



# IR Briefing Materials: Year Ended December 31, 2020

**February 26, 2021**  
**A.D.Works Group Co., Ltd.**  
**TSE 1st Section: 2982**  
<https://www.adwg.co.jp/>

Introduction: A.D.Works Group Co., Ltd. was established as a wholly-owning parent company as a result of the shift to a holding company structure through sole share transfer on April 1, 2020. As this will be the first fiscal year since the Group was established, in these materials, comparisons to the same period in the previous fiscal year and the end of the previous fiscal year have been made with A.D.Works 94th fiscal year (April 1, 2019 to March 31, 2020), given that there were essentially no changes to the scope of consolidation. A.D.Works' financial results are used for comparisons for the fiscal year ended on March 31, 2020 (FY2019) and in previous fiscal years.

<b>I</b>	Summary of the Year Ended December 31, 2020	P.2 - P.8
<b>II</b>	Overview of the Year Ended December 31, 2020	P.9 - P.16
<b>III</b>	Consolidated Business Plan for Fiscal Year Ending December 31, 2021	P.17 - P.20
<b>IV</b>	Reference Materials (About the Equity Finance)	P.21 - P.23
<b>V</b>	Reference Materials (Company Profile, Shareholder Composition, Trends in Consolidated Results)	P.24 - P.27

# I - Summary of the Year Ended December 31, 2020

# I -1. Summary of the Year Ended December 31

(Units: Millions yen)	FY2019 (ended March31, 2019)		FY2020 (ended December31, 2020)		Full-year plan progress
	Amount	% of sales	Amount	% of sales	
Net Sales	16,000	100.0%	16,840	100.0%	+105.3%
EBITDA	680	4.3%	759	4.5%	+111.7%
Ordinary income	400	2.5%	427	2.5%	+106.8%
Pre-tax income	400	2.5%	432	2.6%	+108.2%
Net income	255	1.6%	264	1.6%	+103.9%

- In Q1, marketing activities were restricted due to the effects of the growing COVID-19 outbreak.
- From Q2, all indicators surpassed full-year Consolidated business plan, making up for the poor results in Q1.

Topic  
1

## Results surpassed initial forecasts

- All indicators stabilized at levels over plan, making up for poor results in Q1.

Topic  
2

## Progress in establishing foundation for mainstay business

- Sales of large-scale properties, which have been a major focus in recent years, drove earnings.
- Ability to acquire properties improved due to greater organizational strengths.

Topic  
3

## Promotion of new initiatives

- Diversification of product plans (providing co-working spaces)
- Full-fledged development of business in Hawaii
- Consideration of financing using crowdfunding
- Entry into corporate venture capital business

## ■ Diversification of product plans



Exterior view

### U-Place Shimokitazawa (Group property)

Part of the floor space is offered as co-working space

- B1,1F Co-working space, meeting rooms
- 2F Office floor
- 3F~5F Rental housing

To meet diverse needs, we will continue to work to improve our product planning capacity, while at the same time reviewing possibilities aimed at maximizing revenue from income-earning properties.



B1 kitchen



B1 co-working space



1F co-working space



2F Office floor

※Details regarding this property are provided in the press release dated July 20, 2020.

<https://contents.xj-storage.jp/xcontents/32500/c8bdd27e/2529/47e8/a9bf/dcfed1b19971/20200720071428223s.pdf>

## ■ Establishment of subsidiary to make our business in Hawaii a reality

### 1. Overview of subsidiary

- (1) Corporate name: ADW Hawaii LLC
- (2) Established: September 22, 2020
- (3) Objective: Sale, development, ownership and other of real estate in Hawaii, US

### 2. Achievements

In the previous fiscal year (ended in March 2020), the Group began handling income-earning real estate in Hawaii for the first time.

Using the knowledge we have built up in our Los Angeles operations, we are pursuing our business in Hawaii on a full scale.

※The photograph shows the first property that the Group handled in Hawaii.



## ■ Consideration of financing through crowdfunding

### 1. Overview of subsidiary established to consider this possibility

- (1) Corporate name: Jupiter Funding
- (2) Established: December 1, 2020
- (3) Objective: To obtain financing using crowdfunding and other means

### 2. Achievements for Group

- (1) Run the online market “Funds” for loaned funds

In an initiative with **Funds Inc.**, in January 2021 the Group succeeded in raising 50 million yen in funds to buy income-earning properties.

<https://funds.jp/blog/detail/100>



- (2) Run a platform for real estate crowdfunding

In an initiative with FUEL Inc., in January 2021 the Group succeeded in raising 50 million yen in funds to invest in a US real estate fund.

<https://www.fuelgr.co.jp/list/info/2021/01/release-582/>



## ■ Entry into corporate venture capital business

### 1. Overview of subsidiary

(1) Corporate name: Angel Torch Co., Ltd.

(former name: Smartmoney Investment Co., Ltd. )

