

業ぎ高める。変わり続ける。

A.D.Works Co., Ltd.
IR Briefing Materials:
Year Ended March 31, 2019

May 24, 2019
A.D.Works Co., Ltd.

TSE 1st Section: 3250 <http://www.re-adworks.com/>

Copyright©2019 A. D. Works Co., Ltd. All rights reserved.

Contents

I	Summary of Year Ended March 31, 2019	P.2	-	P.3
II	Business Plan of Year Ending March31,2020	P.4	-	P.7
III	Overview of Year Ended March 31, 2019	P.8	-	P.17
IV	Reference Materials (Equity Finance)	P.18	-	P.21
V	Reference Materials (Company Profile, Shareholder Composition,Trends in Consolidated Results)	P.22	-	P.28
VI	Reference Materials (Characteristics of the A.D.W. Group Business Model)	P.29	-	P.32

I - Summary of Year Ended March 31, 2019

Topic
1

1.8 billion yen in ordinary income and 660 million yen in net income

- Both sales and income targets were achieved for this final fiscal year of the fifth mid-range business plan.

Topic
2

Success with Group's small-lot real estate product and growth in the overseas business

- ARISTO® Kyoto, the Group's first small-lot real estate product, was sold in full.
- Sales in the overseas business grew to 24.1% of total sales.

Topic
3

Steady progress in raising capital for growth funds

- About 970 million yen (progress rate of 48%) was raised during the fiscal year ended in March 2019.
(Financing period [exercise of stock acquisition rights] period lasting through August 2020)

II –Business Plan of Year Ending March31,2020

I Expand portfolio of income-earning properties and strengthen ability to plan products

- Business area: In addition to the Tokyo metropolitan area and the Kansai area, expand to core regional cities
- Product valuation: In addition to a focus on residential products, expand to offices and commercial facilities
- Scale of projects handled: In addition to small- and medium-scale projects, expand to cover large-scale projects as well

II Search for new products and new areas to establish a new revenue base

- Develop new investment products
- Proactively form new business affiliations and capital affiliations and utilize M&A

III Establish fee business by expanding and augmenting customer base

- Strengthen CRM (Customer Relationship Management)
- Adopt new asset-related services
- Expand consulting business

II-2. Consolidated Earnings Forecasts (Released on May 14, 2019)

【Consolidated earnings forecasts for fiscal year ending March 2020】

(Unit: Million yen)

	FY2018 Result	FY2021 Plan	Change from previous year
Sales	24,861	26,000	4.6%
EBITDA	2,324	1,330	▲42.8%
Ordinary income	1,802	840	▲53.4%
Net income before taxes	1,043	890	▲14.7%
Net income	663	570	▲14.1%

- **We expect higher sales and lower income in this fiscal year, but we are prioritizing the rebuilding of our portfolio of income-earning properties and focusing on building up our balance of properties.**

The sixth mid-range business plan (covering fiscal 2020 to fiscal 2022) is currently being devised with the following three basic policies:

I Develop a resilient business foundation that can generate stable revenue in a changing environment

II Develop and dig into new business areas and exercise synergistic effects with existing businesses

III Build an enduring customer base premised on optimizing the customer experience

➤ **We plan to release information on the sixth mid-range business plan in the future.**

III –Overview of Year Ended March 31, 2019

1. Overview of the fiscal year ended March 2019

- (1) Posting of extraordinary loss due to reserves equivalent to consumption tax for past fiscal years (757 million yen)
- (2) Sold those income-earning properties that had the highest profit margins ahead of schedule to recover (1) and achieved earnings forecasts
- (3) Took a cautious stance on acquisitions that were tailored to changes in the real estate market

2. Earnings forecasts for the fiscal year ending March 2020

- (1) Although initial forecasts were achieved in the fiscal year ended March 2019, there was a reduction in the balance of income-earning properties that will affect earnings in the fiscal year ending March 2020.
- (2) In the medium to long term, we prioritize building up a portfolio of prime income-earning properties.

➤ **As a result, we forecasted higher sales and lower income in the fiscal year ending March 2020.**

Ⅲ-2. Evaluation of the Fifth Mid-Range Business Plan

1. Fifth Mid-Range Business Plan Evaluation of P/L

	FY2018(Planned)	FY2018(Results)	achievement ratio
Sales	18,000	24,861	138.1%
EBITDA	1,600	2,324	145.3%
Ordinary income	1,000	1,802	180.3%
Net income	660	663	100.6%
ROE (year-end)	7.40%	5.60%	—

2. Fifth Mid-Range Business Plan Evaluation of Guidance

	FY2018(Planned)	FY2018(Results)	achievement ratio
Balance of U.S. income properties held for sale (average)	5,000	4,016	80.3%
Balance of domestic income properties held for short- or medium-term sale (average)	12,000	9,289	77.4%
Balance of domestic income properties held for long-term sale(average)	10,500	9,312	88.7%
Rental income(EBITDA base)	1,246	797	64.0%
ROA for income property sales business	6.90%	15.20%	—

Ⅲ-3. Consolidated P/L Summary

業績高める。変わり続ける。

A.D.W. GROUP
SINCE 1950

(Unit: Million yen)

(Units: Millions yen)	FY2017 (ended March31, 2018)		FY2018 (ended March31, 2019)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Sales	22,299	100.0%	24,861	100.0%	+11.5%	103.6%
Gross profit	3,998	17.9%	5,343	21.5%	+33.6%	—
SG & A	2,786	12.5%	3,226	13.0%	+15.8%	—
EBITDA	1,348	6.0%	2,324	9.3%	+72.4%	145.3%
Ordinary income	926	4.2%	1,802	7.2%	+94.5%	180.3%
Net income before taxes	924	4.1%	1,043	4.2%	+13.0%	104.4%
Net income	584	2.6%	663	2.7%	+13.6%	100.6%

- **The Group recovered from the extraordinary loss posted in the first half, and sales and income both exceeded levels in the previous fiscal year and achieved full-year forecasts.**

