

A.D.Works Group Co., Ltd.

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

November 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)

239 people

(as of September 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.



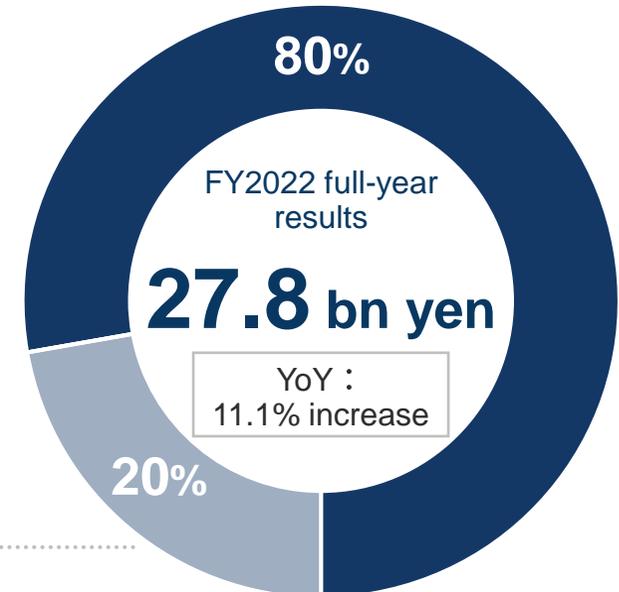
The Group comprises three business categories. With 27.8 billion yen in net sales in the previous fiscal year (11.1% increase over the year before that), we are in a period of solid growth.

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

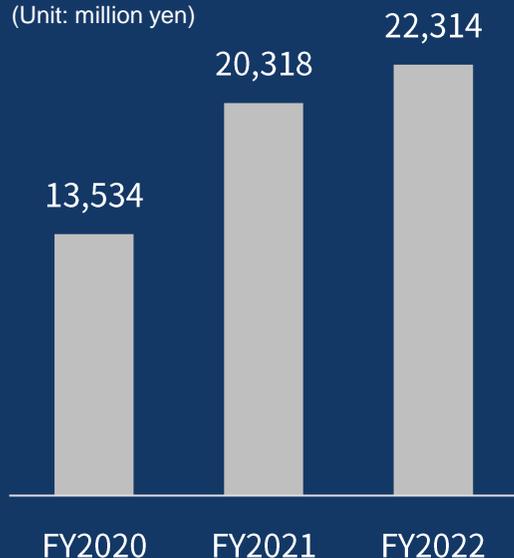
1 Income Property Sales Business

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



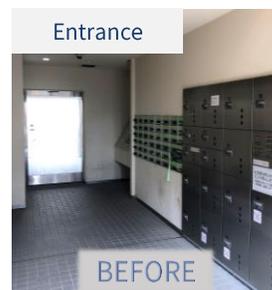
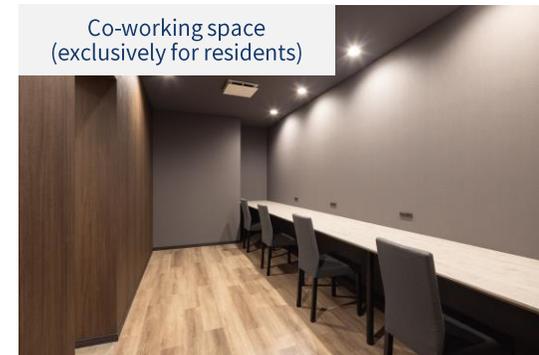
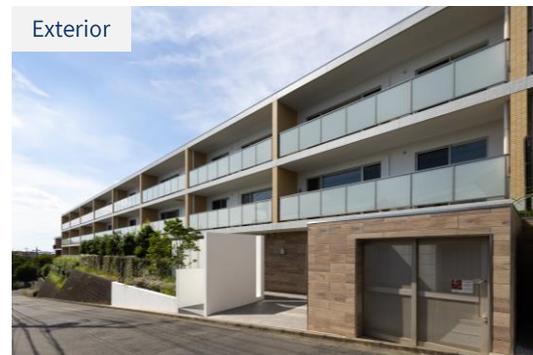
Focus on the Tokyo metropolitan area, Kansai metropolitan area and Los Angeles, California

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.

