

A.D.Works Group Co., Ltd.

IR Briefing Materials: Second Quarter of Fiscal Year Ending December 31, 2023

August 18, 2023

TSE Prime, Code: 2982



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| ADWG Group's Businesses

A.D.W. SINCE 1886
GROUP

Corporate philosophy

The ADWG Group contributes to the active development of people and society by creating and providing original value while flexibly changing.

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 June 30, 2023)



Number of Group
companies

14 companies

Income property sales business in Japan and overseas



Overseas offices



Los Angeles, USA

Operates business in Japan and overseas

Business Vision (Graphic representation)

We aim to be an investment solution company that develops and sells a range of investment products centered around real estate.



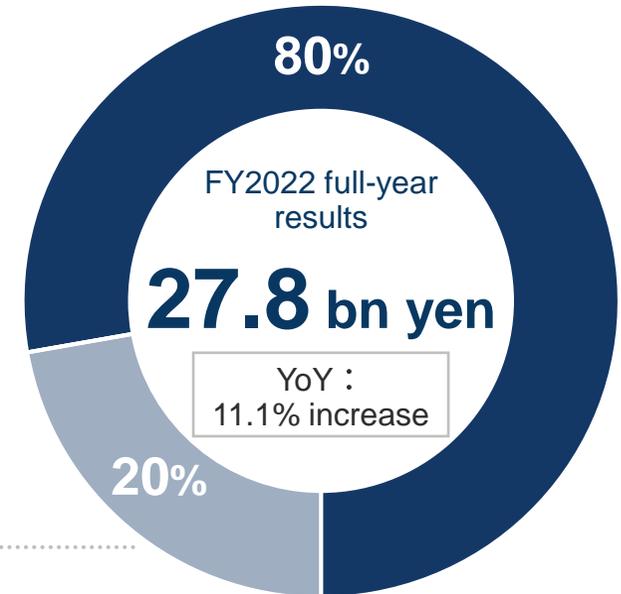
The Group comprises three business categories. With 27.8 billion yen in net sales in the previous fiscal year (11.1% increase over the year before that), we are in a period of solid growth.

ADWG Group's business domains

1 Income property sales business

2 Stock-type fee business

3 New business
(CVC business, finance arrangement business, etc.)



- Income property sales business
- Stock-type fee business
- New business

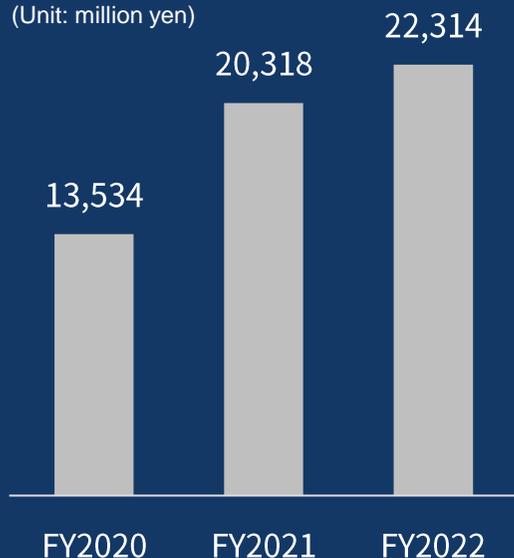
1 Income Property Sales Business

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)



* The fiscal year ended in December 2020 (FY2020) was an irregular nine-month period covering the period from April 1, 2020 to December 31, 2020.

Three business characteristics

Properties handled



Focus on residences and offices

Areas of focus



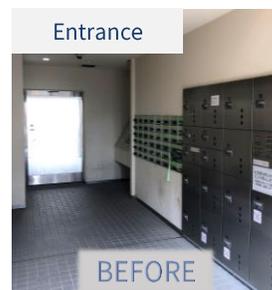
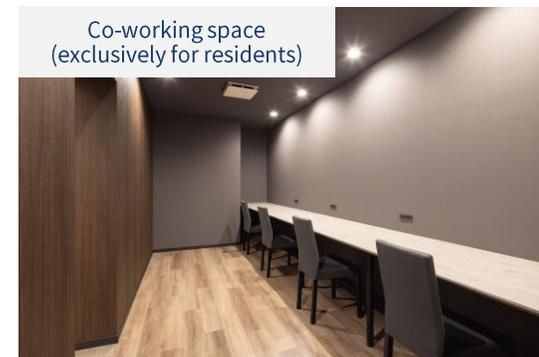
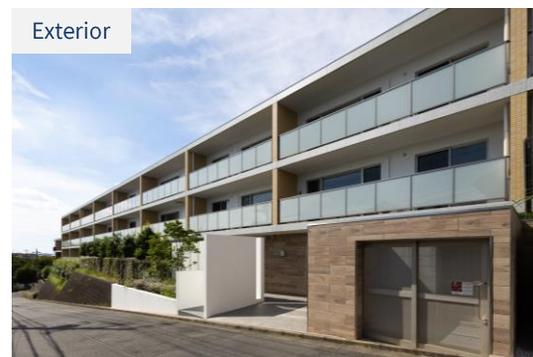
Focus on the Tokyo metropolitan area, Kansai metropolitan area and Los Angeles, California

Strengths



Value-Add Strategy

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



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.

