

# Summary of Earnings Report for Second Quarter of Year Ending December 31, 2022

August 10, 2022

Name of listed company: A.D.Works Group Co., Ltd. Listed stock exchange: Tokyo Stock Exchange  
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 Scheduled date of filing: August 10, 2022 Scheduled date of dividend payment: —  
 Additional material of financial results: Yes  
 Result meeting: Yes

(Millions of yen, rounded down)

## 1. Consolidated Results for the Second Quarter of the Fiscal Year Ending December 31, 2022 (January 1, 2022– June 30, 2022)

### (1) Consolidated business results (cumulative) (%: Year-on-year comparison)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable To Owners Of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter, year ending December 31, 2022	14,355	4.9	802	28.6	629	28.6	384	10.9
Second quarter, year ended December 31, 2021	13,678	—	624	—	489	—	346	—

(Notes)1. Comprehensive Income: 2022 2Q 1,063 million yen (83.8%) 2021 2Q 578 million yen (—%)

2. The year-on-year comparison between the second quarter of the fiscal year ended on December 31, 2020 and the second quarter of the fiscal year ended on December 31, 2021 is not presented since the fiscal year ended on December 31, 2020 was a nine-month fiscal period (April 1 to December 31, 2020).

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Second quarter, year ending December 31, 2022	8.21	—
Second quarter, year ended December 31, 2021	8.34	8.27

(Note) Net income per share on a diluted basis for the second quarter of the fiscal year ending on December 31, 2022 is not presented because there are no latent shares.

### (2) Consolidated financial conditions

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
Second quarter, year ending December 31, 2022	46,470	15,655	33.6
Fiscal year ended December 31, 2021	42,047	14,817	35.1

(Notes) Equity: 2022 2Q 15,593 million yen 2021 14,776 million yen

## 2. Dividends Information

	Dividend per Share				
	1Q	Interim	3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	—	0.00	—	3.50	3.50
Fiscal year ending December 31, 2022	—	0.00			
Fiscal year ending December 31, 2022 (forecast)			—	3.50	3.50

(Note) Correction to most recently announced dividend forecast: None

### 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.

3. Consolidated Business Plan for Fiscal Year Ending December 31, 2022 (January 1, 2022–December 31, 2022)

The ADWG Group announces its business targets for each consolidated fiscal year in the form of a “results plan.” A results plan consists of targets for our businesses, and is different from the forecasts and predictions.

Note that for projections of business results, the outlook at the end of each quarter will be updated as appropriate and disclosed as a forecast based on information that is highly accurate for the Group overall and deemed reasonable at that time.

(%: comparison with the previous period)

	Net sales		EBITDA		Ordinary Income		Net Income Before Taxes		Net Income Attributable To Owners Of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year	30,000	20.2	1,300	21.1	800	23.0	800	23.0	450	44.1

(Note) Correction to most recently announced results forecast: None

\* Notes

(1) Important changes in subsidiary during the consolidated fiscal year under review : None

(Changes in specified subsidiaries affecting the scope of consolidation)

New: —Company (name of company)—, Excluded: —Company (name of company)—

(2) Adoption of accounting treatment unique to the preparation of quarterly consolidated financial statements : Yes

(3) Changes in accounting policies and changes or restatement of accounting estimates

1. Changes in accounting policies due to the revision of accounting standards, etc. : Yes

2. Changes in accounting policies other than 1. : No

3. Changes in accounting estimates : No

4. Restatement : No

(4) Number of issued shares (common shares)

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

Q2 FY2022	47,196,864 shares	Fiscal year ended on December 31, 2021	47,111,064 shares
Q2 FY2022	1,084,590 shares	Fiscal year ended on December 31, 2021	403,953 shares
Q2 FY2022	46,783,822 shares	Q1 FY2021	41,507,998 shares

2. Number of treasury stock at end of period

3. Average number of shares during period (cumulative period)

\* This quarterly financial statement does not need to undergo a quarterly review by a certified public accountant or an audit corporation.

\* Explanation about the proper use of results forecasts, and additional information

The Company makes no guarantees with respect to the achievement of its results forecasts or forward-looking statements included in these materials. Actual results may differ significantly from the forecasts in the document, depending on various factors.

