

A.D.Works Group Co., Ltd.

IR Briefing Materials: Financial Results for Fiscal Year Ended December 31, 2022

February 17, 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)

219 people

(as of December 31, 2022)



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.



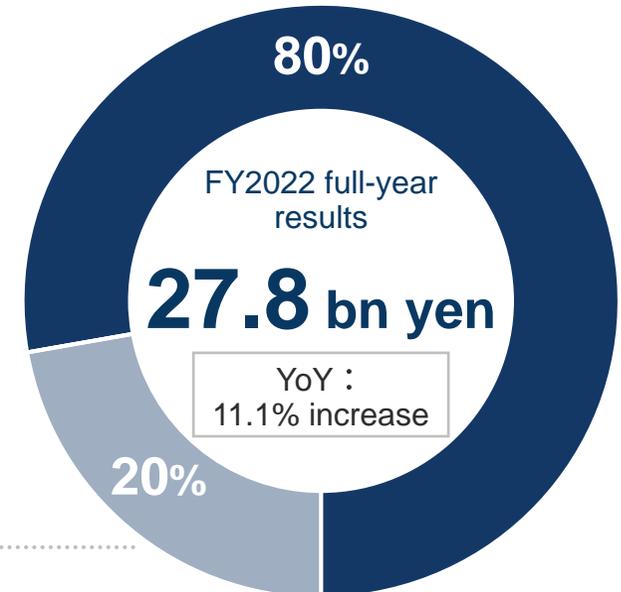
The Group comprises three business categories. With 27.8 billion yen in net sales in the previous fiscal year (11.1% increase over the year before that), we are in a period of solid growth.

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

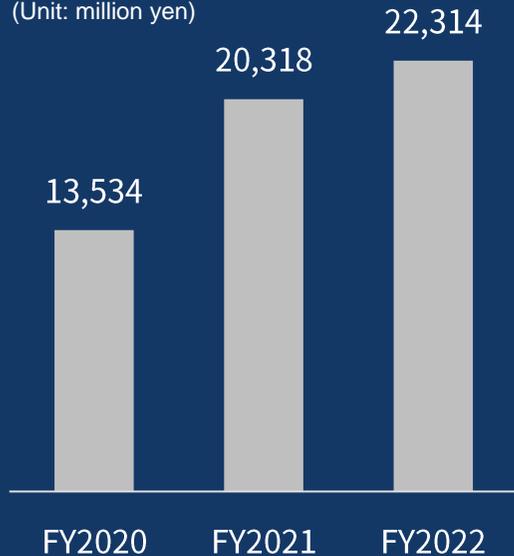
1 Income Property Sales Business

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

Gotanda Project



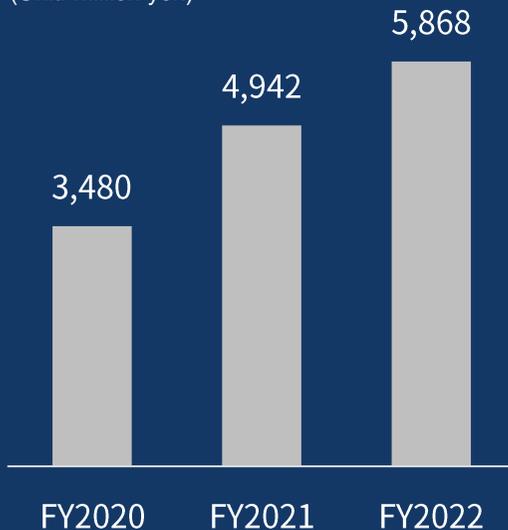
2 Stock-type Fee Business

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)



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.

* 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.

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.

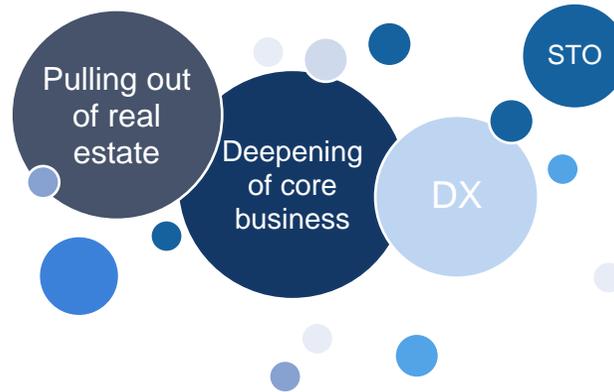
Examples of creation of new businesses

- 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.

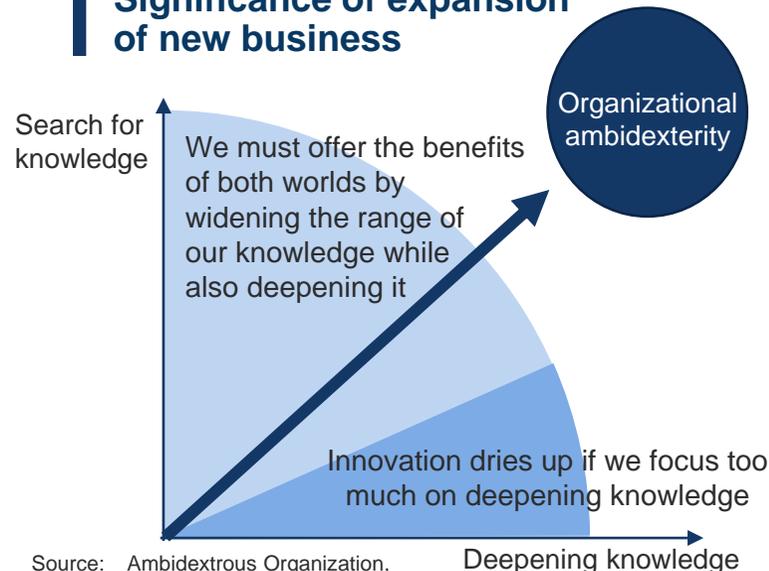
Spread of new business



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

Overview of Financial Results for Fiscal Year Ended December 2022

Summary of FY2022

The income property balance increased significantly due to aggressive acquisitions, reaching a record high of 41.4 billion yen.

In this fiscal year, the middle of the three-year Medium-term Management Plan, we made preparations for a leap in the final fiscal year of this plan.