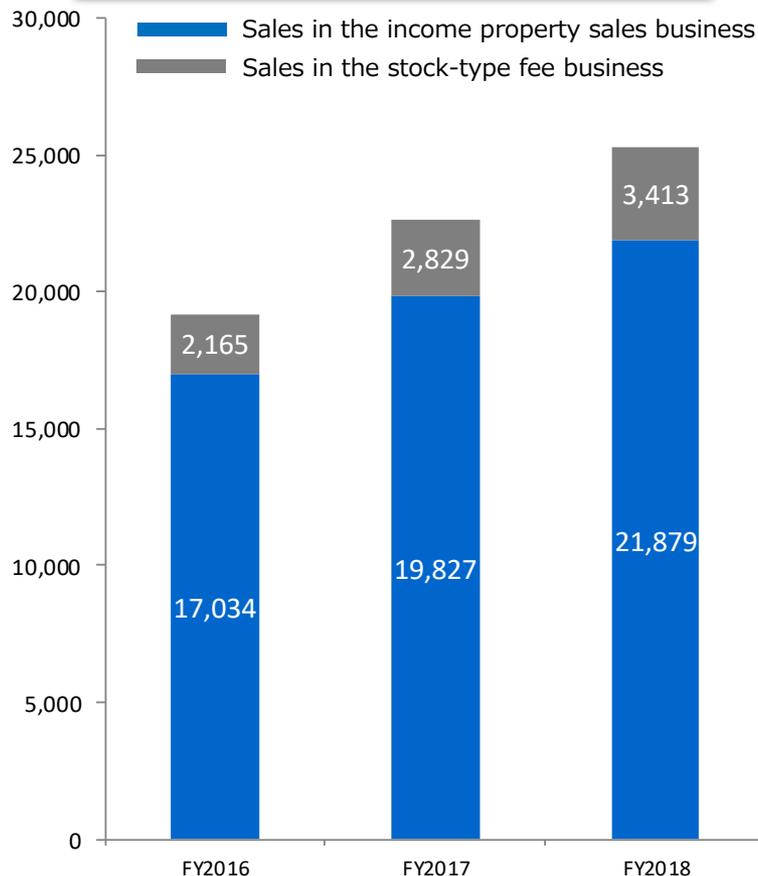
Ⅲ-4. Changes in Segment Results

業績高める。変わり続ける。

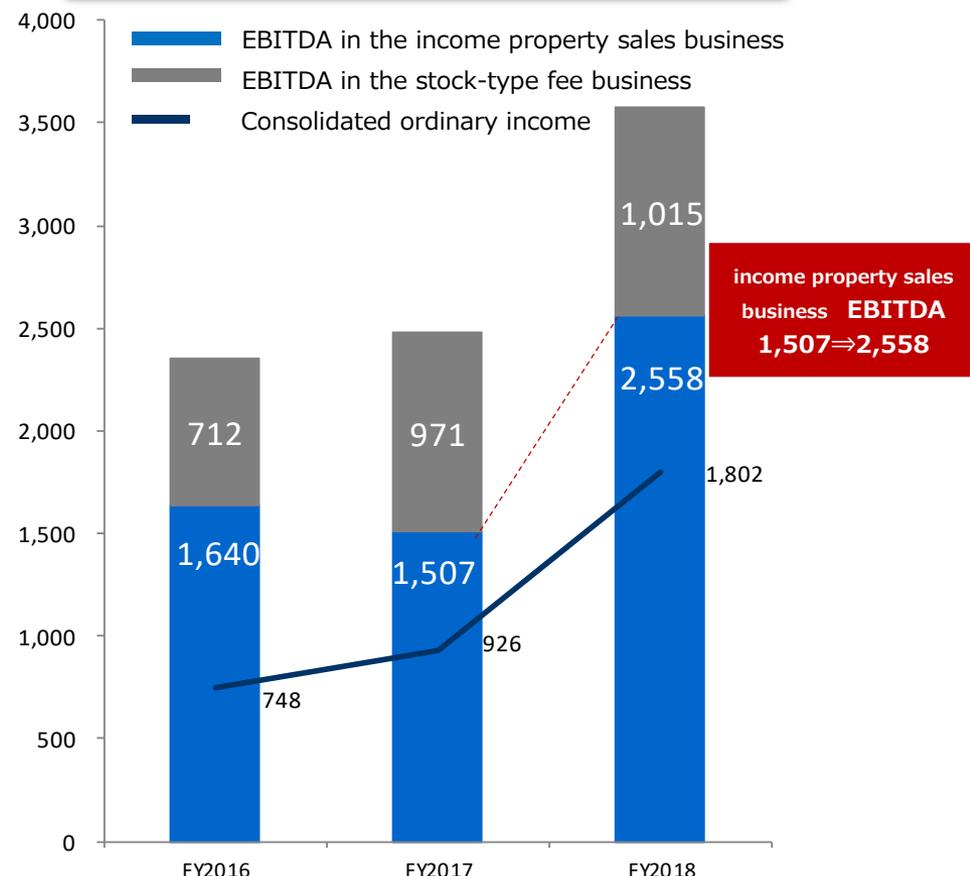
A.D.W. GROUP SINCE 1950

(Unit: million yen)

Changes in segment sales



Changes in segment EBITDA



Note: Because sales for each segment include intersegment sales, the totals for each segment differ from consolidated sales.