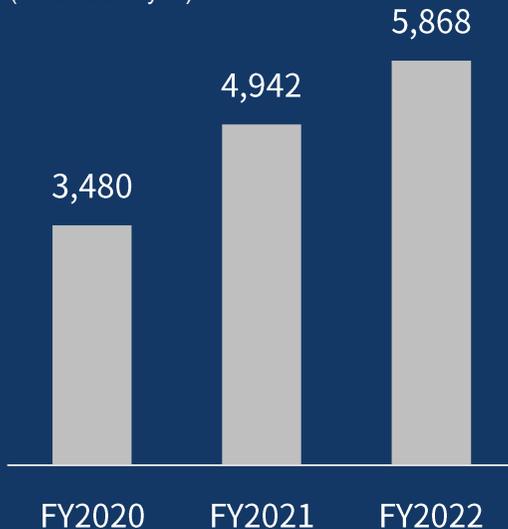
2 Stock-type Fee Business

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.

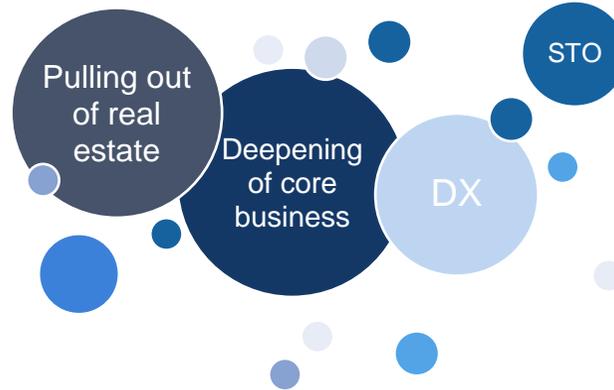
Examples of creation of new businesses

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.

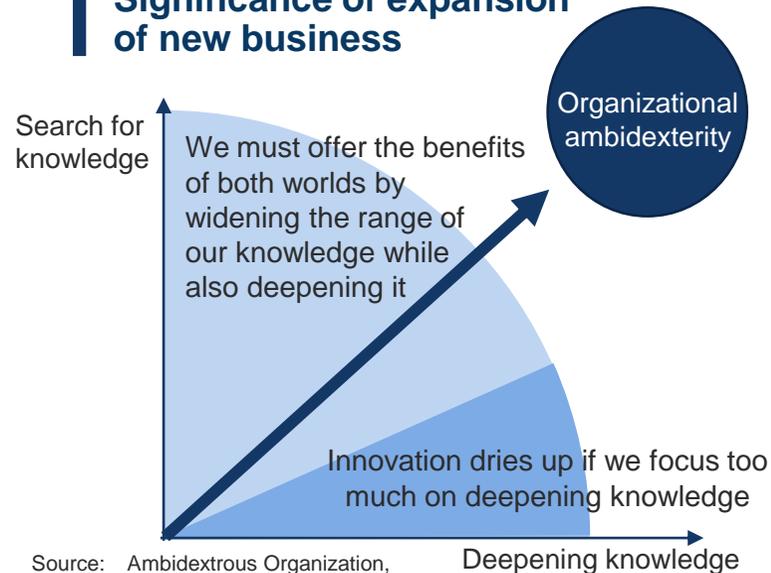
Spread of new business



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 Third Quarter of Fiscal Year Ending in December 2023

Net income reached 87.0% of the full-year plan.

We made solid progress with a view to achieving the final fiscal year targets of the first medium-term management plan.