(2) Established: October 21, 2016

(3) Objectives: • Serve as a contact point for the pursuit of a CVC business

• Create new value through collaboration with businesses we invest in

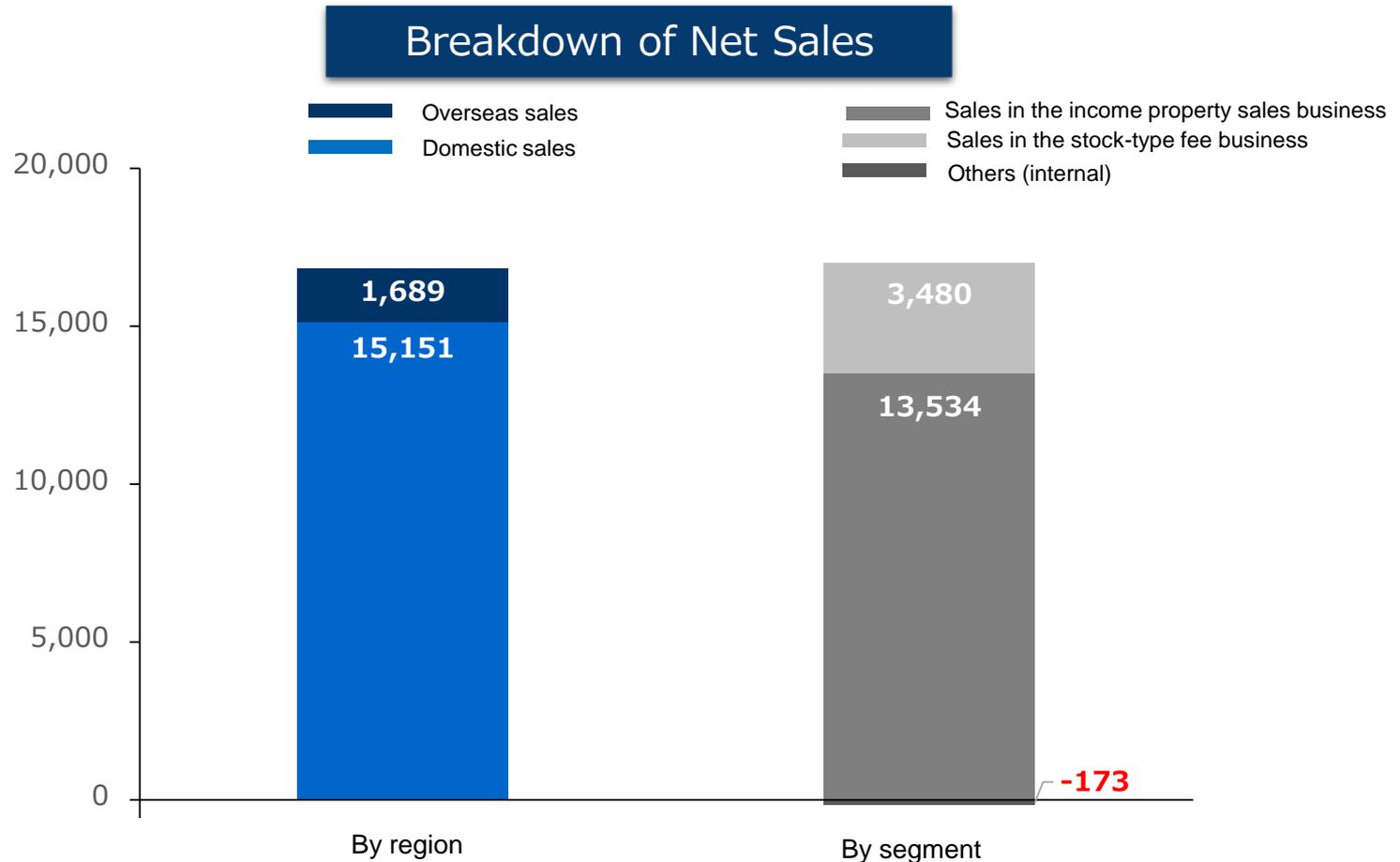
(4) Targets: • No restrictions on types of industries and country  
• Companies with unique technologies and services that have the potential to expand investment solutions  
• Start-up companies

※Details regarding this initiative are provided in the press release dated December 1, 2020.

<https://contents.xj-storage.jp/xcontents/32500/f7b0b77b/3b67/4caf/89a9/8da2b595688d/140120201201430394.pdf>

## **II -Overview of the Year Ended December 31,2020**

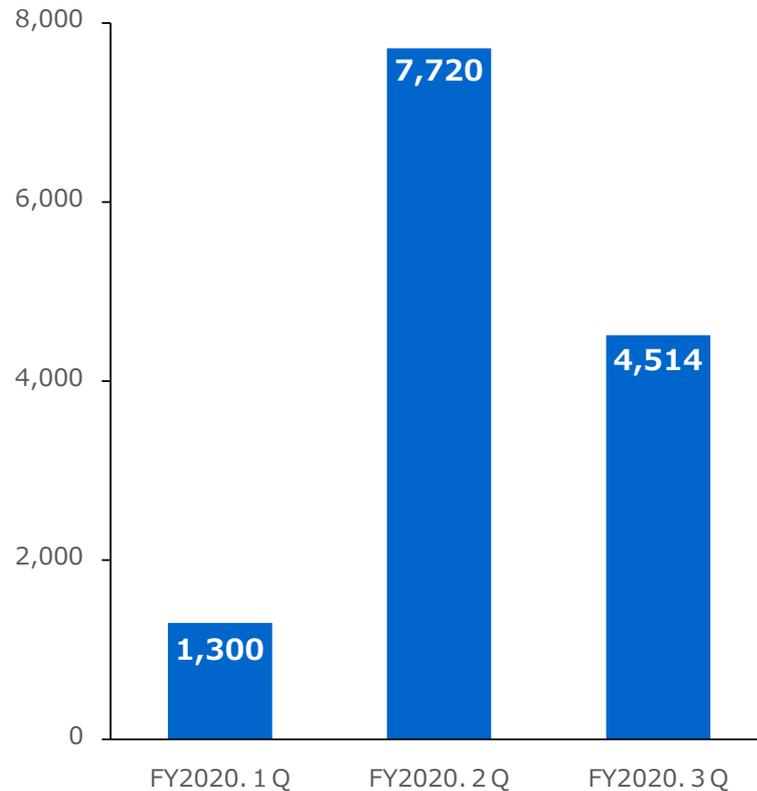
(単位：百万円)



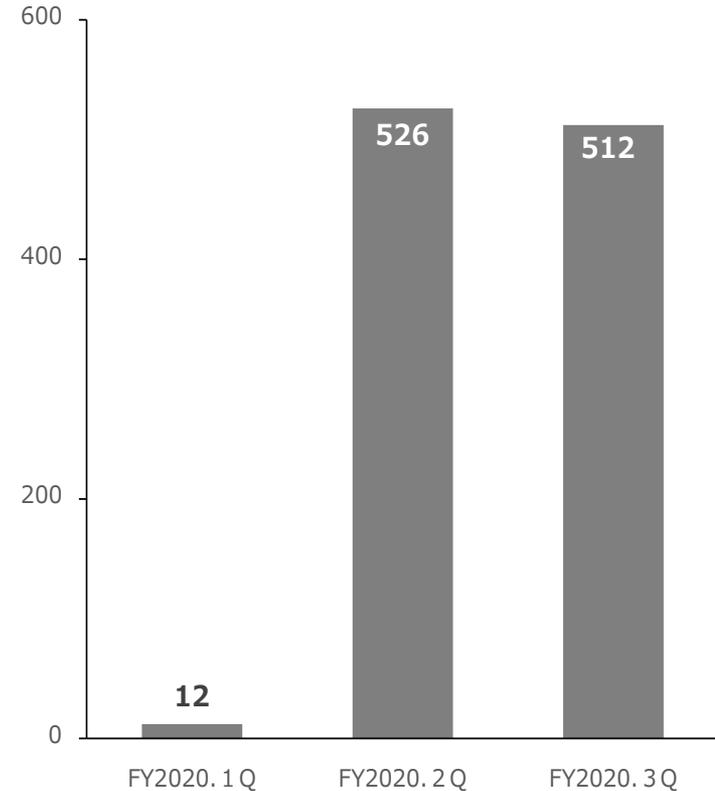
- In the US, the COVID-19 impact was greater than in Japan and levels were low.
- The impact of COVID-19 on the stock-type fee business was modest and results were generally in line with the previous year.