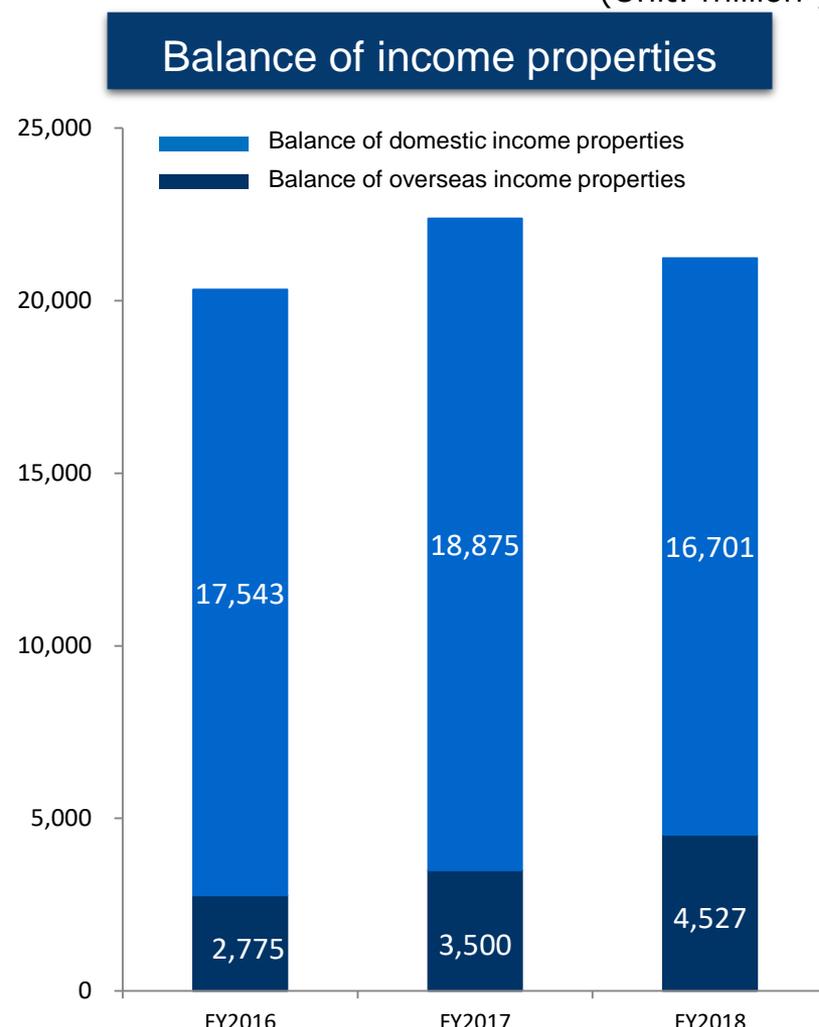
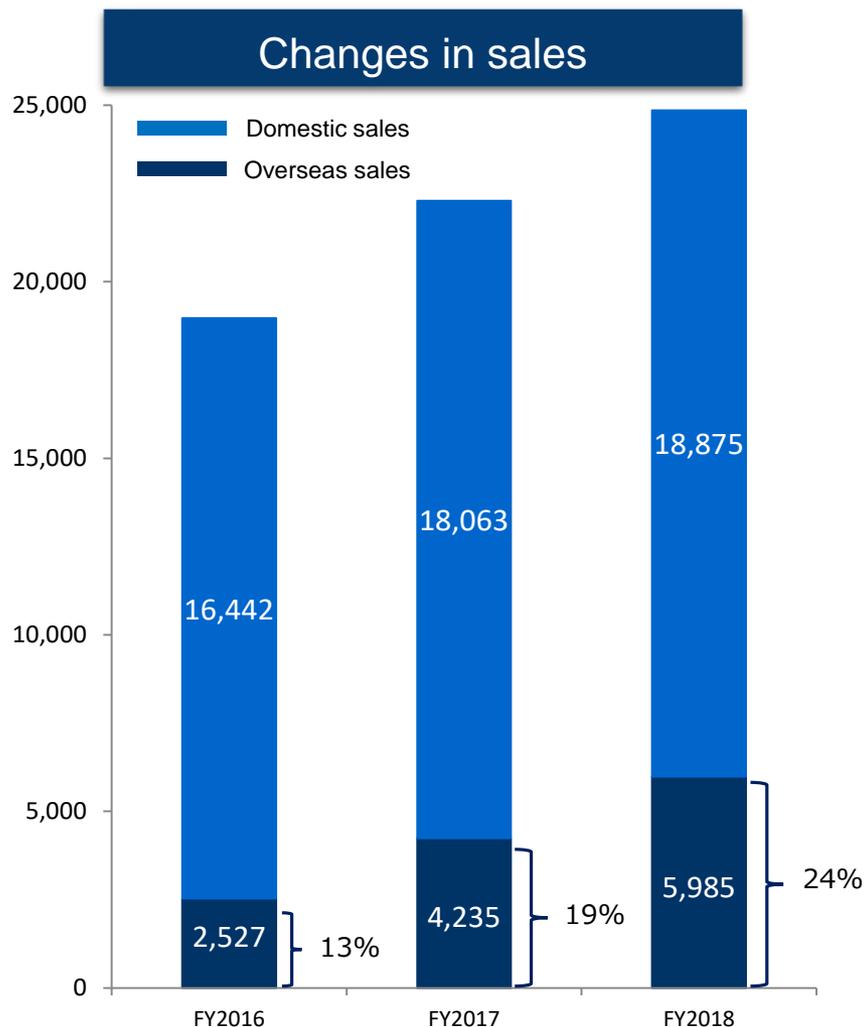
➤ **Consolidated ordinary income also increased due to the rise in income from the income property sales business.**

Ⅲ-5. Changes in Scale of Business by Region

業を高める。変わり続ける。

A.D.W. GROUP

(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.

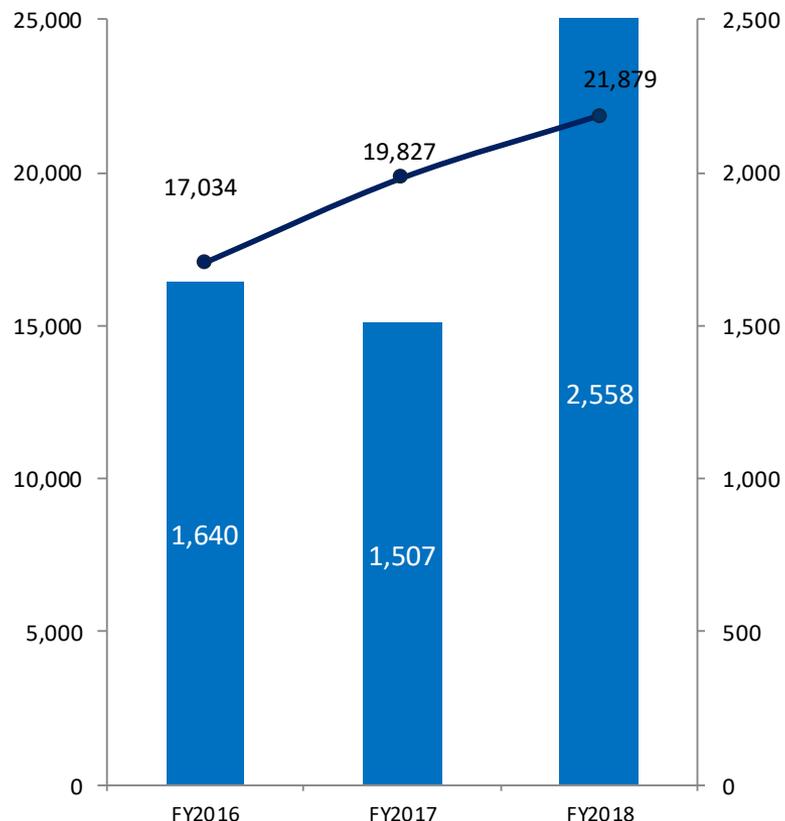
The overseas business has been a solid performer, and has grown to account for about 24% of overall sales.