	 Acquisitions	 Revenue from sales	 Stock-type fee sales
Japan	21 buildings	20.3 bn yen	17 buildings
	22.5 bn yen	3.3 bn yen	
	Last year: 15 buildings	Last year: 15.9 bn yen	Last year: 14 buildings
		Last year: 16.3 bn yen	Last year: 3.1 bn yen
<p>Expanded transactions with institutional investors. Aim to continue transactions through in-depth sales activities.</p>			
Overseas	4 buildings	8.8 bn yen	3 building
	1.0 bn yen	1.2 bn yen	
	Last year: 11 buildings	Last year: 3.3 bn yen	Last year: 1 build. + 3 units
		Last year: 0.73 bn yen	Last year: 1.2 bn yen
<p>Continue to closely monitor U.S. interest rate trends. Focus on commercializing our property holdings, including development projects.</p>			
New Business	<p>Started joint research with Associate Professor Shumpei Iwao of Keio University on new business creation using AI.</p>		

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

Following the significant progress made in Q2, net income remained more than double in Q3 compared to the previous year.

Sales grew due to higher operating efficiency from increased property scale, while SG&A levels maintained.

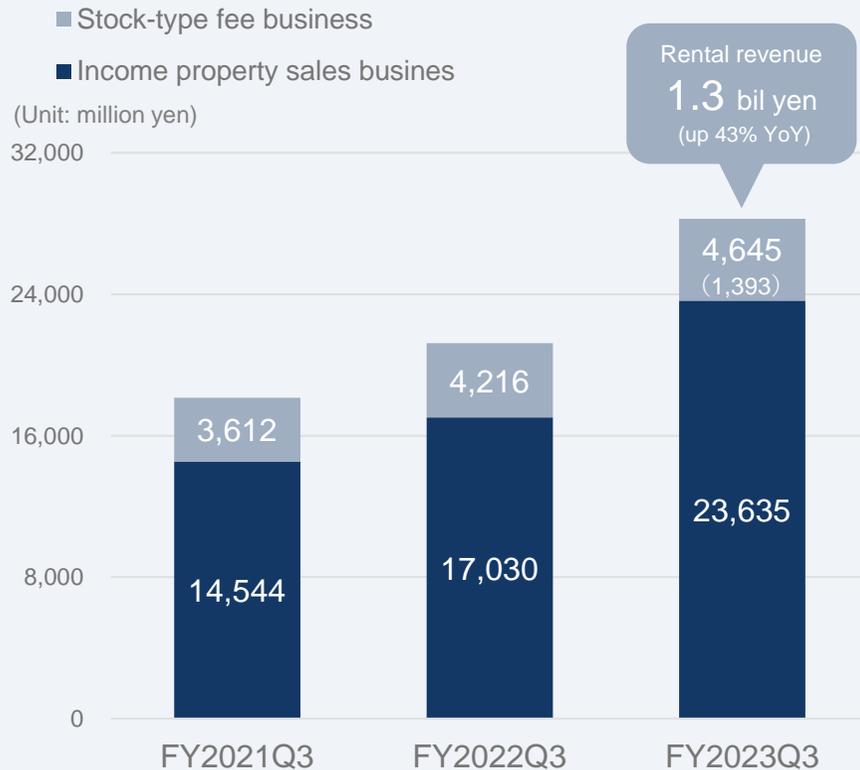
(Unit: million yen)

	FY2023 Q3	Comparison to same period in previous year (Y on Y)	
		FY2022 Q3	YoY
Net sales	27,977	21,048	32.9%
Gross profit	4,794	4,016	19.4%
SG&A	2,997	2,928	2.3%
EBITDA	2,086	1,191	75.1%
Ordinary income	1,488	794	87.3%
Income before taxes	1,552	794	95.4%
Net income ※	1,043	476	119.2%