	 Acquisitions	 Revenue from sales	 Stock-type fee sales
Japan	<p>24 buildings 24.7 bn yen</p> <p>Last year: 20 buildings Last year: 17.7 bn yen</p>	<p>15 buildings 19.4 bn yen</p> <p>Last year: 25 buildings Last year: 17.9 bn yen</p>	<p>4.1 bn yen</p> <p>Last year: 3.7 bn yen</p>
	Systematically pursued acquisitions and sales, with product planning capacity at the center of these efforts, and improved efficiency and profitability		
Overseas	<p>11 buildings 3.3 bn yen</p> <p>Last year: 3 buildings Last year: 0.79 bn yen</p>	<p>6 building 2.8 bn yen</p> <p>Last year: 9 buildings Last year: 2.4 bn yen</p>	<p>1.6 bn yen</p> <p>Last year: 1.2 bn yen</p>
	Restored the acquisition, commercialization and sales cycle for income properties in Los Angeles		
New Business	Began a financing arrangement business and made progress in generating revenue from a non-real estate business		

※ :Including the impact of FX fluctuations

Overview of Fiscal Year Ending December 31, 2022

The profit rate improved for the sale of domestic income properties,
and income rose significantly compared to net sales.

(Unit: million yen)

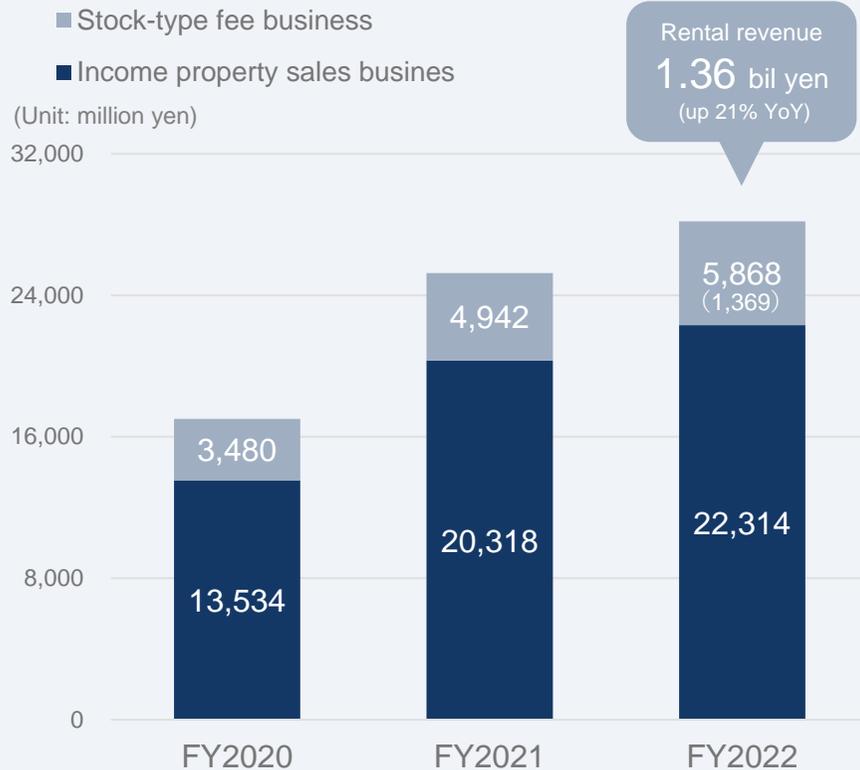
	FY2022	Comparison to same period in previous year (Y on Y)	
		FY2021	YoY
Net sales	27,856	24,961	11.6%
Gross profit	5,385	4,731	13.8%
SG&A	4,008	3,797	5.6%
EBITDA	1,515	1,073	41.2%
Ordinary income	953	650	46.6%
Income before taxes	910	650	40.0%
Net income ※	527	312	68.8%

※Net income attributable to owners of parent.

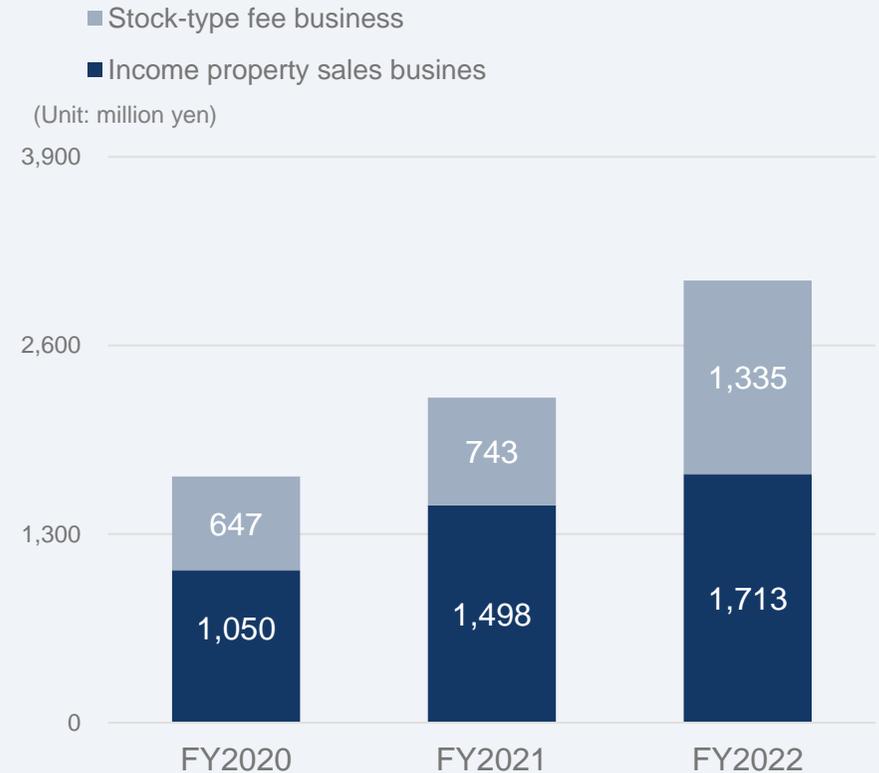
Income property sales drove earnings due to solid sales activities synchronized with acquisition activities.