Ⅲ-6. Main Business Areas(1) : Overview of the Income Property Sales Business

(Unit: million yen)

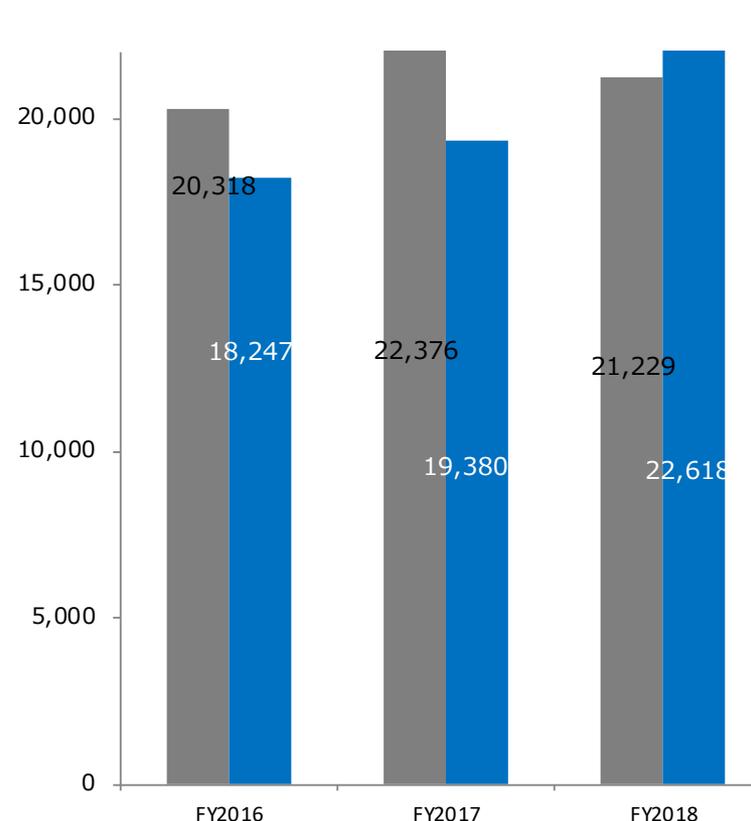
Changes in income property sales business results

sales — Sales in the income property sales business EBITDA
 EBITDA in the income property sales business



Changes in balance of income properties

Balance at end of fiscal period
 Average balance during fiscal period



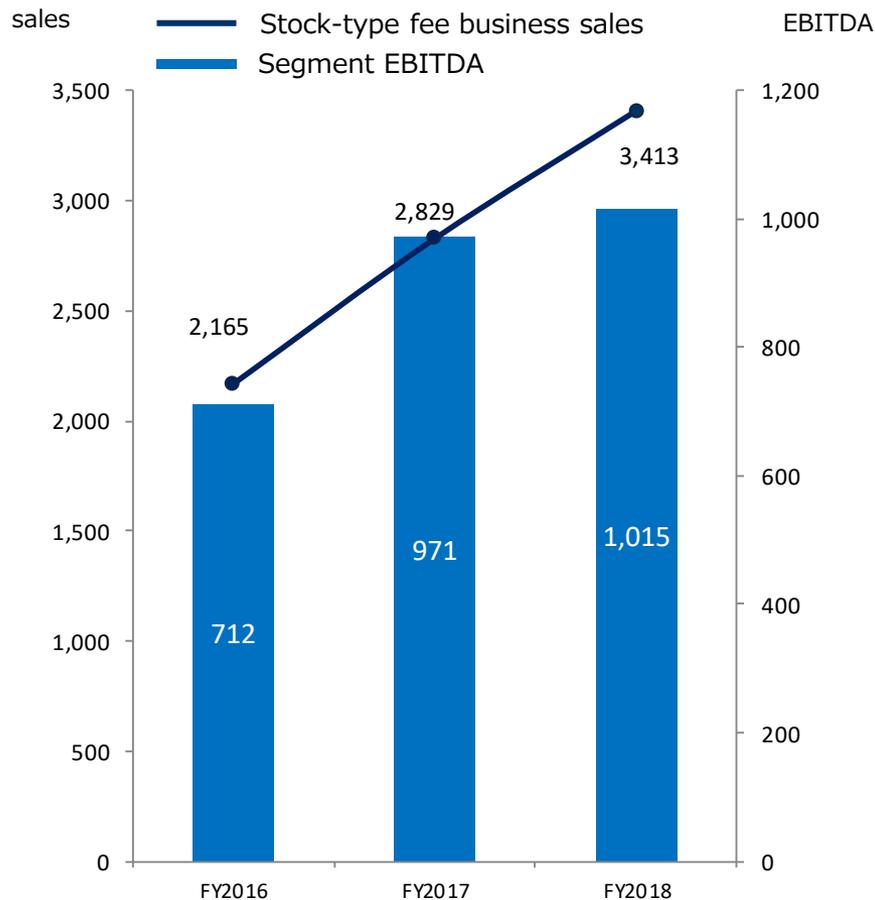
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

➤ **Although we achieved a substantial increase in income, the balance of income-earning properties—the source of future revenue—at the end of the fiscal year was down 5.1% due to our cautious acquisitions based on changing market conditions.**

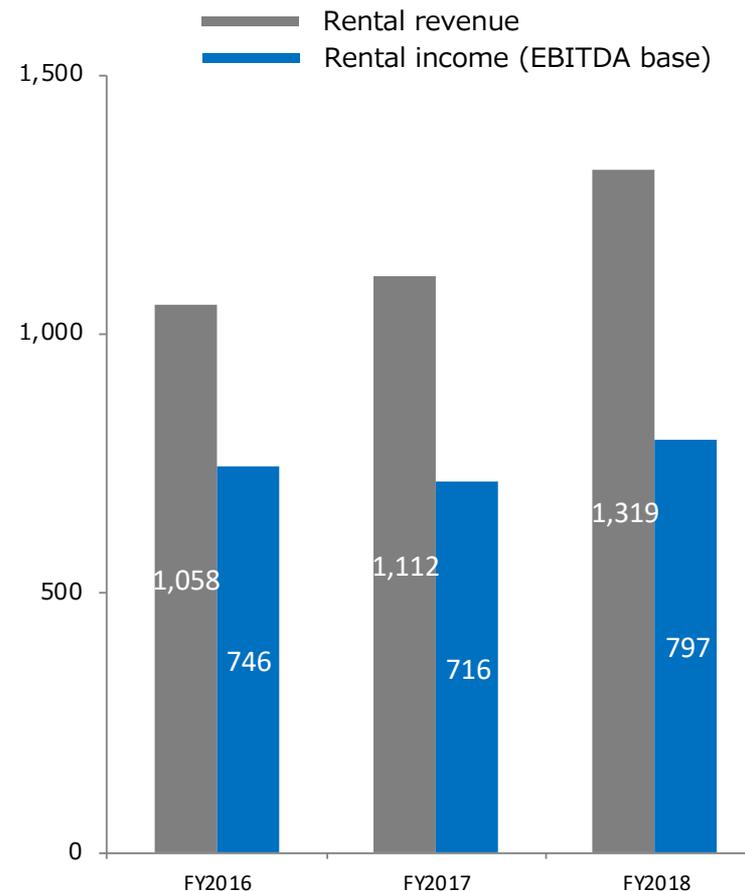
Ⅲ-7. Main Business Areas(2) : Overview of the Stock-Type Fee Business

