

Summary of Earnings Report for Second Quarter of Year Ending December 31, 2023

August 10, 2023

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, 2023 Scheduled date of dividend payment: September 29, 2023
 Additional material of financial results: Yes
 Result meeting: Yes (For analysts and institutional investors)

(Millions of yen, rounded down)

1. Consolidated Results for the Second Quarter of the Fiscal Year Ending December 31, 2023 (January 1, 2023– June 30, 2023)

(1) Consolidated business results (cumulative)

(%: Year-on-year comparison)

	Net Sales		EBITDA		Operating Income		Ordinary Income		Net Income Attributable To Owners Of Parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter, year ending December 31, 2023	19,145	33.4	1,602	83.7	1,369	70.6	1,219	93.7	864	124.9
Second quarter, year ended December 31, 2022	14,355	4.9	872	24.9	802	28.6	629	28.6	384	10.9

(Notes) Comprehensive Income: 2023 2Q 1,096 million yen (3.1%) 2022 2Q 1,063 million yen (83.8%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Second quarter, year ending December 31, 2023	18.22	18.14
Second quarter, year ended December 31, 2022	8.21	—

(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 dilutive potential shares.

(2) Consolidated financial conditions

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
Second quarter, year ending December 31, 2023	59,358	16,766	28.2
Fiscal year ended December 31, 2022	53,359	15,857	29.6

(Notes) Equity: 2023 2Q 16,709 million yen 2022 15,787 million yen

2. Dividends Information

	Dividend per Share				
	1Q	Interim	3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	—	0.00	—	4.50	4.50
Fiscal year ending December 31, 2023	—	3.50			
Fiscal year ending December 31, 2023 (forecast)			—	4.50	8.00

(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, 2023 (January 1, 2023–December 31, 2023)

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	40,000	43.6	2,730	80.1	1,870	96.1	2,000	119.7	1,200	127.6

(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 FY2023	49,158,364 shares	Fiscal year ended on December 31, 2022	49,098,364 shares
Q2 FY2023	1,626,896 shares	Fiscal year ended on December 31, 2022	1,882,487 shares
Q2 FY2023	47,442,531 shares	Q2 FY2022	46,783,822 shares

2. Number of treasury stock at end of period

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

(Note) The Company has a Director Stock Compensation Trust (prior to September 2022, there was also an Employee Stock Holding Exclusive Trust), and the Company shares held by the trust are included in the number of treasury stock.

* 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, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	7,425,165	10,248,967
Accounts receivable - trade	148,602	136,146
Real estate for sale	37,351,103	40,100,312
Real estate for sale in process	4,137,456	4,952,130
Other	2,675,168	1,851,453
Allowance for doubtful accounts	(2,049)	(900)
Total current assets	51,735,446	57,288,108
Non-current assets		
Property, plant and equipment		
Other, net	156,881	180,627
Total property, plant and equipment	156,881	180,627
Intangible assets		
Goodwill	—	315,346
Other	84,960	96,678
Total intangible assets	84,960	412,024
Investments and other assets		
Investment securities	778,957	709,754
Deferred tax assets	320,219	330,158
Other	252,450	408,502
Total investments and other assets	1,351,627	1,448,415
Total non-current assets	1,593,469	2,041,068
Deferred assets		
Establishment costs	17,540	13,653
Bonds issuance cost	12,859	15,905
Total deferred assets	30,400	29,559
Total assets	53,359,316	59,358,736
Liabilities		
Current liabilities		
Accounts payable - trade	640,045	770,723
Short-term loans payable	71,000	269,800
Current portion of bonds	319,200	390,200
Current portion of long-term loans payable	3,774,842	5,364,067
Income taxes payable	60,271	344,155
Crowd funding and other deposits received	1,063,286	2,158,518
Provisions	—	153,876
Other	3,171,181	2,109,363
Total current liabilities	9,099,826	11,560,705
Non-current liabilities		
Bonds payable	719,100	871,000
Long-term loans payable	27,631,454	30,103,674
Other	51,100	56,688
Total non-current liabilities	28,401,654	31,031,363
Total liabilities	37,501,481	42,592,069

(Unit: Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Capital stock	6,232,142	6,237,102
Capital surplus	5,328,968	5,320,782
Retained earnings	3,952,281	4,606,422
Treasury shares	(295,680)	(256,393)
Total shareholders' equity	15,217,712	15,907,912
Accumulated other comprehensive income		
Foreign currency translation adjustments	581,748	805,150
Valuation difference on available-for-sale securities	(11,676)	(3,406)
Total accumulated other comprehensive income	570,072	801,744
Subscription rights to shares	21,334	26,192
Non-controlling interests	48,716	30,817
Total net assets	15,857,835	16,766,667
Total liabilities and net assets	53,359,316	59,358,736

(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, 2022 - June 30, 2022)	Current consolidated Second quarter (January 1, 2023 - June 30, 2023)
Net sales	14,355,167	19,145,701
Cost of sales	11,656,194	15,780,204
Gross profit	2,698,972	3,365,497
Selling, general and administrative expenses	1,895,994	1,995,863
Operating income	802,978	1,369,633
Non-operating income		
Interest and dividend income	5,527	36,617
Insurance income	12,764	915
Foreign exchange gains	1,390	109,719
Other	4,122	2,247
Total non-operating income	23,803	149,498
Non-operating expenses		
Interest expenses	153,762	244,484
Borrowing fee	22,753	30,616
Amortization of establishment costs	3,887	3,887
Other	16,568	20,308
Total non-operating expenses	196,971	299,296
Ordinary income	629,810	1,219,836
Extraordinary income		
Gain on sales of investment securities	—	25,933
Gain on sales of investment share acquisition rights	—	38,381
Total extraordinary income	—	64,314
Quarterly net income before income taxes	629,810	1,284,150
Income taxes - current	232,813	419,259
Total income taxes	232,813	419,259
Quarterly net income	396,996	864,891
Quarterly net income attributable to non-controlling interests	12,536	267
Net income attributable to owners of parent	384,460	864,624

Consolidated Comprehensive Income Statement

Second quarter of consolidated fiscal year

(Unit: Thousands of yen)

	Previous consolidated Second quarter (January 1, 2022 - June 30, 2022)	Current consolidated Second quarter (January 1, 2023 - June 30, 2023)
Quarterly net income	396,996	864,891
Other comprehensive income		
Valuation difference on available-for-sale securities	11,658	8,270
Foreign currency translation adjustments	654,753	223,402
Total other comprehensive income	666,412	231,672
Quarterly comprehensive income	1,063,409	1,096,563
(Breakdown)		
Comprehensive income attributable to owners of parent	1,050,872	1,096,296
Comprehensive income attributable to non-controlling interests	12,536	267

(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 Fair Value Measurement, etc.)

The Company began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on June 17, 2021, hereinafter the "Fair Value Measurement Accounting Standard Implementation Guidance") at the beginning of the first quarter of the fiscal year under review. Accordingly, the Company will apply the new accounting policies prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance in the future in accordance with the transitional handling stipulated in Section 27-2 of the same standard. Application of this standard has no impact on quarterly consolidated financial statements.