

A.D.W.
Group

SINCE 1886

A.D. Works Co., Ltd.

IR Briefing Materials: The First Half of the Year Ending March 31, 2017

November 11, 2016
A.D. Works Co., Ltd.

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

Contents

I	Summary of the First Half of the Year Ending March 31, 2017	p.2 – p.5
II	Overview of the First Half of the Year Ending March 31, 2017	p.6 – p.12
III	Business Plan and Progress	p.13 – p.15
IV	Status of Corporate Governance	p.16 – p.22
V	Entry into the ReTech	p.23 – p.28
VI	Reference Materials (A.D.Works Business Strategy)	p.29 – p.31
VII	Reference Materials (Company Profile, Shareholder Composition, Trends in Consolidated Results)	p.32 – p.36
VIII	Reference Materials (The Fifth Mid-Range Business Plan)	p.37 – p.43
IX	Reference Materials (Characteristics of the A.D.W. Group Business Model)	p.44 – p.47

I - Summary of the First Half of the Year Ending March 31, 2017

1. Summary of the First Half of the Year Ending March 31, 2017

Topic

1

Steady progress relative to the consolidated results plan

Sales 57.3% / EBITDA 53.1% / Ordinary income 43.8% /
Net income 52.5%

* A portion of income from sales of income properties was recorded as an extraordinary gain. → This is the reason for the low progress in ordinary income.

Topic

2

Strong business in the United States (Los Angeles)

Accounted for more than 10% of consolidated sales during the first half of the year ending March 31, 2017.

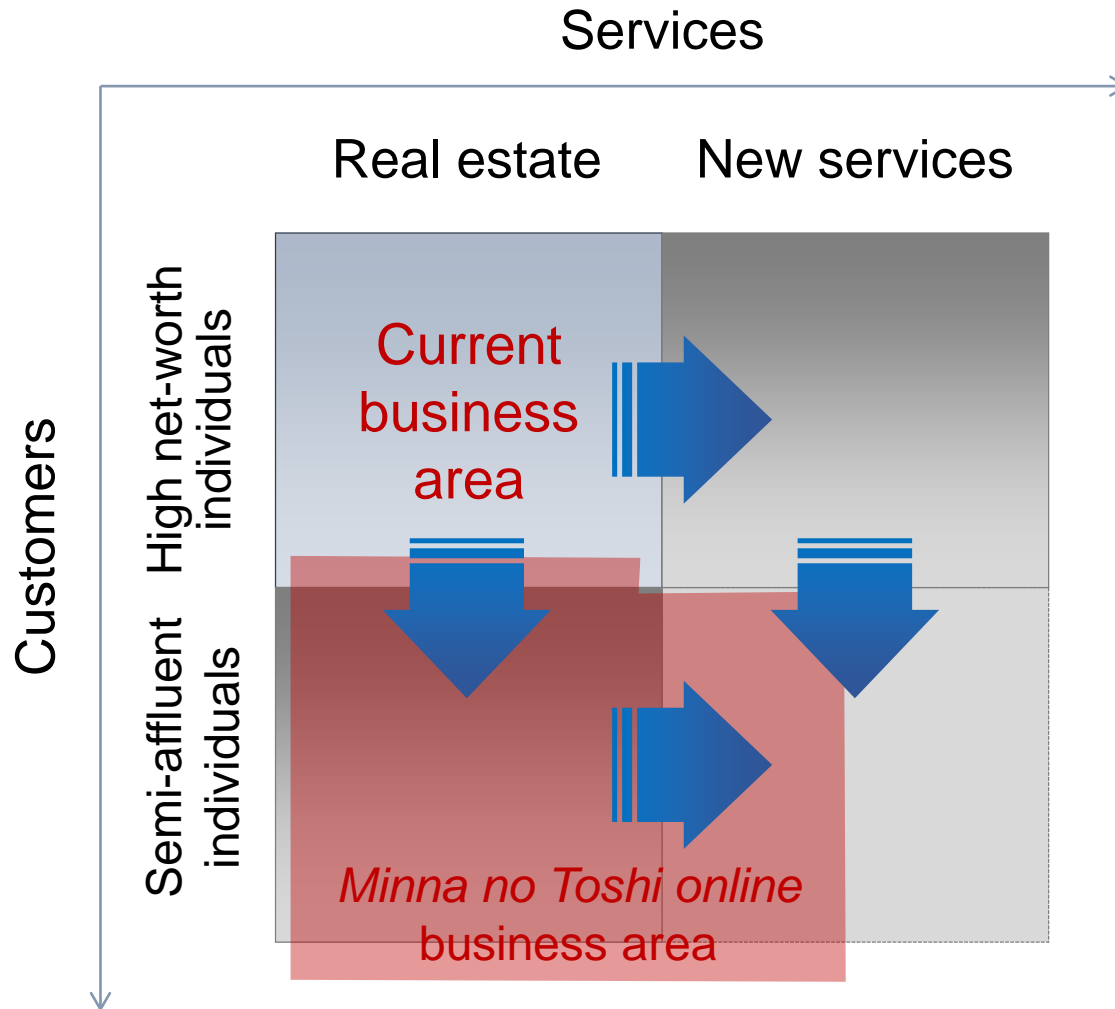
Topic

3

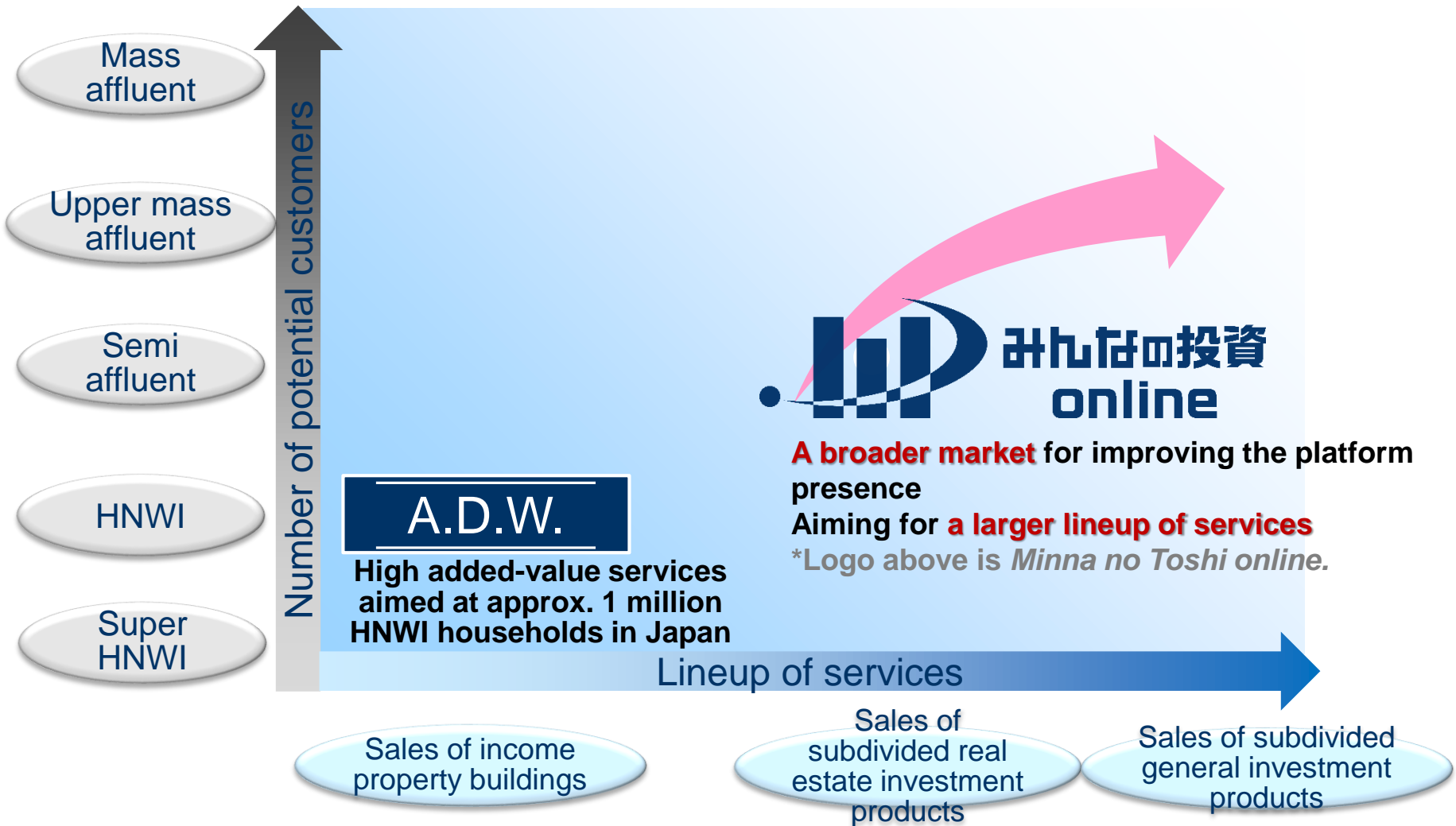
Entry into "Real Estate Tech (ReTech)"

The pre-release of the Transaction platform site *Minna no Toshi online* began on October 1. In its first month it received 20,000 PV (page views) and 15,000 UU (unique users).

2. Positioning of *Minna no Toshi online*



3. Positioning of *Minna no Toshi* online



II - Overview of the First Half of the Year Ending March 31, 2017

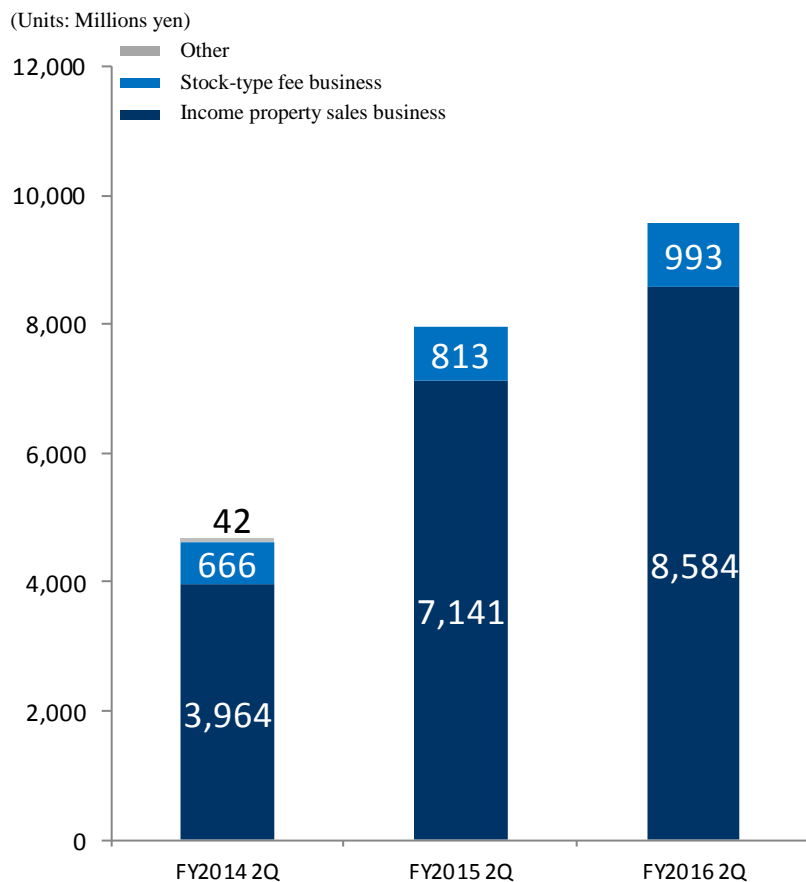
4. Consolidated PL Summary (Year-on-Year Comparison)