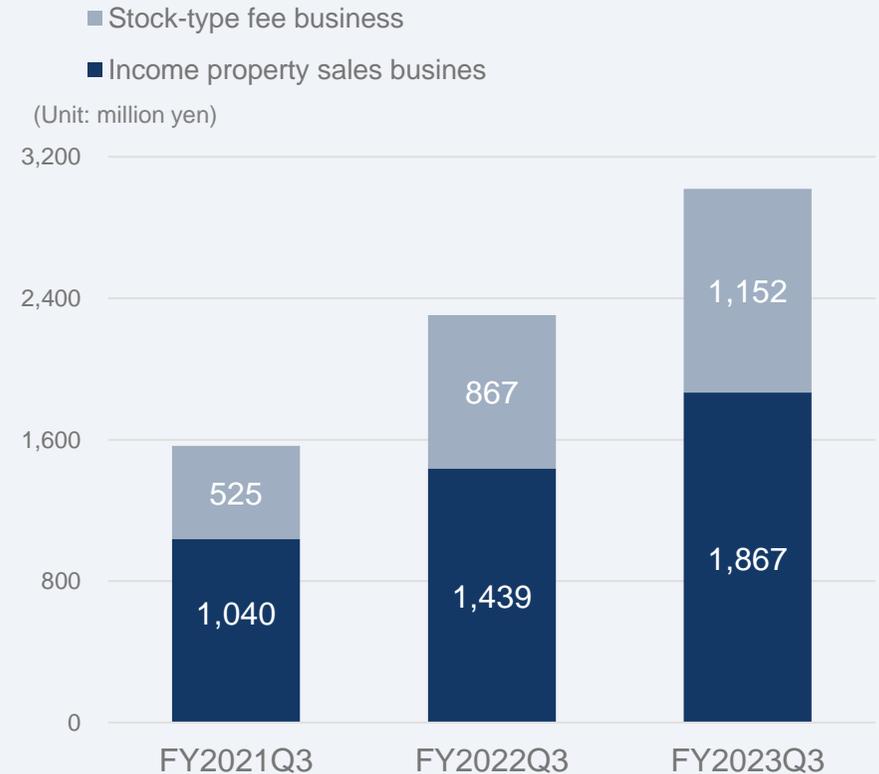
※Net income attributable to owners of parent.

Both segments steadily expanded earnings as the balance of income properties expanded.
Rental revenue exceeded 1.3 billion yen as of Q3, surpassing the previous year's total.

Fluctuations in net sales (by segment)



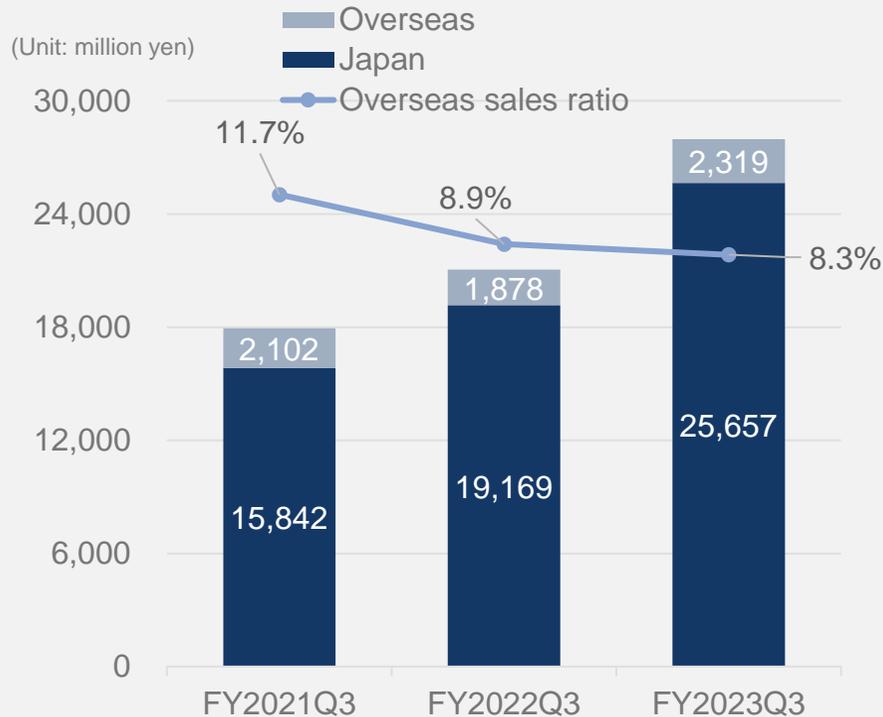
Fluctuations in EBITDA (by segment)



