



## **IR Briefing Materials:**

**The First Two Quarters of the Year Ending December 31, 2020**

**November 18, 2020**  
**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.

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# **I - Consolidated Results Plan for Fiscal Year Ending December 31, 2020**

## Preconditions

- (1) Irregular nine-month financial period (April 1, 2020 to December 31, 2020)
  - This is because the fiscal year-end was changed to December when shifting to a holding company system.
- (2) Impact of novel coronavirus outbreak
  - Sales activities were primarily done via remote work in April-May
  - In June and July, we expect to begin to see changes in supply/demand in the income-earning properties rigorously selected.
  - These trends will pick up further from summer into autumn.

(Units: million yen)

	FY2019 (12 months results)	FY2019 (converted into 9 months)	FY2020 (Planned)	Change from previous year (9 month over 9 month comparison)
Net Sales	24,687	18,515	16,000	▲2,515 (▲13.6%)
E B I T D A	1,470	1,103	680	▲423 (▲38.3%)
Ordinary income	932	699	400	▲299 (▲42.8%)
Pre-tax income	933	700	400	▲300 (▲42.8%)
Net income	625	469	255	▲214 (▲45.6%)

※Actual results for the fiscal year ended in March 2020 (previous fiscal year) represent the consolidated earnings of AD Works Co., Ltd.

## **I Determine changes to business structure in a post-coronavirus world**

- I ■ Establish new medium-term plan, taking into account the shift to a holding company and changes to the fiscal period
- Examine changes to the business structure in anticipation of social changes

## **II Identify new pillars for revenue**

- II ■ Discover new business opportunities with potential that are related to existing businesses
- Capitalize on the advantages of being a holding company and consider business tie-ups, capital affiliations and M&A

## **III Continue with strategy of expanding balance of prime income-earning properties**

- III ■ Carefully select prime properties and aggressively expand balance of income-earning properties
- Identify potential for income-earning properties in new categories, without sticking exclusively to existing fields

## **II - Summary of the First Two Quarters of the Year Ending December 31, 2020**

Topic  
1

### Recovery from Q1 losses

- The Group posted a loss in Q1 due to the impact of the COVID-19 pandemic, but in July-September, product planning skills and sales strengths produced results comparable with the period before the outbreak.

Topic  
2

### Pursuit of new product plans

- Began providing a co-working space at a Shimokitazawa property
- Expanded business in Hawaii with the establishment of ADW Hawaii LLC

Topic  
3

### New fundraising

- Aim to raise a maximum of 1.43 billion yen with the issuance of new stock acquisition rights through a third-party allocation

## **III - Overview of the First Two Quarters of the Year Ending December 31, 2020**



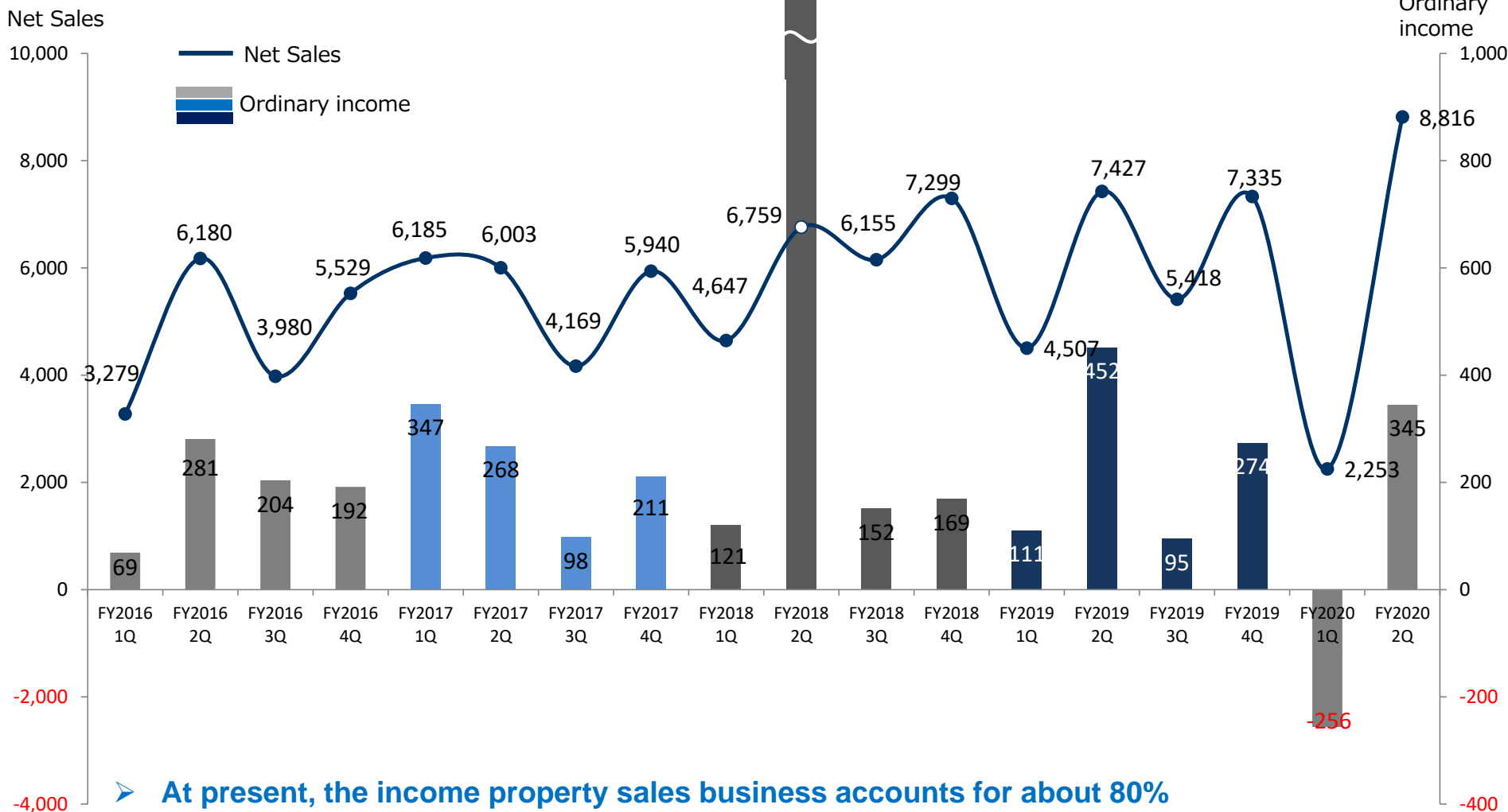
### III-1. Summary of the First Two Quarters of the Year Ending December 31, 2020