(Unit: million yen)

### Changes in Net sales



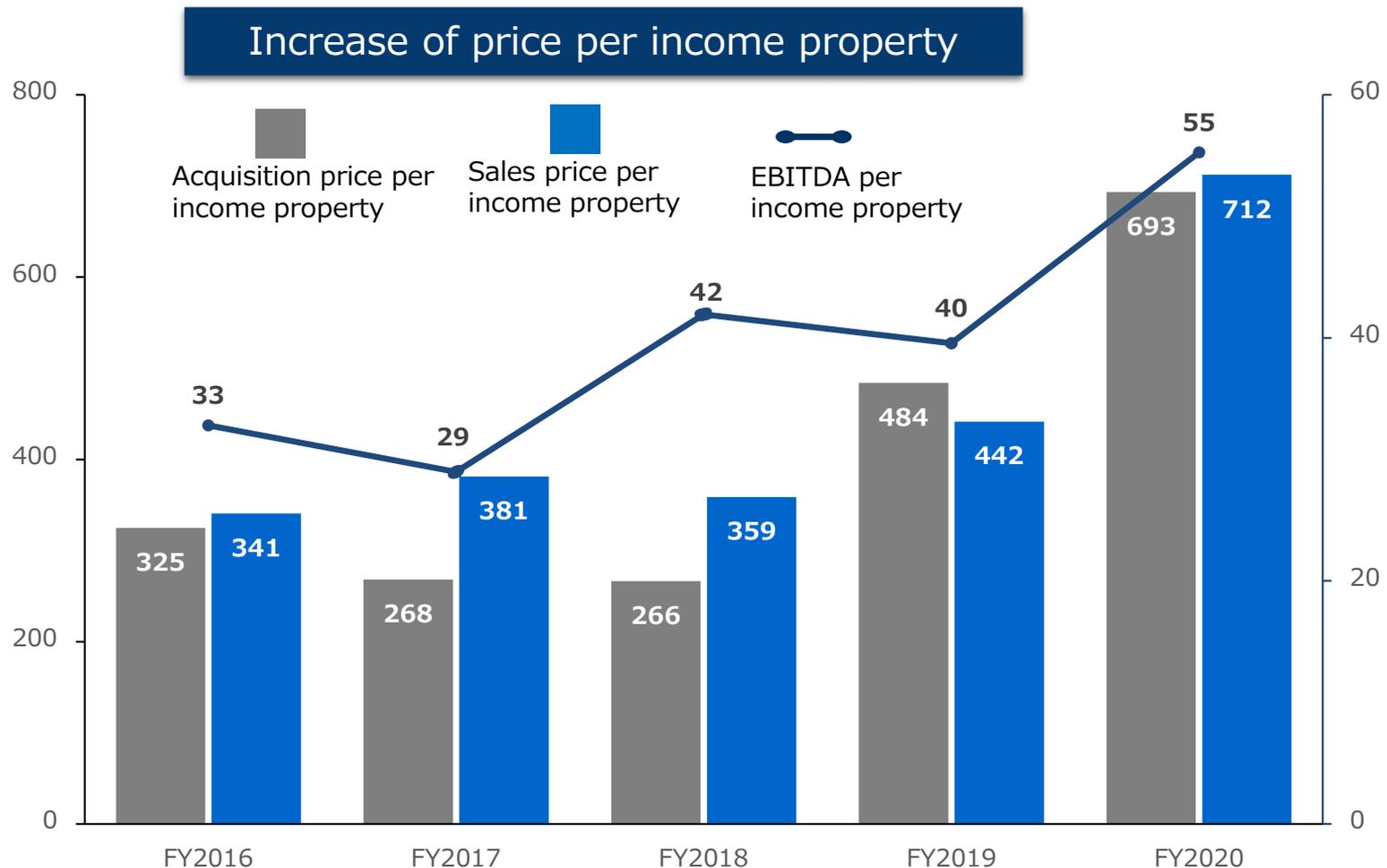
### Changes in EBITDA



- From Q2, all indicators surpassed full-year forecasts, making up for the poor results in Q1.

## Ⅱ-2. Income Property Sales Business(2)

(Unit: million yen)

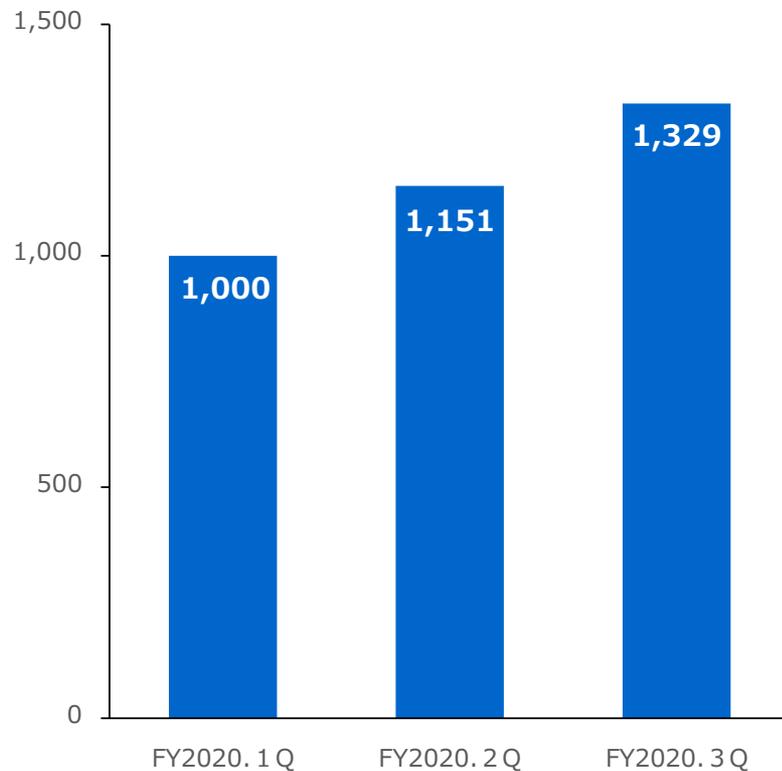


※We acquire properties first so that they can be sold after their value has been enhanced. As a result, the properties acquired and sold in a single fiscal year do not necessarily match.

