

A.D.Works Group Co., Ltd.

IR Briefing Materials: Second Quarter of Fiscal Year Ending December 31, 2022

August 19, 2022

TSE Prime, Code: 2982



Contents

1. ADWG Group's Businesses ----- P 3
2. Summary of Second Quarter of
Fiscal Year Ending in December 2022 P 11
3. Progress with Financial Results for
Fiscal Year Ending in December 2022 P 17
4. New Topics ----- P 19
5. Reference Materials ----- P 22

| ADWG Group's Businesses

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)

212 people

(as of June 30, 2021)



Number of Group
companies

13 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.



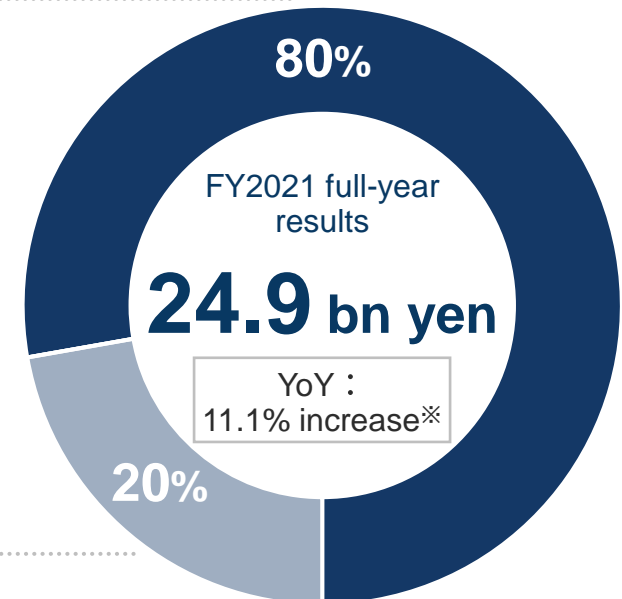
The Group comprises three business categories. With 24.9 billion yen in net sales in the previous fiscal year (11.1% increase over the year before that*), we are in a period of solid growth.

ADWG Group's business domains

1 Income property sales business

2 Stock-type fee business

3 New business
(REIT business, CVC business, etc.)



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

* The fiscal year ended on December 31, 2020 (FY2020) was an irregular nine-month financial period covering the period from April 1 to December 31, 2020. Changes to the period two years prior are calculated by converting results in the fiscal year ended on December 31, 2020 to a twelve-month period for comparison purposes.