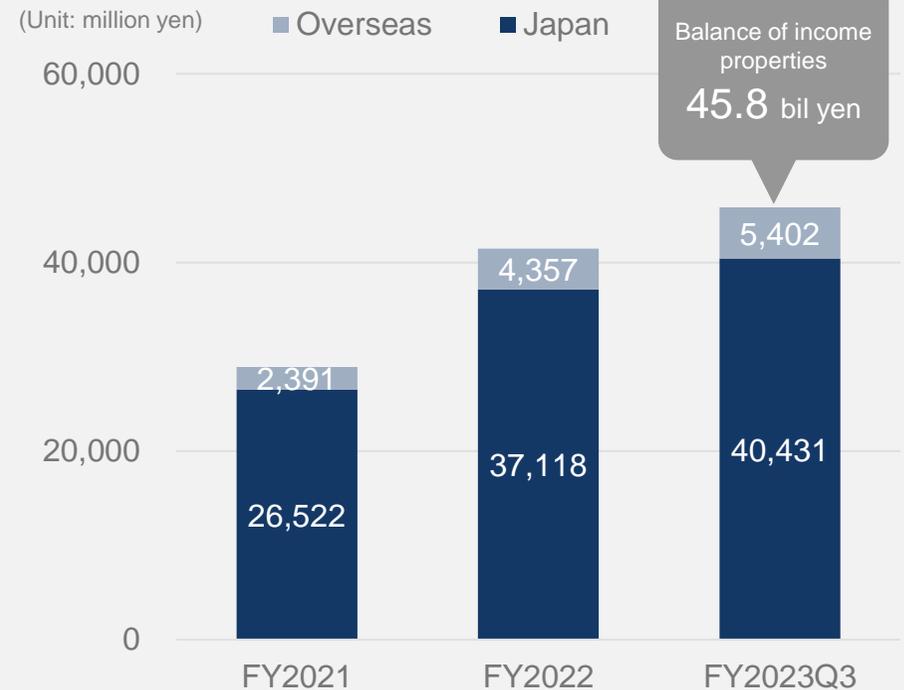
Japan: Successful approach to institutional investors resulted in a bulk transaction of 4 properties worth 4.8 billion yen.

Overseas: Stable income from management commissions and other fees supported earnings.

Fluctuations in net sales (by region)



Fluctuations in balance of income properties (by region)

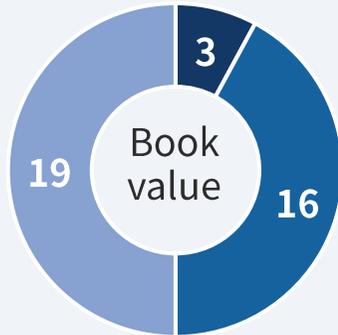


Breakdown of balance of income properties(number of buildings)

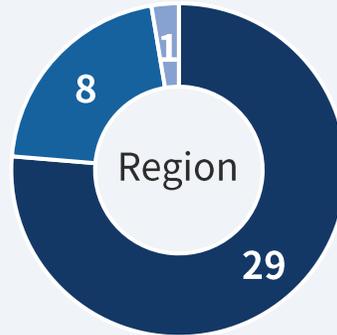
Property holdings in Japan continue to increase in scale.

Acquisitions and sales transactions in Japan in Q3 were primarily residential properties.

