

A.D.Works Group Co., Ltd.

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

November 17, 2022

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)

215 people

(as of September 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.



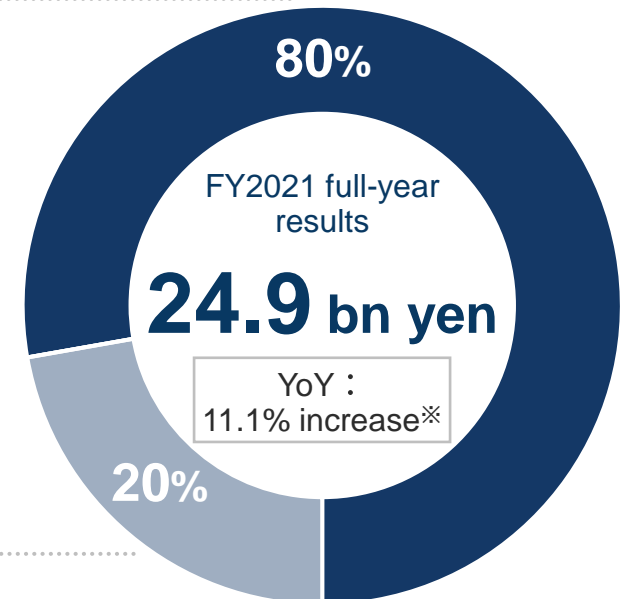
The Group comprises three business categories. With 24.9 billion yen in net sales in the previous fiscal year (11.1% increase over the year before that*), we are in a period of solid growth.