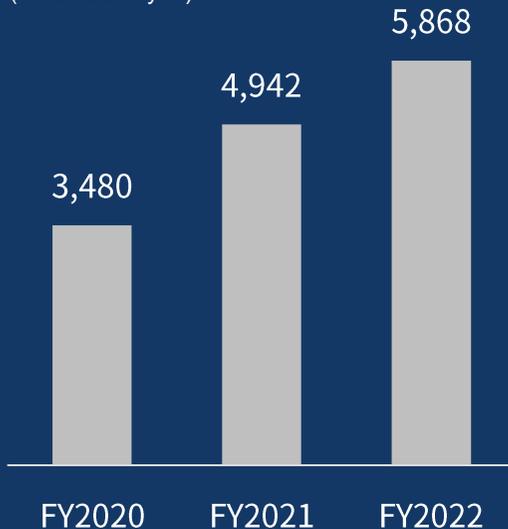
2 Stock-type Fee Business

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)



* The fiscal year ended in December 2020 (FY2020) was an irregular nine-month period covering the period from April 1, 2020 to December 31, 2020.

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.

3 New Business

We aim to simultaneously deepen existing business and search for new business, merging the management resources we have built up with methods such as the CVC business, DX promotion, capital and business tie-ups, M&A and other to pursue the creation of new value. We aspire to make a leap to an investment solution company that provides diverse services.

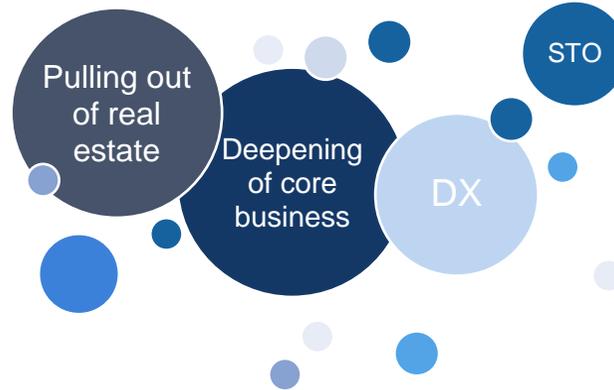
Examples of creation of new businesses

Finance arrangement business

In this business, we provide advice on capital policies, including financing, to companies that have not yet listed and small- & medium-sized listed companies, based on our CVC functions.

A service providing expertise on the Company and the financial industry's financing for new players will be organized to accommodate the needs of client companies.

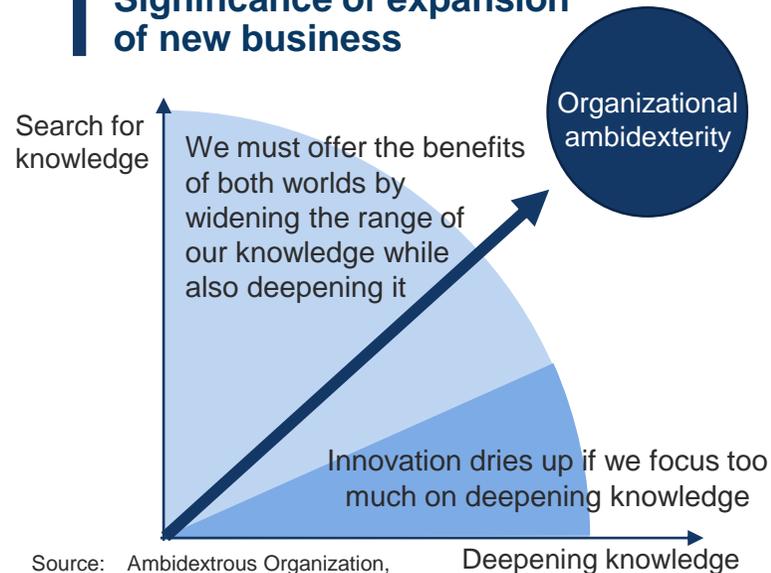
Spread of new business



Since the start of the CVC business, we have collected information on over 80 wide-ranging investment projects and secured opportunities to collect useful information.

Two new investments were made as a result of cautious investment assessments.

Significance of expansion of new business



In deepening existing business, we ensure a search for new projects with the CVC business, and promote a strategy that enables innovation.

Source: Ambidextrous Organization, by Charles A. O'Reilly and Michael Tushman, *Harvard Business Review*, April 2004

Summary of Second Quarter of Fiscal Year Ending in December 2023

Both acquisitions and sales in the domestic property business far exceeded their levels in the previous year and drove the earnings growth.

Net income progressed over 70% toward the full-year plan.

	 Acquisitions		 Revenue from sales		 Stock-type fee sales	
Japan	15 buildings	14.7 bn yen	11 buildings	15.5 bn yen	2.2 bn yen	
	Last year: 9 buildings	Last year: 10.7 bn yen	Last year: 11 buildings	Last year: 10.8 bn yen	Last year: 2.1 bn yen	
Both acquisitions and sales in Q2 in Japan reached record highs.						
Overseas	3 buildings	0.63 bn yen	2 building	0.71 bn yen	0.81 bn yen	
	Last year: 8 buildings	Last year: 2.1 bn yen	Last year: 4 buildings	Last year: 0.7 bn yen	Last year: 0.75 bn yen	
Conducted business cautiously with a close eye on rising U.S. interest rates. Stable income from rent & property management fees supported earnings.						
New Business	Focus on building up results in the financing arrangement business.					

Overview of the Second Quarter of the Year Ending December 31, 2023

Net income before taxes more than doubled over the previous year and steadily progressed to achieve the full-year target of 2.0 billion yen.

Operating efficiency improved due to a rise in the average sales unit price of properties in Japan.