(Units: million yen)	FY2019 2Q (ended Sept.30, 2019)		FY2020 2Q (ended Sept.30, 2020)		Change from previous year	Full-year plan progress
	Amount	% of sales	Amount	% of sales		
Sales	11,934	+100.0%	11,069	+100.0%	- 7.2%	69.2%
Gross profit	2,374	+19.9%	1,780	+16.1%	- 25.0%	—
SG & A	1,633	+13.7%	1,535	+13.9%	- 6.0%	—
EBITDA	844	+7.1%	321	+2.9%	- 61.9%	47.3%
Operating income	563	+4.7%	87	+0.8%	- 84.5%	21.9%
Ordinary income	563	+4.7%	92	+0.8%	- 83.6%	23.2%
Net income	390	+3.3%	33	+0.3%	- 91.3%	13.3%

➤ The company returned to profitability from the red in Q1.

## III-2. Changes in Consolidated Quarterly

(Unit: million yen)

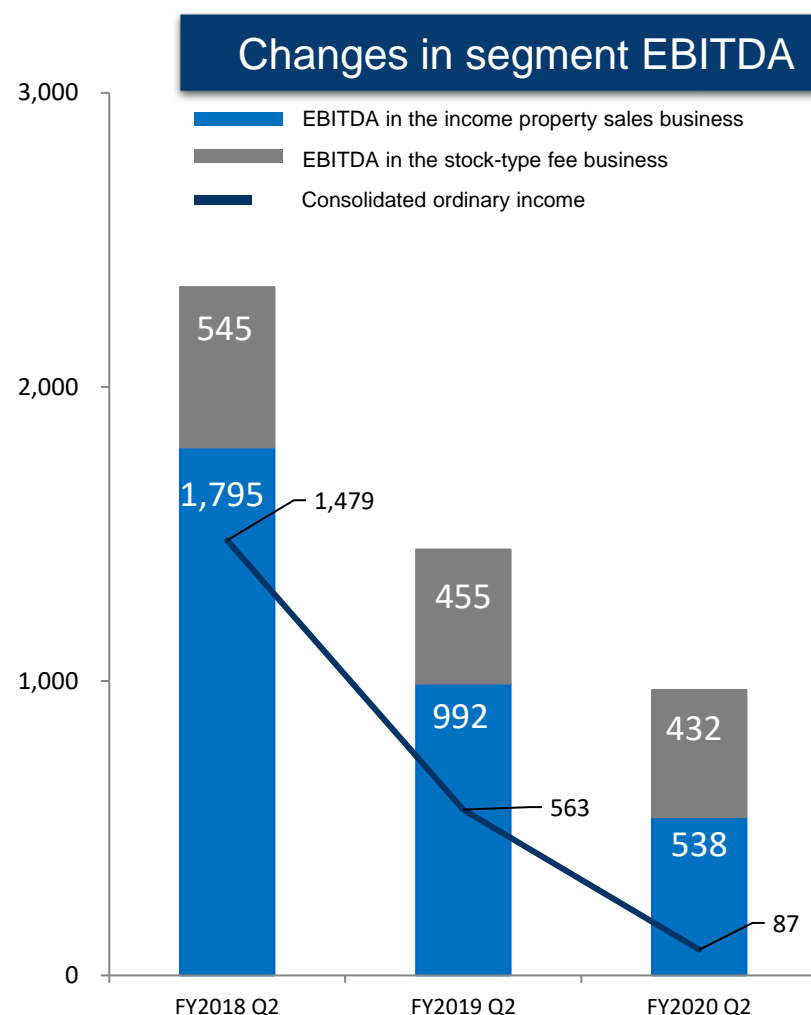
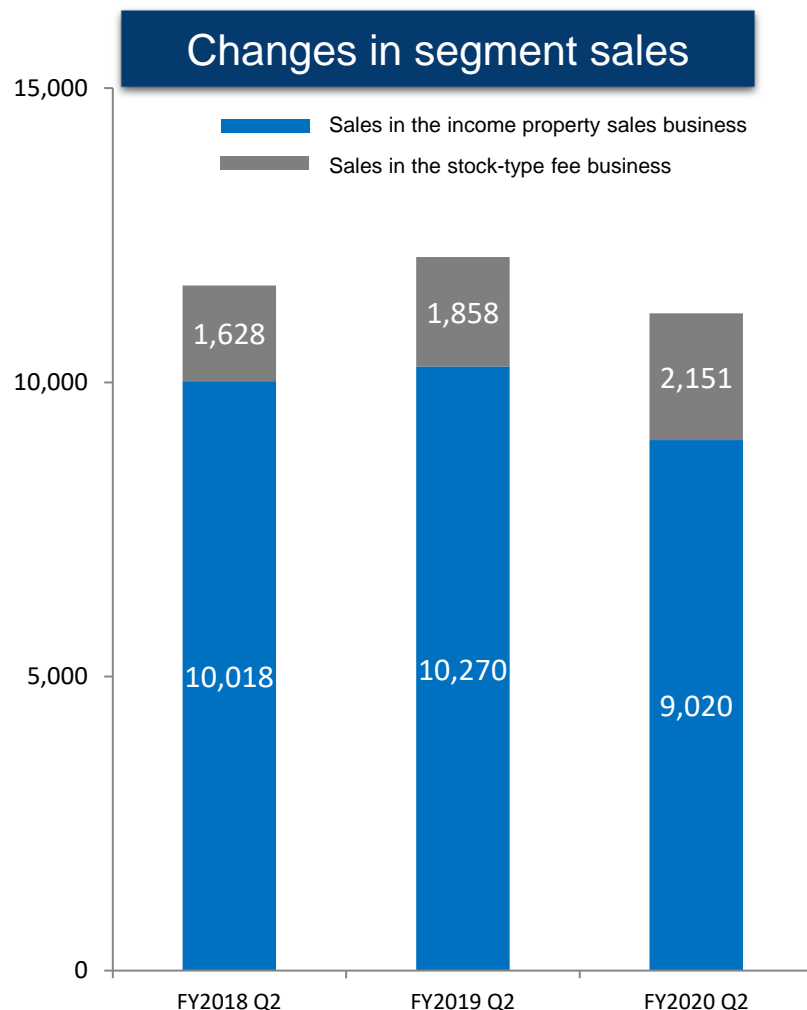


