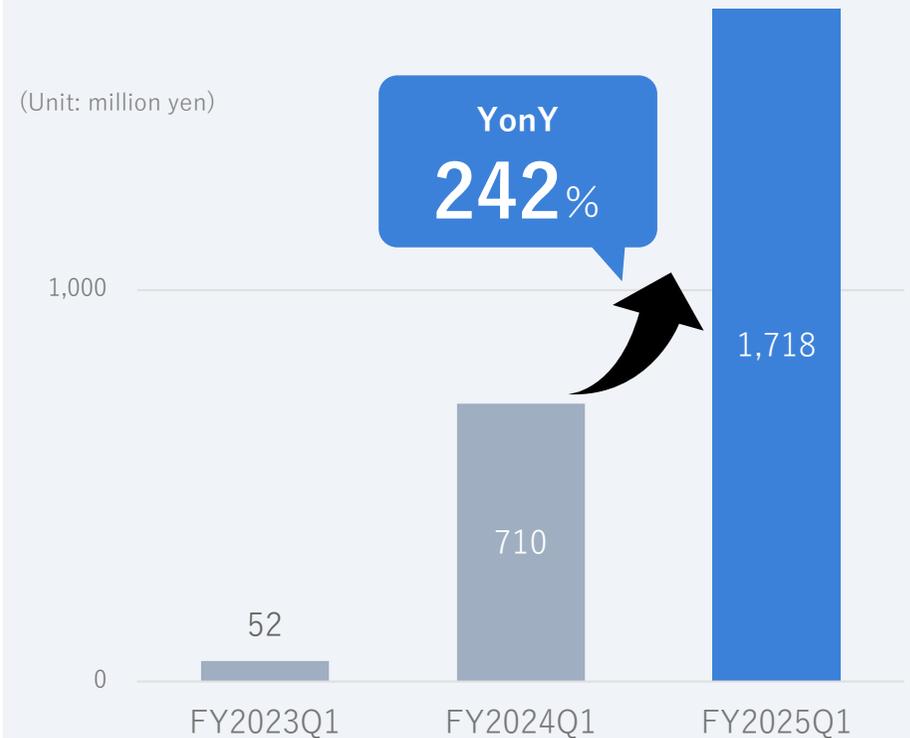


In 1Q, sales of 6.3 billion yen (259% y/y) and gross profit of 1.7 billion yen (242% y/y) were achieved.
 Aiming to further expand sales.

Fluctuations in net sales of Small-lot real estate business



Fluctuations in Gross Profit of Small-lot real estate business

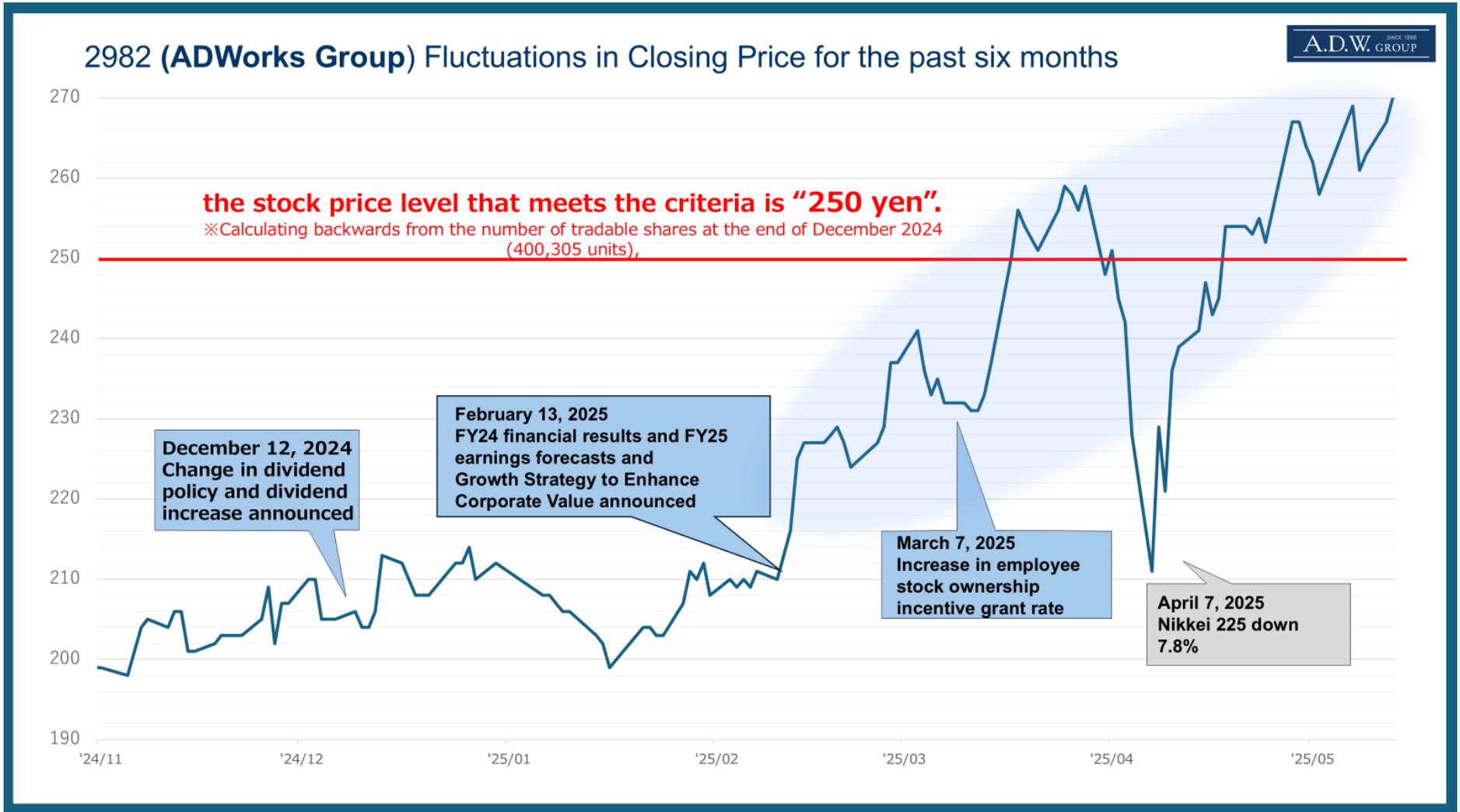


01 Highlights | Strong stock performance, increasing expected growth

Share price has been steady since the February financial results announcement and the disclosure of "Growth Strategy to Enhance Corporate Value."

Even after the Nikkei Stock Average plunged on April 7, share price remained firm and the total market value of shares in circulation reached the 10.0 billion yen level(※).

(※ : Calculating backwards from the number of shares in circulation at the end of December 2024 (400,305 units), the stock price level that meets Prime Market listing maintenance criteria is "250 yen".)



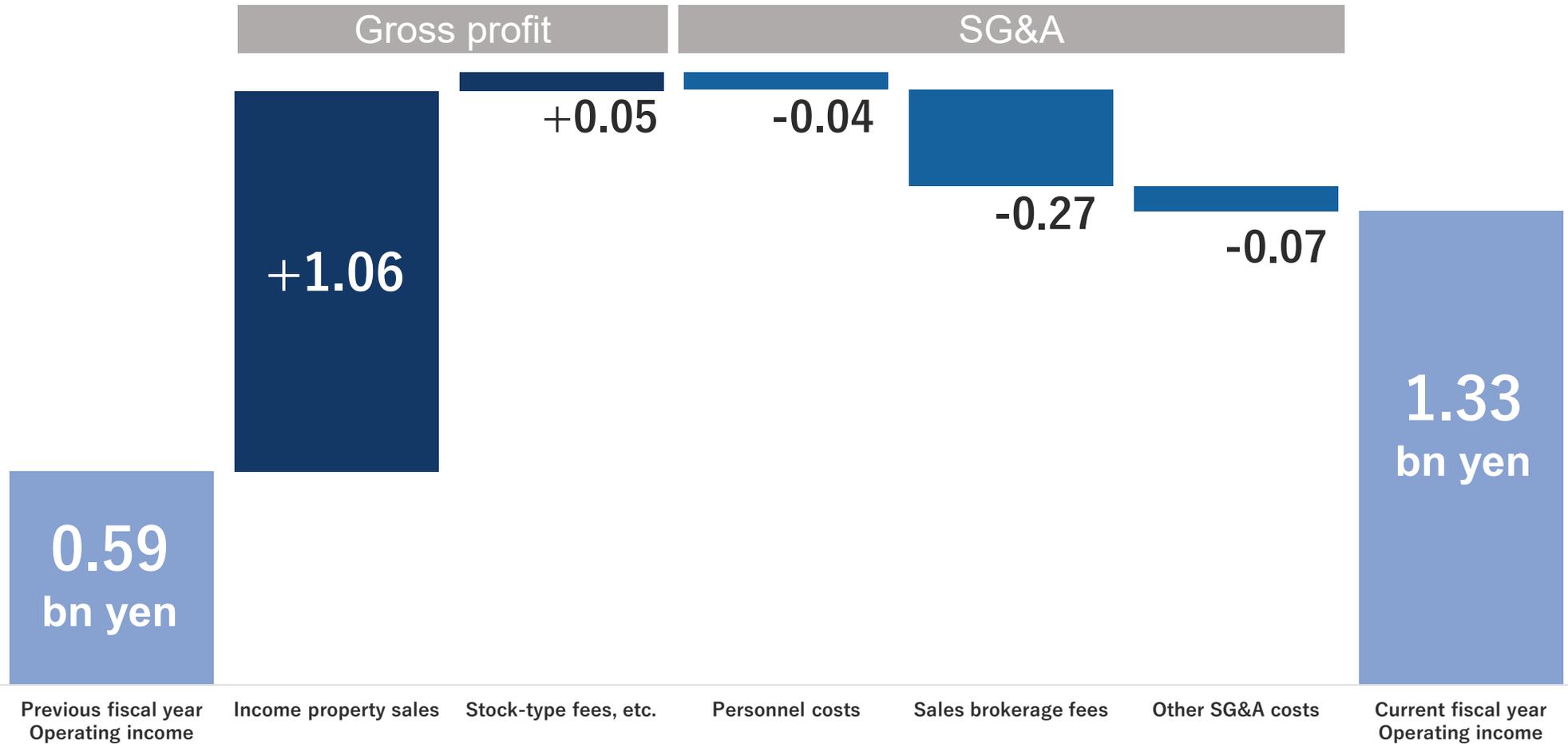
Overview of Financial Results for 1Q of FY2025 (Summary)

Large increase in sales and income compared to same period in previous fiscal year

(Unit: million yen)

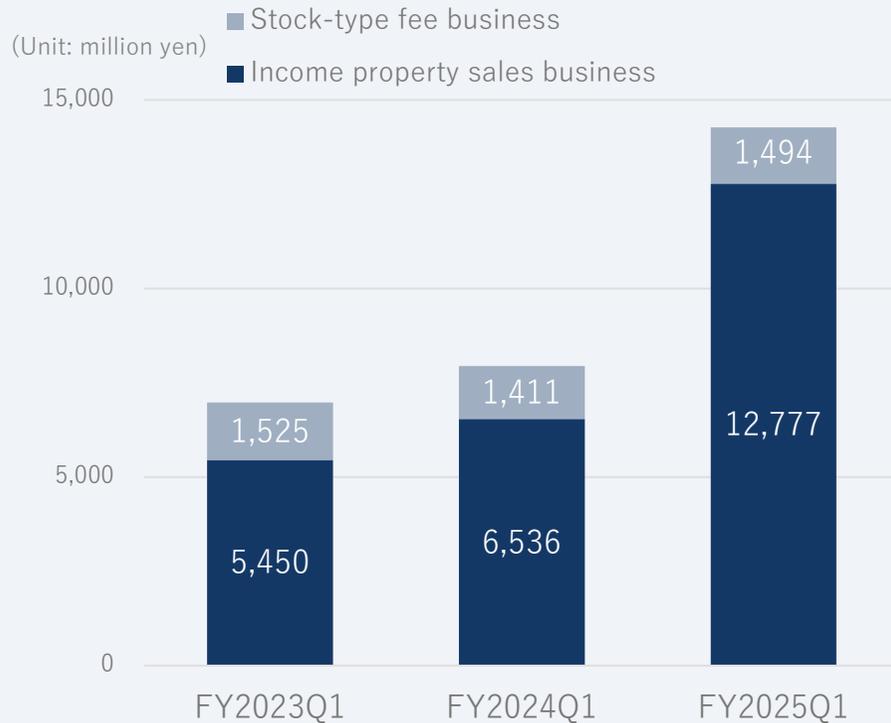
	FY2025 1Q	FY2024 1Q		FY2024 Full-year forecast	
			YoY		Rate of progress
Net sales	14,168	7,833	180.9%	55,000	25.8%
Operating income	1,330	599	222.0%	3,600	37.0%
Income before taxes	1,169	434	269.2%	2,800	41.8%
Net income*	746	256	290.5%	1,780	41.9%

*Net income attributable to owners of parent.