(Units: Millions yen)	FY2015 2Q (ended Sept. 30, 2015)		FY2016 2Q (ended Sept. 30, 2016)		Change from previous year	Full year plan progress
	Amount	% of sales	Amount	% of sales		
Sales	7,882	100.0%	9,459	100.0%	+20.0%	+57.3%
Gross profit	1,606	20.4%	1,819	19.2%	+13.2%	—
SG & A	1,101	14.0%	1,304	13.8%	+18.5%	—
EBITDA	532	6.7%	637	6.7%	+19.8%	+53.1%
Ordinary income	411	5.2%	350	3.7%	▼14.8%	+43.8%
Net income before taxes	411	5.2%	437	4.6%	+6.3%	+54.7%
Net income	263	3.3%	277	2.9%	+5.3%	+52.5%

1. We achieved steady progress relative to the full-year plan.
2. Our U.S. business is growing. Sales during the first half of the year were 1.019 billion yen, accounting for 10.8% of consolidated sales.

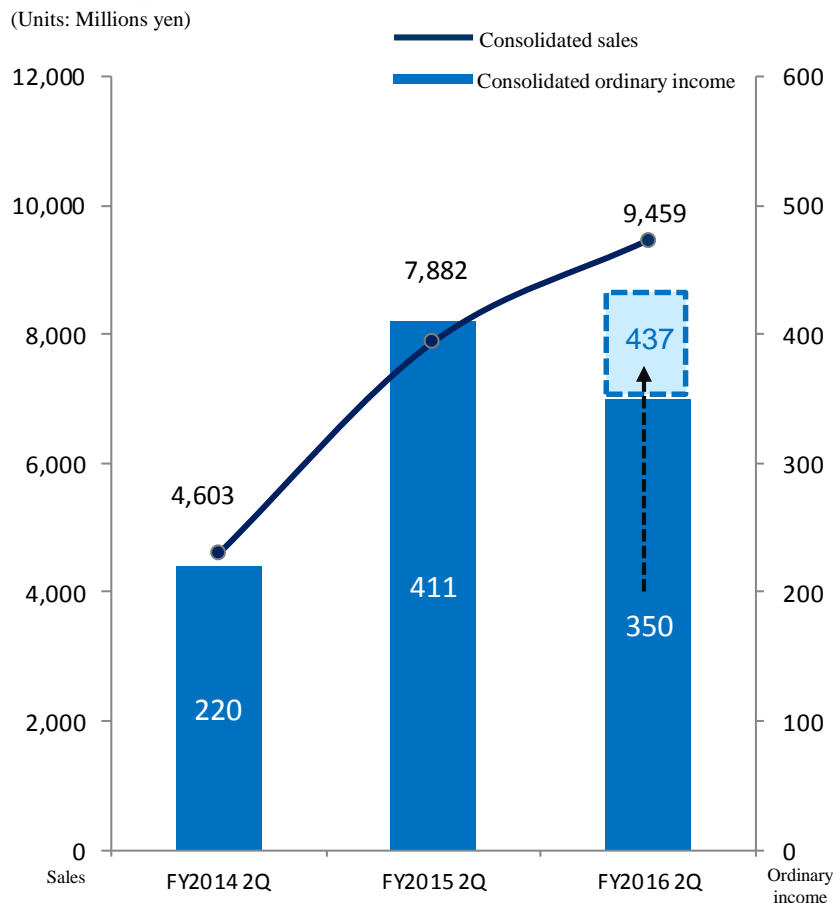
5. Consolidated Results

Changes in consolidated sales (by business area)



(*1) Sales for each segment are figures that include inter-segment transfers.
As a result, the total for all segments differs from the figure for consolidated sales.

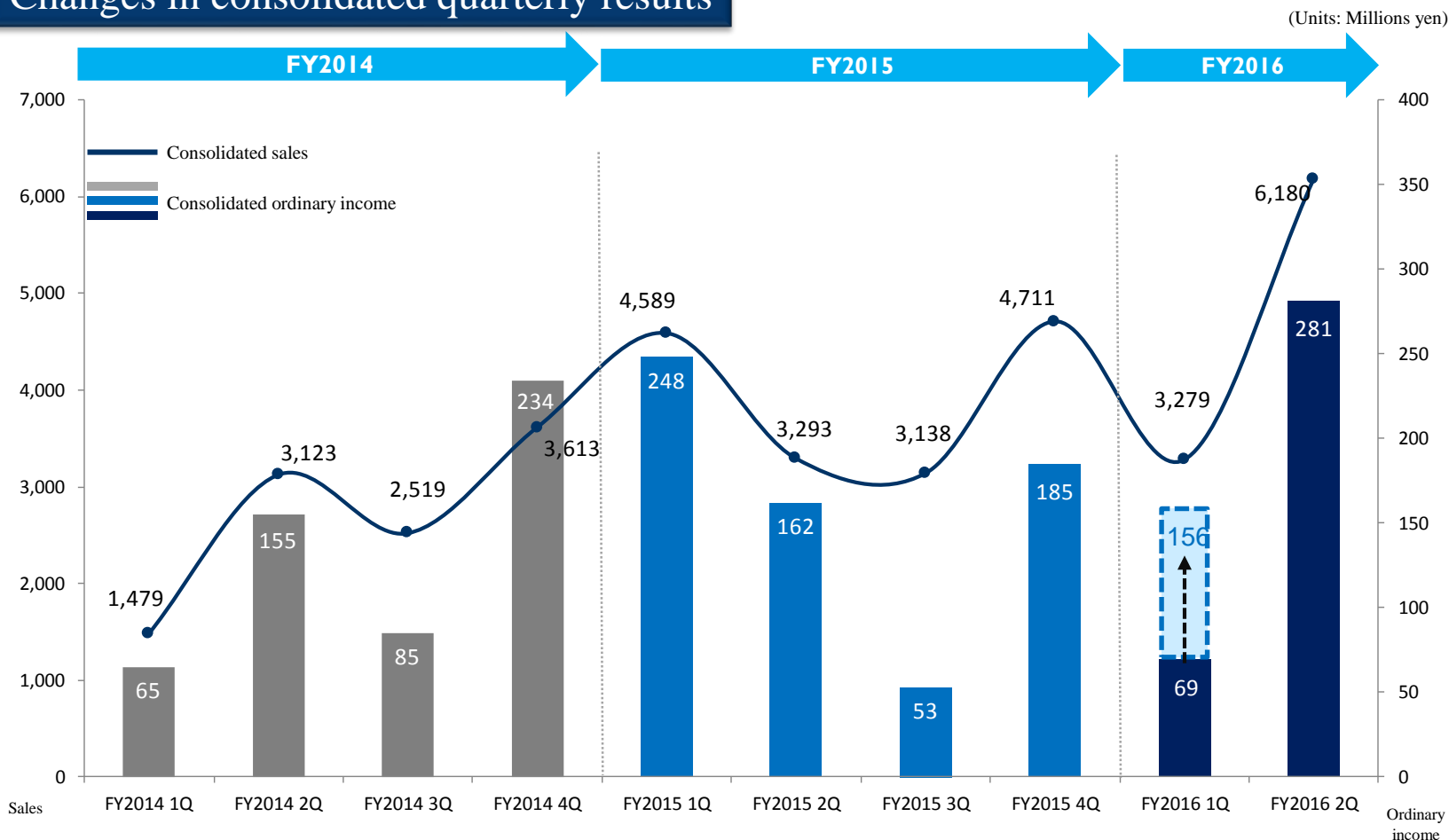
Changes in consolidated sales and ordinary income



The decline in ordinary income was due to the fact that Income from sales of income properties held for long-term sale was recorded as extraordinary income, and in fact **EBITDA and net income were higher.**

6. Changes in Consolidated Quarterly Results

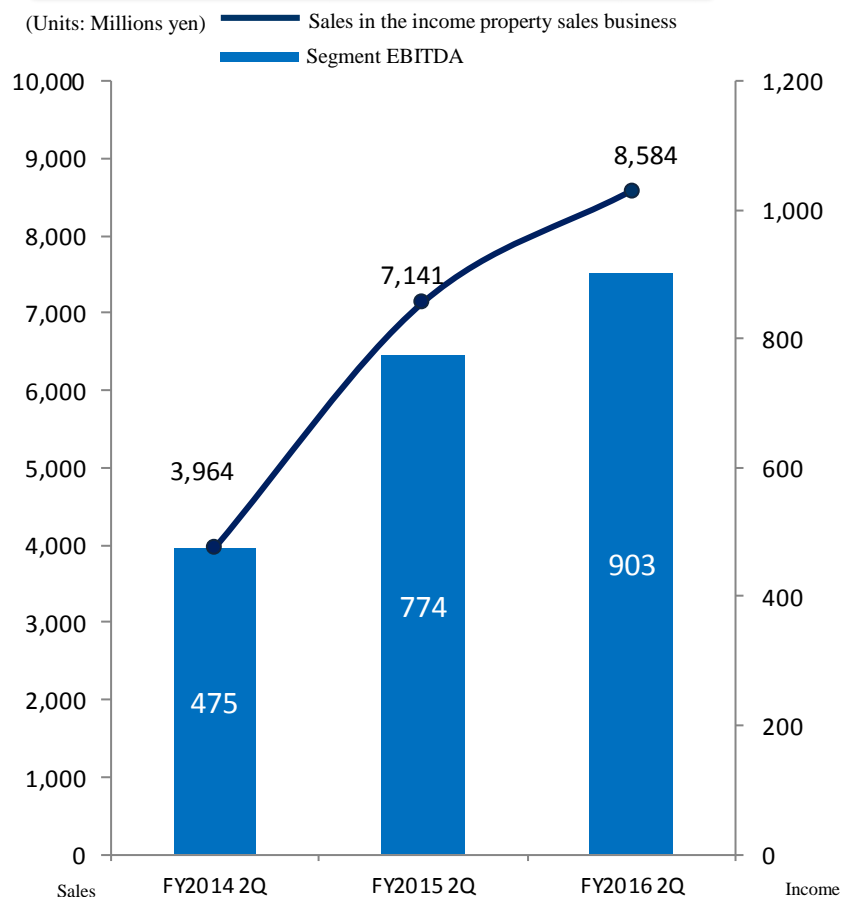
Changes in consolidated quarterly results