(Unit: million yen)

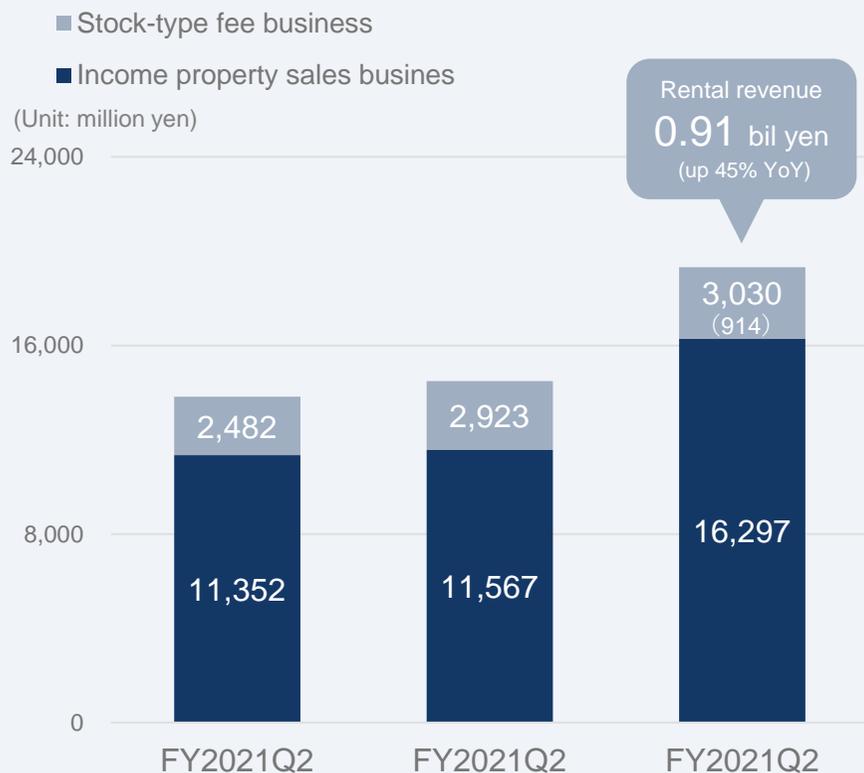
	FY2023 Q2	Comparison to same period in previous year (Y on Y)	
		FY2022 Q2	YoY
Net sales	19,145	14,355	33.4%
Gross profit	3,365	2,698	24.7%
SG&A	1,995	1,895	5.3%
EBITDA	1,602	872	83.7%
Ordinary income	1,219	629	93.7%
Income before taxes	1,284	629	103.9%
Net income ※	864	384	124.9%

※Net income attributable to owners of parent.

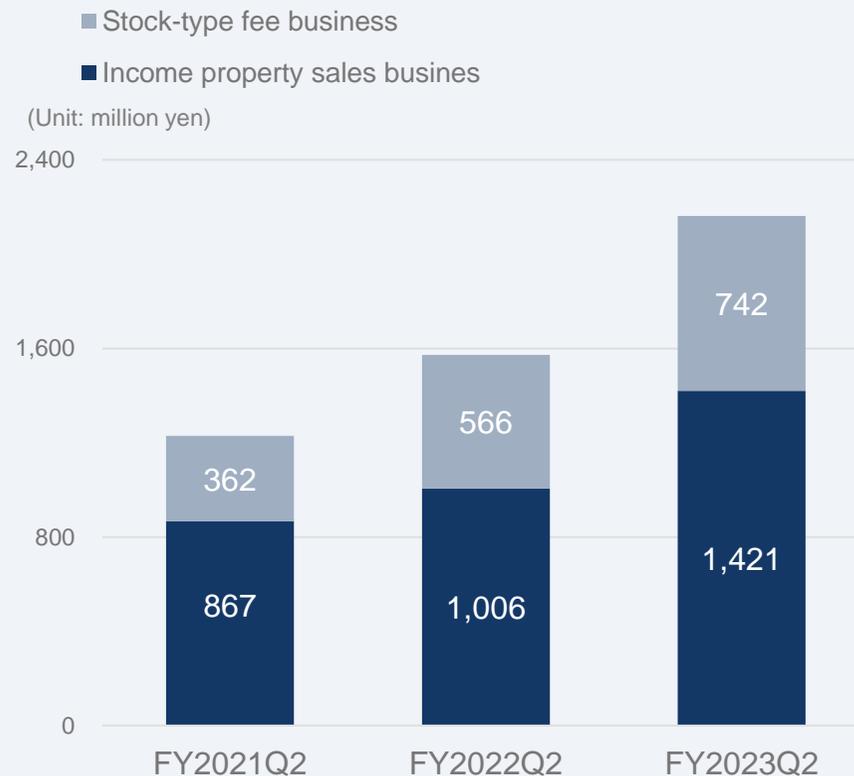
Income property sales business: Sales activities in Japan were strong, backed by the property balance built up through the previous fiscal year.

Stock-type fee business: Rental revenue increased by steadily building up our balance of income properties.

Fluctuations in net sales (by segment)