(Unit: million yen)

Changes in stock-type fee business results



Changes in rental revenue and income



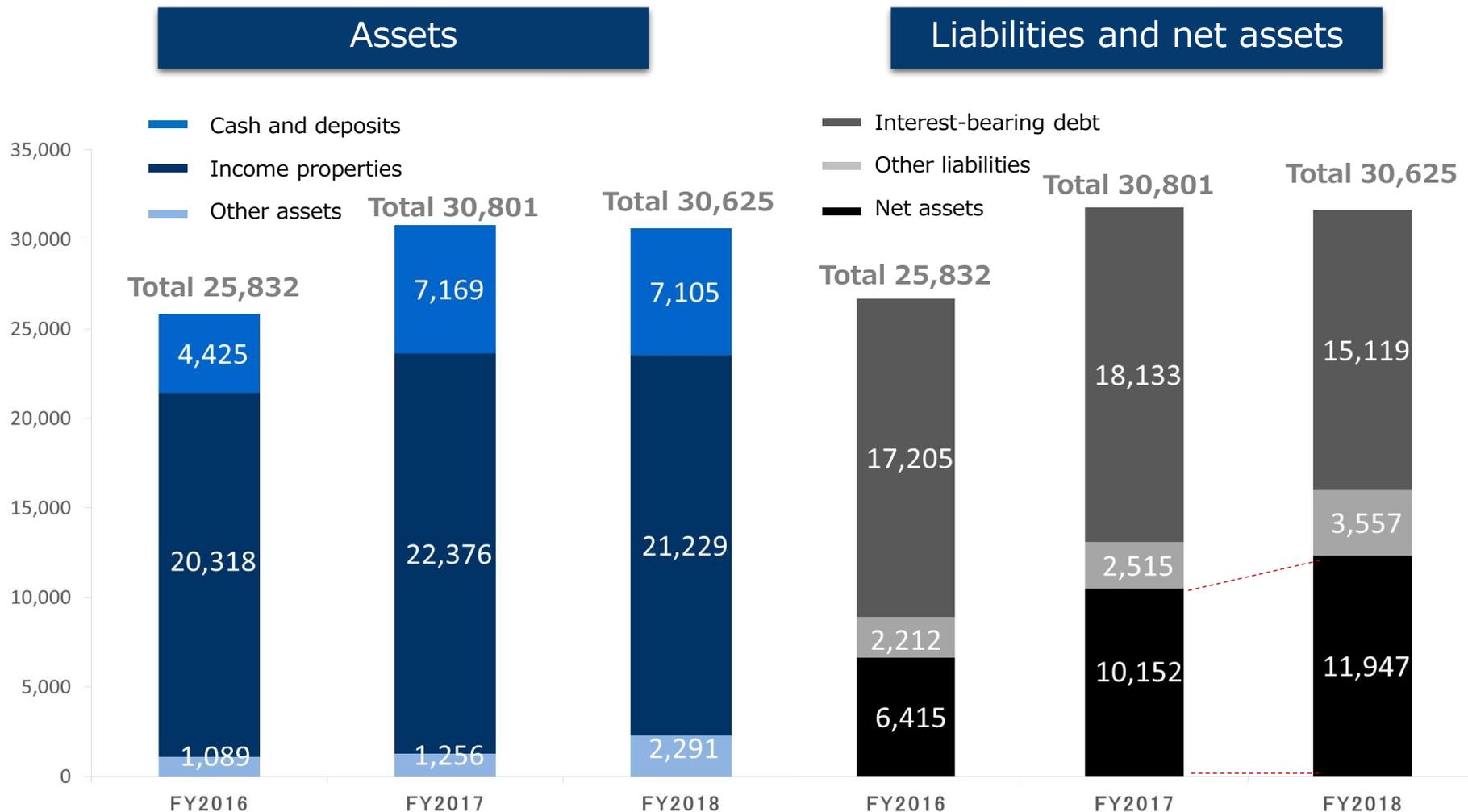
➤ Rental revenue, which are a stable revenue base, increased.

Ⅲ-8. Consolidated Balance Sheet Summary

業を高める。変わり続ける。

A.D.W. GROUP

(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.

➤ **The balance of net assets rose 17.7% compared to the end of the previous fiscal year to 11,947 million yen due to factors such as 663 million yen in net income and 978 million yen in exercise for 21st Stock Acquisition Rights .**

Ⅲ-9. Changes in Consolidated Quarterly Results

(Unit: million yen)



➤ At present, the income property sales business accounts for about 90% of consolidated sales. As a result, there are large fluctuations in quarterly results.