ADWG Group's business domains

1 Income property sales business

2 Stock-type fee business

3 New business
(CVC business, finance arrangement business,
REIT 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.

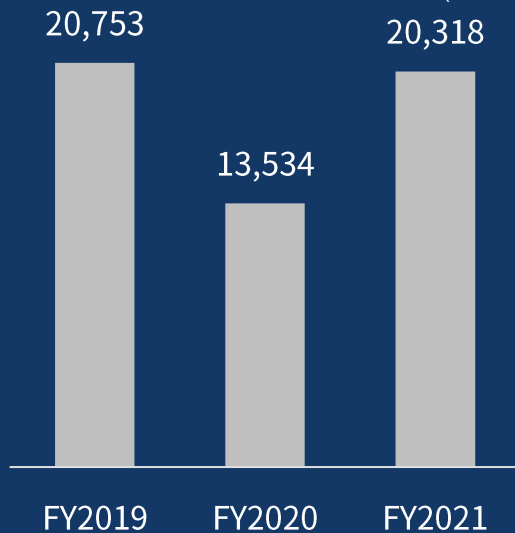
1 Income Property Sales Business

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

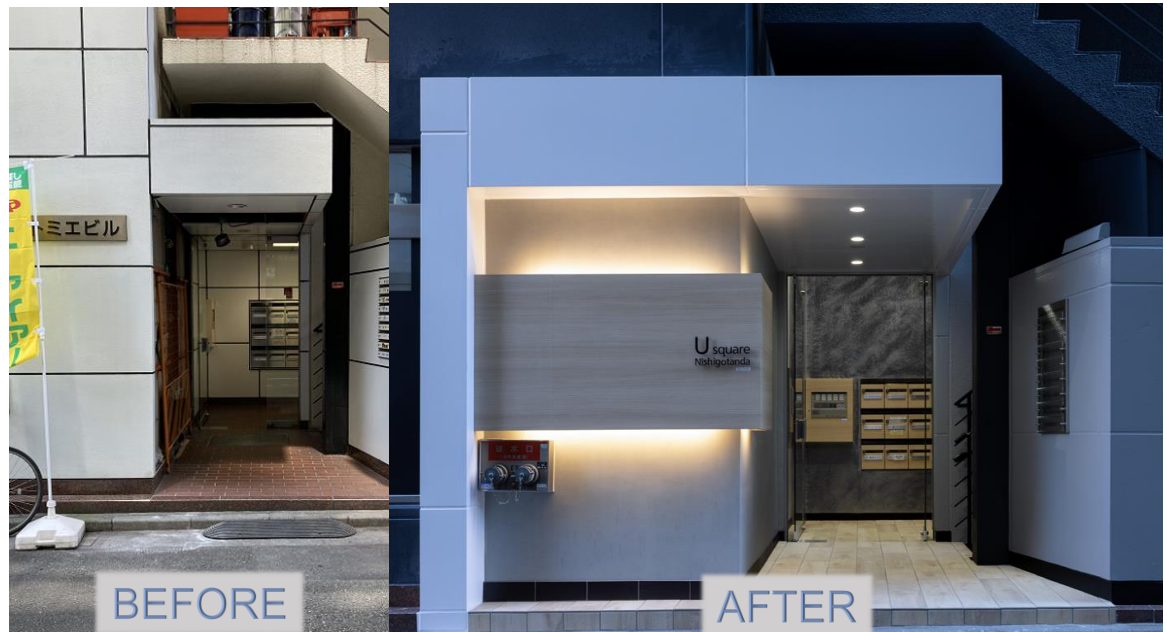
Strengths



Value-Add Strategy

Example of value-added project

Gotanda Project



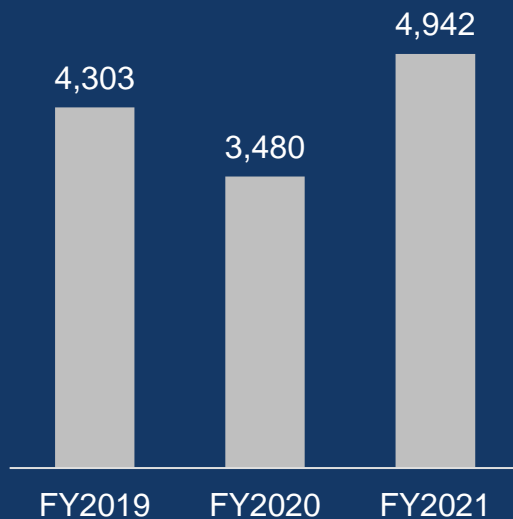
2 Stock-type Fee Business

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)



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

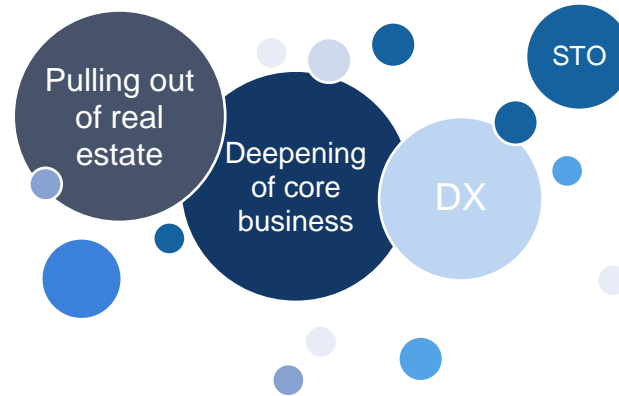
We provide multi-faceted asset consulting through private consulting, such as real estate appraisal and real estate utilization consulting, and support customers' real estate investments over a long time span extending across lifetimes.

* 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.