Japan (Total 38 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 13 buildings)



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



- Los Angeles
- Hawaii



- Residential



- In development
- Other than development

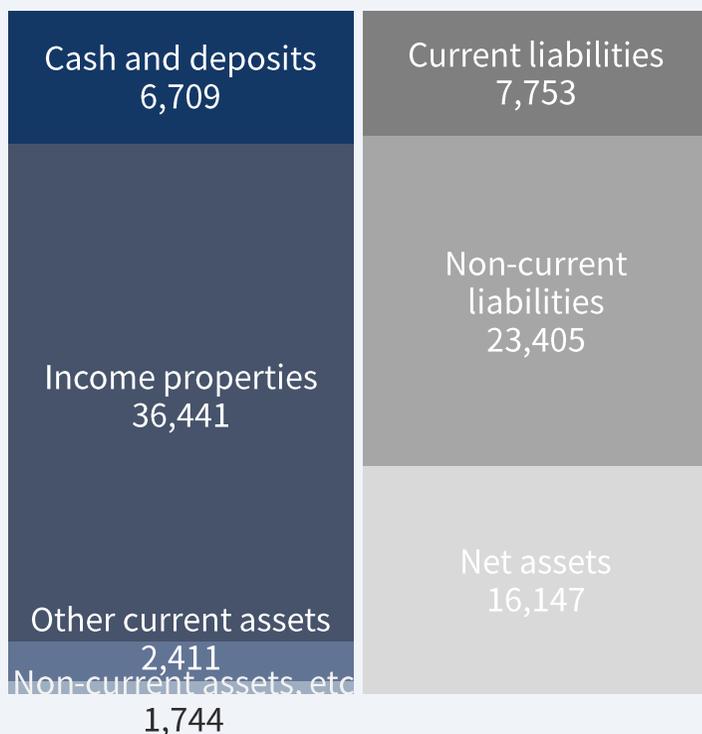
Overview of Consolidated Balance Sheet

Property-secured loans increased as the property balance expanded,
resulting in an equity ratio of 27.9%.

Rental revenue from our property holdings contributed to maintaining financial stability.

As of end-September 2022

(million yen)



Total assets: 47,306 million yen

As of end-September 2023

(million yen)



Total assets: 60,603 million yen

Progress with Financial Results for Fiscal Year Ending in December 2023

Overview of financial results for fiscal year ending in December 2023

Net income, which was expected to grow more than double compared to the previous fiscal year during the fiscal year ending December 31, 2023, the final year of the First Medium-Term Management Plan, progressed to 87.0% in Q3.

(Unit: million yen)

	FY2023 Q3	FY2023 Full-year forecast	Rate of progress
Net sales	27,977	40,000	69.9%
Gross profit	4,794	-	-
SG&A	2,997	-	-
EBITDA	2,086	2,730	76.4%
Ordinary income	1,488	1,870	79.6%
Income before taxes	1,552	2,000	77.6%
Net income※	1,043	1,200	87.0%

*Net income attributable to owners of parent.

Trend in Domestic Sales and Property Acquisitions in Third Quarter of the Fiscal Year

Both sales and property acquisitions continued to reach record highs in Q3.

We expanded steadily toward achieving the full-year plan and growth in the next fiscal year.

Fluctuations in sales amount in japan

(Unit: million yen)