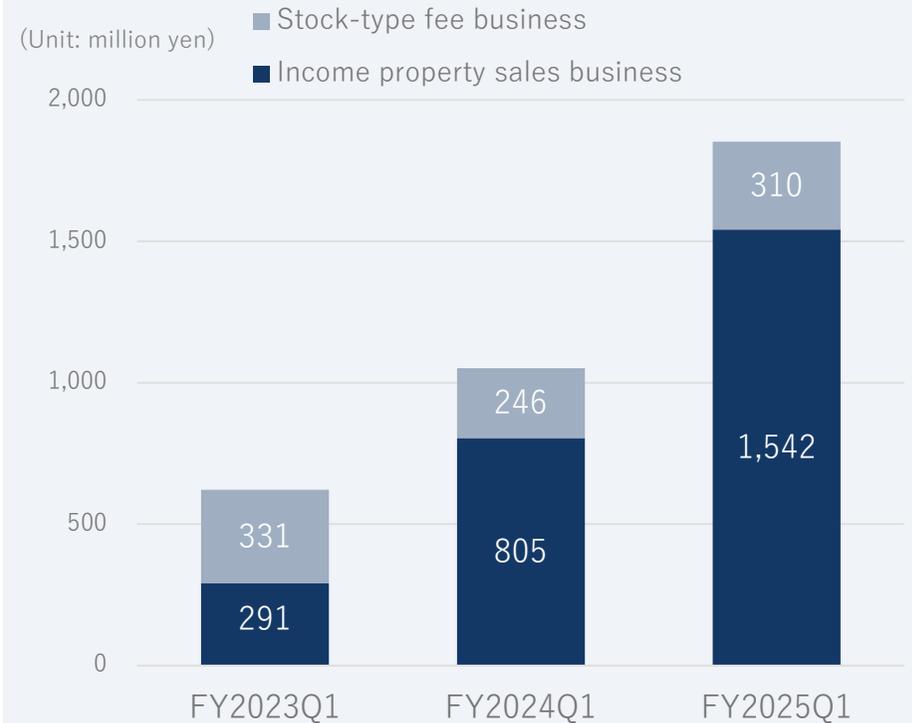


Income property sales business drives performance expansion.

Fluctuations in net sales (by segment)



Fluctuations in Operating income (by segment)

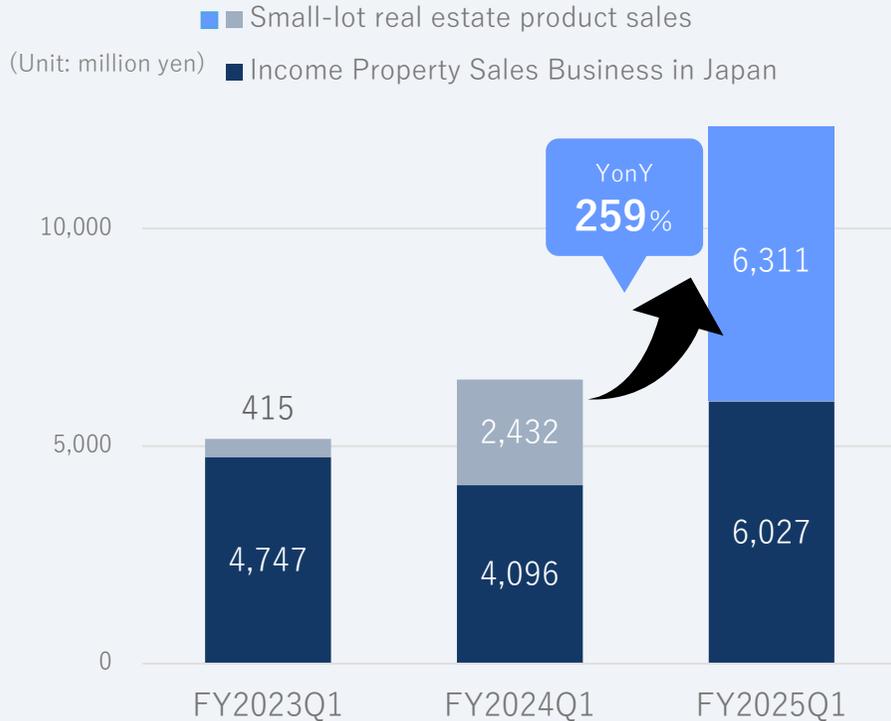


※The figures shown here include figures related to internal transactions

Small-lot real estate product sales is showing remarkable growth.

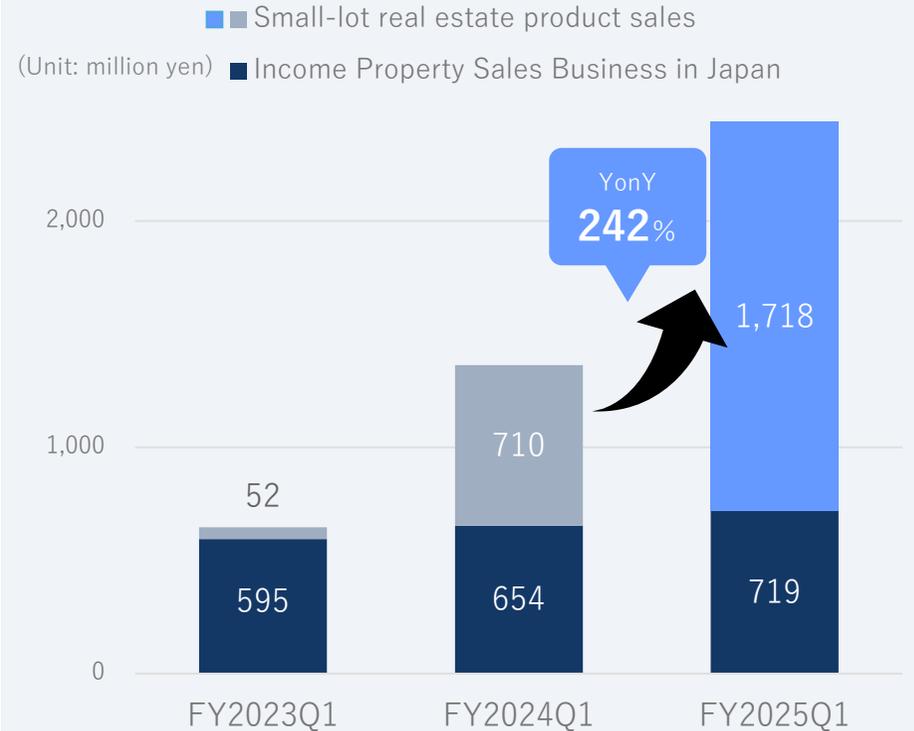
Fluctuations in net sales

(Breakdown of domestic profitable real estate sales)



Fluctuations in Gross Profit

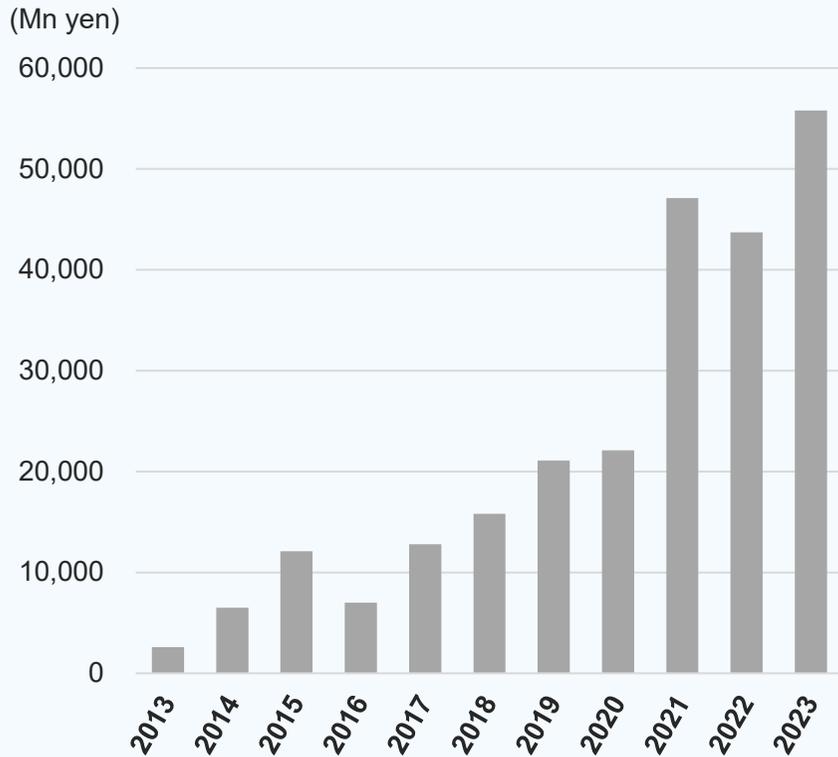
(Breakdown of domestic profitable real estate sales)



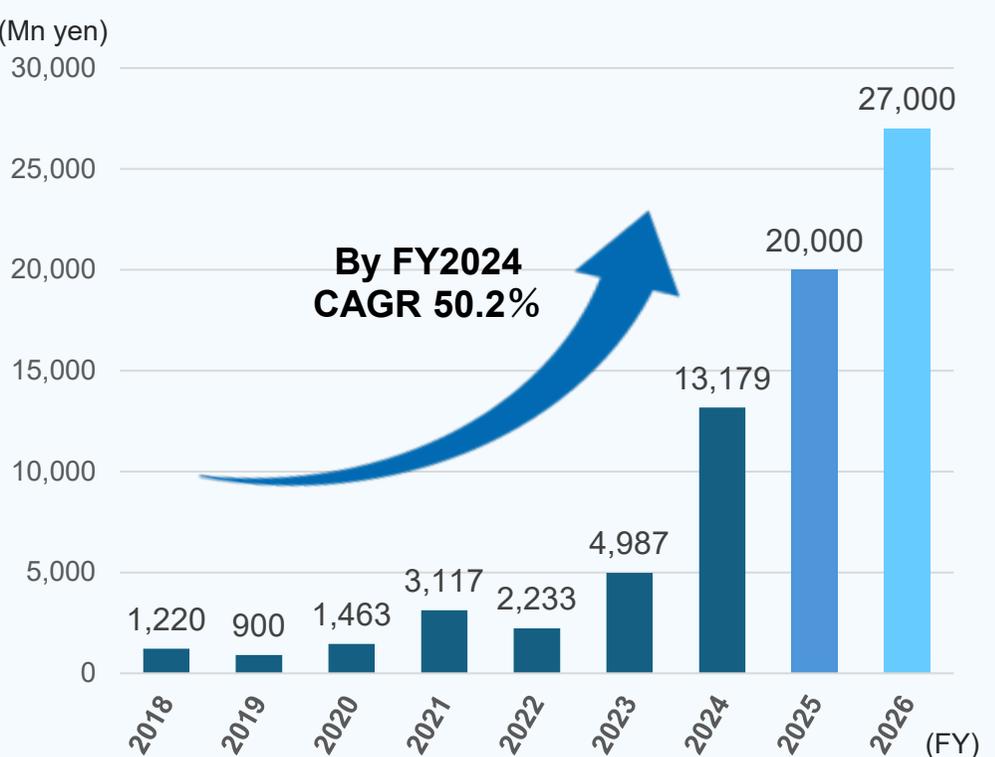
| Progress with Growth Strategies

The factors behind the expansion of small-lot real estate sales are "Significant market growth" "Ability to purchase, commercialize, and manage high-quality products," "Strong sales organization," and "More than 500 sales channels nationwide." Sales are expected to expand further in the future, with the goal of 20 billion yen in 2025 and 27 billion yen in 2026.

Trends in new investment in real estate specified joint enterprises (voluntary partnership type)



Sales results and targets for small-lot real estate business



Source: Ministry of Land, Infrastructure, Transport and Tourism, "Handbook for Promoting the Utilization of Real Estate Specified Joint Enterprises" (July 2024)

Along with our basic policy for new business ”Utilization of Our Strengths x Growth Markets,”
 Launch of two new businesses that will contribute to enhancing corporate value

Office Unit Sales Business

- Sales channels can be leveraged, which is a strength of the small-lot real estate business
- There are more benefits than the small-lot real estate product such as the possibility of loan and unlimited investment period.
- Aiming to grow sales to 30 billion yen by 2035.