➤ At present, the income property sales business accounts for about 80% of consolidated sales. As a result, there are large fluctuations in quarterly results.

➤ In this fiscal period, net sales and income in Q2 alone reached pre-pandemic levels.

# III-3. Changes in Segment Results

(Unit: million yen)



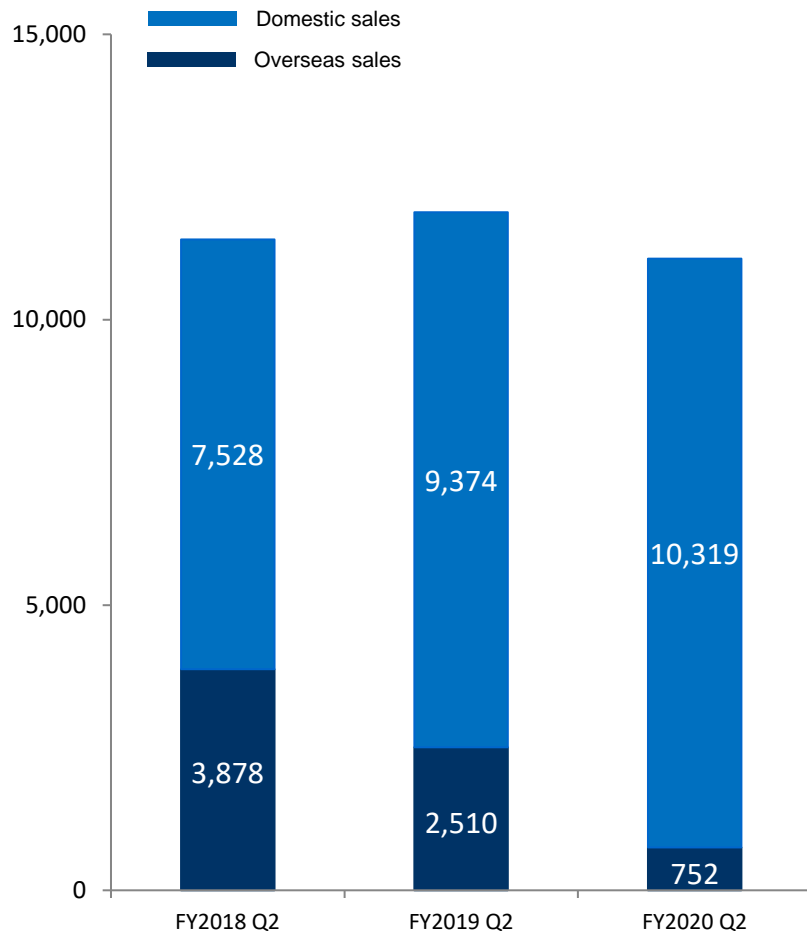
Note: Because sales for each segment include intersegment sales, the totals for each segment differ from consolidated sales.