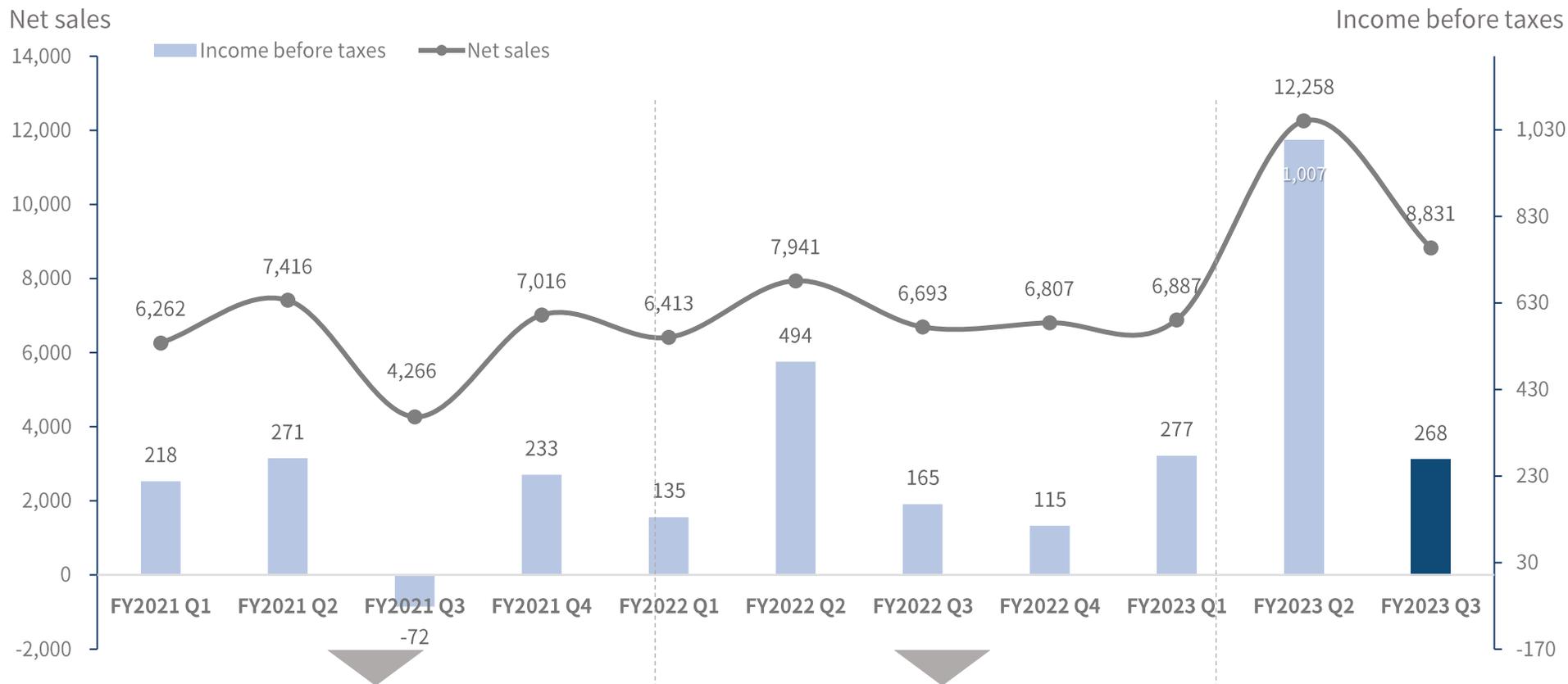
Fluctuations in property acquisitions in japan

(Unit: million yen)



Trend in quarterly consolidated financial results

Full-year plan remains unchanged as we did not level earnings by quarter due to the impact of increased property scale and other factors.