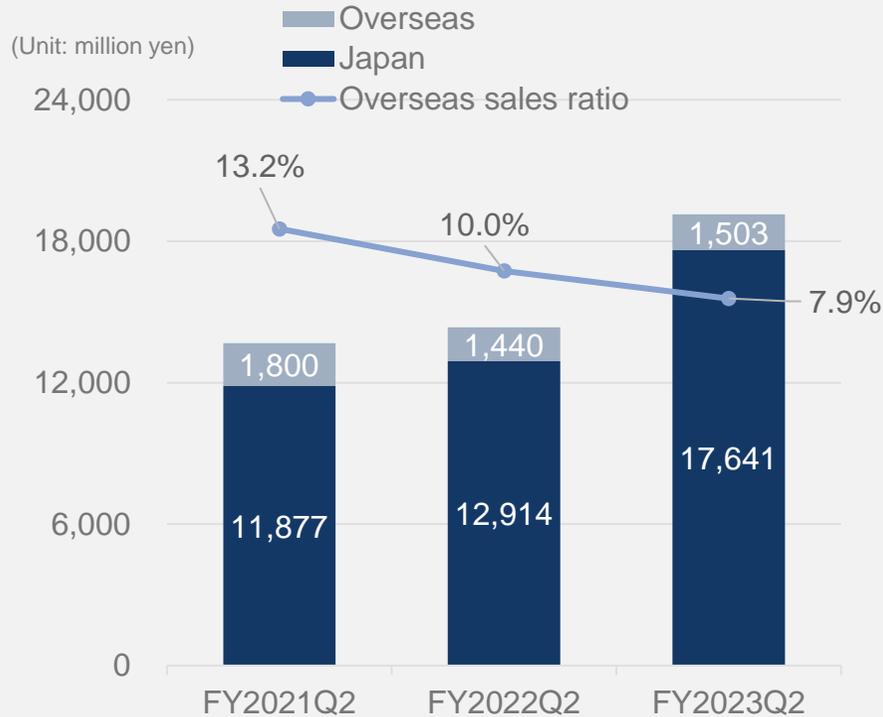
Fluctuations in EBITDA (by segment)



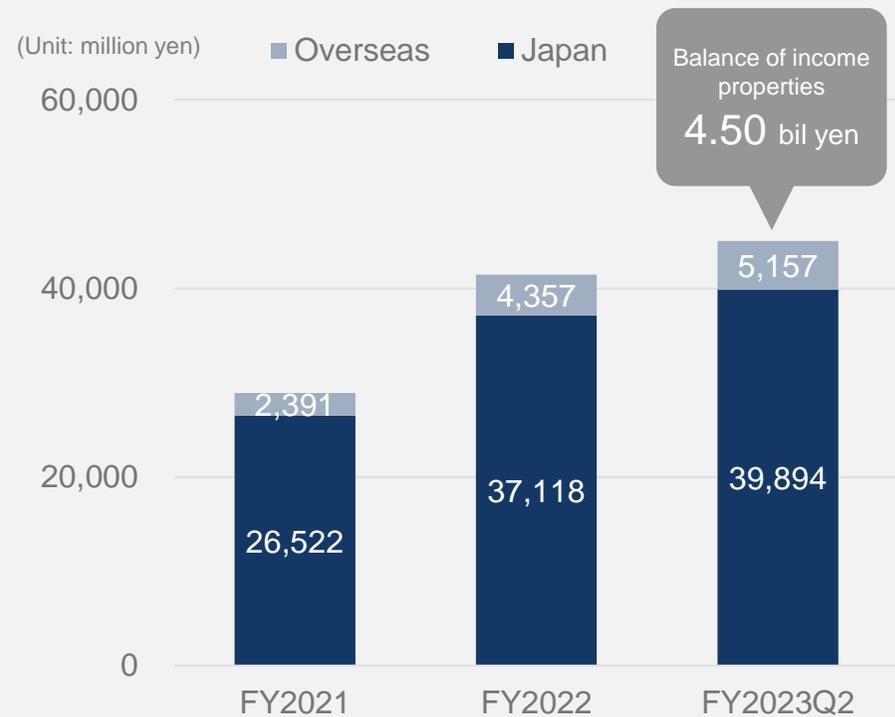
Japan: Steady acquisitions, commercialization, and sales cycle contributed to business progress in Japan.

Overseas: Four projects in built-for-sale townhouse developments business in Los Angeles are currently underway.

Fluctuations in net sales (by region)



Fluctuations in balance of income properties (by region)

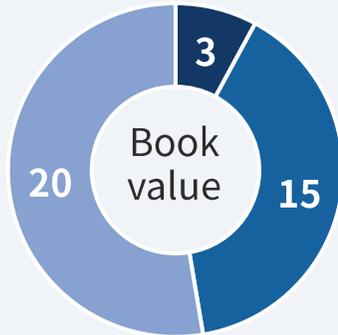


※FY2020 was an irregular nine-month financial period(April-December).

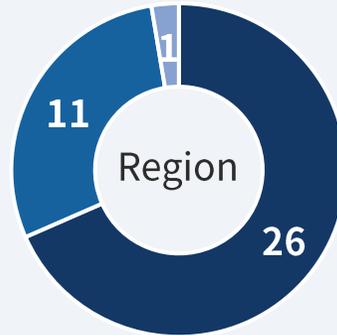
Breakdown of balance of income properties(number of buildings)

Income properties in Japan continued to increase in scale, as in the previous fiscal year. More than half of our property holdings are worth a book value of more than 1 billion yen, contributing to improved operating efficiency.

Japan (Total 37 buildings)



- 500 million yen or less
- 500 million yen to 1 billion yen
- more than 1 billion yen



- Kanto
- Kansai, Chubu, Kyusyu
- Other



- Residential
- Office
- Commercial, etc.



- Completed
- In development
- Other than development

Overseas (Total 14 buildings)



- 500 million yen or less
- 500 million yen to 1 billion yen



- Los Angeles
- Hawaii



- Residential



- In development
- Other than development

Overview of Consolidated Balance Sheet

Income property balance expanded as planned at the beginning of the period. Rental revenue from our property holdings contributed to maintaining financial stability, despite a declining trend in the equity ratio.

