Summary of Earnings Report
for Fiscal Year Ended March 31, 2015

May 13, 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		
Contact:	Katsutoshi Hosoya, Senior Managing Director and CFO		TEL: +81-(0) 3-4500-4200
Scheduled date of shareholders' meeting	June 23, 2015	Scheduled date of dividend payment	June 24, 2015
Scheduled date of filing Financial Reports	June 23, 2015		

Additional material of financial result : Yes

Result meeting : Yes (for institutional investors and analysts)

(Millions of Yen, rounded down)

1. Consolidated results for the fiscal year ended March 31, 2015 (April 1, 2014–March 31, 2015)

(1) Consolidated business results (%: Year-on-year comparison)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Fiscal year ended March 31, 2015	10,735	(6.9)	759	(4.0)	540	20.0	333	23.3
Fiscal Year ended March 31, 2014	11,537	17.1	790	43.0	450	24.7	270	25.2

(Notes) Comprehensive income: March 31, 2015 331 billion yen (22.7%) March 31, 2014 270 billion yen (25.0%)

	Net Income per Share	Diluted Net Income per Share	Net Income on Equity	Ordinary Income on Total Assets	Operating Income Margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2015	1.54	1.54	6.1	3.5	7.1
Fiscal year ended March 31, 2014	1.93	1.92	6.5	3.9	6.9

(Notes) Investment gain or loss on equity method: March 31, 2015 — billion yen March 31, 2014 — billion yen

(2) Consolidated financial conditions

	Total Assets	Net Assets	Shareholders' Equity ratio	Net Assets per Share
	¥ millions	¥ millions	%	Yen
Fiscal year ended March 31, 2015	16,681	5,478	32.8	25.65
Fiscal year ended March 31, 2014	14,274	5,496	38.4	24.87

(Notes) Shareholders' equity: March 31, 2015 5,471 billion yen March 31, 2014 5,487 billion yen

(3) Consolidated Cash Flow

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	¥ millions	¥ millions	¥ millions	¥ millions
Fiscal year ended March 31, 2015	(1,426)	(885)	1,754	3,013
Fiscal year ended March 31, 2014	(3,137)	(69)	4,537	3,551

2. Dividends Information

	Dividend per Share					Amount of Total Dividend	Dividend ratio (consolidated)	Dividend ratio per Net Asset
	1Q	Interim	3Q	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	¥ millions	%	%
Fiscal year ended March 31, 2014	—	0.00	—	0.35	0.35	77	18.1	1.3
Fiscal year ended March 31, 2015	—	0.00	—	0.35	0.35	77	22.7	1.4
Fiscal year ending March 31, 2016 (forecast)	—	0.00	—	0.35	0.35		20.2	

3. Consolidated Business Plan for Fiscal Year Ending March 31, 2016

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	
	¥ millions	%	¥ millions	%
Full Year	12,400	15.5	600	11.0

1. Analysis Related to Business Results

(1) Business results for this fiscal year

During this consolidated fiscal year, the future of the economy of Japan remained uncertain due to factors including an unstable international situation and a slowdown in the personal spending recovery. However, with support from the flexible economic policies of the government and monetary easing policies of the Bank of Japan, we saw a continuing stock market rise that resulted from the continuing low value of the yen, recoveries in corporate performances, and expectations of an escape from the deflationary cycle, and the Japanese economy continued on its course to recovery.

In the business environment surrounding the A.D.W. Group, based on the rising land prices in the real estate industry where the Group operates, there was significant activity in both the rental market and sales market, and the market for income property also saw continuing significant growth in buying demand centered on high net-worth individuals.

In this kind of business environment and based on the Fourth Mid-Range Business Plan that was announced on March 31, 2014, the A.D.W. Group 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 carried out a variety of measures aimed at achieving further growth.

During this consolidated fiscal year, as a result of focusing our efforts on sales and acquisition of income properties in both Japan and overseas, in comparison with the full-year consolidated business plan which was announced at the start of the year, we achieved 84.5% of sales (initial plan: 127 million yen), 100.5% of EBITDA (initial plan: 787 million yen), and 108.1% of ordinary income (initial plan: 500 million yen). In terms of domestic income properties, backed by a real estate market where prices are continuing to rise, the profit margin in the income property sales business was high and exceeded our initial expectations. As a result, we partially revised the business plan, including the plan for this consolidated fiscal year, on March 9, 2015. Please refer to the "Notice of Revision to the Fourth Mid-Range Business Plan for the Period Beginning with the Year Ending March 31, 2015" that was released on the same date.