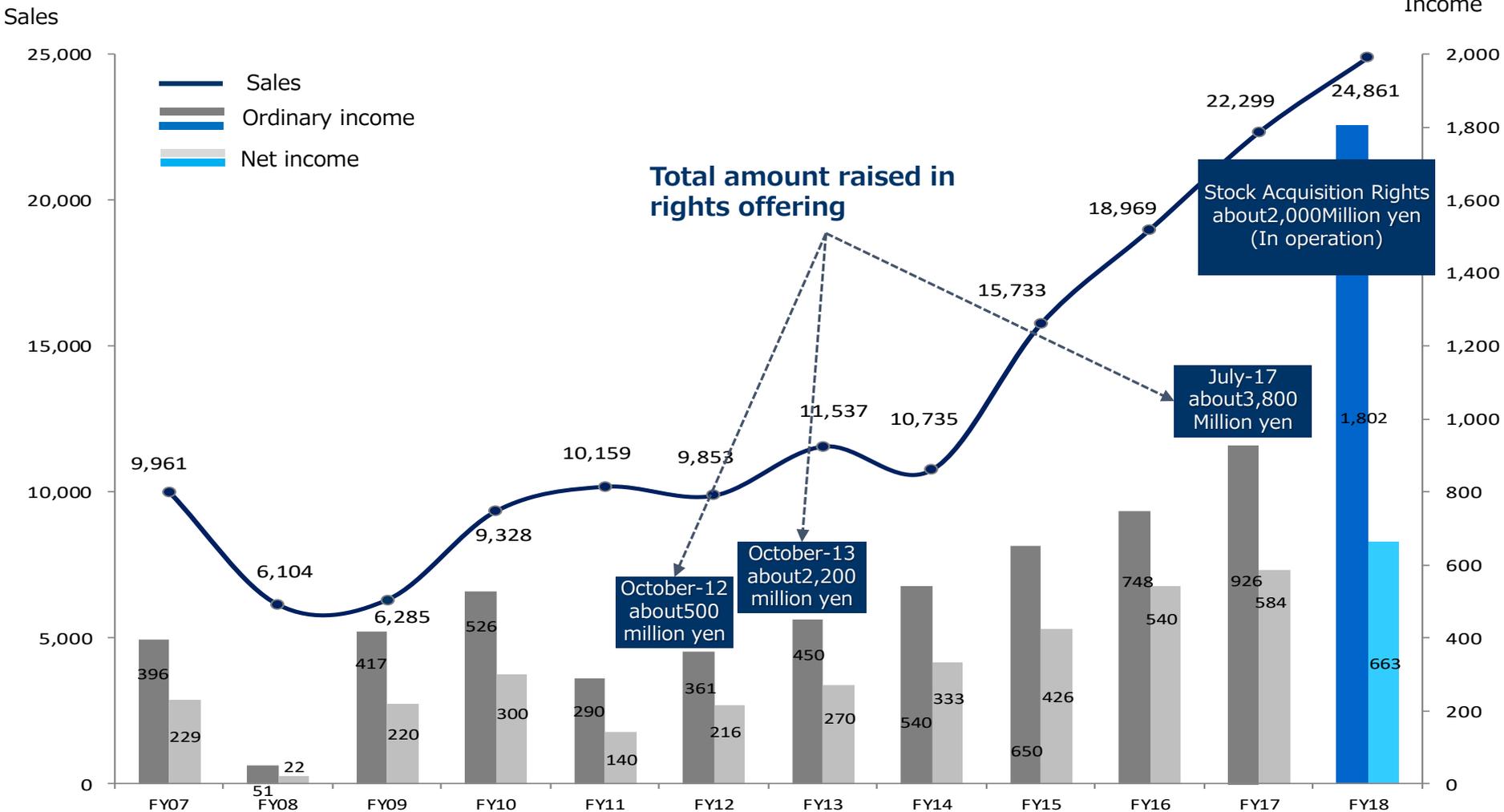
IV – Reference Materials (Equity Finance)

IV-1. Equity Finance and Our Growth(1)

業を高め、変わり続ける。



(Units: million yen)



Overview of 21st Stock Acquisition Rights (third-party allocation)

Allotment date	August 20, 2018
Allotment recipient	Milestone Capital Management LLC
Total number of stock acquisition rights	530,000 units
Number of dilutive shares resulting from this issuance	53,000,000 shares (100 shares per stock acquisition right)
Amount raised	About 2.02 billion yen (net proceeds of about 2.00 billion yen) ※10 million yen in stock acquisition rights issued + 2.01 billion yen in stock acquisition rights exercised
Exercise price	38 yen per share (fixed)
Progress	About 970 million yen (48% of total) was raised as of the third quarter. Exercise period lasts until August 19, 2020.

■ Accelerated expansion of advisory services for financing

Our expertise in rights offerings, which we have carried out three times, has been collected in a book for publication.

We are proactively expanding advisory services for companies with similar issues.

【Target companies】

- Listed companies
- Companies with a high proportion of individual shareholders
- Relatively low market capitalization
- Strong motivation to grow and robust need for capital



※Please refer to the press release dated April 22, 2019 entitled “AD Works publishes books bringing together expertise on rights offerings: Full-scale expansion of advisory services on fund-raising on the occasion of publication.”

V - Reference Materials

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

- ❑ **Company name:** A.D.Works Co., Ltd.
- ❑ **Headquarters:** 13th Fl., U-1 Hibiya Bldg., 1-1-7, Uchisaiwai-cho, Chiyoda-ku, Tokyo
- ❑ **Establishment:** Founded February 1886. Incorporated May 1936.
- ❑ **Capital:** 4,385 million yen (as of the end of March 2019)
- ❑ **Listed:** Listed October 2007 on Tokyo Stock Exchange JASDAQ.
Changed October 2015 to the First Section of the Tokyo Stock Exchange.
- ❑ **Subsidiaries:**
 - A.D.Partners Co., Ltd. (property management)
 - A.D.Designbuild Co., Ltd. (construction)
 - A.D.Smartmoney Investment Co., Ltd. (sales of small-lot investment products)
 - 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)
- ❑ **Officials:**

Hideo Tanaka	President and CEO
Syogo Yonetsu	Executive Vice President
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
Takemoto Ohto	Director, Audit & Supervisory Committee Member
Miwa Sutoh	Director, Audit & Supervisory Committee Member

V-2. Shareholder Composition (Based on information as of March, 2019)

業ぎ高める。変わり続ける。

A.D.W. GROUP
SINCE 1950

Number of issued shares / Number of shareholders

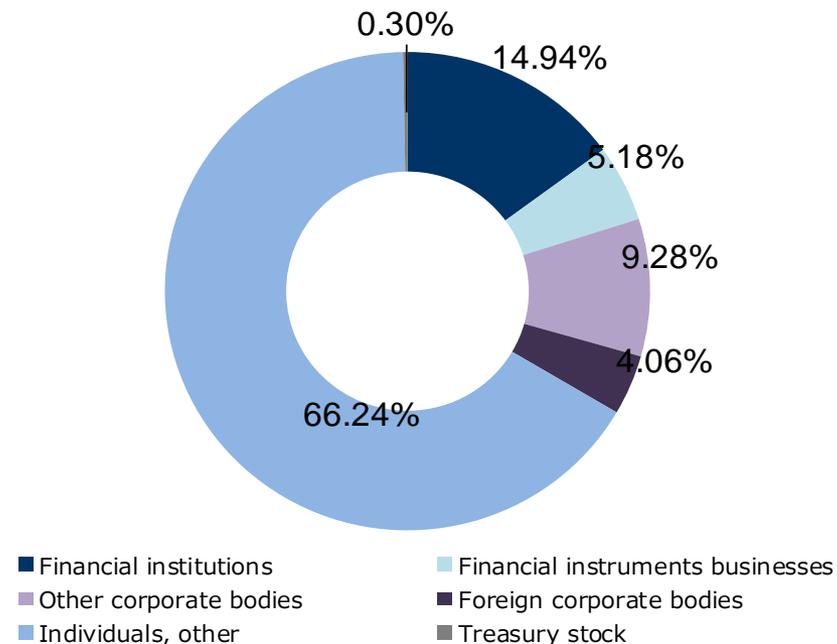
Number of issued shares: 349,922,493

Number of shareholders: 21,304

Major shareholders

		Number of shares	Share ratio %
1	Hideo Tanaka (President and CEO)	35,722,139	10.20%
2	Liberty House Co., Ltd.	16,216,000	4.63%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	12,020,400	3.43%
4	The Nomura Trust and Banking Co., Ltd. (Trust Account)	10,849,500	3.10%
5	Milestone Capital Management Co.,Ltd.	9,000,100	2.57%
6	Japan Trustee Services Bank, Ltd. (Trust Account)	6,663,800	1.90%
7	J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	6,268,016	1.79%
8	Morgan Stanley MUFG Securities Co., Ltd.	6,107,494	1.74%
9	Japan Trustee Services Bank, Ltd. (Trust Account・5)	5,437,800	1.55%
10	Japan Trustee Services Bank, Ltd. (Trust Account・1)	4,191,400	1.19%