➤ **Results declined substantially in the income property sales business due to the impact of the spread of the novel coronavirus.**

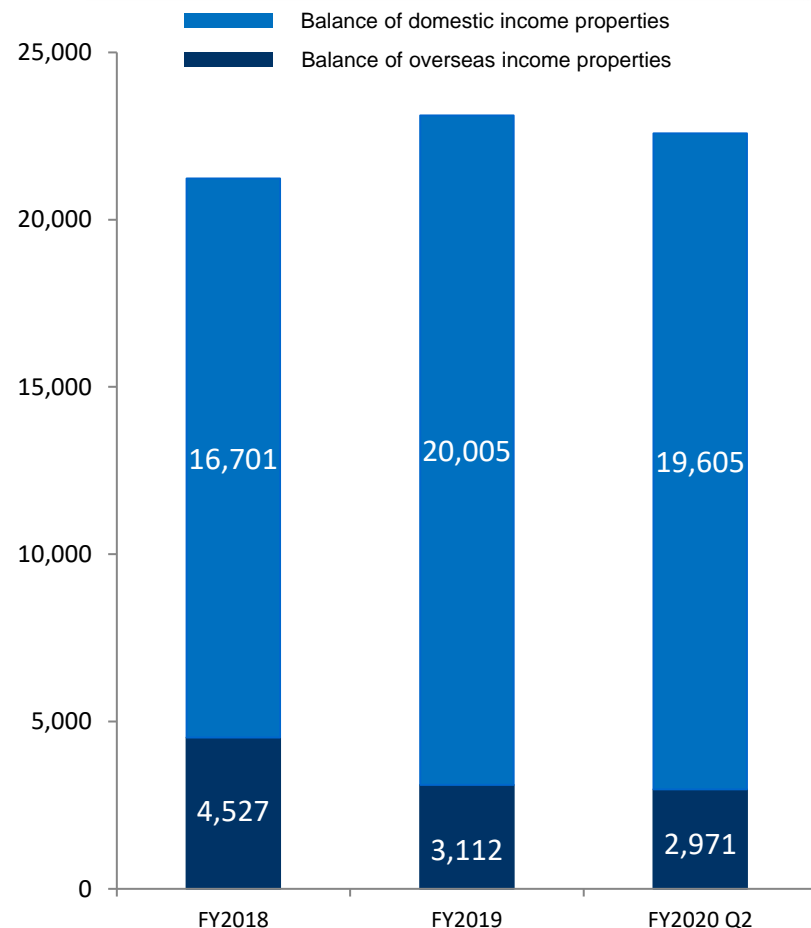
# III-4. Changes in Scale of Business by Region

(Unit: million yen)

## Changes in Net sales



## Changes in balance of income properties



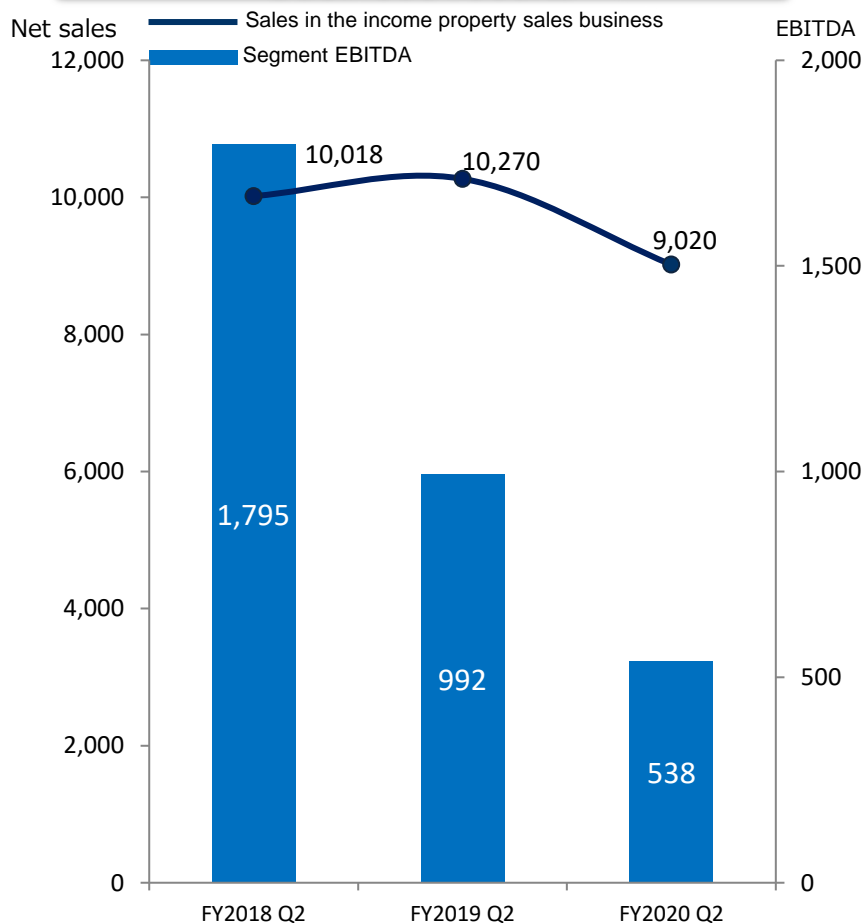
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