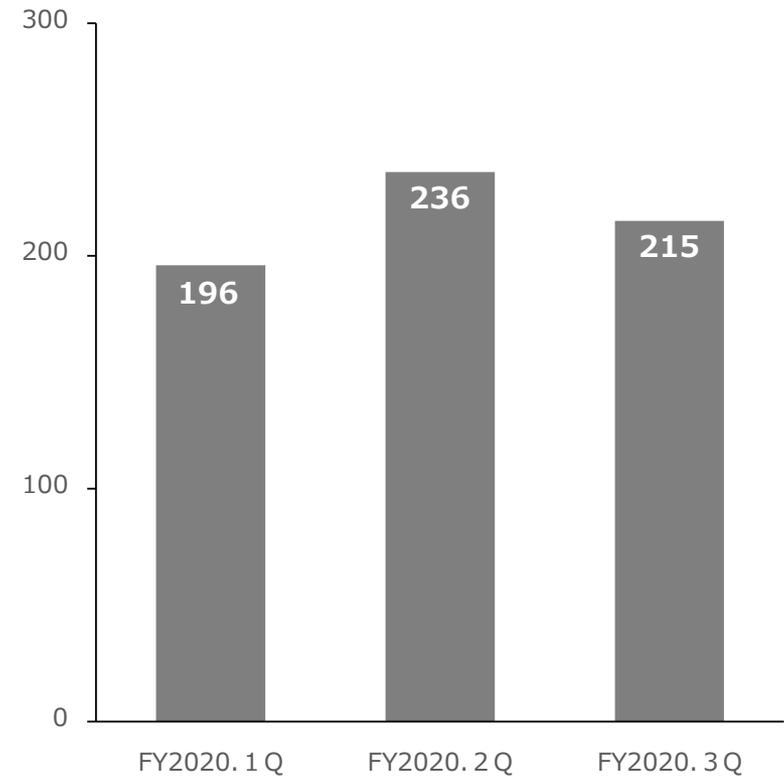
- **Initiatives in both acquisition and sales with large-scale properties began to appear as results.**

(Unit: million yen)

### Changes in Net sales



### Changes in EBITDA

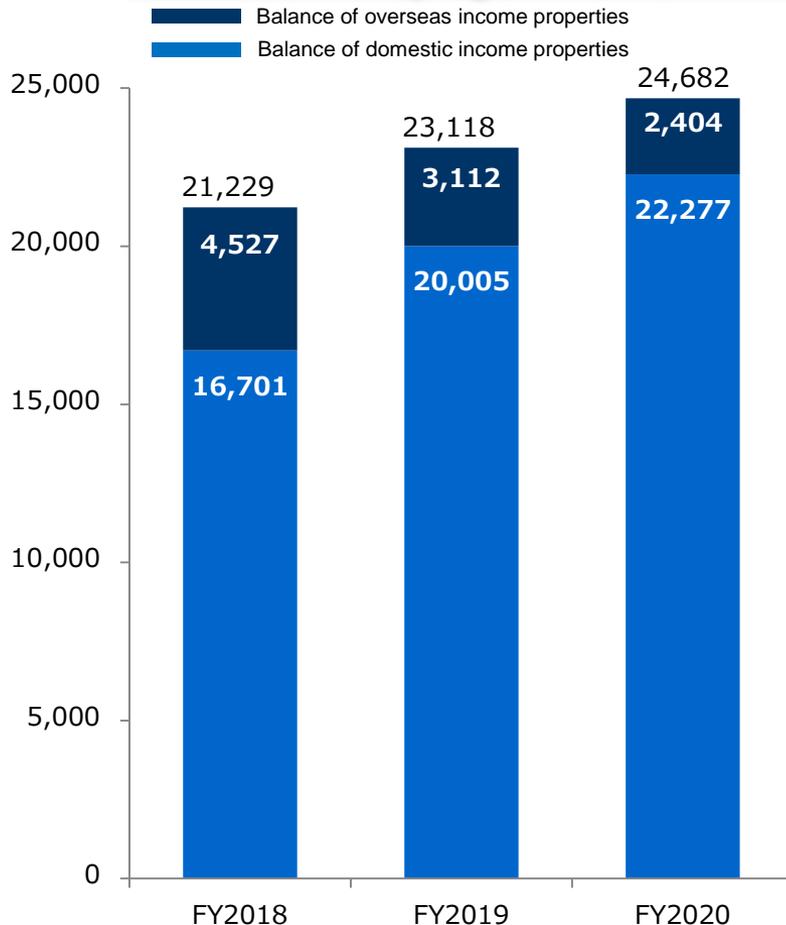


- **The impact of COVID-19 on the stock-type fee business was modest and results were generally in line with the previous year.**