At the same time, as a result of conducting our business with a careful focus on maintaining a balance between the income property turnover rate and increasing the balance of income properties, even though sales were down from the previous fiscal year and despite continued advance investment in equipment and personnel in preparation for expanding the scale of our business, ordinary income and net income were both higher.

A.D.Works has identified "stabilizing the profit base" as one of our basic policies, and as part of putting priority on expanding the balance of income properties, we conducted active acquisition activities in the Tokyo Metropolitan Area (Tokyo and the surrounding 3 prefectures) and in California in the United States.

Centered on the "Royaltorch[*1]" owner's club that was launched in January 2014, we worked to provide more personalized and higher-quality services, and in other ways focused on a variety of measures to further strengthen our relationships with the customers (high net-worth individuals) who are the owners of the properties which we sold.

As a result of the above, sales during this consolidated fiscal year were 10.735 billion yen (down 6.9% from the previous fiscal year), EBITDA was 791 million yen (down 2.7% from the previous fiscal year), operating income was 759 million yen (down 4.0% from the previous fiscal year), ordinary income was 540 million yen (up 20.0% from the previous fiscal year), and net income was 333 million yen (up 23.3% from the previous fiscal year).

Segment results were as follows. The A.D.W. Group considers ordinary income to be the segment income.

(Income property sales business)

In this segment, we focused on further strengthening our acquisition activities and on sales of income properties.

As a result of this focus on acquisition activities, and the acquisition of 8.713 billion yen of income properties in Japan and overseas during this consolidated fiscal year, we greatly expanded our balance of income properties. The balance at the end of this consolidated fiscal year was 11.692 billion yen (an increase of 61.7% from the end of the previous fiscal year).

Backed by growing interest in income property investment centered on high net-worth individuals, and as a result of active sales activities, we sold a total of 29 properties in Japan and overseas during this consolidated fiscal year (compared with 32 properties in the previous fiscal year).

As a result of the above, sales were 9.388 billion yen (down 2.2% from the previous fiscal year), EBITDA was 1.073 billion yen (down 0.5% from the previous fiscal year), and operating income was 1.071 billion yen (down 0.6% from the previous fiscal year).

(Stock-type fee business)

In this business segment, as a result of our successful efforts to expand the balance of income properties as described above, aiming for a rapid transition to a stable profit structure, we steadily increased the amount of rental revenue which we can obtain from these properties. We also worked to provide a range of other services, including contracted property management that continues after a property is sold.

Rental revenue during this consolidated fiscal year increased to 717 million yen (up 55.9% from the previous fiscal year), and the number of income properties under our management was 3,293 (as of March 31, 2015).

As a result of the above, sales were 1.451 billion yen (up 30.9% from the previous fiscal year), EBITDA was 545 million yen (up 68.2% from the previous fiscal year), and operating income was 536 million yen (up 70.2% from the previous fiscal year).

(Other)

This business segment includes revenue from the general residential real estate business (new houses and secondhand houses) where we completed the sale of all properties in our inventory during this consolidated fiscal year, and also from completion of the preparatory study which was in part contracted to us by JICA in relation to the “Construction and Operation Business of Rental Plants for Small and Mid-Sized Companies at Industrial Parks in Vietnam”.

As a result of the above, sales were 54 million yen and operating income was 4 million yen.

(Notes): *1: 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.

*2: 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) Forecast for the next fiscal year

Based on the Fourth Mid-Range Business Plan (fiscal year ending March 31, 2015 – fiscal year ending March 31, 2017) that was described in 1 (1), A.D.Works will focus on the following 4 measures during the coming fiscal year (year ending March 31, 2016).

I. Adding to the balance of income properties

II. Shifting to a stable profit model

III. Achieving both high added-value to owners (customers) and cost reduction through long-term business relationships

IV. Establishing a unique position in the real estate industry

As we carry out the 4 measures above, our strategy is to exercise control aimed at maintaining a balance between the income property turnover rate and increasing the balance of income properties, and at ensuring certain portfolio ratios of income properties for mid-term sale and long-term ownership, as well as overseas (U.S.) income properties, in order to increase the rental revenue which we can obtain from the properties while we own them. We intend to give top priority to this strategy during the next fiscal year. This will allow us to stabilize our profit base, and will also contribute to improving consolidated ROE. The planned value for consolidated ROE in the next consolidated fiscal year (year end) is 6.4%.
As a result of the above, the planned values for consolidated results in the fiscal year ending March 31, 2016 are sales of 12.4 billion yen (up 15.5% from the previous fiscal year) and ordinary income of 600 million yen (up 11.0% from the previous fiscal year). We are also announcing a value for consolidated EBITDA as an index of the cash generated by the primary business of the A.D.W. Group. The planned value for consolidated EBITDA in the next fiscal year is 935 million yen (up 18.1% from the previous fiscal year).