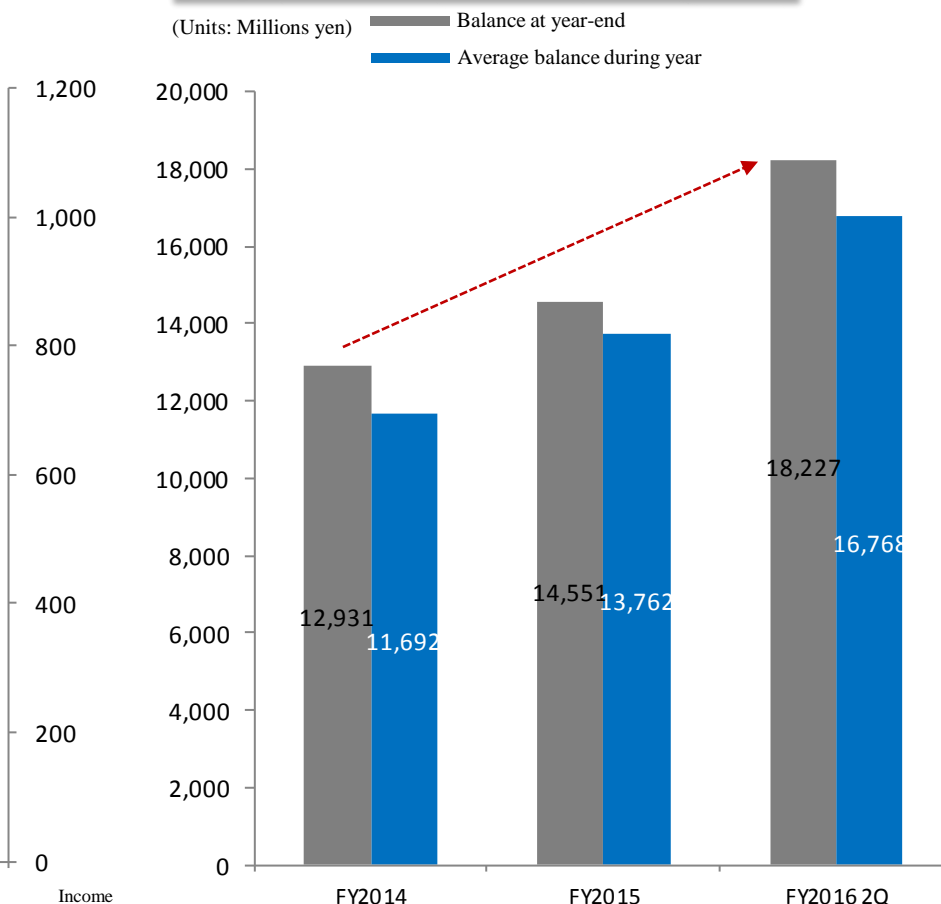
At present, the income property sales business accounts for about 90% of consolidated sales. As a result, there are large fluctuations in quarterly results.

7. Main Business Areas (1): Overview of the income property sales business

Changes in income property sales business results



Changes in balance of income properties

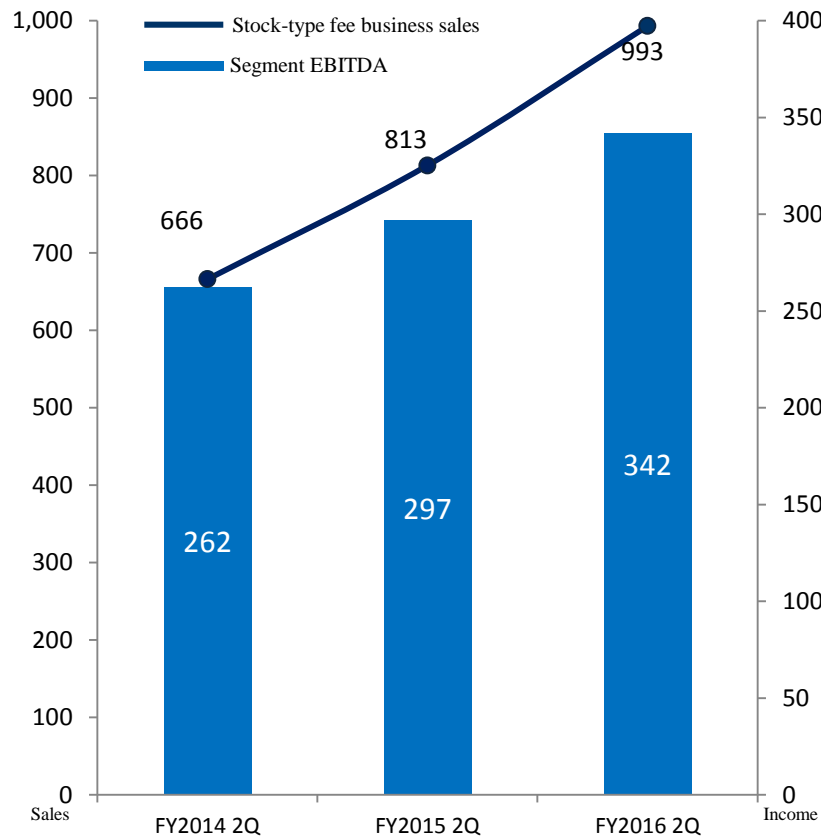


The balance of income properties that are a source of future income increased to 18.227 billion yen. (Year-end plan: 20.000 billion yen)

8. Main Business Areas (2): Overview of the stock-type fee business

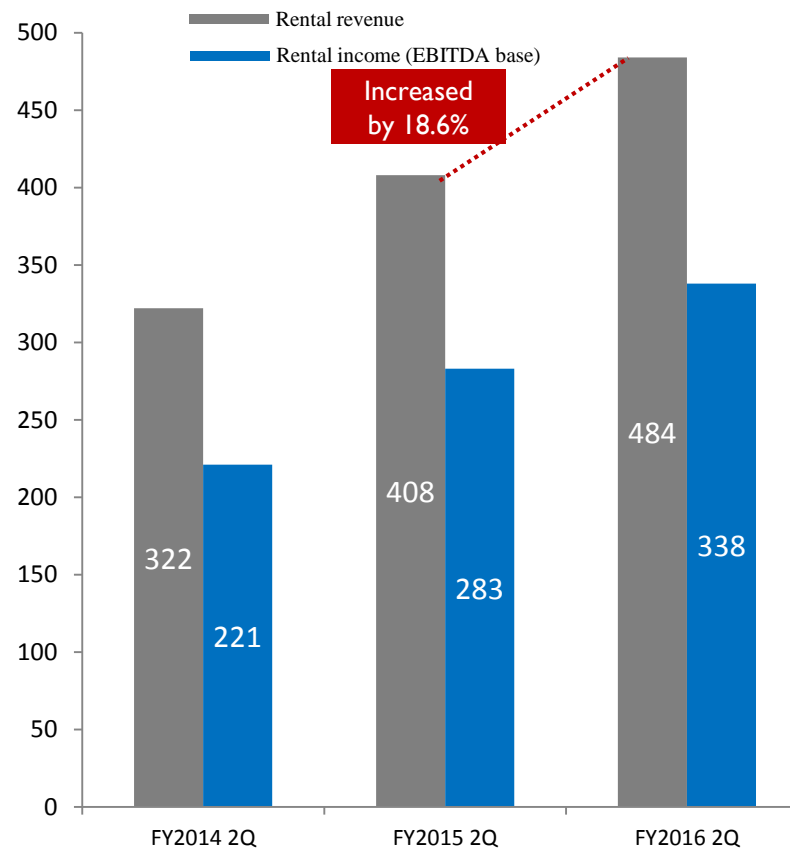
Changes in stock-type fee business results

(Units: Millions yen)



Changes in rental revenue and income

(Units: Millions yen)

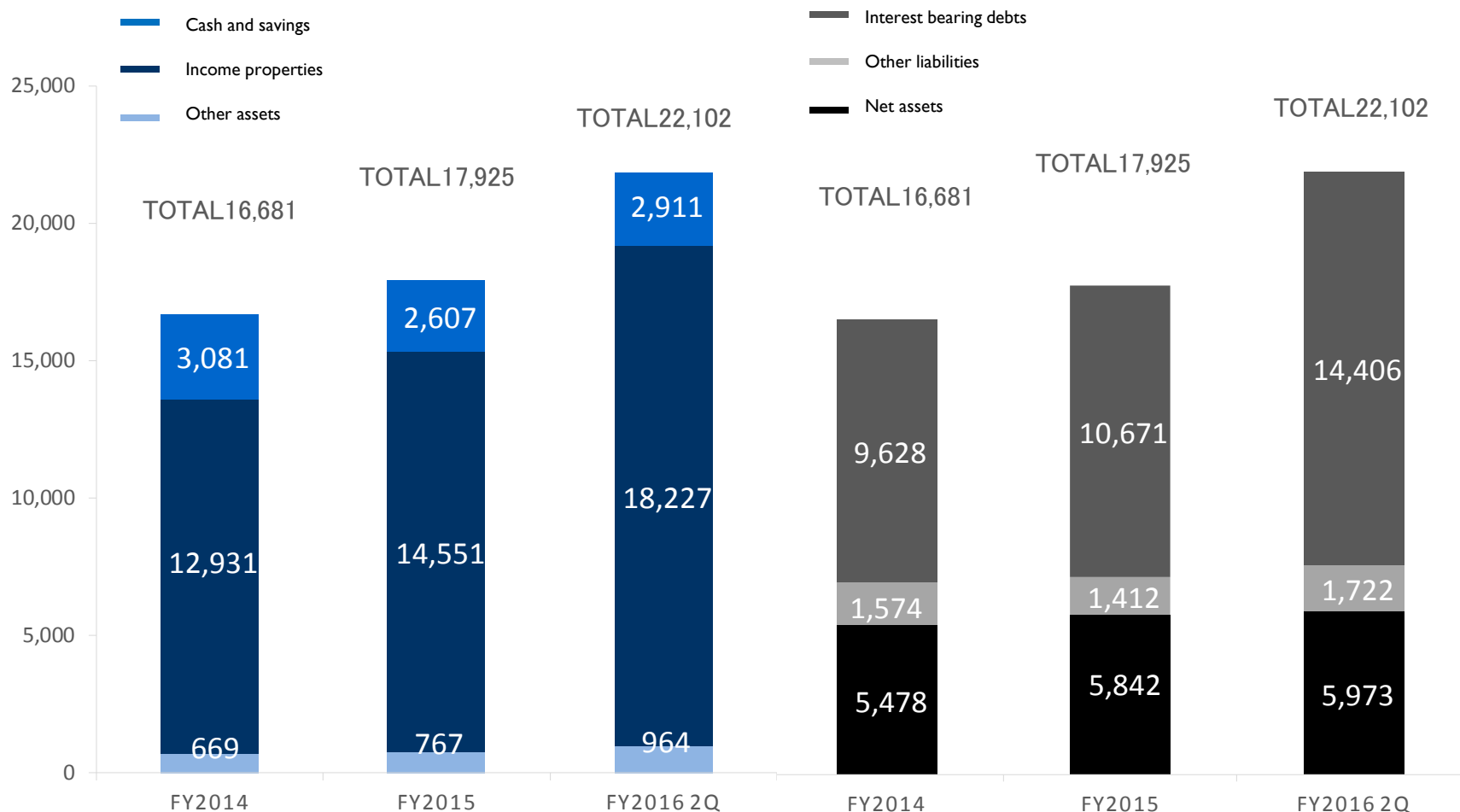


Rental revenue as a stable income source is gradually growing.