As of end-June 2022

(million yen)

Cash and deposits 8,971	Current liabilities 8,396
Income properties 33,748	Non-current liabilities 22,418
Other current assets 2,344	Net assets 15,655
Non-current assets, etc 1,406	

Total assets: 46,470 million yen

As of end-June 2023

(million yen)

Cash and deposits 10,248	Current liabilities 11,560
Income properties 45,052	Non-current liabilities 31,031
Other current assets 1,986	Net assets 16,766
Non-current assets, etc 2,070	

Total assets: 59,358 million yen

Progress with Financial Results for Fiscal Year Ending in December 2023

Overview of financial results for fiscal year ending in December 2023

Strong sales in Q2 in Japan led to significant progress in the full-year plan. Aiming at the next fiscal year and beyond, acquisitions of income properties remain in progress.

(Unit: million yen)

	FY2023 Q2	FY2023 Full-year forecast	Rate of progress
Net sales	19,145	40,000	47.9%
Gross profit	3,365	-	-
SG&A	1,995	-	-
EBITDA	1,602	2,730	58.7%
Ordinary income	1,219	1,870	65.2%
Income before taxes	1,284	2,000	64.2%
Net income※	864	1,200	72.1%

*Net income attributable to owners of parent.

Trend in Domestic Sales and Property Acquisitions in First Half of the Fiscal Year

Both sales and property acquisitions reached record highs in Q2.

Fluctuations in sales amount in japan

(Unit: million yen)



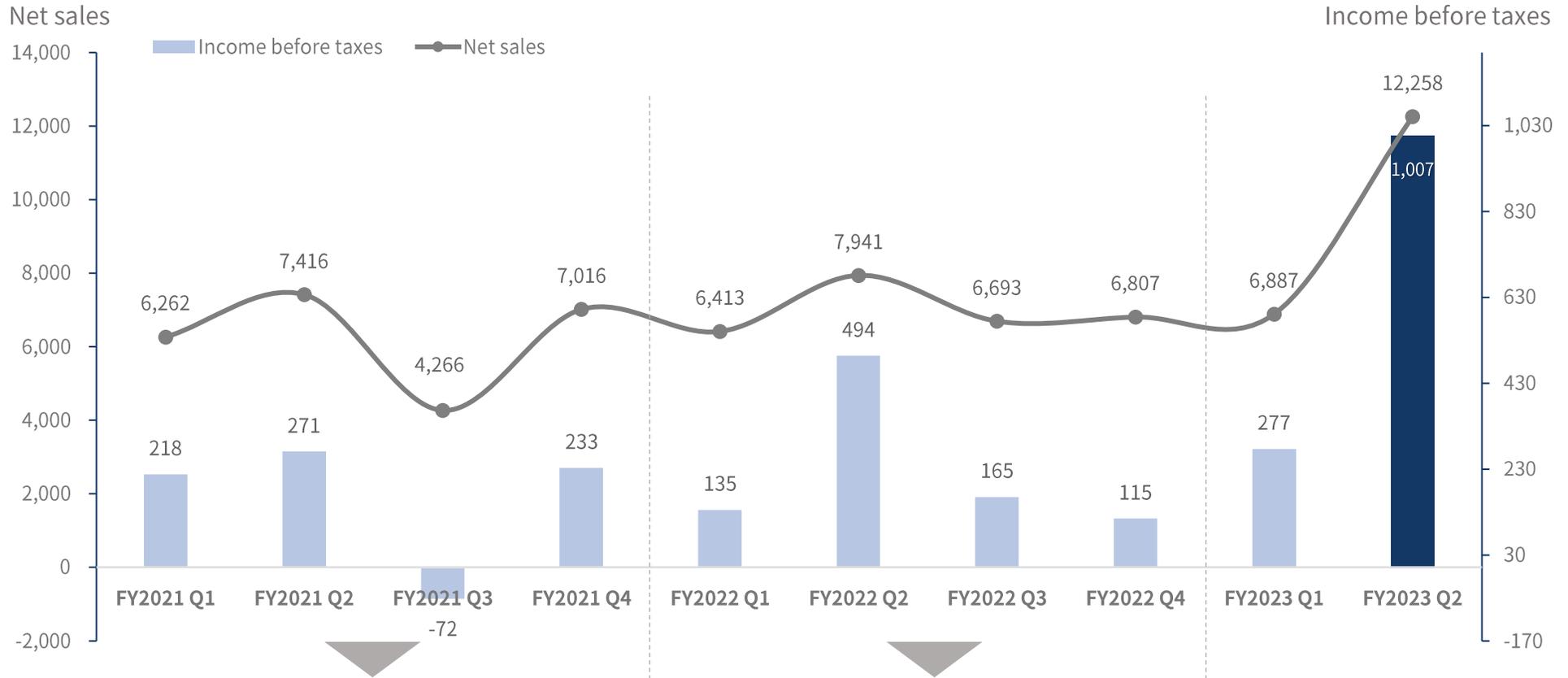
Fluctuations in property acquisitions in japan

(Unit: million yen)



Trend in quarterly consolidated financial results

We made significant progress in Q2 toward achieving the full-year plan.
 Full-year plan remains unchanged as quarterly earnings cannot be leveled off.