(Consolidated results plan for the year ending March 31, 2016)

(Units: Millions yen)

	Year ended March 31, 2015 (results)	Year ending March 31, 2016 (plan)
Consolidated sales	10,735	12,400
Consolidated EBITDA	791	935
Consolidated ordinary income	540	600
Consolidated ROE (end of year)	6.1%	6.4%

Based on the conditions of this fiscal year described in 1 (1), we reexamined the plan values in the Fourth Mid-Range Business Plan for the year ending March 31, 2016. As a result, we have revised the profit margin for the income property sales business, maintaining the initial plan value for profit while reducing the level of sales. This revision was announced on March 9, 2015. For details, refer to the "Notice of Revision to the Fourth Mid-Range Business Plan for the Period Beginning with the Year Ending March 31, 2015" that was released on March 9, 2015.
The results plans announced by our company 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. Separate from the results plans, A.D.Works also announces predicted progress for each quarter in the form of "forecasts" that are updated as needed. These are based on highly accurate current information concerning the group and information that we judge to be rational.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Units: Thousands yen)

	Previous consolidated fiscal year (year ended March 31, 2014)	Current consolidated fiscal year (year ended March 31, 2015)
Assets		
Current assets		
Cash and savings	3,617,746	3,081,935
Accounts receivable	47,914	73,259
Income properties held for sale	8,939,011	10,975,508
Real estate for sale in process	146,319	77,017
Deferred tax assets	51,856	92,822
Other	180,421	207,214
Allowance for doubtful accounts	(1,511)	(2,223)
Total current assets	12,981,757	14,505,534
Fixed assets		
Tangible fixed assets		
Buildings	294,149	756,603
Accumulated depreciation	(49,974)	(67,308)
Buildings (net)	244,175	689,294
Tools, furniture, and fixtures	35,712	43,678
Accumulated depreciation	(19,995)	(22,633)
Tools, furniture, and fixtures (net)	15,717	21,045
Land	869,853	1,239,470
Construction in progress account	—	5,160
Total tangible fixed assets	1,129,745	1,954,970
Intangible fixed assets		
Other	19,528	61,095
Total intangible fixed assets	19,528	61,095
Investments and other assets		
Investment securities	500	500
Deferred tax assets	39,677	30,001
Others	103,749	129,167
Total investments and other assets	143,926	159,669
Total fixed assets	1,293,201	2,175,735
Total assets	14,274,958	16,681,270
Liabilities		
Current liabilities		
Accounts payable	411,976	450,352
Short-term loans payable	2,141,200	3,921,703
Current portion of bonds	139,500	139,500
Current portion of long-term loans payable	406,579	999,369
Corporate tax payable	79,552	157,174
Reserve for stock benefits	14,966	17,463
Other	751,784	864,367
Total current liabilities	3,945,558	6,549,930
Fixed liabilities		
Corporate bonds	1,106,750	967,250
Long-term loans payable	3,689,211	3,601,167
Other	37,380	84,018

(Units: Thousands yen)

	Previous consolidated fiscal year (year ended March 31, 2014)	Current consolidated fiscal year (year ended March 31, 2015)
Total fixed liabilities	4,833,341	4,652,435
Total liabilities	8,778,899	11,202,366

(Units: Thousands yen)

	Previous consolidated fiscal year (year ended March 31, 2014)	Current consolidated fiscal year (year ended March 31, 2015)
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	2,108,105
Treasury stock	(184,273)	(457,977)
Total shareholders' equity	5,487,444	5,473,834
Accumulated other comprehensive income		
Foreign currency translation adjustments	(427)	3,557
Deferred gains (losses) on hedges	—	(6,318)
Total accumulated other comprehensive income	(427)	(2,761)
Subscription rights to shares	9,042	7,830
Total net assets	5,496,058	5,478,903
Total liabilities and net assets	14,274,958	16,681,270

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

Consolidated Profit and Loss Statement

(Units: Thousands yen)