9. Consolidated B/S Summary

Summary of main B/S items

(Units: Millions yen)



Note: The above figure for "Income properties" includes properties which are listed in the balance sheet under "properties for sale in process" and properties which are listed under "fixed assets".

III - Business Plan and Progress

10. Consolidated Results Plan (Fiscal Year Ending March 31, 2017)

Fifth Mid-range Business Plan (FY2016 – FY2018)

(Units: Millions yen)

	Year ended March 31, 2015 (Results)	Year ended March 31, 2016 (Results)	Year ended March 31, 2017 (Planned)	Year ended March 31, 2019 (Planned)
Consolidated sales	10,735	15,733	16,500	18,000
Consolidated EBITDA	791	926	1,200	1,600
Consolidated ordinary income	540	650	800	1,000
Consolidated net income	333	426	528	660
Consolidated ROE (at year end)	6.1%	7.3%	6.4%	7.4%

Note: Consolidated EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is calculated as the sum of consolidated operating income and depreciation, amortization, etc. Depreciation and amortization, etc. includes depreciation, software amortization, amortization of goodwill, and other expenses which do not involve cash disbursement. A portion of income properties held for long-term sale are classified as fixed assets. The income from sales of these income properties is recorded as extraordinary income. Our policy in such cases is to add the results of this extraordinary income to consolidated EBITDA.

The equity financing announced on May 12 is expected to reduce the planned ROE for the year ending March 31, 2017. If this financing was not carried out, ROE for the year ending March 31, 2017 is predicted to be 8.5%.

11. Guidance for Balance of Income Properties / Rental Income / ROA

(Units: Millions yen)

		Year ended March 31, 2016 (Results)	End of 2Q ended June 30, 2016 (Results)	Year ending March 31, 2019 (Planned)
Guidance	Balance of U.S. income properties held for sale (average)	1,773	2,391	5,000
	Balance of domestic income properties held for short- or medium-term sale (average)	9,116	10,494	12,000
	Balance of domestic income properties held for long-term sale (average)	2,872	3,882	10,500
	Total balance of income properties (end of year)	14,551	18,227	30,000
	Rental income (EBITDA base)	559	338	1,246
	ROA for income property sales business	11.6%	12.4%	6.9%

Note: ROA for the income property sales business in first half of the fiscal year ending March 31, 2017 is calculated by conversion to a full-year basis.

During first half of the fiscal year ending March 31, 2017, we acquired 26 properties in Japan and 7 properties overseas.

IV – Status of Corporate Governance

12. State of the A.D.W. Board of Directors

Three premises

(1) Growth stage

- There is a shared understanding that expansion of business resources (capital, personnel, etc.) is essential.

(2) Capital structure

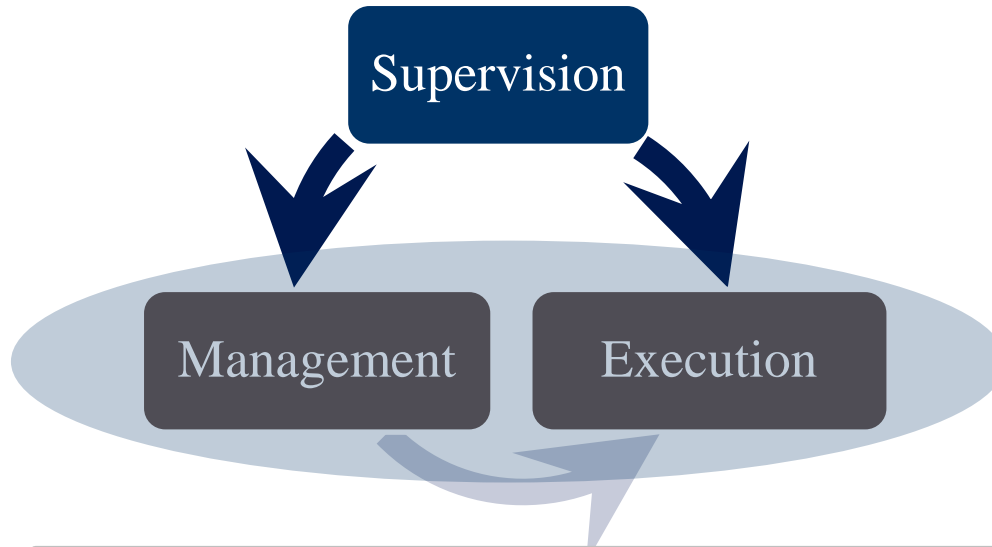
- The president is the largest shareholder, and conditions have been created under which the interests of the shareholders and company management are in general aligned.

(3) Target size

- The size is such that management attention reaches all areas of business execution.

The reason for "(3) Target size" is the belief that at the present stage, it is preferable to **use an integrated and indivisible system without clear separation of "management" and "execution"**. (*1)

13. Official Responsibilities of Directors



Management

- High-level decisions such as corporate strategies and basic policies
- Decisions that are the basis underlying the instructions/orders for executing individual business operations

Execution

- Business execution based on the decisions

Supervision

- Functions for restricting "management" and "execution" from the perspective of legal compliance
- Functions for verifying "management" and "execution" from the perspective of reasonableness

14. Supervision and Advisory Functions of Outside Directors

Outside directors

- Primarily responsible for "supervision".
- For some matters, based on their own knowledge, outside directors **provide advice related to "management" and "execution" and participate in management by exercising voting rights.** (*2)

In the CG Code (our company's understanding)

The board of directors must be focused on supervision under conditions when "management", "execution", and "supervision" are all separated.

At A.D.Works

In some matters, the outside directors operate in a style which is close to "self-supervision", and which is somewhat different from "supervision from an independent standpoint". (From *1, *2)

15. Outline of the Board of Directors Function Matrix

Function category 1: Suitability for carrying out supervision functions	Function category 2: Suitability of advisory functions for helping improve corporate value
(1) Items for experience and knowledge related to management (4 items)	(1) Business and operating areas (5 items)
(2) Items related to corporate law (4 items)	(2) Corporate action areas (4 items)
(3) Items related to correct governance and risk management (5 items)	(3) Other areas (4 items)
(4) Items related to finance and to engagement with shareholders and investors (6 items)	

At A.D.Works, the functions required of the Board of Directors are announced in the "Board of Directors Function Matrix". The functions are divided into 2 categories, "Function category 1: Suitability for carrying out supervision functions" and "Function category 2: Suitability of advisory functions for helping improve corporate value". (Function category 1 is positioned as the key requirements when hiring outside directors.)

16. Details of the Board of Directors Function Matrix

Function category 1 (requirements for hiring): Suitability for carrying out supervision functions (skills, experience, etc.)	Director Harakawa	Director Oto	Director Suto	All outside directors
(1) Items for experience and knowledge related to management				
(Recognized successful) experience in management at multiple companies	○	○		○
Experience as executive at a public company		○		○
(Recognized successful) management consulting experience at a diverse range of companies			○	○
Experience or insight related to assessment and use (allocation) of management resources	○	○	○	○
(2) Items related to corporate law				
Insight related to corporate law	○	○		○
Insight related to global corporate law				
Insight related to transactions between related parties	○	○		○
Insight related to conflicts of interest between creditors/shareholders and management	○	○		○
(3) Items related to correct governance and risk management				
Insight related corporate government	○	○		○
Experience or knowledge of risk management (risk assessment and assertion)		○	○	○
Knowledge related to accounting standards and accounting supervision			○	○
Experience or knowledge related to construction and assessment of internal control systems	○	○		○
Experience or knowledge related to construction and assessment of information security			○	○
(4) Items related to finance and to engagement with shareholders and investors				
Success, experience, and knowledge related to a diverse range of capitalization strategies, stock strategies, and financing				
Experience or knowledge related to engagement with domestic institutional investors				
Ability to engage with overseas institutional investors			○	○
Knowledge of disclosure and exchange rules				
Insight related to stewardship codes				
Experience as an investor (venture capital, fund manager, etc.)			○	○

Function category 2 (secondary expectations): Suitability of advisory functions for helping improve corporate value	Internal directors	Director Harakawa	Director Oto	Director Suto	Overall Board of Directors
(1) Business and operating areas					
Success, experience, and knowledge in the real estate business	○	○			○
Success, experience, and knowledge in business for high net-worth individuals	○				○
Knowledge related to financial products	○	○			○
Knowledge of general marketing methods			○	○	○
Knowledge of general branding strategies				○	○
(2) Corporate action areas					
Success, experience, and knowledge related to organizational restructuring and M&A/PMI	○				○
Success, experience, and knowledge related to organizational management	○	○	○		○
Knowledge related to a diverse range of performance assessment methods	○		○		○
Knowledge related to a diverse range of employee assessment methods	○	○	○		○
(3) Other areas					
Knowledge related to future environments based on political, economic, and social issues	○		○		○
Knowledge related to future environments based on technical innovations including IT and SNS					
Insight related to diversity			○		○
Global business network				○	○

Knowledge: Information that produces real understanding
 Insight: Ideas and assertions based on knowledge

17. A.D.Works Target Size

Company target size (guidance)

	Approximate guideline
Consolidated net assets	25.0 billion yen
Consolidated employees	200
Market capitalization	35.0 – 40.0 billion yen

- We recognize that it will be necessary to change our approach to corporate governance at the appropriate time as our business grows in the future.