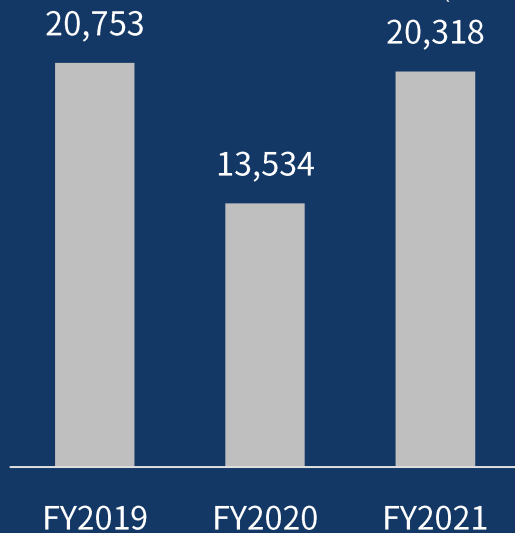
1 Income Property Sales Business

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

Gotanda Project



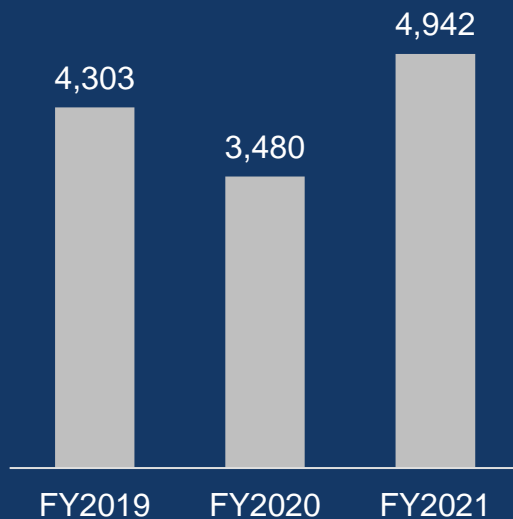
2 Stock-type Fee Business

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

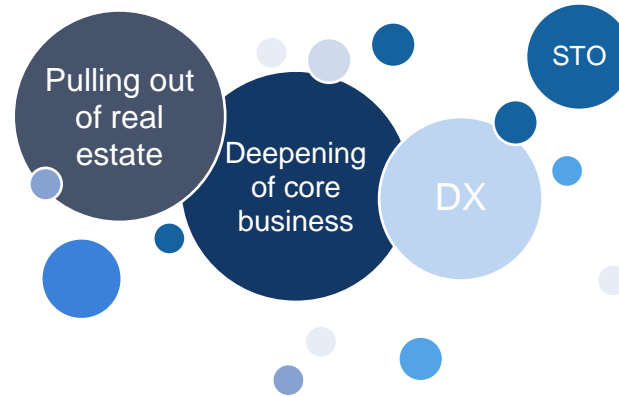
Renovations

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.

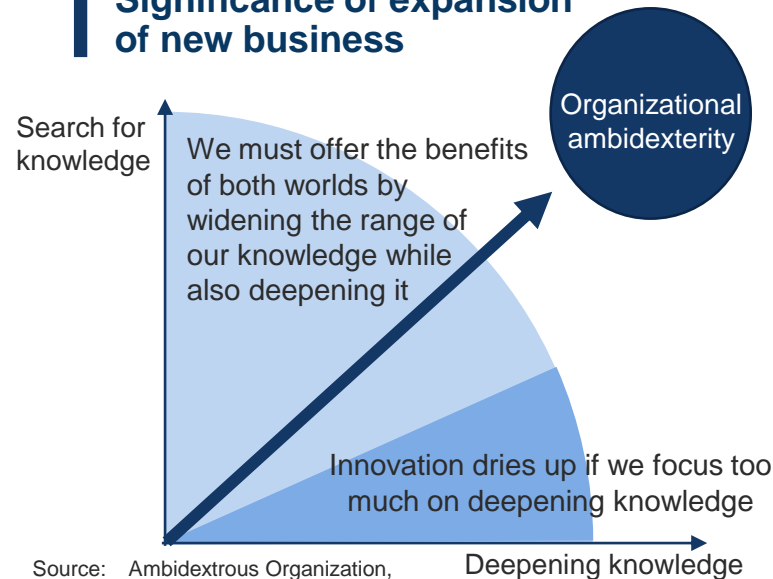
Spread of new business



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 2022

Summary of Q2 FY2022

The income property sales business in Japan drove earnings, and we are making steady progress toward achieving our full-year plan.

We will need to place even more emphasis on acquisitions, which are the source of future earnings, from second half.

	Acquisitions		Revenue from sales		Stock-type fee sales
Japan	9 buildings <small>Last year: 10 buildings</small>	10.7 bn yen <small>Last year: 10.1 bn yen</small>	11 buildings <small>Last year: 16 buildings</small>	10.9 bn yen <small>Last year: 10.1 bn yen</small>	2.2 bn yen <small>Last year: 1.9 bn yen</small>
	Although the number of buildings declined, the total amount for both acquisitions and sales increased = Amount per building is on larger scale				
	We will further expand acquisitions and sales by reinforcing employees and improving operational efficiency.				
Overseas	8 buildings <small>Last year: 2 buildings</small>	2.2 bn yen <small>Last year: 0.47 bn yen</small>	1 building[※] +3 units <small>Last year: 5 buildings</small>	0.7 bn yen <small>Last year: 1.2 bn yen</small>	0.74 bn yen <small>Last year: 0.56 bn yen</small>
	※Sales of townhouses in LA housing development business				
	Acquisitions were strong and resolved the inventory shortages from the previous fiscal year. We will promptly move to commercialize these properties so that they can be sold in second half.				
New Business	Start of collaboration with four partner companies in digital securities joint business.				