In conjunction with the strong performance of the income property sales business, the stock-type fee business produced stable sales and income.

Fluctuations in net sales (by segment)



Fluctuations in EBITDA (by segment)

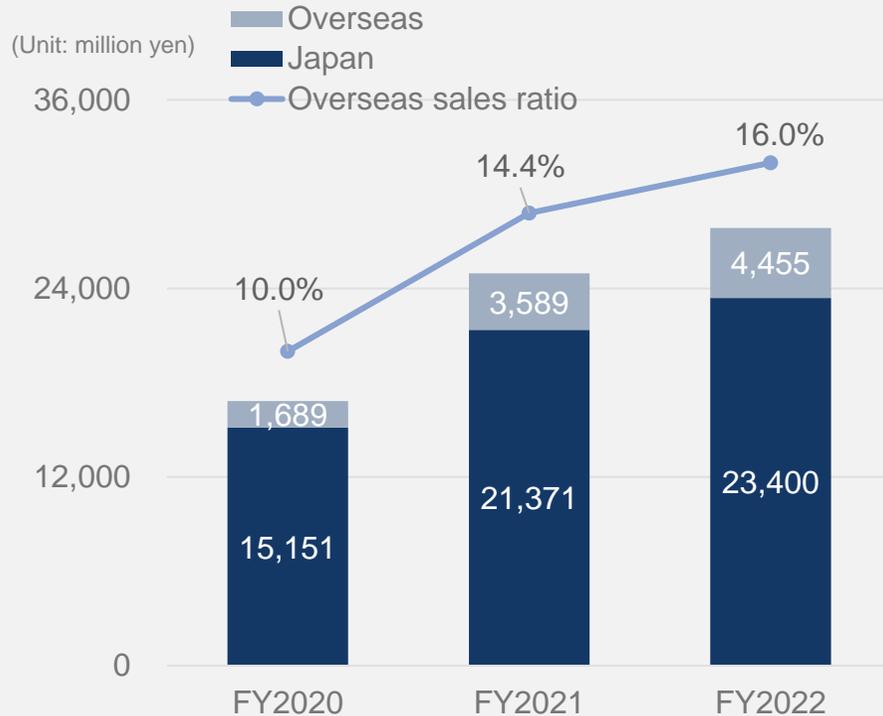


※FY2020 was an irregular nine-month financial period(April-December).
※The figures shown here include figures related to internal transactions.

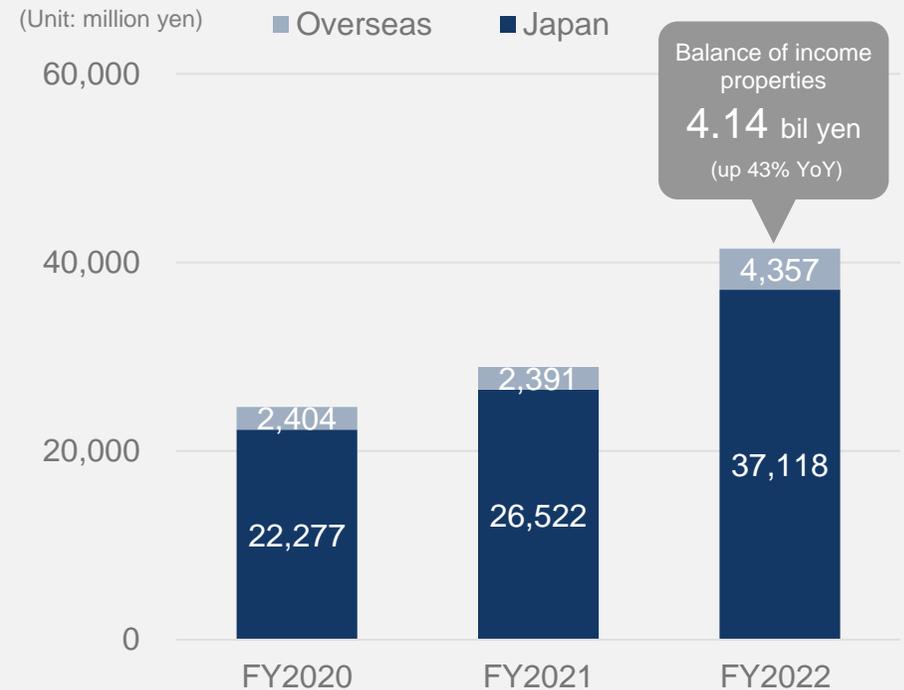
Japan: We acquired nine properties (8.9 billion yen) in Q4. The property balance increased and will be a source of revenue for the future.

Overseas: In addition to income property sales in LA, we made progress in expanding the development and brokerage businesses.

Fluctuations in net sales (by region)



Fluctuations in balance of income properties (by region)



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

Unit sales price of property

The average sales unit price in Japan has continued to rise since FY2020, reaching 1.21 billion yen per building during this fiscal year.

The higher sales price has improved marketing efficiency.

Fluctuations in unit sales price per property

(Unit: billion yen) ■ Japan ■ Overseas

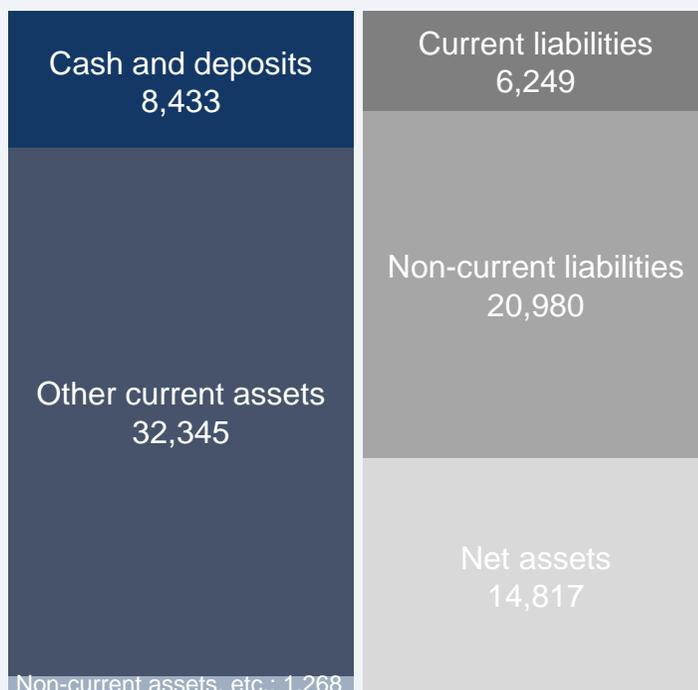


Overview of Consolidated Balance Sheet

Other current assets increased in conjunction with the expansion of the balance of income properties.
We will rigorously select and acquire better investment properties going forward.