株式会社エー・ディー・ワークスが持つ
 全国**500**社以上の
 金融商品販売チャネル

A.D.W. Group
 SINCE 1886

不動産小口化商品

- 平均単価1,500万円
- 現金での購入
- 運用期間10～20年

NEW オフィス区分商品
 2025年6月 販売開始予定

- 単価1億～3億円
- 借入の利用が可能
- 運用期間は無期限

更なる商品を検討中

Grid-Scale Energy Storage Plant Business

- Entry into growth markets aligned with national policy.
- Aiming to establish a presence by entering immature markets early.
- The 1st acquisition was completed. Speedy business entry was successful, and good project information is to be concentrated to us.



| Appendix

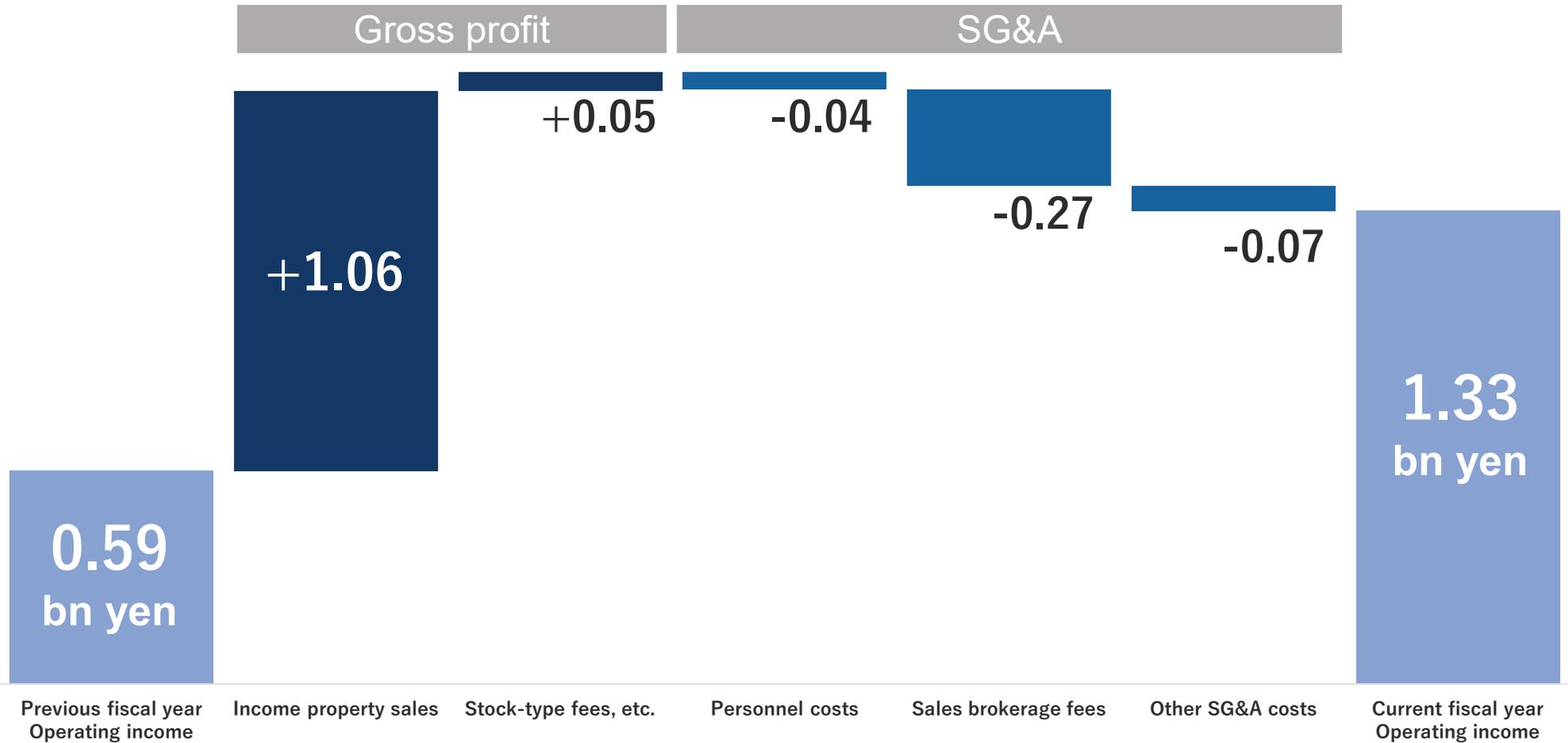
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(Unit: million yen)

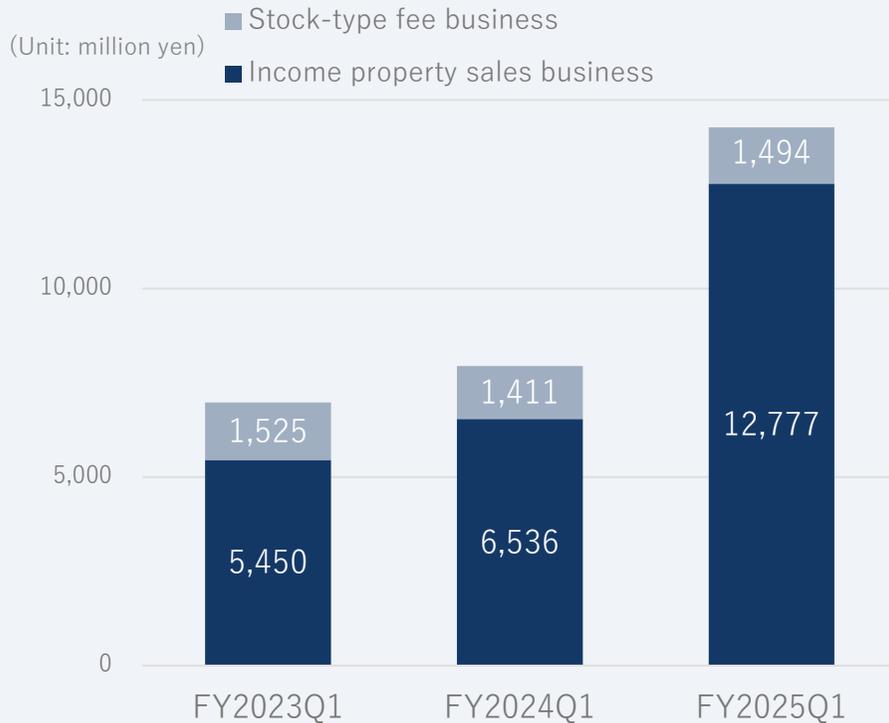
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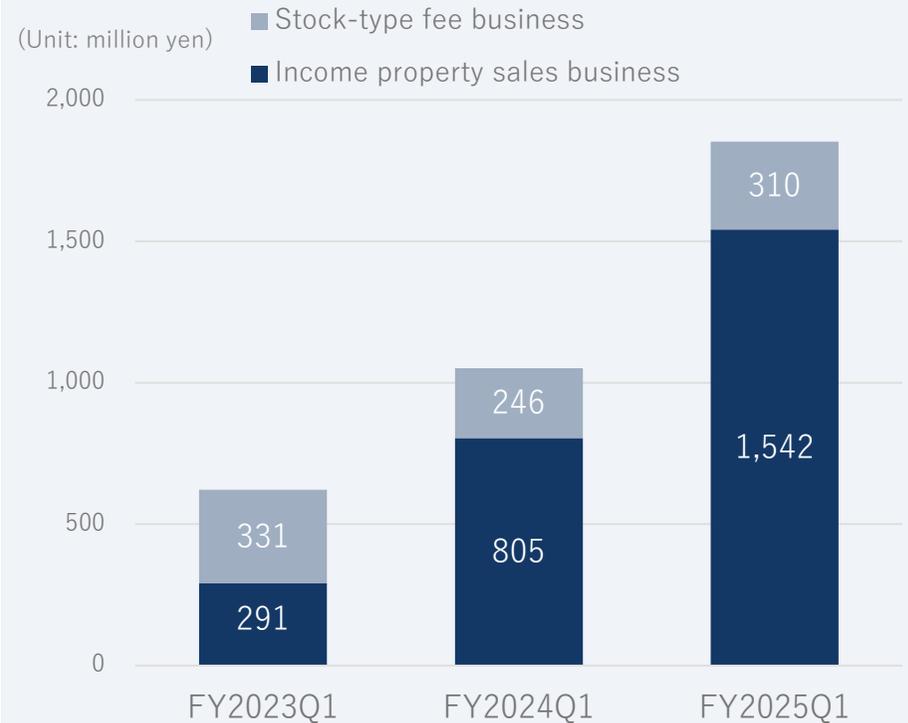


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Fluctuations in net sales (by segment)



Fluctuations in Operating income (by segment)

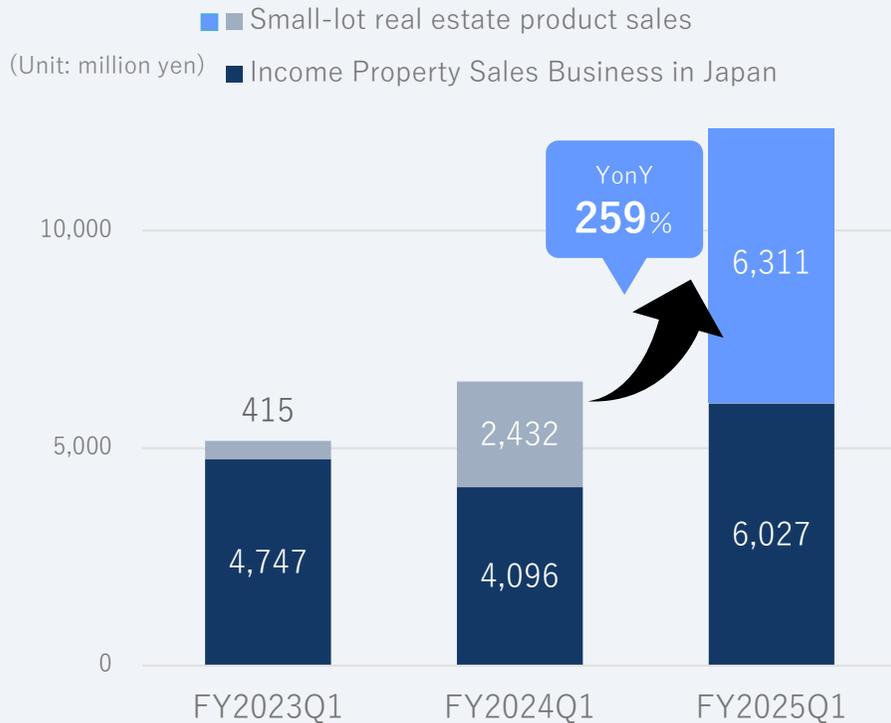


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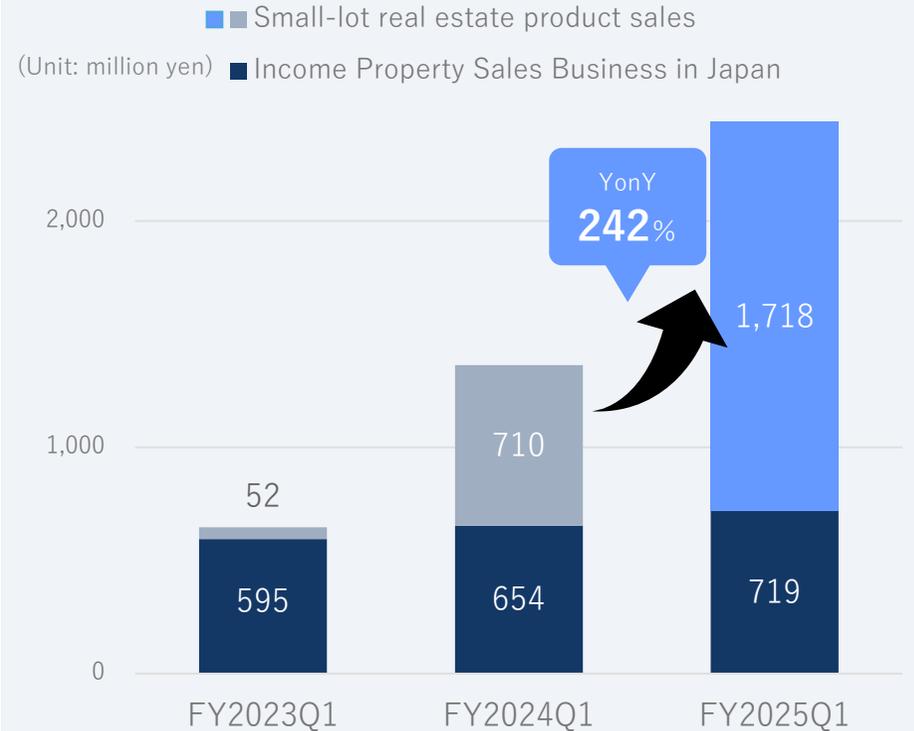
Fluctuations in net sales

(Breakdown of domestic profitable real estate sales)



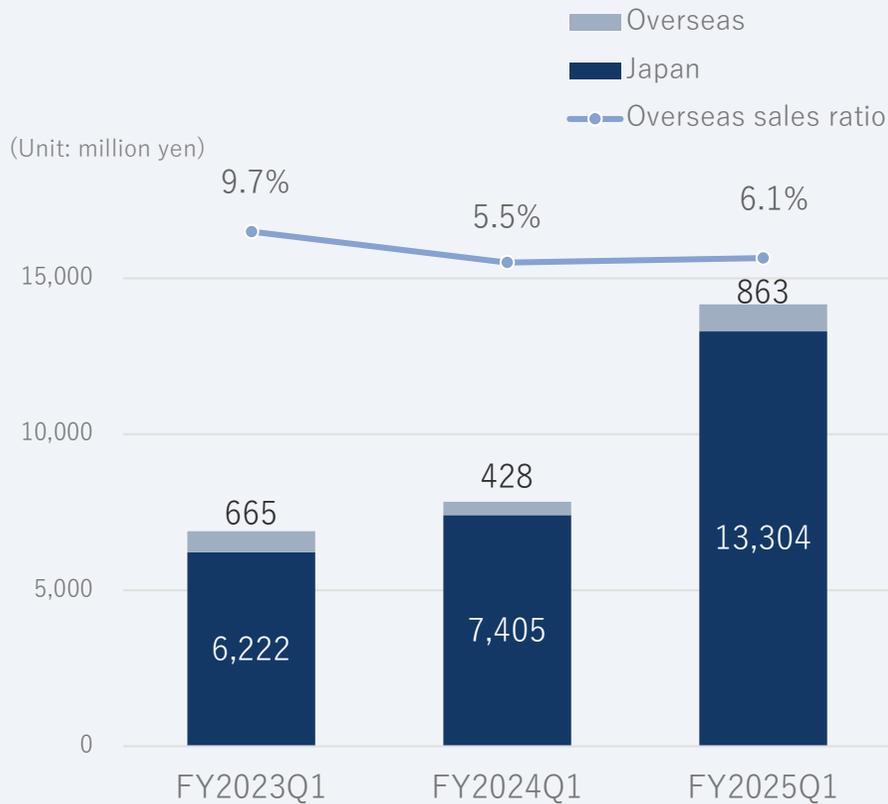
Fluctuations in Gross Profit

(Breakdown of domestic profitable real estate sales)



Due to continuing high interest rates in the United States, We will continue to carefully monitor market trends and cautiously continue with acquisitions and sales.