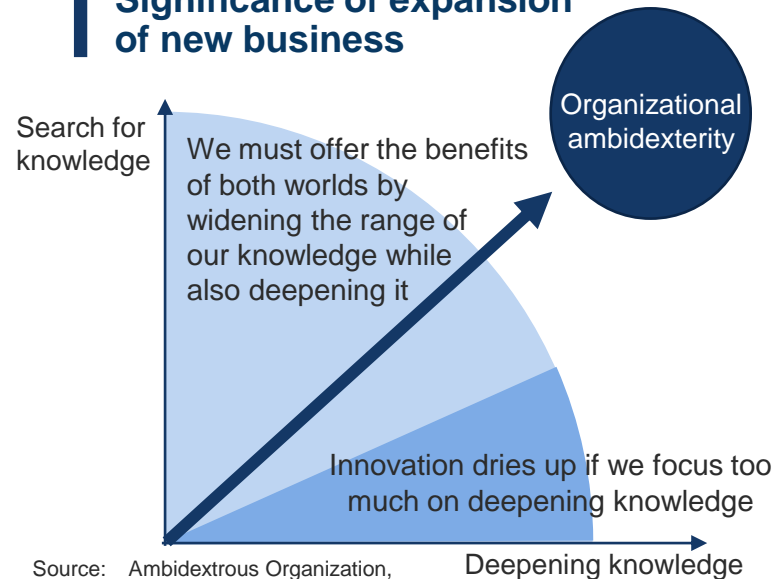
Spread of new business



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 Third Quarter of Fiscal Year Ending in December 2022

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Summary of Q3 FY2022

The Income Property Sales business in Japan drove earnings, and ordinary income is already equivalent to 99.4% of the full-year plan.

However, in domestic property acquisition, we will ramp up progress further, while carefully selecting properties.

| |  Acquisitions |  Revenue from sales |  Stock-type fee sales |
|---|--|--|--|
| Japan | 15 buildings | 15.9 bn yen | 14 buildings |
| | 16.3 bn yen | 3.1 bn yen | |
| | Last year: 16 buildings | Last year: 14.6 bn yen | Last year: 18 buildings |
| | | | Last year: 13.3 bn yen |
| | | | Last year: 2.7 bn yen |
| We succeeded in selling properties in the 1–2 billion yen scale, and revenue from sales are expanding steadily. | | | |
| Overseas | 11 buildings | 3.3 bn yen | 1 building ^{※1} |
| | 3.3 bn yen | 0.73 bn yen ^{※2} | 1.2 bn yen |
| | Last year: 3 buildings | Last year: 0.78 bn yen | Last year: 5 buildings |
| | | | Last year: 1.2 bn yen |
| | | | Last year: 0.90 bn yen |
| Renovations on the properties acquired in H1 have been gradually completed, and we have started sales activities with the aim of posting the sales in Q4. | | | |
| New Business | We have started a finance arrangement business to make our goal of generating revenue from non-real estate businesses a reality. | | |

※1: Sales of townhouses in LA housing development business

※2: Including the impact of FX fluctuations

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

An improvement in the profit rate for income property sales in Japan was a strong driver for profit indicators.

Proactive property acquisitions that took the needs of promising buyers into account, based on the property characteristics, helped to improve sales efficiency.

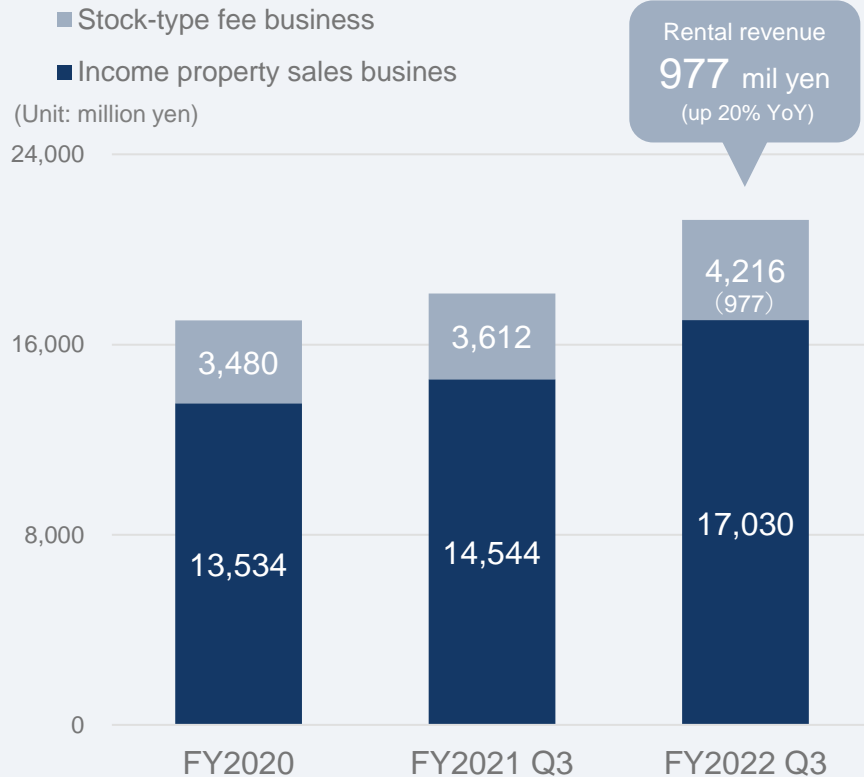
(Unit: million yen)