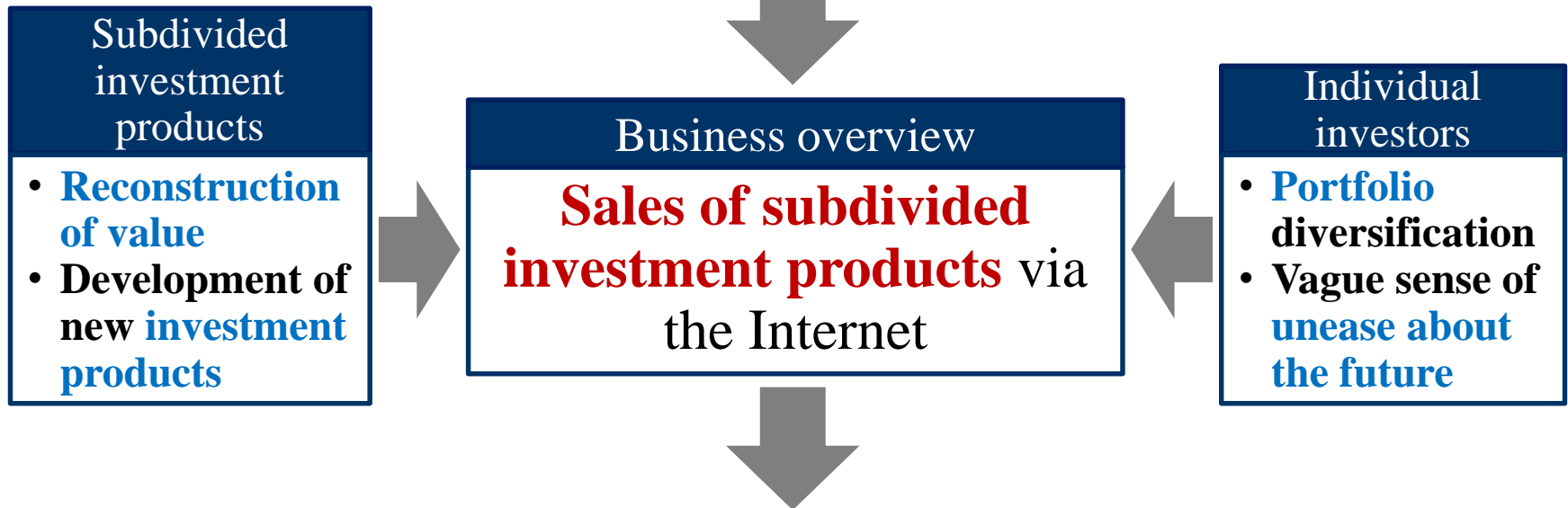
* The company has not established a time period, schedule, or other time framework for achieving the target size listed in this guidance.

V – Entry into the ReTech Business

18. Executive Summary

Environment surrounding the business

- Trend of **Re Tech**
- Need for **diversified** financing
- Need to **acquire potential customers**
- Asset activities **focused on savings**



Significance of this business to A.D. Works

- **At the forefront of ReTech**
- **Contribute to mobilization of real estate.**
- **Acquire high-loyalty customers.**
- **Enable diversified financing.**

19. Working Towards the Start of Our ReTech Business

- October 1 Pre-release of *Minna no Toshi online* (20,000 PV, 15,000 UU during October)
- October 21 Establishment of Smart Money Investment Co., Ltd.
- November 1 Official start of *Minna no Toshi online*
- Spring 2017 (planned) Construction of a platform for sales of subdivided investment products



新着記事

- 「一棟マンション投資」とは？ リスク・リターンの手配
- 資産形成のメリットとリスク 早く始めるほど効果が出やすい？
- お金を増やしたい人が知っておきたい「資産形成」のポイント
- 節税とは誰でもできるものなの？ 税金負担を減らしたい人必見
- 相続税対策とは？ どのような方法があるのか、2つの方法を解説
- 「マンション投資」とは？ その特長と注意点

検索

新着記事

- 「一棟マンション投資」とは？ リスク・リターンの手配
- 資産形成のメリットとリスク 早く始めるほど効果が出やすい？
- お金を増やしたい人が知っておきたい「資産形成」のポイント
- 節税とは誰でもできるものなの？ 税金負担を減らしたい人必見

20. Approach to the A.D.Works ReTech Business

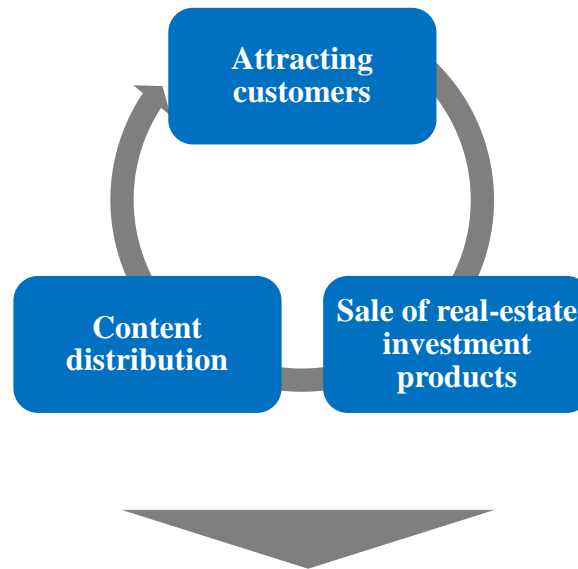
Utilize IT to organize information about subdivided investment products to make possible "after 5" investment



21. Links with ZUU



- Success in operation of a marketing platform for 3 million high net-worth individuals (ZUU online)
- Success in continual content distribution



A.D.W. GROUP SINCE 1886

- Successful record of 130 years since our founding
- Full knowledge of customer preferences centered on high net-worth individuals
- Ability to accurately assess real-estate products



22. Business Model Diagram

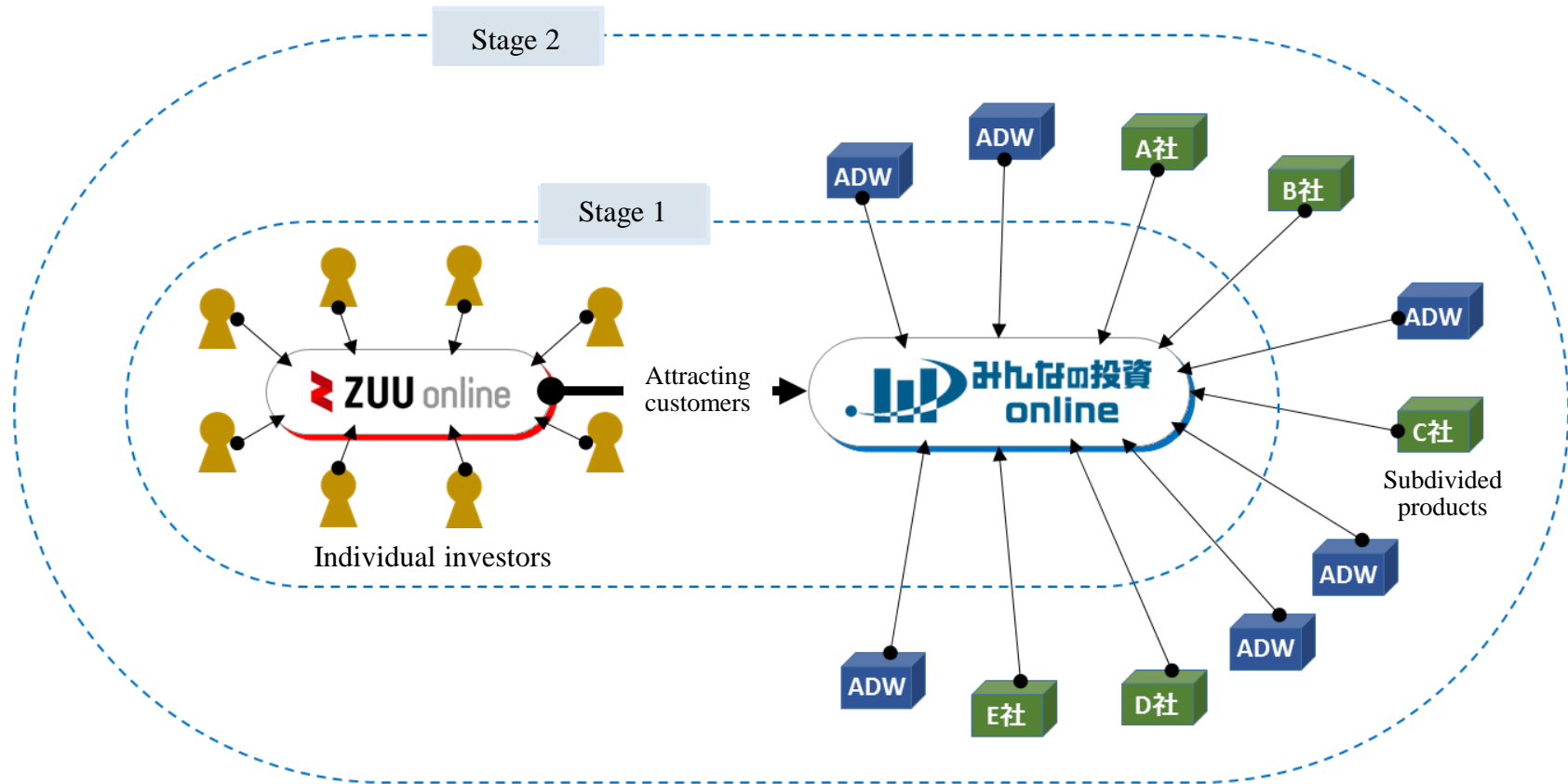


Image of the business 5 years from now

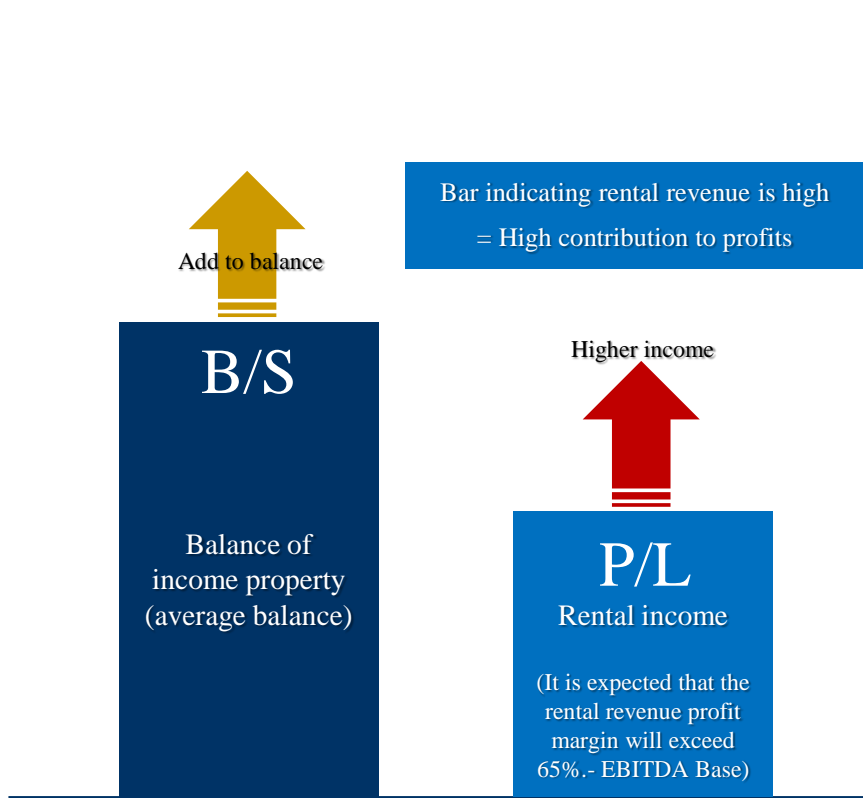
Monthly: 2,500,000 PV, 650,000 UU. Total transaction: 35.0 – 50.0 billion yen