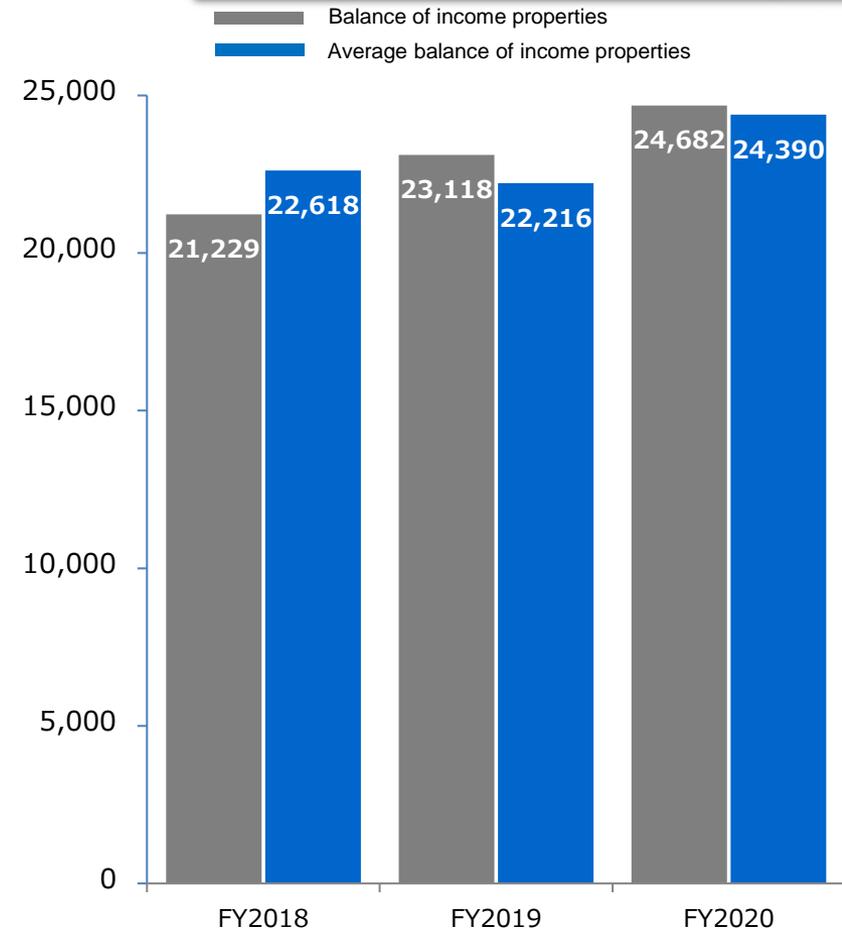
# II-4. Balance of income properties

(Unit: million yen)

Changes in balance of income properties by region



Changes in balance of income properties



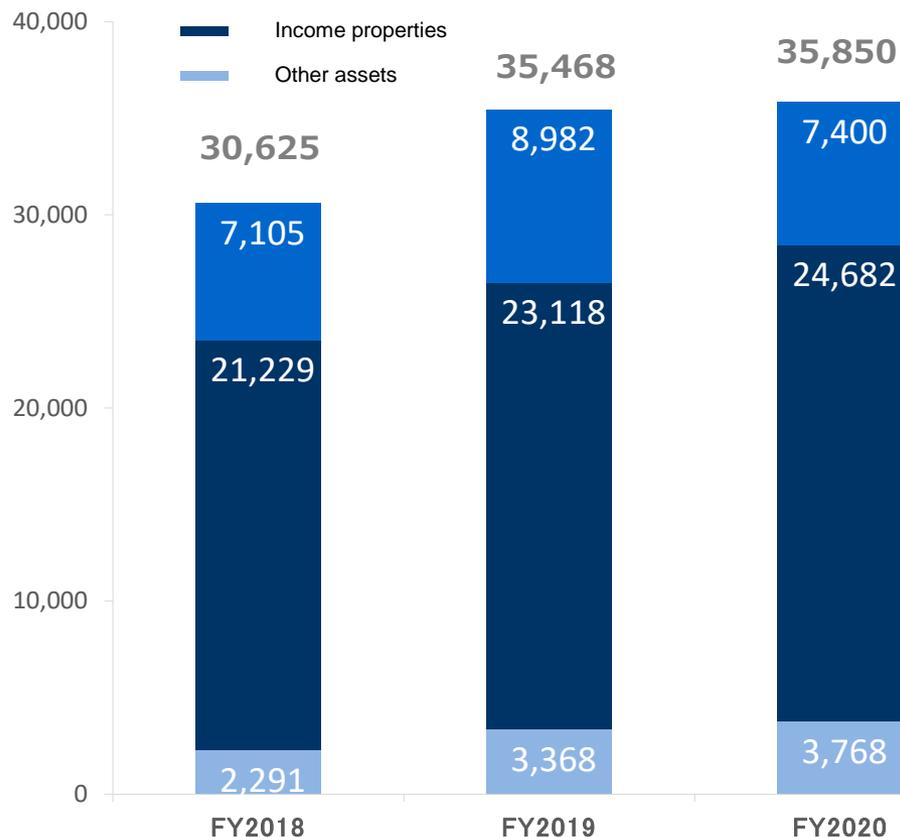
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

➤ **Acquisitions in Japan were steady, and both the year-end balance and the average balance during the fiscal year increased.**

# II -5. Consolidated B/S Summary

## Total assets

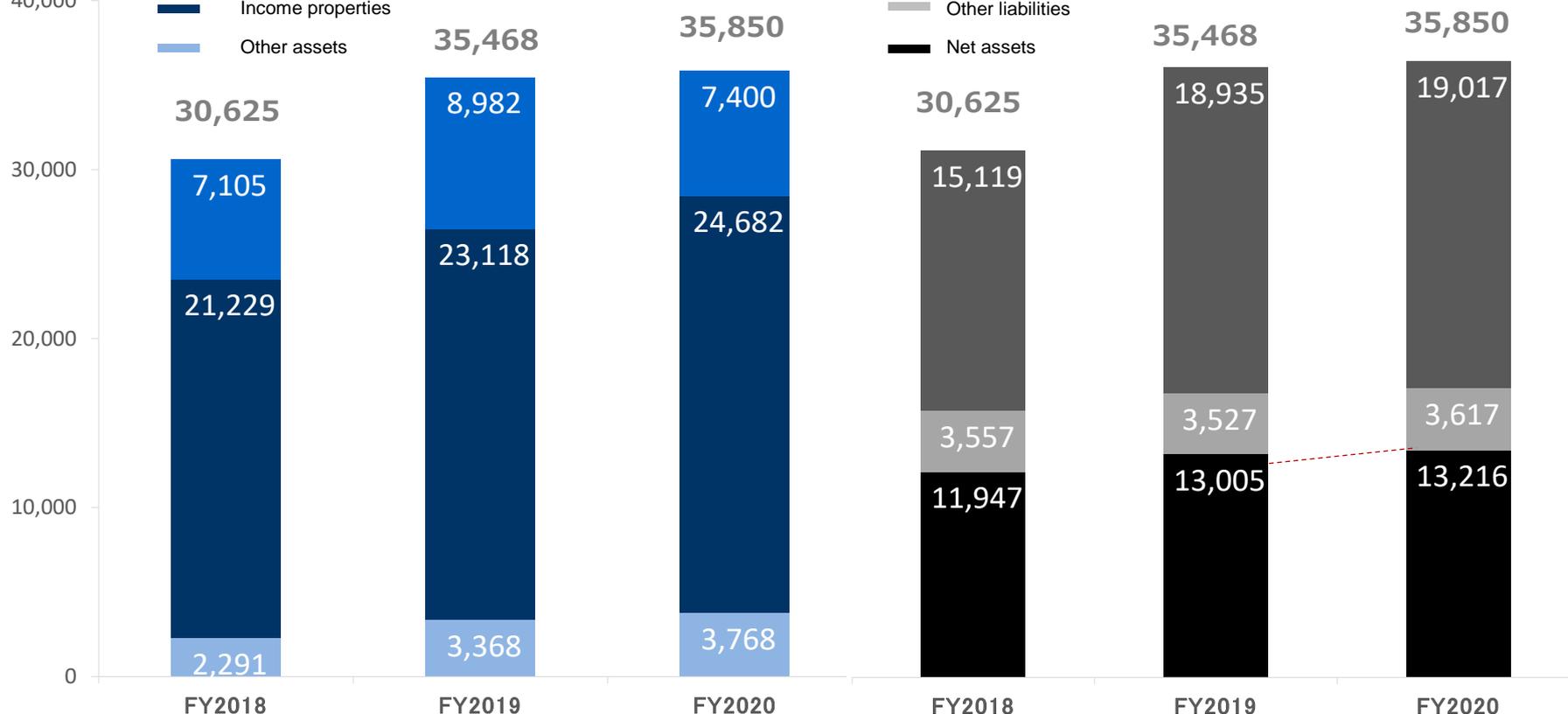
- Cash and deposits
- Income properties
- Other assets