Fluctuations in net sales (by segment)



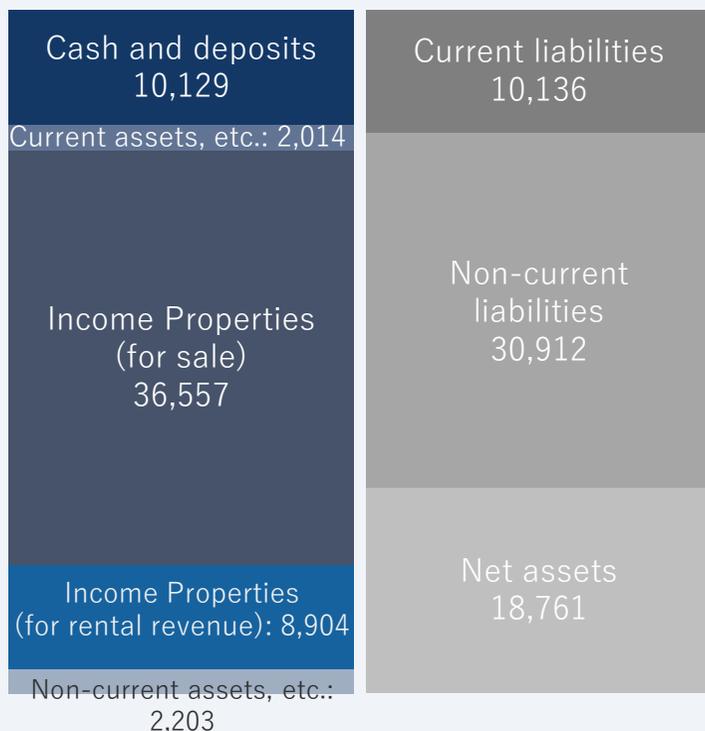
Fluctuations in balance of income properties (by region)



Equity ratio was 31.5%, remaining stable against the target of 30%

As of end-December 2024

(Unit: million yen)



Total assets: 59,809 million yen

As of end-March 2025

(Unit: million yen)



Total assets: 60,271 million yen

(Unit: million yen)

	FY2015 (Fiscal year ended March 31,2015)	FY2016 (Fiscal year ended March 31,2016)	FY2017 (Fiscal year ended March 31,2017)	FY2018 (Fiscal year ended March 31,2018)	FY2019 (Fiscal year ended March 31,2019)	FY2020 (Fiscal year ended March 31,2020)	FY2020 (Fiscal year ended December 31,2020)	FY2021 (Fiscal year ended December 31,2021)	FY2022 (Fiscal year ended December 31,2020)	FY2023 (Fiscal year ended December 31,2023)	FY2024 (Fiscal year ended December 31,2024)
Net sales	10,735	15,733	18,969	22,299	24,861	24,687	16,840	24,961	27,856	41,342	49,910
Income before taxes	539	650	835	924	1,043	933	432	650	910	2,066	2,547
Net income	333	426	540	584	663	625	264	312	527	1,419	1,610
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216	14,817	15,857	17,166	18,761
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850	42,047	53,359	58,854	59,809
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682	28,914	41,476	44,798	45,461
ROE	6.1%	7.5%	8.8%	7.0%	5.9%	5.0%	2.7%	2.2%	3.5%	9.0%	9.5%
ROIC	3.6%	3.8%	3.9%	3.1%	3.4%	3.1%	2.0%	1.8%	2.2%	4.0%	4.4%
Number of employees	99	115	136	146	167	185	195	207	219	232	240

※1:ROE: Net income attributable to owners of parent / average shareholders' equity (Figures may differ from net income on equity.)

※2:ROIC: (Net income attributable to owners of parent + interest expenses + borrowing fee) / (balance of average shareholders' equity + balance of average interest-bearing liabilities)

Growth Strategies to Enhance Corporate Value **(Cites material released on February 13, 2025)**

Growth Strategies to Enhance Corporate Value



A.D.Works Group Co., Ltd.

Hideo Tanaka, President and CEO

February 13, 2025

Code number: TSE Prime 2982

Inquiries: Taizo Muroya, Director, Executive Officer and General Manager, Group Strategy Division

Phone number: 03-5251-7641



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01 Introduction

In August 2024, the Group formulated its long-term management guidelines, 北極星 (Purpose), Vision and Values.

After a year of discussion with the participation of all employees, we determined that the Group should aim to “re-dye the world in vivid colors with flexible creativity that transcends boundaries”—this is our 北極星. Setting this direction enabled the Group to accelerate its management speed, and we are now considering and implementing various measures to achieve the vision that we set at the same time of 20 billion yen in income before taxes and a 40% share of BtoC by 2034.

The Group's performance reached record profits for two consecutive fiscal years, with income before taxes of 2,066 million yen in FY2023 and 2,547 million yen in FY2024, compared to 910 million yen in FY2022. The small-lot real estate business, which started in 2018, took a big leap forward in the previous fiscal year, and it has grown into a core business, together with the single-building renovation and sales business, and will continue to achieve significant growth into the future.

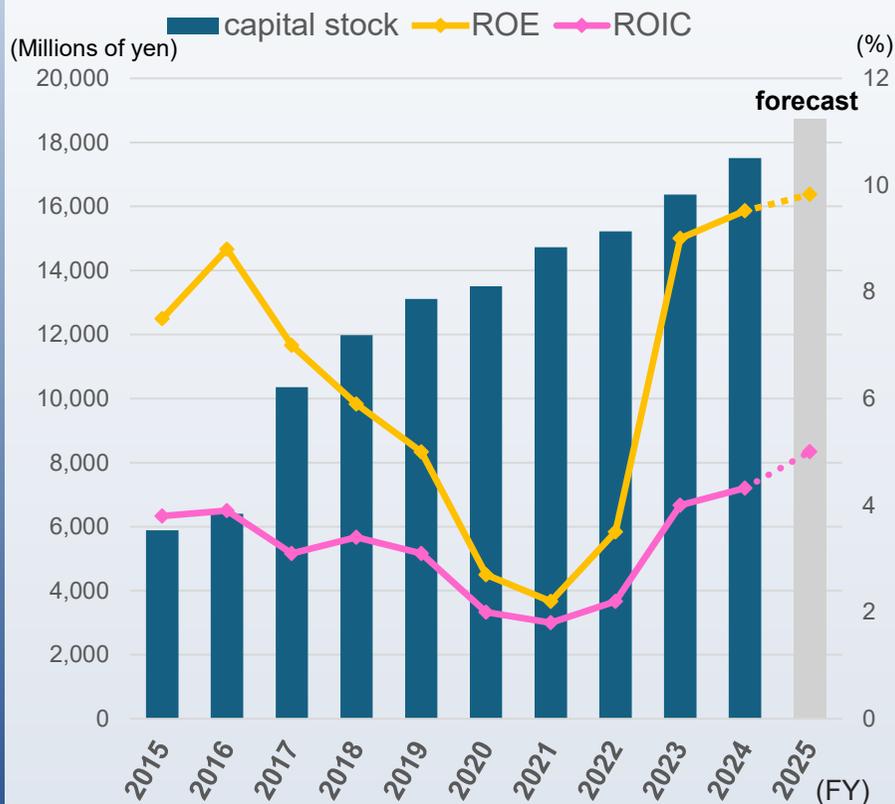
However, as of December 31, 2024, our P/B ratio was 0.5x, and we recognize that we face a significant challenge in improving our corporate value. To resolve this issue, we have formulated the Growth Strategy for Enhancing Corporate Value with a strong desire to face the issue of increasing corporate value head-on. In formulating this strategy, we have incorporated the opinions of outside experts, analyzed the current situation, identified issues, and laid out measures to resolve these issues.

We hope that you will continue to support us as we meet the expectations of our stakeholders and society at large. We will continue to focus squarely on improving our corporate value.

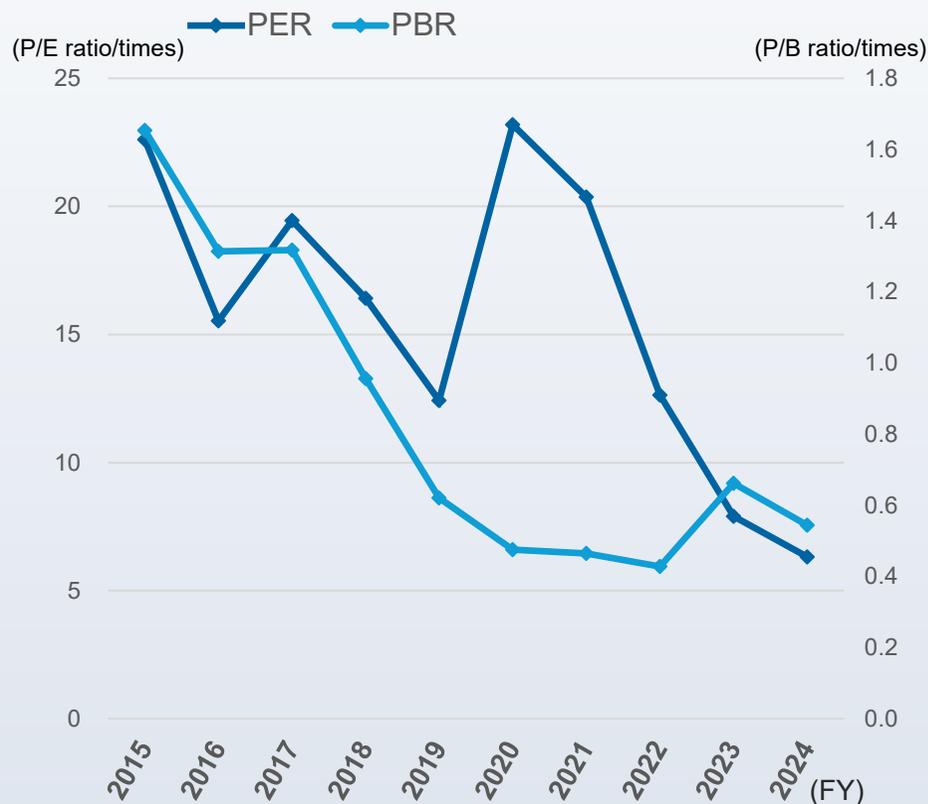
02 Current situation analysis –P/B ratio and P/E ratio analysis–

At the end of 2024, the ROE stood at 9.5%, while the P/E ratio was 6.3x and the P/B ratio was 0.5x.

Shareholders' Equity and ROE/ROIC



Changes in P/E ratio and P/B ratio



* FY2020 is an irregular nine-month period from April 2020 to December 2020.

* 1:ROE Net income attributable to owners of parent / average shareholders' equity (Figures may differ from net income on equity.)

* 2:ROIC (Net income attributable to owners of parent + Interest expenses + borrowing fees) / (balance of average shareholders' equity + balance of average interest-bearing liabilities)

02 Current Situation Analysis –Review of ROE Targets–

Since our first medium-term management plan, released in May 2021, we had set targets for shareholders' cost of equity and ROE of 8%.

On the other hand, the P/B ratio as of December 31, 2024 was 0.5x, even though the ROE was 9.0% and 9.5% in 2023 and 2024, respectively, exceeding the 8% target set for shareholders' cost of equity and ROE in 2022, due to earnings growth from 2023 onward.

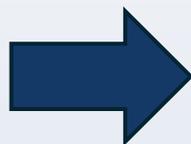
Based on the above analysis of the Company's situation, as well as a comparative review of the P/B ratio and ROE of competitors in the same sector (single-building renovation and sales sector and small-lot real estate products sector) and a comprehensive consideration of the market environment and other factors, including rising interest rates, we recognize that the Company is currently facing challenges in terms of the return on assets and ROE.

Going forward, we will take all possible measures to improve ROE to 13–14% or more by 2027, accelerate growth, and reduce shareholders' cost of equity by taking a serious look at increasing corporate value.

ROE Target

Previous target

8%



Future target

13–14%

We aim to achieve ROE of 13–14% by 2027.