| | FY2022 Q3 | Comparison to same period in previous year (Y on Y) | |
|---------------------|--------------|---|-------|
| | | FY2021 Q3 | YoY |
| Net sales | 21,048 | 17,944 | 17.3% |
| Gross profit | 4,016 | 3,275 | 22.6% |
| SG&A | 2,928 | 2,658 | 10.1% |
| EBITDA | 1,191 | 725 | 64.3% |
| Ordinary income | 794 | 417 | 90.6% |
| Income before taxes | 794 | 417 | 90.6% |
| Net income ※ | 476 | 277 | 71.8% |

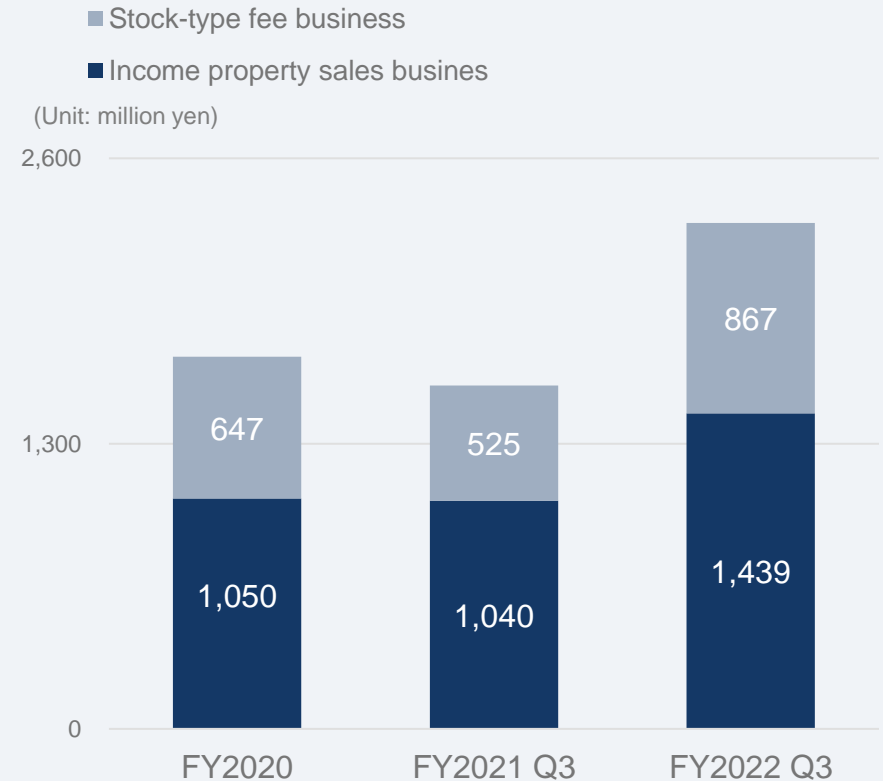
※Net income attributable to owners of parent.

Income increased steadily for both the sales business and stock-type fee business. Of 4.2 billion yen in fee sales, rental revenue, which is a stable source of revenue, totaled 970 million yen, up 20.8% over the previous year.