## Total liabilities and net assets

- Interest-bearing debt
- Other liabilities
- Net assets

(Unit: million yen)

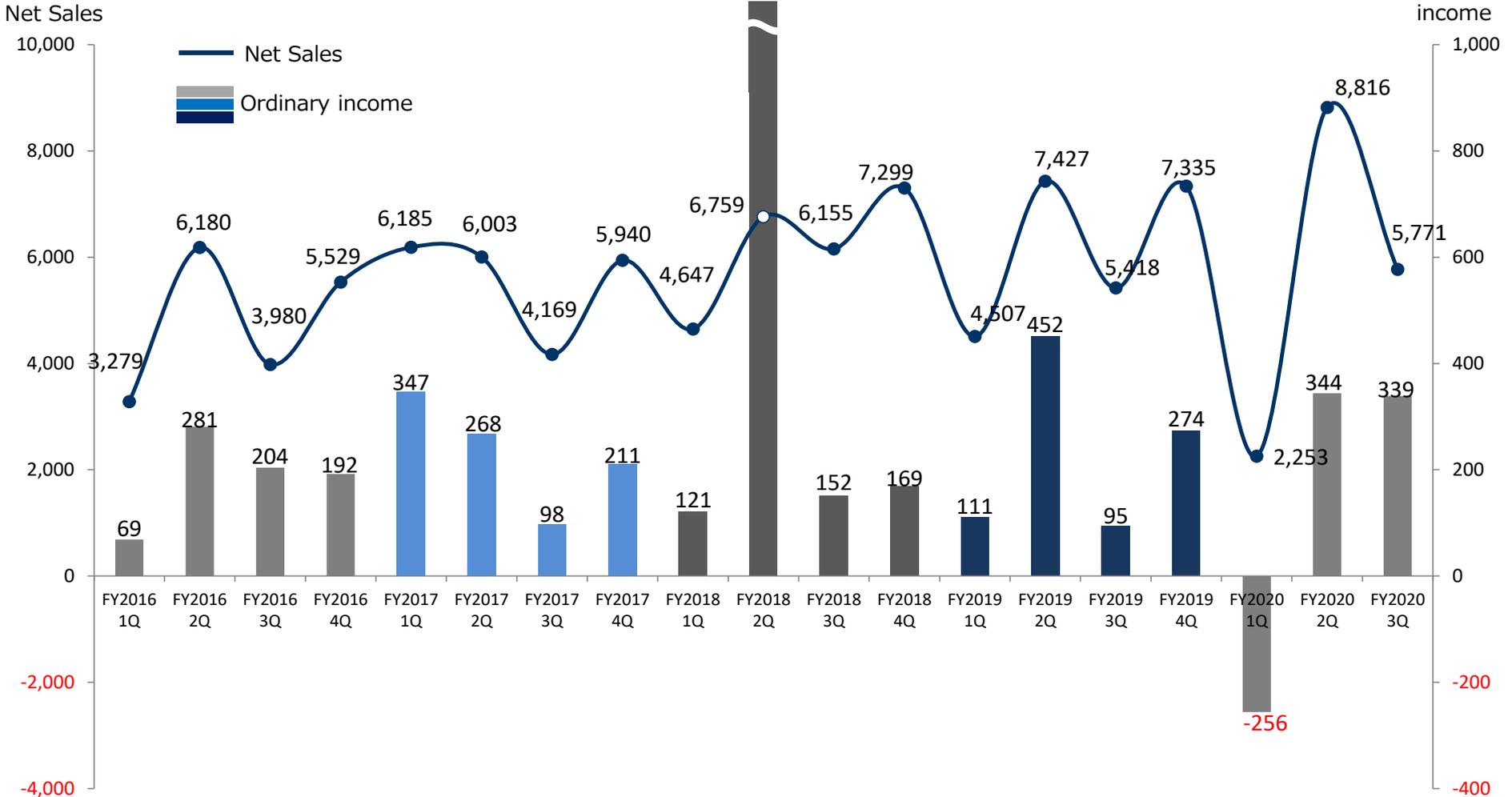


(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- **Due to net income totaling 264 million yen in this period and an increase in third-party capital of about 171 million yen, net assets increased to 210 million yen compared to the end of the previous fiscal year.**

# Ⅱ-6. Changes in Consolidated Quarterly

(Unit: million yen)



**At present, the income property sales business accounts for about 80% of consolidated sales. As a result, there are large fluctuations in quarterly results.**

### **III. Consolidated Business Plan for Fiscal Year Ending December 31, 2021**

(単位：百万円)

	FY2020 (9 months results)	FY2020 (converted into 12 months)	FY2021 (Planned)	Change from previous year <sup>※</sup>	Year-over-year <sup>※</sup>
Net Sales	16,840	22,453	23,000	547	102.4%
E B I T D A	759	1,012	1,100	88	108.7%
Ordinary income	427	569	600	31	105.4%
Pre-tax income	432	576	600	24	104.2%
Net income	264	352	380	28	108.0%

※FY2020 results are converted into 12months results in the calculation process.