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

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

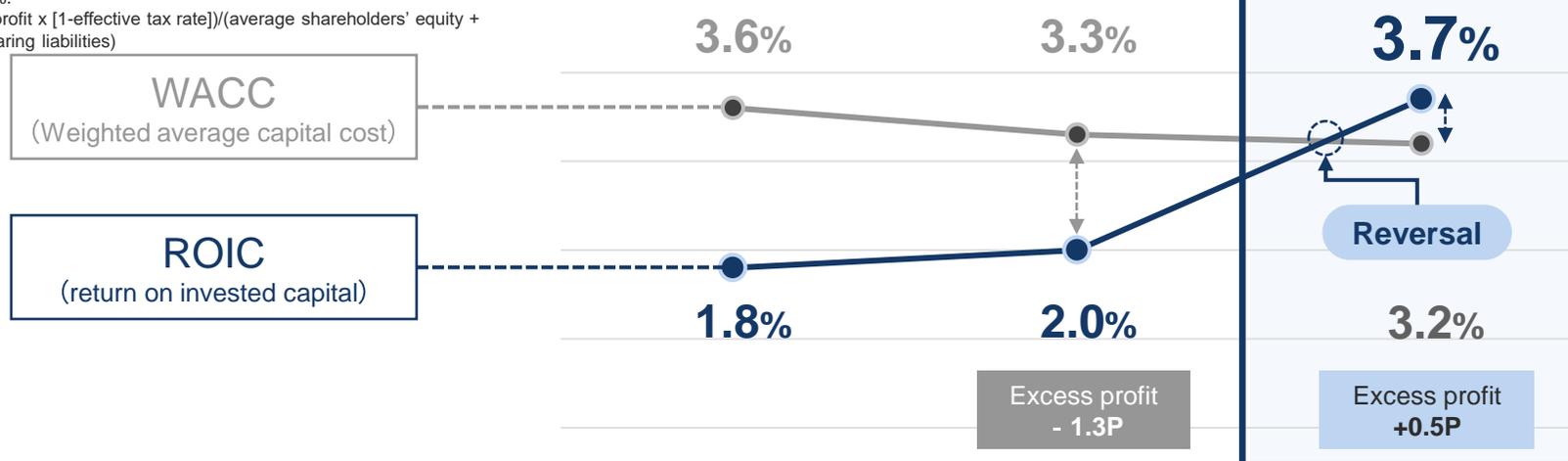
Generating excess profits

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)



| 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 -----	6,249 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 September 30, 2023)

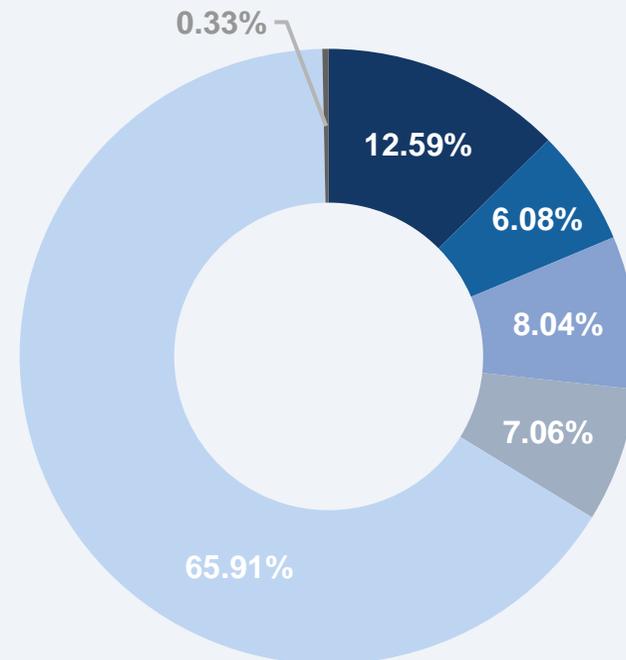
1 Number of issued shares **49,292,764 shares**

2 Number of shareholders **20,852** (shareholders with voting rights: 14,339)

3 Major shareholders (as shown in table below)

No.	Shareholder name	Percentage of shareholdings (excluding treasury stock)
1	Hideo Tanaka	10.18%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	7.05%
3	Liberty House Co., Ltd.	4.01%
4	SBI SECURITIES Co.,Ltd.	3.73%
5	The Master Trust Bank of Japan, Ltd. (Directors' Stock Compensation Trust)	2.99%
6	Ueda Yagi Securities Co., Ltd.	2.80%
7	Custody Bank of Japan, Ltd. (Trust Account)	1.75%
8	BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M ILM FE (Standing proxy: MUFG Bank, Ltd.)	1.16%
9	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (Standing proxy: MUFG Bank, Ltd.)	1.03%
10	BNY FOR GCM RE GASBU (Standing proxy: MUFG Bank, Ltd.)	0.99%

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	Year ending December 31, 2023
	(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	27,856	27,977
Ordinary income	540	650	748	926	1,802	932	427	650	953	1,488
Net income	333	426	540	584	663	625	264	312	527	1,043
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216	14,817	15,857	16,938
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850	42,047	53,359	60,603
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682	28,926	41,476	45,833
Rental revenue	717	842	1,058	1,112	1,319	1,147	823	1,129	1,369	1,393
Rental revenue/ Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	4.9%	4.5%	4.9%	5.0%
Number of employees	99	115	136	146	167	185	195	207	219	239

* 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.

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