Summary of Earnings Report for
First Three Quarters of Year Ending March 31, 2015

January 26, 2015

Name of listed company	A.D.Works, Ltd.	Listed stock exchange	Tokyo Stock Exchange
Code	3250	URL	http://www.re-adworks.com/
Representative:	Hideo Tanaka, President and CEO		
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Scheduled date of filing Financial Reports	February 12, 2015	Scheduled date of dividend payment:	—
Additional material of financial result :	Yes		
Result meeting :	No		

(Millions of Yen, rounded down)

1． Consolidated results for the first three quarters of the fiscal year ending March 31, 2015 (April 1, 2014 –December 31, 2014)

(1) Consolidated business results (cumulative)

(%: Year-on-year comparison)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
First three quarters, year ending March 31, 2015	7,122	(23.8)	432	(37.6)	306	(28.1)	186	(27.4)
First three quarters, year ended March 31, 2014	9,345	71.9	692	164.1	425	290.5	256	289.6

(Notes) Comprehensive income: 2015 first 3Q 182 billion yen (-28.7%) 2014 first 3Q 256 billion yen (289.6%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
First three quarters, year ending March 31, 2015	0.86	0.86
First three quarters, year ended March 31, 2014	2.26	2.24

(2) Consolidated financial conditions

	Total Assets	Net Assets	Shareholders' equity ratio
	¥ millions	¥ millions	%
End of third quarter, year ending March 31, 2015	16,150	5,330	33.0
End of fiscal year ended March 31, 2014	14,274	5,496	38.4

(Notes) Shareholders' equity: 2015 end of 3Q 5,322 billion yen End of 2014 5,487 billion yen

2. Dividends Information

	Dividend per Share				
	1Q	Interim	3Q	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	0.00	—	0.35	0.35
Year ending March 31, 2015	—	0.00	—		
Year ending March 31, 2015 (forecast)				0.35	0.35

(Notes) Correction to most recently announced dividend forecast: No

3. Consolidated Business Plan for Fiscal Year Ending March 31, 2015

The A.D.W. Group announces its business targets for each consolidated fiscal year in the form of a "results plan." "Results plans" are targets for our business and are different from "forecasts and predictions" that are calculated rationally based on information that is considered to be highly accurate.

(%: comparison with the previous period)

	Net Sales		Ordinary Income	
	¥ million	%	¥ million	%
Full Year	12,700	10.1	500	11.0

(Notes) This business plan was announced as "Notice Concerning Formulation of the Fourth Mid-Range Business Plan (Year Ending March 31, 2015 – Year Ending March 31, 2017)," which was announced on March 31, 2014.

1. Qualitative Information Concerning this Quarterly Earnings Report

(1) Explanation of business results

During the first three quarters of this consolidated fiscal year, the economy of Japan was unable to wipe away the feeling of uncertainty about the future due to downward risk factors including the sluggish consumer mindset and a downturn in European economies, however the effects of the economic and monetary policies of the government and Bank of Japan are steadily spreading to the real economy and the economy continued on a gradual path to recovery.

In the real estate market that surrounds the A.D.W. Group, real estate transactions continued at an active pace, centering on real estate companies and real estate funds, and were backed by the continuing recovery in the rental market and the good financing environment in Japan resulting from monetary easing. In the market for revenue-generating real estate where our company operates, there continues to be strong buying demand centered on high net-worth individuals, and real estate prices are continuing to rise.

In this kind of business environment and based on the Fourth Mid-range Business Plan (fiscal year ending March 31, 2015 – fiscal year ending March 31, 2017) that was announced on March 31, 2014, the A.D.W. Group has identified “expanding the scale of our business and stabilizing the profit base” and “applying the AD business model to create a closed market” as our basic policies, and we are carrying out measures aimed at achieving further growth.

In the first three quarters of this consolidated fiscal year, as a result of our continued focus on sales and acquisitions of revenue-generating real estate both in Japan and overseas, progress with regards to the targets of the full-year consolidated business plan was 56.1% for sales, 57.9% for EBITDA, and 61.2% for ordinary income. However compared with the first three quarters of the previous consolidated fiscal year, which was preceded by strong sales in the first half of the year, the sales and income for this period was lower.

Aiming for the establishment of a closed market, we worked to strengthen relationships with the members of the owners’ club “Royaltorch*” that was launched in January 2014 and consists of owners of properties that were sold by our company. We also began efforts aimed at providing an expanded menu of services to these members.