Fluctuations in net sales (by segment)



Fluctuations in EBITDA (by segment)



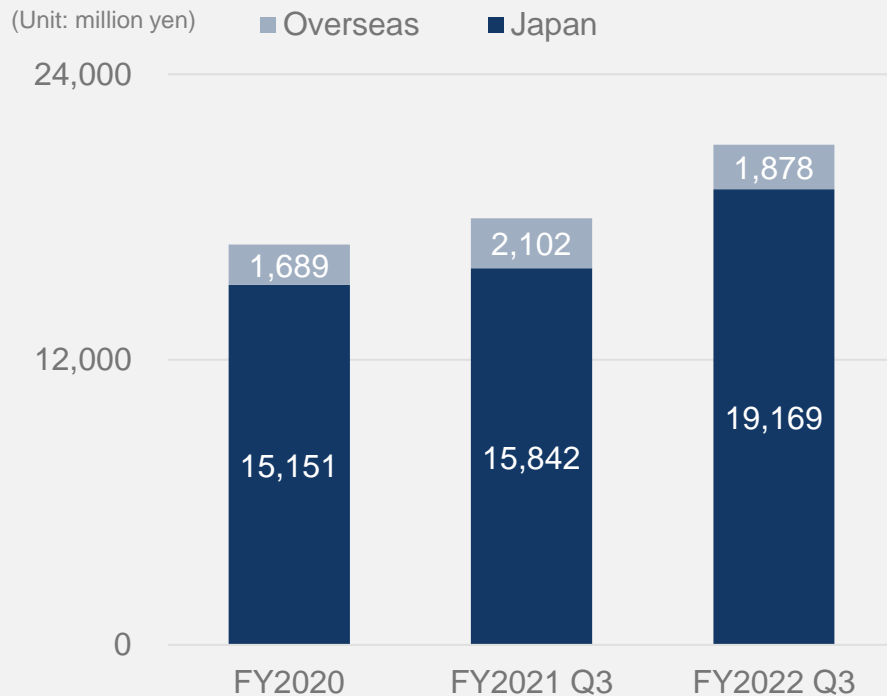
※FY2020 was an irregular nine-month financial period, and figures for the full year (April–December) are shown here.

※The figures shown here include figures related to internal transactions.

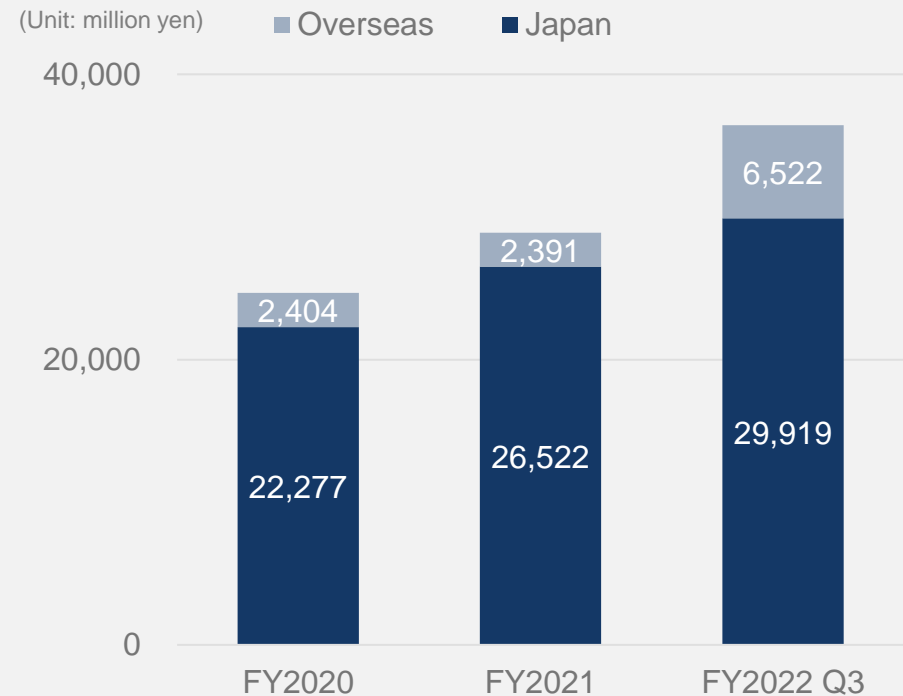
Japan : Since the balance increased at a faster pace, a sales management system was introduced in advance.