Income before taxes(FY2021) : **650**mil yen
 (Rate of plan achievement : **108.4%**)

Income before taxes(FY2022) : **910**mil yen
 (Rate of plan achievement : **113.8%**)

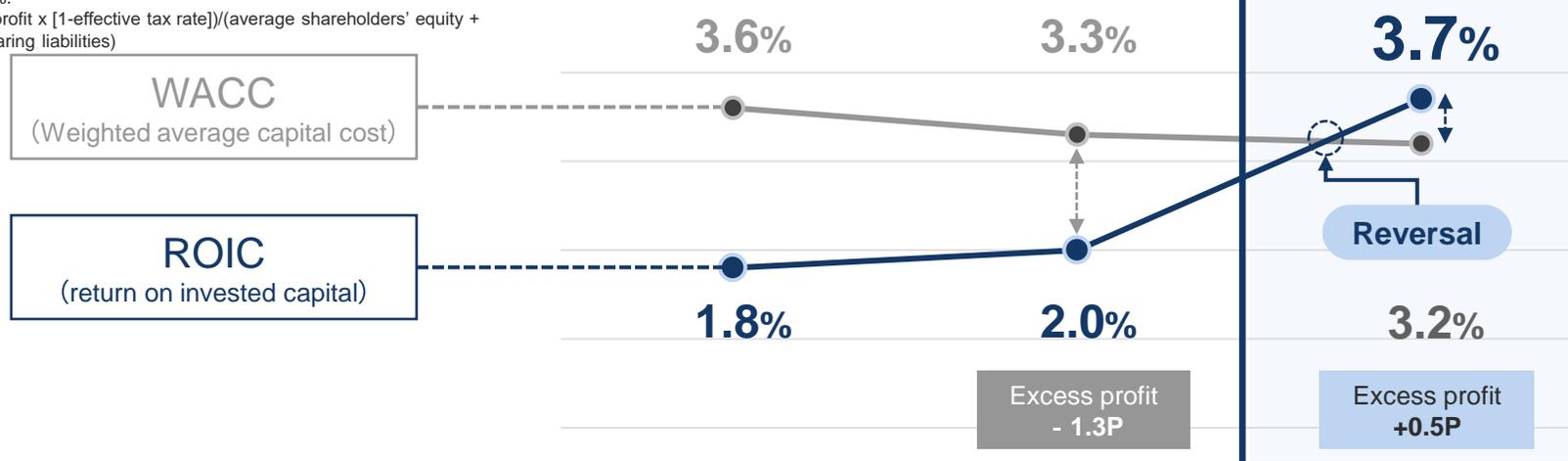
Generating excess profits

Achieving the plans for the fiscal year ending December 31, 2023 will ensure the generation of excess profits.

	(Unit: %)	First Medium-term Management Plan		
		Fiscal year ended December 31, 2021 (Result)	Fiscal year ended December 31, 2022 (Result)	Fiscal year ending December 31, 2023 (Plan)
A: WACC (weighted average capital cost)	Note 1	3.6	3.3	3.2
B: ROIC (return on invested capital)	Note 2	1.8	2.0	3.7
B-A: Excess profit		-1.8P	-1.3P	+0.5P

1. WACC: Calculated with shareholders' equity cost of 8%, interest-bearing liability cost of 1.5% and tax rate of 35%.

2. ROIC: NOPAT (operating profit x [1-effective tax rate]) / (average shareholders' equity + average interest-bearing liabilities)



Shareholder dividends in fiscal year ending December 31, 2023

Interim dividend of 3.5 yen per share paid to shareholders as of June 30, 2023.

Trends in dividends (past five years) Forecast in this fiscal year

	FY2019/3 (Actual)	FY2020/3 (Actual)		FY2020/12 (Actual)	FY2021/12 (Actual)	FY2022/12 (Actual)	FY2023/12 (Actual & Forecast)	
		Interim	Fiscal year- end				Interim (Actual)	Fiscal year- end (Forecast)
Dividends per share (yen)	0.35	2.00		2.63	3.50	4.50	8.00	
		1.65	0.35				3.50	4.50
Net income per share (yen)	2.01	1.69		6.77	7.22	11.32	25.77	
Consolidated dividend payout ratio (%)	17.4	118.3		38.8	48.5	39.8	31.0	

* Calculated based on consolidated figures at time of the release of financial statements in each fiscal period.

* Figures for the fiscal year ended March 31, 2020 were “gratitude dividends” expressing appreciation for funds raised through the rights offering and other.

* In the case of the “per share” indicators from the fiscal and earlier are the results of A.D.Works Co., Ltd. before the shift to a holding company structure in April 2020.

* Interim dividends in the fiscal year ended March 31, 2020 were “gratitude dividends” expressing appreciation for funds raised through the rights offering and other.

* In the case of the “per share” indicators from the fiscal year ended December 31, 2020, the number of shares in the denominator was equivalent to 1/10 of the previous number due to the shift to a holding company structure, when the share allocation ratio was 1: 0.1 in April 2020.

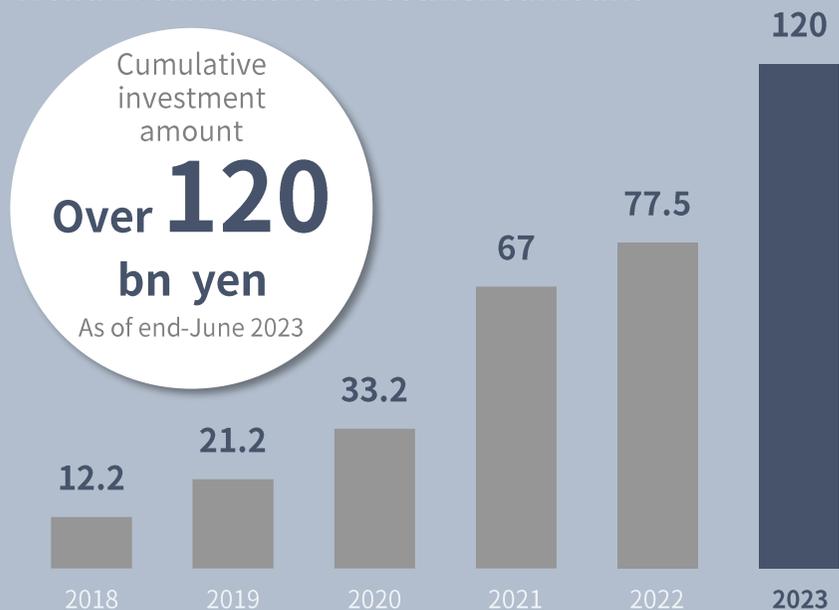
| New Topics

Small-Lot Real Estate Product “ARISTO” Series Reaches 12 Billion Yen in Total Assets Under Management.