In the income-earning property sales business, which is our main business, the sales period tends to fluctuate depending on such conditions as the substance of the product plans and progress with the renovation work. In recent years, as we have strategically increased the scale of our product lineup, and revenue from individual properties has accounted for a higher percentage of overall revenue. As a result, quarterly revenue could fluctuate more than previously, regardless of conditions in the real estate market and other factors.

- **This assumes that the market environment experienced in the second half of the fiscal year ended in December 2020 will continue.**
- **In the plan, we predict that all indicators will show improvements over the annualized results of the fiscal year ended in December 2020.**

**I** **Strengthen growth foundation**

- Focus on the acquisition of rigorously selected income-earning properties and strengthen sales of income-earning property, which is our mainstay business

**II** **Expand client base**

- Boost sales to business corporations and institutional investors
- Extend reach to include retail investors with small-lot products, crowdfunding and other products

**III** **Diversify product strategies**

- Proactively develop new products and services in Japan and overseas, including financial instruments

## Other

### ■ Use of holding company system

- Proactive use of M&A, business and capital tie-ups
- Simultaneous pursuit of an “offense” strategy involving risk and a “defense” strategy that is solid and steady.
- Maintain an organization comprising a select few and remain flexible and quick
- Introduce an HR system and compensation system that utilize these strengths and are ahead of the times

### ■ Pursue priority businesses through reorganization

- |  |   |
|--|---|
| • REIT Preparation Office                  | Aims to enter REIT business in future   |
| • Asset Management<br>Business Head Office | Develop ARISTO, a small-lot real estate product, so that it becomes a mainstay business   |
| • Development & Planning<br>Section        | Consolidate existing functions in investment planning division and begin cultivating business in earnest from a synergistic perspective |

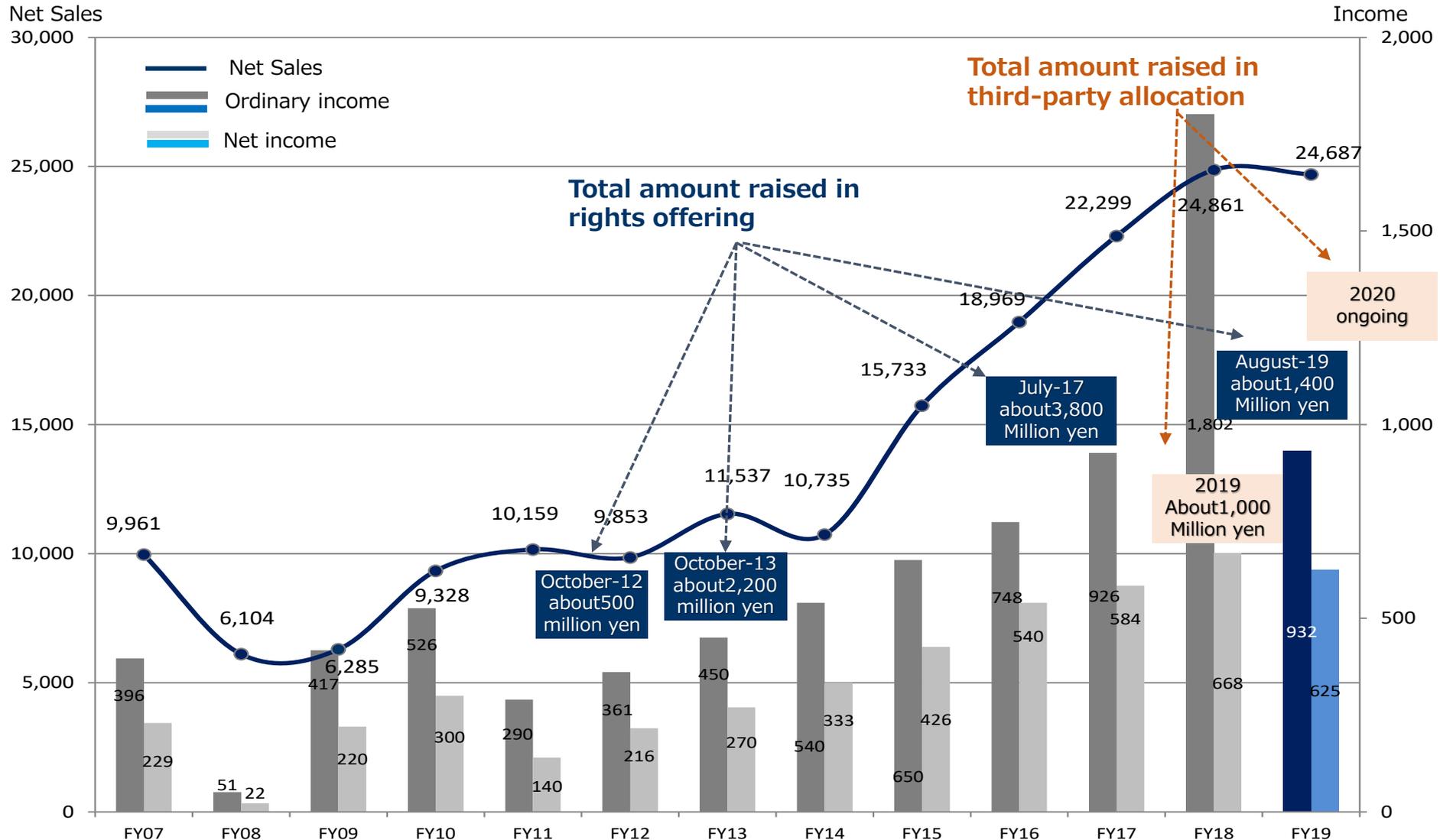
## **IV -Reference Materials (About the Equity Finance)**

### Overview of second stock acquisition rights (third-party allocation)

Allotment date	September 1, 2020
Allotment recipient	Milestone Capital Management, LLC
Total number of stock acquisition rights	96,000 units
Number of dilutive shares resulting from this issuance	9,600,000 shares (100 shares per stock acquisition right)
Amount raised	Maximum of about 1.43 billion yen ※10 million yen in stock acquisition rights issued + 1.42 billion yen in stock acquisition rights exercised
Exercise price	148 yen per share (variable)

# VI-2. Reference Materials (About the Equity Finance)

(Units: million yen)



➤ We increased our balance of income properties while also raising money and achieved steady growth.