Overseas : The balance steadily increased. We focused on commercialization and sales, and aimed to increase sales in Q4.

Fluctuations in net sales (by region)



Fluctuations in balance of income properties (by region)



Overview of Consolidated Balance Sheet

Exercise of new share warrants (third-party allocation), issued in September 2020, was completed (total of 1.4 billion yen was raised) .

In tandem with the diversification of debt-type financing, an increase in the balance of income properties was supported with funding.

As of end-September 2021

(Unit: million yen)

| | |
|---------------------------------|-----------------------------------|
| Cash and deposits 7,303 | Current liabilities 6,402 |
| Other current assets 32,248 | Non-current liabilities 20,095 |
| Non-current assets, etc.: 1,352 | Net assets 14,405 |

Total assets: 40,904 million yen

As of end-September 2022

(Unit: million yen)

| | |
|---------------------------------|-----------------------------------|
| Cash and deposits 6,709 | Current liabilities 7,753 |
| Other current assets 38,852 | Non-current liabilities 23,405 |
| Non-current assets, etc.: 1,744 | Net assets 16,147 |

Total assets: 47,306 million yen

Progress with Financial Results for Fiscal Year Ending in December 2022

Overview of financial results for fiscal year ending in December 2022

Income has already achieved over 90% of the forecast, but quarterly earnings fluctuate and we will scrupulously move ahead with plans.

Looking ahead to the next fiscal year and beyond, we will continue to expand our balances to stabilize our revenue base.

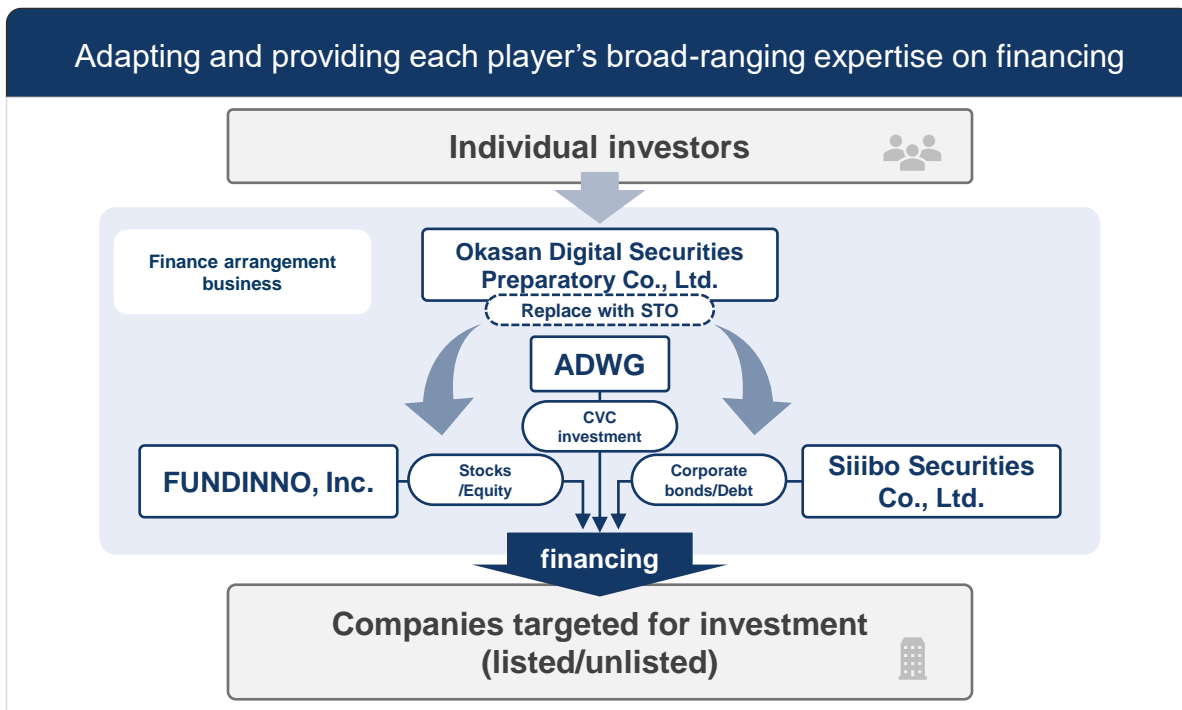
(Unit: million yen)