Overview of the Second Quarter of the Year Ending December 31, 2022

Profit rate improved due to real estate sales, and profit indicators are solid partly because value-add measures on properties were highly praised by buyers and contributed to sales.

(Unit: million yen)

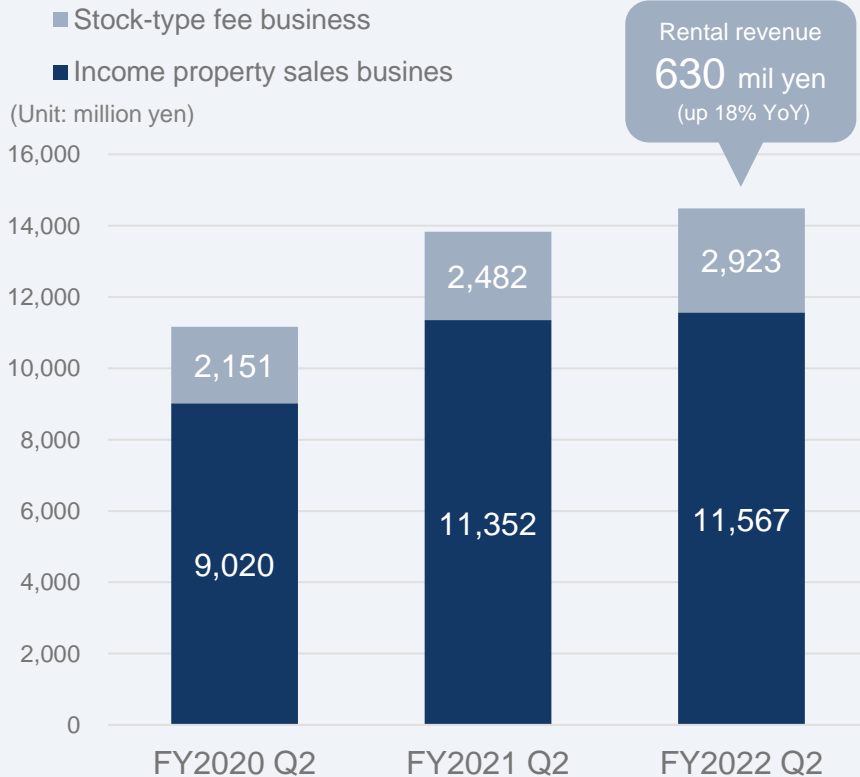
	FY2022 Q2	Comparison to same period in previous year (Y on Y)	
		FY2021 Q2	YoY
Net sales	14,355	13,678	4.9%
Gross profit	2,698	2,431	11.0%
SG&A	1,895	1,807	4.9%
EBITDA	872	698	24.9%
Ordinary income	629	489	28.6%
Income before taxes	629	489	28.6%
Net income ※	384	346	10.9%

※Net income attributable to owners of parent.

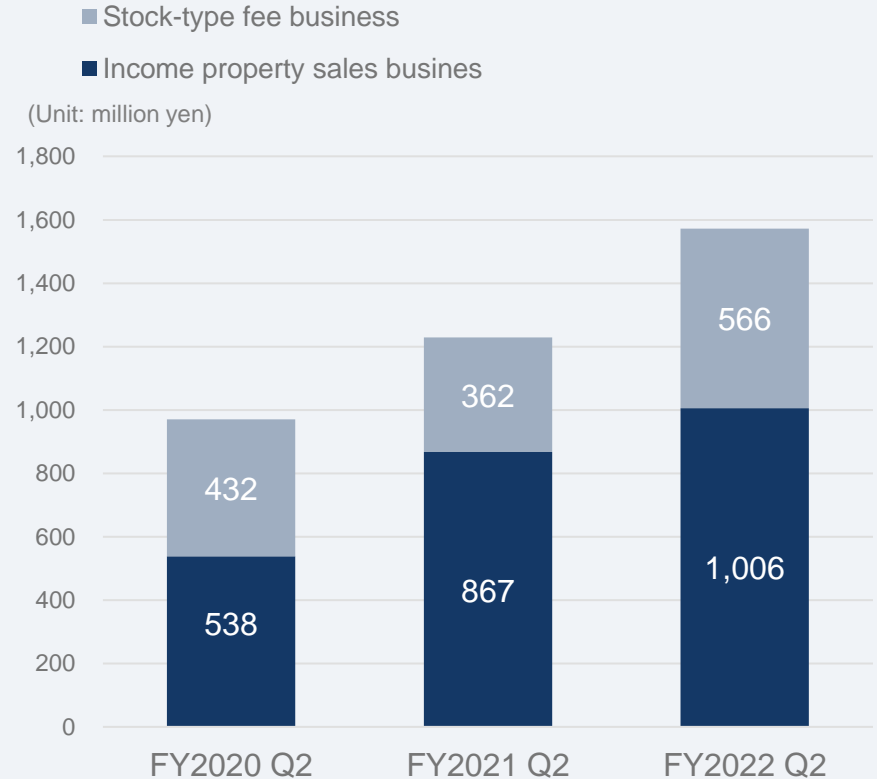
In addition to improvements in the profit rate in the sales business, stock-type income also increased steadily.