**[Attached Materials]**

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# 1. Quarterly Consolidated Financial Statements

## (1) Quarterly Consolidated balance sheets

(Unit: Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	8,433,610	8,971,648
Accounts receivable - trade	197,404	267,197
Real estate for sale	25,026,039	30,909,504
Real estate for sale in process	3,900,287	2,838,850
Operating investments in capital	1,053,066	—
Other	2,170,384	2,079,457
Allowance for doubtful accounts	(2,162)	(2,602)
Total current assets	40,778,629	45,064,056
Non-current assets		
Property, plant and equipment		
Other, net	182,335	178,999
Total property, plant and equipment	182,335	178,999
Intangible assets		
Goodwill	42,277	33,821
Other	38,639	51,247
Total intangible assets	80,917	85,069
Investments and other assets		
Investment securities	366,418	506,786
Deferred tax assets	378,887	386,098
Other	226,636	219,009
Total investments and other assets	971,942	1,111,894
Total non-current assets	1,235,195	1,375,963
Deferred assets		
Share issuance cost	8,183	1,211
Establishment costs	25,314	21,427
Bonds issuance cost	—	7,593
Total deferred assets	33,498	30,233
Total assets	42,047,323	46,470,252
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	574,730	938,715
Short-term loans payable	253,046	153,443
Current portion of bonds	442,500	496,400
Current portion of long-term loans payable	1,490,761	3,383,749
Income taxes payable	208,232	231,600
Crowd funding and other deposits received	392,007	400,424
Other	2,887,915	2,791,838
Total current liabilities	6,249,193	8,396,171
Non-current liabilities		
Bonds payable	185,000	426,600
Long-term loans payable	20,707,687	21,897,968
Other	87,726	94,321
Total non-current liabilities	20,980,413	22,418,889
Total liabilities	27,229,607	30,815,061

(Unit: Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Net assets		
Shareholders' equity		
Capital stock	6,084,269	6,090,189
Capital surplus	5,100,853	5,156,218
Retained earnings	3,589,513	3,805,642
Treasury shares	(50,264)	(176,781)
Total shareholders' equity	14,724,370	14,875,269
Accumulated other comprehensive income		
Foreign currency translation adjustments	57,548	712,302
Valuation difference on available-for-sale securities	(5,270)	6,387
Total accumulated other comprehensive income	52,278	718,690
Subscription rights to shares	11,477	17,867
Non-controlling interests	29,589	43,364
Total net assets	14,817,716	15,655,191
Total liabilities and net assets	42,047,323	46,470,252

## (2) Quarterly Consolidated Profit and Loss Statement, and Consolidated Comprehensive Income Statement

## Consolidated Profit and Loss Statement

Second quarter of consolidated fiscal year

(Unit: Thousands of yen)

	Previous consolidated second quarter (January 1, 2021 - June 30, 2021)	Current consolidated second quarter (January 1, 2022 - June 30, 2022)
Net sales	13,678,480	14,355,167
Cost of sales	11,246,606	11,656,194
Gross profit	2,431,874	2,698,972
Selling, general and administrative expenses	1,807,709	1,895,994
Operating income	624,164	802,978
Non-operating income		
Interest and dividend income	3,731	5,527
Insurance income	161	12,764
Income on difference to simplified tax such as consumption tax, etc.	10,150	–
Other	6,772	5,512
Total non-operating income	20,815	23,803
Non-operating expenses		
Interest expenses	118,485	153,762
Borrowing fee	21,317	22,753
Amortization of establishment costs	3,887	3,887
Other	11,706	16,568
Total non-operating expenses	155,396	196,971
Ordinary income	489,582	629,810
Quarterly net income	489,582	629,810
Income taxes - current	143,064	232,813
Total income taxes	143,064	232,813
Quarterly net income	346,517	396,996
Quarterly net income attributable to non-controlling interests	–	12,536
Net income attributable to owners of parent	346,517	384,460

Consolidated Comprehensive Income Statement

Second quarter of consolidated fiscal year

(Unit: Thousands of yen)

	Previous consolidated second quarter (January 1, 2021 - June 30, 2021)	Current consolidated second quarter (January 1, 2022 - June 30, 2022)
Quarterly net income	346,517	396,996
Other comprehensive income		
Valuation difference on available-for-sale securities	(474)	11,658
Foreign currency translation adjustments	232,530	654,753
Total other comprehensive income	232,055	666,412
Quarterly comprehensive income	578,573	1,063,409
(Breakdown)		
Comprehensive income attributable to owners of parent	578,573	1,050,872
Comprehensive income attributable to non-controlling interests	–	12,536



### (3) Notes for the quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable

(Notes on significant changes in amount of shareholders' equity)

Not applicable

(Application of specific accounting methods when preparing quarterly consolidated financial statements)

Calculation of tax expenses

The Company calculates tax expenses by reasonably estimating the effective tax rate after applying tax effect accounting to net income before taxes for the consolidated fiscal year, including this second quarter, and multiplying net income before income taxes or net loss before income taxes by this estimated effective tax rate.