As of end-December 2021

(million yen)



Total assets: 42,047 million yen

As of end-December 2022

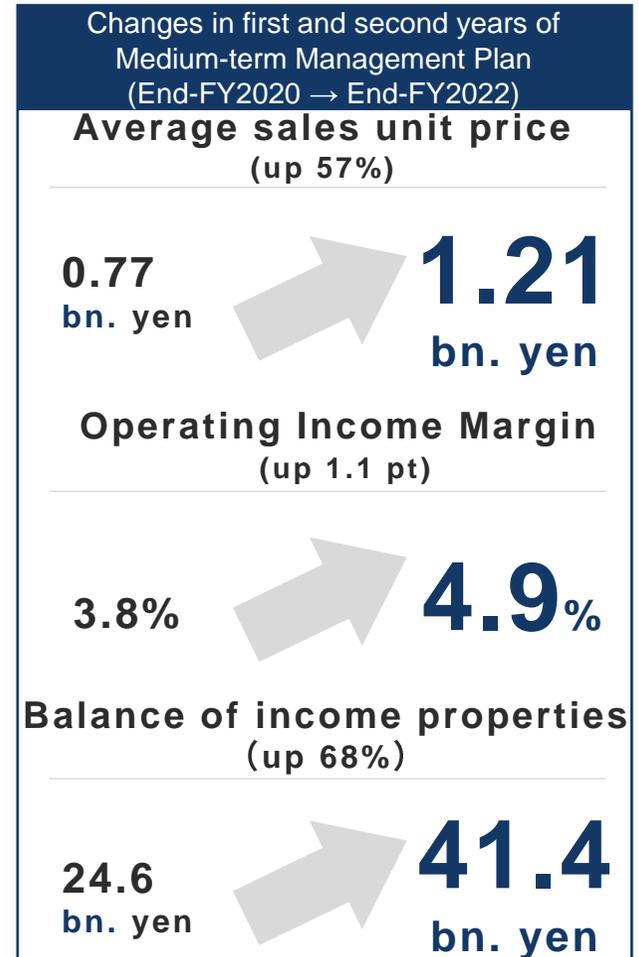
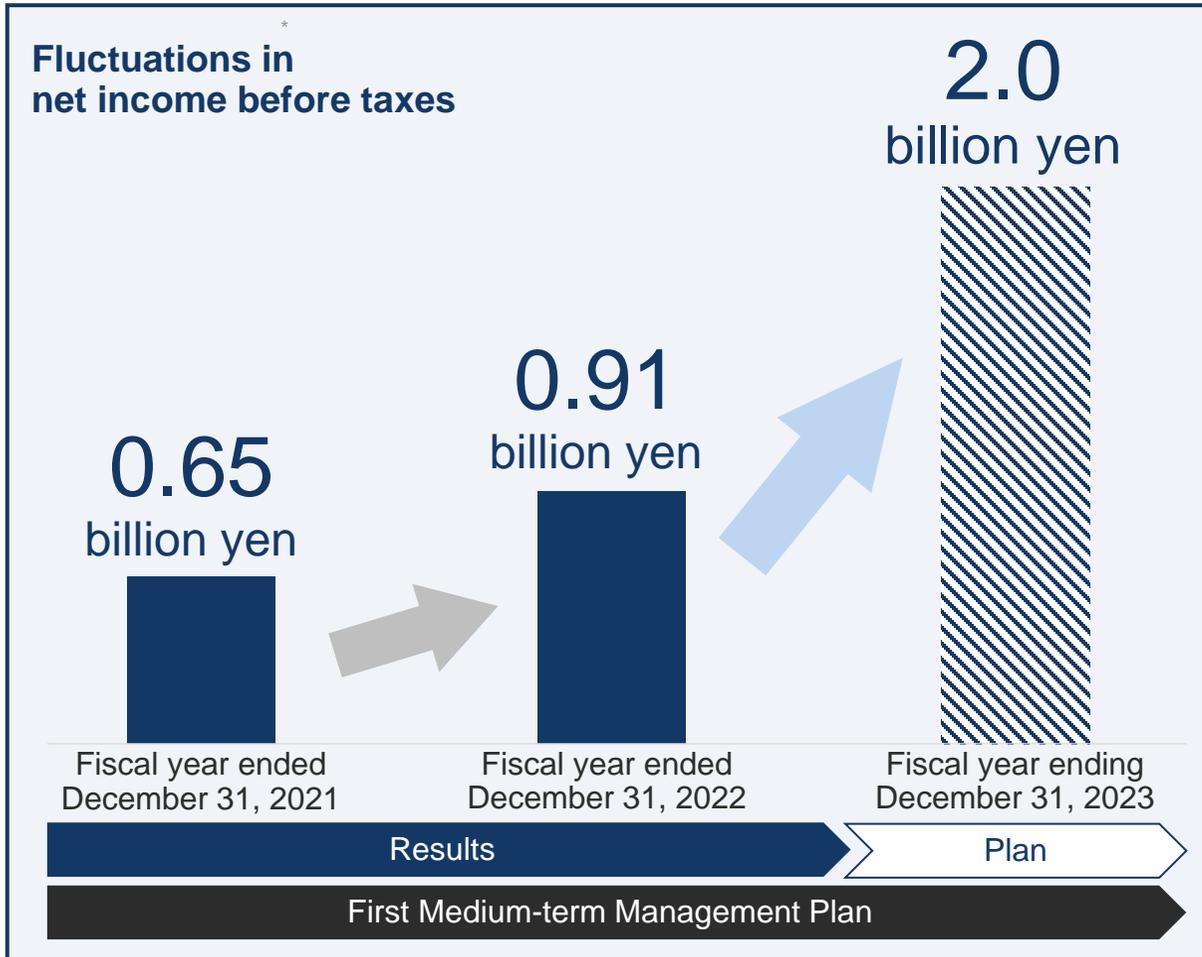
(million yen)



Total assets: 53,359 million yen

Topics of Mid-term Management Plan Financial Plan for Fiscal Year Ending December 2023

In the past two years, we have focused on the growth of our mainstay income property business in order to achieve the targets of our three-year Medium-term Management Plan.



