

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

May 12, 2023

Name of listed company: A.D.Works Group Co., Ltd. Listed stock exchange: Tokyo Stock Exchange
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 Additional material of financial results: Yes
 Result meeting: No

(Millions of yen, rounded down)

1. Consolidated Results for the First Quarter of the Fiscal Year Ending December 31, 2023

(January 1, 2023– March 31, 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	%
First quarter, year ending December 31, 2023	6,887	7.4	435	70.3	279	27.2	251	85.2	224	157.7
First quarter, year ended December 31, 2022	6,413	2.4	255	(19.4)	219	(21.7)	135	(37.8)	87	(47.2)

(Notes) Comprehensive Income: 2023 1Q 141 million yen ((54.5)%) 2022 1Q 310 million yen ((24.0)%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
First quarter, year ending December 31, 2023	4.74	—
First quarter, year ended December 31, 2022	1.86	—

(Note) Net income per share on a diluted basis is not presented because there are no dilutive potential shares.

(2) Consolidated financial conditions

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
First quarter, year ending December 31, 2023	56,117	15,809	28.1
Fiscal year ended December 31, 2022	53,359	15,857	29.6

(Notes) Equity: 2023 1Q 15,755 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	—				
Fiscal year ending December 31, 2023 (forecast)		3.50	—	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

Q1 FY2023	49,098,364 shares	Fiscal year ended on December 31, 2022	49,098,364 shares
Q1 FY2023	1,625,436 shares	Fiscal year ended on December 31, 2022	1,882,487 shares
Q1 FY2023	47,401,705 shares	Q1 FY2022	46,570,178 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]

Index

1. Quarterly Consolidated Financial Statements	1
(1) Quarterly Consolidated balance sheets.....	1
(2) Quarterly Consolidated Profit and Loss Statement, and Consolidated Comprehensive Income Statement	3
(3) Notes for the quarterly consolidated financial statements	5
(Notes on the going concern assumption).....	5
(Notes on significant changes in amount of shareholders' equity).....	5
(Application of specific accounting methods when preparing quarterly consolidated financial statements).....	5

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated balance sheets

(Unit: Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	7,425,165	7,236,043
Accounts receivable - trade	148,602	240,789
Real estate for sale	37,351,103	39,724,692
Real estate for sale in process	4,137,456	4,692,944
Other	2,675,168	2,175,377
Allowance for doubtful accounts	(2,049)	(1,083)
Total current assets	51,735,446	54,068,764
Non-current assets		
Property, plant and equipment		
Other, net	156,881	184,850
Total property, plant and equipment	156,881	184,850
Intangible assets		
Goodwill	—	321,801
Other	84,960	93,622
Total intangible assets	84,960	415,424
Investments and other assets		
Investment securities	778,957	683,567
Deferred tax assets	320,219	323,344
Other	252,450	408,598
Total investments and other assets	1,351,627	1,415,511
Total non-current assets	1,593,469	2,015,786
Deferred assets		
Establishment costs	17,540	15,597
Bonds issuance cost	12,859	17,230
Total deferred assets	30,400	32,828
Total assets	53,359,316	56,117,379
Liabilities		
Current liabilities		
Accounts payable - trade	640,045	849,440
Short-term loans payable	71,000	350,000
Current portion of bonds	319,200	390,200
Current portion of long-term loans payable	3,774,842	4,540,506
Income taxes payable	60,271	59,746
Crowd funding and other deposits received	1,063,286	1,715,415
Provisions	—	42,642
Other	3,171,181	2,279,784
Total current liabilities	9,099,826	10,227,736
Non-current liabilities		
Bonds payable	719,100	949,700
Long-term loans payable	27,631,454	29,078,346
Other	51,100	52,054
Total non-current liabilities	28,401,654	30,080,100
Total liabilities	37,501,481	40,307,836

(Unit: Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Capital stock	6,232,142	6,232,142
Capital surplus	5,328,968	5,329,017
Retained earnings	3,952,281	3,963,811
Treasury shares	(295,680)	(256,107)
Total shareholders' equity	15,217,712	15,268,862
Accumulated other comprehensive income		
Foreign currency translation adjustments	581,748	486,084
Valuation difference on available-for-sale securities	(11,676)	541
Total accumulated other comprehensive income	570,072	486,626
Subscription rights to shares	21,334	23,601
Non-controlling interests	48,716	30,452
Total net assets	15,857,835	15,809,542
Total liabilities and net assets	53,359,316	56,117,379

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

Consolidated Profit and Loss Statement

First quarter of consolidated fiscal year

(Unit: Thousands of yen)

	Previous consolidated First quarter (January 1, 2022 - March 31, 2022)	Current consolidated First quarter (January 1, 2023 - March 31, 2023)
Net sales	6,413,892	6,887,429
Cost of sales	5,269,829	5,708,113
Gross profit	1,144,063	1,179,316
Selling, general and administrative expenses	924,479	900,093
Operating income	219,583	279,222
Non-operating income		
Interest and dividend income	2,460	5,839
Foreign exchange gains	1,618	112,337
Other	224	712
Total non-operating income	4,302	118,890
Non-operating expenses		
Interest expenses	71,032	117,878
Borrowing fee	5,780	18,861
Amortization of establishment costs	1,943	1,943
Other	9,534	8,254
Total non-operating expenses	88,292	146,937
Ordinary income	135,594	251,175
Extraordinary income		
Gain on sales of investment securities	—	25,933
Total extraordinary income	—	25,933
Quarterly net income before income taxes	135,594	277,109
Income taxes - current	48,363	52,070
Total income taxes	48,363	52,070
Quarterly net income	87,230	225,038
Quarterly net income attributable to non-controlling interests	—	267
Net income attributable to owners of parent	87,230	224,771

Consolidated Comprehensive Income Statement

First quarter of consolidated fiscal year

(Unit: Thousands of yen)

	Previous consolidated First quarter (January 1, 2022 - March 31, 2022)	Current consolidated First quarter (January 1, 2023 - March 31, 2023)
Quarterly net income	87,230	225,038
Other comprehensive income		
Valuation difference on available-for-sale securities	4,314	12,218
Foreign currency translation adjustments	219,323	(95,664)
Total other comprehensive income	223,638	(83,446)
Quarterly comprehensive income	310,869	141,592
(Breakdown)		
Comprehensive income attributable to owners of parent	310,869	141,325
Comprehensive income attributable to non-controlling interests	—	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 First 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.