➤ **Sluggish performance in Q1 was covered by contributions from treatment of large properties in Japan.**

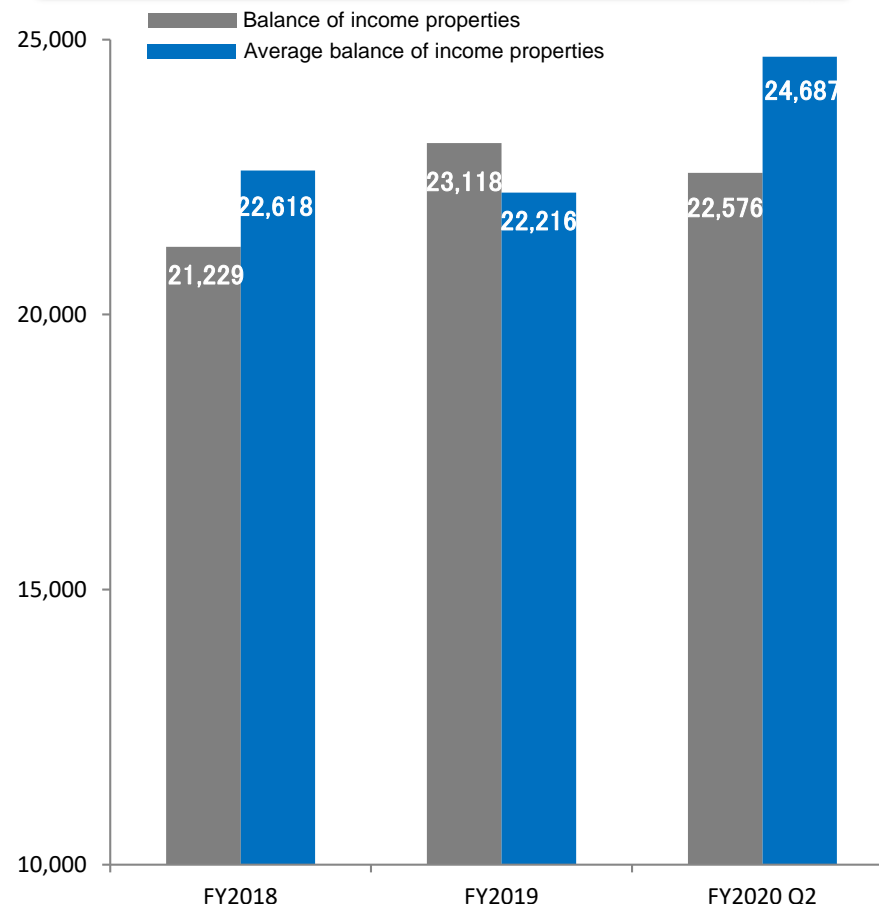
# III-5 Main Business Areas (1): Overview of the Income Property Sales Business

(Units: million yen)

## Changes in income property sales business results



## Changes in balance of income properties



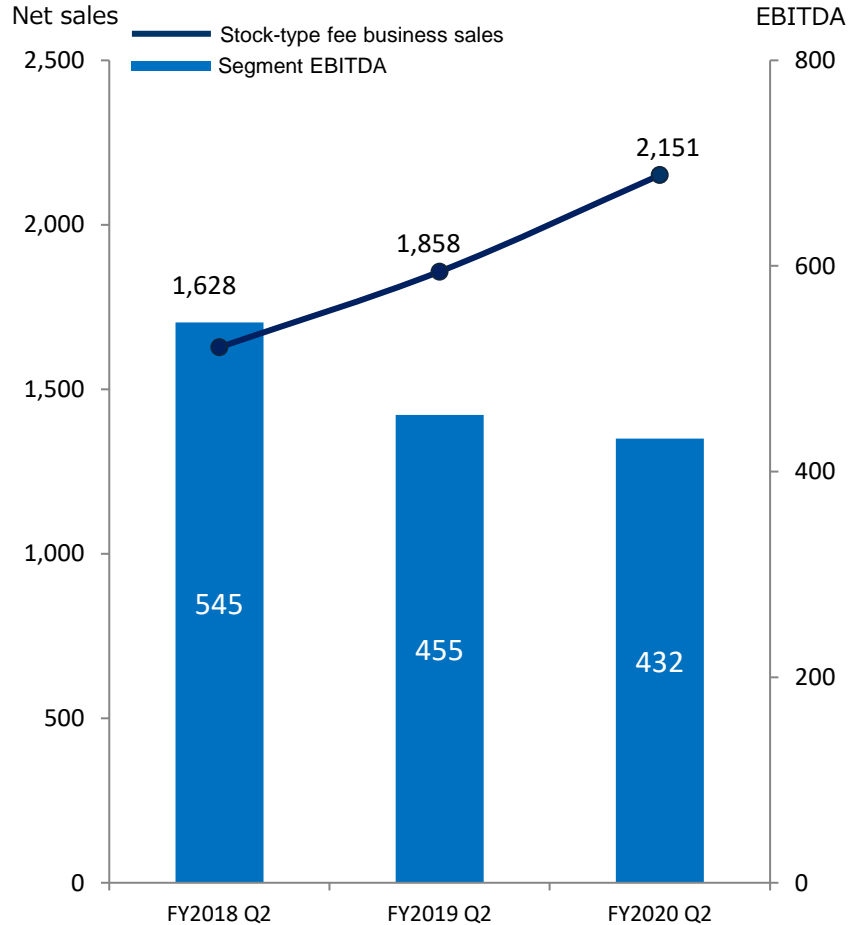
(Note) The income real estate balance does not include the reserves for the estimated consumer tax payment posted as an asset due to the notice of correction received from the Tokyo Regional Taxation Bureau regarding consumption tax payments for prior years.