ROE 9.5% < Future ROE target 13–14%

(As of December 31, 2024)

(Target by the end of December 2027)

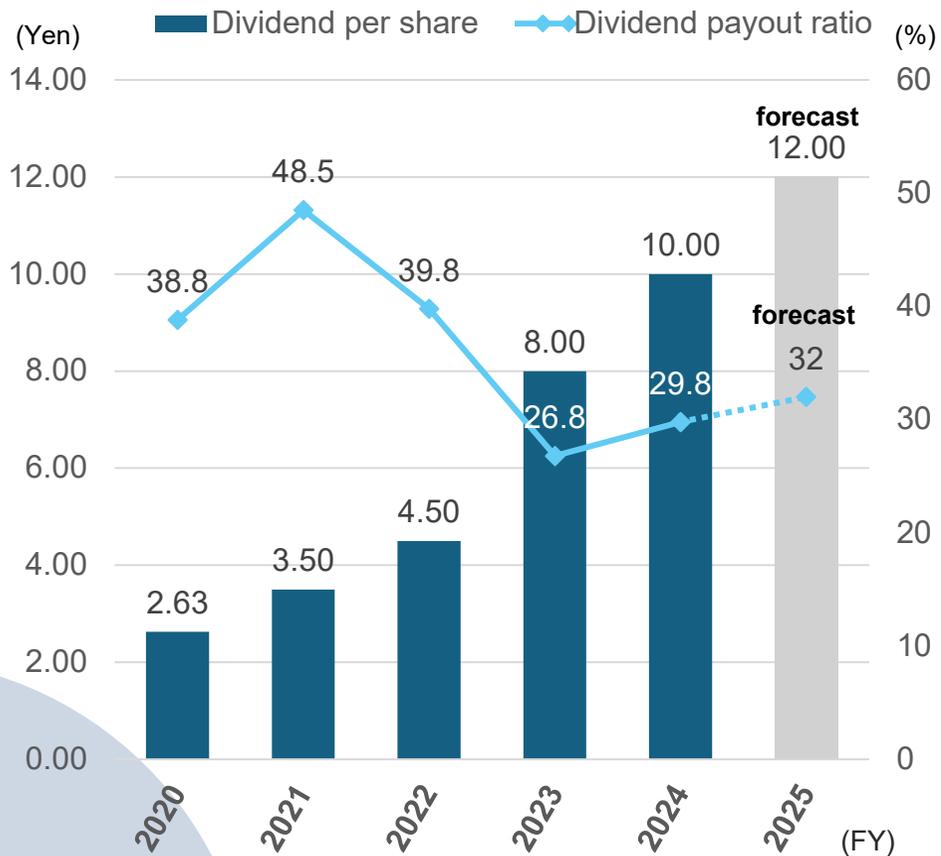
03 Growth Strategies to Enhance Corporate Value

In addition to implementing the following key measures, we will review the ROE/ROIC of each business and will implement business reforms and review our business portfolio. By doing so, we will be able to increase our corporate value at a faster pace.



While considering a balance with growth investments, we expect to provide greater shareholder returns in the allocation of funds.

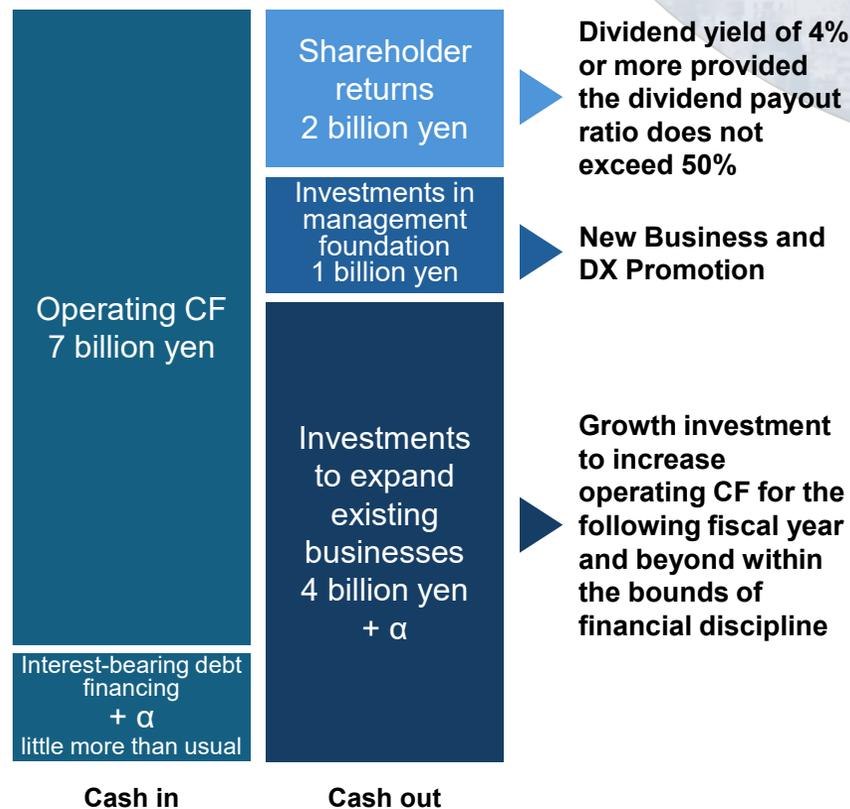
Dividends per share and dividend payout ratio



* FY12/2020 is an irregular nine-month period from April 2020 to December 2020

Capital allocation

FY2024-2026 Plan



03 Growth Strategies to Enhance Corporate Value (Supplement)

High probability of realization of results plan

Over the past 10 years, we have achieved the results plan announced at the beginning of the fiscal year at a rate of nearly 100%.

Going forward, we will not only continue to maintain a high probability of realization of results plan but also aim to achieve results that far exceed the results plan announced at the beginning of the fiscal year. We will face the task of increasing corporate value head-on.

Achievement rate for initial plan

Fiscal period		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Income before income taxes (Ordinary)													
Plan	(Bn yen)	0.45	0.50	0.60	0.80	0.90	1.00	0.89	0.40	0.60	0.80	2.00	2.30
Result	(Bn yen)	0.45	0.54	0.65	(0.835)	0.924	1.043	0.933	0.432	0.65	0.91	2.066	2.547
(Achievement rate)		100%	108%	108%	(104%)	103%	104%	105%	108%	108%	114%	103%	110%

*1: The figures for FY2013–FY2016 are ordinary income; figures for FY2017–FY2024 are income before taxes.

*2: In FY2016, a gain of 86 million yen from the sale of real estate classified as non-current assets was recorded as extraordinary income. Ordinary income was 748 million yen, but 835 million yen in income before taxes was effectively deemed ordinary income and is listed as the actual results relative to the ordinary income forecast of 800 million yen (no forecast for income before taxes was announced for FY2016).

*3: FY2020 is a 9-month irregular accounting period covering the period from April 1, 2020 to December 31, 2020.



04 Growth Strategies to Enhance Corporate Value (Details) (1)

Accelerate top-line growth in the small-lot real estate business

Business Sale of investment products nationwide that allow clients to own prime real estate from small amounts without the inconvenience of managing the property

We purchase income properties based on thorough market research and legal scrutiny and enhance asset value through construction work to raise value, efforts to attract tenants, and tenant negotiations, and then sell it as a small-lot real estate product with a minimum investment of 5 million yen to investors nationwide through referrals from financial institutions, accounting firms, and other partners. This is a business model that generates revenue.

What is the small-lot real estate product ARISTO?

- Investments in prime real estate in good locations from as little as 5 million yen**
*The minimum investment amount varies depending on the property in question.
- A.D.Works takes care of all management and administration.**
- Investors jointly own the property in question in proportion to their financial investment.**

Differences between small-lot real estate products and REITs

	Small-lot real estate product	REIT
Investment Target	Specific real estate	Multiple property replacement
Valuation at the time of inheritance and donation	Valuation under Inheritance Tax Law	Market value
Sale method	Negotiated transaction	Sale on the open market
Price fluctuations	Short-term fluctuations are small	Fluctuations possible

Voluntary Association Scheme

The voluntary association-type scheme for small-lot real estate products under the Act on Specified Joint Real Estate Ventures is as follows.

*Investors will jointly own the real estate in question (land and building) in proportion to their financial investment.



(*) The amount of rent paid by the master lease company to the Association will be determined based on the amount of rent actually received by the master lease company from the tenants, and the master lease company does not guarantee that the Association will receive a certain amount of rental income in the future.

04 Growth Strategies to Enhance Corporate Value (Details) (1)

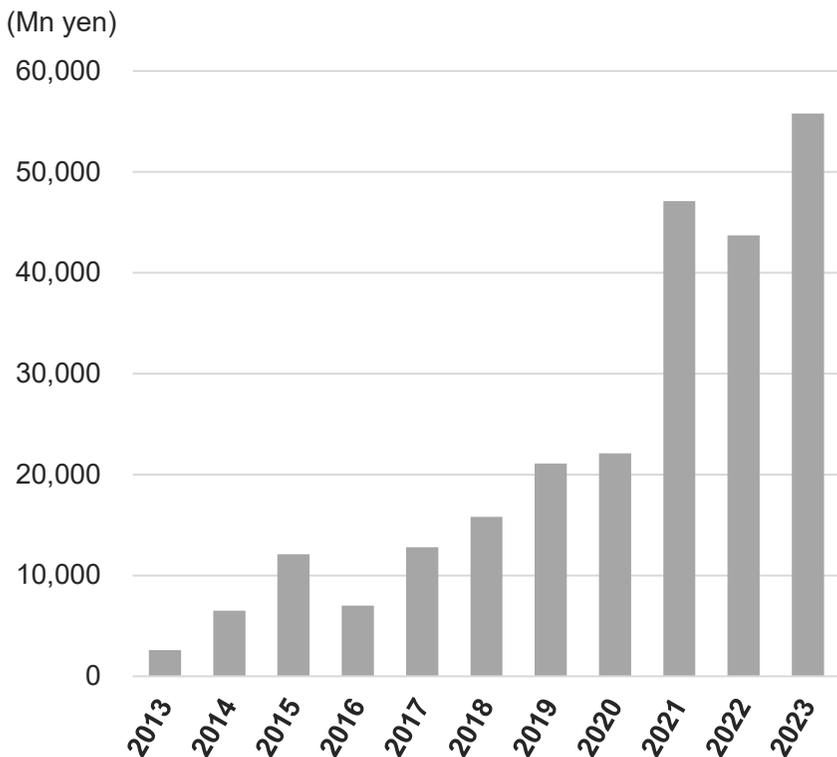
Accelerate top-line growth in the small-lot real estate business

Supporting factors Significant market growth

The amount of new investments in specified joint real estate ventures has increased significantly in recent years, and the market is expected to continue to grow.

As the market grows, our sales performance is also growing at a CAGR of more than 50%. (FY2018–FY2024)
 We are targeting sales of 20 billion yen (including tax) in fiscal 2025, aiming for further growth over the medium to long term.

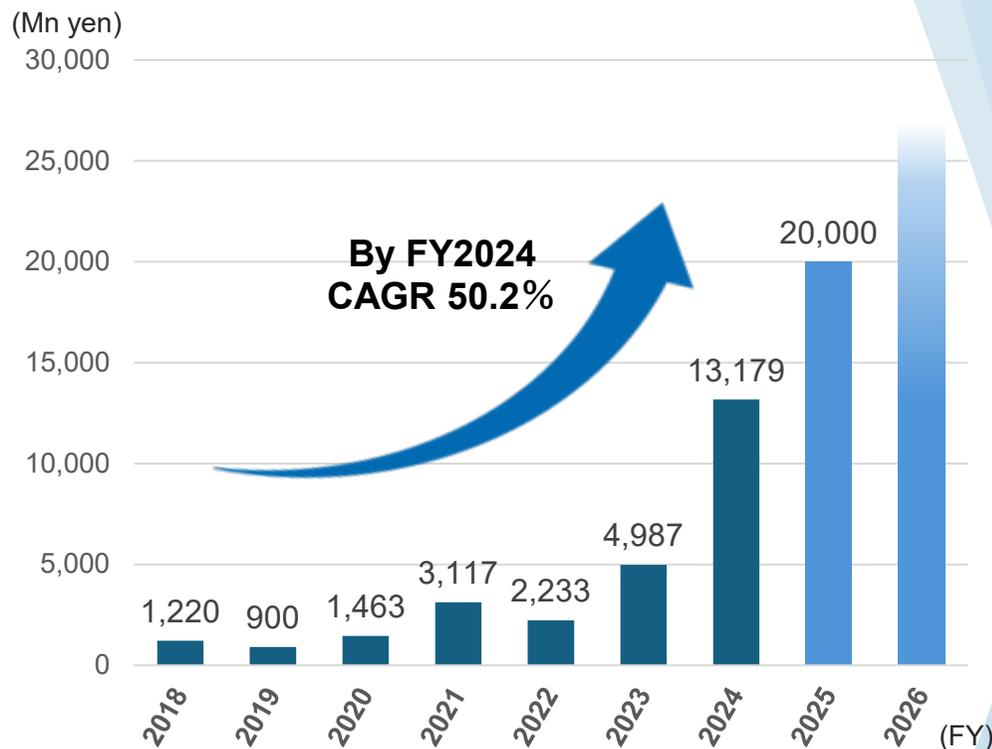
Trends in new investment in real estate specified joint enterprises (voluntary partnership type)



Source: Ministry of Land, Infrastructure, Transport and Tourism, "Handbook for Promoting the Utilization of Real Estate Specified Joint Enterprises" (July 2024)

Sales results and targets for small-lot real estate business

* Sales prices include tax



04 Growth Strategies to Enhance Corporate Value (Details) (1) Accelerate top-line growth in the small-lot real estate business

Strengths (1) Our Unique Competitive Advantage

1 Company specializing in income properties

- With more than 25 staff members specializing in property procurement and more than 20 staff members specializing in commercialization (nine first-class architects and four first-class construction management engineers [as of December 31, 2024]), we have highly specialized personnel. We are able to supply high-quality products through an operation system that is difficult to imitate and **is integrated at a high level with our existing business (single-building renovation and sales business)**.
- The company's impressive reputation among financial institutions, accounting firms, etc. has contributed greatly to sales growth.

2 More than 400 sales channels nationwide

- We receive client referrals from financial institutions, accounting firms, etc. nationwide.
- Sales performance tends to lead to increased trust from sales channels and customers, and since the number of product companies handled by the referring company is limited, we tend to benefit from first-mover advantages and **there is a tendency toward an oligopoly market**.
- In January 2025, **a new organization dedicated to the promotion of major corporate tie-ups was established** to further reinforce the development of sales channels.