Of the 2,900 million yen in fee sales, rental revenue, which is a stable source of revenue, totaled 630 million yen, up 18.9% over the previous year.

Fluctuations in net sales (by segment)



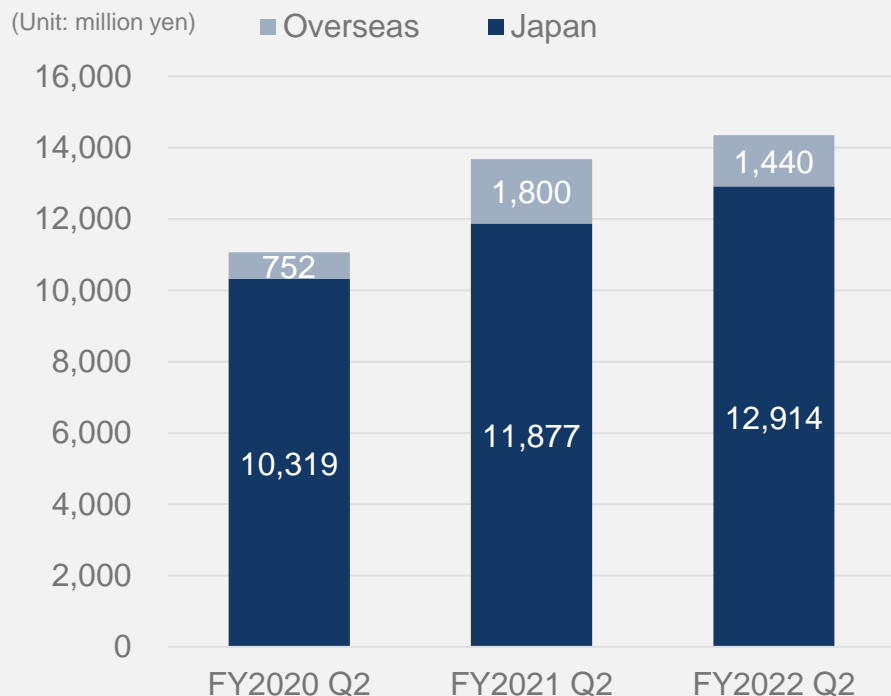
Fluctuations in EBITDA (by segment)