- **Net sales and income fell due to the effect of the COVID-19 pandemic. The income properties balance at end-Q2 declined compared to the end of the previous fiscal year due to prioritization of sales.**

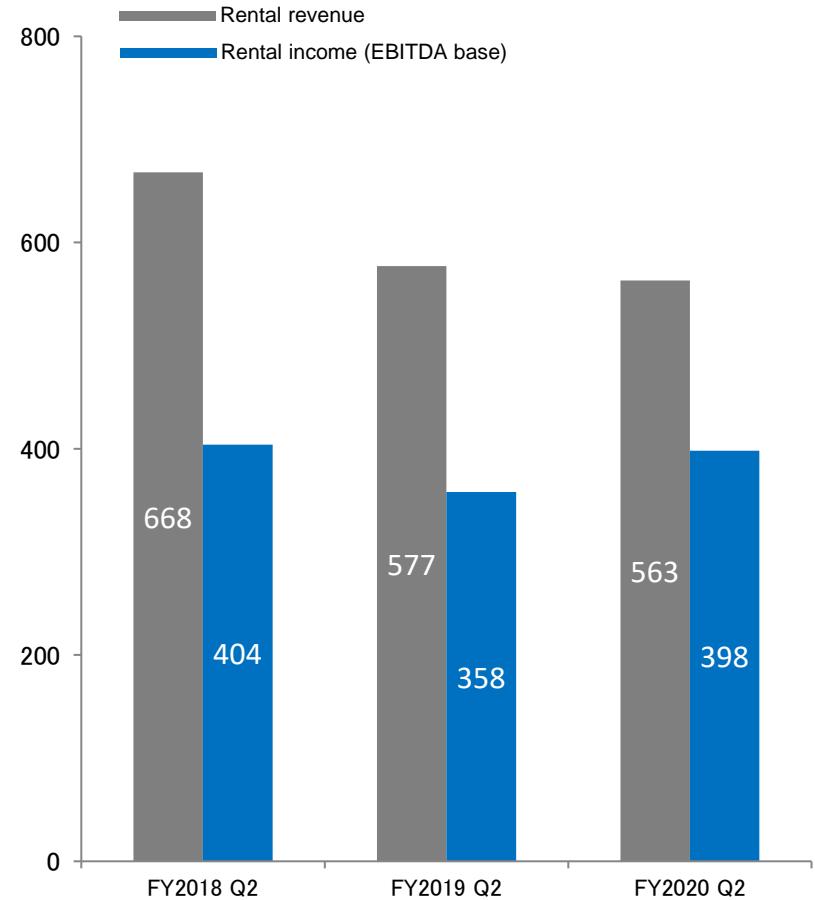
# III-6. Main Business Areas (2): Overview of the Stock-Type Fee Business

(Unit: million yen)

## Changes in stock-type fee business results



## Changes in rental revenue and income



➤ Net sales increased due to the M&A of Sumikawa Works Co., Ltd.