| | FY2022 Q3 | FY2022 Full-year forecast | Rate of progress |
|---------------------|--------------|------------------------------|------------------|
| Net sales | 21,048 | 30,000 | 70.2% |
| Gross profit | 4,016 | - | - |
| SG&A | 2,928 | - | - |
| EBITDA | 1,191 | 1,300 | 91.7% |
| Ordinary income | 794 | 800 | 99.4% |
| Income before taxes | 794 | 800 | 99.4% |
| Net income※ | 476 | 450 | 105.8% |

*Net income attributable to owners of parent.

| New Topics

As the first project in our finance arrangement business, we began advising Chiikishinbunsha Co., Ltd. on its capital policies.



Business description

Advice on capital policies, including financing, provided to small- and medium-sized companies (listed and unlisted)

Characteristics

The financing-related expertise and services of the ADW Group and emerging players are adapted according to client companies' needs.

Specific projects

We acquired 32% of the shares of Chiikishinbunsha Co., Ltd. (Tokyo Stock Exchange Growth: 2164) and gave advice on capital policies as our first project.

Start of the finance arrangement business

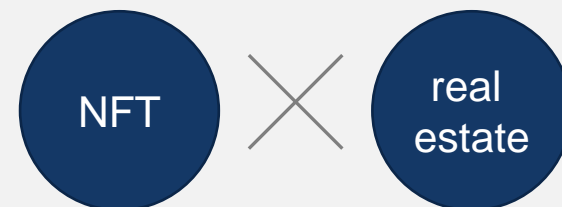
Start of research on NFT × real estate through investments in RECIKA Co., Ltd.



| | | | |
|-----------------------|---|----------------------|------------------|
| Company name | RECIKA Co., Ltd. | Capital | 50 million yen |
| Representative | Chris Dai, CEO | Establishment | December 1, 2018 |
| Business | <ul style="list-style-type: none"> - Blockchain development consulting for business use - “livesola” livestreaming/content sales service - “UniCask,” a whisky cask ownership management/transaction service (joint venture with Japan Import Systems) | | |



New DAO (community) for NFT × real estate
created with Web 3.0 and the Metaverse



Searching for the possibilities NFT
offers the real estate market and
opportunities for value creation

A total of 900 million yen was financed from five regional banks through the issuance of private placement bonds

Five banks that issued private placement bonds (cumulative total for FY2022)

Tsukuba Bank, Ltd.

300
million yen
April 25, 2022

The Higo Bank, Ltd.

100
million yen
June 30, 2022

The Tokushima
Taisho Bank Ltd.

200
million yen
July 29, 2022

The Bank of Saga
Ltd.

100
million yen
August 31, 2022

The Musashino
Bank, Ltd.

200
million yen
October 25, 2022

※ Listed in order of issue date from top left

Amount raised

Financing utilizing private placement bonds issued by five regional banks

900 million yen **A total of**

Two strategic implications

1

Group's promotion of SDG management

Corporate bonds were issued as part of the promotion of SDG management. The mainstay income property business is socially significant in that it maximizes the potential of real estate with impressive discernment and the ability to plan products. With this aggressive expansion, we aim to help build up ESG investment.