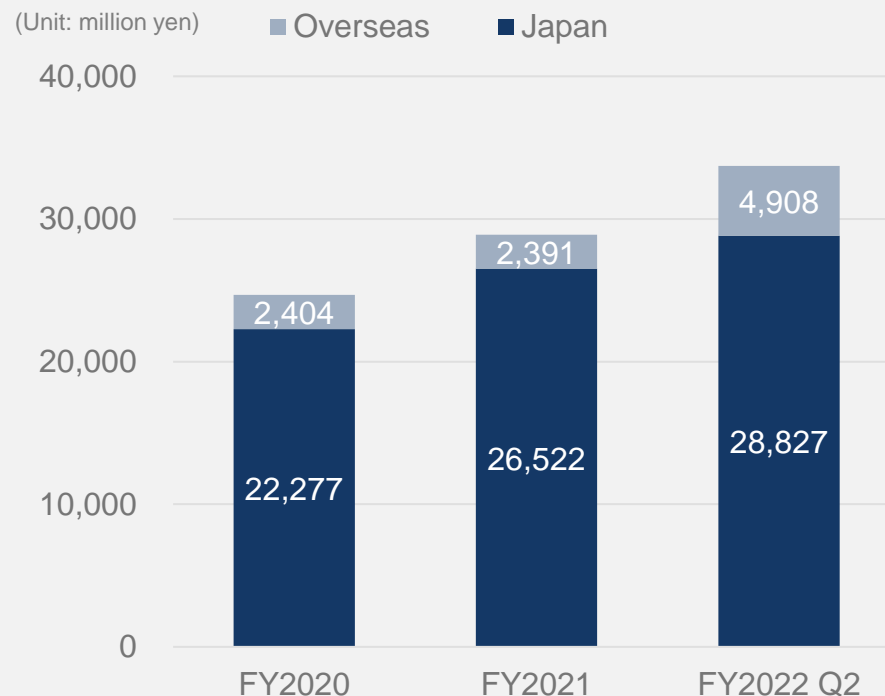
Japan: The average sales price was 990 million yen/building (630 million yen in the previous year).
We are strategically increasing the scale of our properties.

Overseas: Sales were low due to insufficient inventory. However, this was covered by the comprehensive strengths of LA housing development, sub-leasing and sales brokerage.

Fluctuations in net sales (by region)



Fluctuations in balance of income properties (by region)

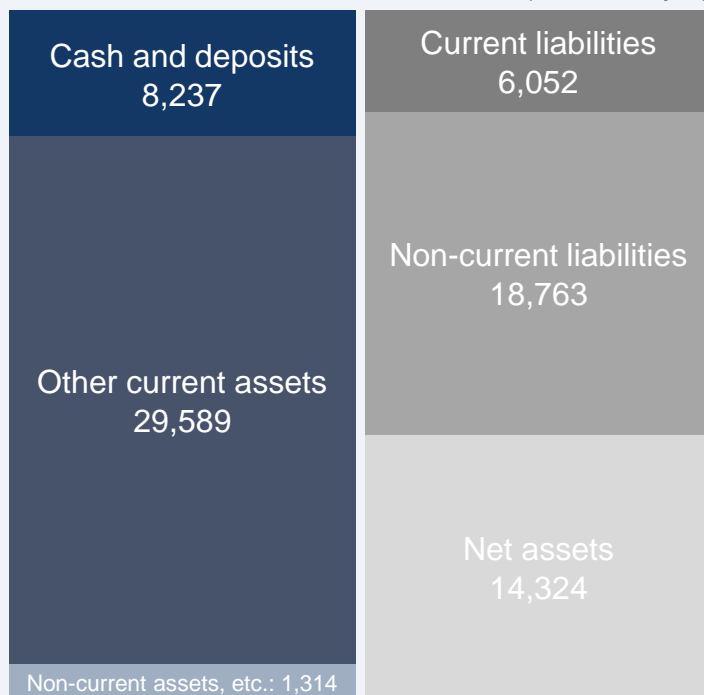


Overview of Consolidated Balance Sheet

We increased current assets as income properties as part of our strategy to expand our balance of properties. Debt-type financing was diversified even more with initiatives to use private placement bonds with bank guarantees.