Cumulative: 3 million viewers, 100,000 persons having conducted transactions

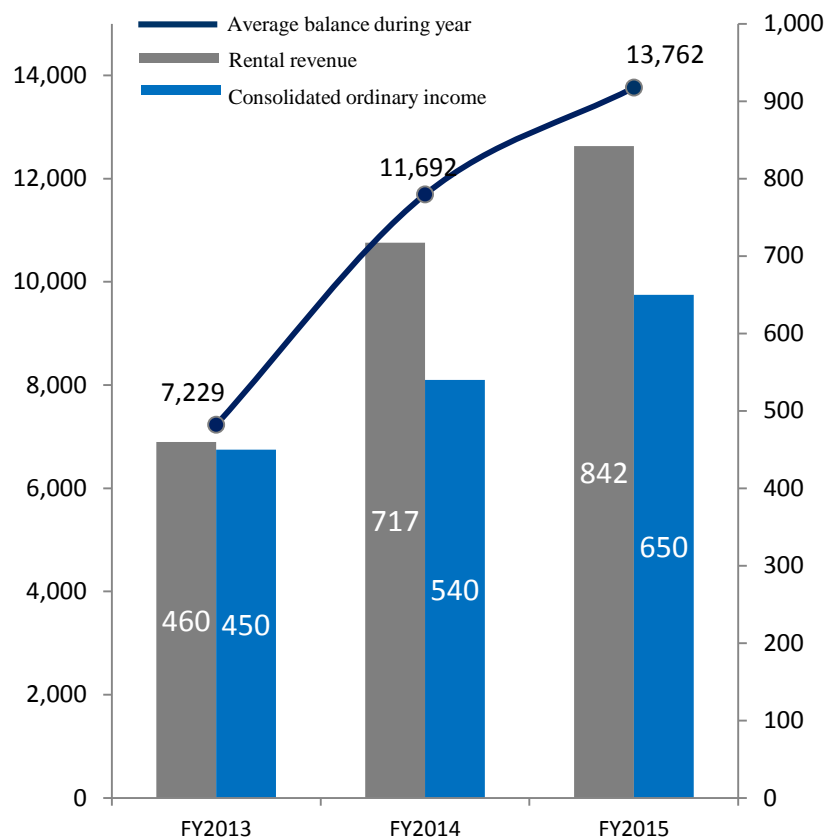
VI. Reference Materials (A.D.Works Business Strategy)

VI-1. Business Strategy: Expanding the Scale of Business and Shifting to a Stable Profit Model

Relationship between balance of income properties and rental income



When more properties are added to the balance of income properties, rental income increases, increasing the contribution to overall income.



The impact of rental revenue on profits is growing.
We are steadily transitioning to a stable profit model.

VI-2. Business Strategy: Benefits of Increasing the Balance of Income Properties

2 benefits of increasing the A.D.Works property balance

$$\text{ROE} = \text{Financial leverage (A)} \times \text{Asset turnover rate (B)} \times \text{Profit margin from sales of income properties (C)}$$

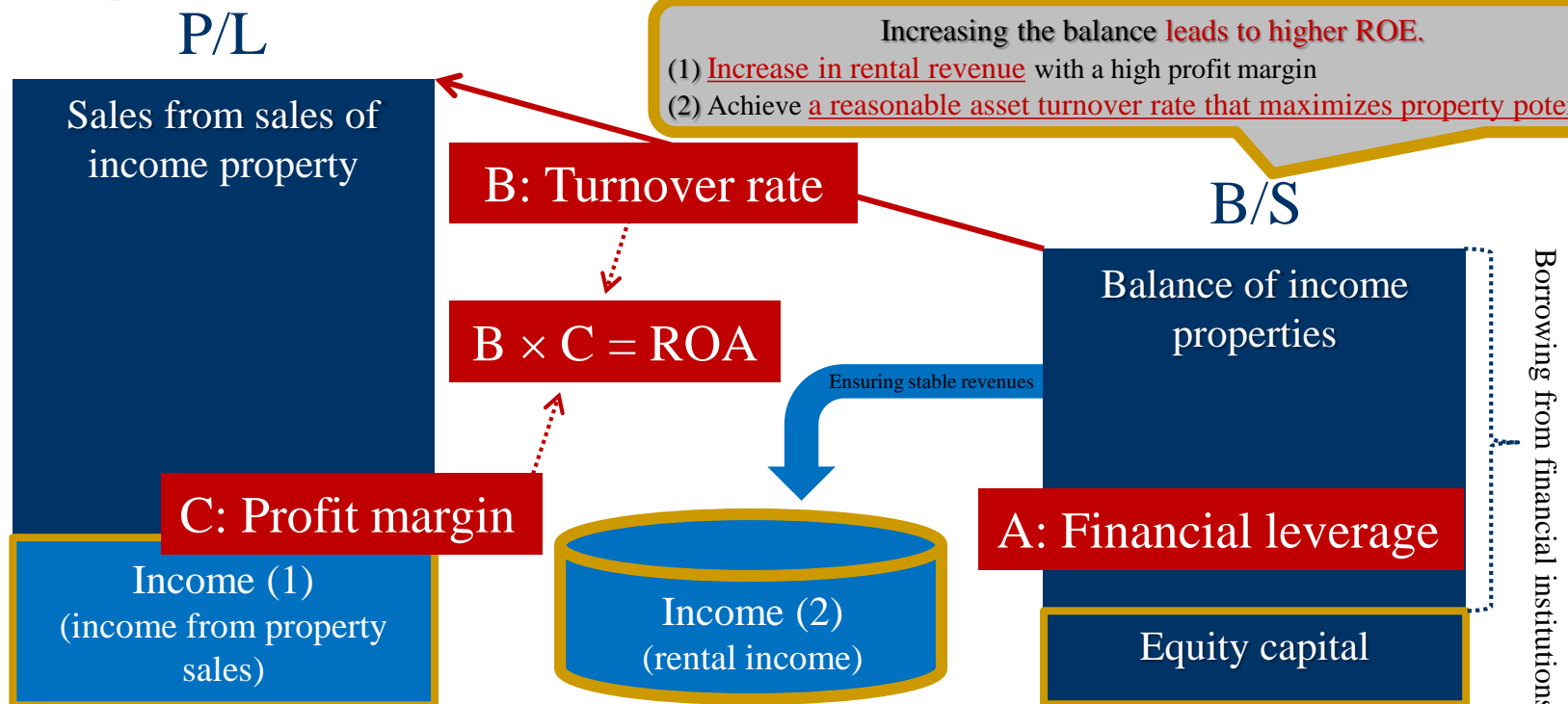
<Balance of income properties / Equity capital>

<Sales / Balance of income properties>

<Income from sales of income properties / Sales>

(Image showing relationships of announced figures)

$$\text{ROA (\%)} = \text{Income from sales of income properties} / \text{Balance of income properties}$$



VII - Reference Materials (Company Profile, Shareholder Composition, Trends in Consolidated Results)

VII-1. Company Profile

- ❑ **Company name:** A.D.Works Co., Ltd.
- ❑ **Headquarters:** 13th Fl., NBF Hibiya Bldg., 1-1-7, Uchisaiwai-cho, Chiyoda-ku, Tokyo
- ❑ **Establishment:** Founded February 1886. Incorporated May 1936.
- ❑ **Capital:** 1,937,744,322 yen (as of the end of September 2016)
- ❑ **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.Estate Co., Ltd. (property development, etc.)
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)
- ❑ **Employees:** 129 consolidated (as of the end of September 2016)
- ❑ **Officials:**

Hideo Tanaka	President and CEO
Syogo Yonetsu	Executive Vice President
Katsutoshi Hosoya	Senior Managing Director and CFO
Nobuhiko Toji	Managing Director
Tamio Harakawa	Director, Audit & Supervisory Committee Member
Takamoto Ohto	Director, Audit & Supervisory Committee Member
Miwa Sutoh	Director, Audit & Supervisory Committee Member