3 Thorough compliance management as a listed company

- As a company listed on the TSE Prime market, we have thorough compliance management.
- These are products that handle clients' valuable assets for a long period of time (10–15 years), leading to a certain level of trust.

We are the only company that has the above three strengths and supplies more than 10 billion yen in small-lot real estate products per year. (as of February 2025)

04 Growth Strategies to Enhance Corporate Value (Details) (1) Accelerate top-line growth in the small-lot real estate business

Strengths (2) Solid investment performance

We properly market quality products to customers nationwide, but our involvement does not end with a sale. We also provide thorough management during the period to ensure that we achieve good investment performance that satisfies investors.

For two straight years in FY2023 and FY2024

**ARISTO Series
Investment Products**

Occupancy rate **99.9%**

Average of all 17 products
**Above the assumed
yield at the time of sale**

Actual dividend yield **3.05%**

Assumed dividend yield at time of sale
(Average for all products)
(when occupancy rate is 95%-100%)

2.81% to 3.01%

Equity interest sold during contract period is all
Sold at or above the principal amount

Solid investment performance has led to improvements in the branding and sales strength of our products.

Reinforcing the ability to increase property value in the renovation and sales business

Business

An investment product that allows you to own used and renovated real estate with earnings growth potential

We purchase income properties based on thorough market research and legal scrutiny.

This is a business model in which we improve asset value through construction work to raise value, attraction of tenants, tenant negotiations, and corrective work to ensure legal compliance, and then sell them as products that are easy for financial institutions to lend, thereby generating revenues.

Strengths (1)

Competitive advantages built up over 20 years of experience

1 Insight into and ability to purchase income properties

- A sense of trust and a strong network in the brokerage market based on the past 20 years of transaction experience.
- Prompt decision-making made possible through a highly coordinated operational structure with highly discerning members.

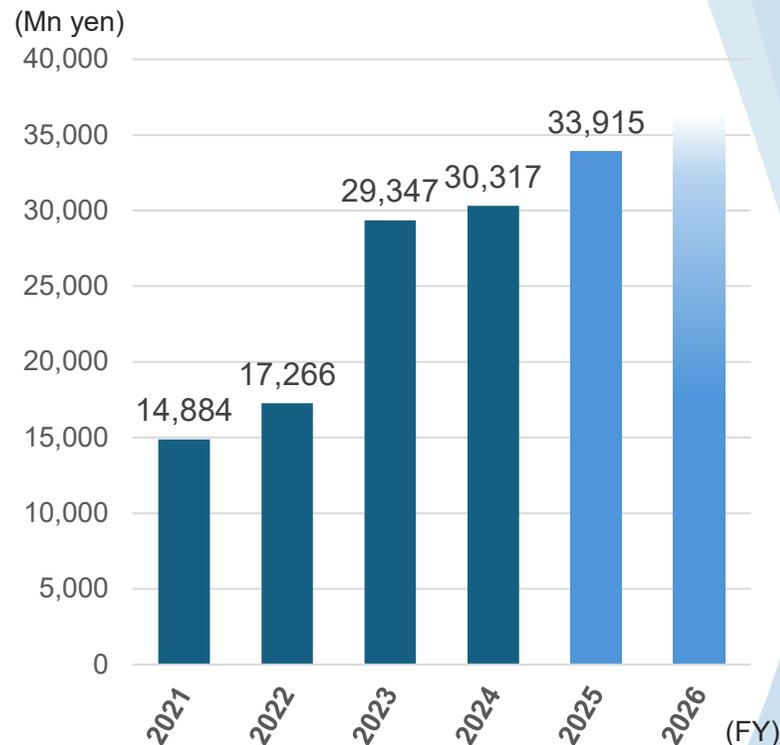
2 Value enhancement that maximizes property values

- High-quality products are produced in a short period of time through high-level cooperation between staff specializing in construction (nine first-class architects and four first-class construction management engineers (as of December 31, 2024)), leasing, tenant negotiation, and legal compliance.
- Our large-scale repair and value-enhancement work receive high praise in the market. We continue to receive business from listed REITs and foreign real estate funds, among others.

3 Sales results and trust

- Our track record in supplying high-quality products has resulted in a sense of security and trust.
- We maintain high profitability by providing thorough property management even after the sale.

Domestic Single-building Sales Results and Targets



Reinforcing the ability to increase property value in the renovation and sales business

Strengths (2)

Further competitive advantages from area expansion and further increase in earnings in the future

Area expansion

In addition to the **Tokyo head office**, the company has established offices in western Japan, including an **Osaka branch and a Fukuoka sales office**. We are expanding opportunities to purchase and sell properties that will have higher marginal profit ratio on sales.

The Osaka branch is achieving remarkable growth, with a high total marginal profit ratio over the last three years at a CAGR of 82%.

The Fukuoka Sales Office, which began operations in January 2025, will increasingly seize opportunities in the Fukuoka area, which is expected to continue to boom into the future.

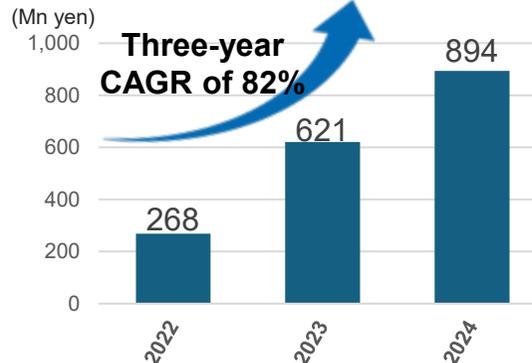
Further increase in earnings (additional value enhancement)

Because we have enhanced value in ways that are valuable to all tenants in the building, including common areas as well as private areas, **existing tenants** have seen an increase in the value of their properties, and we have seen an increasing number of cases where we have been able to significantly increase rents for the entire property beyond what was previously possible.

In FY2024, two properties on which we focused efforts to enhance revenue achieved marginal profit ratios on sales that were more than 6% higher than the overall average.

In the current fiscal year, while going further with our initiatives to provide attractive space for use and demonstrate the social significance of our services, we will carry out measures to increase rent on a full scale at more than 10 properties and strive to improve marginal profit ratio on sales and net income on equity.

Osaka Branch: Marginal Profit Ratio



Details of Key Measures (2)

Strengths (3) Sustainable Commercialization Initiatives

We are promoting sustainable commercialization to add further value and social impact to the socially significant business of revitalizing existing real estate.

Starting from FY2024, a budget will be allocated to cover the expenses of promoting sustainability in the commercialization process. We continue to actively initiate and conduct research to promote sustainable renovation using materials that do not deteriorate easily and recycled materials, and to construct spaces that are comfortable for users.

We are also actively working to acquire environmental certifications, particularly for our development properties.

In September 2024, Orchid Residence Nerima Kitamachi received another CASBEE® real estate evaluation “A Rank” for energy efficiency, conservation of natural resources, etc.

In October 2024, U square Takadanobaba received an award for obtaining LEED O+M GOLD at the LEED Plaque Ceremony within the GBJ Symposium 2024 organized by Green Building Japan (GBJ) and USGBC.

We will continue our efforts to commercialize products that help solve social issues from various perspectives, such as responding to environmental needs and pursuing user comfort.

Examples of A.D.W. Group’s environmental certifications

Year acquired	Property Name	Certification type
Year 2017	AD-O Shibuya Dogenzaka (Development)	CASBEE A Rank
Year 2021	ARISTO Fukuoka Daimyo (Development)	BELS★★★★
Year 2023	U square Takadanobaba (existing property)	LEED O+M GOLD
Year 2023	ARISTO Aoyama II (Development)	BELS★★★★
Year 2023	AD-G Shijo-Kawaramachi (Development)	BELS★★★★★
Year 2024	Orchid Residence Nerima Kitamachi (existing property)	CASBEE A Rank



Exterior of Orchid Residence Nerima Kitamachi



Property interior of above building: Damage-resistant materials are used



LEED Plaque Ceremony Awards Ceremony

05 Growth Strategies to Enhance Corporate Value (Details) (2) Reinforcing the ability to increase property value in the renovation and sales business



Case 1 Improvement of property value through legal compliance and adjustments to occupancy agreements, as well as updates to the entrance

Koenji (3) Project

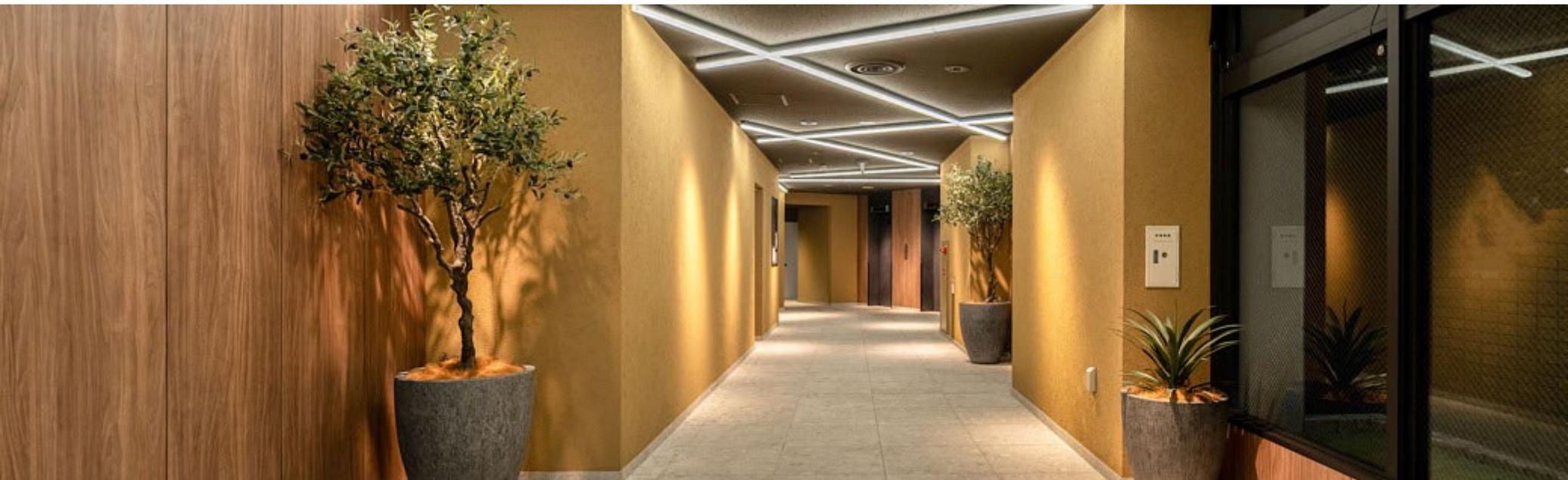
Many bicycles were parked in a space that had to be left open for evacuation in case of emergency, but we resolved this situation by providing thorough explanations to each resident who uses the space, amended contracts, and introduced other bicycle parking lots, among other measures, which enabled us to sell the property with safety ensured. In addition, the aesthetics of the entrance and common areas were greatly improved, and the building was transformed into a modern condominium that does not look 37 years old.

Before repair

Noticeable plant overgrowth from the neighboring lots and illegal bicycle parking;
Entrance made the building seem old



05 Growth Strategies to Enhance Corporate Value (Details) (2) Reinforcing the ability to increase property value in the renovation and sales business



Case 2 Significantly increased revenues by improving the use value with renovations of common areas on all floors

Shin-Osaka ③ Project

The aesthetics of the wide entrance, which determines impressions of the building, as well as the rear entrance were thoroughly improved. In addition, the fixtures in the elevator halls and washrooms on each floor, which are mainly used by tenants, have been replaced to greatly improve user satisfaction. The renovation of the common areas to create a warm atmosphere using sustainable materials resulted in full occupancy at the time of sale, and existing residents agreed to an increase in rent, resulting in a 29.8% increase in rental income.

Before repair

The office building gave an impersonal impression. Common areas and washrooms on each floor were also old, and these conditions made it difficult to attract new users.



06 Growth Strategies to Enhance Corporate Value (Details) (3) Multiple new businesses, including non-asset businesses

We are examining ways to expand our new business portfolio, which will help to increase our corporate value.

Basic Policy for New Business

Utilization of “Our Strengths” x “Growth Markets”

Insight into real estate x Financial product sales channel Business expansion expected

Promotion of non-asset businesses

ROE Improvement

Narrowing down reviewed projects

A total of more than 50 projects were reviewed, including those considered by the Business Planning Office, which was newly established in January 2024, and those proposed in an in-house new business contest.

Three projects that have potential for success and prospects for business expansion are moving into the project preparation phase.

Businesses in the Preparatory Stage

New Business (1)

Real estate crowdfunding business

- Ability to acquire purchases and commercialize them, which is a strength of our domestic and overseas revitalization business
- As with the real estate small-lot business, products based on the Act on Specified Joint Real Estate Ventures
- Business that is expected to generate non-asset business income and dramatically improve ROE

New Business (2)

Office Unit Sales Business

- Sales channels can be leveraged, which is a strength of the small-lot real estate business
- Fewer companies entering this sector
- Office rental demand in central Tokyo has already bottomed out and is on the rise

New Business (3)

Energy storage plant development project

- Entry into growth markets aligned with national policy
- ESG investment business with stable earnings potential
- Advantages in securing optimal sites due to extensive experience with real estate transactions

07 Growth Strategies to Enhance Corporate Value (Details) (4) Measures to Improve Productivity and Human Resource Engagement

We will thoroughly implement measures to improve engagement that will contribute to further value realization and productivity improvement of all employees in order to achieve the 10-year vision in the 北極星 (Purpose) management.