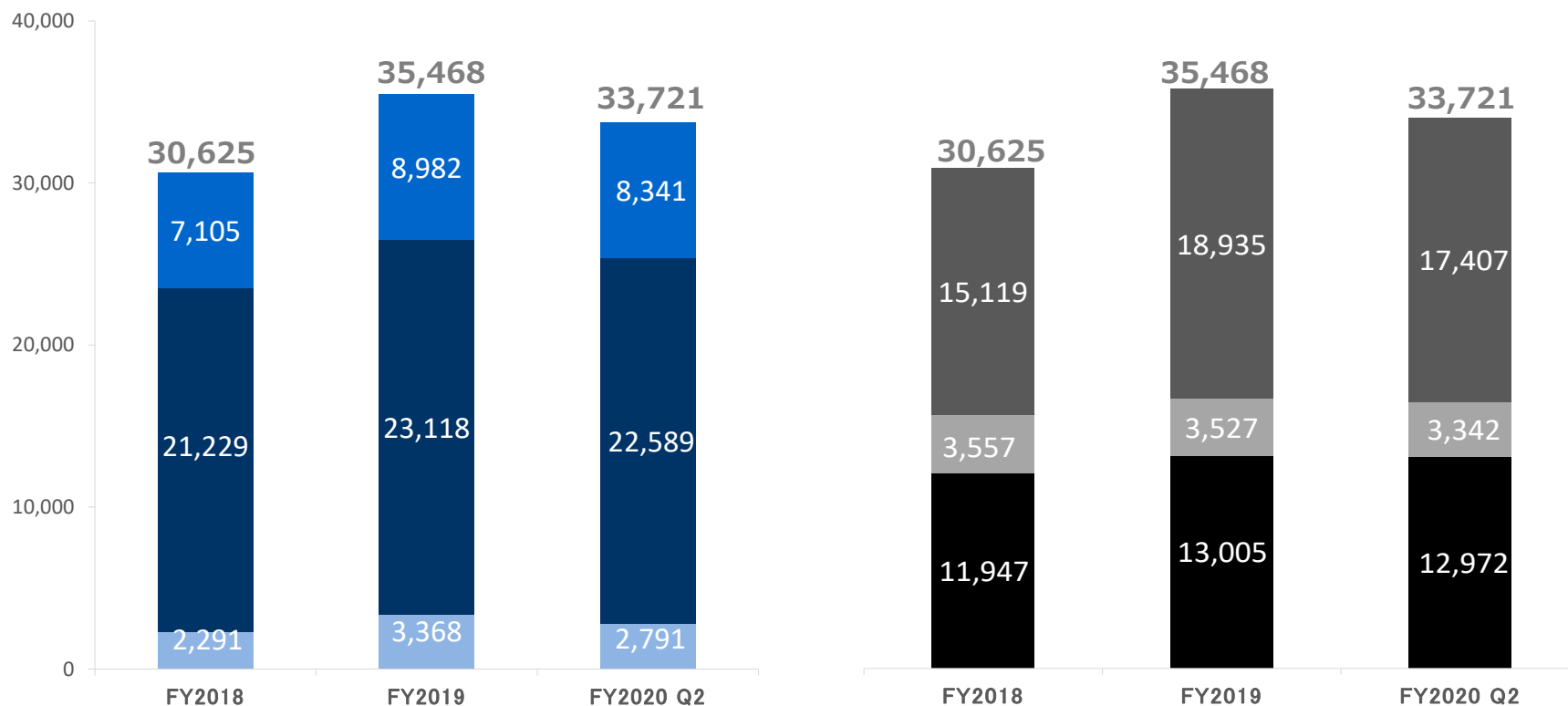
## Total assets

- 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.