As of end-June 2021

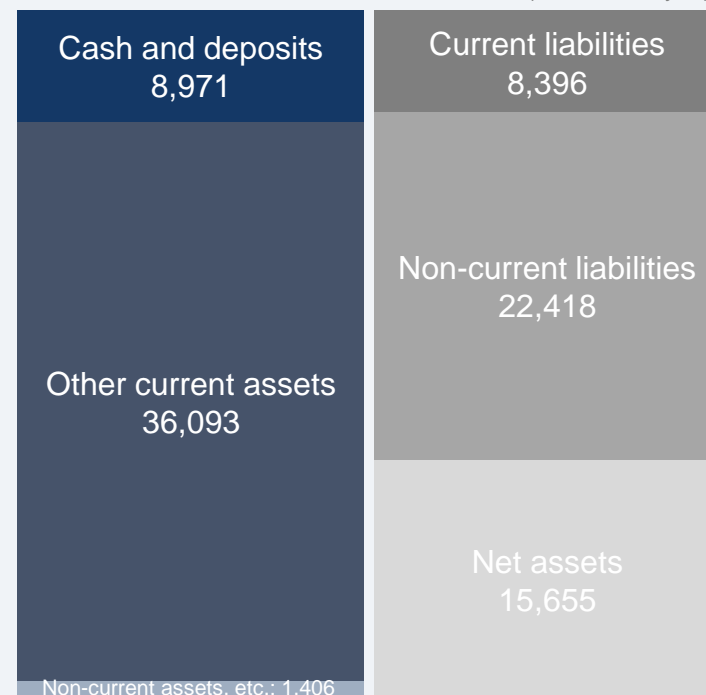
(Unit: million yen)



Total assets: 39,140 million yen

As of end-June 2022

(Unit: million yen)



Total assets: 46,470 million yen

Progress with Financial Results for Fiscal Year Ending in December 2022

Overview of financial results for fiscal year ending in December 2022

Since quarterly earnings cannot be evened out, we have left our full-year plan unchanged.

In this fiscal year, we aim to balance out increases to our balances and achievement of our profit targets in order to stabilize our revenue base.

(Unit: million yen)

	FY2022 Q2	FY2022 Full-year forecast	Rate of progress
Net sales	14,355	30,000	47.9%
Gross profit	2,698	-	-
SG&A	1,895	-	-
EBITDA	872	1,300	67.1%
Ordinary income	629	800	78.7%
Income before taxes	629	800	78.7%
Net income※	384	450	85.4%

*Net income attributable to owners of parent.

| New Topics

“Colony#15 Takadanobaba,” opened as 1st project of Colony# series

Better variation in product planning

Compatible with diversifying needs and situations of companies, workers and students

Serviced offices

Co-working offices

Shared offices

Drop-in spaces

Outlook

Plans augmented further tailored to users’ needs, site and property characteristics



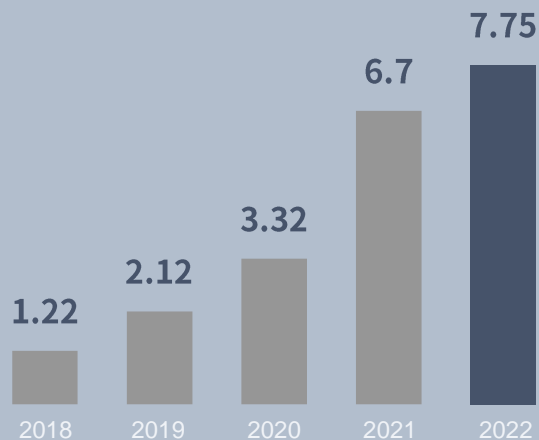
We intend to expand series to several locations



Completion of sales for “ARISTO Nishiazabu”

“ARISTO Nishiazabu” was fully sold at **1.05 billion yen** and operations began

Trends in cumulative investment amount for small-lot real estate products



Cumulative investment amount
7.75 bn yen
As of end-June 2022



CVC Business (Digital securities business)

Joint investment and merger with Okasan Digital Securities Preparatory Co., Ltd.

Aiming to diversify financing methods and generate revenue from non-real estate businesses

1

Working toward early issuance of first offering

Using security token offering (STO), which can be designed with any kind of underlying asset and are easy to form in small lots for individual investors, we plan to work on forming a new market, starting with this first issuance, and build up the customer base.

2

Targeting STO product development

We provide our expertise on real estate-related operations and select and supply income properties for “real estate STO.” In addition, we are involved in verifying the commercialization of corporate bond STO.