2

Diversification of financing methods with weight on debt-type financing

We aim to bring ROIC (return on invested capital) to levels exceeding WACC (weighted average capital costs) to transition to a management approach that will generate excess profit.

| 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 September 30, 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 September 30, 2022)

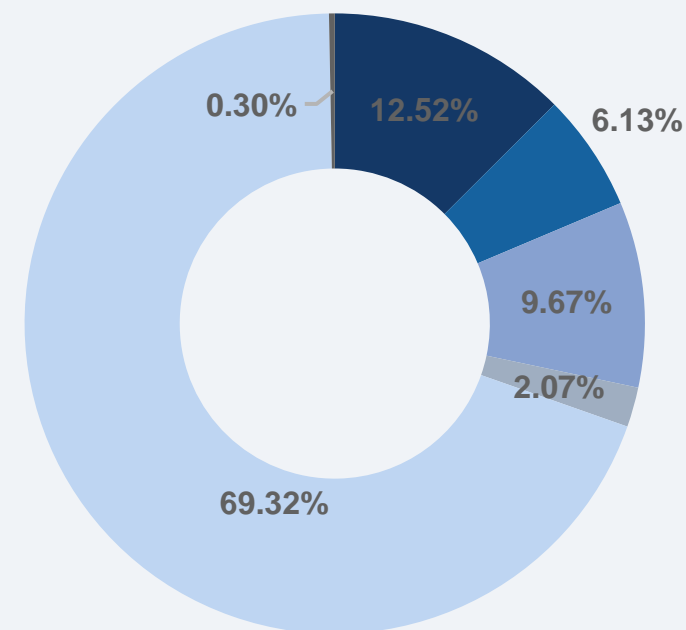
1 Number of issued shares **49,098,364 shares**

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 | 8.41% |
| 2 | The Master Trust Bank of Japan, Ltd. (Trust Account) | 6.36% |
| 3 | Liberty House Co., Ltd. | 4.03% |
| 4 | The Master Trust Bank of Japan, Ltd. (Directors' Stock Compensation Trust) | 3.98% |
| 5 | Milestone Capital Management Co., Ltd. | 2.66% |
| 6 | The Tokyo Tanshi Co., Ltd. | 1.92% |
| 7 | SBI SECURITIES Co., Ltd. | 1.75% |
| 8 | SMBC Nikko Securities Inc. | 1.64% |
| 9 | Custody Bank of Japan, Ltd. (Trust Account) | 1.37% |
| 10 | Kazushi Imai | 0.89% |

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) | (Full year) | (Full year) | (Full year) | (Full year) | (Full year) | (Q3) |
| Net sales | 10,735 | 15,733 | 18,969 | 22,299 | 24,861 | 24,687 | 16,840 | 24,961 | 21,048 |
| Ordinary income | 540 | 650 | 748 | 926 | 1,802 | 932 | 427 | 650 | 794 |
| Net income | 333 | 426 | 540 | 584 | 663 | 625 | 264 | 264 | 476 |
| Net assets | 5,478 | 5,842 | 6,415 | 10,152 | 11,947 | 13,005 | 13,216 | 14,817 | 16,147 |
| Total assets | 16,681 | 17,925 | 25,832 | 30,801 | 30,625 | 35,468 | 35,850 | 42,047 | 47,306 |
| Balance of income properties | 12,931 | 14,551 | 20,318 | 22,376 | 21,229 | 23,118 | 24,682 | 28,926 | 36,441 |
| Rental revenue | 717 | 842 | 1,058 | 1,112 | 1,319 | 1,147 | 823 | 1,129 | 977 |
| Rental revenue/ Sales ratio (%) | 6.7% | 5.4% | 5.6% | 5.0% | 5.3% | 4.6% | 4.9% | 4.5% | 4.6% |
| Number of employees | 99 | 115 | 136 | 146 | 167 | 185 | 195 | 207 | 215 |

* 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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