Allocation by owner (share ratio)



Objective

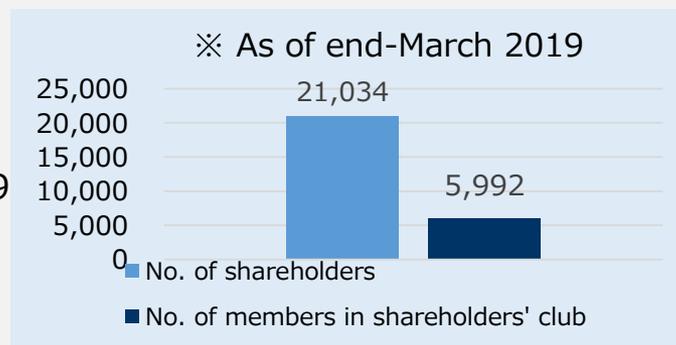
- This member organization is operated on the internet and began accepting members in September 2017 with the aim of strengthening relationships with more shareholders.

Functions

- Information on the company's current situation, particularly earnings and topics, is provided to members in a timely manner.
- Members with 10,000 shares or more receive special points as premium members.
- Surveys are given regularly to members to identify their views directly and promptly.
⇒The first survey was held from March to April 2018 (released on September 27, 2018), and was used as a reference for subsequent capital policy .

Scale

- There were more than 5,000 members as of end-March 2019
This amounts to 28% of all shareholders.

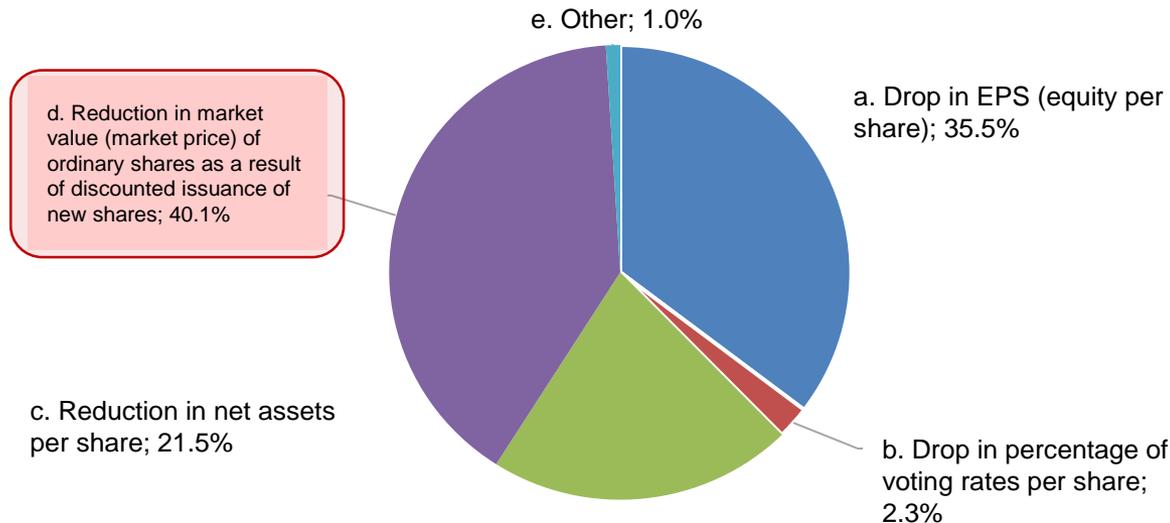


(Reference) Released Sep 27, 2018

※ Excerpt from shareholder survey released on September 27, 2018 (given to A.D.Works Shareholders' Club members)

Question:

In the case of capital policies for listed companies overall, which of these would you be concerned about if a company in which you hold shares (a listed company) increased its capital? Respondents: 1,888