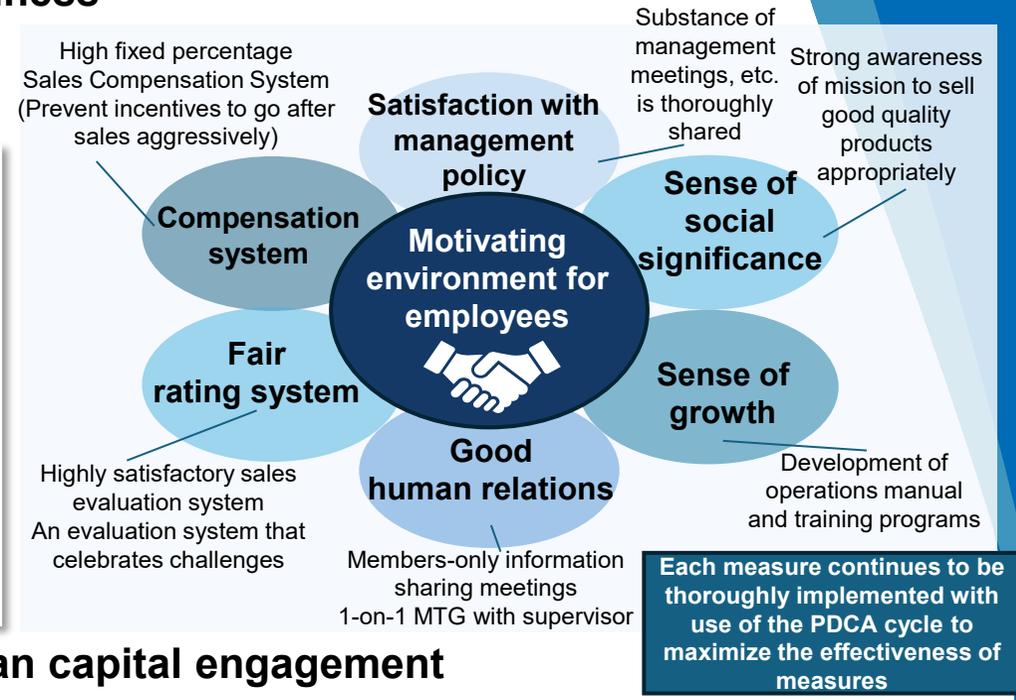
Examples from the Small-lot Real Estate Business

The Company has accelerated measures to create a motivating environment for sales employees and improved sales performance from the second half of 2022 onward.

Of the 26 mid-career and new graduate sales employees (small-lot real estate business) assigned since 2021, only three have left the company (turnover rate: 11.5%).

Measures to create a motivating work environment for employees have contributed significantly to improvements in sales capabilities.

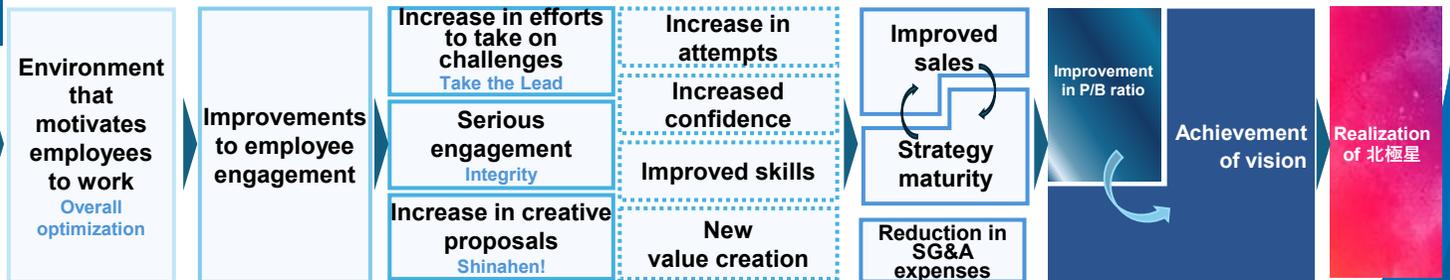
At the same time, we have established a system that can promote appropriate customer-oriented sales and contribute to improving the brand value of our products.



Flow to achieve our vision by improving human capital engagement

Some of the measures being implemented throughout the company

- Company-wide use of 1-on-1 meetings
- Augmentation of various training programs
- Upgrade to values-aligned evaluation and compensation system
- Peer Bonus® Program
- Communication measures



Progress with Second Medium-Term Management Plan (Fiscal Years Ending December 31, 2024- December 31, 2026)

Update the result plan for FY2025 with the aim of further increasing sales and profits.

(Unit: billion yen)

Consolidated	Second Mid-term Management Plan					
	FY2023 (Fiscal year ended December 31, 2023)	FY2024 (Fiscal year ended December 31, 2024)		FY2025 (Fiscal year ending December 31, 2024)		FY2026 (Fiscal year ending December 31, 2026)
	Results	Initial Plan	Results	Initial Plan	Initial Plan Revised on 2/13	Initial Plan
Net sales	41.34	47.00	49.91	52.00	55.00	58.00
Operating income	2.44	3.00	3.21	3.30	3.60	3.70
Net income before income taxes	2.06	2.30	2.54	2.60	2.80	3.00
Balance of income properties *1	44.7	45.0	45.4	46.0	47.0	50.0
Shareholders' equity	16.3	17.5	17.5	18.5	18.7	20.0
ROE *2	9.0%	9.2%	9.5%	9.6%	9.8%	10.4%
ROIC *3	4.0%	4.3%	4.4%	4.6%	5.0%	4.8%
Human resource productivity "PH gross profit" *4	31 mil yen/person	33 mil yen/person	36 mil yen/person	34 mil yen/person	38 mil yen/person	35 mil yen/person
Financial soundness "Equity ratio"	29.1%	Approx.30%	31.3%	Approx.30%	Approx.30%	Approx.30%
Shareholder value "EPS" *5	29.85 yen	32.95 yen	33.50 yen	36.35 yen	37.02 yen	41.76 yen

*1 Balance of income properties: Total balance of properties held for sale or rental revenue

*2 ROE: Net income attributable to owners of parent / average shareholders' equity (Figures may differ from net income on equity.)

*3 ROIC: (Net income attributable to owners of parent + interest expenses + borrowing fee) / (balance of average shareholders' equity + balance of average interest-bearing liabilities)

*4 PH gross profit (gross profit per head): Gross profit / average number of employees

*5 EPS (earnings per share): Net income attributable to owners of parent / average number of shares during the period

Over the past 10 years, we have achieved nearly 100% of the results plan we announced at the beginning of the fiscal year.

We will continue to maintain a high probability of achieving the results plan.

Initial plan achievement rate

(Unit: billion yen)

Net Income before Income taxes or Ordinary Income	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Plan	4.50	5.00	6.00	8.00	9.00	10.00	8.90	4.00	6.00	8.00	20.00	23.00
Results	4.50	5.40	6.50	(8.35)	9.24	10.43	9.33	4.32	6.50	9.10	20.66	25.47
achievement rate	100%	108%	108%	(104%)	103%	104%	105%	108%	108%	114%	103%	110%

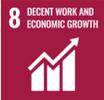
※1 : The ordinary income for the period between the fiscal years ended March 31, 2014, and March 31, 2017, and the net income before taxes for the period between the fiscal years ended March 31, 2018, and December 31, 2024.

※2 : In the fiscal year ended March 31, 2017, an extraordinary gain of 86 million yen was recorded from the sale of properties classified as property, plant and equipment. Ordinary income amounted to 748 million yen, but we recognized 835 million yen of net income before income taxes as actual ordinary income and presented it as actual results in the ordinary income plan of 800 million yen (net income before income taxes plan not announced in fiscal year 2016).

※3 : FY2020 was an irregular accounting period of nine months between April 1, 2020, and December 31, 2020.

| Sustainability

Secure product planning budget for ESG and contribute to the SDGs through our business

Category	Materiality	Initiative policy	Risk/opportunity	Contribution to SDGs
E/S	Utilize and connect: Revitalization of real estate	Real estate planning to meet social and environmental needs	Risk: <ul style="list-style-type: none"> Impairment of corporate value due to delayed response to social and environmental changes Lower real estate value due to incompatibility with social needs Opportunity: <ul style="list-style-type: none"> Increased market value of real estate with social and environmental considerations Enhanced community presence through community creation and revitalization 	   
		Implement diversity and wellbeing		
		Proactively acquire real estate environmental certification		
		Promote real estate planning that contributes to community revitalization		
		Introduce and use renewable energy and energy-saving equipment, and use building materials with low environmental impact		
S	Provide peace of mind and security	Thoroughly instill compliance awareness among executives and employees	Risk: <ul style="list-style-type: none"> Subdued performance due to loss of credit and diminished product value Devastating disasters and accidents due to inadequate property maintenance Opportunity: <ul style="list-style-type: none"> Enhanced trust by adapting to stakeholder needs Increased value of disaster-resilient properties 	    
		Strengthen information security measures		
		Maintain real estate functions through appropriate repair planning and response		
		Ensure legal compliance and thorough corrective action for properties		
		Develop disaster preparedness functions and respond quickly to emergencies		
	Create motivation to work and innovate	Establish a work environment and work style that is consistent with the times and needs, and promote employee health and wellness	Risk: <ul style="list-style-type: none"> Intensifying competition for talent Decreased employee engagement and productivity Opportunity: <ul style="list-style-type: none"> Transubstantiation of ideas through diversity and inclusion Creation of new business opportunities by exploring and utilizing innovative technologies 	    
		Foster an organizational culture rooted in psychological safety and respect for diversity		
		Enhance training, education, and awareness-raising opportunities		
		Co-create new value through the CVC business		
		Promote cross-company DX		
G	Strengthen governance to enhance corporate value	Promote businesses based on high ethical standards and thorough legal compliance	Risk: <ul style="list-style-type: none"> Human rights issues leading to a decline in reputation and business stagnation Business stagnation and loss of credit due to compliance violations and internal control failures Opportunity: <ul style="list-style-type: none"> Creation of business opportunities and sustainable growth through improved adaptability to changes Diversification of financing methods by expanding ESG investments 	
		Execute and oversee operations based on multi-faceted risk management		
		Enhance disclosure, including non-financial information		
		Actively engage in dialogue with stakeholders		
		Optimize business portfolio in response to changes		

Promoting sustainability in product development and improving the company environment

Sustainable Commercialization Initiatives

In FY2024, a budget will be allocated to cover the expenses of promoting sustainability in the commercialization process. We continue to actively initiate and conduct research to promote sustainable renovation using materials that do not deteriorate easily and recycled materials, and to acquire environmental certifications.

In October 2024, U Square Yotsuya Sanhome received BELS evaluation “★★★★” for energy-saving lighting, air conditioning, and ventilation equipment..

We will continue our efforts to commercialize products that help solve social issues from various perspectives, such as responding to environmental needs and pursuing user comfort.



Photo: Interior of U Square Yotsuya Sanhome.

Year acquired	Property Name	Certification type
Year 2017	AD-O Shibuya Dogenzaka (Development)	CASBEE A Rank
Year 2021	ARISTO Fukuoka Daimyo (Development)	BELS★★★★
Year 2023	U square Takadanobaba (existing property)	LEED O+M GOLD
Year 2023	ARISTO Aoyama II (Development)	BELS★★★★
Year 2023	AD-G Shijo-Kawaramachi (Development)	BELS★★★★★
Year 2024	Orchid Residence Nerima Kitamachi (existing property)	CASBEE A Rank
Year 2024	U square Yotsuya Sanhome (existing property)	BELS★★★★

Table : Examples of A.D.W. Group's environmental certifications

Entering Grid-Scale Energy Storage Plant Business

We have entered the Grid-Scale Energy Storage Plant Business as a new business aimed at realizing a carbon-free society based on the Basic Energy Plan of Japanese government.

In order to ensure a stable supply of renewable energy and increase the proportion of renewable energy in the domestic energy mix, it is considered essential to popularize grid energy storage plants that respond to output fluctuations and adjust the balance of power supply and demand. Through this business, we will contribute to the popularization of renewable energy.



| Business Model

1 Income Property Sales Business

In our business model, we purchase income properties in Japan and overseas based on extensive market research and legal examination, and then increase asset value by carrying out construction work to raise its value and attract tenants in order to generate income through their subsequent sale.