As a result of the above, sales during this consolidated first three quarters were 7.122 billion yen (down 23.8% year-on-year), EBITDA was 455 million yen (down 35.8% year-on-year), operating income was 432 million yen (down 37.6% year-on-year), ordinary income was 306 million yen (down 28.1% year-on-year), and net income was 186 million yen (down 27.4% year-on-year).

*: The name of the owners’ club that was launched in January 2014 was changed on January 14, 2015 from “torch” to “Royaltorch” to reflect the higher grade of services that it provides.

An overview of each business segment is as follows.

(Revenue-generating real estate sales business)

In this segment, based on the business plan announced at the start of the year, we continued to sell revenue-generating real estate while also focusing on property acquisition activities. As a result, during the first three quarters of this consolidated fiscal year, we sold a total of 27 revenue-generating real estate properties in Japan and the United States (2 properties more compared to the same period of the previous fiscal year).

At the same time, during the first three quarters of this consolidated fiscal year, we acquired 6.654 billion yen of properties. As a result, by the end of December 2014, we had increased our average balance of revenue-generating real estate to 11.203 billion yen (up 75.8% year-on-year).

As a result of the above, sales in this business were 6.149 billion yen (down 22.3% year-on-year), EBITDA was 652 million yen (down 32.0% year-on-year), and operating income was 651 million yen (down 32.1% year-on-year).

(Stock-type fee business)

In this business segment, we worked to increase rental income by expanding the balance of revenue-generating real estate, as we work for the transition to a stable profit structure. We also worked to provide a range of other services, including contracted property management that continues after a property is sold.

As a result, during the first three quarters of this consolidated fiscal year, rental revenue increased steadily to 509 million yen (up 63.3% year-on-year), and the number of revenue-generating real estate properties which we manage after sale was 3,182 (as of December 31, 2014).

As a result of the above, sales in this business were 1.033 billion yen (up 38.6% year-on-year), EBITDA was 413 million yen (up 69.9% year-on-year), and operating income was 406 million yen (up 72.0% year-on-year).

(Other)

This business segment contains the general residential real estate business (new houses and secondhand houses), which had been contracting since the previous fiscal year. We completed the sales of all remaining such new houses in our inventory during the first three quarters of this consolidated fiscal year.

As a result of the above, sales in this business were 42 million yen, and we recorded an operating loss of 4 million yen.

Note: Operating income for each segment is the value before deduction of operating expenses that cannot be attributed to the segments and operating expenses resulting from inter-segment transfers. As a result, the total does not match the figure for consolidated operating income.

(2) Explanation of the financial conditions

(Assets)

Total assets at the end of the first three quarters of this consolidated fiscal year increased by 1.875 billion yen from the end of the previous consolidated fiscal year to reach 16.150 billion yen. This was primarily due to an increase in inventory assets of 2.749 billion yen resulting from efforts to expand our balance of revenue-generating real estate.

(Liabilities)

Liabilities at the end of the first three quarters of this consolidated fiscal year increased by 2.040 billion yen from the end of the previous consolidated fiscal year to reach 10.819 billion yen. This was primarily due to an increase in interest-bearing liabilities of 2.060 billion yen resulting from causes including borrowing for the purpose of expanding our balance of revenue-generating real estate.

(Net assets)

Net assets at the end of the first three quarters of this consolidated fiscal year decreased by 165 million yen from the end of the previous consolidated fiscal year to reach 5.330 billion yen. This was primarily due to the acquisition of 299 million yen of treasury stock for the trust-based director stock compensation plan and to a surplus dividend payment of 77 million yen.

(3) Explanation of consolidated results forecasts and other future forecasts

Beginning from this fiscal year, the A.D.W. Group is focusing on the following 4 measures which are based on the basic policies of the Fourth Mid-Range Business Plan described in 1 (1).

[1] Add to the balance of revenue-generating real estate.

[2] Shift to a stable profit model.
[3] Achieve both high added-value to owners (customers) and cost reduction.
[4] Establish a unique position in the real estate industry.

Steady progress was made during this consolidated 3Q, and there are no changes to the consolidated results plan for the year ending March 31, 2015 that was announced on March 31, 2014.