VII-2. Shareholder Composition

Number of issued shares / Number of shareholders

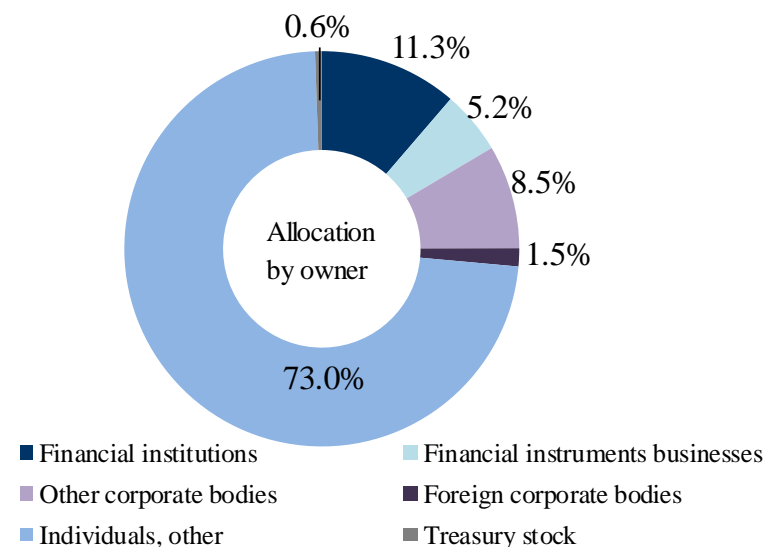
Number of issued shares: 223,876,000

Number of shareholders: 12,845

Major shareholders

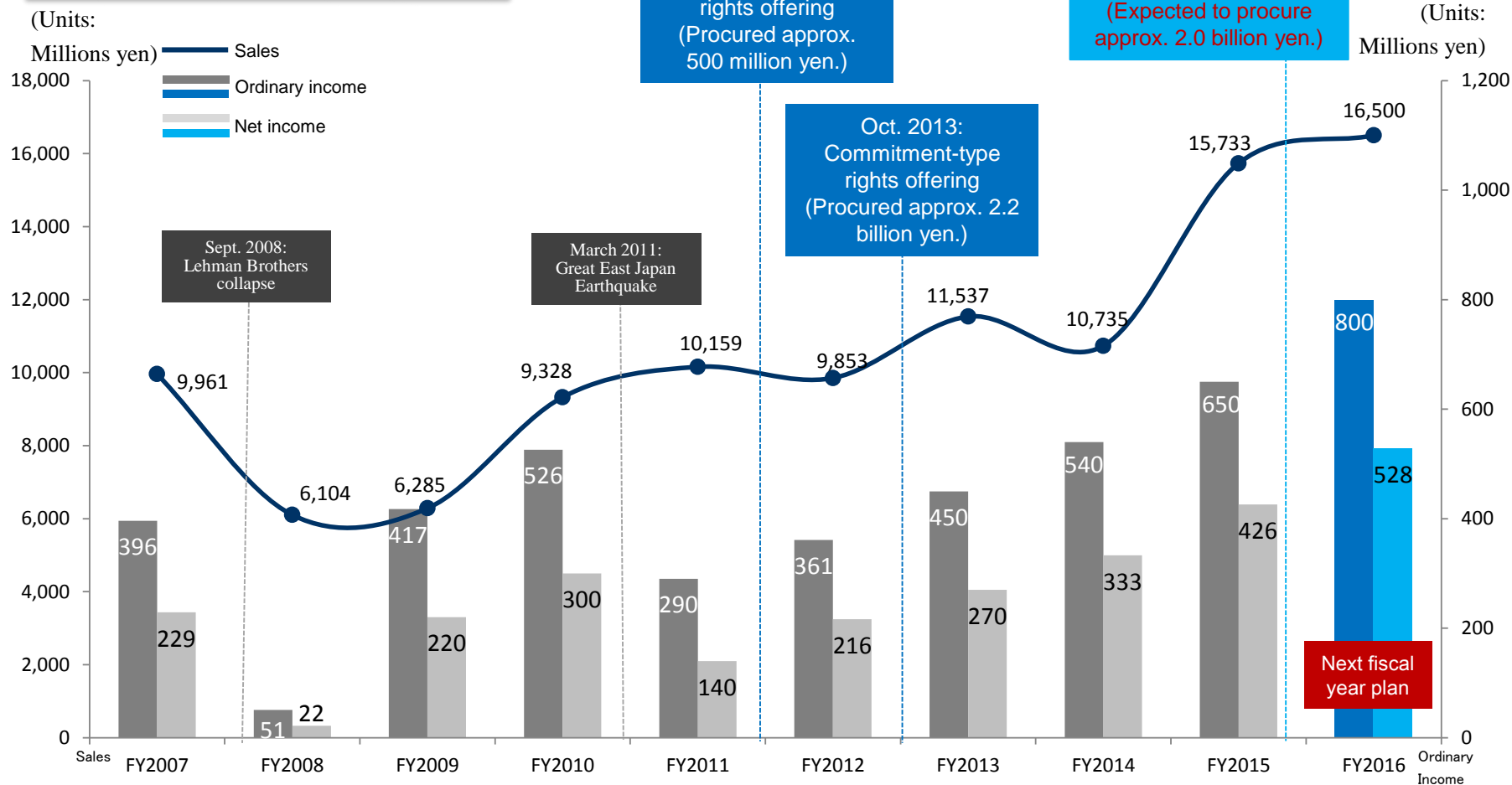
		Number of shares	Share ratio %
1	Hideo Tanaka (Our company President and CEO)	44,256,248	19.76%
2	Liberty House Co., Ltd.	9,416,000	4.20%
3	The Master Trust Bank of Japan, Ltd. (BIP Trust Account・75695)	6,931,238	3.09%
4	Milestone Capital Management Co.,Ltd.	3,000,000	1.34%
5	Matsui Securities Co., Ltd.	2,774,200	1.23%
6	SBI Securities Co., Ltd.	2,505,900	1.11%
7	The Master Trust Bank of Japan, Ltd. (Trust Account)	2,474,200	1.10%
8	Japan Trustee Services Bank, Ltd. (Trust Account)	2,288,800	1.02%
9	Japan Securities Finance Co., Ltd.	2,126,600	0.94%
10	Ueda Yagi Tanshi Co., Ltd.	1,961,400	0.87%

Allocation by owner (share ratio)



VII-3. Trends in Past and Current Results

Consolidated result trends



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.

Second Mid-Range Plan

Third Mid-Range Plan

Fourth Mid-Range Plan

Fifth Mid-Range Plan

VII-4. Changes in Consolidated Results (Summary)

(Units: Millions yen)

	Year ended March 31, 2011 (Results)	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)
Consolidated sales	9,328	10,159	9,853	11,537	10,735	15,733
Consolidated ordinary income	526	290	361	450	540	650
Consolidated net income	300	140	216	270	333	426
Net assets	2,132	2,205	2,896	5,496	5,478	5,842
Total assets	8,537	6,258	9,117	14,274	16,681	17,925
Total income property balance (at year end)	6,114	3,810	5,703	10,124	12,931	14,551
Rental revenue (sales)	407	380	416	460	717	842
Rental revenue / sales ratio (%)	4.4	3.7	4.2	4.0	6.7	5.4
Employees (persons)	44	53	59.5	68	99	115

VIII – Reference Materials (The Fifth Mid-Range Business Plan)

VIII-1. Background of the Fifth Mid-Range Business Plan: Domestic Income Property Business (PES Analysis)

	Opportunities (O)	Threats (T)
Politics (P)	<ul style="list-style-type: none"> - Bold financial policies (expanding the yield gap) (Growing real estate investment needs) - Increasing property taxation (Growing needs for tax liability reduction measures among high net-worth individuals) - Surge in demand prior to the consumption tax hike (10%) - Delay in implementation of the consumption tax hike (10%) - Success in temporarily boosting the economy with fiscal stimulus 	<ul style="list-style-type: none"> - Failure of reflation policies (Rising interest rates, falling rents and land values) - Rising trend in real estate prices (Soaring real estate prices diminish yields and reduce investment-grade real estate.) - Occurrence of an unexpected overseas event (Risk of an event in China, the Middle East, or Europe; results of the U.S. presidential election) - Risk of a domestic change in political administration (Slowdown of Bank of Japan monetary easing policies) - Rebound after surge in demand prior to the consumption tax hike (10%)
Economy (E)	<ul style="list-style-type: none"> - Expected rise in real estate prices and rents resulting from the 2020 Olympics (Awakening of potential needs for real estate investment) - Increasing real estate investment as a hedge against inflation (Growing real estate investment needs) - Active approach to lending by financial institutions (Boost to expanding the balance of income properties) 	<ul style="list-style-type: none"> - More cautious investment approach and stagnating real estate market in view of the post-Olympic period (Declining real estate liquidity, limited effect on high net-worth individuals) - Cooling of investment sentiment due to bond devaluation or rising interest rates (Limited effect on high net-worth individuals) - Intensifying competition for acquisitions due to more companies entering the market (More individuals and companies targeting smaller properties where economic risk is low) - Rising construction costs (Higher costs for new construction and large-scale renovations, insufficient construction personnel) - Slowing of the economic recovery and return of deflation
Society (S)	<ul style="list-style-type: none"> - Population growth in the Tokyo metropolitan area (continuing to 2020) (Essential for investment and also advantageous for leasing) - Inflow of overseas real estate investment money (Overseas valuation of Japan, prosperity of the domestic real estate market) - Increase in foreign residents in Japan (Growing need for rental properties) - Construction and redevelopment of city center infrastructure (Increasing hiring increases the need for rental properties among both corporations and individuals.) - Growing number of high net-worth households due to rising stock prices and IPOs (Growing number of high net-worth individuals increases the customer base.) 	<ul style="list-style-type: none"> - Long-term aging of the population and population decline (Effects on rental real estate due to population decline) - Rapid rise in real estate prices caused by inflow of overseas money (Lower yields, reduction of investment-grade real estate, intensifying competition for acquisitions) - Risk of an earthquake directly below the Tokyo metropolitan area (Severe reduction in attitude toward real estate investment) - Increase in numbers of large-scale IPOs (Downward pressure on stock prices due to negative effects on stock market demand)

We have concluded that advance preparation is necessary for potential changes in the real estate market.

VIII-2. Background of the Fourth Mid-Range Business Plan: Income Property Business in the U.S. (PES Analysis)

U.S. income property business environment (PES analysis)

		Opportunities (O)	Threats (T)
Politics (P)	Japan	<ul style="list-style-type: none"> - Continuation of the BoJ large-scale monetary easing policy (Further advantages from the weak yen) - Revision of domestic taxation policy (Growing need for measures to reduce tax liability among high net-worth clients) 	<ul style="list-style-type: none"> - Stricter monitoring of overseas assets / Tax system revision (Possibility of an increase in taxes on overseas assets)
	U.S.	<ul style="list-style-type: none"> - Soft landing for monetary easing policy by the FRB (Stable forecast for the U.S. economy, growing real estate management needs in the U.S.) 	<ul style="list-style-type: none"> - Rise in interest rates due to monetary tightening by the FRB (Risk of stagnation in the U.S. economy, concerns about a global economic slowdown) - Stricter regulation of U.S. real estate owners (Rising barriers to U.S. real estate investment)
Economy (E)	Japan	<ul style="list-style-type: none"> - Active approach to lending by Japanese financial institutions (Lower interest cost, advantageous loan terms) - Increase in real estate investment needs due to changes in the inheritance tax and gift tax (Investment by high net-worth individuals, increased use of real estate for asset formation) 	<ul style="list-style-type: none"> - Overseas entry by Japanese companies (Increased entry into the market by competitors)
	U.S.	<ul style="list-style-type: none"> - Continued economic growth in the United States (An investment environment with good future prospects, even compared to other advanced nations) 	<ul style="list-style-type: none"> - Stagnation of the U.S. economy (Global deflationary crisis)
Society (S)	Japan	<ul style="list-style-type: none"> - Exhausting of suitable investment properties as a result of declining domestic population (Demand for overseas real estate investment, promotion of diversified investment) - Presence of persons who have lived in the U.S. (Persons with an affinity for the U.S., low barriers) 	<ul style="list-style-type: none"> - Sudden changes in exchange rates due to changes in the international situation (Search for risk hedge currencies, review of weaker yen policies)
	U.S.	<ul style="list-style-type: none"> - Continuing U.S. population growth / Insufficient supply of new properties (Stable and increasing rental income) 	<ul style="list-style-type: none"> - Further inroads into the U.S. by Chinese high net-worth individuals (Rise in real estate prices) - Geopolitical risks (Safety concerns resulting from higher conflict risk) - Manifestation of U.S. earthquake risk (Diminished advantage to diversification of investment from Japan)

In addition its own business potential, the U.S. business also functions as a risk hedge for the domestic business.