# V - Reference Materials

(Company Profile, Shareholder Composition, Trends in Consolidated Results)

- Company name:** A.D.Works Group Co.,Ltd.
  
- Headquarters:** 5th Floor, Hibiya Kokusai Bldg.,2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo
  
- Establishment:** Incorporated April 1, 2020.  
 (note) A.D.Works, the Group's predecessor, was established in February 1886 and incorporated in May 1936.
  
- Capital:** 5,590 million yen
  
- Listed:** Listed April 2020 on the First Section of the Tokyo Stock Exchange.(A.D.Works Group Co.,Ltd.)  
 Changed October 2015 to the First Section of the Tokyo Stock Exchange. (A.D.Works Co., Ltd)  
 Listed October 2007 on Tokyo Stock Exchange JASDAQ. (A.D.Works Co., Ltd)
  
- Subsidiaries:**
  - A.D.Works Co.,Ltd. (income property business /real estate agency)
  - A.D.Partners Co., Ltd. (property management)
  - A.D.Designbuild Co., Ltd. (construction)
  - Angel Torch Co., Ltd. (corporate venture capital)
  - Sumikawa Works Co., Ltd. (interior construction)
  - Jupiter Funding Co., Ltd. (Funding raising using crowdfunding)
  - A.D.Works USA, Inc. (management of USA subsidiaries)
  - ADW-No.1 LLC (income property business in USA)
  - ADW Management USA, Inc. (property management in USA)
  - ADW Lending LLC (MBS investment business in USA)
  - ADW Hawaii LLC (Real estate-related business in Hawaii, US)
  
- Officials:**

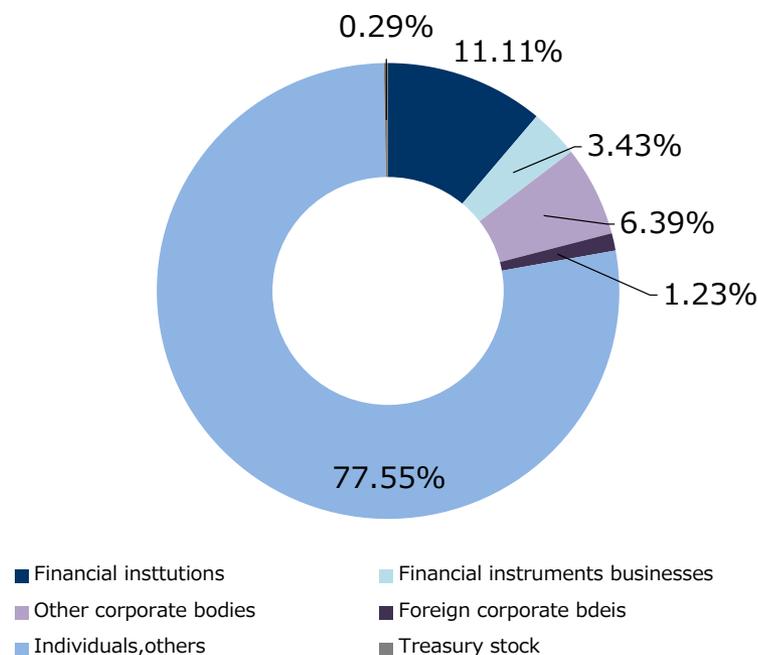
Hideo Tanaka	President and CEO
Katsutoshi Hosoya	Senior Managing Director and CFO
Mitsuo Kimura	Senior Managing Director
Nobuhiko Toji	Managing Director
Koji Kaneko	Managing Director
Toshiya Suzuki	Managing Director
Tamio Harakawa	Director, Audit & Supervisory Committee Member
Mamoru Sekiyama	Director, Audit & Supervisory Committee Member
Hisashi Tanaami	Director, Audit & Supervisory Committee Member
Sachiko Awai	Director, Audit & Supervisory Committee Member

### Number of issued shares / Number of shareholders

1. Number of issued shares: 40,495,064
2. Number of shareholders: 19,983
3. Major shareholders (As shown in the table below)

No.	Shareholder name	Share ratio
1	Hideo Tanaka (President and CEO)	12.13%
2	Liberty House Co., Ltd.	4.92%
3	The Master Trust Bank of Japan, Ltd. (Trust Account )	3.36%
4	Morgan Stanley MUFG Securities Co., Ltd.	2.34%
5	Custody Bank of Japan, Ltd. (Trust Account · 5 )	1.41%
6	Custody Bank of Japan, Ltd. (Trust Account · 6 )	1.34%
7	Custody Bank of Japan, Ltd. (Trust Account · 1 )	1.21%
8	Custody Bank of Japan, Ltd. (Trust Account )	1.13%
9	Kazufumi Imai	1.09%
10	Custody Bank of Japan, Ltd. (Trust Account · 2)	0.81%

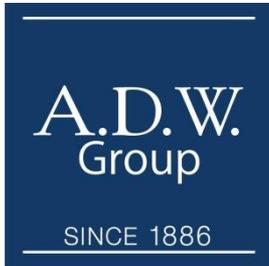
4. Allocation by owner (As shown in the graph below)



## V-3. Changes in Consolidated Results (Summary)

(Units: 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 Dec.31, 2020
	Reults	Reults	Reults	Reults	Reults	Reults	Reults
Net sales	10,735	15,733	18,969	22,299	24,861	24,687	16,840
Ordinary income	540	650	748	926	1,802	932	427
Net income	333	426	540	584	663	625	264
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	13,216
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	35,850
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	24,682
Rental revenue	717	842	1,058	1,112	1,319	1,147	823
Rental revenue / Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	4.9%
Employees	99	115	136	146	167	185	195



These materials were created in order to provide an understanding of the A.D.W. 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. A.D.W. 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 group and information that we judge to be rational.

The data contained in these materials contains publically-available information that we judge to be trustworthy and accurate, however our company does not guarantee the accuracy and correctness of this information.

**Please direct inquiries to: A.D.Works Group Business Planning Department**  
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