Business model: One-Time Sales-type

Fluctuations in sales (by segment)

(Unit: million yen) 30,812 31,536

20,135



Three business characteristics

Properties handled



Focus on residences and offices

Areas of focus



Focus on the Tokyo metropolitan area, Kansai metropolitan area and Los Angeles, California

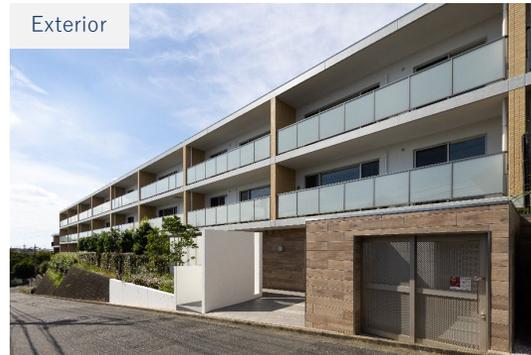
Strengths



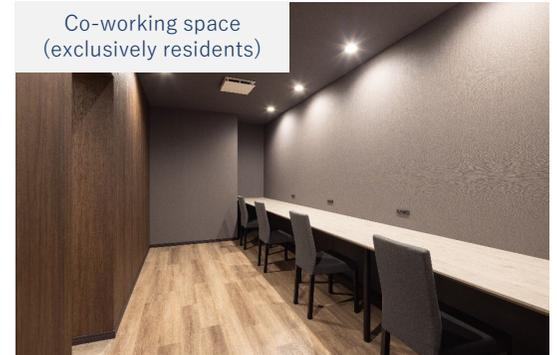
Value-Add Strategy

Example of value-added project : Saginuma Project(Residential real estate)

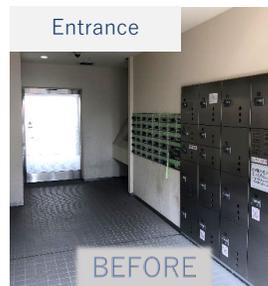
Exterior



Co-working space (exclusively residents)



Entrance



BEFORE



AFTER

Plans tailored to characteristics of property and site and residents' needs

- Former trunk room turned into a co-working space
- Apartments suited for living together with pets

Other

- Large-scale repair work
- Interior decoration work on residents' rooms
- Steps taken to address legal infringements, etc.

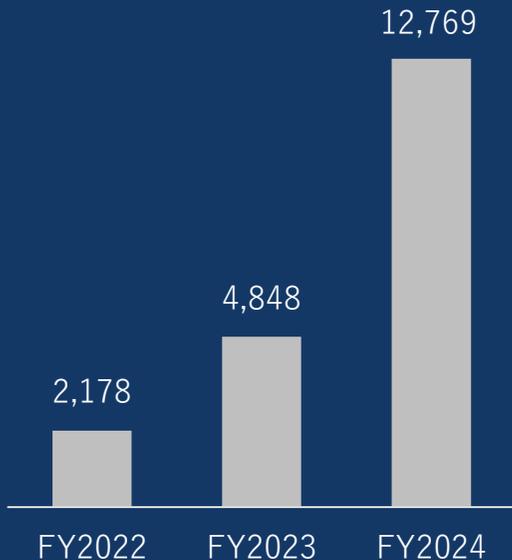
2 Small-lot real estate product sales

A business model that sells and generates profits on well-located prime real estate in small lots with a minimum investment of 5 million yen to investors nationwide through referrals from financial institutions, accounting firms and others.

Business model: Shot-type

Fluctuations in sales (by segment)

(Unit: million yen)



Three points about small-lot real estate product ARISTO Series

1 Investments in well-located prime real estate from as little as **5 million yen**

(1 lot is 1 million yen)

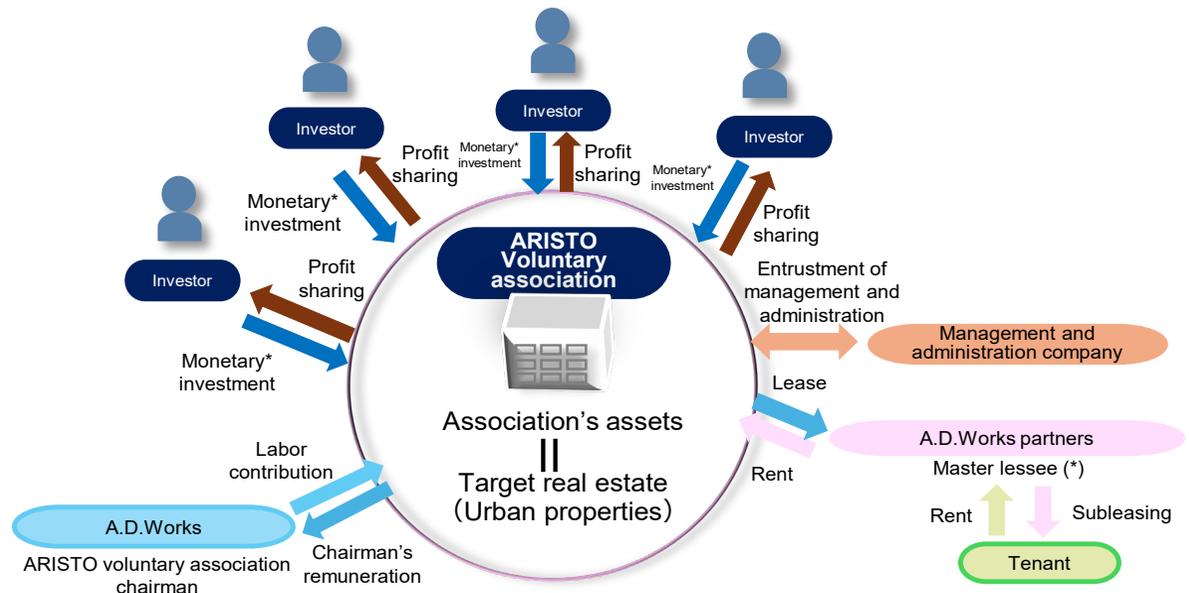
*The minimum investment amount differs depending on the real estate property in question.

2 None of the hassle of management and administration

3 Succeeding assets is **efficient** since the assets can be distributed per the number of shares

Voluntary partnership scheme

This is a small-lot real estate product based on the Real Estate Specified Joint Enterprise Act. Investors jointly own the property in question (land and buildings) in proportion to their monetary investment.



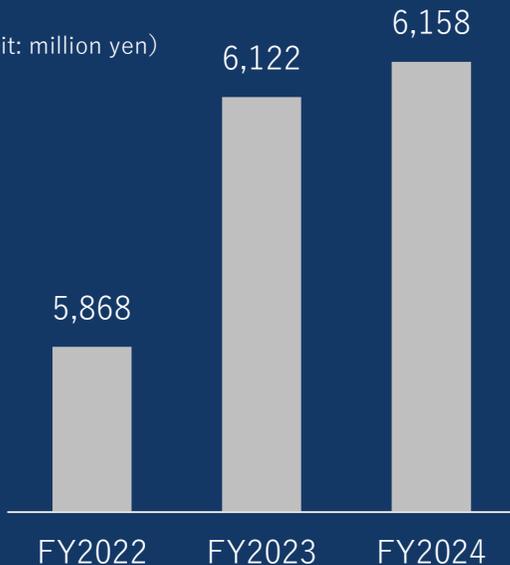
3 Stock-type Fee Business

This business model generates stable revenue through rent income from income properties held by the Group, property management support, and fee revenue from property investment consulting.

Business model: Stock-type

Trends in net sales (by segment)

(Unit: million yen)



① Property management



Leasing

Rent collection

Building management

We provide property owners with total property management, including leasing, building management, and rent collection.

② Asset consulting



Architectural consulting

Condominium renovations

Renovations

We provide multi-faceted asset consulting through private consulting, such as real estate appraisal and real estate utilization consulting, and support customers' real estate investments over a long time span extending across lifetimes.

Reference Materials

(Company Profile / Shareholder Composition)

Company name -----	A.D. Works Group Co., Ltd.
Headquarters -----	Fifth Floor, Hibiya Kokusai Building, 2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
Establishment -----	April 1, 2020 (A.D.Works Co., Ltd., the Company's predecessor, was founded in February 1886 and incorporated in May 1936.)
Capital -----	6,283 million yen (as of December 31, 2024)
Listing date -----	Moved to TSE Prime in April 2022 Listed in the First Section of the TSE in a technical listing in April 2020 (2982) (A.D. Works, the Group's predecessor, was moved to the first section of TSE in October 2015/ Listed on the JASDAQ Securities Exchange (3250) in October 2007)
Main subsidiaries -----	A.D.Works Co., Ltd. (real estate transactions, brokerage) A.D.Partners Co., Ltd. (real estate management) Sumikawa ADD Co., Ltd. (renovation work, repair work) Angel Torch Co., Ltd. (corporate venture capital business, finance arrangement business) Jupiter Funding Co., Ltd. (financing utilizing crowd funding and other) A.D.Works USA, Inc. (management of US subsidiaries) ADW-No.1 LLC (US property income business) ADW Management USA, Inc. (US property income management business) ADW Hawaii LLC (property income business in Hawaii, USA)

The Group, which started as the Aoki Dyeing Works in 1886, has changed with the times and now operates its business on the TSE's Prime Market



Founding

1886

A.D.Works, the Company's predecessor, was founded as Aoki Dyeing Works, a dyeing business, in 1886



Listing

October 2007

The Company's predecessor, A.D.Works, was listed on JASDAQ in October 2007 and the first section of TSE in October 2015; the Company was established through sole share transfer in April 2020



Market

TSE Prime



Number of employees (consolidated)

240 people

as of December 31, 2024



Number of Group companies

13 companies

as of December 31, 2024



Office



**Tokyo·Osaka·
Fukuoka**

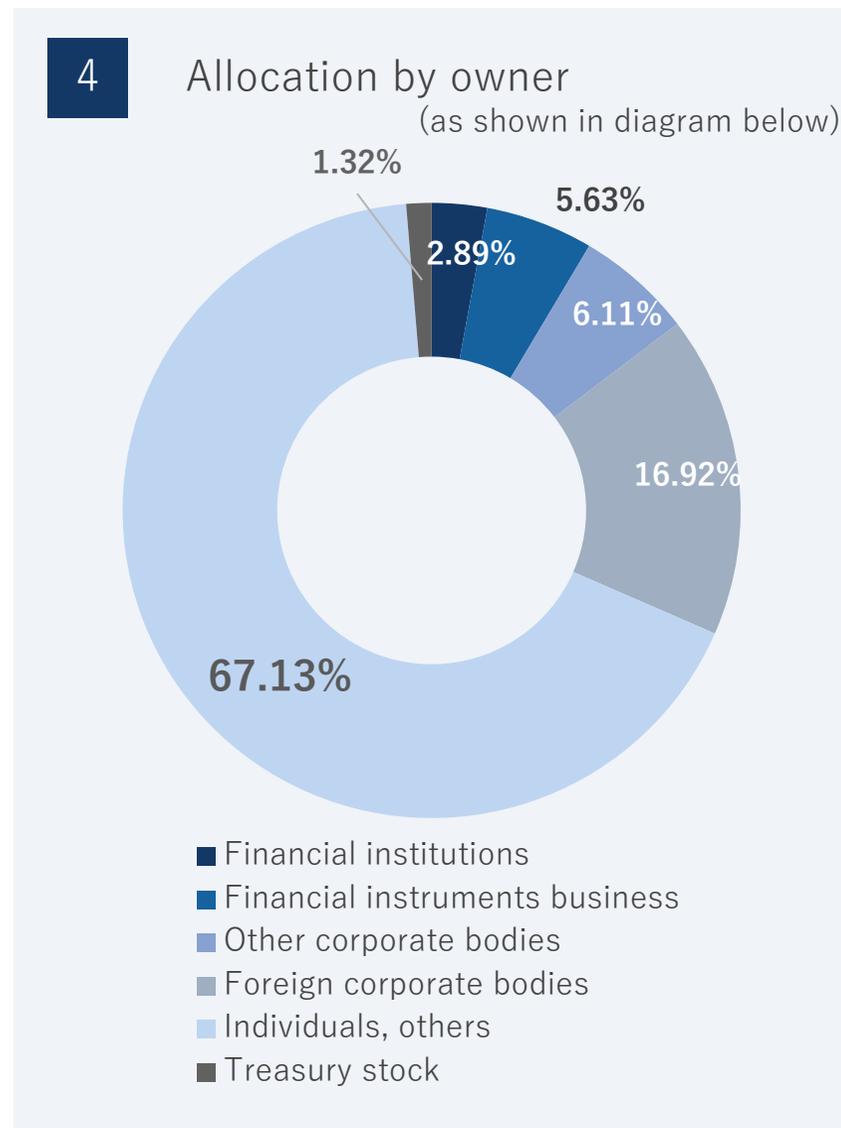


Los Angeles, USA

Operates business in Japan and overseas

- 1** Number of issued shares **49,677,764 shares**
- 2** Number of shareholders **22,725**
- 3** Major shareholders(as shown in table below)

No.	Shareholder name	Percentage of shareholdings
1	Hideo Tanaka	10.31%
2	Liberty House Co., Ltd.	3.96%
3	BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	3.85%
4	SBI Securities Co., Ltd.	2.58%
5	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2.55%
6	BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	2.55%
7	NOMURA PB NOMINEES LIMITED OMNIBUS – MARGIN (CASHPB)	2.45%
8	The Master Trust Bank of Japan, Ltd. (Directors' Stock Compensation Trust)	1.68%
9	JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO	1.45%
10	A.D.Works Group Co., Ltd.	1.31%



Notes on these Materials

These materials were created in order to provide an understanding of the A.D.Works Group. They are not intended to solicit investment in our company. The future forecasts contained in these materials were determined based on the information available at the present time, and include many uncertain elements. Please understand that actual results may differ from the forecasts here due to changes in a wide variety of factors.

The overall business objectives of the Group are announced in the form of plans. The plans of our company are targets for our business, and are different from "forecasts and predictions" that are calculated rationally based on highly accurate information. The data contained in these materials contains publicly-available information that we judge to be trustworthy and accurate, however the A.D.Works Group does not guarantee the accuracy and correctness of this information.

| Inquiries

Public Relation · IR Division, A.D.Works Group



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03-5251-7641