* Net income before taxes

Product planning

1

We will expand the product planning menu, which is the core of our mainstay domestic income property business. In addition to raising the value of our existing investment products, we will encourage the resolution of social issues through business by aiming to raise the value of properties as social infrastructure.



Finance arrangement business

2

This business was initiated as a new business that can generate revenue from a non-real estate business. We provide advice on capital policies, including financing support, for growth companies. We aim to make indirect contributions to economic and industry development and also to revitalize individual's asset management.



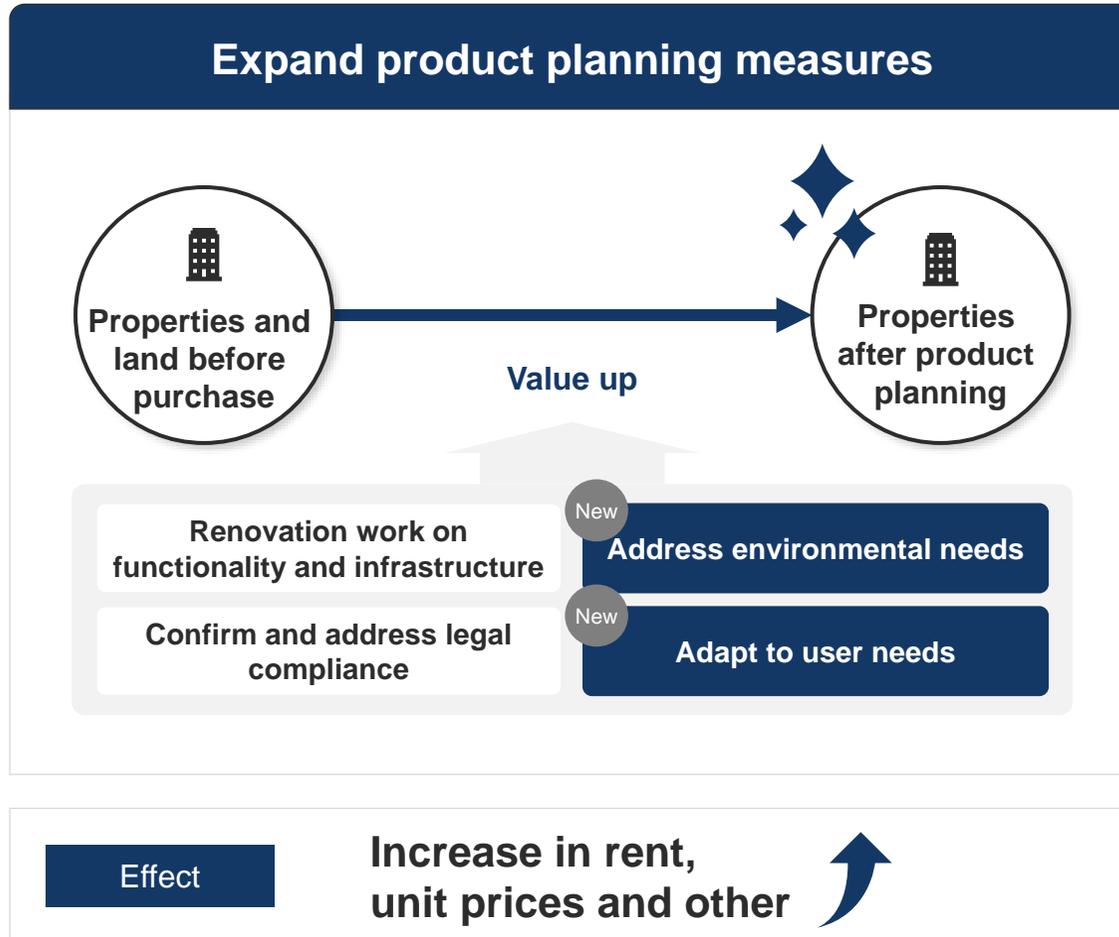
Sustainability

3

We have identified materiality (important management issues) so that we can promote the resolution of social issues through business and better contribute to the creation of a sustainable society. We aim to maximize our corporate value by reinforcing human capital—the foundation for growth—and governance and continuing to earn the trust of our stakeholders.



Achieve internal growth for income properties by improving product planning capacity



New perspective on product planning (examples)

Address environmental needs

ARISTO Fukuoka Daimyo Development Project

Construction with attention to such environmental aspects as energy conservation earned praise, and the Company was awarded a four-star rating under the Building-Housing Energy System (BELS).



Adapt to user needs

Colony#15 Takadanobaba Project

Offer diverse spaces tailored to a company's phase (from start-up to business growth) and workstyles



① Product Planning (Broadening perspectives)

Contribute to the resolution of social issues through product planning, such as considering the environment and providing proposals for workstyles

Address environmental needs

ARISTO Fukuoka Daimyo Development Project

*: Chuo-ku, Fukuoka, completed in May 2022

1 Reduce heating load



Installation of total heat exchangers, which efficiently ventilate air within and outside of a room, and Low-E multi-paned glass, which balances high heat insulation capacity with the ability to block sunlight.

2 Use resources efficiently



Efficient use of water resources with the installation of water-saving plumbing fixtures that use less water than conventional fixtures, among others.

3 Prevent contagious diseases



Non-contact elevator buttons and automated plumbing fixtures help to prevent virus spread.

Contribution to SDGs



Adapt to user needs

Flexible office, Colony#15 Takadanobaba Project

*: Name for a workplace that is provided with a unique user agreement that differs from the regular tenant contracts

1 Wide range of workstyles



Diverse style of spaces provided to suit the range of workstyles adopted by entrepreneurs, freelance workers, and those engaged in side careers and telework.

2 Expanded businesses



By making the work content and profiles of members and tenants visible, business matching is accelerated and business potential is expanded.