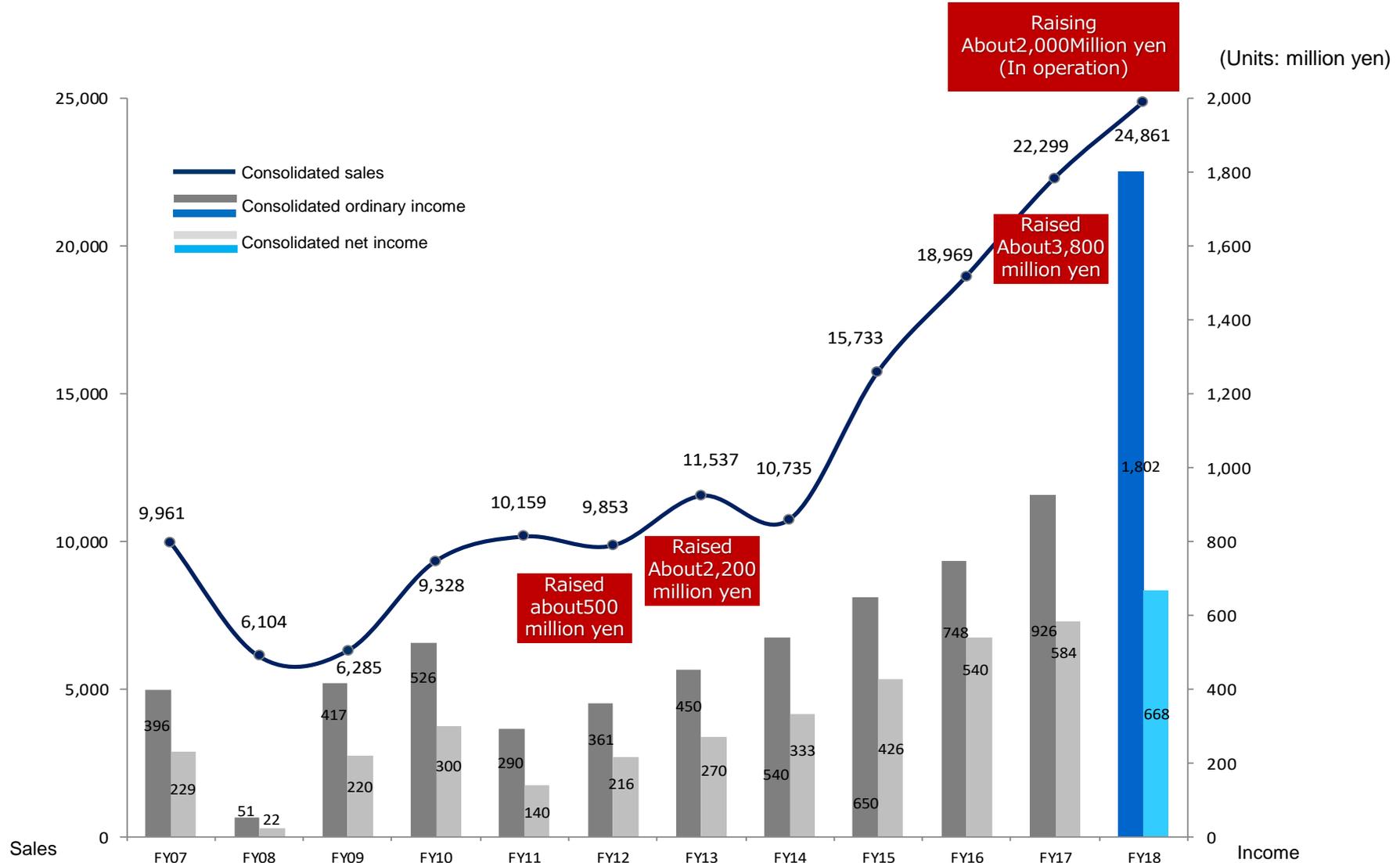


- **The company's individual shareholders are worried that share prices would fall as a result of a discounted issuance.**
⇒ **The exercise price for share acquisition rights was set at the same level as the closing price on the release date (August 2, 2018).**

V-5. Trends in Past and Current Results

業ぎ高める。変わり続ける。

A.D.W. GROUP
SINCE 1950



Note: Because no consolidated financial statements were created for the years ended March 31, 2008 and March 31, 2009, the results shown here are non-consolidated results only.



V-6. Changes in Consolidated Results (Summary)

業を高める。変わり続ける。

A.D.W. GROUP
SINCE 1955

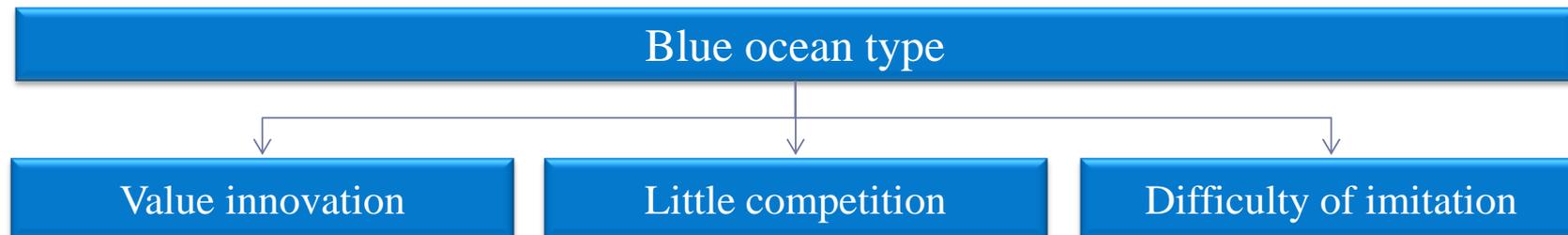
(Units: million yen)

	Year ended March 31, 2012 (Results)	Year ended March 31, 2013 (Results)	Year ended March 31, 2014 (Results)	Year ended March 31, 2015 (Results)	Year ended March 31, 2016 (Results)	Year ended March 31, 2017 (Results)	Year ended March 31, 2018 (Results)	Year ended March 31, 2019 (Results)
Consolidated sales	10,159	9,853	11,537	10,735	15,733	18,969	22,299	24,861
Consolidated ordinary income	290	361	450	540	650	748	926	1,802
Consolidated net income	140	216	270	333	426	540	584	663
Net assets	2,205	2,896	5,496	5,478	5,842	6,415	10,152	11,947
Total assets	6,258	9,117	14,274	16,681	17,925	25,832	30,801	30,625
Total income property balance (at year end)	3,810	5,703	10,124	12,931	14,551	20,318	22,376	21,229
Rental revenue (sales)	380	416	460	717	842	1,058	1,112	1,319
Rental revenue / Sales ratio (%)	3.7%	4.2%	4.0%	6.7%	5.4%	5.6%	5.0%	5.3%
Employees (persons)	53	59.5	68	99	115	136	146	167

VI – Reference Materials

(Characteristics of the A.D.W. Group Business Model)

Business model characteristics



Characteristics

(1) One-stop solutions

(2) Broad-ranging competitive superiority and social significance

(3) Expected to pursuit of a stable profit structure

Aiming to create an **"only-one business model"** that is completely different from the conventional property-focused real estate concept.

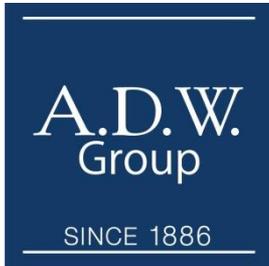
(1) One-stop solutions



(2) Broad-ranging competitive superiority and social significance

Information strength	<ul style="list-style-type: none">• Direct access to approximately 3,000 persons engaged in brokerage• Preferential supply of information from brokers due to the trustworthiness that comes from being a listed company
Dependable exit	<ul style="list-style-type: none">• Existence of a dependable exit provided by high net-worth individuals
Value-adding strength	<ul style="list-style-type: none">• Renovation strength for enhancing product value aimed at increasing rents and lowering vacancy rates• Improvement in property value through regeneration as legally compliant properties
Rapid decision-making	<ul style="list-style-type: none">• Quick decision-making for early monetization
High reliability	<ul style="list-style-type: none">• Eliminating the problem of asymmetrical information which is often an issue with secondhand properties
Strong relationships with owners	<ul style="list-style-type: none">• Because our company is involved as a one-stop service, new owners are able to buy with a high degree of trust. We provide PM and consulting after sales (CRM strategy).

Social significance



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 Business Planning Department
TEL: 03-4500-4208
E-mail: ir@re-adworks.com