ARISTO Omotesando (No. 7) and ARISTO Fukuoka Daimyo (No. 8) were sold out and began asset management (as of June 30, 2023).

Steady progress is being made to turn the small-lot real estate product business into a core business.

Trend in cumulative investment amount



Cumulative investment amount
Over 120
bn yen

As of end-June 2023

Total number of investors

number of investors
Over 750

As of end-June 2023

Number of sales alliance partners

Number of sales alliance partners
Over 400

As of end-June 2023

ARISTO Omotesando

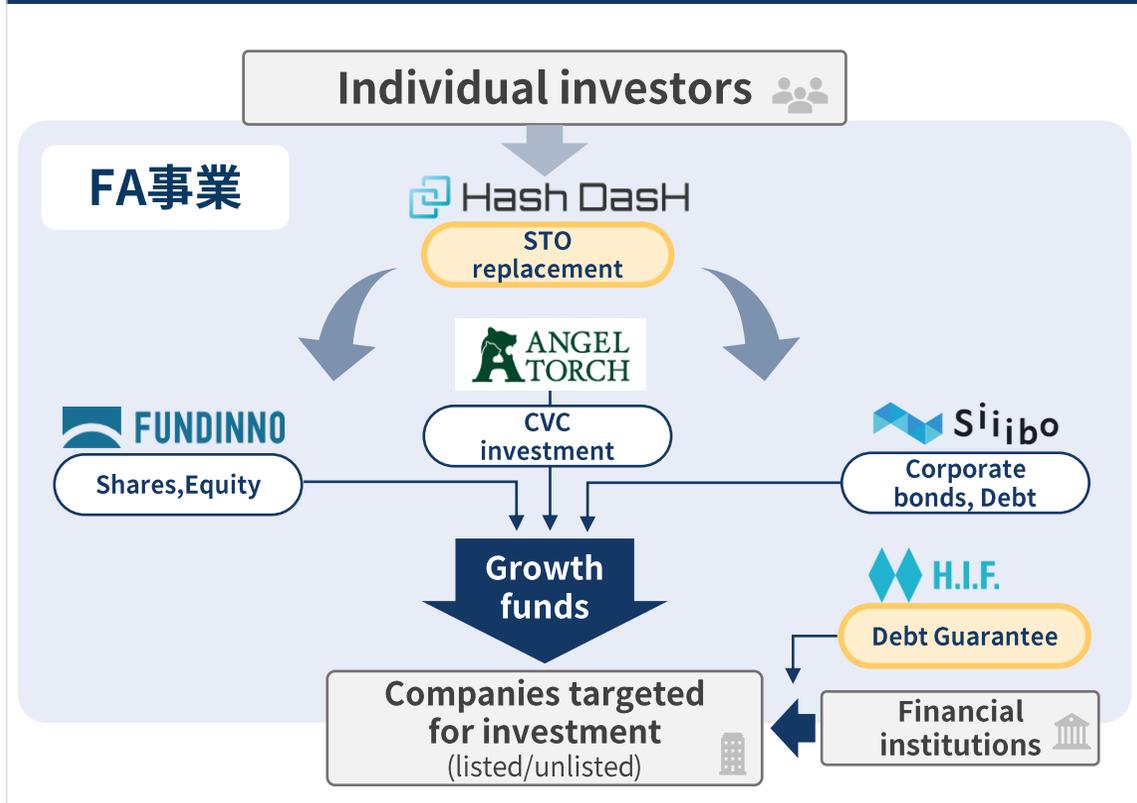


ARISTO Fukuoka Daimyo



Invested in two new CVC companies, Hash Dash Holdings and H.I.F.
Focus on building up results while strengthening services

Improve Advice on capital policy service



Track record to date

- 1 Chiikishinbunsha Co., Ltd.
(TSE Growth, Code:2164)
 - Acquisition of shares
 - Advice on capital policy (rights offering)
- 2 Puequ Co., Ltd.
(TSE Standard, Code:9264)
 - Advice on capital policy (rights offering)

Sustainability Division and Project Polaris were newly established with the goal of enhance corporate value from a sustainable, long-term perspective.

Sustainability Division (July 1)

Objective

- To effectively address materiality (material management issues)
- To build a sustainability promotion system throughout the entire group

Future Initiatives

- Strengthening efforts to address social needs such as environmental and human rights issues
- Promoting DE&I and wellbeing
- Laying the groundwork to actively disclose non-financial information

Contributing to a sustainable society and maximizing of corporate value

Project Polaris (August 1)

Objective

- Defining the ideal vision of society and our Group over the long term
- Creating a common language that forms the basis for co-creation with stakeholders

Future Initiatives

- Defining ADWG Group aspirations over the next 10 years based on discrete concepts
- Formulating and implementing specific measures with a back-casting mindset
- Verifying and practicing human capital management unique to ADWG Group