3 Office expansion



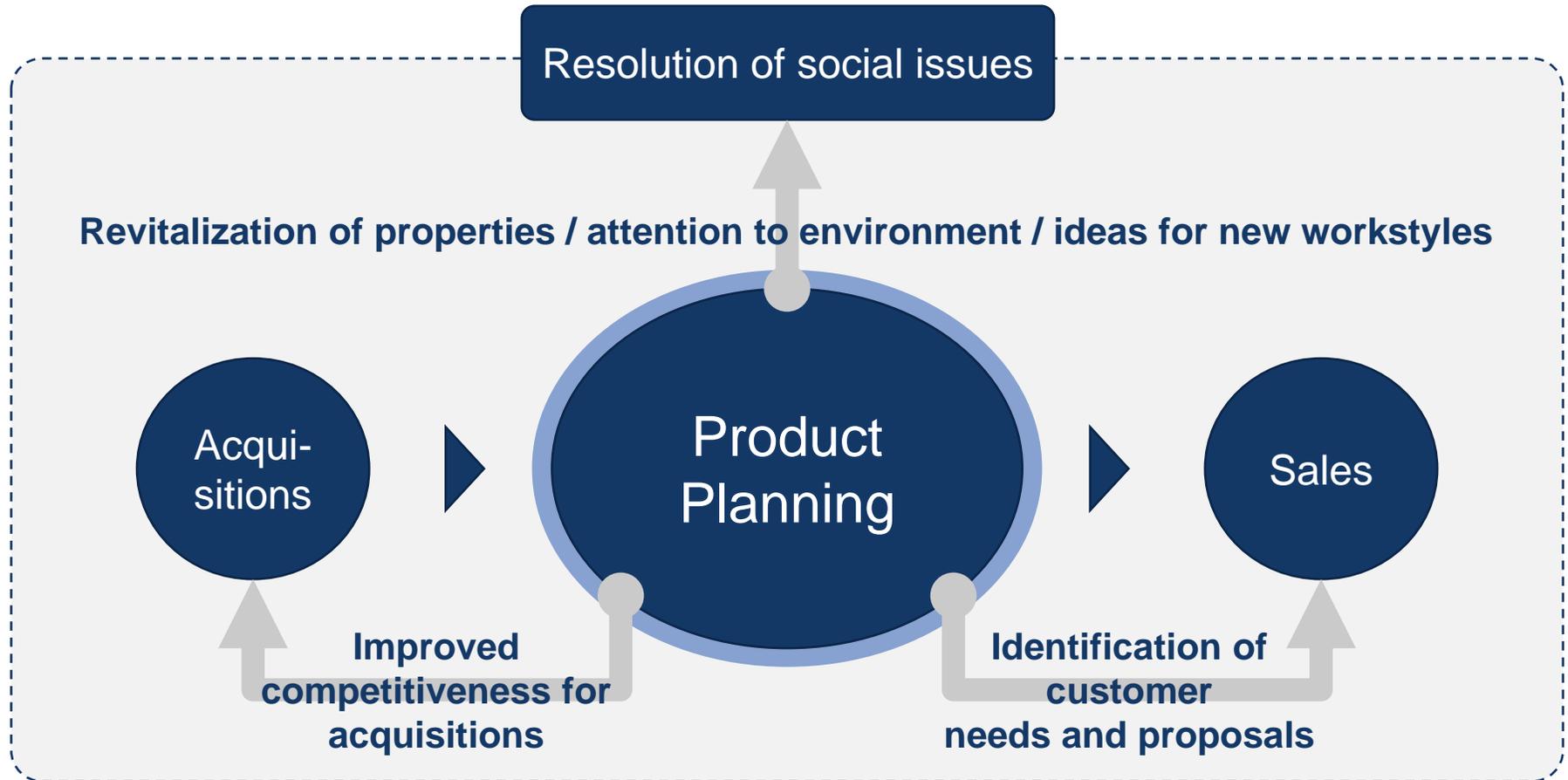
A wide variety of styles are offered, including individual booths, offices for use by 5-8 people and offices for use by 11-21 people. Users can relocate within the facility as their business grows.

Contribution to SDGs



1 Product Planning (Updates to business structure)

Product planning lies at the core of acquisitions, sales and the resolution of social issues



Founded as a business playing a role in generating revenue from non-real estate businesses
 As the first step, we acquired shares in CHIKISHINBUNSHA Co., Ltd. (TSE Growth: 2164) and offered advice on capital measures.

Objective

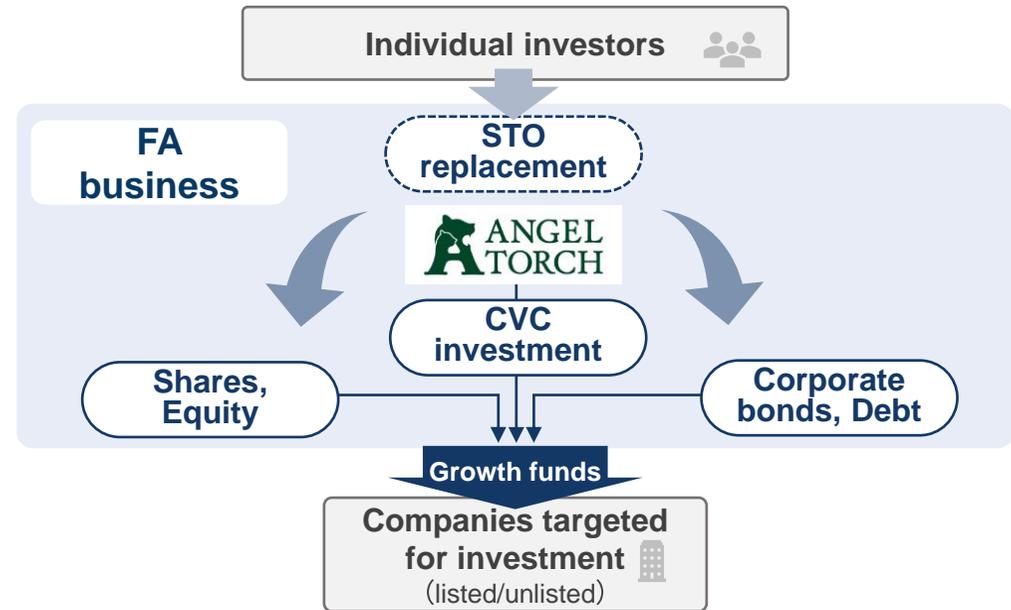
Aiming to create new financing schemes and markets

for unlisted companies and small- & medium-sized listed companies

Business description

- 1 Underwrite shares and subscription rights to shares (Self-investment)
- 2 Financial strategy advisory
 - Proposals for rights offerings
 - Proposals for STO stocks and STO corporate bond issuance
 - Proposals for financing using cloud funding through collaboration with partner companies
 - Proposals for privately offered corporate bond issuance in collaboration with partner companies