➤ **Interest-bearing debt decreased due to a decrease in Income properties.**

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

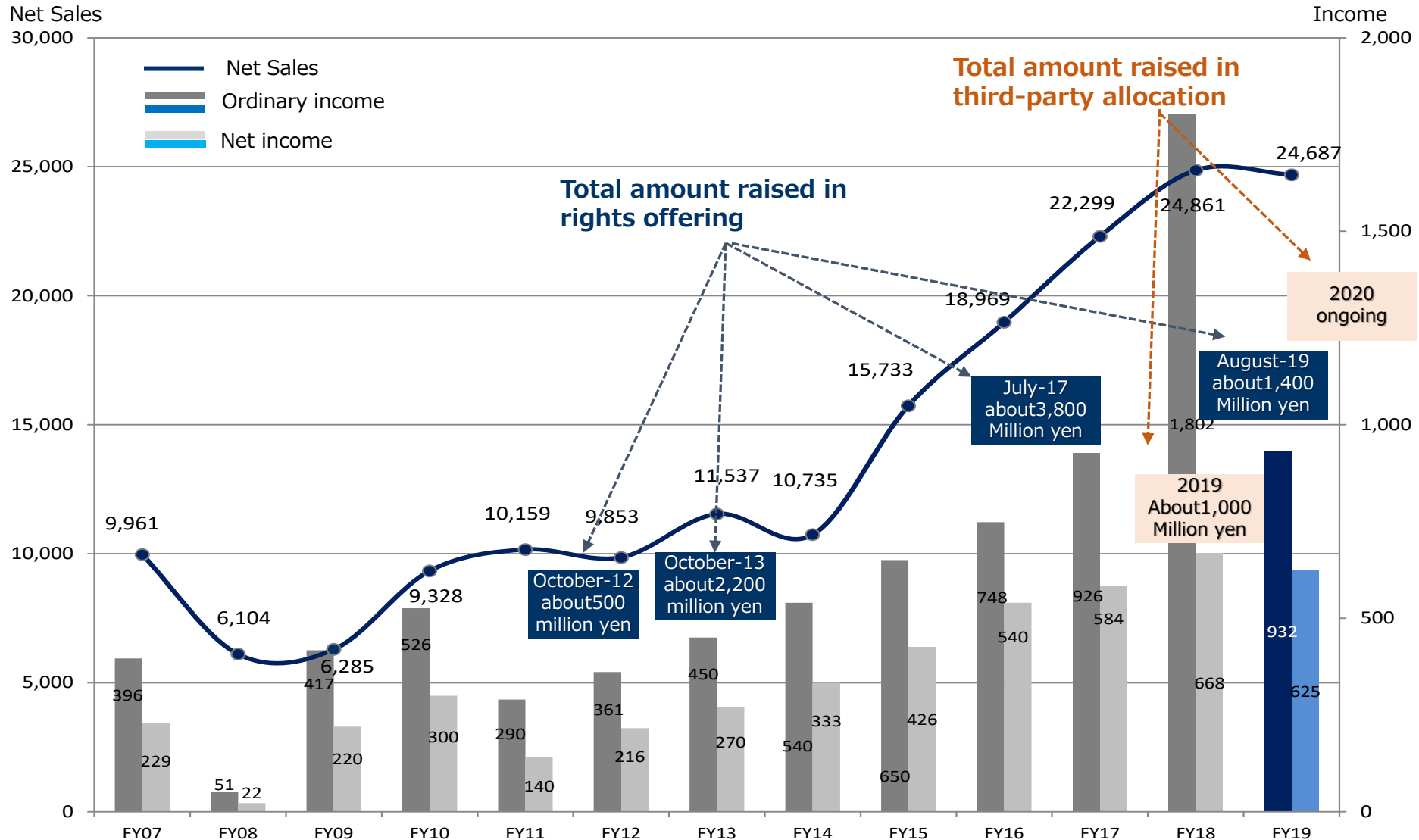


### Overview of second stock acquisition rights (third-party allocation)

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:** 5,504 million yen (as of May 1,2020)
- **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)
  - Smartmoney Investment Co., Ltd. (sales of small-lot investment products)
  - Sumikawa Works Co., Ltd. (interior construction)
  - 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

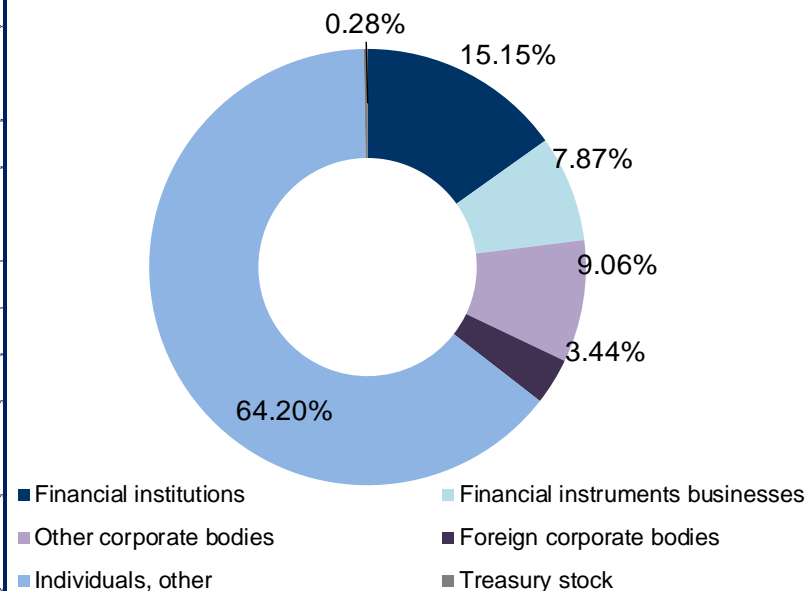
1. Number of issued shares: 39,895,064

2. Number of shareholders: 19,306  
(shareholders with voting rights: 11,576)

### 3. Major shareholders

No.	Shareholder name	Share ratio
1	Hideo Tanaka (President and CEO)	10.29%
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	5.04%
3	Liberty House Co., Ltd.	5.00%
4	Custody Bank of Japan, Ltd. (Trust Account)	3.25%
5	Morgan Stanley MUFG Securities Co., Ltd.	3.24%
6	Milestone Capital Management Co.,Ltd.	2.91%
7	SBI Securities Co., Ltd.	2.76%
8	Custody Bank of Japan, Ltd. (Trust Account・5)	1.88%
9	Custody Bank of Japan, Ltd. (Trust Account・1)	1.04%
10	Custody Bank of Japan, Ltd. (Trust Account・6)	0.98%

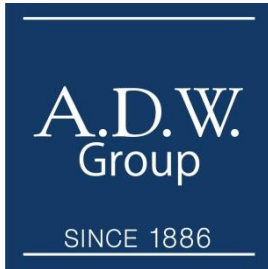
### 4. Allocation by owner (share ratio)



# 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 ending Dec.31, 2020
	Reults	Reults	Reults	Reults	Reults	Reults	Reults
Net sales	10,735	15,733	18,969	22,299	24,861	24,687	11,069
Ordinary income	540	650	748	926	1,802	932	87
Net income	333	426	540	584	663	625	33
Net assets	5,478	5,842	6,415	10,152	11,947	13,005	12,972
Total assets	16,681	17,925	25,832	30,801	30,625	35,468	33,721
Balance of income properties	12,931	14,551	20,318	22,376	21,229	23,118	22,576
Rental revenue	717	842	1,058	1,112	1,319	1,147	563
Rental revenue / Sales ratio (%)	6.7%	5.4%	5.6%	5.0%	5.3%	4.6%	5.1%
Employees	99	115	136	146	167	185	193



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.

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