The adjusted income tax amounts are included in income tax, inhabitant tax and enterprise tax.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter "Accounting Standard for Revenue Recognition") and related implementation guidance from the beginning of the first quarter of the consolidated accounting period. Accordingly, revenue is recognized at a point in time when control of promised goods or services is transferred to the customers, at the amount that is expected to be received in exchange for the goods or services.

As its main business, the Group operates an income property sales business and a stock-type fee business. The revenue generated by these businesses is posted in line with contracts with customers, and the promised compensation does not include any important financial component.

The income property sales business is administered by A.D.Works Co., Ltd. in Japan and by ADW-No.1 LLC and ADW Hawaii LLC, among others, in the US. This business acquires income properties through its own sales route and takes steps to raise their value, such as improving the management conditions of the buildings, changing their use, replacing tenants, and making large-scale repairs and renovations. The properties are then sold to investors (primarily wealthy individuals), real estate owners, corporations, institutional investors and others. This business has an obligation to carry out operations in which income properties whose value has been raised are then transferred, based on real estate sales agreements with customers. These performance obligations are fulfilled when the property is transferred, and revenue is posted at the point of this transfer. In some real estate sales agreements, the Group is required to guarantee the cost of repairs in the event that non-conformity with the contract (defects) are found in the transferred property or the cost of work not completed when the property is transferred. The performance obligation is then fulfilled when the repair or other work is actually done or the guarantee period ends, at which point the revenue is posted.

The stock-type fee business is carried out in Japan by A.D.Works Co., Ltd., A.D.Partners Co., Ltd. and Sumikawa ADD Co., Ltd, and in the US by ADW Management USA, Inc. and ADW Lending LLC. This business is primarily concerned with property management for properties whose management Group companies are entrusted with. In property management, the Group manages revenue and expenditures such as tenant rent and deposits, handles tenant move-ins and departures, etc., and sends the client the rent, etc. received from tenants less the management fees, based on a lease agreement contract with the client. These obligations are fulfilled when the money is sent to the client, and revenue is recorded when this money is sent. Alternative treatment is used in the case of construction contracts with extremely short durations from the transaction start date stated in the contract to the estimated date on which the performance obligation will be fully met, with the revenue recognized when the performance obligation is fully met. In the case of construction contracts whose performance obligation is fulfilled over a certain period of time, in the event that the progress made in fulfilling the obligation can be rationally estimated, revenue is recognized over a certain period of time. In the event that the progress made in fulfilling the obligation cannot be rationally estimated but

the expenses incurred can be expected to be recovered, the revenue is recognized using the cost recovery method. As a result, compared to the conventional accounting method, there was only a negligible impact on net sales, the cost of sales, operating income, ordinary income or net income before taxes in the second quarter of this consolidated fiscal year. There was no impact on the balance of retained earnings at the beginning of this fiscal year.

The Company applies the Revenue Recognition Accounting Standard in accordance with the transitional handling stipulated in the proviso of Paragraph 84 of the Standard. The Company adds or subtracts the amount of the cumulative effects to or from retained earnings at the beginning of the first quarter in the event that the new accounting policies are applied retroactively to periods before the beginning of the first quarter. The Company began applying the new accounting policies to balances at the start of the first quarter. However, the Company applied the procedure provided for in Paragraph 86 of the Revenue Recognition Accounting Standards and did not retroactively apply the new accounting policy to contracts under which almost all revenue had been recognized before the beginning of the first quarter in accordance with the procedure before the application of the new accounting policy.

As a result, there is no impact on the balance of retained earnings at the beginning of the first quarter.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) and related measures at the beginning of the first quarter. Accordingly, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard and related measures in the future in accordance with the transitional handling stipulated in Section 19 of the same standard and Section 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019). Application of this standard has no impact on quarterly consolidated financial statements.