Wide-ranging expertise on financing is arranged and provided

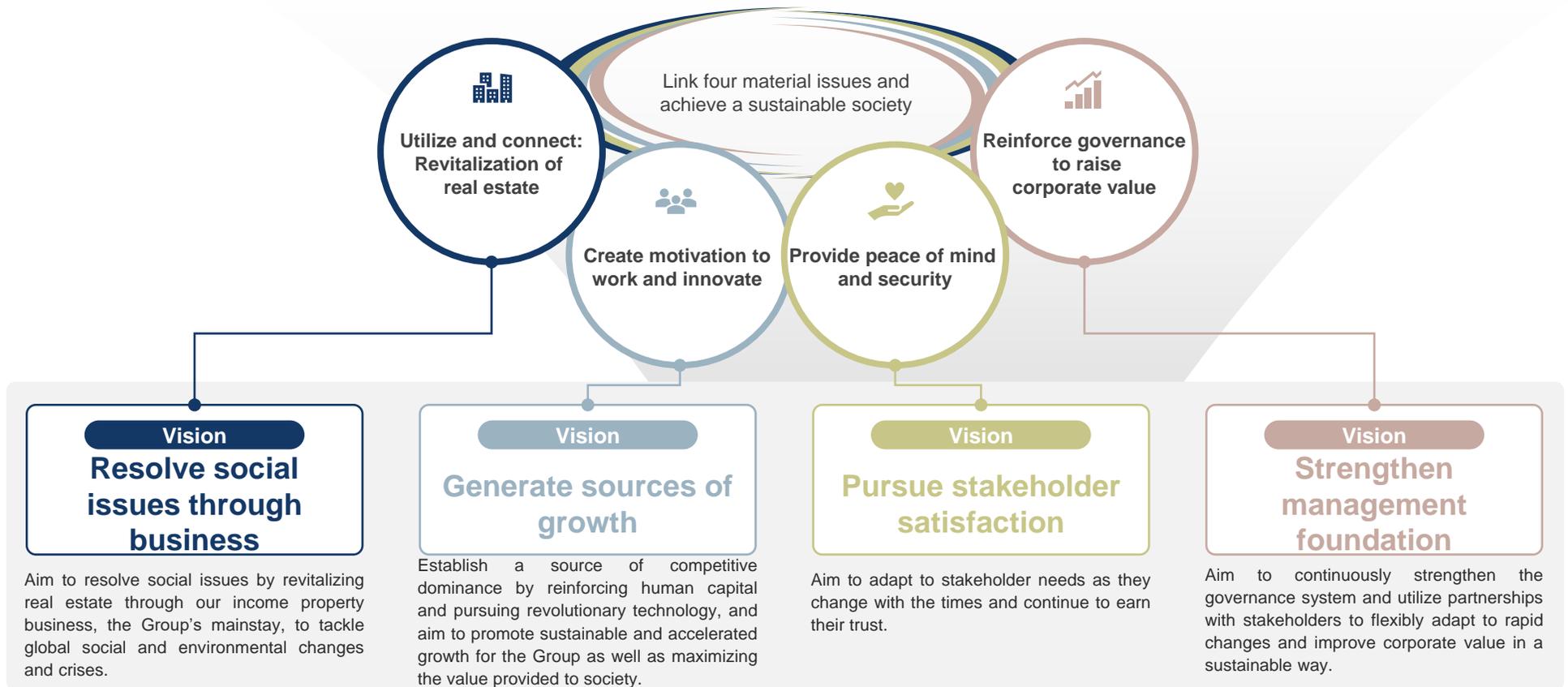


Anticipated effects

Improved ROIC
 &
 Resolution of social issues



Make the pursuit of sustainability a key part of management and identify materiality (important management issues) to aim for improved corporate value in the medium to long term



Aspiring to contribute to a sustainable society and maximize corporate value

Status of achievement of forecasts for fiscal year ended December 31, 2022

Forecasts for all income categories were exceeded
in the fiscal year ended December 31, 2022

(million yen)

	Fiscal year ended December 31, 2022 (Plan)	Fiscal year ended December 31, 2022 (Result)	Achievement rate
Net sales	30,000	27,856	92.9%
EBITDA	1,300	1,515	116.6%
Ordinary income	800	953	119.2%
Net income before taxes	800	910	113.8%
Net income *	450	527	117.2%

*Net income attributable to owners of parent

Overview of results plan for fiscal year ending December 31, 2023

The fiscal year ending December 31, 2023, the final year of the First Medium-term Management Plan, will bring to fruition the expertise built up to date and the Company's potential with a dramatic leap in growth (net income more than double the level in this period)

(million yen)

	Fiscal year ended December 31, 2022 (Result)	Fiscal year ending December 31, 2023 (Plan)	Year-on-year comparison
Net sales	27,856	40,000	43.6%
EBITDA	1,515	2,730	80.1%
Ordinary income	953	1,870	96.1%
Net income before taxes	910	2,000	119.7%
Net income *	527	1,200	127.6%