Management from a long-term perspective and co-creation with stakeholders

| Reference Materials

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 -----	6,237 million yen (as of June 30, 2023)	
Listing date -----	<p>Moved to TSE Prime in April 2022</p> <p>Listed in the First Section of the TSE in a technical listing in April 2020 (2982)</p> <p>(A.D. Works, the Group's predecessor, was moved to the first section of TSE in October 2015/</p> <p>Listed on the JASDAQ Securities Exchange (3250) in October 2007)</p>	
Main subsidiaries ---	<p>A.D.Works Co., Ltd. (real estate transactions, brokerage)</p> <p>A.D.Partners Co., Ltd. (real estate management)</p> <p>Sumikawa ADD Co., Ltd. (renovation work, repair work)</p> <p>Angel Torch Co., Ltd. (corporate venture capital business)</p> <p>JMR Asset Management Co., Ltd. (investment management company to form REIT)</p> <p>Jupiter Funding Co., Ltd. (financing utilizing crowd funding and other)</p> <p>A.D.Works USA, Inc. (management of US subsidiaries)</p> <p>ADW-No.1 LLC (US property income business)</p> <p>ADW Management USA, Inc. (US property income management business)</p> <p>ADW Hawaii LLC (property income business in Hawaii, USA)</p>	
Directors -----	<p>President and CEO</p> <p>Senior Managing Director and CFO</p> <p>Senior Managing Director</p> <p>Senior Managing Director</p> <p>Director</p> <p>Outside Director (Audit & Supervisory Committee Member)</p>	<p>Hideo Tanaka</p> <p>Katsutoshi Hosoya</p> <p>Hedeharu Matsumoto</p> <p>Toshiya Suzuki</p> <p>Koji Kaneko</p> <p>Hisashi Tanaami</p> <p>Mamoru Sekiyama</p> <p>Sachiko Awai</p> <p>Ai Koike</p>

Shareholder Composition (as of June 30, 2023)

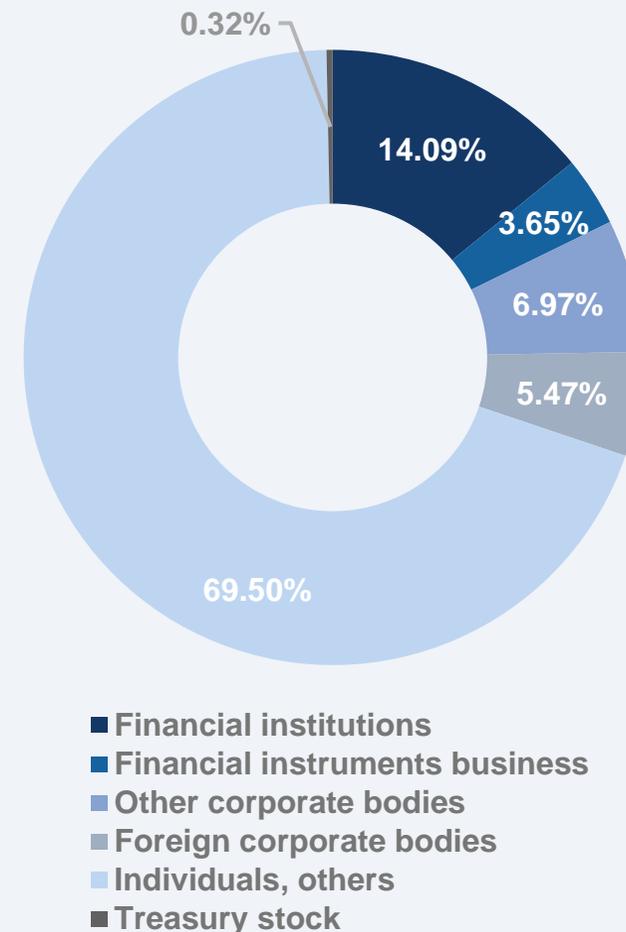
1 Number of issued shares **49,158,364 shares**

2 Number of shareholders **20,409** (shareholders with voting rights: 13,880)

3 Major shareholders (as shown in table below)

No.	Shareholder name	Percentage of shareholdings (excluding treasury stock)
1	Hideo Tanaka	10.21%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	7.33%
3	Liberty House Co., Ltd.	4.02%
4	The Master Trust Bank of Japan, Ltd. (Directors' Stock Compensation Trust)	3.00%
5	Custody Bank of Japan, Ltd. (Trust Account)	2.14%
6	Ueda Yagi Securities Co., Ltd.	1.60%
7	Japan Securities Finance Co., Ltd.	1.06%
8	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy : MUFG Bank, Ltd.)	1.00%
9	BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M ILM FE (Standing proxy : MUFG Bank, Ltd.)	0.84%
10	BNP PARIBAS ARBITRAGE SNC (Standing proxy : BNP Paribas Securities (Japan) Ltd.)	0.75%

4 Allocation by owner (as shown in diagram below)



Trends in Consolidated Results

(Unit: million yen)	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2022	Year ending December 31, 2023
	(Full year)	(Full year)	(Full year)	(Q2)						
Net sales	10,735	15,733	18,969	22,299	24,861	24,687	16,840	24,961	27,856	19,145
Ordinary income	540	650	748	926	1,802	932	427	650	953	1,219
Net income	333	426	540	584	663	625	264	312	527	864
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216	14,817	15,857	16,766
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850	42,047	53,359	59,358
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682	28,926	41,476	45,052
Rental revenue	717	842	1,058	1,112	1,319	1,147	823	1,129	1,369	914
Rental revenue/ Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	4.9%	4.5%	4.9%	4.8%
Number of employees	99	115	136	146	167	185	195	207	219	240

* The fiscal year ended Dec. 31, 2020 was an irregular nine-month period.

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 A.D.Works Group announces predicted progress for each quarter in the form of "forecasts" that are updated as needed. These are based on highly accurate information concerning the A.D.Works Group and information that we judge to be rational. 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

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