VIII-3. Positioning and Basic Policy of the Fifth Mid-Range Business Plan

Positioning of the Fifth Mid-Range Business Plan

Preparation period for the next **leap forward**



<i>Basic Policy</i>	I	Strategic expansion of the balance of income properties in order to establish a solid business foundation and achieve a stable profit base
	II	Development and expansion of business which will become a new pillar of future earnings
	III	Restructuring of capabilities so that they can support the larger scale of our business

VIII-4. Fifth Mid-Range Business Plan: Key Measures

Key measures of the Fifth Mid-Range Business Plan

*Specific
measures*

Continually expanding the scale of income property business in Japan

Expanding the balance of income properties in the United States (= start of the business expansion phase)

Development of business that will become a new pillar of future earnings

Restructuring of capabilities

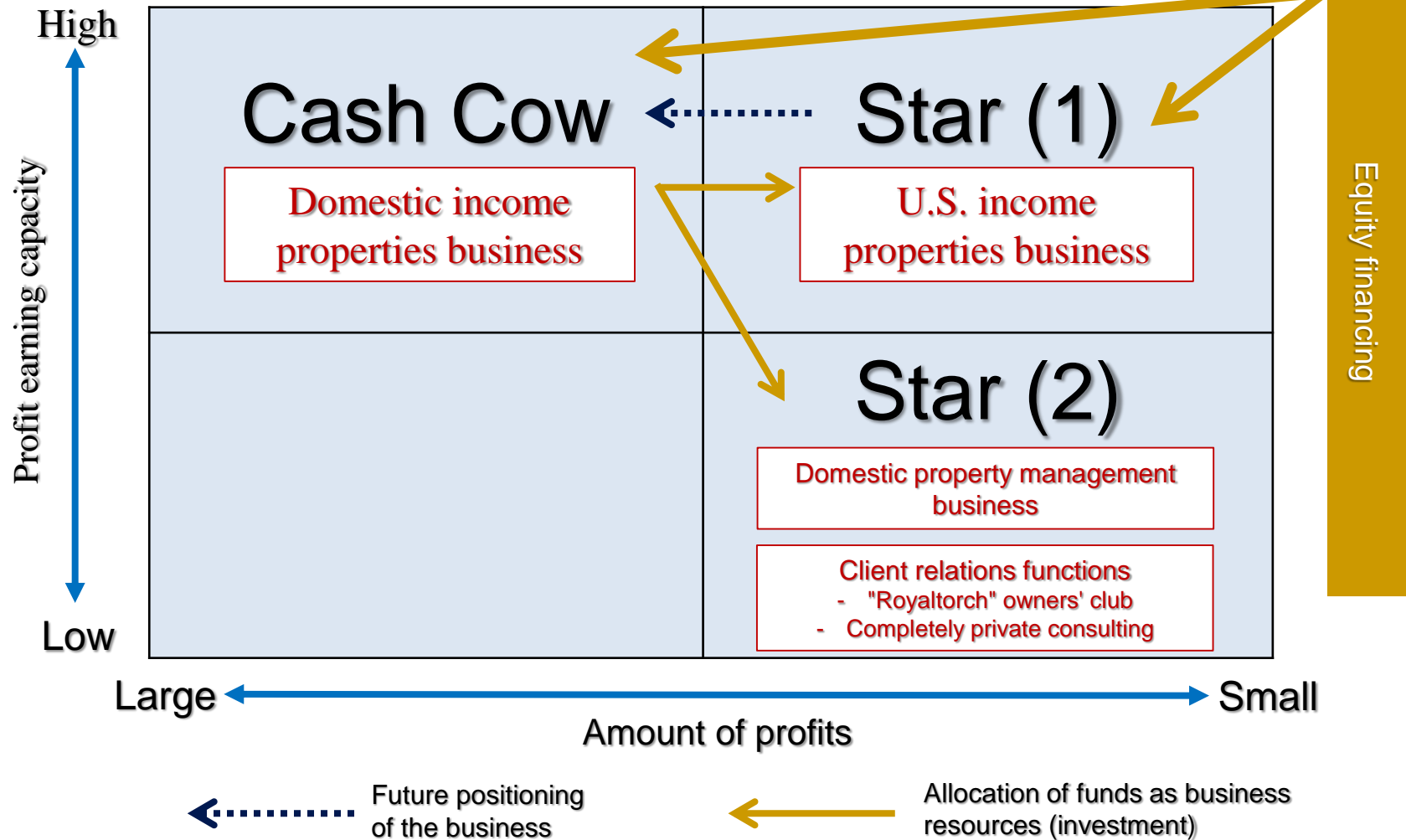
- Restructuring of the mechanism/system for achieving both quality and quantity in property management
- Strengthening of asset management functions
- Expansion of the "Royaltorch" owners' club that is operated by our company

...more

Create a stronger business foundation, profit base, and financial base.
During the period of the Fifth Mid-Range Business Plan, construct a business foundation that provides a sense of stability.

VIII-5. Business Strategy: Investment Positioning Matrix

A.D.W. Group investment positioning matrix



VIII-6. Business Strategy: Evolving the AD Business Model

Evolving the AD business model

Increasing the balance of income properties

Shifting to a stable profit model

Meeting the needs of high net-worth individuals

- Expanding the range of income property types
U.S. income properties, property sizes, purposes
- Dedication to completely private consulting

Providing high added value to the owners (clients)

Creating long-term business relationships with the owners (clients)

Achieving lower owner (customer) costs based on long-term business relationships

Good cycle results of the AD business model

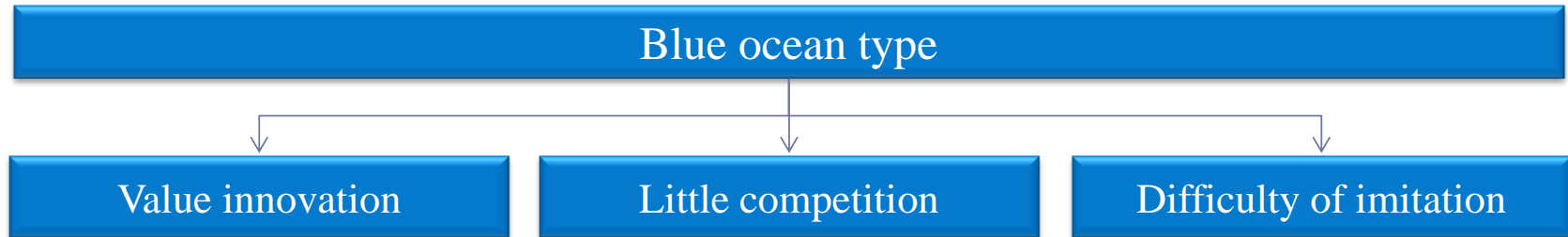
We can establish a unique position in the real estate industry.

IX - Reference Materials

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

IX-1. Organization of the A.D.W. Group Business Model

Business model characteristics



Characteristics

(1) One-stop solutions

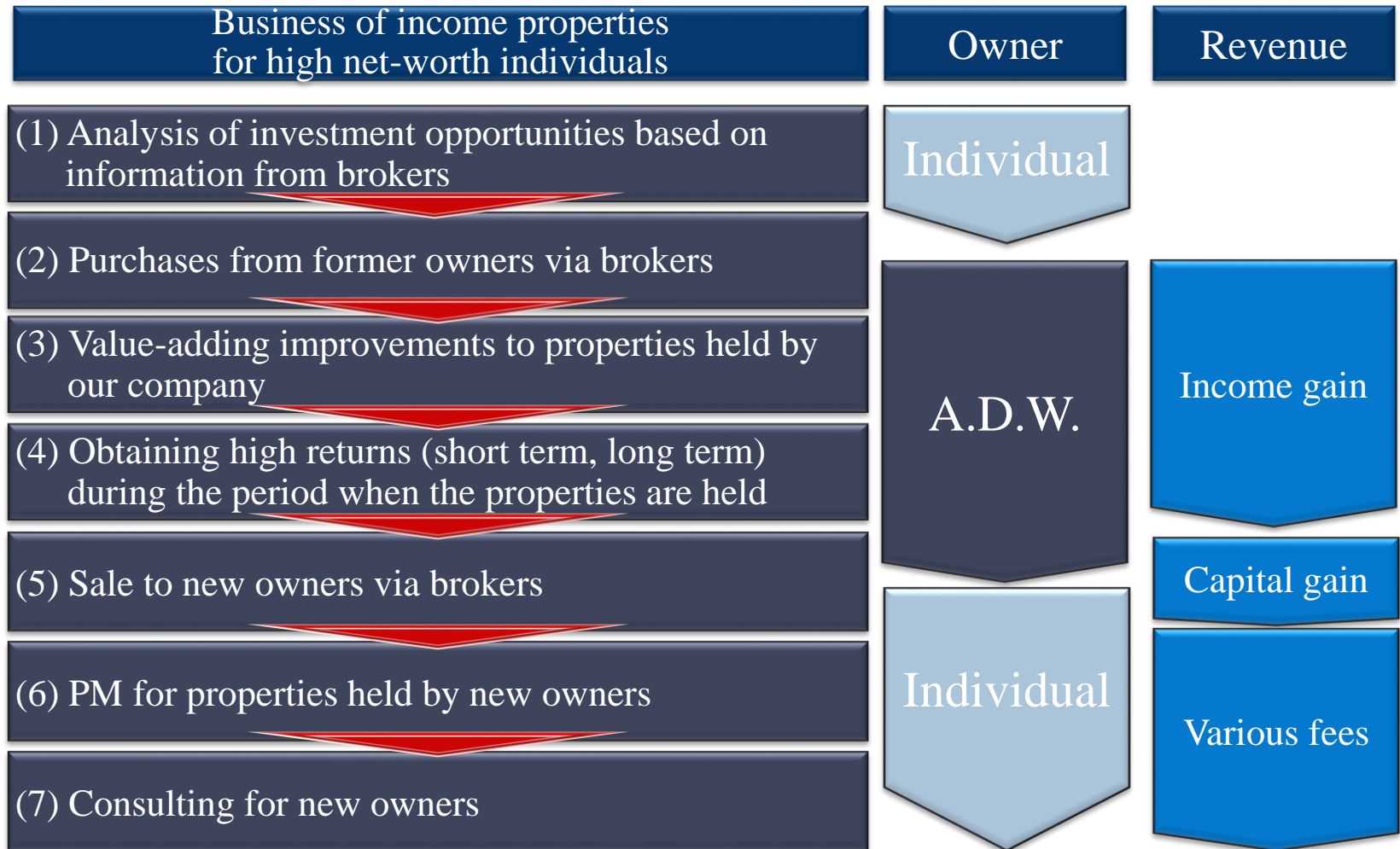
(2) Broad-ranging competitive superiority and social significance

(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

IX-2. Business Model Characteristics (1)

(1) One-stop solutions



IX-3. Business Model Characteristics (2)

(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

The logo for A.D.W. Group is a dark blue square with white text. The text "A.D.W." is in a large, serif font, with "Group" in a smaller, sans-serif font below it. At the bottom of the square, the text "SINCE 1886" is written in a small, sans-serif font. There are thin white horizontal lines above and below the "SINCE 1886" text.

A.D.W.
Group

SINCE 1886

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