* Net income attributable to owners of parent

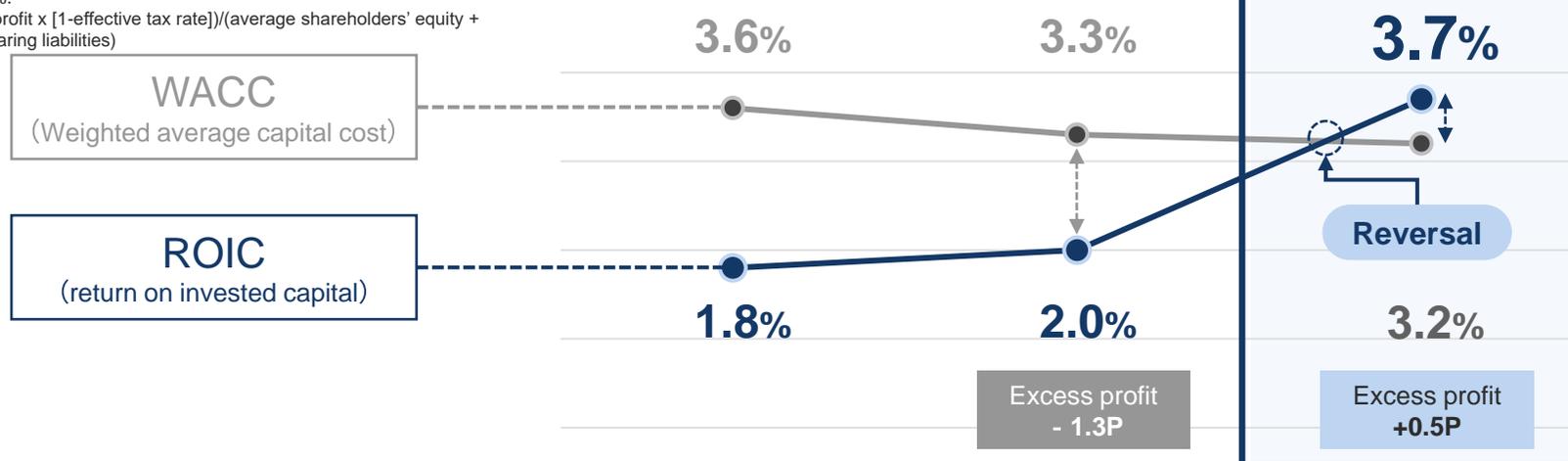
Generating excess profits

Excess profits are improving due to lower WACC and higher ROIC.
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

Given our earnings forecast that net income will be more than twice that in fiscal 2022, among other factors, we have set a forecast for annual dividends for the fiscal year ending December 31, 2023 of 8 yen (177% of fiscal 2022 levels).

	Annual dividends		
	Interim	Fiscal year-end	Total
Current forecast (fiscal year ending December 31, 2023)	3.50 yen	4.50 yen	8.00 yen
Actual in this fiscal year (year ended December 31, 2022)	0.00 yen	4.50 yen	4.50 yen
Actual in previous fiscal year (year ended December 31, 2021)	0.00 yen	3.50 yen	3.50 yen
Actual two fiscal years ago (year ended December 31, 2020)	0.00 yen	2.63 yen	2.63 yen

Reference: Trends in dividends (past five years)	FY2019/3	FY2020/3		FY2020/12	FY2021/12	FY2022/12
		Interim	Fiscal year-end			
Net income per share (yen)	2.01		1.69	6.77	7.22	11.32
Dividends per share (yen)	0.35	1.65	0.35	2.63	3.50	4.50
Dividend payout ratio (%)	17.4		118.3	38.8	48.5	39.8

* 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.

* The fiscal year ended December 31, 2020 was an irregular nine-month fiscal year, and the 2.63 yen in dividends paid is equivalent to 3.50 yen, the forecast for this fiscal year, when converted to a 12-month basis.

| 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 -----	6,232 million yen (as of December 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>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 December 31, 2022)

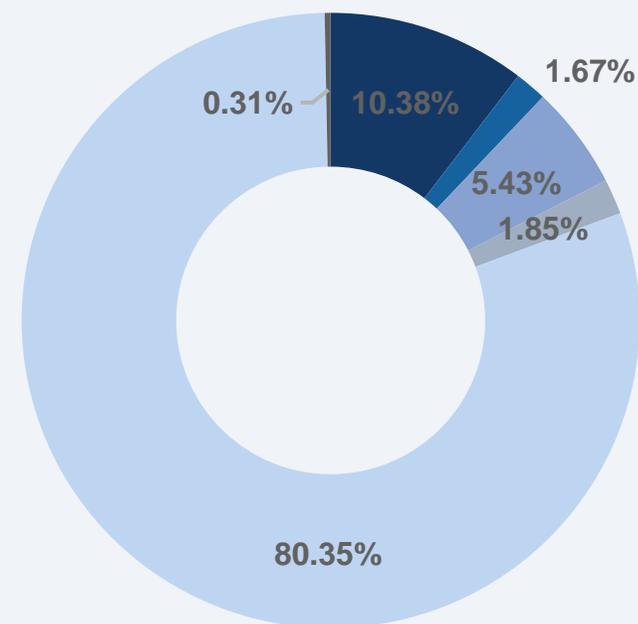
1 Number of issued shares **49,098,364 shares**

2 Number of shareholders **19,297** (shareholders with voting rights: 12,540)

3 Major shareholders (as shown in table below)

No.	Shareholder name	Percentage of shareholdings (excluding treasury stock)
1	Hideo Tanaka	10.04%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	5.34%
3	Liberty House Co., Ltd.	4.03%
4	The Master Trust Bank of Japan, Ltd. (Directors' Stock Compensation Trust)	3.53%
5	Custody Bank of Japan, Ltd. (Trust Account)	0.99%
6	Kazushi Imai	0.89%
7	Akio Ikegami	0.86%
8	SMBC Nikko Securities Inc.	0.70%
9	Hiroshi Sugawara	0.48%
10	Katsutoshi Hosoya	0.48%

4 Allocation by owner (as shown in diagram below)



- Financial institutions
- Financial instruments business
- Other corporate bodies
- Foreign corporate bodies
- Individuals, others
- Treasury stock

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)						
Net sales	10,735	15,733	18,969	22,299	24,861	24,687	16,840	24,961	27,856
Ordinary income	540	650	748	926	1,802	932	427	650	953
Net income	333	426	540	584	663	625	264	264	527
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216	14,817	15,857
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850	42,047	53,359
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682	28,926	41,476
Rental revenue	717	842	1,058	1,112	1,319	1,147	823	1,129	1,369
Rental revenue/ Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	4.9%	4.5%	4.9%
Number of employees	99	115	136	146	167	185	195	207	219

* 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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