	Previous consolidated fiscal year (April 1, 2013 – March 31, 2014)	Current consolidated fiscal year (April 1, 2014 – March 31, 2015)
Sales	11,537,213	10,735,735
Cost of sales	9,405,010	8,206,061
Gross profit on sales	2,132,203	2,529,673
Sales, general, and administrative expenses	1,341,204	1,770,150
Operating income	790,998	759,522
Non-operating income		
Interest and dividends income	556	648
Interest on refund	859	239
Subsidy income	636	27
Insurance income	366	969
Miscellaneous income	—	1,200
Other	156	197
Total non-operating income	2,575	3,281
Non-operating expenses		
Interest paid	118,442	153,296
Commission fees	19,471	24,311
Stock issuance cost	144,270	—
Cost of changing listing market	—	30,000
Other	60,811	14,554
Total non-operating expenses	342,996	222,162
Ordinary income	450,577	540,642
Extraordinary losses		
Loss on retirement on non-current assets	—	1,050
Total extraordinary losses	—	1,050
Net income before taxes	450,577	539,591
Income taxes – current	170,308	233,548
Income taxes – deferred	9,550	(27,830)
Total income taxes	179,859	205,717
Net income before minority interests	270,717	333,873
Net income	270,717	333,873

Consolidated Comprehensive Income Statement

(Units: Thousands yen)

	Previous consolidated fiscal year (April 1, 2013 – March 31, 2014)	Current consolidated fiscal year (April 1, 2014 – March 31, 2015)
Net income before minority interests	270,717	333,873
Other comprehensive income		
Foreign currency translation adjustments	(427)	3,984
Deferred gains (losses) on hedges	–	(6,318)
Total other comprehensive income	(427)	(2,333)
Comprehensive income	270,290	331,540
(attributable to)		
Owners of the parent company	270,290	331,540
Minority interests	–	–

(3) Consolidated Statements of Cash Flows

(Units: Thousands yen)

	Previous consolidated fiscal year (April 1, 2013 – March 31, 2014)	Current consolidated fiscal year (April 1, 2014 – March 31, 2015)
Cash flows from operating activities		
Net income before taxes	450,577	539,591
Depreciation cost	22,485	31,952
Increase (decrease) in allowance for doubtful accounts	860	711
Increase (decrease) in reserve for stock benefits	14,966	2,497
Interest and dividend income	(556)	(648)
Interest paid	118,442	153,296
Stock issuance cost	144,270	–
Decrease (increase) in notes and accounts receivable – trade	(35,622)	(24,491)
Increase (decrease) in notes and accounts payable – trade	188,274	37,885
Decrease (increase) in inventory assets	(3,730,168)	(1,810,945)
Other	81,907	(41,251)
Subtotal	(2,744,563)	(1,111,401)
Interest and dividend income	556	648
Interest paid	(129,549)	(147,567)
Income taxes refunded (paid)	(264,238)	(168,670)
Cash flows from operating activities	(3,137,795)	(1,426,990)
Cash flow from investing activities		
Payments for purchase of tangible fixed assets	(19,727)	(845,794)
Payments for purchase of intangible fixed assets	(14,366)	(39,407)
Income from sale of investment securities	1,800	–
Payments for guarantee deposits	(15,000)	–
Payments for lease deposits	(21,759)	(969)
Other	–	895
Cash flow from investing activities	(69,053)	(885,277)
Cash flow from financing activities		
Proceeds from short-term borrowings	5,746,000	6,519,896
Repayments of short-term borrowings	(6,028,750)	(4,739,393)
Proceeds from long-term borrowings	3,844,170	3,000,080
Repayments of long-term borrowings	(2,160,919)	(2,513,095)
Proceeds from issuance of bonds	1,137,337	–
Payments for redemption of bonds	(83,750)	(139,500)
Payments for purchase of treasury stock	(166,800)	(299,998)
Proceeds from sale of subscription rights to shares	5,040	3,333
Proceeds from exercise of stock options	2,381,897	3,792
Dividends paid	(51,321)	(76,900)
Other	(85,334)	(3,245)
Cash flow from financing activities	4,537,568	1,754,967
Effect of exchange rate changes on cash and cash equivalents	7,349	18,869
Increase (decrease) in cash and cash equivalents	1,338,069	(538,431)
Balance of cash and cash equivalents at start of year	2,213,812	3,551,882

(Units: Thousands yen)

	Previous consolidated fiscal year (April 1, 2013 – March 31, 2014)	Current consolidated fiscal year (April 1, 2014 – March 31, 2015)
Balance of cash and cash equivalents at end of period	3,551,882	3,013,451