3

Dispatch of directors

We are working to diversify our financing methods to improve capital efficiency through our involvement with the digital securities business. We also hope to expand this expertise to other small-cap companies and generate revenue from non-real estate businesses.



| 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 -----	6,090 million yen (as of March 31, 2022)	
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>JMR Asset Management Co., Ltd. (investment management company to form REIT)</p> <p>Angel Torch Co., Ltd. (corporate venture capital business)</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 Lending LLC (Investment in US housing loans)</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>Managing Director</p> <p>Director</p> <p>Director</p> <p>Outside Director (Audit & Supervisory Committee Member)</p> <p>Outside Director (Audit & Supervisory Committee Member)</p> <p>Outside Director (Audit & Supervisory Committee Member)</p> <p>Outside Director (Audit & Supervisory Committee Member)</p>	<p>Hideo Tanaka</p> <p>Katsutoshi Hosoya</p> <p>Hedeharu Matsumoto</p> <p>Mitsuo Kimura</p> <p>Koji Kaneko</p> <p>Toshiya Suzuki</p> <p>Hisashi Tanaami</p> <p>Mamoru Sekiyama</p> <p>Sachiko Awai</p> <p>Ai Koike</p>

Shareholder Composition (as of March 31, 2022)

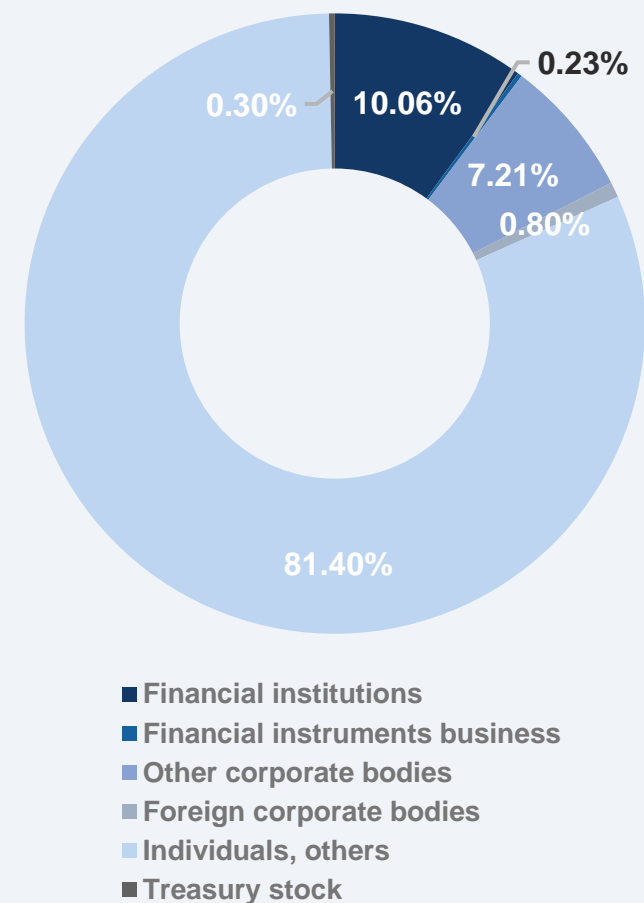
1 Number of issued shares **47,196,864 shares**

2 Number of shareholders **20,279** (shareholders with voting rights: 13,601)

3 Major shareholders (as shown in table below)

No.	Shareholder name	Percentage of shareholdings (excluding treasury stock)
1	Hideo Tanaka	8.74%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.68%
3	Liberty House Co., Ltd.	4.19%
4	The Master Trust Bank of Japan, Ltd. (Directors' Stock Compensation Trust)	1.84%
5	Milestone Capital Management Co., Ltd.	1.69%
6	Kazushi Imai	0.93%
7	Akio Ikegami	0.87%
8	Custody Bank of Japan, Ltd. (Trust Account)	0.85%
9	Hiroshi Sugawara	0.50%
10	Katsutoshi Hosoya	0.50%

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
	(Full year)	(Full year)	(Full year)	(Full year)	(Full year)	(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	14,355
Ordinary income	540	650	748	926	1,802	932	427	650	629
Net income	333	426	540	584	663	625	264	264	384
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216	14,817	15,655
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850	42,047	46,470
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682	28,926	33,736
Rental revenue	717	842	1,058	1,112	1,319	1,147	823	1,129	633
Rental revenue/ Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	4.9%	4.5%	4.4%
Number of employees	99	115	136	146	167	185	195	207	212

* 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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