(Consolidated results plan for the year ending March 31, 2015)

(Units: Millions yen)

	Year ended March 31, 2014 (actual)	Year ending March 31, 2015 (plan)
Consolidated sales	11,537	12,700
Consolidated EBITDA	813	787
Consolidated ordinary income	450	500
Consolidated ROE (fiscal year-end)	4.9%	5.3%

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Units: Thousands yen)

	Previous consolidated fiscal year (March 31, 2014)	End of 3Q of the current fiscal year (December 31, 2014)
Assets		
Current assets		
Cash and savings	3,617,746	2,681,787
Accounts receivable	47,914	57,254
Revenue-generating real estate held for sale	8,939,011	11,481,793
Real estate for sale in process	146,319	352,646
Other	232,277	248,690
Allowance for doubtful accounts	(1,511)	(2,260)
Total current assets	12,981,757	14,819,911
Fixed assets		
Tangible fixed assets		
Land	869,853	869,853
Other (net)	259,892	283,338
Total tangible fixed assets	1,129,745	1,153,192
Intangible fixed assets	19,528	32,403
Investments and other assets	143,926	144,825
Total fixed assets	1,293,201	1,330,421
Total assets	14,274,958	16,150,333
Liabilities		
Current liabilities		
Accounts payable	411,976	234,092
Short-term loans payable	2,141,200	3,473,600
Current portion of bonds	139,500	149,500
Current portion of long-term loans payable	406,579	988,102
Corporate tax payable	79,552	47,232
Reserves	14,966	85,185
Other	751,784	866,813
Total current liabilities	3,945,558	5,844,526
Fixed liabilities		
Corporate bonds	1,106,750	1,011,000
Long-term loans payable	3,689,211	3,922,022
Other	37,380	42,254
Total fixed liabilities	4,833,341	4,975,276
Total liabilities	8,778,899	10,819,803
Net assets		
Shareholders' equity		
Capital stock	1,936,512	1,937,744
Capital surplus	1,883,142	1,885,962
Retained earnings	1,852,063	1,960,576
Treasury stock	(184,273)	(457,977)
Total shareholders' equity	5,487,444	5,326,305
Accumulated other comprehensive income		
Foreign currency translation adjustments	(427)	3,092

(Units: Thousands yen)

	Previous consolidated fiscal year (March 31, 2014)	End of 3Q of the current fiscal year (December 31, 2014)
Deferred gains (losses) on hedges	-	(6,882)
Total accumulated other comprehensive income	(427)	(3,790)
Subscription rights to shares	9,042	8,014
Total net assets	5,496,058	5,330,530
Total liabilities and net assets	14,274,958	16,150,333

(2) Consolidated Profit and Loss Statement and Consolidated Comprehensive Income Statement

Consolidated Profit and Loss Statement

Consolidated first three quarters

(Units: Thousands yen)

	Previous consolidated first three quarters (April 1, 2013 – December 31, 2013)	Previous consolidated first three quarters (April 1, 2014 – December 31, 2014)
Sales	9,345,922	7,122,421
Cost of sales	7,600,470	5,490,578
Gross profit on sales	1,745,451	1,631,842
Sales, general, and administrative expenses	1,052,979	1,199,768
Operating income	692,471	432,074
Non-operating income		
Interest and dividends income	278	394
Insurance received	-	969
Foreign exchange profit	-	1,177
Other	1,695	320
Total non-operating income	1,973	2,862
Non-operating expenses		
Interest paid	84,390	110,907
Bond issuance cost	142,939	-
Other	41,781	18,025
Total non-operating expenses	269,112	128,933
Operating income	425,333	306,003
Extraordinary losses		
Loss on retirement on non-current assets	-	66
Total extraordinary losses	-	66
Net income before taxes	425,333	305,936
Income taxes – current	168,666	119,591
Total income taxes	168,666	119,591
Net income before minority interests	256,667	186,345
Net income	256,667	186,345

Consolidated Comprehensive Income Statement

Consolidated first three quarters

(Units: Thousands yen)

	Previous consolidated first three quarters (April 1, 2013 – December 31, 2013)	Previous consolidated first three quarters (April 1, 2014 – December 31, 2014)
Net income before minority interests	256,667	186,345
Other comprehensive income		
Foreign currency translation adjustments	(1)	3,520
Deferred gains (losses) on hedges	–	(6,882)
Total other comprehensive income	(1)	(3,362)
Comprehensive income	256,665	182,982
(attributable to)		
Owners of the parent company	256,665	182,982
Minority interests	–	–